

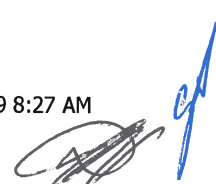
GasNet Limited

Annual Report

For the year ended 30 June 2019

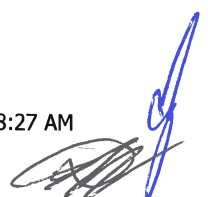
Contents

	Page Number
Directory	3
Statutory information	4
Statement of Responsibility	4
Directors' interests	5 - 6
Statement of comprehensive income	7
Statement of changes in equity	7
Statement of financial position	8
Statement of cash flows	9
Statement of accounting policies	10 - 15
Notes to the financial statements	16 - 24
Statement of service performance	25 - 27



Directory

Registered office	8 Cooks Street Whanganui Telephone (06) 349 2050 Fax (06) 349 0135 Email: enquiries@gasnet.co.nz
Postal address	PO Box 7149 Whanganui 4541
Directors	Peter Hazledine (Chair – appointed 17 June 2019) Matthew Doyle (Chair – resigned 17 June 2019) Annette Main Simon Karipa David Rae Peter Hazledine (Director until 17 June 2019) Matthew Doyle (Director from 17 June 2019)
General Manager	Geoff Evans
Auditor	Audit New Zealand On behalf of the Auditor-General
Bankers	ANZ Whanganui
Solicitors	Armstrong Barton
Shareholding as at 30 June 2019	Whanganui District Council Holdings Limited 100%



Statutory information

The Directors present their report and the financial statements for the year ended 30 June 2019.
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 \$2.204m for the year ended 30 June 2019. Equity at the end of the year was \$28,427,000

Dividends

Dividends totalling \$6,338,000 were declared and paid to the shareholder.

Subvention Payment

There was no Subvention payment paid to shareholders during the year.

Directors

The Directors of GasNet Ltd are:

Peter Hazledine (Chair – appointed 17 June 2019)

Annette Main (Deputy Chair)

Matthew Doyle (Chair – resigned 17 June 2019)

Simon Karipa

David Rae

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.

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. The audit fees for the current year will be \$30,074

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 2019.

Directors' Interests

The Directors have made the following declarations of interest:

Name:	Company/Interest:	Role:
Matthew Doyle	Doyle & Associates – The Accountants Limited Whanganui District Council Holdings Ltd GasNet Ltd New Zealand International Commercial Pilot Academy Ltd 32 TQ Limited McCarthy Transport Assets Limited McCarthy Transport Holdings Limited McCarthy Transport Contractors Limited Doyle Audit Chartered Accountants Limited	Director Director Director Director Director Director Director Director Director
Annette Main	Te Korire Trust Lovely Food Co. The Kitchen Whanganui Taiata Whanganui District Council Holdings Ltd GasNet Ltd New Zealand International Commercial Pilot Academy Ltd UCOL (Universal College of Learning)	Trustee Owner Owner Owner Director Director Director Councillor
Simon Karipa	Paraekaretu Solutions Limited Whanganui Iwi Fisheries Limited Te Ngakinga o Whanganui Investment Trust Karipa Marumaru Whānau Trust Parewānui Trust Charities Registration Board Whanganui District Council Holdings Ltd GasNet Ltd New Zealand International Commercial Pilot Academy Ltd 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	Director/shareholder Chairman Chairman Trustee/beneficiary Trustee/beneficiary Member Director Director Director Director Director Director Director Director Director Director Director Director Director Alternate Trustee
Peter Hazledine	Altosa Forestry Company Limited Hazledine Consulting Whanganui District Council Holdings Ltd GasNet Ltd New Zealand International Commercial Pilot Academy Ltd	Owner/Director Owner/Director Director Director Director

