GasNet Limited

Annual Report

For the year ended 30 June 2022

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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 2022	Whanganui District Council Holdings Limited 100%

Statutory information

The Directors present their report and the financial statements for the year ended 30 June 2022.
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 $1.876M for the year ended 30 June 2022. Equity at the end of the year was $28.700M

Dividends
Dividends totalling $2,107,000 were declared and paid to the shareholder.

Subvention Payment
Subvention payment paid within the group was $81,253.

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 $33,741.

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 2022.

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
5 October 2022

David Rae
Director
5 October 2022

Statement of Comprehensive Income
For the year ended 30 June 2022

	Note	2022 $000	2021 $000
Income			
Income from Network		5,509	5,541
Finance income	1	6	1
Other revenue	2	93	95
Gains (loss)	3	-	-
Total revenue		5,608	5,636
Expenses			
Personnel costs	4	1,256	1,122
Depreciation, amortisation and impairment expense		1,256	1,214
Finance costs	1	-	-
Subvention Payment		81	110
Other expenses	5	1,265	1,334
Total expenses		3,858	3,779
Surplus/(deficit) before tax		**1,750**	**1,857**
Income tax expense/(benefit)	6	(126)	(25)
Profit/(loss) after tax		**1,876**	**1,882**
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		**1,876**	**1,882**

Statement of Changes in Equity
For the year ended 30 June 2022

	Note	2022 $000	2021 $000
Balance at 1 July		28,930	28,348
Amounts recognised directly in equity			
Shares issued		-	-
Transactions with owners		-	-
Comprehensive income		1,876	1,882
Surplus / (deficit) for the year		1,876	1,882
Total comprehensive income		1,876	1,882
Dividend to shareholders	23	(2,107)	(1,300)
Equity as at 30 June		**28,700**	**28,930**

The accompanying notes form part of these financial statements.

Statement of Financial Position
As at 30 June 2022

	Note	2022 $000	2021 $000
Assets			
Current assets			
Cash and cash equivalents	7	984	1,117
Trade debtors and other receivables	8	764	708
Leases - Right of Use	19	20	25
Inventories	9	594	442
Total current assets		2,361	2,292
Non-current assets			
Property, plant and equipment	10	34,391	34,469
Intangible assets	11	191	71
Total non-current assets		34,582	34,540
Total assets		36,944	36,832
Current liabilities			
Trade creditors and other payables	13	496	562
Leases	19	5	5
Employee entitlements	14	144	97
Tax Payable	6	374	(91)
Borrowings	15		-
Total current liabilities		1,018	573
Non-current liabilities			
Borrowings	15	-	-
Leases	19	15	21
Deferred tax	6	7,210	7,309
Total non-current liabilities		7,225	7,330
Total liabilities		8,244	7,902
Net assets		28,700	28,930
Equity	16		
Share capital		5,750	5,750
Retained earnings		14,607	14,838
Asset revaluation reserve		8,342	8,342
Total equity		28,700	28,930

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 2022

	Note	2022 $000	2021 $000
Cash flows from operating activities			
Receipts from customers		5,577	5,658
Interest received		6	1
Payments to suppliers and employees		(2,632)	(2,309)
GST paid		(3)	(13)
Taxation paid		497	(100)
Subvention Payment		(81)	(110)
Interest Paid		-	-
Net cash from operating activities	**17**	**3,363**	**3,126**
Cash flows from investing activities			
Sale of fixed assets		-	-
Purchase of intangibles		(129)	(70)
Purchase of fixed assets		(1,168)	(1,292)
Net cash from investing activities		**(1,298)**	**(1,363)**
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Lease payments		(91)	(86)
Loan Repayment		-	-
Advance from shareholder		-	-
Advance to shareholder		-	-
Dividends paid	23	(2,107)	(1,300)
Net cash from financing activities		**(2,198)**	**(1,386)**
Net increase / (decrease) in cash and cash equivalents		**(133)**	**377**
Cash and cash equivalents at the beginning of the year		1,117	739
Cash and cash equivalents at the end of the year	**7**	**984**	**1,117**

The accompanying notes form part of these financial statements.

Statement of accounting policies

For the year ended 30 June 2022

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 2022. The financial statements were authorised for issue by the Board of Directors on 5 October 2022.

