

# **Whanganui District Council Holdings Limited**

## **Annual Report**

**For the year ended 30 June 2020**



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## Directory

Registered office	Whanganui District Council 101 Guyton Street Whanganui Telephone (06) 349 0001 Fax (06) 349 0000 email <a href="mailto:wdc@whanganui.govt.nz">wdc@whanganui.govt.nz</a>
Postal address	PO Box 637 Whanganui
Directors	Annette Main ONZM (Chair) Matthew Doyle David Rae Simon Karipa Peter Hazledine
Auditor	Audit New Zealand On behalf of the Auditor-General
Bankers	ANZ Whanganui
Solicitors	Armstrong Barton
Shareholding as at 30 June 2020	Whanganui District Council 100%

## Statutory information

The Directors present their report and the financial statements for the year ended 30 June 2020. The Company was incorporated on 12 March 2002.

### Activities

The Group's principal activity is that of investments. Whanganui District Council Holdings Limited (WDCHL) owns 100% of the share capital of GasNet Limited and also 100% of the share capital of New Zealand International Commercial Pilot Academy Limited.

The Group also owns 100% of the share capital of Whanganui Port Limited. Since incorporation in March 2013 there have been no transactions within Whanganui Port Limited.

### Results

The Directors report a group tax paid loss of \$147,000 for the year ended 30 June 2020. Equity at the end of the year was \$30,159,000.

### Dividends

The group did not pay dividends for the year ended 30 June 2020 (2019: \$1,000,000).

### Directors and their remuneration

Directors fees paid by WDCHL during the year were as follows:

Annette Main (Chair)	\$52,450
Matthew Doyle	\$50,783
David Rae	\$44,177
Simon Karipa	\$42,450
Peter Hazledine	\$47,981
Charles Anderson (NZIPCA)	\$12,000

### Directors' and officers' insurance

Pursuant to Sections 162(3) and 162(4) of the Companies Act 1993 and WDCHL constitution, Whanganui District Council Holdings Limited has affected liability insurance cover for Directors and Officers up to \$5 million. WDCHL has paid 100% of the premium for this cover.

### Shareholding by directors

No Directors held Group shares, or acquired or disposed of shares during the year.

### Use of WDCHL information

No Directors have used or acted on information that would not otherwise be available to Directors.

### Auditor's remuneration

The audit fees for the current year will be \$86,084.

### Donations

There were no donations for the year (2019 \$nil).

### Employee Remuneration

There were no employees of WDCHL who received total remuneration benefits of more than \$100,000 per annum (2019 nil).

## Directors' Interests

The Directors have made the following declarations of interest:

Name:	Company/Interest:
Matthew Doyle	Doyle & Associates – The Accountants Limited
	Whanganui District Council Holdings Limited
	GasNet Limited
	New Zealand International Commercial Pilot Academy Limited
	32 TQ Limited
	McCarthy Transport Assets Limited
	McCarthy Transport Holdings Limited
	McCarthy Transport Contractors Limited
	Doyle Audit Chartered Accountants Limited
Peter Hazledine	Altosa Forestry Company Limited
	Kakahi General Partner Limited
	Hazledine Consulting
	Whanganui District Council Holdings Limited
	GasNet Limited
	New Zealand International Commercial Pilot Academy Limited
Simon Karipa	Paraekaretu Solutions Limited
	Whanganui Iwi Fisheries Limited
	Te Ngakinga o Whanganui Investment Trust
	Karipa Marumaru Whānau Trust
	Parewānui Trust
	Whanganui District Council Holdings Limited
	GasNet Limited
	New Zealand International Commercial Pilot Academy Limited
	Maara Moana Limited
	Puramakau 2L Limited
	Puramakau 2M Limited
	Puramakau 2N Limited
	Puramakau 2O Limited
	Te Kumara 3L Limited
	Waikato 1B Limited
	Waikato 1C Limited
	Waikato 1D Limited
	Crown Forestry Rental Trust
Annette Main	Te Korire Trust
	Lovely Food Co.
	The Kitchen Whanganui
	Taiata
	Whanganui District Council Holdings Limited
	GasNet Limited
	New Zealand International Commercial Pilot Academy Limited
	Kakahi General Partner Limited

	Tupuho & Holdings General Partner Limited
	Whanganui Port Limited
	UCOL (Universal College of Learning)
David Rae	Astronomy NZ Limited
	PIF Guardians Limited
	Whanganui District Council Holdings Limited
	GasNet Limited
	New Zealand International Commercial Pilot Academy Limited
	The New Zealand Refining Company Pension Fund
	The New Zealand Refining Nominees Limited
	MyFiduciary Limited
	David Rae Associates Limited
	Te Puia Tapapa Limited Partnership
	Public Infrastructure Partners Fund III
	Galileo Green Energy GmbH
	Public Trust Investment Committee

## Company's Affairs

The Directors consider the state of the Company's affairs to be satisfactory.  
On behalf of the Board

  
Carolyn Van Leuven  
Chair

  
Lucy Elwood  
Director



## Chair's Report

I am pleased to provide this report on behalf of Whanganui District Council Holdings Limited (WDCHL) for the year ended 30 June 2020.

### Governance

The Directors of WDCHL are responsible to Council as their shareholder for the performance on investments and the performance of GasNet and NZICPA.

The end of 2020 concluded a challenging year which up until the onset of COVID-19 had shown significant growth and opportunity.

The agreement signed earlier in 2018 between NZICPA and India's largest passenger airline IndiGo provided the catalyst for significant growth in both NZICPA and WDCHL with the commitment to provide training to IndiGo's cadet pilots.

The former Collegiate Motor Inn was purchased under the planned joint venture with Tupoho in addition to the former rest home Nazareth purchased the previous year, with both facilities providing accommodation for international and domestic students and the NZICPA-IndiGo cadet training programme.

In order to provide the required number of aircraft to train the increased number of trainee pilots the Board agreed, with shareholder approval, to purchase additional aircraft from Canadian based Diamond Aircraft Industries.

The completion of the Advanced Aviation Hub business case last year and further effort from a highly experienced team of individuals on an investment case, provided the confidence which lead to an application to the Provincial Growth Fund.

The Board agreed to purchase, in a joint venture with Te Ngakinga, the former YMCA/St Georges premises in Grey Street Whanganui, with the intention of providing the location for the Whanganui based Advanced Aviation Hub. The building was tenanted by both YMCA and NZICPA.

The rapid escalation of COVID-19 within New Zealand and the subsequent closure of the borders has had a significant impact on the plans for both WDCHL and NZICPA, and to a much lesser extent GasNet.

As NZ moved to lockdown at level 4 in late March 2020, with international borders closed with unknown future effect on the airline industry, the Provincial Growth Fund discussion was postponed, and the number of IndiGo cadet pilots has necessarily remained at current levels until the NZ borders reopen. The agreement to purchase the Diamond aircraft has been put on hold until the situation and impact of COVID-19 becomes clearer.

The impact of COVID-19 on GasNet has been minimal up to year end but a water ingress event on its Whanganui low pressure network in February 2020 did impact on its profitability to budget expectations.

WDCHL also provided further oversight of commercial activities undertaken at both the Whanganui Airport and Port at the request of Whanganui District Council. This has included involvement of the Chair and Deputy Chair on a governance support team for the Whanganui Port Revitalisation Project.

Our primary focus is to ensure that the interests of the shareholders and key stakeholders are protected and enhanced by adding long-term value to the Company's shares. We have Statements of Intent agreed with the Whanganui District Council. The Board uses best practice to identify, manage and resolve strategic issues and regularly evaluates economic, political, social and legal matters that may influence or affect the development of the business or the interests of Shareholders and takes outside expert advice on these matters when necessary.



The Board consists of the following Directors:

Annette Main – Chair  
Matthew Doyle – Deputy Chair  
Peter Hazledine  
Simon Karipa  
David Rae

All directors have brought different sets of skills to contribute to consensus decision-making at the board table, and all are appointed to the boards of GasNet and NZICPA. Matt Doyle chaired the board of NZICPA up until his resignation in March 2020 when David Rae was appointed and I appreciate his willingness to step into this role. Charlie Anderson is appointed to the board of NZICPA.

#### **PERSONNEL**

Jim Coe was appointed to General Manager of GasNet and commenced in April 2020 following the resignation of Geoff Evans in January 2020.

Geoff Evans was subsequently offered and accepted the role of General Manager of WDCHL and commenced in May 2020.

The Directors would like to acknowledge the work of Phill Bedford CE and the team at NZICPA, Jim Coe and his team at GasNet, and Geoff Evans for their effort and achievements during a very busy and challenging year.

#### **AUDITORS**

The Auditors are Audit New Zealand who act on behalf of The Office of the Auditor General and will continue to do so as required by legislation.

#### **SUMMARY**

GasNet has been able to report on another successful financial year, despite trading results not quite meeting budget expectations following February's network outage event due to water intrusion.

By year end NZICPA was training the highest number of pilot students in flight training it has had since the company was formed in 2015.

NZICPA completed its New Zealand Qualifications Authority (NZQA) External Evaluation and Review (EER) and was ranked the best pilot training organisation in the country, rated excellent in each and every field. It is not possible to do better

Although the year ended much differently to how we expected it would, the Directors and officers of WDCHL and its subsidiaries NZICPA and GasNet remain committed and determined to manage the coming months and years as the situation under COVID-19 changes and evolves.

#### **Thanks**

I would like to express my appreciation to my fellow directors for the considerable effort and time commitment they have made in this financial year. Professional services over and above their role as company directors has been required due to our additional activities in another demanding financial year and I recognise that this has placed considerable pressure on their own businesses.

The willingness of Whanganui District Council to discuss sensitive commercial negotiations in confidence when necessary is appreciated, as is their support of our desire to see strong economic benefit for Whanganui come from investment.

The contribution of Kym Fell in his role as WDC Chief Executive, Mike Fermor and the WDC Finance Team, and Louise Davies who had provided our ever increasing administration support up until February 2020, is gratefully acknowledged.

We look forward to the inevitable challenges of the coming year under COVID-19 and further progress in providing greater economic growth and development of all areas we have responsibility to manage on behalf of the Whanganui District Council, and ultimately the Whanganui community.

Annette Main  
Chair



## Statement of comprehensive income

For the year ended 30 June 2020

		Group	
	Note	2020 \$000	2019 \$000
<b>Income</b>			
Sales		8,798	7,754
Cost of sales		1,554	1,113
Gross profit from trading		7,244	6,641
Finance income	1	18	39
Other revenue	2	1,707	1,005
Gains/(Losses)	3	100	81
Total income		9,068	7,766
<b>Expenses</b>			
Personnel costs	4	2,590	1,936
Depreciation and amortisation expense		1,993	1,490
Finance costs	1	681	835
Impairment expense		-	-
Other expenses	5	3,625	2,909
Total expenses		8,890	7,169
<b>Surplus/(deficit) before tax</b>		<b>178</b>	<b>596</b>
Income tax expense	6	31	35
<b>Surplus/(deficit) after tax</b>		<b>147</b>	<b>562</b>
<b>Other comprehensive income and expenses</b>			
Asset revaluation movement		-	-
Income tax re-components of other comprehensive income		-	-
Total other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>147</b>	<b>562</b>
<b>Attributable to</b>			
Whanganui District Council Holdings Limited		147	562
		<b>147</b>	<b>562</b>

The accompanying notes form part of these financial statements.

## Statement of changes in equity

For the year ended 30 June 2020

Note	Group 2020 \$000	2019 \$000
Balance at 1 July	30,011	30,449
<b>Comprehensive income</b>		
Surplus/(deficit) after tax from continuing operations	147	562
Adjustment opening balances		
<i>Total comprehensive income</i>	147	562
<b>Attributable to</b>		
Whanganui District Council Holdings Limited	147	562
<b>Transactions with shareholders</b>		
Issue Share Capital	-	-
Dividends paid	-	(1,000)
<b>Equity as at 30 June</b>	<b>30,159</b>	<b>30,011</b>

*The accompanying notes form part of these financial statements.*

## Statement of financial position

As at 30 June 2020

		Group	
	Note	2020 \$000	2019 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	2,112	841
Debtors and other receivables	8	4,426	2,560
Other financial assets		-	-
Taxation refund		5	7
Right of use asset		110	-
Non-Current assets held for sale		-	-
Inventories	10	457	297
		<b>7,110</b>	<b>3,705</b>
<b>Non-current assets</b>			
Other financial assets		-	-
Property, plant and equipment	11	48,009	39,284
Intangible assets	12	1	23
Investment property		-	-
Right of use asset		13	-
Goodwill on consolidation	12	9,353	9,749
		<b>57,375</b>	<b>49,056</b>
<b>Total assets</b>		<b>64,485</b>	<b>52,761</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Creditors and other payables	13	1,555	1,102
Employee entitlements	14	306	176
Lease liabilities		111	-
Tax payable		(61)	259
Derivative financial instruments	9	39	-
Borrowings	15	8,135	-
Income in advance		3,165	1,497
		<b>13,250</b>	<b>3,034</b>
<b>Non-current liabilities</b>			
Borrowings	15	13,814	12,371
Derivative financial instruments	9	289	428
Lease liabilities		12	-
Deferred tax	6	6,961	6,918
		<b>21,076</b>	<b>19,717</b>
<b>Total liabilities</b>		<b>34,326</b>	<b>22,750</b>
<b>Net assets</b>		<b>30,159</b>	<b>30,011</b>
<b>Equity</b>			
Share capital	16	7,846	7,846
Retained earnings	16	13,970	13,823
Asset revaluation reserve	16	8,342	8,342
		<b>30,159</b>	<b>30,011</b>

For and on behalf of the Board

Carolyn Van Leuven  
Chair

The accompanying notes form part of these financial statements.



## Statement of cash flows

For the year ended 30 June 2020

	Note	Group 2020 \$000	Group 2019 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers		10,520	8,961
Interest received		18	39
Dividends received		-	-
Payments to suppliers and employees		(7,281)	(5,580)
GST (net)		(211)	202
Taxes paid		(309)	(632)
Subvention payment		-	-
Interest paid		(715)	(934)
<b>Net cash from operating activities</b>	<b>17</b>	<b>2,022</b>	<b>2,056</b>
<b>Cash flows from investing activities</b>			
Sale of fixed assets and investments		-	-
Purchase of intangibles		(1)	(17)
Purchase of fixed assets and investments		(10,299)	(1,705)
<b>Net cash from investing activities</b>		<b>(10,300)</b>	<b>(1,722)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		9,660	-
Advances to subsidiaries		-	1,059
Repayment of loans		(111)	(3,729)
Purchase of shares		-	-
Dividends paid		-	(1,000)
<b>Net cash from financing activities</b>		<b>9,550</b>	<b>(3,670)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>1,272</b>	<b>(3,336)</b>
Cash and cash equivalents at the beginning of the year		841	4,177
<b>Cash and cash equivalents at the end of the year</b>		<b>2,112</b>	<b>841</b>

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

*The accompanying notes form part of these financial statements.*



## Statement of accounting policies

For the year ended 30 June 2020

### REPORTING ENTITY

Whanganui District Council Holdings Limited (WDCHL) is a company formed in accordance with and registered under the Companies Act 1993. WDCHL is controlled by Whanganui District Council (the Council) and is a Council Controlled Trading Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint the Board of Directors. WDCHL is domiciled in New Zealand.

The group financial statements include its subsidiaries, GasNet Limited and New Zealand International Commercial Pilot Academy (NZICPA) which are also domiciled in New Zealand. On 1 July 2008 the two independent trading divisions of Wanganui Gas Limited, GasNet and Energy Direct NZ, were established as separate companies. Both companies are 100% owned by Wanganui Gas Limited. During 2013, the assets of Energy Direct NZ Ltd were sold and the company ceased to operate as an energy retailer. On 30 June 2016 Wanganui Gas Limited, Wanganui Gas No. 1 Limited, Wanganui Gas No. 3 Limited and GasNet Limited were amalgamated to become GasNet Limited. NZICPA was acquired at the start of the 2016 Financial Year and it is consolidated for the fourth time into the Group accounts.

The primary objective of WDCHL is to operate as a successful business in relation to its investments and the monitoring roles assigned to it under contract by the Council. The Group aims to improve the long term value and financial return that the Council receives from its trading undertakings.

WDCHL is a profit oriented entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of WDCHL are for the year ended 30 June 2020. The financial statements were authorised for issue by the Board of Directors on 8 December 2023.

### BASIS OF PREPARATION

#### Statement of compliance

The financial statements of WDCHL have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP.

For the purposes of complying with NZ GAAP, the WDCHL is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector. The WDCHL has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

#### Measurement base

The financial statements are prepared using the historical cost basis, modified by the revaluation of certain financial instruments (including derivative instruments).

#### Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars. The Group's functional currency is New Zealand dollars.

#### Changes to Accounting Policies

There have been no changes to accounting policies.

### SIGNIFICANT ACCOUNTING POLICIES

#### Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intergroup balances, transactions, income and expenses are eliminated on consolidation.

#### Subsidiaries

WDCHL consolidates as subsidiaries in the group financial statements all entities where WDCHL has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where WDCHL controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by WDCHL or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

WDCHL measures the cost of a business combination as the aggregate of:

- the consideration transferred, which is generally measured at acquisition date fair value;
- the amount of any non-controlling interest measured at either fair value or the non-controlling interest in the fair value of the net identifiable assets of the acquiree; and
- the acquisition date fair value of the previously held equity interest in the acquiree, if any.

Any excess of the cost of the business combination over WDCHL's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If WDCHL's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the statement of comprehensive income.

#### **Revenue**

Revenue is measured at the fair value of consideration received or receivable. The group satisfies its performance obligations of IFRS 15 and recognises revenue over time.

Revenue is derived from gas network distribution services. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Dividends are recognised when the shareholder's rights to receive payment has been established and are recognised net of imputation credits.

A grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

#### **Borrowing costs**

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset, otherwise borrowing costs are recognised as an expense in the period in which they are incurred.

#### **Income Tax**

Income tax expense is the aggregate of current period movements in relation to both current and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects that tax consequences that would follow from the manner in which WDCHL expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting surplus nor taxable surplus.

Current and deferred tax is recognised against the statement of comprehensive income for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

#### **Debtors and other receivables**

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that WDCHL will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

### **Financial Instruments**

Financial instruments that potentially subject the Group to credit risk are cash and bank balances, debtors and investments. The Group is exposed to interest rate risk through the issuance of debt instruments. The Group is not subject to currency risk. Financial instruments are recognised in the Statement of Financial Position. Revenues and expenses in relation to financial instruments are recognised in the Statement of comprehensive income. Unless covered by a separate policy, all financial instruments are shown at their fair value. Therefore, as per the new standard IFRS 9 the group meets its requirements.

#### *Financial Assets*

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the statement of comprehensive income.

Purchases and sales of financial assets are recognised on trade-date, the date on which The Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The Group has loans and receivables assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. The Group loans and receivables comprise cash and cash equivalents, debtors and other receivables, and term deposits.

#### *Financial Liabilities*

Financial liabilities (creditors, income in advance, loans, bonds and deposits) are initially recognised at fair value. These are subsequently recognised at amortised cost.

#### *Impairment of Financial Assets*

At each Statement of Financial Position date the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of comprehensive income.

Impairment of a loan or a receivable is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For term deposits, impairment losses are recognised directly against the instrument's carrying amount.

### **Derivative financial instruments and hedge accounting**

WDCHL uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities. The Group uses derivatives only for economic hedging purposes and not as speculative investments. All derivatives meet the hedge accounting criteria, so they are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a cash flow hedge or a fair value hedge under NZ IFRS 9.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset date, payment date, maturity and notional amount. The Group may hedge less than 100% of any particular borrowing, therefore the hedged item may be identified as a proportion of an outstanding borrowing up to the notional amount of the swap.

Hedge ineffectiveness for interest rate swaps may occur due to the credit value/debit value adjustment on the interest rate swap which is not matched by the loan, and differences in critical terms between the interest rate swap and loan.

The associated gains or losses of derivatives that are not hedge accounted are recognised in the statement of comprehensive income.

WDCHL designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

#### Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of comprehensive income together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Statement of comprehensive income within Other income or Other expenses.

Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate movements are also recognised in the Statement of comprehensive income.

#### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately as Other income or Other expenses in Profit or loss. Amounts accumulated in Other comprehensive income are recycled in the Statement of comprehensive income in the periods when the hedged item will affect profit or loss (for instance when the forecast transaction that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, asset purchase) or a non-financial liability, the gains and losses previously deferred in Other comprehensive income are transferred from Other comprehensive income and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Other comprehensive income at that time remains in Other comprehensive income and is recognised when the forecast transaction is ultimately recognised in Profit or loss or is capitalised on the recognition of a non-financial asset. When a forecast transaction is no longer expected to occur, the

Cumulative gain or loss that was reported in Other comprehensive income is immediately transferred to Profit or loss.

#### Derivatives that do not qualify for hedge accounting

In the event that a derivative does not qualify for hedge accounting or for which hedge accounting has not been adopted, changes in its fair value would be recognised immediately in Profit or loss as Other income or Other expenses.

### Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost, adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average method.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the statement of comprehensive income in the period of the write-down.

### Capital contributions

Where the Group constructs assets at its own cost and receives a cash payment from a third party as part, or full payment for the development of such assets, the Group recognises the asset at the cost incurred to construct the asset and recognises the cash received as revenue.

### Impairment of assets

At each balance date WDCHL assesses whether there is any objective evidence that any asset has been impaired. Any impairment losses are recognised in the statement of comprehensive income.

### Property, plant and equipment

Property, plant and equipment consists of:



*Operational assets* – these include land, buildings, motor vehicles and plant and equipment.

*Infrastructure assets* – these include the fixed utility systems comprising the distribution and measurement systems. Each asset type includes all items that are required for the network to function.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

#### *Revaluation*

Land, buildings and infrastructural assets are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

WDCHL assesses the carrying values of its revalued assets annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

WDCHL accounts for revaluations of property, plant and equipment on an asset by asset basis.

The results of revaluing are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the statement of comprehensive income. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the statement of comprehensive income will be recognised first in the statement of comprehensive income up to the amount previously expensed, and then recognised in other comprehensive income.

#### *Additions*

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to WDCHL and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

#### *Disposals*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

#### *Depreciation*

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and art works, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

<b>Asset type</b>	<b>Depreciation rate</b>
Distribution Network Mains and Services	1-15% SL
Distribution Network Condition Renewals	2% SL
Gas Measurement Systems and Distribution Network Customer Stations	1-10% SL
Buildings	2% SL
Vehicles, Plant, Office Equipment and Furniture and Fittings	4-40 % SL
Computer Hardware	20-33% SL
Leasehold Improvements	2-20% SL
Aircraft	10% SL
Simulators	8-40% SL

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

#### **Investment property**

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition the asset shall be carried at its fair value.

#### **Intangible assets**

##### *Goodwill*



Goodwill represents the excess of the cost of an acquisition over the fair value of WDCHL's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets".

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination, in which the goodwill arose.

#### *Software acquisition and development*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by WDCHL, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the statement of comprehensive income when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

#### *Amortisation*

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of comprehensive income.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3 years	33%
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#### **Impairment of property, plant and equipment and intangible assets**

Intangible assets that have an indefinite useful life, or not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated, replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets and cash generating units is the present value of expected future cash flows. In assessing value in use the estimated cashflows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and risks to the specific asset.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of comprehensive income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of comprehensive income, a reversal of the impairment loss is also recognised in the statement of comprehensive income.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the statement of comprehensive income.

#### **Creditors and other payables**

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

#### **Borrowings**

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.



Borrowings are classified as current liabilities unless WDCHL has an unconditional right to defer settlement of the liability for at least 12 months after the balance date or if the borrowings are expected to be settled within 12 months of balance date.

### **Employee entitlements**

#### *Short-term employee entitlements*

Employee benefits that WDCHL expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at, balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

WDCHL recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that WDCHL anticipates it will be used by staff to cover those future absences.

WDCHL recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

#### *Presentation of employee entitlements*

Annual leave expected to be settled within 12 months of balance date is classified as a current liability. All other employee entitlements are classified as a non-current liability.

### **Equity**

Equity is the community's interest in WDCHL and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- retained earnings
- property, plant and equipment reserves
- fair value through other comprehensive reserves

### **Goods and Service Tax (GST)**

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

### **Critical accounting estimates and assumptions**

In preparing these financial statements WDCHL has made estimates and assumptions concerning the future which may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

At each balance date WDCHL reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires WDCHL to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by WDCHL, and expected disposal proceeds from the sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of comprehensive income, and carrying amount of the asset in the statement of financial position. WDCHL minimises the risk of this estimation uncertainty by:

- physical inspection of assets
- asset replacement programmes
- review of second hand market prices for similar assets
- analysis of prior assets sales; and
- completing a revaluation of the infrastructure assets every third year

WDCHL has not made significant changes to past assumptions concerning useful lives and residual values.

The carry amounts of property, plant and equipment are disclosed in note 12.

An incorrect estimate of the residual value will impact on the amortisable amount of an intangible asset impacting on the amortisation expense recognised in the profit and loss statement and the carrying amount of the intangible asset in the balance sheet. WDCHL minimises the risk of this estimation uncertainty to its intangible assets by:

- a review of any prices for trades of similar intangible assets.
- an annual review of the appropriateness of the amortisation rate.
- analysis of prior intangible asset sales.