David Rae	Astronomy NZ Ltd	Director
	PIF Guardians Ltd	Director
	Whanganui District Council Holdings Ltd	Director
	GasNet Limited	Director
	New Zealand International Commercial Pilot Academy Limited	Director
	The New Zealand Refining Company Pension Fund	Trustee
	The New Zealand Refining Nominees Ltd	Director
	MyFiduciary Ltd	Associate
	David Rae Associates Ltd	Director / Shareholder
	Te Puia Tapapa Limited Partnership	IC Member
	Metis Research Ltd	IC member
	Public Infrastructure Partners Fund III	AC Member

Company's Affairs

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

On behalf of the Board



Annette Main

Deputy Chairperson

9 September 2019



Matthew Doyle

Director

9 September 2019



Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
Income			
Income from Network		5,476	5,442
Finance income	1	23	144
Other revenue	2	68	36
Gains (loss)	3	-	12
Total revenue		5,567	5,634
Expenses			
Personnel costs	4	1,066	1,147
Depreciation, amortisation and impairment expense		1,288	1,196
Finance costs	1	-	1
Subvention Payment		-	600
Other expenses	5	1,037	957
Total expenses		3,392	3,901
Surplus/(deficit) before tax		2,176	1,733
Income tax expense/(benefit)	6	(29)	32
Profit/(loss) after tax		2,204	1,700
Other comprehensive income			
Asset revaluation movement			3,919
Gains/(Losses) from movements in financial assets carried at fair value		-	-
Income tax re components of other comprehensive income			(1,097)
Total other comprehensive income		-	2,822
Total comprehensive income		2,204	4,522

Statement of Changes in Equity

For the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
Balance at 1 July		32,562	29,289
Amounts recognised directly in equity			
Shares issued		-	-
<i>Transactions with owners</i>		-	-
Comprehensive income		2,204	4,522
<i>Surplus / (deficit) for the year</i>		2,204	4,522
Total comprehensive income		2,204	4,522
Dividend to shareholders	22	(6,338)	(1,250)
Equity as at 30 June		28,427	32,562

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2019

	Note	2019 \$000	2018 \$000
Assets			
Current assets			
Cash and cash equivalents	7	540	3,852
Trade debtors and other receivables	8	802	757
Advance to / (from) shareholder	12	-	1,350
Inventories	9	289	283
<i>Total current assets</i>		1,632	6,242
Non-current assets			
Property, plant and equipment	10	34,871	35,155
Intangible assets	11	5	20
<i>Total non-current assets</i>		34,875	35,174
Total assets		36,507	41,417
Current liabilities			
Trade creditors and other payables	13	263	376
Employee entitlements	14	61	63
Tax Payable	6	259	760
Borrowings	15	-	-
<i>Total current liabilities</i>		583	1,200
Non-current liabilities			
Borrowings	15	-	-
Deferred tax	6	7,496	7,655
<i>Total non-current liabilities</i>		7,496	7,655
Total liabilities		8,080	8,855
Net assets		28,427	32,562
Equity	16		
Share capital		5,750	5,750
Retained earnings		14,334	18,470
Asset revaluation reserve		8,342	8,342
<i>Total equity</i>		28,427	32,562

For and on behalf of the Board



Annette Main
Deputy Chairperson



Matthew Doyle
Director

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
Cash flows from operating activities			
Receipts from customers		5,504	5,509
Interest received		23	144
Payments to suppliers and employees		(2,232)	(2,478)
GST paid		(1)	(5)
Taxation paid		(630)	
Subvention Payment		-	(600)
Interest Paid		-	-
Net cash from operating activities	17	2,664	2,570
Cash flows from investing activities			
Sale of fixed assets		-	12
Purchase of intangibles		1	1
Purchase of fixed assets		(989)	(1,030)
Net cash from investing activities		(989)	(1,017)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Loan Repayment		1,350	-
Advance from shareholder		-	-
Advance to shareholder		-	(400)
Dividends paid	22	(6,338)	(1,250)
Net cash from financing activities		(4,988)	(1,650)
Net increase / (decrease) in cash and cash equivalents		(3,313)	(97)
Cash and cash equivalents at the beginning of the year		3,852	3,948
Cash and cash equivalents at the end of the year	7	540	3,852

The accompanying notes form part of these financial statements.