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%

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 it 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 2022

1. Finance income

	2022 $000	2021 $000
Finance income		
Interest income		
- from term loans	-	-
- ANZ current account	6	1
Total finance revenue	**6**	**1**
Finance costs		
Interest paid on fixed loans	-	-
Total finance costs	**-**	**-**

2. Other revenue

	2022 $000	2021 $000
Contracting revenue	22	24
Sundry revenue	71	70
Total other revenue	**93**	**95**

3. Gains

	2022 $000	2021 $000
Property, plant and equipment gains (loss) on disposal	-	-
Total gains/(losses)	**-**	**-**

4. Personnel costs

	2022 $000	2021 $000
Salaries and wages	1,361	1,152
Employer contributions to superannuation	40	37
Other personnel costs	77	54
Increase/(decrease) in employee entitlements/liabilities	-	-
Less capitalised labour	(222)	(121)
	1,256	**1,122**

Notes to the Financial Statements

For the year ended 30 June 2022

5. Other expenses

	2022 $000	2021 $000
Fees to auditor:		
- audit fees for financial statement audit	34	33
- audit related fees for assurance services (2022 year $4,000 relates to disbursements)	61	50
Management Fee	-	101
Corporate services	32	34
Rental and operating lease costs	85	87
Other operating costs	1,053	1,029
Total operational expenses	**1,265**	**1,334**

6. Tax

	2022 $000	2021 $000
Components of tax expense/(benefit)		
Current tax expense	585	612
Deferred tax on temporary differences	(99)	(95)
Adjustments to current tax in prior years	(612)	(543)
Income tax expense/(benefit)	**(126)**	**(25)**
Relationship between tax expense/(benefit) and accounting profit		
Surplus/(deficit) before tax	1,750	1,857
Tax @ 28%	490	520
Prior period adjustment	(621)	(549)
Non-taxable income	-	-
Non-deductible expenditure	4	4
Deferred tax adjustment	-	-
Tax expense/(benefit)	**(126)**	**(25)**

The tax liability for the prior year was reduced by tax losses transferred from WDCHL of $858,766 ,WDC of $1,173,023 and by losses of $290K transferred from NZICPA by subvention payment of $81K and loss offset of $208K.

	Property plant and equipment $000	Provisions and derivitaves $000	Losses $000	Total $000
Balance 1 July 2019	7,417	(13)	-	7,404
Charged to profit and loss	(95)	- -		(95)
Charged to equity	-	-	-	-
Balance 30 June 2020	7,321	(13)	-	7,309
Charged to profit and loss	-	-	-	-
Charged to equity	(99)	-	-	(99)
Balance 30 June 2021	**7,223**	**(13)**	**-**	**7,210**

	2022 $000	2021 $000
Tax payable		
Opening balance 1 July 2021	91	61
Final provisional tax payment	-	100
Provisional tax payments	110	-
Tax refunded	(603)	-
Current Tax Asset/Liability	28	(70)
Balance 30 June 2022	**(374)**	**91**

Notes to the Financial Statements

For the year ended 30 June 2022

7. Cash and cash equivalents

	2022 $000	2021 $000
Cash at bank and on hand	984	1,117
Term deposits with maturities less than 3 months	-	-
Total cash and cash equivalents	**984**	**1,117**

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

	2022 $000	2021 $000
Trade debtors	627	602
Related party receivables (note 20)	-	-
Other receivables	137	106
Total trade debtors and other receivables	**764**	**708**

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 (2021 $nil).

9. Inventories

	2022 $000	2021 $000
Held for distribution/Commercial inventories		
Network	594	442
Total inventories	**594**	**442**

There has been no write-down of commercial inventories to net realisable value (2021 $nil).

10. Property, plant and equipment

Valuation

Infrastructure assets
A fair value assessment has been completed over the distribution network and GMS where gasNet Limited obtained external advice over the discount rates to use in both fair value assessments. The Board have reviewed and approved the key assumptions used in the fair value assessment which includes the discount rates and assessed there is no material difference between the carrying value and the fair value assessment, so no revaluation was required.
A peer review of the asset revaluation methodology is carried out Deloitte Touche Tohmatsu New Zealand.

Notes to the Financial Statements

For the year ended 30 June 2022

10 cont... Property, plant and equipment

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

GasNet 2022	Cost/ revaluation 30/6/2021 $000	Accumulated depreciation and impairment charges 30/6/2021 $000	Carrying amount 30/6/2021 $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 30/6/2022 $000	Accumulated depreciation and impairment charges 30/6/2022 $000	Carrying amount 30/6/2022 $000
Operational assets												
Land	39	-	39	-	-	-	-	-	-	39	-	39
Leasehold improvements	174	(149)	25	49	-	(3)	-	-	-	223	(152)	71
Vehicles	337	(248)	89	64	(31)	(28)	-	-	-	370	(245)	125
Office equipment	12	(8)	4	-	-	(1)	-	-	-	12	(9)	3
Computer hardware	126	(95)	31	13	-	(14)	-	-	-	139	(109)	30
Furniture and fittings	28	(21)	7	1	-	(3)	-	-	-	29	(24)	6
Miscellaneous Plant & Equipment	357	(298)	59	11	-	(18)	-	-	-	368	(316)	52
Total operational assets	1,074	(820)	254	137	(31)	(66)	-	-		1,180	(855)	325
Infrastructural assets												
Distribution network	32,906	(2,705)	30,201	819	-	(900)	-	-	-	33,725	(3,605)	30,120
Work in Progress	58	-	58	580	-		-	(589)	-	50	-	50
Gas measurement system	4,762	(807)	3,956	220	-	(280)	-	-	-	4,983	(1,087)	3,896
Total infrastructural assets	37,727	(3,512)	34,215	1,619	-	(1,180)	-	(589)	-	38,757	(4,692)	34,066
Total property, plant and equipment	**38,800**	**(4,332)**	**34,469**	**1,756**	**(31)**	**(1,246)**	**-**	**(589)**	**-**	**39,937**	**(5,546)**	**34,391**

GasNet 2021	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
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
Total operational assets	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	-	(280)	-	-	-	4,762	(807)	3,956
Total infrastructural assets	36,540	(2,356)	34,185	1,737	-	(1,166)	-	(551)	-	37,727	(3,512)	34,215
Total property, plant and equipment	**37,508**	**(3,118)**	**34,390**	**1,843**	**-**	**(1,224)**	**-**	**(551)**	**-**	**38,800**	**(4,332)**	**34,469**

Notes to the Financial Statements

For the year ended 30 June 2022

11. Intangible assets

Movements for each class of intangible asset are as follows:

	Software	
	2022	2021
	$000	$000
Balance at 1 July		
Cost	380	380
Accumulated amortisation and impairment	(379)	(379)
Opening carrying amount	1	1
Year ended 30 June		
WIP	42	70
Additions	158	-
Amortisation charge	(9)	(1)
Closing carrying amount	191	70
Balance at 30 June		
Cost	539	380
Accumulated amortisation and impairment	(389)	(379)
Closing carrying amount	149	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

	2022	2021
	$000	$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 2022

13. Trade creditors and other payables

	2022 $000	2021 $000
Trade payables & amounts due to related parties (Note 21)	417	482
GST	63	66
Accrued expenses	16	14
	496	562

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

	2022 $000	2021 $000
Current portion		
Annual leave	77	69
Payroll accrual	67	28
Retirement and long service	-	-
Total current portion	144	97
Total employee entitlements	144	97

15. Borrowings

	2022 $000	2021 $000
Current portion		
Secured loans	-	-
Advance to shareholder	-	-
Total current portion	-	-
Non-current portion		
Secured loans	-	-
Finance leases	-	-
Total non-current portion	-	-
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 2022 $000	Carrying amount 2021 $000
Secured loans	-	-
Total	-	-

Notes to the Financial Statements

For the year ended 30 June 2022

16. Equity

	2022 $000	2021 $000
Share capital		
5,750,000 ordinary shares each fully paid up	5,750	5,750
Retained earnings		
Balance at 1 July	14,838	14,254
Surplus/(deficit) for the year	1,876	1,882
Dividends paid	(2,107)	(1,300)
Balance at 30 June	14,607	14,838
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

	2022 $000	2021 $000
Surplus/(deficit) after tax	**1,876**	**1,882**
Add/(less) non-cash items:		
Depreciation and amortisation expense	1,256	1,214
Gains/(losses) from derivative financial instruments	-	-
Increase/(Decrease) in deferred tax	(99)	(95)
Other non-cash items	-	-
	3,033	3,001
Add/(less) items classified as investing or financing activities:		
Hire purchase long term debtors	-	-
Lease payments	91	86
(Gains)/losses on disposal of property, plant and equipment	-	-
	91	86
Add/(less) movements in working capital items:		
Accounts receivable	(56)	1
Inventories	(151)	(7)
Accounts payable	(65)	53
Income tax payable	465	(30)
Employee entitlements	46	21
	239	38
Net cash inflow/(outflow) from operating activities	3,363	3,126

Notes to the Financial Statements

For the year ended 30 June 2022

18. Capital commitments	2022 $000	2021 $000
Capital commitments		
Assorted projects held in WIP started before 30 June 2022, to be completed in 2023 financial year.	91	118
	91	118

19. Operating leases as lessee

	2022 $000	2021 $000
Not later than one year	5	5
Later than one year and not later than five years	13	17
Later than five years	3	6
	22	28

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

	2022 $000	2021 $000
Interest expense	1	2
Depreciation expenses	5	85
Expenses relating to short term and low value asset leases	-	-
Total recognised in Profit (Loss)	6	87

Impact on assets, liabilities and equity as at 30 June 2022

Right-of-use assets	20	25
Net impact of total assets	20	25
Lease liabilities - current	5	5
Lease liabilities - noncurrent	15	21
Net Iimpact on total liabilities	20	26
Net impact on Retained Earnings	(1)	(1)

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 $85,500 per annum. The lease on 8 Cook Street has expired and terms are currently being renegotiated. In May 2022 GasNet Limited were advised that there current landlord was to become Whanganui Port Limited Partnership and a new lease agreement has been presented to Gasnet Limited. However, as at 30 June 2022 this agreement remains unsigned and 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 2022 there were no contingent liabilities or assets (2021:nil)

21. Related party transactions

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

	2022 $000	2021 $000
Whanganui District Council		
Services provided to the company (rent, rates, IT services, other)	332	358
Accounts payable to WDC	162	172
Prior year tax Losses transferred from Whanganui District Council	1,173	883
Whanganui District Council Holdings Limited		
Prior year tax Losses transferred from Whanganui District Council Holdings Limited and NZICPA	1,068	945
Subvention Payment to NZICPA	81	110
Management fee (amount is inclusive of Goods & Service Tax)	-	116
Advance to Whanganui District Council Holdings Limited	-	-
Dividend to Whanganui District Council Holdings Limited (see note 22)	2,107	1,300
Interest receivable from Whanganui District Council Holdings Limited	-	-

Notes to the Financial Statements

For the year ended 30 June 2022

22. Key management personnel compensation	2022 $000	2021 $000
Salaries and other short term employee benefits	314	286
Other long term benefits	-	-
	314	286

Key management personnel includes the Directors, and for the company the General Manager and the Finance and Administration Manager. For the 2022 financial year the Directors were paid by GasNet (note 28)

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	2022 $000	2021 $000
Divestment of Network Assets	-	-
Special Dividend (Conversion of Investment to Dividend)	-	-
Ordinary Dividend (Target $1.2M)	2,107	1,300
	2,107	1,300

24. Significant events after the balance date

COVID-19 - Ongoing impacts on Compnay as discussed in narrative above.
While Government has advised its position in regard to its Climate Change Response (Zero Carbon) Amendment Act responsibilities (initial Energy Plan and first three emissions budgets) at this stage it is too early to know what impact this will have on the company's business activities.

NZCC DPP3 reset impacts GasNet from 1 October 2022 for four pricing years. Again, the impact of these as to be implemented is still too ealry to comment on.

25. Financial instruments

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

	2022 $000	2021 $000
Financial assets		
Loans and receivables		
Cash and cash equivalents	984	1,117
Debtors and other receivables	764	708
Other financial assets:		
- term deposits	-	-
- advance to shareholder	-	-
- loans to related parties	-	-
Financial liabilities		
Financial liabilities at amortised cost		
Creditors and other payables	496	562
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 annual report was not adopted until 5th October 2022.

28. Consultancy Fees paid to directors during the year for services	2022 $000	2021 $000
Peter Hazledine	25	-
Matthew Doyle	20	-
David Rae	20	-
Other Board related cost	5	-
	70	-

In 2021 directors fees were paid by Whanganui District Council Holdings Limited
Directors are independent of GasNet limited and are appointed by Whanganui District Council Holdings Limited.

Statement of Service Performance

For the year ended 30 June 2022

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 Corporate Intent (SoCI) sets out the overall intentions and objectives of the Company for the year beginning 1 July 2021.

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 SoCI or as changed in striking the operating budget:

Key Performance Indicators (KPIs)

	SoCI Target 2021/22	**Budget Target 2021/22**	**Actual 2021/22**	**Actual 2020/21**
Health and Safety				
Incidents Reported (No)	5	5	10	11
Lost Time Incidents	0	0	1	0
Lost Time Rate	0	0	3	0
Financial Performance				
EBITDA (before Subvention payment)	$2.8m	$2.69m	$3.09m	$3.18m
Rate of Return (minimum)	6.20%	7.73%	8.69%	8.89%
Accumulated profits & capital reserves distributed to shareholders	$1.0m	$1.00m	$2.107m	$1.30m
Network Throughput				
Total Throughput	1.3 PJ	1.23 PJ	1.22 PJ	1.26 PJ
Non-Tou Throughput (PJ)	0.45 PJ	0.39 PJ	0.38 PJ	0.43 PJ
UFG (Unaccounted For Gas)	1.0%	1.0%	1.54%	1.85%
Operational Financial Performance				
Direct & Indirect Costs per consumer	$297	$249	$237	$243
Direct & Indirect Costs per GJ conveyed	$2.39	$2.39	$2.06	$1.95
Network Reliability				
Planned Interruptions (Class B)				
Consumer Hours Lost	500	370	225	212.75

	SoCI Target 2021/22	Budget Target 2021/22	Actual 2021/22	Actual 2020/21
Unplanned Interruptions (Class C)				
Consumer Hours Lost	80	80	38	124.27
Unplanned Third Party Interruptions (Class I)				
Consumer Hours Lost	90	40	75	61.9
Total Interruptions				
Consumer Hours Lost	670	490	338	398.92
Third Party Interference Damage (No)	30	25	21	29
Public Reported Gas Escapes (No)	50	50	29	38
Metering				
Total on-network (000)	10.3	10.10	10.08	10.11
Total off-network (000)	0.30	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 SoCI 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 $2,107,000 to the parent Whanganui District Council Holdings Limited as a planned dividend of $1,000,000 and an unplanned $1,107,000 as an extraordinary dividend. GasNet Limited made an unplanned subvention payment to New Zealand International Commercial Pilot Academy of $81,253. Combined target of Dividend and subvention payments was $1.0M. Year to year budget differences related to increased company financial commitments.

Health and safety performance KPI indicates that there were ten incidents reported against a target of five. Two incidents were near miss incidents related to network incidents and not to safety as such. Of the eight injury incidents two involved injury to the back, one during a lifting operation and one due to body twisting. Two involved injury to legs, one where legs were scratched by bushes and one stepping into an obscured hole in the ground. One injury involved a shoulder sprain that occurred while digging and another a hip strain during pushing a trailer. Two slip/trip incidents resulted from falls involving uneven surfaces (not from height). The one lost time injury occurred as a Technician alighted from the driver's seat of a company van at his home after an evening callout to work. The Technician twisted in his seat as he was getting out of the vehicle, the action aggravating an existing injury, resulting in three days off work.

A manual handling training course was run by the company for all field workers involving basic back care, Healthy movement patterns, basic anatomy considerations, integrating safety considerations into the workplace, practical session re digging, lifting and Gym activities. All field staff have now joined the company's Health and Fitness scheme to assist with injury prevention.

The Public Safety Management system three yearly revalidation audit was successfully completed in April this year by Telarc. Following the audit a declaration of compliance was sent to Energy Safety as required under the Gas Safety and Measurement Regulations.

Throughput of gas in the networks was slightly lower than the previous year and slightly lower than target, and connection numbers were essentially static with new consumer connections made during the year being offset by Housing Corporation implementation of Government directive for electricity only accommodation.

The Company operated in a pandemic mode for the entire 2021-22 financial year. 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 was stretched in labour resource a number of times over the year with COVID19 variants affecting mostly field workers in early 2022 and later in the year Influenza affecting office workers. An unprecedented level of sick and COVID leave was paid to employees during this year. Throughout the year the company enforced strict safety protocols through the agreed Pandemic Plan. Protocols included working from home, remote meetings, personal distancing, mask wearing, cleaning procedures and mandating initial vaccinations.

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 has published its initial decisions on the direction forward at 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 was resetting regulatory settings for our network business for the next four pricing years (1 October 2022 to 30 September 2026).

Network reliability performance showed an improvement with the number of third party damage incidents and public reported escapes down also. There has been a general reducing trend in the number of third party damage incidents. The number and duration of Interruptions is reflective of the type of work being undertaken during the year. Planned interruptions are typically related to new mains installation works of which there were few, reflective in the low hours. Unplanned interruptions are typically due to events requiring urgent works such as leak repair.

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

Independent Auditor's Report

To the readers of GasNet Limited's financial statements and statement of service performance for the year ended 30 June 2022

The Auditor-General is the auditor of GasNet Limited (the company). The Auditor-General has appointed me, Chris Webby, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the statement of service performance of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 6 to 23, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 24 to 26.

In our opinion:

- the financial statements of the company on pages 6 to 23:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standard Reduced Disclosure Regime; and
- the performance information of the company on pages 24 to 26 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2022.

Our audit was completed on 5 October 2022. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

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

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

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

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

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

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

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

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 5, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

In addition to the audit, we have carried out assurance engagements pursuant to the Gas Distribution Information Disclosure Determination 2012 (consolidated April 2018) for the disclosure year ended 30 June 2021 and the Gas Distribution Services Default Price-Quality Path Determination 2017 for the assessment period ended 30 September 2021, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with, or interests in, the company.

Chris Webby

Chris Webby
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand