

# **GasNet Limited**

## **Annual Report**

**For the year ended 30 June 2017**

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## Directory

Registered office	8 Cooks Street Wanganui Telephone (06) 349 2050 Fax (06) 349 0135 Email: enquiries@gasnet.co.nz
Postal address	PO Box 7149 Whanganui 4541
Directors	Matthew Doyle (Chairman) Harvey Green Peter Hazledine
General Manager	Geoff Evans
Auditor	Audit New Zealand On behalf of the Auditor-General
Bankers	ANZ Wanganui
Solicitors	Armstrong Barton
Shareholding as at 30 June 2017	Whanganui District Council Holdings Limited 100%

## Statutory information

The Directors present their report and the financial statements for the year ended 30 June 2017.  
The Company was incorporated on 1 December 1995.

### Activities

The Company's principal activities are those of providing gas traders with safe, efficient and reliable gas distribution services through the Company's networks.

### Results

The Directors report a tax paid profit of \$3,194,000. for the year ended 30 June 2017. Equity at the end of the year was \$29,289,000.

### Dividends

Dividends totalling \$1,050,000 were declared and paid to the shareholder.

### Directors

The Directors of GasNet Ltd are:

Matthew Doyle (Chairman)  
Harvey Green  
Peter Hazledine

### Directors' and officers' insurance

Pursuant to Sections 162(3) and 162(4) of the Companies Act 1993 and the Company's constitution, GasNet Limited, at group level, has affected liability insurance cover for Directors and Officers up to \$5 million. The Company, at group level, has paid 100% of the premium for this cover.

### Shareholding by directors

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

### Use of company 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 \$31,526.

## Statement of Responsibility

The Board is responsible for the preparation of GasNet Limited's financial statements and statement of service performance, and for the judgements made in them. The Board of GasNet Limited has the responsibility for establishing, and has established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. In the Board's opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of GasNet Limited for the year ended 30 June 2017.

## Directors' Interests

The Directors have made the following declarations of interest:

Name	Interest
Matthew Doyle	Mr Matthew Doyle, as Chairman of Wanganui District Council Holdings Limited, has an interest in transactions between the Company and WDCHL Companies. Mr Doyle is a director and shareholder of OTL Limited and is a principal of Doyle & Associates, and is therefore interested in any dealings these companies may have with the Company. Mr Doyle is a Director of Wanganui Gas Ltd, Wanganui Gas No 1 Ltd, Wanganui Gas No 2 Ltd and Wanganui Gas No 3 Ltd.
Harvey Green	Mr Harvey Green is a director and shareholder of Underground Assets Limited, Belmont Forest Ltd, Huntingdale Lodge 2010 Ltd, Huntingdale Lodge 2012 Ltd, Quay Investments Limited, Energy and Health Limited, Petrosell Wanganui Limited and Undies Limited which own property in Wanganui and is therefore interested in any dealings these companies may have with the Company. The Company may at times also purchase fuel for its fleet from Petrosell Wanganui Limited due to its use of BP Fuel cards under the banner of the Master Plumbers Society. In addition, Mr Green is local resident and his Family trust owns rental properties in Wanganui and in that capacity he is a consumer of services provided by the Company. Mr Green is a Director of Wanganui Gas Ltd, Wanganui Gas No 1 Ltd, Wanganui Gas No 2 Ltd and Wanganui Gas No 3 Ltd.
Peter Hazledine	Mr Peter Hazledine is an independent advisor to the oil and gas industry, operating through his own consultancy business, Hazledine Consulting Ltd. His recent client base includes, Origin Energy, Contact Energy Limited, and New Zealand Oil and Gas. Mr Hazledine is also a director of Wanganui Gas Ltd and Wanganui Gas No 1 Ltd,

## Company's Affairs

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

On behalf of the Board



Matthew Doyle

**Chairman**

29 September 2017



Harvey Green

**Director**

29 September 2017

## GasNet Limited

### DIRECTORS' REPORT

#### FINANCIAL SUMMARY

The summary for 2017 is as follows;

<b>GasNet Limited</b>	<b>2017 Budget</b>	<b>2017 Actual</b>	<b>2016 Actual</b>	<b>2015 Actual</b>
Income from Network and GMS	\$5,716,000	\$5,669,500	\$5,631,046	\$5,636,297
Subvention Payment to WDC	\$0	\$600,000	\$800,000	\$1,250,000
(EBITDA)	\$3,835,685	\$4,447,000	\$2,969,104	\$2,586,766
Surplus (Loss) after Tax		\$3,194,000	\$1,764,421	\$1,031,526

<b>FINANCIAL POSITION</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Assets	\$37,386,000	\$42,576,000	\$40,786,000
Current Liabilities	\$1,457,000	\$973,000	\$902,000
Loan Wanganui Gas Limited (net of advances)	\$0	\$15,806,000	\$16,851,000
Non-current Liabilities – Deferred Tax	\$6,640,000	\$6,713,000	\$6,760,000
Net Assets (Equity)	\$29,339,000	\$10,244,000	\$8,479,000

#### DIVIDENDS

The Company has declared a Dividend of \$1,050,000 for the 2016/17 year.