Statement of accounting policies

For the year ended 30 June 2019

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 Whanganui, New Zealand.

The financial statements of GasNet Limited are for the year ended 30 June 2019. The financial statements were authorised for issue by the Board of Directors on 9 September 2019.

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 entity. The Company has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

The Directors have a legal duty to exercise their power to amend financial statements if required to do so.

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

GasNet Limited has adopted the following accounting standards during this financial year;

- IFRS 9 - Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers

The adoption of IFRS 16 – Leases, will be implemented in the 2019/2020 financial year.

SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

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

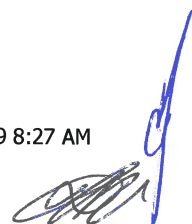
Borrowing costs

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. Therefore, as per the new standard IFRS 9 GasNet Limited 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 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 revaluation of infrastructural assets on a discounted cash flow basis that is pro-rata'd to the asset classes.

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:

Asset Type	Depreciation Rate
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%
-------------------	---------	-----

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 cash flows 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

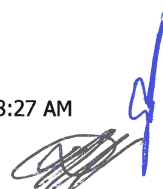
Goods and Service Tax (GST)

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

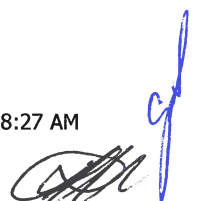
At each balance date GasNet Limited reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires GasNet Limited to consider a number of factors such as the physical 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.



Notes to the Financial Statements

For the year ended 30 June 2019

1. Finance income

	2019 \$000	2018 \$000
Finance income		
Interest income		
- from term loans	-	73
- ANZ current account	23	71
Total finance revenue	23	144
Finance costs		
Interest paid on fixed loans	-	1
Total finance costs	-	1

2. Other revenue

	2019 \$000	2018 \$000
Contracting revenue	36	21
Sundry revenue	32	14
Total other revenue	68	35

3. Gains

	2019 \$000	2018 \$000
Property, plant and equipment gains (loss) on disposal	-	12
Total gains/(losses)	-	12

4. Personnel costs

	2019 \$000	2018 \$000
Salaries and wages	1,153	1,174
Employer contributions to superannuation	33	34
Other personnel costs	56	57
Increase/(decrease) in employee entitlements/liabilities	-	(5)
Less capitalised labour	(176)	(114)
	1,066	1,147

Notes to the Financial Statements

For the year ended 30 June 2019

5. Other expenses

	2019 \$000	2018 \$000
Fees to auditor:		
- audit fees for financial statement audit	30	32
- audit related fees for assurance services	41	36
Directors' fees	-	102
Corporate services	70	31
Rental and operating lease costs	86	81
Other operating costs	810	675
Total operational expenses	1,037	957

6. Tax

	2019 \$000	2018 \$000
Components of tax expense/(benefit)		
Current tax expense	719	760
Deferred tax on temporary differences	(159)	(82)
Adjustments to current tax in prior years	(589)	(646)
Income tax expense/(benefit)	(29)	32
Relationship between tax expense/(benefit) and accounting profit		
Surplus/(deficit) before tax	2,176	1,734
Tax @ 28%	609	485
Prior period adjustment	(640)	(646)
Non-taxable income	-	-
Non-deductible expenditure	1	193
Deferred tax adjustment	-	-
Tax expense/(benefit)	(29)	32

The tax liability for the current year was reduced by tax losses transferred from WDCHL of \$755,411, WDC of \$96,937 and NZICPA of \$645,651

	Property plant and equipment \$000	Provisions and derivatives \$000	Losses \$000	Total \$000
Balance 1 July 2017	6,653	(13)	-	6,640
Charged to profit and loss	(82)	-	-	(82)
Charged to equity	1,097	-	-	1,097
Balance 30 June 2018	7,668	(13)	-	7,655
Charged to profit and loss	(159)	-	-	(159)
Charged to equity	-	-	-	-
Balance 30 June 2019	7,510	(13)	-	7,496

	2019 \$000	2018 \$000
Tax payable		
Opening balance 1 July 2018	(760)	(646)
Final provisional tax payment	340	-
Provisional tax payments	291	-
Current Tax Asset/Liability	(130)	(114)
Balance 30 June 2019	(259)	(760)

Notes to the Financial Statements

For the year ended 30 June 2019

7. Cash and cash equivalents

	2019 \$000	2018 \$000
Cash at bank and on hand	540	984
Term deposits with maturities less than 3 months	-	2,868
Total cash and cash equivalents	540	3,852

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

	2019 \$000	2018 \$000
Trade debtors	686	686
Related party receivables (note 20)	-	-
Other receivables	116	71
Total trade debtors and other receivables	802	757

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 (2018 \$nil).

9. Inventories

	2019 \$000	2018 \$000
<i>Held for distribution/Commercial inventories</i>		
Network	289	283
Total inventories	289	283

There has been no write-down of commercial inventories to net realisable value (2018 \$nil). Inventories are pledged as security for liabilities.

10. Property, plant and equipment

Valuation

Infrastructure assets

A revaluation at 30 June 2018 increased the carrying value of the Infrastructure assets by \$3.9M. The revaluation was completed using a discounted cashflow methodology, discount rate of 6.44% was used. This rate is based upon the Cost of Capital determination set by the Commerce Commission 75th Percentile for disclosure year 2018. For calculations requiring CPI adjustments, CPI data was obtained from the Commerce's Commission.

Notes to the Financial Statements

For the year ended 30 June 2019

10 cont... Property, plant and equipment

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

GasNet 2019	Cost/ revaluation 30/6/2018 \$'000	Accumulated depreciation and impairment charges 30/6/2018 \$'000	Carrying amount 30/6/2018 \$'000	Current year additions \$'000	Current year disposals \$'000	Current year depreciation \$'000	Reversal of Accumulated Depreciation \$'000	Transfers \$'000	Revaluation Movement \$'000	Cost/ revaluation 30/6/2019 \$'000	Accumulated depreciation and impairment charges 30/6/2019 \$'000	Carrying amount 30/6/2019 \$'000
Operational assets												
Land	39	-	39	-	-	-	-	-	-	-	-	39
Leasehold improvements	163	(143)	19	2	(3)	(3)	-	-	-	164	(146)	18
Vehicles	241	(211)	30	65	-	(20)	-	-	-	306	(230)	75
Office equipment	9	(5)	4	-	-	(1)	-	-	-	9	(6)	3
Computer hardware	106	(98)	8	2	(16)	(6)	16	-	-	92	(87)	5
Furniture and fittings	18	(12)	5	6	(3)	(3)	3	-	-	22	(15)	9
Miscellaneous Plant & Equipment	299	(241)	58	26	-	(19)	-	-	-	324	(257)	67
Total operational assets	874	(710)	164	101	(19)	(51)	19	-	-	956	(742)	214
Infrastructural assets												
Distribution network	30,794	-	30,794	723	-	(944)	-	-	-	31,518	(944)	30,574
Work in Progress	19	-	19	458	-	-	-	(462)	-	15	-	15
Gas measurement system	4,177	-	4,177	169	-	(278)	-	-	-	4,346	(278)	4,068
Total infrastructural assets	34,991	-	34,991	1,349	-	(1,222)	-	(462)	-	35,878	(1,222)	34,657
Total property, plant and equipment	35,865	(710)	35,155	1,451	(19)	(1,272)	19	(462)	-	36,834	(1,963)	34,871

GasNet 2018	Cost/ revaluation 30/6/2017 \$'000	Accumulated depreciation and impairment charges 30/6/2017 \$'000	Carrying amount 30/6/2017 \$'000	Current year additions \$'000	Current year disposals \$'000	Current year depreciation \$'000	Reversal of Accumulated Depreciation \$'000	Transfers \$'000	Revaluation Movement \$'000	Cost/ revaluation 30/6/2018 \$'000	Accumulated depreciation and impairment charges 30/6/2018 \$'000	Carrying amount 30/6/2018 \$'000
Operational assets												
Land	39	-	39	-	-	-	-	-	-	-	-	39
Leasehold improvements	163	(135)	28	-	-	(9)	-	-	-	163	(143)	19
Vehicles	274	(223)	51	-	(33)	(21)	33	-	-	241	(211)	30
Office equipment	9	(4)	4	-	-	(1)	-	-	-	9	(5)	4
Computer hardware	101	(91)	10	5	-	(7)	-	-	-	106	(98)	8
Leased equipment	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and fittings	15	(11)	4	3	-	(2)	-	-	-	18	(12)	5
Miscellaneous Plant & Equipment	287	(222)	65	12	-	(19)	-	-	-	299	(241)	58
Total operational assets	887	(686)	201	20	(33)	(58)	33	-	-	874	(710)	164
Infrastructural assets												
Distribution network	30,441	(3,216)	27,225	954	-	(836)	4,052	-	3,451	30,794	-	30,794
Work in Progress	200	-	200	113	-	-	-	(294)	-	19	-	19
Gas measurement system	4,713	(973)	3,741	235	-	(266)	1,238	-	468	4,177	-	4,177
Total infrastructural assets	35,354	(4,189)	31,165	1,302	0	(1,102)	5,290	(294)	3,919	34,991	0	34,991
Total property, plant and equipment	36,241	(4,874)	31,367	1,322	(33)	(1,159)	5,324	(294)	3,919	35,865	(710)	35,155

Notes to the Financial Statements

For the year ended 30 June 2019

11. Intangible assets

Movements for each class of intangible asset are as follows:

	Software	
	2019 \$000	2018 \$000
Balance at 1 July		
Cost	444	443
Accumulated amortisation and impairment	(424)	(387)
Opening carrying amount	20	56
Year ended 30 June		
Additions	1	1
Amortisation charge	(16)	(37)
Closing carrying amount	(15)	(36)
Balance at 30 June		
Cost	445	444
Accumulated amortisation and impairment	(440)	(424)
Closing carrying amount	5	20

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.

12. Other financial assets

	2019 \$000	2018 \$000
Current portion		
Loans to related parties	-	1,350
	-	1,350
Non-current portion		
Investment in subsidiaries (cost)	-	-
Loans to subsidiaries	-	-
	-	-
Total other financial assets	-	1,350

Fair value

Term Deposits

The carrying amounts of term deposits approximates their fair value.

Loans to related parties

The loan to a related party is with Whanganui District Council Holdings Limited.

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 2019

13. Trade creditors and other payables

	2019 \$000	2018 \$000
Trade payables	113	156
Amounts due to related parties (note 20)	10	81
GST	101	101
Accrued expenses	39	39
	263	376

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

	2019 \$000	2018 \$000
Current portion		
Annual leave	38	46
Sick leave	-	-
Payroll accrual	23	17
Retirement and long service	-	-
<i>Total current portion</i>	61	63
Total employee entitlements	61	63

15. Borrowings

	2019 \$000	2018 \$000
Current portion		
Secured loans	-	-
Advance to shareholder	-	-
<i>Total current portion</i>	-	-
Non-current portion		
Secured loans	-	-
Finance leases	-	-
<i>Total non-current portion</i>	-	-
Total borrowings	-	-

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 2019 \$000	Carrying amount 2018 \$000
Secured loans	-	-
Total	-	-

Notes to the Financial Statements

For the year ended 30 June 2019

16. Equity

	2019 \$000	2018 \$000
Share capital		
5,750,000 ordinary shares each fully paid up	5,750	5,750
Retained earnings		
Balance at 1 July	18,468	18,019
Surplus/(deficit) for the year	2,204	1,700
Dividends paid	(6,338)	(1,250)
Balance at 30 June	14,334	18,468
Asset revaluation reserve		
Balance at 1 July	8,342	5,521
Revaluation gains/(losses)	-	3,919
Deferred tax on revaluation	-	(1,097)
Balance at 30 June	8,342	8,342
Distribution network		
Gas measurement system	7,740	7,740
Balance at 30 June	602	602
	8,342	8,342

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

	2019 \$000	2018 \$000
Surplus/(deficit) after tax	2,204	1,700
Add/(less) non-cash items:		
Depreciation and amortisation expense	1,288	1,196
Gains/(losses) from derivative financial instruments	-	-
Increase/(Decrease) in deferred tax	(159)	(82)
Other non-cash items	-	-
	3,332	2,814
Add/(less) items classified as investing or financing activities:		
Hire purchase long term debtors	-	-
(Gains)/losses on disposal of property, plant and equipment	-	(12)
	-	(12)
Add/(less) movements in working capital items:		
Accounts receivable	(45)	30
Inventories	(6)	(10)
Accounts payable	(115)	(362)
Income tax payable	(500)	115
Employee entitlements	(2)	(5)
	(668)	(232)
Net cash inflow/(outflow) from operating activities	2,664	2,570

Notes to the Financial Statements

For the year ended 30 June 2019

18. Capital commitments and operating leases

Capital commitments

Assorted minor projects held in WIP

2019 \$000	2018 \$000
---------------	---------------

-	72
---	----

Operating leases as lessee

2019 \$000	2018 \$000
---------------	---------------

Not later than one year

88	88
----	----

Later than one year and not later than five years

95	177
----	-----

Later than five years

14	14
----	----

197	279
------------	------------

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

As at 30 June 2019 there were no contingent liabilities or assets (2018:nil)

20. Related party transactions

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

2019 \$000	2018 \$000
---------------	---------------

Whanganui District Council

Services provided to GasNet Limited (rent, rates, IT services, other)

449	331
-----	-----

Subvention Payment to WDC

-	600
---	-----

Accounts payable to WDC

10	81
----	----

Prior year tax Losses transferred from Whanganui District Council

97	1,595
----	-------

Whanganui District Council Holdings Limited

Prior year tax Losses transferred from Whanganui District Council Holdings Limited

1,401	712
-------	-----

Management fee (amount is inclusive of Goods & Service Tax)

46	12
----	----

Advance to Whanganui District Council Holdings Limited

-	1,350
---	-------

Dividend to Whanganui District Council Holdings Limited (see note 22)

6,338	1,250
-------	-------

Interest receivable from Whanganui District Council Holdings Limited

-	73
---	----

Consultancy fees paid to directors during the year for services

Matthew Doyle

-	-
---	---

Harvey Green

-	-
---	---

Peter Hazledine

-	1
---	---

Notes to the Financial Statements

For the year ended 30 June 2019

21. Key management personnel compensation

	2019 \$000	2018 \$000
Salaries and other short term employee benefits	287	393
Other long term benefits	-	-
	287	393

Key management personnel includes the Directors, and for GasNet Limited the General Manager and the Finance and Administration Manager.

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

	2019 \$000	2018 \$000
Divestment of Network Assets	2,828	-
Special Dividend (Conversion of Investment to Dividend)	1,350	-
Ordinary Dividend (Target \$1.6M)	2,160	1,250
	6,338	1,250

23. Events after the balance date

There were no significant events after the balance date (2018 \$nil).

24. Financial instruments

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

	2019 \$000	2018 \$000
Financial assets		
Loans and receivables		
Cash and cash equivalents	540	3,852
Debtors and other receivables	802	757
Other financial assets:		
- term deposits	-	-
- advance to shareholder	-	1,350
- loans to related parties	-	-
Financial liabilities		
Financial liabilities at amortised cost		
Creditors and other payables	263	376
Borrowings:		
- secured loans	-	-

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.

Statement of Service Performance

For the year ended 30 June 2019

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 2018.

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 2018/19	Actual 2018/19	Actual 2017/18
<u>Health and Safety</u>			
Incidents Reported (No)	5	4	3
Lost Time Incidents	0	2	0
Lost Time Rate	0	1	0
<u>Financial Performance</u>			
EBITDA (before Subvention payment)	\$3.45m	\$3.46m	\$3.53m
Capex Depreciation Ratio	1	0.78	0.9
Rate of Return (minimum)	6.4%	9.5%	8.24%
Accumulated profits and capital reserves distributed to shareholder	\$1.60m	\$6.34m	\$1.25m
<u>Network Throughput</u>			
Total Throughput	1.32 PJ	1.28 PJ	1.24 PJ
UFG (Unaccounted For Gas)	1.00%	0.68%	1.40%
<u>Operational Financial Performance</u>			
Direct & Indirect Costs per consumer	\$199	\$208	\$210
Direct & Indirect Costs per GJ conveyed	\$1.55	\$1.64	\$1.69
<u>Network Reliability</u>			
<i>Planned Interruptions (Class B)</i>			
Consumer Hours Lost	200	162.90	310.27
SAIDI	923.43	745.14	1,428.70

	Target 2018/19	Actual 2018/19	Actual 2017/18
SAIFI	7.70	6.86	6.14
CAIDI	120.00	108.60	232.7
<i>Unplanned Interruptions (Class C)</i>			
Consumer Hours Lost	75	91.97	640.17
SAIDI	346.29	420.68	2947.81
SAIFI	4.23	5.11	7.14
CAIDI	81.82	82.36	413.01
<i>Unplanned Third Party Interruptions (Class I)</i>			
Consumer Hours Lost	50	135.93	18.65
SAIDI	230.86	621.79	85.88
SAIFI	2.31	2.97	1.07
CAIDI	100.0	209.13	79.93
<i>Total Interruptions</i>			
Consumer Hours Lost	325	390.80	969.09
SAIDI	1500.58	1787.60	4462.39
SAIFI	14.24	14.94	14.35
CAIDI	105.41	119.63	310.94
Third Party Interference Damage (No)	30	25	22
Public Reported Gas Escapes (No)	50	44	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 KPI's.

The company advanced \$6.338M to the parent Whanganui District Council Holdings Ltd as a dividend. With a target of \$1.6M the higher amount paid during the year was due to a number of extraordinary one off payments as follows.

- Divestment of Network Assets \$2.828M
- Special Dividend (Conversion of Investment to Dividend) \$1.350M
- Ordinary Dividend (Target \$1.6M) \$2.160M

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. The two Lost Time Incidents were due to trip, slip & fall injury incidents each resulting in the loss of one working day. The triennial recertification audit of the company's Public Safety Management System (PSMS) was successfully completed by Telarc in March 2019 followed by the statutory declaration to Energy Safety.

Throughput of gas through the network was higher than the previous year despite being slightly lower than target, and connection numbers increased with a record number of 118 new consumer connections made during the year, a number not exceeded since 2008 when 122 connections were made.

Planned network interruptions (Class B) were similar in number to the previous three year's whilst the total duration of interruptions was half the previous year. 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 marginally higher than in previous years and the total duration of interruptions was correspondingly higher. One event involving damage to a gas main in Marton contributed 22 to the total of 39 interruptions.

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.