## Notes to the Financial Statements

For the year ended 30 June 2020

### 1. Finance income and finance costs

	Group 2020 \$000	2019 \$000
Finance income		
Interest income	18	39
- from term loans	-	-
Dividend income	-	-
<b>Total finance income</b>	<b>18</b>	<b>39</b>
Finance costs		
Interest paid on fixed loans	681	835
<b>Total finance costs</b>	<b>681</b>	<b>835</b>

### 2. Other revenue

	Group 2020 \$000	2019 \$000
Management fees	252	252
User charges	71	171
Grants	400	269
Rental income	189	258
Sundry revenue	795	55
<b>Total other revenue</b>	<b>1,707</b>	<b>1,005</b>

### 3. Gains/(Losses)

	Group 2020 \$000	2019 \$000
Non-financial instruments		
Property plant and equipment gains/(losses) on disposal	-	-
Investment property gains/(losses)	-	-
<b>Total non-financial instruments gains/(losses)</b>	<b>-</b>	<b>-</b>
Financial instruments		
Gains/(losses) from derivative financial instruments	100	81
<b>Total financial instruments gains/(losses)</b>	<b>100</b>	<b>81</b>
<b>Total gains/(losses)</b>	<b>100</b>	<b>81</b>

### 4. Personnel costs

	Group 2020 \$000	2019 \$000
Salaries and wages	2,649	2,022
Employer contributions to superannuation	33	33
Other personnel costs	73	57
Increase/(decrease) in employee entitlements/liabilities	-	-
Less capitalised labour	(165)	(176)
<b>Total personnel costs</b>	<b>2,590</b>	<b>1,936</b>

## Notes to the Financial Statements

For the year ended 30 June 2020

### 5. Other expenses

Fees to principal auditor:  
- audit fees for financial statement audit  
- audit related fees for disclosure regulations  
Directors' fees  
Rental and operating lease costs  
Other operating costs

**Total operational expenses**

<b>Group</b>	
<b>2020</b>	<b>2019</b>
<b>\$000</b>	<b>\$000</b>
86	65
46	46
250	242
288	267
2,956	2,289
<b>3,625</b>	<b>2,909</b>

### 6. Tax

#### Components of tax expense

Current tax expense  
Deferred tax on temporary differences  
Prior period adjustment  
**Income tax expense**

<b>Group</b>	
<b>2020</b>	<b>2019</b>
<b>\$000</b>	<b>\$000</b>
547	719
39	(95)
(556)	(589)
<b>31</b>	<b>35</b>

#### Relationship between tax expense and accounting profit

Surplus/(deficit) before tax  
Tax @ 28%  
Non-taxable income  
Non-deductible expenditure  
Deferred tax not recognised  
Deferred tax adjustment  
Prior period adjustment

178	596
50	167
-	-
362	(225)
-	-
(314)	733
(67)	(640)
<b>31</b>	<b>35</b>

**Total tax expense**

#### Deferred tax liability - group

All tax losses have been recognised in the group.

Balance 1 July 2018  
Charged to profit and loss  
Charged to equity  
Balance 30 June 2019  
Charged to profit and loss  
Charged to equity  
**Balance 30 June 2020**

<b>Property plant and equipment \$000</b>	<b>Provisions and derivatives \$000</b>	<b>Tax losses \$000</b>	<b>Total \$000</b>
7,586	(162)	(406)	7,018
(31)	9	(77)	(99)
7,555	(154)	(483)	6,918
(99)	47	95	43
<b>7,456</b>	<b>(107)</b>	<b>(387)</b>	<b>6,961</b>

The prior year tax liability for GasNet limited was offset by losses of \$1,329,685 from WDCHL and losses from WDC of \$318,184

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## Notes to the Financial Statements

For the year ended 30 June 2020

### 7. Cash and cash equivalents

	Group 2020 \$000	2019 \$000
Cash at bank and on hand	2,112	841
Term deposits with maturities less than 3 months	-	-
<b>Total cash and cash equivalents</b>	<b>2,112</b>	<b>841</b>

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value.

### 8. Debtors and other receivables

	Group 2020 \$000	2019 \$000
Trade debtors	4,286	2,447
Amounts due from related parties (Note 21)	-	-
Other receivables	88	121
Less provision for impairment	(8)	(8)
GST	60	-
<b>Total debtors and other receivables</b>	<b>4,426</b>	<b>2,560</b>

#### Fair value

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of debtors and other receivables approximate their fair value.

The status of receivables as at 30 June 2020 and 2019 are detailed below:

	2020		Net
Group	Gross \$000	Impairment \$000	\$000
Not past due	3,697	(8)	3,689
Past due 1-60 days	147	-	147
Past due 61-120 days	65	-	65
Past due > 120 days	525	-	525
<b>Total</b>	<b>4,434</b>	<b>(8)</b>	<b>4,426</b>

  

	2019		Net
Group	Gross \$000	Impairment \$000	\$000
Not past due	2,423	-	2,423
Past due 1-60 days	1	-	1
Past due 61-120 days	18	-	18
Past due > 120 days	127	(8)	119
<b>Total</b>	<b>2,568</b>	<b>(8)</b>	<b>2,560</b>

## Notes to the Financial Statements

For the year ended 30 June 2020

The impairment provision has been calculated based on expected losses for the WDCHL group's pool of debtors. Expected losses have been determined based on an analysis of WDCHL's losses in following periods, and review of specific debtors as detailed below.

Collective impairment  
Individual impairment  
Total provision for impairment

Group 2020 \$000	2019 \$000
-	-
8	8
8	8

Movements in the provision for impairment of receivables are as follows:

At 1 July  
Additional provisions made during the year  
Provisions reversed during the year  
Receivables written-off during period  
At 30 June

Group 2020 \$000	2019 \$000
18	18
-	-
-	-
-	-
18	18

WDCHL holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

### 9. Derivative financial instruments

Current asset portion  
Interest rate swaps - fair value hedges

Non-current asset portion  
Interest rate swaps - fair value hedges

Total derivative financial instrument assets

Current liability portion  
Interest rate swaps - fair value hedges

Non-current liability portion  
Interest rate swaps - fair value hedges

Total derivative financial instrument liabilities

Group 2020 \$000	2019 \$000
-	-
-	-
-	-
-	-
-	-
(39)	-
(39)	-
(289)	(428)
(289)	(428)
(328)	(428)

#### Fair value

The fair values of interest rate swaps have been determined using a discounted cash flows valuation technique based on quoted market prices.

#### Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for the Group were \$4,000,000 (2019 \$4,000,000). At 30 June 2020, the fixed interest rates of cash flow hedge interest rate swaps vary from 5.55% to 6.11% (2019 5.55% to 6.11%).

### 10. Inventories

Held for distribution/Commercial inventories  
Network  
Other

Group Total Inventories

Group 2020 \$000	2019 \$000
457	297
-	-
457	297

Inventories are pledged as security for liabilities \$456,565 (2019 \$296,983). There has been no write-down of commercial inventories to net realisable value (2019 nil).

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## Notes to the Financial Statements

For the year ended 30 June 2020

### 11. Property, plant and equipment

#### Valuation

##### *Infrastructural assets*

The distribution network and the gas measurement systems had been carried at cost less depreciation. A revaluation at 30 June 2018 increased the carrying value of the Infrastructural assets by \$3.919 million. The revaluation was completed using a discounted cashflow methodology. A peer review was undertaken by Jeff Whitlock from Markham and Partners.

Assets are pledged as security for liabilities at a group level.



## Notes to the Financial Statements

For the year ended 30 June 2020

### 11. Property, plant and equipment

Group 2020	Cost/ valuation 1 July 2019 \$000	Accumulated depreciation and impairment charges 1 July 2019 \$000	Carrying amount 1 July 2019 \$000	Current year additions \$000	Current year transfers & disposals \$000	Current year impairment charges \$000	Current year depreciation \$000	Accumulated Depreciation eliminated on disposals and revaluations \$000	Revaluation movement \$000	Cost/ revaluation 30 June 2020 \$000	Accumulated depreciation and impairment charges 30 June 2020 \$000	Carrying amount 30 June 2020 \$000
<i>Infrastructural assets:</i>												
Distribution network	31,518	(944)	30,574	518	-	-	(875)	-	-	32,036	(1,819)	30,216
Work in Progress	15	-	15	2	-	-	-	-	-	17	-	17
Gas measurement system	4,346	(278)	4,068	142	-	-	(259)	-	-	4,488	(537)	3,951
	-	-	-	-	-	-	-	-	-	-	-	-
<i>Operational assets:</i>												
Land	39	-	39	-	-	-	-	-	-	39	-	39
Buildings	2,454	(30)	2,424	7,219	-	-	-	-	-	9,673	(30)	9,643
Buildings Work in progress	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	164	(146)	18	2	-	-	(2)	-	-	166	(148)	18
Vehicles	359	(253)	106	150	(30)	-	(33)	30	-	509	(285)	224
Office equipment	38	(19)	19	14	-	-	(9)	-	-	52	(28)	25
Furniture and fittings	275	(46)	227	81	-	-	(29)	-	-	356	(78)	279
Plant and equipment	458	(287)	171	53	-	-	(51)	-	-	511	(338)	173
Computer hardware & software	109	(103)	5	28	-	-	(4)	-	-	137	(107)	28
Aircraft	1,793	(223)	1,569	1,328	-	-	(259)	-	-	3,120	(483)	2,638
Simulators	80	(31)	49	759	-	-	(52)	-	-	839	(83)	756
<b>Total</b>	<b>41,648</b>	<b>(2,362)</b>	<b>39,284</b>	<b>10,298</b>	<b>(30)</b>	<b>-</b>	<b>(1,575)</b>	<b>30</b>	<b>-</b>	<b>51,944</b>	<b>(3,936)</b>	<b>48,009</b>

## Notes to the Financial Statements

For the year ended 30 June 2020

### 11. Property, plant and equipment cont...

Group 2019	Cost/ valuation 1 July 2018 \$000	Accumulated depreciation and impairment charges 1 July 2018 \$000	Carrying amount 1 July 2018 \$000	Current year additions \$000	Current year transfers & disposals \$000	Current year impairment charges \$000	Current year depreciation \$000	Accumulated Depreciation eliminated on disposals and revaluations \$000	Revaluation movement \$000	Cost/ revaluation 30 June 2019 \$000	Accumulated depreciation and impairment charges 30 June 2019 \$000	Carrying amount 30 June 2019 \$000
<i>Infrastructural assets:</i>												
Distribution network	30,794	-	30,794	723136.99	0	-	-943520.21	-	-	31 518	(944)	30,573
Work in Progress	19	-	19	457539	-462084	-	0	-	-	15	-	15
Gas measurement system	4,177	-	4,177	189	-	-	(278)	-	-	4,346	(278)	4,068
<i>Operational assets:</i>												
Land	39	-	39	-	-	-	-	-	-	39	-	39
Buildings	2,176	(30)	2,146	277854.42	-	-	0	-	-	2,454	(30)	2,424
Buildings Work in progress	-	-	-	-	-	-	0	-	-	-	-	-
Leasehold improvements	163	(143)	19	1755.65	(1)	-	-2560.39	-	-	164	(146)	19
Vehicles	294	(222)	72	65	-	-	-31082.64	-	-	359	(253)	106
Office equipment	29	(12)	17	9712	0	-	-6901.7	-	-	38	(19)	20
Furniture and fittings	248	(22)	226	27421.64	-2574.77	-	-26003.13	3	-	275	(48)	227
Plant and equipment	327	(250)	77	130851.1	0	-	-36505.25	-	-	458	(287)	171
Computer hardware & software	106	(96)	8	2381.87	-16381.24	-	-5548.9	16	-	109	(103)	4
Aircraft	503	(87)	416	1290000	0	-	-135773.55	-	-	1,783	(223)	1,568
Simulators	80	(23)	57	0	0	-	-7999.99	-	-	80	(31)	49
<b>Total</b>	<b>38,955</b>	<b>(887)</b>	<b>38,067</b>	<b>3,155</b>	<b>(481)</b>		<b>(1,476)</b>	<b>19</b>		<b>41,648</b>	<b>(2,362)</b>	<b>39,284</b>

## Notes to the Financial Statements

For the year ended 30 June 2020

### 12. Intangible assets

Movements for each class of intangible asset are as follows:

	Group software & licences \$000	Group goodwill \$000	Group Total \$000
Balance at 1 July 2019			
Cost	463	11,446	11,910
Accumulated amortisation and impairment	(440)	(1,697)	(2,137)
Opening carrying amount	23	9,749	9,772
Year ended 30 June 2020			
Additions	1	-	1
Disposals /Transfers (cost)	-	-	-
Accumulated Depreciation eliminated on Disposal	-	-	-
Amortisation and impairment charge	(22)	(396)	(418)
Closing carrying amount	1	9,353	9,354
Balance at 30 June 2020			
Cost	464	11,446	11,910
Accumulated amortisation and impairment	(463)	(2,093)	(2,556)
Closing carrying amount	1	9,353	9,354
Balance at 1 July 2018			
Cost	443	11,446	11,890
Accumulated amortisation and impairment	(424)	(1,697)	(2,121)
Opening carrying amount	19	9,749	9,768
Year ended 30 June 2019			
Additions	19	-	19
Disposals (cost)	-	-	-
Accumulated Depreciation eliminated on Disposal	-	-	-
Amortisation & impairment charge	(16)	-	(16)
Closing carrying amount	23	9,749	9,772
Balance at 30 June 2019			
Cost	463	11,446	11,910
Accumulated amortisation and impairment	(440)	(1,697)	(2,137)
Closing carrying amount	23	9,749	9,772

There are no restrictions over the title of the Groups intangible assets, nor are any Intangible assets pledged as security for liabilities.

#### Goodwill

WDCHL Goodwill relates to the purchase of the assets of the Port. Group Goodwill arises on consolidation of GasNet Limited in the books of WDCHL.  
NZICPA is only in the comparative year as it is impaired in the 2020 year

### 13. Creditors and other payables

	Group 2020 \$000	2019 \$000
Trade payables and other accrued expenses	1,143	700
Amounts due to related parties (note 21)	195	11
GST	108	237
Accrued interest expenses	109	153
	<b>1,555</b>	<b>1,102</b>

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

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## Notes to the Financial Statements

For the year ended 30 June 2020

### 14. Employee entitlements

	Group	
	2020	2019
	\$000	\$000
Current portion		
Accrued pay	109	63
Annual leave	197	113
Sick leave	-	-
Retirement and long service	-	-
<b>Total current portion</b>	<b>306</b>	<b>176</b>
<b>Total employee entitlements</b>	<b>306</b>	<b>176</b>

### 15. Borrowings

	Group	
	2020	2019
	\$000	\$000
Current portion		
Short term borrowing	8,135	-
Finance leases	-	-
<b>Total current portion</b>	<b>8,135</b>	<b>-</b>
Non-current portion		
Secured loans - Port	-	-
Secured loans - Other	13,814	12,371
Finance leases	-	-
<b>Total non-current portion</b>	<b>13,814</b>	<b>12,371</b>
<b>Total borrowings</b>	<b>21,949</b>	<b>12,371</b>

#### Secured loans

WDCHL's secured debt of \$13,813,603 (2019 \$12,370,739) is issued at a mix of fixed and floating rates of interest. Secured loans are with ANZ. Short term borrowing (current portion) is with Whanganui District Council. For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a margin of 1.05% to 1.9% for "credit risk." Loans are accessed to have low credit risk. As such, the Group has assessed that the credit risk on these financial instruments has not increased significantly since initial recognition as permitted by NZ IFRS 9, and recognised 12 months expected credit losses for the asset. No material provision has been made.

#### Security

A first ranking debenture providing for fixed and floating charges over all assets is in place.

#### Fair values of non-current borrowings

	Carrying amount		Fair value	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Total Secured loans Group	13,814	12,371	12,400	12,400

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## Notes to the Financial Statements

For the year ended 30 June 2020

### 16. Equity

	Group 2020 \$000	2019 \$000
<b>Share capital</b>		
Balance at 1 July	7,846	7,846
Ordinary shares - Issued & paid up	-	-
Balance at 30 June	7,846	7,846
<b>Retained earnings</b>		
Balance at 1 July	13,823	14,261
Surplus/(deficit) for the year	147	562
Share repurchase	-	-
Dividends paid	-	(1,000)
Balance at 30 June	13,970	13,823
<b>Asset revaluation reserve</b>		
Balance at 1 July	8,342	8,342
Revaluation gains/(losses)	-	-
Deferred tax on revaluation	-	-
Balance at 30 June	8,342	8,342
<b>Distribution network</b>		
Gas measurement system	7,740	7,740
Balance at 30 June	602	602
	8,342	8,342

#### Share capital

Authorised shares 31,945,700 (2019: 31,945,700)

As at 30 June 2020 WDCHL has 7,845,800 shares issued and fully paid up (2019: 7,845,800). The fully paid shares are all ordinary shares. The remaining authorised shares are redeemable preference shares. ANZ Bank has first option on any call made on uncalled capital.

### 17. Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

	Group 2020 \$000	2019 \$000
<b>Surplus/(deficit) after tax</b>	<b>147</b>	<b>562</b>
<b>Add/(less) non-cash items:</b>		
Depreciation and amortisation expense	1,993	1,490
(Gains)/losses from derivative financial instruments	(100)	(81)
Other non-cash items - including Impairment & revaluations	181	-
	2,221	1,971
<b>Add/(less) items classified as investing or financing activities:</b>		
Increase/(decrease) in deferred tax	43	(98)
	43	(98)
<b>Add/(less) movements in working capital items:</b>		
Income in advance	118	-
Accounts receivable	11	160
Inventories	(160)	7
Accounts payable	282	524
Income tax payable	(478)	(495)
Employee entitlements	(14)	(14)
	(242)	183
<b>Net cash Inflow/(outflow) from operating activities</b>	<b>2,022</b>	<b>2,056</b>

## Notes to the Financial Statements

For the year ended 30 June 2020

### 18. Commitments

#### Capital commitments

The group has no capital commitments (2019 \$1.35 million).

#### Operating leases as a lessor

Not later than one year  
Later than one year and not later than five years  
Greater than five years

	Group	
	2020	2019
	\$000	\$000
	434	436
	561	749
	300	306

### 19. Contingencies

Diamond Aircraft – Purchase Agreements between Whanganui District Council Holdings Limited (WDCHL) (as buyer) and Diamond Aircraft Industries Inc ("Diamond") (as seller)

1. WDCHL has entered into purchase agreements between Diamond and Holdings as buyer in relation to the sale and purchase of Diamond aircraft and equipment.

Aircraft	Quantity	Purchase Agreement Price USD per unit	Total USD
Diamond DA40NG "VFR"	15	\$491,567	\$7,373,504
Diamond DA40NG "IFR"	4	\$535,556	\$2,142,226
Diamond DA42NG V1	3	\$853,219	\$2,559,658
TOTAL			\$12,075,387

2. As at 17 August 2020 USD/ NZD cross rate of 0.6541, the value of this contract is NZD \$18,462,059.

3. Negotiations between Diamond and NZICPA have been ongoing as regards the ability of Diamond to fulfil the contract, the timing of the plane's delivery, and need for the full contract order.

4. The Directors wish to record this contingent liability.

5. In July 2022 Diamond Aircraft and WDCHL agreed to cancel the purchase agreements for all aircraft. No longer carries any contingent liability.

### 20. Related party transactions

WDCHL is a wholly owned subsidiary of the Whanganui District Council and 100% owns GasNet Limited, 100% of Whanganui Port Limited, and 100% of the New Zealand International Commercial Pilot Academy Limited

#### Whanganui District Council

Loans to WDCHL  
Port Grant provided to WDCHL  
Provincial growth fund grant provided to WDCHL  
Services provided by WDC  
Interest paid to WDC  
Management fees paid to WDCHL  
Accounts payable to WDC  
Accounts receivable from WDC  
Subvention payment to Whanganui District Council  
Services provided to WDC

	Group	
	2020	2019
	\$000	\$000
	8,135	-
	-	219
	-	-
	451	449
	-	138
	252	292
	195	10
	-	-
	-	600
	-	79

#### Consultancy fees paid to directors during the year were

Matthew Doyle (including Doyle & Associates Limited)  
Peter Hurlstone  
Annette Main  
David Rae (including David Rae Associates Limited)

	2020	2019
	\$000	\$000
	131	127
	-	-
	23	29
	11	14



## Notes to the Financial Statements

For the year ended 30 June 2020

### Key management personnel compensation

Salaries and short term employee benefits  
Other long-term benefits

	Group 2020 \$000	2019 \$000
Salaries and short term employee benefits	736	703
Other long-term benefits	-	-
	<b>736</b>	<b>703</b>

Key management personnel for the group include Directors, General Managers and members of their senior management team.

The Group has supplied energy to Directors and key management personnel on an arms length basis for which related party disclosures have not been made.

### 21. Remuneration

#### Directors

Directors received the following remuneration:

Matthew Doyle (WDCHL Group)  
Annette Main (WDCHL Group Chair)  
David Rae (WDCHL Group)  
Simon Karipa (WDCHL Group)  
Charles Anderson (WDCHL Group/NZICPA)  
Peter Hazledine (WDCHL Group)

	Group 2020 \$000	2019 \$000
Matthew Doyle (WDCHL Group)	51	52
Annette Main (WDCHL Group Chair)	52	52
David Rae (WDCHL Group)	44	42
Simon Karipa (WDCHL Group)	42	42
Charles Anderson (WDCHL Group/NZICPA)	12	12
Peter Hazledine (WDCHL Group)	48	42
	<b>250</b>	<b>242</b>

### 22. Events after the balance date

2020: Nil (2019: The company, in partnership with Te Ngākinga o Whanganui purchased the former St George's School buildings on 9 August 2019.)

### 23. Financial instruments

The accounting policies for financial instruments have been applied to the line items below:

#### Financial assets

Fair value through profit or loss - held for trading  
Derivative financial instrument assets

#### Loans and receivables

Cash and cash equivalents  
Debtors and other receivables

Other financial assets:

- term deposits

- loans to related parties

#### Financial liabilities at amortised cost

Creditors and other payables

Borrowings:

- secured loans

#### Fair value through comprehensive income

- net change in fair value of CFDs

	Group 2020 \$000	2019 \$000
Derivative financial instrument assets	328	428
Cash and cash equivalents	2,112	841
Debtors and other receivables	4,426	2,560
Other financial assets:		
- term deposits	-	-
- loans to related parties	-	-
Creditors and other payables	1,555	1,102
Borrowings:		
- secured loans	21,949	12,371
Fair value through comprehensive income	-	-
- net change in fair value of CFDs	-	-



## Notes to the Financial Statements

For the year ended 30 June 2020

### 24. Statutory reporting timeframe

Section 67(A) of the Local Government Act 2002 requires that the company adopt its annual report which includes audited financial statements and statement of service performance, and deliver this to its shareholder within five months after the end of the financial year. The Company was not able to comply with this requirement for the year ending 30 June 2020 and the annual report was not adopted until December 2023.

### 25. COVID-19

The rapid escalation of COVID-19 within New Zealand and the subsequent closure of the borders has had a significant impact on the plans for both WDCHL and NZICPA, and to a much lesser extent GasNet.

#### NZICPA

On March 11, 2020, the World Health Organisation declared the outbreak of Covid-19 a pandemic. Two weeks later, on 26 March, New Zealand increased its COVID-19 alert level to level 4 and a nationwide lockdown commenced. As part of this lock down all tertiary institutions were closed. Subsequently all institutions reopened on the 18th of May 2020.

All of New Zealand went into lockdown on the 17 August 2021. Ground training was delivered online during this period but flight training did not resume until New Zealand moved to Alert level 2 on 7 September 2021.

NZICPA qualified for both the original wage subsidy provided by the government in response to Covid-19 and the further wage subsidy. NZICPA received wage subsidies of \$127,446 during 2022 (2021: \$208,056).

At this time the full financial impact of the COVID-19 pandemic is not able to be determined. Although NZICPA has reopened and is operating normally. However, economic uncertainties have arisen which are likely to negatively affect the operations and services of the school. We describe below the possible effects on the school that we have identified resulting from the COVID-19 pandemic:

A reduction in revenue from student fees & charges from International students and/or Board of Directors operated boarding facilities, including the potential loss of current and prospective students due to the disruption and/or pressures created by COVID-19 and the border being closed. The border reopened to international students on the 12 April 2022, with 43 international students arriving in April 2022.

Because of the matters noted above, the school has experienced a significant reduction in expected revenue and was not able to reduce its costs as quickly. As a result the school was depleting cash reserves and required the support of its shareholder. Extensive budgeting and cash flow work has been done to ensure the flight school remains viable. NZICPA has the continued support of the shareholder which has provided the school with a the financial support documented below and a letter of support to validate this.

In response to the reduction in revenue and cash being depleted Whanganui District Council Holdings Limited established a loan agreement dated the 8

1. \$200,000 credit facility from WDCHL, plus
2. \$150,000 Whanganui District Council (WDC) funding support with a further \$150,000 if agreed by WDC.

Under the terms of the loan, no demand for payment will be made prior to 30 June 2022 without the agreement of both WDCHL and NZICPA, and repayment is not required if it would place NZICPA at serious financial risk or be likely to result in it incurring a material loss or entering insolvency.

The company received a \$300,000 advance/loan from WDCHL in September 2021 and drew down the \$200,000 credit facility in Dec 2021 and Feb 2022. Balance at year end \$500,000.

On the 10 November 2022 a further loan agreement was signed under which NZICPA received an advance for Bridging and Discretionary Facility from WDCHL of \$350,000 during the 2023 year, which was received in two payments. One of \$200,000 on 28 September 2022 and another of \$150,000 on 1 December 2022. The new loan agreement included interest on the advances paid monthly at a rate of 5.41% per annum. Repayment of the advances due at the end of each calendar quarter from March 2023 repaying such amount of the Principal Sums as NZICPA can reasonably afford given the then current and projected cashflow requirements and undertakes in good faith to repay the Principal Sums as quickly as can reasonably be achieved given the operational and solvency requirements of the Company. No demand for payments has been made prior to 30 September 2023.

#### GasNet

On March 11, 2020, the World Health Organisation declared the outbreak of COVID-19 (a novel Coronavirus) a pandemic. Two weeks later, on 26 March, New Zealand increased its COVID-19 alert level to level 4 and a nationwide lockdown commenced. As part of this lockdown the company was closed to the general public but continued to operate with minimal impact to revenue. Subsequently when Level 1 was activated on 8th June 2020 GasNet once again became fully operational. At the date of issuing the financial statements, the company has been able to absorb the majority of the impact from the nationwide lockdown. At this time the full financial impact of the COVID-19 pandemic is not able to be determined, but it is not expected to be significant to the company. The company received debtor payments during the lockdown period therefore was able to maintain essential services as the company is legally required to do so. Impairment assessments have been completed for each of the company's cash generating units based on post lockdown financial forecasts. No impairment to the company's assets were identified from the assessments.

### 26. Going Concern

The financial statements have been prepared on the going concern basis as per Paragraph 25 of NZ IAS 1. NZICPA has the continued support of Whanganui District Council with a letter of support to validate this. Refer to Covid-19 note above. Based on ongoing support from Whanganui District Council we have assessed WDCHL group as going concern.

## Statement of service performance

For the year ended 30 June 2020

### Whanganui District Council Holdings Limited

#### Objectives

- 1.1 *The Board intends to operate as a successful business in relation to its investments to the monitoring roles assigned to it under contract by WDC.*

The directors have closely monitored the performance of both its own investments and those assigned to it by WDC. The Board has worked with WDC staff to monitor current investment and develop new investment opportunities, with regular feedback being provided to its shareholder.

- 1.2 *The company aims to improve the long term value and financial return that WDC receives from its commercial entities by:*

- 1.2.1 *Optimising financial and physical resources through close scrutiny of potential areas of inefficiency, waste or under-utilization of capital.*

The Directors all have extensive and varied commercial experience which when combined provides a wide set of skills that can provide solutions to issues of inefficiency or under-utilisation of capital.

- 1.2.2 *Providing prudent management of investments and timely, constructive professional advice regarding its position as shareholder in WGL, NZ International Commercial Pilot Academy Ltd, and any other subsidiary companies or undertakings.*

In 2018, as a result of the Council review and appointment of new Directors, it was decided to replicate the Directors of Whanganui District Council Holdings Limited within both Boards of its subsidiaries to provide for a more streamlined and co-ordinated governance model. In addition, WDCHL's directors investigated new commercial projects such as property development opportunities, and the expansion of flight school operations.

- 1.2.3 *Meeting the expectations of WDC for quality, cost effective strategic planning advice on investments and trading undertakings.*

The Board meets six-weekly to discuss its portfolio performance and the Chair has reported to Council every meeting to update the Council on matters. A number of additional meetings were held with the Mayor and Chief Executive of Council to inform and discuss the impact of Covid-19 on WDCHL and its subsidiaries.

- 1.2.4 *Reviewing and advising on the strategies and plans of any subsidiary company, business unit or asset when requested by WDC.*

Board meetings are held on a six-weekly basis and include the Chief Executive of the Council which enables open communication regarding matters concerning the Council. Board papers include reports on each area under WDCHL's governance portfolio.

- 1.2.5 *Being a good corporate citizen and exercising the appropriate level of social responsibility toward the community and the environment, consistent with the conduct of a sustainable and profitable business.*

WDCHL's Directors are experienced directors who have had significant training and experience in the operations of a Board and the concept of governance. The directors are aware of the responsibilities of local government as defined by the Local Government Act 2002 and carry out their decision making with the benefits to the ratepayers of the Whanganui District in the forefront in addition to ensuring the sustainability and profitability of the business.

## Performance targets

Objective	Performance metric	
<b>Advanced Aviation Hub</b>		
1. Complete the business case for the advanced aviation hub (AAH).	<ul style="list-style-type: none"><li>Business case completed to a level that directors are comfortable to make a decision.</li></ul>	<ul style="list-style-type: none"><li>Business case completed but project on hold due to impact of Covid-19</li></ul>
2. If directors recommend proceeding with the AAH, secure funding from the Provincial Growth Fund.	<ul style="list-style-type: none"><li>Funding secured.</li></ul>	<ul style="list-style-type: none"><li>Decision deferred</li></ul>
<b>NZICPA</b>		
3. Make NZICPA profitable	<ul style="list-style-type: none"><li>Positive net profit for the year.</li></ul>	<ul style="list-style-type: none"><li>NZICPA did not achieve a positive net profit for the year.</li><li>Nationwide shutdowns for Covid-19 resulted in the school experiencing a significant reduction in revenue and was not able to reduce its costs as quickly.</li></ul>
4. Ensure NZICPA has appropriate, fit-for-purpose accommodation.	<ul style="list-style-type: none"><li>All students housed in suitable accommodation.</li><li>Nazareth property repurposed for NZICPA.</li></ul>	<ul style="list-style-type: none"><li>All requirements were met during the year.</li><li>Hato Hohepa (formerly Nazareth) was fit out as accommodation for up to 50 international students.</li><li>The Crew Rest Centre (formerly Collegiate Motor Inn) was acquired.</li></ul>
5. Ensure NZICPA has the resources and business systems required to be a sustainable, stand-alone business.		<ul style="list-style-type: none"><li>NZICPA operated independently from its parent WDCHL.</li></ul>



		<ul style="list-style-type: none"> <li>NZICPA had the staff and business systems required to run independently from its parent.</li> <li>While NZICPA did not make a profit during the year, they signed a contract with Indigo Airlines to train cadet pilots. This contract is expected to increase the sustainability of the business.</li> </ul>
<b>GasNet</b>		
6. Operate GasNet efficiently and in compliance with regulations.	<ul style="list-style-type: none"> <li>EBITEA greater than \$3.5 m</li> <li>No material breaches of regulations.</li> <li>Customer performance metrics (SAIDI, CAIDI etc) achieved.</li> </ul>	<ul style="list-style-type: none"> <li>EBITDA (before subvention payment) was \$2.81m</li> <li>There were no material breaches of regulations</li> <li>Customer performance metrics were not met following an event in February 2020 when a pressurised water main ruptured damaging a low pressure gas main and flooding approximately 9 kilometres of the low pressure gas network with water.</li> </ul>
<b>Financial</b>		
7. Review the group's capital structure to ensure it is prudent and suitable for the strategic path of the subsidiaries.	<ul style="list-style-type: none"> <li>Review completed and changes (if any) agreed with Council.</li> </ul>	<ul style="list-style-type: none"> <li>The review is expected to be undertaken in the 2020/21 financial year in conjunction with the Whanganui District Council's WDCHL governance review and its implementation</li> </ul>
8. Generate an adequate financial return for the group as a whole.		<ul style="list-style-type: none"> <li>No dividend was paid due to the impact of Covid-19 on NZICPA and the need to ensure that sufficient cash is retained to meet working capital needs.</li> </ul>
<b>Other</b>		

9. Director induction: Smooth on-boarding of new director(s) .	<ul style="list-style-type: none"> <li>Complete board information reviewed and compiled.</li> </ul>	<ul style="list-style-type: none"> <li>No new Directors appointed</li> </ul>
10. Board performance: informal review of board performance.	<ul style="list-style-type: none"> <li>Review completed and any identified issues are acted upon.</li> </ul>	<ul style="list-style-type: none"> <li>the review was not undertaken in view of the WDC Governance review</li> </ul>
11. Provide commercial and strategic advice to WDC on an 'as required basis'.		<ul style="list-style-type: none"> <li>Commercial and strategic advice was provided as required.</li> </ul>

DP

- 2 *To meet the dividend expectations of its shareholder while still maintaining sufficient cashflow to meet its own working capital needs*

	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>2019/20</b>	<b>2019/20</b>	<b>2018/19</b>
Dividend paid	\$1,000,000	\$0	\$1,000,000

No dividend was paid due to the anticipated impact of Covid-19 on the subsidiary companies in the coming year and the need to ensure that sufficient cash is retained to meet working capital needs.

- 3 *To facilitate its subsidiary Companies and other investments or undertakings assigned to it to achieve investment objectives per clause 2 and the performance targets identified in their Statements of Intent or as outlined in WDC's 2018-28 Long Term Plan.*

The directors have closely monitored the Whanganui District Council's investment in GasNet Limited and New Zealand International Commercial Pilot Academy Limited (NZICPA), with all Directors of WDCHL, including the Chair, sitting on the GasNet and NZICPA Boards. The Board has facilitated the continuance of the Council's investment with variances to performance targets being monitored.

## Statement of Service Performance

For the year ended 30 June 2020

### GASNET

#### Statement of Intent

GasNet Limited (the Company) is a company formed in accordance with and registered under the Companies Act 1993. The Company is incorporated in New Zealand and is domiciled in Wanganui, New Zealand. The Company's parent entity is Wanganui Gas Limited.

The Statement of Intent sets out the overall intentions and objectives of GasNet Limited for the year beginning 1 July 2019.

#### Objectives

The Directors intend that the Company operate as a successful business and be at least as profitable and efficient as other gas distribution network companies.

The Company aims to provide a reasonable rate of return to its Shareholder after retaining adequate earnings for future business requirements.

#### Activities

The Company's core business is that of network infrastructure utility company with interests in natural gas distribution networks.

#### Performance Targets

The performance of the Company will be judged against the following measures:

##### KPIs

	Target 2019/20	Actual 2019/20	Actual 2018/19
<u>Health and Safety</u>			
Incidents Reported (No)	5	7	4
Lost Time Incidents	0	0	2
Lost Time Rate	0	0	1

##### Financial Performance

EBITDA (before Subvention payment)	\$3.54m	\$2.81m	\$3.46m
Capex Depreciation Ratio	1	0.59	0.78
Rate of Return (minimum)	6.43%	7.71%	9.5%

Accumulated profits and capital reserves made up of:  
Dividend (equity transfer to WDCHL)

\$1.80m      \$1.46m      \$6.34m

Subvention payment to WDCHL Group members

\$0.34m

##### Network Throughput

Total Throughput	1.4 PJ	1.31 PJ	1.28 PJ
UFG (Unaccounted For Gas)	1.0%	1.32%	0.68%

##### Operational Financial Performance

Direct & Indirect Costs per consumer	\$209	\$273	\$208
Direct & Indirect Costs per GJ conveyed	\$1.54	\$2.11	\$1.64

##### Network Reliability



*Planned Interruptions (Class B)*

Consumer Hours Lost	370	395.92	162.90
SAIDI	1,690	1803.86	745.14

	Target 2019/20	Actual 2019/20	Actual 2018/19
SAIFI	9.2	8.13	6.86
CAIDI	184	222.01	108.60

*Unplanned Interruptions (Class C)*

Consumer Hours Lost	80	132.35	91.97
SAIDI	380	603.01	420.68
SAIFI	5.4	5.77	5.11
CAIDI	70	104.49	82.36

*Unplanned Third Party Interruptions (Class I)*

Consumer Hours Lost	40	46,879.6	135.93
SAIDI	190	213,590.71	621.79
SAIFI	1.9	22.78	2.97
CAIDI	100	9,375.92	209.13

*Total Interruptions*

Consumer Hours Lost	490	47,407.87	390.80
SAIDI	2,260	215,997.57	1787.60
SAIFI	16.5	36.68	14.94
CAIDI	137	5,889.18	119.63
Third Party Interference Damage (No)	25	25	25
Public Reported Gas Escapes (No)	50	39	44

SAIDI - represents the average number of minutes that a consumer was without gas during the reporting period

SAIFI - represents the average number of interruptions that a consumer experiences during the reporting period

CAIDI - represents the average duration in minutes that a consumer experienced during the reporting period

## Assessment

The Company is of the opinion that, as a reasonable and prudent operator, it has achieved the above performance targets within acceptable margins and continues to exercise tight cost controls on the financial KPI's.

The company advanced \$1,463,648 to the parent Whanganui District Council Holdings Ltd as a dividend. GasNet Limited made a subvention payment to New Zealand International Pilot Academy of \$336,351. Combined target of Dividend and subvention payments is \$1.6M.

With its focus on ensuring the health and safety of its employees and the safe transportation and delivery of gas to consumers, the low number of incidents reflects the company's commitment to health and safety. There were five minor injuries caused by muscle strains and finger scrapes and cuts. Two more serious injuries occurred, one when a Technician slipped from a parked van as he was alighting and fell onto a shovel and another where a staff member reported an electric shock as he operated a light switch. A review audit of the Public Safety Management System (PSMS) was partially completed remotely by Telarc in April 2020 during COVID19 Alert level 4.

Throughput of gas through the network was higher than the previous year despite being slightly lower than target, and connection numbers reduced from 118 in 2018-19 to 81 new consumer connections made during the year.

Planned network interruptions (Class B) were slightly higher in number than the previous 3 years but lower than years prior. This was due to fewer number of interruptions for main renewals which tend to be longer in duration and more interruptions for locating unmapped gas service pipes, which require a relatively short duration of interruption.



There were a similar number of similar duration unplanned interruptions (Class C) this year as in previous years except for the 2017-2018 year, when one event involving water inundation of mains resulted in multiple consumers losing supply for around 20 hours each.

The number of unplanned supply interruptions caused by third party damage (Class I) were considerably higher than any other in the previous 10 years with the average duration of interruption in the order of 6 days each. The large number of Class I interruptions were due to one event in February 2020 when a pressurized water main ruptured damaging a low pressure gas main and flooding approximately 9 kilometres of the low pressure gas network with water. The water effectively blocking the gas main and services interrupted supplies to approximately 283 consumer supplies for up to 2 weeks.

The Board has met on eight occasions during the financial year and have monitored the company's progress, using a substantial range of financial and non-financial measures.



## New Zealand International Commercial Pilot Academy Limited (NZICPA)

### Description of Entity's Outcomes

The New Zealand International Commercial Pilot Academy (NZICPA) trains professional flight-deck crew for the global aviation industry. The business is a wholly owned subsidiary of Whanganui District Council Holdings Limited (WDCHL).

The business was established under a regional economic development mandate and accordingly seeks to enable spend from New Zealand and international students within the district.

NZICPA acts in alignment with corporate social responsibility best practice, and this is particularly focused on a community approach to youth development. This is facilitated through our pastoral care operations at the Hato Hohepa and Collegiate Estate sites.

### Description and Quantification of the Entity's Outputs

The Company provides professional flight training programmes for New Zealand and International students. New Zealand students typically complete training a Private Pilot Licence, or a level 5 or 6 New Zealand Diploma in Aviation qualification. Flight training and education is delivered under New Zealand rules and regulations for both education and aviation, including those established by; Tertiary Education Commission (TEC) and New Zealand Qualifications Authority (NZQA) and Civil Aviation Authority (CAA).

NZICPA delivers the following programmes and or qualifications:

- Private Pilot Licence (Aeroplane).
- Commercial Pilot Licence (Aeroplane).
- New Zealand Multi-engine Instrument Rating.
- Aerobatics Rating.
- New Zealand Diploma in Aviation (Aeroplane) General Aviation Strand (level 5)
- New Zealand Diploma in Aviation (Aeroplane) Flight Instruction Strand (level 6)
- New Zealand Diploma in Aviation (Aeroplane) Airline Preparation Strand (level 6)

Generally, in New Zealand the minimum pilot hours requirement for employment by a passenger airline exceeds the hours attained during flight training. Accordingly, many young pilots are employed as flight instructors following their training courses to gain experience. NZICPA employs a high number of graduates whom have completed the initial flight instructor qualification.

### Performance Results

The Company is regularly assessed through detailed independent audits of our aviation training provision, our education quality, and as a Council Controlled Organisation.

- NZICPA has maintained the highest education organisation ranking against the NZQA External Evaluation and Review (EER) assessment criteria, being Highly Confident in Educational Performance (1), and Highly Confident in Capability in Self Assessment.
- The Company has completed the CAA audits for both certificates, including the Part 141 approved training organisation (ATO), and Part 135 air operator. The detailed and comprehensive audit was completed with no findings.
- The Company is also a signatory to the Code of Practice for the Pastoral Care of International Students

#### Description and Quantification of the Entity's Outputs

NZICPA delivered an improved performance during the FY 19/20. Increasing flying hours from 7,015 to 9,265 and revenue from \$2,278,081 to \$3,278,879.

The transition to Whanganui has continued to result in increased costs. As the entity continues to grow to a stage where it can be premier venue for flight training and financially self sufficient.

NZICPA maintained superior results against CAA and NZQA measures of performance.

	2020	2020 SOI	2019
<b>Description and Quantification of the Entity's Outputs</b>			
EBITDA for the year before one off costs	192,761	100,000	(306,260)
One off Costs	-	-	19,850
EBITDA	192,761	100,000	(326,110)
Return %	105	15	(89)

	2020	2020 SOI	2019
<b>Other Performance Objectives</b>			
Donations	900	300	100
Flying hours available to community groups	52	50	55

The target ratio of consolidated shareholders' funds (including parent company advances) to total assets for the period covered by the Statement of Intent shall be less than 50%. This target ratio does not take into account unusual or one-off type transactions that impact this ratio.

The Ratio for the year was -3.8% (2019:14.5%).

	2020	2020 SOI	2019
Consolidated Shareholder Funds	(\$18,366)	-	\$368,960
Total Assets	\$4,843,012	-	\$2,538,913
Ratio Shareholder Funds Divided by Total Assets	(3.8%)	< 50%	14.5%

NZICPA maintained currency with all external creditors throughout the year. The only creditor with an aged balance at year end was Whanganui District Council Holdings Limited the owner.

	2020	2020 SOI	2019
Student Numbers	85	60	63
Flying Hours	9,265	7,700	7,015
Margin per Flying Hour	\$64	\$40	\$62
Holdings aircraft utilization percentage	68%	65%	64%

## Independent Auditor's Report

### To the readers of Whanganui District Council Holdings Limited's group financial statements and performance information for the year ended 30 June 2020

The Auditor-General is the auditor of Whanganui District Council Holdings Limited (the Group). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

#### Opinion

We have audited:

- the financial statements of the Group on pages 9 to 33, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the statement of accounting policies and the notes to the financial statements that include other explanatory information; and
- the performance information, as reported in the statement of service performance, of the Group on pages 34 to 38.

In our opinion:

- the financial statements of the Group on pages 9 to 33:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Group on pages 34 to 38 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2020.

Our audit was completed on 13 December 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to other matters. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

## **Emphasis of matters**

Without modifying our opinion, we draw your attention to the following disclosures.

### **Covid-19 and financial viability**

Note 25 in the financial statements, and pages 34 to 38 outline the significant impact Covid-19 has had on the Group's performance and future financial viability. Note 26 outlines that the financial statements have been prepared on a going concern basis and provides reasons why the Board of Directors consider this appropriate, including the reliance on financial support from their shareholder.

### **Breach of statutory reporting deadline**

Note 24 on page 3 outlines that the Board of Directors did not meet the requirement of section 67A of the Local Government Act 2002, which requires the Group's annual report to be completed before the close of 30 November 2020.

## **Basis for our opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of the Board of Directors for the financial statements and the performance information**

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the Group.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

### **Responsibilities of the auditor for the audit of the financial statements and the performance information**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to the Group's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

## **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 8 and 39 to 43, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

## Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1), issued by New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Group.

A handwritten signature in blue ink, appearing to read 'DP', is positioned above the printed name and title.

Debbie Perera  
Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand