

GasNet Limited

Annual Report

For the year ended 30 June 2021

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Directory

Registered office	8-10 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) David Rae Matthew Doyle
General Manager	Jim Coe
Auditor	Audit New Zealand On behalf of the Auditor-General
Bankers	ANZ Whanganui
Solicitors	Armstrong Barton
Shareholding as at 30 June 2021	Whanganui District Council Holdings Limited 100%

Statutory information

The Directors present their report and the financial statements for the year ended 30 June 2021. GasNet Limited (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 \$1.882M for the year ended 30 June 2021. Equity at the end of the year was \$28.930M

Dividends

Dividends totalling \$1,300,000 were declared and paid to the shareholder.

Subvention Payment

Subvention payment paid within the group was \$109,817.

Directors

The Directors of the Company are:

Peter Hazledine (Chairman)
Matthew Doyle
David Rae

Directors' and officers' insurance

Pursuant to Sections 162(3) and 162(4) of the Companies Act 1993 and the Company's constitution, the Company, 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 \$33,074.

Statement of Responsibility

The Board is responsible for the preparation of the Company's financial statements and statement of service performance, and for the judgements made in them. The Board of the Company 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 the Company for the year ended 30 June 2021.

Directors' Interests

Directors' Interests

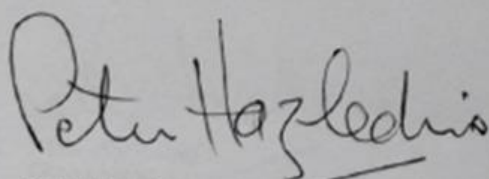
The Directors have made the following declarations of interest:

Name:	Company/Interest:	Role:
Matthew Doyle	Doyle & Associates – The Accountants Limited	Director
	GasNet Ltd	Director
	New Zealand International Commercial Pilot Academy Ltd	Director
	32 TQ Limited	Director
	McCarthy Transport Assets Limited	Director
	McCarthy Transport Holdings Limited	Director
	McCarthy Transport Contractors Limited	Director
	Doyle Audit Chartered Accountants Limited	Director
Peter Hazledine	Altosa Forestry Company Limited	Owner/Director
	Hazledine Consulting	Owner/Director
	GasNet Ltd	Chairman
	New Zealand International Commercial Pilot Academy Ltd	Director
David Rae	Astronomy NZ Ltd	Director
	PIF Guardians 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	Principal
	David Rae Associates Ltd	Director / Shareholder
	Te Puia Tapapa Limited Partnership	IC Member
	Galileo Green Energy GmbH	Director
	Public Trust Investment Committee	Member
	Public Infrastructure Partners Fund III	AC Member

Company's Affairs

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

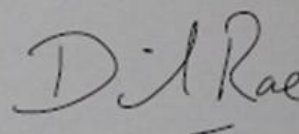
On behalf of the Board



Peter Hazledine

Chairman

26 November 2021



David Rae

Director

26 November 2021

Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	2021 \$000	2020 \$000
Income			
Income from Network		5,541	5,519
Finance income	1	1	2
Other revenue	2	95	46
Gains (loss)	3	-	-
Total revenue		5,636	5,567
Expenses			
Personnel costs	4	1,122	1,163
Depreciation, amortisation and impairment expense		1,214	1,191
Finance costs	1	-	-
Subvention Payment		110	336
Other expenses	5	1,334	1,595
Total expenses		3,779	4,285
Surplus/(deficit) before tax		1,857	1,282
Income tax expense/(benefit)	6	(25)	(101)
Profit/(loss) after tax		1,882	1,383
Other comprehensive income			
Asset revaluation movement			
Gains/(Losses) from movements in financial assets carried at fair value		-	-
Income tax on asset revaluation			
Total other comprehensive income		-	-
Total comprehensive income		1,882	1,383

Statement of Changes in Equity

For the year ended 30 June 2021

	Note	2021 \$000	2020 \$000
Balance at 1 July		28,348	28,427
Amounts recognised directly in equity			
Shares issued		-	-
<i>Transactions with owners</i>		-	-
Comprehensive income		1,882	1,383
<i>Surplus / (deficit) for the year</i>		1,882	1,383
Total comprehensive income		1,882	1,383
Dividend to shareholders	23	(1,300)	(1,464)
Equity as at 30 June		28,930	28,348

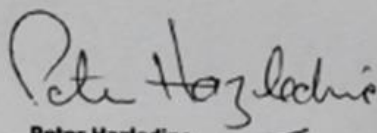
The accompanying notes form part of these financial statements.

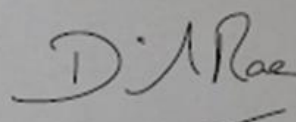
Statement of Financial Position

As at 30 June 2021

	Note	2021 \$000	2020 \$000
Assets			
Current assets			
Cash and cash equivalents	7	1,117	739
Trade debtors and other receivables	8	708	707
Leases - Right of Use	19	25	110
Inventories	9	442	449
Total current assets		2,292	2,005
Non-current assets			
Property, plant and equipment	10	34,469	34,390
Intangible assets	11	71	1
Total non-current assets		34,540	34,391
Total assets		36,832	36,396
Current liabilities			
Trade creditors and other payables	13	562	518
Leases	19	5	111
Employee entitlements	14	97	76
Tax Payable	6	(91)	(61)
Borrowings	15	-	-
Total current liabilities		573	646
Non-current liabilities			
Borrowings	15	-	-
Leases	19	21	(1)
Deferred tax	6	7,309	7,404
Total non-current liabilities		7,330	7,403
Total liabilities		7,902	8,049
Net assets		28,930	28,348
Equity	16		
Share capital		5,750	5,750
Retained earnings		14,838	14,255
Asset revaluation reserve		8,342	8,342
Total equity		28,930	28,348

For and on behalf of the Board


Peter Hazledine
Chairperson


David Rae
Director

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 \$000	2020 \$000
Cash flows from operating activities			
Receipts from customers		5,658	5,627
Interest received		1	2
Payments to suppliers and employees		(2,309)	(2,506)
GST paid		(13)	(23)
Taxation paid		(100)	(311)
Subvention Payment		(110)	(336)
Interest Paid		-	-
Net cash from operating activities	17	3,126	2,453
Cash flows from investing activities			
Sale of fixed assets		-	-
Purchase of intangibles		(70)	(1)
Purchase of fixed assets		(1,292)	(703)
Net cash from investing activities		(1,363)	(705)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Lease payments		(86)	(86)
Loan Repayment		-	-
Advance from shareholder		-	-
Advance to shareholder		-	-
Dividends paid	23	(1,300)	(1,464)
Net cash from financing activities		(1,386)	(1,550)
Net increase / (decrease) in cash and cash equivalents		377	199
Cash and cash equivalents at the beginning of the year		739	540
Cash and cash equivalents at the end of the year	7	1,117	739

The accompanying notes form part of these financial statements.

Statement of accounting policies

For the year ended 30 June 2021

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 the Company are for the year ended 30 June 2021. The financial statements were authorised for issue by the Board of Directors on 26 November 2021.

BASIS OF PREPARATION

Statement of compliance

The financial statements of the Company 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

There have been no changes to accounting standards during this financial year.

SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

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

Applying IFRS 16, for all leases (except as noted below):

- a) Recognises right-of-use assets and leases liabilities in the consolidated statements of financial position, initially measured at the present value of future lease payments;
- b) Recognises depreciation of right-of-use assets and interest on liabilities in the consolidated statements of profit or loss; and
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statements of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

For short term leases (lease terms of 12 months or less) and leases of low value assets (such as personal computers and office furniture), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the consolidated statements of profit or loss.

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 the Company 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 the Company 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.

The Company 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.

The Company 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 the Company 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 the Company, 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 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 the Company 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 the Company 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.

The Company 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 the Company 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 the Company 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 the Company 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 the Company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Company, 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. The Company 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

The Company 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 2021

1. Finance income

	2021 \$000	2020 \$000
Finance income		
Interest income		
- from term loans	-	-
- ANZ current account	1	2
Total finance revenue	1	2
Finance costs		
Interest paid on fixed loans	-	-
Total finance costs	-	-

2. Other revenue

	2021 \$000	2020 \$000
Contracting revenue	24	16
Sundry revenue	70	30
Total other revenue	95	46

3. Gains

	2021 \$000	2020 \$000
Property, plant and equipment gains (loss) on disposal	-	-
Total gains/(losses)	-	-

4. Personnel costs

	2021 \$000	2020 \$000
Salaries and wages	1,152	1,222
Employer contributions to superannuation	37	33
Other personnel costs	54	72
Increase/(decrease) in employee entitlements/liabilities	-	-
Less capitalised labour	(121)	(165)
	1,122	1,163

Notes to the Financial Statements

For the year ended 30 June 2021

5. Other expenses

	2021 \$000	2020 \$000
Fees to auditor:		
- audit fees for financial statement audit	33	32
- audit related fees for assurance services (2021 year \$4,000 relates to disbursements)	50	46
Management Fee	101	100
Corporate services	34	24
Rental and operating lease costs	87	86
Other operating costs	1,029	1,307
Total operational expenses	1,334	1,595

6. Tax

	2021 \$000	2020 \$000
Components of tax expense/(benefit)		
Current tax expense	612	547
Deferred tax on temporary differences	(95)	(93)
Adjustments to current tax in prior years	(543)	(556)
Income tax expense/(benefit)	(25)	(101)
Relationship between tax expense/(benefit) and accounting profit		
Surplus/(deficit) before tax	1,857	1,282
Tax @ 28%	520	359
Prior period adjustment	(549)	(463)
Non-taxable income	-	-
Non-deductible expenditure	4	4
Deferred tax adjustment	-	-
Tax expense/(benefit)	(25)	(101)

The tax liability for the prior year was reduced by tax losses transferred from WDCHL of \$944,781, WDC of \$883,120 and a subvention payment to NZICPA of \$109,817.

	Property plant and equipment \$000	Provisions and derivatives \$000	Losses \$000	Total \$000
Balance 1 July 2019	7,509	(13)	-	7,496
Charged to profit and loss	(93)	-	-	(93)
Charged to equity	-	-	-	-
Balance 30 June 2020	7,417	(13)	-	7,404
Charged to profit and loss	-	-	-	-
Charged to equity	(95)	-	-	(95)
Balance 30 June 2021	7,321	(13)	-	7,309

	2021 \$000	2020 \$000
Tax payable		
Opening balance 1 July 2020	61	(259)
Final provisional tax payment	100	51
Provisional tax payments	-	260
Current Tax Asset/Liability	(70)	9
Balance 30 June 2021	91	61

Notes to the Financial Statements

For the year ended 30 June 2021

7. Cash and cash equivalents

	2021 \$000	2020 \$000
Cash at bank and on hand	1,117	739
Term deposits with maturities less than 3 months	-	-
Total cash and cash equivalents	1,117	739

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

	2021 \$000	2020 \$000
Trade debtors	602	624
Related party receivables (note 20)	-	-
Other receivables	106	83
Total trade debtors and other receivables	708	707

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 (2020 \$nil).

9. Inventories

	2021 \$000	2020 \$000
<i>Held for distribution/Commercial inventories</i>		
Network	442	449
Total inventories	442	449

There has been no write-down of commercial inventories to net realisable value (2020 \$nil).

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 2021

10 cont... Property, plant and equipment

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

	Cost/ revaluation 30/6/2020 \$000	Accumulated depreciation and impairment charges 30/6/2020 \$000	Carrying amount 30/6/2020 \$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 30/6/2021 \$000	Accumulated depreciation and impairment charges 30/6/2021 \$000	Carrying amount 30/6/2021 \$000
GasNet 2021												
Operational assets												
Land	39	-	39	-	-	-	-	-	-	39	-	39
Leasehold improvements	166	(148)	19	8	-	(2)	-	-	-	174	(149)	25
Vehicles	276	(221)	55	61	-	(27)	-	-	-	337	(248)	89
Office equipment	11	(7)	4	1	-	(1)	-	-	-	12	(8)	4
Computer hardware	97	(91)	6	30	-	(4)	-	-	-	126	(95)	31
Furniture and fittings	27	(19)	8	1	-	(2)	-	-	-	28	(21)	7
Miscellaneous Plant & Equipment	352	(277)	75	5	-	(21)	-	-	-	357	(298)	59
<i>Total operational assets</i>	968	(762)	205	106	-	(57)	-	-	-	1,074	(820)	254
Infrastructural assets												
Distribution network	32,036	(1,819)	30,217	870	-	(886)	-	-	-	32,906	(2,705)	30,201
Work in Progress	17	-	17	592	-	-	-	(551)	-	58	-	58
Gas measurement system	4,488	(537)	3,951	274	-	(270)	-	-	-	4,762	(807)	3,956
<i>Total infrastructural assets</i>	36,540	(2,356)	34,185	1,737	-	(1,156)	-	(551)	-	37,727	(3,512)	34,215
Total property, plant and equipment	37,508	(3,118)	34,390	1,843	-	(1,213)	-	(551)	-	38,800	(4,332)	34,469

	Cost/ revaluation 30/6/2019 \$000	Accumulated depreciation and impairment charges 30/6/2019 \$000	Carrying amount 30/6/2019 \$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 30/6/2020 \$000	Accumulated depreciation and impairment charges 30/6/2020 \$000	Carrying amount 30/6/2020 \$000
GasNet 2020												
Operational assets												
Land	39	-	39	-	-	-	-	-	-	39	-	39
Leasehold improvements	164	(146)	18	2	-	(2)	-	-	-	166	(148)	19
Vehicles	306	(230)	75	1	(30)	(21)	30	-	-	276	(221)	55
Office equipment	9	(6)	3	2	-	(1)	-	-	-	11	(7)	4
Computer hardware	92	(87)	5	5	-	(4)	-	-	-	97	(91)	6
Furniture and fittings	22	(15)	9	2	-	(3)	-	-	-	27	(19)	8
Miscellaneous Plant & Equipment	324	(257)	64	30	-	(19)	-	-	-	352	(277)	75
<i>Total operational assets</i>	956	(742)	214	42	(30)	(51)	30	-	-	968	(762)	205
Infrastructural assets												
Distribution network	31,518	(944)	30,574	518	-	(875)	-	-	-	32,036	(1,819)	30,217
Work in Progress	15	-	15	267	-	-	-	(264)	-	17	-	17
Gas measurement system	4,346	(278)	4,068	142	-	(259)	-	-	-	4,488	(537)	3,951
<i>Total infrastructural assets</i>	35,878	(1,222)	34,657	927	-	(1,134)	-	(264)	-	36,540	(2,356)	34,185
Total property, plant and equipment	36,834	(1,963)	34,871	969	(30)	(1,185)	30	(264)	-	37,508	(3,118)	34,390

Notes to the Financial Statements

For the year ended 30 June 2021

11. Intangible assets

Movements for each class of intangible asset are as follows:

	Software	
	2021 \$000	2020 \$000
Balance at 1 July	380	379
Cost	(379)	(375)
Opening carrying amount	1	5
Year ended 30 June		
WIP	70	-
Additions	-	1
Amortisation charge	(1)	(4)
Closing carrying amount	70	(3)
Balance at 30 June		
Cost	380	380
Accumulated amortisation and impairment	(379)	(379)
Closing carrying amount	1	1

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

No intangibles are impaired at balance date.

12. Other financial assets

	2021 \$000	2020 \$000
Non-current portion		
Investment in subsidiaries (cost)	-	-
Loans to subsidiaries	-	-
Total other financial assets	-	-

Fair value

Term Deposits

The carrying amounts of term deposits approximates their fair value.

Quoted shares

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

Notes to the Financial Statements

For the year ended 30 June 2021

13. Trade creditors and other payables

	2021 \$000	2020 \$000
Trade payables & amounts due to related parties (Note 21)	482	410
GST	66	79
Accrued expenses	14	29
	562	518

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

	2021 \$000	2020 \$000
Current portion		
Annual leave	69	58
Payroll accrual	28	18
Retirement and long service	-	-
<i>Total current portion</i>	97	76
Total employee entitlements	97	76

15. Borrowings

	2021 \$000	2020 \$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 2021 \$000	Carrying amount 2020 \$000
Secured loans	-	-
Total	-	-

Notes to the Financial Statements

For the year ended 30 June 2021

16. Equity

	2021 \$000	2020 \$000
Share capital		
5,750,000 ordinary shares each fully paid up	5,750	5,750
Retained earnings		
Balance at 1 July	14,254	14,335
Surplus/(deficit) for the year	1,882	1,383
Dividends paid	(1,300)	(1,464)
Balance at 30 June	14,838	14,254
Asset revaluation reserve		
Balance at 1 July	8,342	8,342
Revaluation gains/(losses)	-	-
Deferred tax on revaluation	-	-
Balance at 30 June	8,342	8,342
Distribution network	7,740	7,740
Gas measurement system	602	602
Balance at 30 June	8,342	8,342

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

	2021 \$000	2020 \$000
Surplus/(deficit) after tax	1,882	1,383
Add/(less) non-cash items:		
Depreciation and amortisation expense	1,214	1,191
Gains/(losses) from derivative financial instruments	-	-
Increase/(Decrease) in deferred tax	(95)	(93)
Other non-cash items	-	-
	3,001	2,482
Add/(less) items classified as investing or financing activities:		
Hire purchase long term debtors	-	-
Lease payments	86	86
(Gains)/losses on disposal of property, plant and equipment	-	-
	86	86
Add/(less) movements in working capital items:		
Accounts receivable	1	95
Inventories	(7)	(160)
Accounts payable	53	255
Income tax payable	(30)	(320)
Employee entitlements	21	16
	38	(115)
Net cash inflow/(outflow) from operating activities	3,126	2,453

Notes to the Financial Statements

For the year ended 30 June 2021

18. Capital commitments

Capital commitments

Assorted projects held in WIP started before 30 June 2021, to be completed in 2022 financial year.

2021 \$000	2020 \$000
118	-
118	-

19. Operating leases as lessee

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

2021 \$000	2020 \$000
5	86
17	20
6	8
28	113

Amounts recognised in the Profit (Loss) in relation to leases

Interest expense
Depreciation expenses
Expenses relating to short term and low value asset leases
Total recognised in Profit (Loss)

2021 \$000	2020 \$000
2	2
85	84
-	-
87	86

Impact on assets, liabilities and equity as at 30 June 2021

Right-of-use assets
Net impact of total assets

25	110
25	110

Lease liabilities - current
Lease liabilities - noncurrent
Net impact on total liabilities

5	111
21	(1)
26	110

Net impact on Retained Earnings

(1)	0
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The company adopted IFRS-16 for the year ending 30 June 2020. Leases are valued using present value calculation with a debt rate applicable to the GasNet limited's borrowing rate. This rate is commercially sensitive as GasNet Limited is an Energy Company owned by the Whanganui District Council. The company leases its premises at 8 Cooks Street for a non-cancellable term of 60 months commencing 1 July 2016. The rental is appraised every two years and currently is \$80,700 per annum. The lease on 8 Cook Street has expired and terms are currently being renegotiated. As at 30 June 2021 the proposed new lease agreement had not been received by GasNet limited. As a sign of good faith GasNet Limited is paying prior years monthly lease payments. GasNet Limited has leases for property where several District Regulator Stations are situated. These leases are due to expire in 2031 and are of low value.

20. Contingencies

As at 30 June 2021 there were no contingent liabilities or assets (2020:nil)

21. Related party transactions

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

Whanganui District Council

Services provided to the company (rent, rates, IT services, other)
Subvention Payment to NZICPA
Accounts payable to WDC
Prior year tax Losses transferred from Whanganui District Council

2021 \$000	2020 \$000
358	451
110	336
172	174
883	318

Whanganui District Council Holdings Limited

Prior year tax Losses transferred from Whanganui District Council Holdings Limited
Management fee (amount is inclusive of Goods & Service Tax)
Advance to Whanganui District Council Holdings Limited
Dividend to Whanganui District Council Holdings Limited (see note 22)
Interest receivable from Whanganui District Council Holdings Limited

945	1,330
116	115
-	-
1,300	1,464
-	-

Notes to the Financial Statements

For the year ended 30 June 2021

22. Key management personnel compensation

	2021 \$000	2020 \$000
Salaries and other short term employee benefits	286	303
Other long term benefits	-	-
	286	303

Key management personnel includes the Directors, and for the company the General Manager and the Finance and Administration Manager. For the 2021 financial year the Directors were paid by WDCHL

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 the company.

23. Dividends

	2021 \$000	2020 \$000
Divestment of Network Assets	-	-
Special Dividend (Conversion of Investment to Dividend)	-	-
Ordinary Dividend (Target \$1.2M)	1,300	1,464
	1,300	1,464

24. Significant events after the balance date

COVID-19 - Government's requirement to move to Alert Level 4 at 11:59 pm Tuesday 17 August 2021, Alert Level 3 at 11:59 pm 31 August 2021 and to Alert Level 2 at 11:59 pm on 07 September 2021. As previously experienced at these Alert Levels 4 and 3, operationally our business is limited to emergency response activities with office closed (limited remote access by key personnel maintained). Financially to date there has been little impact (refer to narrative above for any further expansion).

Climate Change Commission advice - Government advised that it would not be confirming its position in regard to its Climate Change Response (Zero Carbon) Amendment Act responsibilities till May 2022. At this stage it is too early to know what impact this will have on the company's business activities.

25. Financial instruments

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

	2021 \$000	2020 \$000
Financial assets		
Loans and receivables		
Cash and cash equivalents	1,117	739
Debtors and other receivables	708	707
Other financial assets:		
- term deposits	-	-
- advance to shareholder	-	-
- loans to related parties	-	-
Financial liabilities		
Financial liabilities at amortised cost		
Creditors and other payables	562	518
Borrowings:		
- secured loans	-	-

26. Capital management

The company'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 shareholder.

27. Statutory reporting timeframe

Section 44(3) of the Energy Companies Act 1992 requires that the company adopt its annual report within 3 months after the end of the financial year. The Company was not able to comply with this requirement for the year ending 30 June 2021 and the annual report was not adopted until 26 November 2021.

Statement of Service Performance

For the year ended 30 June 2021

Statement of Intent

The Company is an energy 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 Company's parent entity is Whanganui District Council Holdings Limited.

The Statement of Intent (SoI) sets out the overall intentions and objectives of the Company for the year beginning 1 July 2020, subject to any changes relating to striking an operating budget for the year beginning 1 July 2020.

Objectives

The Directors intend that the Company operate as a successful energy business and be at least as profitable and efficient as other gas distribution network companies and gas measurement system (GMS) 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 with interests in natural gas distribution networks and GMS.

Performance Targets

The performance of the Company will be judged against the following measures aligned to that provided in its SoI or as changed in striking the operating budget:

Key Performance Indicators (KPIs)

	SoI Target 2020/21	Budget Target 2020/21	Actual 2020/21	Actual 2019/20
<u>Health and Safety</u>				
Incidents Reported (No)	5	5	11	7
Lost Time Incidents	0	0	0	0
Lost Time Rate	0	0	0	0
<u>Financial Performance</u>				
EBITDA (before Subvention payment)	\$3.4m	\$3.05m	\$3.18m	\$2.81m
Capex Depreciation Ratio	1	1	1.03	0.59
Rate of Return (minimum)	6.43%	6.43%	8.89%	7.71%
Accumulated profits & capital reserves distributed to shareholders	\$1.8m	\$0.96m	\$1.30m	\$1.46m
Subvention payments made to WDCHL Group members	\$0.0m	\$0.20m	\$0.11m	\$0.34m
<u>Network Throughput</u>				
Total Throughput	1.3 PJ	1.27 PJ	1.26 PJ	1.31 PJ
UFG (Unaccounted For Gas)	1.0%	1.0%	1.85%	1.32%
<u>Operational Financial Performance</u>				
Direct & Indirect Costs per consumer	\$217	\$249	\$243	\$273
Direct & Indirect Costs per GJ conveyed	\$1.71	\$1.98	\$1.95	\$2.11
<u>Network Reliability</u>				
<i>Planned Interruptions (Class B)</i>				
Consumer Hours Lost	370	370	212.75	395.92

	SoI Target 2020/21	Budget Target 2020/21	Actual 2020/21	Actual 2019/20
<i>Unplanned Interruptions (Class C)</i>				
Consumer Hours Lost	80	80	124.27	132.35
<i>Unplanned Third Party Interruptions (Class I)</i>				
Consumer Hours Lost	40	40	61.9	46,879.6
<i>Total Interruptions</i>				
Consumer Hours Lost	490	490	398.92	47,407.87
Third Party Interference Damage (No)	25	25	29	25
Public Reported Gas Escapes (No)	50	50	38	39
Metering				
Total on-network (000)	Not supplied	10.15	10.11	10.06
Total off-network (000)	Not supplied	0.23	0.23	0.23

Assessment

The performance of the Company will be judged against the above measures aligned to that provided in its SoI or as changed in striking the operating budget. 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. Significant variations are discussed below.

The company advanced \$1,200,000 to the parent Whanganui District Council Holdings Limited as a planned dividend and an unplanned \$100,000 as an extraordinary dividend. GasNet Limited made an unplanned subvention payment to New Zealand International Commercial Pilot Academy of \$109,814. Combined target of Dividend and subvention payments was \$1.2M. Year to year budget differences related to increased company financial commitments.

Health and Safety performance is being maintained although 'Incidents Reported' increased from 7 in the previous year to 11 this year 6 above the 2020-21 target of 5. The Incidents Reported includes 3 injury incidents and 8 near miss incidents. The increase in near misses reported is likely attributable to a Health and Safety refreshers course attended by all in the company in February 2021 which focussed on near-miss reporting.

With its focus on ensuring the health and safety of its employees, contractors and the public and the safe transportation and delivery of gas to consumers, the low number of incidents reflects the company's commitment to health and safety. There were three minor injuries that included a bruised shin when an office worker walked into an item stored incorrectly, an injury to a field worker's finger tips when they were caught between a bar and the ground which resulted in bruising; and an insect sting to a field worker.

A review audit of the Public Safety Management System (PSMS) was partially completed remotely by Telarc Limited in April 2020 during COVID19 Alert level 4. This year's PSMS review audit was conducted on 6th and 7th April at GasNet Limited's office in Whanganui by Telarc Limited.

Throughput of gas in the networks was higher than the previous year despite being slightly lower than target, and connection numbers reduced from 81 last year to 50 new consumer connections made during the year.

The Company has now been operating in a pandemic mode for the entire 2020-21 financial year, mostly at Alert Level 1 with several temporary escalations to Alert Level 2. It is GasNet's view that commercially, COVID-19 has had an insignificant impact on revenue while having increasing impacts relating to both cost of products and reduced availability of same. To potentially offset the availability impact, the Company has been buying in greater quanta for extended delivery timeframes which has introduced a further issue of storage space requirements. The Company does not see any quick fixes to inventory challenges given the global delivery chains are now undersized with airfreighting being so limited and access to raw materials being frustrated by country specific COVID-19 restrictions as well as equivalent supply chains constraints.

The Company views the emergent challenges from the recent Climate Change Commission final advice (end of May 2021) to the Government as being commercially significant. This follows because the emerging Government view appears to favour renewable electricity over natural gas. The natural gas industry has presented some ideas for the development of green gas options but these have met with muted response to date. Government support for any such transition is likely to be limited. Government is required to publish its initial decisions on the direction forward by the end of May 2022 (originally December 2021), thus it will be late in the fourth quarter of the forthcoming financial year before the Company will be in a position to

comment further on potential commercial implications. The Company is also mindful that during the 2021-22 financial year the NZ Commerce Commission will be resetting regulatory settings for our network business for the next four/five pricing years (1 October 2022 to 30 September 2026 or 2027).

Planned network interruptions (Class B) were similar in number to the previous 3 years. It is expected that this number will increase as main renewal work increases over time.

There was a reduction in the number of unplanned network interruptions (Class C) this year but the duration of interruptions were similar to previous years.

The number of unplanned supply interruptions caused by third party damage (Class I) were similar to previous years except the immediate past year when a pressurised water main ruptured damaging a low pressure gas main and flooding approximately 9 kilometres of the low pressure gas network with water. The water effectively blocking the gas main and services interrupted supplies to approximately 283 consumer supplies for up to 2 weeks.

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