#### SUBVENTION PAYMENT

The Company paid a \$600,000 subvention payment to the Whanganui District Council during the 2016/17 year.

#### GOVERNANCE

The Directors are responsible to the shareholders for the performance of the Company. Their 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.

The Board of Directors has agreed a detailed Statement of Intent with both Whanganui District Council Holdings Limited and ultimately the Whanganui District Council.

The Board will use best practice to identify/manage and resolve strategic issues and will regularly evaluate economic, political, social and legal matters that may influence or affect the development of the Business or the interests of Shareholders and, if thought appropriate, will take outside expert advice on these matters.

## **PERSONNEL**

The Directors would like to acknowledge the efforts of Geoff Evans the General Manager and his team for their efforts during another busy year.

## **AUDIT COMMITTEE**

The Audit Committee comprised Matthew Doyle and Harvey Green. The Company has maintained an active relationship with the Company's auditors including meetings to preview the focus of the annual audit, review the outcome of the audit, consider the draft annual accounts and discuss issues raised in the management letter.

## **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**

The company has been able to report on another successful financial year, with trading results comparable to the previous year.

The proceeds from the decision in December 2016 to sell the Papamoa East assets to First Gas have been retained by the Company until the review of the transaction by the Commerce Commission is complete.

On 30 June 2017 Wanganui Gas Limited, Wanganui Gas No 1 Limited, Wanganui Gas No 3 Limited and GasNet Limited were amalgamated to become GasNet Limited.

The Commerce Commission's reset of the Company's Price-quality path was finalised in May 2017 for the forthcoming five year regulatory period commencing 1 October 2017. Due to a combination of a lower WACC and Opex allowance applied in the Commerce Commission's modelling the Company's network revenue is forecast to be approximately 5.3% lower in the 2017/18 financial year when compared to the reported 2016/17 year.

In stark contrast to the beginning of the year which started in a flurry of activity with the Company well underway with its expansion into the Bay of Plenty, the year ended in relative calm following the decision in late 2016 to sell the Bay of Plenty assets to First Gas. Subject to a favourable outcome to the Commerce Commission's review of the transaction the Company is well placed to make a good return on its investment and continues to seek new growth opportunities.



Matthew Doyle

**Chairman**

29 September 2017



Harvey Green

**Director**

29 September 2017

## Statement of Comprehensive Income

For the year ended 30 June 2017

		2017	GasNet 2016	WGL Group 2016
	Note	\$000	\$000	\$000
<b>Income</b>				
Income from Network		5,670	5,631	5,631
Finance income	1	97	20	67
Other revenue	2	47	37	59
Gains (loss)	3	1,356	-	-
Total revenue		7,170	5,688	5,757
<b>Expenses</b>				
Personnel costs	4	1,174	1,149	1,149
Depreciation, amortisation and impairment expense		1,203	1,177	1,177
Finance costs	1	-	-	-
Subvention Payment		600	800	800
Other expenses	5	948	770	927
Total expenses		3,926	3,896	4,053
<b>Surplus/(deficit) before tax</b>		<b>3,244</b>	<b>1,792</b>	<b>1,704</b>
Income tax expense/(benefit)	6	50	28	72
<b>Profit/(loss) after tax</b>		<b>3,194</b>	<b>1,764</b>	<b>1,632</b>
<b>Other comprehensive income</b>				
Asset revaluation movement		-	-	-
Gains/(Losses) from movements in financial assets carried at fair value		-	-	-
Income tax re components of other comprehensive income		-	-	-
Total other comprehensive income		-	-	-
<b>Total comprehensive income</b>		<b>3,194</b>	<b>1,764</b>	<b>1,632</b>

## Statement of Changes in Equity

For the year ended 30 June 2017

		2017	GasNet 2016	WGL Group 2016
	Note	\$000	\$000	\$000
Balance at 1 July		10,244	8,479	26,314
<b>Amounts recognised directly in equity</b>	<b>26</b>			
Shares issued		5,750	-	-
Equity Introduced from Wanganui Gas Limited		11,152	-	-
<i>Transactions with owners</i>		16,902	-	-
Comprehensive income		3,194	1,764	1,632
Surplus and (deficit) for the year		20,096	1,764	1,632
<b>Total comprehensive income</b>		<b>3,194</b>	<b>1,764</b>	<b>1,632</b>
Dividend to shareholders		(1,050)	-	(800)
<b>Equity as at 30 June</b>		<b>29,289</b>	<b>10,244</b>	<b>27,145</b>

The accompanying notes form part of these financial statements.

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## Statement of Financial Position

As at 30 June 2017

	Note	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	3,948	1,101	1,188
Trade debtors and other receivables	8	792	699	752
Advance to / (from) shareholder	20	950	8,819	950
Inventories	9	273	255	255
<i>Total current assets</i>		5,963	10,874	3,145
<b>Non-current assets</b>				
Other financial assets	12	-	-	-
Property, plant and equipment	10	31,367	31,622	31,622
Intangible assets	11	56	80	80
<i>Total non-current assets</i>		31,422	31,702	31,700
<b>Total assets</b>		<b>37,386</b>	<b>42,576</b>	<b>34,845</b>
<b>Current liabilities</b>				
Trade creditors and other payables	13	744	377	393
Employee entitlements	14	68	71	71
Tax Payable	6	646	525	525
Borrowings - Wanganui Gas Limited	15	-	24,646	-
<i>Total current liabilities</i>		1,457	25,619	989
<b>Non-current liabilities</b>				
Borrowings - Wanganui Gas Limited	15	-	-	-
Deferred tax	6	6,640	6,713	6,711
<i>Total non-current liabilities</i>		6,640	6,713	6,711
<b>Total liabilities</b>		<b>8,097</b>	<b>32,332</b>	<b>7,700</b>
<b>Net assets</b>		<b>29,289</b>	<b>10,244</b>	<b>27,145</b>
<b>Equity</b>				
Share capital	16	5,750	-	5,750
Retained earnings		18,019	4,723	15,874
Asset revaluation reserve		5,521	5,521	5,521
<i>Total equity</i>		<b>29,289</b>	<b>10,244</b>	<b>27,145</b>

For and on behalf of the Board



Matthew Doyle  
Chairman



Harvey Green  
Director

The accompanying notes form part of these financial statements.



## Statement of Cash Flows

For the year ended 30 June 2017

		<b>GasNet</b>	<b>WGL Group</b>
		<b>2016</b>	<b>2016</b>
		<b>\$000</b>	<b>\$000</b>
<b>Note</b>	<b>2017</b>		
	<b>\$000</b>		
<b>Cash flows from operating activities</b>			
Receipts from customers	5,681	5,693	5,665
Interest received	97	20	66
Payments to suppliers and employees	(1,839)	(1,923)	(1,996)
GST paid	40	(17)	13
Subvention Payment	(600)	(800)	(800)
Interest Paid	-	-	-
<b>Net cash from operating activities</b>	<b>17</b>	<b>3,379</b>	<b>2,948</b>
<b>Cash flows from investing activities</b>			
Sale of fixed assets	2,890	-	-
Repayment of loan	-	-	-
Purchase of intangibles	(30)	(31)	(31)
Purchase of fixed assets and investments	(2,428)	(1,050)	(1,050)
<b>Net cash from investing activities</b>		<b>431</b>	<b>(1,081)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	-	-	55
Repayment of borrowings	-	-	-
Advance from shareholder	-	-	-
Advance to shareholder	-	(1,024)	(1,004)
Dividends paid	(1,050)	-	(800)
<b>Net cash from financing activities</b>		<b>(1,050)</b>	<b>(1,749)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>2,760</b>	<b>867</b>
Cash and cash equivalents at the beginning of the year		1,188	234
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>3,948</b>	<b>1,188</b>

The accompanying notes form part of these financial statements.

## Statement of accounting policies

For the year ended 30 June 2017

### REPORTING ENTITY

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 financial statements of GasNet Limited are for the year ended 30 June 2017. The financial statements were authorised for issue by the Board of Directors on 29 September 2017.

### BASIS OF PREPARATION

#### Statement of compliance

The financial statements of GasNet Limited have been prepared in accordance with NZ GAAP. They comply with NZ IFRS RDR, and other applicable Financial Reporting Standards, as appropriate and the requirements of the Companies Act 1993 and the Energy Companies Act 1992.

For the purposes of complying with NZ GAAP, the Company 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 Company has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

For this purpose the Company has designated itself as a for profit entity.

#### Measurement base

The financial statements are prepared using the historical cost basis, modified by the revaluation of certain assets which are recorded at fair value. These are detailed in the specific policies below.

#### Functional and presentation currency

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

#### Changes to Accounting Policies

##### *New and amended standards adopted by the Company*

There are no new and amended standards adopted by the Company in these financial statements.

### SIGNIFICANT ACCOUNTING POLICIES

#### Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable.

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.

#### Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### Income Tax

Income tax expense comprises both current and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect to prior years.

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 profit.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity 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 profits 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 profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

## **Leases**

### *Operating leases*

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

## **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.

A provision for impairment of a receivable is established when there is objective evidence that the Company 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 an impaired receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. 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).

## **Financial Instruments**

Financial instruments that potentially subject the Company to credit risk are cash and bank balances, debtors and investments. The Company is exposed to interest rate risk through the issuance of debt instruments. The Company 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.

## **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 Company 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 Company 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 Company 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 Company 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.

### **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 Cost 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 Company 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 Company 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 GasNet Limited 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 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*

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

GasNet Limited 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.

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

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of comprehensive income. Any subsequent increase on revaluation that off-sets 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 credited to the revaluation reserve for that class of asset.

#### *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 GasNet Limited and the cost of the item can be measured reliably.

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 all property, plant and equipment. Depreciation is calculated on a straight-line basis to allocate the cost or value of the asset (less any residual value) over its useful life.

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
Leasehold Improvements	2-20% SL
Vehicles	5-20% SL
Office Equipment	10-33% SL
Computer Hardware	20-33% SL
Furniture and Fittings	20% SL
Plant and Equipment	5-20% SL

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

#### **Intangible assets**

##### *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 GasNet Limited, 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 as an expense 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 amortization 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 recognized 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 recognized against the revaluation reserve for that class of 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 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 recognized 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 GasNet Limited has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

### **Employee entitlements**

#### *Short-term employee entitlements*

Employee benefits that GasNet Limited 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.

GasNet Limited 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 GasNet Limited anticipates it will be used by staff to cover those future absences.

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

### **Equity**

Equity is the Shareholders interest in GasNet Limited 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 equity 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 Balance Sheet.

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 GasNet Limited 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:

*Property, plant and equipment useful lives and residual values*

At each balance date GasNet Limited 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 GasNet Limited to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by GasNet Limited, 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 recognized in the statement of comprehensive income, and carrying amount of the asset in the statement of financial position. GasNet Limited minimises the risk of this estimation uncertainty by:

- an annual review of the value of the infrastructure assets
- 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 at least every fifth year

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

The carrying amounts of property, plant and equipment are disclosed in note 10.

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## Notes to the Financial Statements

For the year ended 30 June 2017

### 1. Finance income and finance costs

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
<b>Finance income</b>			
Interest income			
- from term loans	57		
- ANZ current account	40	20	67
<b>Total finance revenue</b>	<b>97</b>	<b>20</b>	<b>67</b>
<b>Finance costs</b>			
Interest paid on fixed loans	-	-	-
<b>Total finance costs</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 2. Other revenue

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
Contracting revenue	8	8	8
Sundry revenue	38	28	51
<b>Total other revenue</b>	<b>47</b>	<b>37</b>	<b>59</b>

### 3. Gains

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
Property, plant and equipment gains (loss) on disposal	1,356	-	-
<b>Total gains/(losses)</b>	<b>1,356</b>	<b>-</b>	<b>-</b>

### 4. Personnel costs

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
Salaries and wages	1,232	1,146	1,146
Employer contributions to superannuation	33	28	28
Other personnel costs	19	61	62
Increase/(decrease) in employee entitlements/liabilities	(3)	20	20
Less capitalised labour	(107)	(106)	(106)
	<b>1,174</b>	<b>1,149</b>	<b>1,149</b>

## Notes to the Financial Statements

For the year ended 30 June 2017

### 5. Other expenses

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
Fees to auditor:			
- audit fees for financial statement audit	32	29	48
- audit related fees for assurance services	36	36	36
Impairment of receivables	-	-	90
Directors' fees	135	123	123
Corporate services	-	-	-
Inventories expensed	-	-	-
Rental and operating lease costs	83	81	81
Other operating costs	662	501	549
<b>Total operational expenses</b>	<b>948</b>	<b>770</b>	<b>927</b>

### 6. Tax

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
<b>Components of tax expense/(benefit)</b>			
Current tax expense	646	525	525
Deferred tax on temporary differences	(71)	(47)	(1)
Adjustments to current tax in prior years	(525)	(450)	(451)
<b>Income tax expense/(benefit)</b>	<b>50</b>	<b>28</b>	<b>72</b>

#### Relationship between tax expense/(benefit) and accounting profit

Surplus/(deficit) before tax	3,244	1,792	1,704
Tax @ 28%	908	502	477
Prior period adjustment	(525)	(450)	(451)
Non-taxable income	(380)	-	-
Non-deductible expenditure	43	-	-
Deferred tax adjustment	4	(24)	47
<b>Tax expense/(benefit)</b>	<b>50</b>	<b>28</b>	<b>72</b>

The tax liability for the prior year was reduced by tax losses transferred from WDCHL of \$1.363M and WDC of \$511K

	Property plant and equipment \$000	Provisions and derivatives \$000	Losses \$000	Total \$000
<b>WGL Group</b>				
Balance 1 July 2015	6,768	(57)	-	6,711
Charged to profit and loss	(45)	45	-	-
Charged to equity	-	-	-	-
Balance 30 June 2016	6,723	(12)	-	6,711
<b>Wanganui Gas Limited</b>				
Charged to profit and loss	(70)	(1)	-	(71)
Charged to equity	-	-	-	-
<b>Balance 30 June 2017</b>	<b>6,653</b>	<b>(13)</b>	<b>-</b>	<b>6,640</b>

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## Notes to the Financial Statements

For the year ended 30 June 2017

### 7. Cash and cash equivalents

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
Cash at bank and on hand	3,948	1,101	1,188
Term deposits with maturities less than 3 months	-	-	-
<b>Total cash and cash equivalents</b>	<b>3,948</b>	<b>1,101</b>	<b>1,188</b>

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

### 8. Trade debtors and other receivables

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
Trade debtors	641	639	639
Related party receivables (note 19)	57	-	-
Other receivables	94	60	-
Hire purchase debtors 12 months and under	-	-	113
Less provision for impairment	-	-	-
<b>Total trade debtors and other receivables</b>	<b>792</b>	<b>699</b>	<b>752</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.

#### Impairment

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated is \$nil (2016 \$nil).

#### Movements in Provisions

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

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
At 1 July	-	-	161
Additional provisions made during the year	-	-	-
Provisions reversed during the year	-	-	(161)
Receivables written-off during period	-	-	-
<b>At 30 June</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

### 9. Inventories

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
Held for distribution/Commercial inventories			
Network	273	255	255
<b>Total inventories</b>	<b>273</b>	<b>255</b>	<b>255</b>

There has been no write-down of commercial inventories to net realisable value (2015 \$nil). Inventories are pledged as security for liabilities

### 10. 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 2013 increased the carrying value of the Infrastructural assets by \$7.668 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.

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# 10 cont... Property, plant and equipment

Movements for each class of property, plant and equipment are as follows:

	Cost/ revaluation 30/6/2016 \$000	Accumulated depreciation and impairment charges 30/6/2016 \$000	Carrying amount 30/6/2016 \$000	Current year additions \$000	Current year disposals \$000	Current year depreciation \$000	Reversal of Accumulated Depreciation \$000	Cost/ revaluation 30/6/2017 \$000	Accumulated depreciation and impairment charges 30/6/2017 \$000	Carrying amount 30/6/2017 \$000
<b>GasNet 2017</b>										
<b>Operational assets</b>										
Land	39	-	39	-	-	-	-	39	-	39
Leasehold improvements	163	(121)	42	-	-	(14)	-	163	(135)	28
Vehicles	274	(196)	78	-	-	(27)	-	274	(223)	51
Office equipment	9	(4)	5	-	-	(1)	-	9	(4)	4
Computer hardware	97	(86)	11	4	-	(5)	-	101	(91)	10
Furniture and fittings	15	(9)	6	-	-	(1)	-	15	(11)	4
Miscellaneous Plant & Equipment	282	(201)	81	28	(23)	(23)	(2)	287	(222)	65
<b>Total operational assets</b>	<b>878</b>	<b>(616)</b>	<b>262</b>	<b>32</b>	<b>(23)</b>	<b>(71)</b>	<b>(2)</b>	<b>887</b>	<b>(686)</b>	<b>201</b>
<b>Infrastructural assets</b>										
Distribution network	29,806	(2,396)	27,410	635	-	(820)	-	30,441	(3,216)	27,225
Work in Progress	116	-	116	1,596	(1,512)	-	-	200	-	200
Gas measurement system	4,549	(715)	3,834	164	-	(258)	-	4,713	(973)	3,741
<b>Total infrastructural assets</b>	<b>34,471</b>	<b>(3,111)</b>	<b>31,360</b>	<b>2,395</b>	<b>(1,512)</b>	<b>(1,078)</b>	<b>-</b>	<b>35,354</b>	<b>(4,189)</b>	<b>31,165</b>
<b>Total property, plant and equipment</b>	<b>35,349</b>	<b>(3,727)</b>	<b>31,622</b>	<b>2,428</b>	<b>(1,535)</b>	<b>(1,149)</b>	<b>(2)</b>	<b>36,241</b>	<b>(4,874)</b>	<b>31,367</b>

	Cost/ revaluation 30/6/2015 \$000	Accumulated depreciation and impairment charges 30/6/2015 \$000	Carrying amount 30/6/2015 \$000	Current year additions \$000	Current year disposals \$000	Current year depreciation \$000	Reversal of Accumulated Depreciation \$000	Cost/ revaluation 30/6/2016 \$000	Accumulated depreciation and impairment charges 30/6/2016 \$000	Carrying amount 30/6/2016 \$000
<b>GasNet 2016</b>										
<b>Operational assets</b>										
Land	39	-	39	-	-	-	-	39	-	39
Leasehold improvements	163	(107)	56	-	(1)	(14)	1	163	(121)	42
Vehicles	236	(175)	61	37	-	(20)	-	274	(196)	78
Office equipment	10	(4)	6	-	(1)	(1)	1	9	(4)	5
Computer hardware	101	(96)	5	9	(13)	(3)	13	97	(86)	11
Furniture and fittings	16	(9)	7	-	(1)	(1)	1	15	(9)	6
Miscellaneous Plant & Equipment	263	(179)	84	19	-	(22)	-	282	(201)	81
<b>Total operational assets</b>	<b>828</b>	<b>(570)</b>	<b>258</b>	<b>66</b>	<b>(16)</b>	<b>(61)</b>	<b>16</b>	<b>878</b>	<b>(616)</b>	<b>262</b>
<b>Infrastructural assets</b>										
Distribution network	29,140	(1,587)	27,552	666	-	(809)	-	29,806	(2,396)	27,410
Work in Progress	-	-	-	116	-	-	-	116	-	116
Gas measurement system	4,347	(465)	3,882	202	-	(250)	-	4,549	(715)	3,834
<b>Total infrastructural assets</b>	<b>33,487</b>	<b>(2,052)</b>	<b>31,434</b>	<b>984</b>	<b>-</b>	<b>(1,059)</b>	<b>-</b>	<b>34,471</b>	<b>(3,111)</b>	<b>31,360</b>
<b>Total property, plant and equipment</b>	<b>34,315</b>	<b>(2,623)</b>	<b>31,692</b>	<b>1,050</b>	<b>(16)</b>	<b>(1,120)</b>	<b>16</b>	<b>35,349</b>	<b>(3,727)</b>	<b>31,622</b>

## Notes to the Financial Statements

For the year ended 30 June 2017

### 11. Intangible assets

Movements for each class of intangible asset are as follows:

	2017 \$000	Software GasNet 2016 \$000	WGL Group 2016 \$000
Balance at 1 July	413	382	382
Cost	(333)	(277)	(277)
Accumulated amortisation and impairment			
Opening carrying amount	80	105	105
Year ended 30 June			
Additions	30	31	31
Amortisation charge	(54)	(57)	(57)
Closing carrying amount	(24)	36	36
Balance at 30 June	443	413	413
Cost	(387)	(333)	(333)
Accumulated amortisation and impairment			
Closing carrying amount	56	80	80

There are no restrictions over the title of GasNet's intangible assets, nor are any intangible assets pledged as security for liabilities.

No intangibles are impaired at balance date.

#### Goodwill

GasNet paid \$1 for Goodwill on purchase of assets from Wanganui Gas Limited.

### 12. Other financial assets

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
<b>Current portion</b>			
Loans to subsidiaries (Net)	-	-	-
Loans to related parties	950	8,819	950
	950	8,819	950
<b>Non-current portion</b>			
Investment in subsidiaries (cost)	-	-	-
Loans to subsidiaries	-	-	-
	-	-	-
<b>Total other financial assets</b>	950	-	950

Interest has been charged at a rate of 5.00% pa (2016: 5%)

#### Fair value

##### Term Deposits

The carrying amounts of term deposits approximates their fair value.

##### Loans to related parties

With the amalgamation of WGL and WGL#1 into GasNet Ltd the interentity loans have been eliminated  
The loan to a related party is with Whanganui District Council Holdings Ltd

##### Quoted shares

The fair values of listed shares are determined by reference to published current bid price quotation in an active market.

##### Unquoted shares

The carrying value of the shares in subsidiaries is cost.

## Notes to the Financial Statements

For the year ended 30 June 2017

### 13. Trade creditors and other payables

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
Trade payables	538	174	185
Amounts due to related parties (note 19)	103	102	91
GST	58	84	84
Accrued expenses	44	17	34
Taxation payable	-	-	-
	<b>744</b>	<b>377</b>	<b>393</b>

Trade 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.

### 14. Employee entitlements

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
<b>Current portion</b>			
Annual leave	45	41	41
Sick leave	3	3	3
Payroll accrual	20	27	27
Retirement and long service	-	-	-
<i>Total current portion</i>	<b>68</b>	<b>71</b>	<b>71</b>
 Retirement and long service	-	-	-
<i>Total non-current portion</i>	-	-	-
<b>Total employee entitlements</b>	<b>68</b>	<b>71</b>	<b>71</b>

### 15. Borrowings

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
<b>Current portion</b>			
Secured loans (Note 19)	-	24,646	-
Advance to shareholder (Note 19)	-	-	-
<i>Total current portion</i>	-	<b>24,646</b>	-
 <b>Non-current portion</b>			
Secured loans (Note 19)	-	-	-
Finance leases	-	-	-
<i>Total non-current portion</i>	-	-	-
<b>Total borrowings</b>	-	<b>24,646</b>	-

#### Secured loans

GasNet Limited's secured debt is secured at a group level over the network assets. Interest has been charged at a rate of 0.00% pa (2016: 0%)

#### Security

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

#### Fair values of borrowings

	Carrying amount 2017 \$000	GasNet Carrying amount 2016 \$000	WGL Group Carrying amount 2016 \$000
Secured loans	-	24,646	-
<b>Total</b>	-	<b>24,646</b>	-

## Notes to the Financial Statements

For the year ended 30 June 2017

### 16. Equity

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
<b>Share capital</b>			
5,750,000 ordinary shares each fully paid up	5,750	-	5,750
<b>Retained earnings</b>			
Balance at 1 July	4,723	2,958	15,043
Surplus/(deficit) for the year	3,194	1,764	1,632
Equity introduced from Wanganui Gas Limited	11,152	-	-
Dividends paid	(1,050)	-	(800)
Balance at 30 June	18,019	4,723	15,874
<b>Asset revaluation reserve</b>			
Balance at 1 July	5,521	5,521	5,521
Revaluation gains/(losses)	-	-	-
Deferred tax on revaluation	-	-	-
Balance at 30 June	5,521	5,521	5,521
<b>Distribution network</b>			
Gas measurement system	5,233	5,233	5,233
Balance at 30 June	288	288	288
	5,521	5,521	5,521

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

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
<b>Surplus/(deficit) after tax</b>	<b>3,194</b>	<b>1,764</b>	<b>1,632</b>
<b>Add/(less) non-cash items:</b>			
Depreciation and amortisation expense	1,203	1,177	1,177
Gains/(losses) from derivative financial instruments	-	-	-
Increase/(Decrease) in deferred tax	(71)	(47)	(2)
Asset revaluation movement through the P&L	-	-	-
Tax on revaluation gains	-	-	-
Other non-cash items	-	-	-
	4,326	2,895	2,806
<b>Add/(less) items classified as investing or financing activities:</b>			
Hire purchase long term debtors	-	-	-
(Gains)/losses on disposal of property, plant and equipment	(1,356)	-	-
	(1,356)	-	-
<b>Add/(less) movements in working capital items:</b>			
Accounts receivable	(35)	25	94
Inventories	(19)	(23)	(23)
Accounts payable	305	(2)	(5)
Income tax payable	161	57	57
Employee entitlements	(3)	20	20
	409	77	142
<b>Net cash inflow/(outflow) from operating activities</b>	<b>3,379</b>	<b>2,972</b>	<b>2,948</b>

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## Notes to the Financial Statements

For the year ended 30 June 2017

### 18. Capital commitments and operating leases

	2017 \$000	2016 \$000	2016 \$000
<b>Capital commitments</b>			
TD Drilling Whanganui Waste Water Treatment Plant Extension, Airport Road	209	-	-
<b>Operating leases as lessee</b>		<b>GasNet</b>	<b>WGL Group</b>
	2017 \$000	2016 \$000	2016 \$000
Not later than one year	88	88	88
Later than one year and not later than five years	261	345	345
Later than five years	18	21	21
	366	454	454

GasNet Limited leases its premises at 8 Cooks Street for a non-cancellable term of 60 months commencing 1 July 2016.  
GasNet Limited has leases for property where several District Regulator Stations are situated.  
These leases are due to expire in 2031.

### 19. Contingencies

#### Superannuation schemes

GasNet is a participating employer in the DBP Contributors Scheme (the scheme), which is a multi-employer defined benefit scheme. If the other participating employers cease to participate in the scheme, GasNet could be responsible for any deficit of the scheme. Similarly, if a number of employers cease to participate in the scheme, GasNet could be responsible for an increased share of any deficit. As at 30 June 2017 there were no other contingent liabilities or assets (2016:nil)

### 20. Related party transactions

GasNet Limited is a wholly owned by Whanganui District Council Holdings Limited, a subsidiary of the Whanganui District Council.

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
<b>Whanganui District Council</b>			
Services provided to GasNet Limited (rent, rates, IT services, other)	355	292	292
Subvention Payment to WDC	600	800	800
Accounts payable to WDC	103	91	91
Prior year tax Losses transferred from Whanganui District Council	511		
<b>Whanganui District Council Holdings Limited</b>			
Prior year tax Losses transferred from Whanganui District Council Holdings Limited	1,363	1,595	1,595
Advance to Whanganui District Council Holdings Limited	950		
Dividend to Whanganui District Council Holdings Limited	1,050		
Interest receivable from Whanganui District Council Holdings Limited	57		
<b>Wanganui Gas Limited</b>			
Services provided to GasNet Limited (rent, rates, IT services, other)	-	141	-
Assets purchased from Wanganui Gas Limited	-	-	-
Loan from Wanganui Gas Limited	-	24,646	-
Interest paid to Wanganui Gas Limited	-	-	-
Advance to Wanganui Gas Limited	-	8,819	-
Accounts payable to Wanganui Gas Limited	-	12	-
<b>Consultancy fees paid to directors during the year for services such as the restructuring of the companies, the PIP process, sale of Papamoa assets, and executive director duties</b>			
Matthew Doyle	12	-	-
Harvey Green	4	-	-
Peter Hazledine	4	-	2

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## Notes to the Financial Statements

For the year ended 30 June 2017

### 21. Key management personnel compensation

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
Salaries and other short term employee benefits	425	282	389
Other long term benefits	-	-	-
	425	282	389

Key management personnel for the parent includes the Directors, and the General Manager for GasNet Limited and a key member of the senior management team.

### Transactions with key management personnel

During the year Directors and key management, as part of a normal customer relationship, were involved in minor transactions with GasNet Limited.

### 22. Dividends

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
Dividends paid to Whanganui District Council Holdings Limited	1,050	-	800

### 23. Events after the balance date

There were no significant events after the balance date (2016 \$nil).

### 24. Financial instruments

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

	2017 \$000	GasNet 2016 \$000	WGL Group 2016 \$000
<b>Financial assets</b>			
<b>Loans and receivables</b>			
Cash and cash equivalents	3,948	1,101	1,188
Debtors and other receivables	792	699	752
Other financial assets:			
- term deposits	-	-	-
- advance to shareholder	950	8,819	8,819
- loans to related parties	-	-	950
<b>Financial liabilities</b>			
<b>Financial liabilities at amortised cost</b>			
Creditors and other payables	744	377	393
Borrowings:			
- secured loans	-	24,646	-

### 25. Capital management

GasNet Limited's capital is its equity, which comprises retained earnings, issued capital and reserves. Equity is represented by net assets. The Company is required to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the stakeholder.

### 26. Amounts recognised directly in equity

On 30 June 2017 WGL, WGL#1 and GasNet amalgamated into one company GasNet Ltd  
As a result equity introduced into GasNet Ltd was \$11.152M  
The comparatives include GasNet Ltd for 2016 and the WGL Group for 2016

### 27. Sale of Papamoa Network

The proceeds from the sale of the Papamoa Network to First Gas have been retained by the Company until such time the review of the transaction by the Commerce Commission is complete.

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## Statement of Service Performance

For the year ended 30 June 2017

### 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 2016.

### 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 2016/17	Actual 2016/17	Actual 2015/16
<u>Health and Safety</u>			
Incidents Reported (No)	5	3	3
Lost Time Incidents	0	0	0
Lost Time Rate	0	0	0
<u>Financial Performance</u>			
EBITDA	\$3.91m	\$4.45m	\$2.98m
Capex Depreciation Ratio	1.0	0.8	0.9
Rate of Return (minimum)	8.0%	11.9%	7.0%
Accumulated profits and capital reserves distributed to shareholder	\$1.60m	\$1.65m	Nil
<u>Network Throughput</u>			
Total Throughput	1.35 PJ	1.28 PJ	1.27 PJ
UFG (Unaccounted For Gas)	1.00%	1.48%	0.62%
<u>Operational Financial Performance</u>			
Direct & Indirect Costs per consumer	\$198	\$209	\$192
Direct & Indirect Costs per GJ conveyed	\$1.48	\$1.62	\$1.50
<u>Network Reliability</u>			
<i>Planned Interruptions (Class B)</i>			
Consumer Hours Lost		126.95	379.52
SAIDI		588.50	1,766.56
SAIFI		4.87	12.26

	Target 2016/17	Actual 2016/17	Actual 2015/16
CAIDI		120.90	144.12
<i>Unplanned Interruptions (Class C)</i>			
Consumer Hours Lost		75.83	183.62
SAIDI		351.54	854.69
SAIFI		4.48	5.04
CAIDI		78.45	169.49
<i>Unplanned Third Party Interruptions (Class I)</i>			
Consumer Hours Lost		51.83	34.80
SAIDI		240.28	161.99
SAIFI		2.40	1.63
CAIDI		100.32	169.49
<i>Total Interruptions</i>			
Consumer Hours Lost	100.00	254.61	597.94
SAIDI		1,180.33	2,783.24
SAIFI		11.74	18.93
CAIDI		100.51	147.03
Third Party Interference Damage (No)	0.50	0.25	0.28
Public Reported Gas Escapes (No)	0.90	0.29	0.28

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 KPIs. A subvention payment was made to Whanganui District Council which reduced the EBITDA figure by \$600,000. The company also advanced \$1.05M to the parent Whanganui District Council Holdings Ltd as a dividend.

Variances in the Planned Interruptions (Class B) included three times less consumer supplies being interrupted during conditional renewal work. The mains that were renewed in 2015-2016 had more consumers connected to them than the mains renewed in 2016-2017.

Variances in the Unplanned Interruptions (Class C) are mainly due to more than usual interruptions occurring in 2015-2016 due to two events during that period. The two events in 2015-2016 included, the gas to 20+ properties inadvertently interrupted during an operation to connect a new main. Also one lengthy interruption of 94 hours occurred when the gas service pipe to a property filled with water and required renewal.

With improved reporting processes the future target figures in the Statement of Intent will be updated accordingly.

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