

# **GasNet Limited**

## **Annual Report**

**For the year ended 30 June 2023**

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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 2023	Whanganui District Council Holdings Limited 100%

## Statutory information

The Directors present their report and the financial statements for the year ended 30 June 2023.  
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 \$1.673M for the year ended 30 June 2023. Equity at the end of the year was \$26.370M

### Dividends

Dividends totalling \$1,210,000 were declared and paid to the shareholder.

### Subvention Payment

There was no subvention payment paid.

### 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 \$62,246.

## 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 2023.

## Directors' Interests

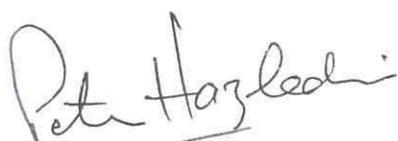
The Directors have made the following declarations of interest:

Name:	Company/Interest:	Role:
Matthew Doyle	Doyle & Associates – The Accountants Limited	Director
	GasNet Ltd	Director
	New Zealand International Commercial Pilot Academy Ltd	Director
	Aero Care Limited	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
	Aero Care Limited	Director
	New Zealand International Commercial Pilot Academy Ltd	Director
David Rae	PIF Guardians Ltd	Director
	GasNet Limited	Director
	New Zealand International Commercial Pilot Academy Limited	Director
	Aero Care 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**

29 September 2023



Matthew Doyle

**Director**

29 September 2023

## Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	2023 \$000	2022 \$000
<b>Income</b>			
Income from Network		5,746	5,509
Finance income	1	23	6
Other revenue	2	62	93
Gains (loss)	3	-	-
Total revenue		5,831	5,608
<b>Expenses</b>			
Personnel costs	4	1,367	1,256
Depreciation, amortisation and impairment expense		1,348	1,256
Finance costs	1	-	-
Subvention Payment	21	-	81
Other expenses	5	1,635	1,265
Total expenses		4,350	3,858
<b>Surplus/(deficit) before tax</b>		<b>1,481</b>	<b>1,750</b>
Income tax expense/(benefit)	6	(193)	(126)
<b>Profit/(loss) after tax</b>		<b>1,673</b>	<b>1,876</b>
<b>Other comprehensive income</b>			
Asset revaluation movement		(3,879)	-
Deferred tax on asset revaluation	6	1,086	-
Total other comprehensive income		(2,793)	-
<b>Total comprehensive income</b>		<b>(1,119)</b>	<b>1,876</b>

## Statement of Changes in Equity

For the year ended 30 June 2023

	Note	2023 \$000	2022 \$000
Balance at 1 July		28,700	28,930
<b>Amounts recognised directly in equity</b>			
Shares issued		-	-
<i>Transactions with owners</i>		-	-
Other comprehensive income		(2,793)	1,876
<i>Surplus / (deficit) for the year</i>		1,673	1,876
<b>Total comprehensive income</b>		<b>(1,119)</b>	<b>1,876</b>
Dividend to shareholders	23	(1,210)	(2,107)
<b>Equity as at 30 June</b>		<b>26,370</b>	<b>28,700</b>

The accompanying notes form part of these financial statements.



## Statement of Financial Position

As at 30 June 2023

	Note	2023 \$000	2022 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	1,135	984
Trade debtors and other receivables	8	925	764
Leases - Right of Use	19	15	20
Inventories	9	685	594
<i>Total current assets</i>		2,760	2,361
<b>Non-current assets</b>			
Property, plant and equipment	10	30,714	34,391
Intangible assets	11	228	191
<i>Total non-current assets</i>		30,942	34,582
<b>Total assets</b>		<b>33,702</b>	<b>36,943</b>
<b>Current liabilities</b>			
Trade creditors and other payables	13	687	496
Leases	19	4	5
Employee entitlements	14	113	144
Tax Payable	6	495	374
Borrowings	15	-	-
<i>Total current liabilities</i>		1,299	1,018
<b>Non-current liabilities</b>			
Borrowings	15	-	-
Leases	19	11	15
Deferred tax	6	6,021	7,210
<i>Total non-current liabilities</i>		6,032	7,225
<b>Total liabilities</b>		<b>7,332</b>	<b>8,244</b>
<b>Net assets</b>		<b>26,370</b>	<b>28,700</b>
<b>Equity</b>	16		
Share capital		5,750	5,750
Retained earnings		15,071	14,607
Asset revaluation reserve		5,549	8,342
<i>Total equity</i>		<b>26,370</b>	<b>28,700</b>

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 2023

	Note	2023 \$000	2022 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers		5,694	5,577
Interest received		23	6
Payments to suppliers and employees		(2,887)	(2,632)
GST paid		(7)	(3)
Taxation paid		210	497
Subvention Payment		-	(81)
Interest Paid		-	-
<b>Net cash from operating activities</b>	<b>17</b>	<b>3,034</b>	<b>3,363</b>
<b>Cash flows from investing activities</b>			
Sale of fixed assets		-	-
Purchase of intangibles		(90)	(129)
Purchase of fixed assets		(1,498)	(1,168)
<b>Net cash from investing activities</b>		<b>(1,588)</b>	<b>(1,298)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Lease payments		(86)	(91)
Loan Repayment		-	-
Advance from shareholder		-	-
Advance to shareholder		-	-
Dividends paid	<b>23</b>	(1,210)	(2,107)
<b>Net cash from financing activities</b>		<b>(1,296)</b>	<b>(2,198)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>151</b>	<b>(133)</b>
Cash and cash equivalents at the beginning of the year		984	1,117
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>1,135</b>	<b>984</b>

The accompanying notes form part of these financial statements.



## Statement of accounting policies

For the year ended 30 June 2023

### 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 2023. The financial statements were authorised for issue by the Board of Directors on 29 September 2023.

### 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

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

### Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

### 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

The Company recognises a loss allowance for expected credit losses trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Including time value of money where appropriate.

The Company recognises an impairment gain or loss in profit or loss for all its current financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### 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 (2023 being the 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 2023

### 1. Finance income

	2023 \$000	2022 \$000
<b>Finance income</b>		
Interest income	-	-
- from term loans	-	-
- ANZ current account	23	6
<b>Total finance revenue</b>	<b>23</b>	<b>6</b>
<b>Finance costs</b>		
Interest paid on fixed loans	-	-
<b>Total finance costs</b>	<b>-</b>	<b>-</b>

### 2. Other revenue

	2023 \$000	2022 \$000
Contracting revenue	13	22
Sundry revenue	49	71
<b>Total other revenue</b>	<b>62</b>	<b>93</b>

### 3. Gains

	2023 \$000	2022 \$000
Property, plant and equipment gains (loss) on disposal	-	-
<b>Total gains/(losses)</b>	<b>-</b>	<b>-</b>

### 4. Personnel costs

	2023 \$000	2022 \$000
Salaries and wages	1,576	1,361
Employer contributions to superannuation	49	40
Other personnel costs	37	77
Increase/(decrease) in employee entitlements/liabilities	-	-
Less capitalised labour	(294)	(222)
	<b>1,367</b>	<b>1,256</b>

## Notes to the Financial Statements

For the year ended 30 June 2023

### 5. Other expenses

	2023 \$000	2022 \$000
Fees to auditor:		
- audit fees for financial statement audit	62	34
- audit related fees for assurance services	55	61
Management Fee	-	-
Corporate services	47	32
Rental and operating lease costs	86	85
Other operating costs	1,386	1,053
<b>Total operational expenses</b>	<b>1,635</b>	<b>1,265</b>

### 6. Tax

	2023 \$000	2022 \$000
<b>Components of tax expense/(benefit)</b>		
Current tax expense	519	585
Deferred tax on temporary differences	(103)	(99)
Adjustments to current tax in prior years	(609)	(612)
<b>Income tax expense/(benefit)</b>	<b>(193)</b>	<b>(126)</b>
<b>Relationship between tax expense/(benefit) and accounting profit</b>		
Surplus/(deficit) before tax	1,481	1,750
Tax @ 28%	415	490
Prior period adjustment	(612)	(621)
Non-taxable income	-	-
Non-deductible expenditure	5	4
Deferred tax adjustment	-	-
<b>Tax expense/(benefit)</b>	<b>(193)</b>	<b>(126)</b>

The tax liability for the prior year was reduced by tax losses transferred from WDCHL of \$1,849,063, WDC of \$250,307 and by losses of \$76,257 transferred from NZICPA.

	Property plant and equipment \$000	Provisions and derivatives \$000	Losses \$000	Total \$000
Balance 1 July 2021	7,321	(13)	-	7,309
Charged to profit and loss	(99)	-	-	(99)
Charged to equity	-	-	-	-
Balance 30 June 2022	7,223	(13)	-	7,210
Charged to profit and loss	-	-	-	-
Charged to equity	(103)	-	-	(103)
	(1,086)	-	-	(1,086)
<b>Balance 30 June 2023</b>	<b>6,034</b>	<b>(13)</b>	<b>-</b>	<b>6,021</b>

	2023 \$000	2022 \$000
<b>Tax payable</b>		
Opening balance 1 July 2022	(374)	91
Final provisional tax payment	-	-
Provisional tax payments	-	110
Tax refunded	(210)	(603)
Current Tax Asset/Liability	90	28
<b>Balance 30 June 2023</b>	<b>(495)</b>	<b>(374)</b>

## Notes to the Financial Statements

For the year ended 30 June 2023

### 7. Cash and cash equivalents

	2023 \$000	2022 \$000
Cash at bank and on hand	1,135	984
Term deposits with maturities less than 3 months	-	-
<b>Total cash and cash equivalents</b>	<b>1,135</b>	<b>984</b>

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

### 8. Trade debtors and other receivables

	2023 \$000	2022 \$000
Trade debtors	741	627
Related party receivables (note 20)	-	-
Other receivables	183	137
<b>Total trade debtors and other receivables</b>	<b>925</b>	<b>764</b>

#### Fair value

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

#### Impairment

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated is \$nil (2022 \$nil).

### 9. Inventories

	2023 \$000	2022 \$000
Held for distribution/Commercial inventories		
Network	685	594
<b>Total inventories</b>	<b>685</b>	<b>594</b>

There has been no write-down of commercial inventories to net realisable value (2022 \$nil).

### 10. Property, plant and equipment

#### Valuation

##### Infrastructure assets

The gas distribution network (also includes non- network assets) was revalued to fair value of \$26.861m as at 30 June 2023, by an independent valuer, David Morgan of Deloitte, in accordance with NZ IAS 16 – Property, Plant and Equipment, NZ IAS 36 – Impairment of Assets, and NZ IFRS 13 – Fair Value Measurement. In the absence of an active market for the network, Deloitte calculated fair value using significant unobservable inputs (Level 3, as defined in NZ IFRS 13). Deloitte Limited used a discounted cash flow (DCF) methodology based on the company's cash flow forecasts. The assumptions applied mainly include estimated future revenues, operating costs and capital expenditure. A post tax nominal WACC of 7.00% was used. Deloitte's estimated range of values attributable to the gas distribution network assets was between \$23.9 million and \$29.8 million as at 30 June 2023. Their analysis highlights that the valuation is most sensitive to movements in distribution revenue

A sensitivity analysis on a number of variables as follows:

- a capital expenditure increase/(decrease) of 5% would decrease/(increase) the network's fair value by \$0.066m and (\$0.066m) respectively.
- an increase/(decrease) in the discount rate of 0.5% would decrease/(increase) the network's fair value by \$0.967m and (\$1.013m) respectively
- an operating expense increase/(decrease) of 5% would decrease/(increase) the network's fair value by \$0.970m and (\$0.970m) respectively,
- a distribution revenue increase/(decrease) of 5% would increase/(decrease) the network's fair value by \$1.650m and (\$1.650m) respectively

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

## Notes to the Financial Statements

For the year ended 30 June 2023

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

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

	Cost/ revaluation 30/6/2022 \$'000	Accumulated depreciation and impairment charges 30/6/2022 \$'000	Carrying amount 30/6/2022 \$'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 30/6/2023 \$'000	Accumulated depreciation and impairment charges 30/6/2023 \$'000	Carrying amount 30/6/2023 \$'000
<b>GasNet 2023</b>												
<b>Operational assets</b>												
Land	39	-	39	-	-	-	-	-	-	39	-	39
Leasehold improvements	223	(152)	71	52	-	(9)	-	-	-	275	(161)	114
Vehicles	370	(245)	125	1	(49)	(39)	-	-	-	322	(235)	87
Office equipment	12	(9)	3	2	-	(1)	-	-	-	13	(10)	4
Computer hardware	139	(109)	30	14	-	(16)	-	-	-	153	(125)	28
Furniture and fittings	29	(24)	6	13	-	(4)	-	-	-	43	(28)	15
Miscellaneous Plant & Equipment	368	(316)	52	58	-	(23)	-	-	-	425	(339)	86
<b>Total operational assets</b>	<b>1,180</b>	<b>(855)</b>	<b>325</b>	<b>140</b>	<b>(49)</b>	<b>(92)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,271</b>	<b>(898)</b>	<b>373</b>
<b>Infrastructural assets</b>												
Distribution network	33,725	(3,605)	30,120	1,164	-	(911)	4,517	-	(3,901)	26,471	-	26,471
Work in Progress	50	-	50	703	-	-	-	(676)	-	77	-	77
Gas measurement system	4,983	(1,087)	3,896	167	-	(292)	1,379	-	22	3,793	-	3,793
<b>Total infrastructural assets</b>	<b>38,757</b>	<b>(4,692)</b>	<b>34,066</b>	<b>2,034</b>	<b>-</b>	<b>(1,204)</b>	<b>5,895</b>	<b>(676)</b>	<b>(3,879)</b>	<b>30,341</b>	<b>-</b>	<b>30,341</b>
<b>Total property, plant and equipment</b>	<b>39,937</b>	<b>(5,546)</b>	<b>34,391</b>	<b>2,174</b>	<b>(49)</b>	<b>(1,295)</b>	<b>5,895</b>	<b>(676)</b>	<b>(3,879)</b>	<b>31,612</b>	<b>(898)</b>	<b>30,714</b>

	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
<b>GasNet 2022</b>												
<b>Operational assets</b>												
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
<b>Total operational assets</b>	<b>1,074</b>	<b>(820)</b>	<b>254</b>	<b>137</b>	<b>(31)</b>	<b>(66)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,180</b>	<b>(855)</b>	<b>325</b>
<b>Infrastructural assets</b>												
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
<b>Total infrastructural assets</b>	<b>37,727</b>	<b>(3,512)</b>	<b>34,215</b>	<b>1,619</b>	<b>-</b>	<b>(1,180)</b>	<b>-</b>	<b>(589)</b>	<b>-</b>	<b>38,757</b>	<b>(4,692)</b>	<b>34,066</b>
<b>Total property, plant and equipment</b>	<b>38,800</b>	<b>(4,332)</b>	<b>34,469</b>	<b>1,756</b>	<b>(31)</b>	<b>(1,246)</b>	<b>-</b>	<b>(589)</b>	<b>-</b>	<b>39,937</b>	<b>(5,546)</b>	<b>34,391</b>

## Notes to the Financial Statements

For the year ended 30 June 2023

### 11. Intangible assets

Movements for each class of intangible asset are as follows:

	Software	
	2023 \$000	2022 \$000
Balance at 1 July		
Cost	539	380
Accumulated amortisation and impairment	(389)	(379)
Opening carrying amount	149	1
Year ended 30 June		
WIP	132	42
Additions	-	158
Amortisation charge	(53)	(9)
Closing carrying amount	228	191
Balance at 30 June		
Cost (includes WIP)	670	539
Accumulated amortisation and impairment	(442)	(389)
Closing carrying amount	228	149

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

	2023 \$000	2022 \$000
<b>Non-current portion</b>		
Investment in subsidiaries (cost)	-	-
Loans to subsidiaries	-	-
<b>Total other financial assets</b>	-	-

#### 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 2023

### 13. Trade creditors and other payables

	2023 \$000	2022 \$000
Trade payables & amounts due to related parties (Note 21)	577	417
GST	70	63
Accrued expenses	41	16
	<b>687</b>	<b>496</b>

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

### 14. Employee entitlements

	2023 \$000	2022 \$000
<b>Current portion</b>		
Annual leave	73	77
Payroll accrual	41	67
Retirement and long service	-	-
<i>Total current portion</i>	<b>113</b>	<b>144</b>
<b>Total employee entitlements</b>	<b>113</b>	<b>144</b>

### 15. Borrowings

	2023 \$000	2022 \$000
<b>Current portion</b>		
Secured loans	-	-
Advance to shareholder	-	-
<i>Total current portion</i>	-	-
<b>Non-current portion</b>		
Secured loans	-	-
Finance leases	-	-
<i>Total non-current portion</i>	-	-
<b>Total borrowings</b>	<b>-</b>	<b>-</b>

#### 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 2023 \$000	Carrying amount 2022 \$000
Secured loans	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



## Notes to the Financial Statements

For the year ended 30 June 2023

### 16. Equity

	2023 \$000	2022 \$000
<b>Share capital</b>		
5,750,000 ordinary shares each fully paid up	5,750	5,750
<b>Retained earnings</b>		
Balance at 1 July	14,607	14,838
Surplus/(deficit) for the year	1,673	1,876
Dividends paid	(1,210)	(2,107)
Balance at 30 June	15,071	14,607
<b>Asset revaluation reserve</b>		
Balance at 1 July	8,342	8,342
Revaluation gains/(losses)	(3,879)	-
Deferred tax on revaluation	1,086	-
Balance at 30 June	5,549	8,342
Distribution network	4,932	7,740
Gas measurement system	618	602
Balance at 30 June	5,549	8,342

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

	2023 \$000	2022 \$000
<b>Surplus/(deficit) after tax</b>	<b>1,673</b>	<b>1,876</b>
<b>Add/(less) non-cash items:</b>		
Depreciation and amortisation expense	1,348	1,256
Gains/(losses) from derivative financial instruments	-	-
Increase/(Decrease) in deferred tax	(103)	(99)
Asset revaluation movement through P & L	-	-
Other non-cash items	-	-
	2,919	3,033
<b>Add/(less) items classified as investing or financing activities:</b>		
Hire purchase long term debtors	-	-
Lease payments	86	91
(Gains)/losses on disposal of property, plant and equipment	-	-
	86	91
<b>Add/(less) movements in working capital items:</b>		
Accounts receivable	(161)	(56)
Inventories	(92)	(151)
Accounts payable	191	(65)
Income tax payable	120	465
Employee entitlements	(30)	46
	29	239
<b>Net cash inflow/(outflow) from operating activities</b>	<b>3,034</b>	<b>3,363</b>

## Notes to the Financial Statements

For the year ended 30 June 2023

### 18. Capital commitments

#### Capital commitments

Assorted projects held in WIP started before 30 June 2023, to be completed in 2024 financial year.

2023 \$000	2022 \$000
63	91
<b>63</b>	<b>91</b>

### 19. Operating leases as lessee

Not later than one year

Later than one year and not later than five years

Later than five years

2023 \$000	2022 \$000
6	5
10	13
2	3
<b>18</b>	<b>22</b>

#### 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)

2023 \$000	2022 \$000
1	1
5	5
-	-
<b>6</b>	<b>6</b>

#### Impact on assets, liabilities and equity as at 30 June 2023

Right-of-use assets

Net impact of total assets

Lease liabilities - current

Lease liabilities - noncurrent

Net impact on total liabilities

15	20
15	20
4	5
11	15
15	20

#### Net impact on Retained Earnings

<b>(1)</b>	<b>(1)</b>
------------	------------

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 their 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 2023 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 2023 there were no contingent liabilities or assets (2022: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)

Accounts payable to WDC

Prior year tax Losses transferred from Whanganui District Council

2023 \$000	2022 \$000
277	332
27	162
250	1,173

#### Whanganui District Council Holdings Limited

Prior year tax Losses transferred from Whanganui District Council Holdings Limited and NZICPA

Subvention Payment to NZICPA

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

1,925	1,068
-	81
-	-
-	-
1,210	2,107
-	-

## Notes to the Financial Statements

For the year ended 30 June 2023

### 22. Key management personnel compensation

Salaries and other short term employee benefits  
Other long term benefits

2023 \$000	2022 \$000
323	314
323	314

Key management personnel includes the Directors, and for the company the General Manager and the Finance and Administration Manager. For the 2023 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

Divestment of Network Assets  
Special Dividend  
Ordinary Dividend (Target \$1.0M)

2023 \$000	2022 \$000
-	-
210	-
1,000	2,107
1,210	2,107

### 24. Significant events after the balance date

COVID-19 - Ongoing impact on Company has largely affected stock delivery channels. As per previous year while Government has advised its position in regards to its Climate Change Response (Zero Carbon) Amendment Act, responsibilities (initial Energy Plan and the first three emissions budgets) at this stage it is too early to know what impact this will have on the company's business activities, further MIBE released an issues paper in August 23 relating to the Gas Transition Plan. While this is not likely to be completed and approved by Government before the end of 2023, the forthcoming elections in October 2023 may see change in Government priorities including consideration of the Gas industry's energy portfolio for at least the next 3 years.

NZCC DPP3 impacts GasNet's network revenue for a second pricing year from 1 October 2023. Again, the impact of these as to be implemented is still too early to comment on.

### 25. Financial Instruments

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

#### Financial assets

#### Financial assets at amortised costs

Cash and cash equivalents  
Debtors and other receivables  
Other financial assets:  
- term deposits  
- advance to shareholder  
- loans to related parties

2023 \$000	2022 \$000
1,135	984
925	764
-	-
-	-
-	-

#### Financial liabilities

#### Financial liabilities at amortised cost

Creditors and other payables  
Borrowings:  
- secured loans

2023 \$000	2022 \$000
687	496
-	-

### 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.

### 28. Consultancy Fees paid to directors during the year for services

Peter Hazledine (Hazledine Consultancy Limited Excl GST)  
Matthew Doyle  
David Rae  
Other Board related cost

2023 \$000	2022 \$000
48	25
29	20
29	20
19	5
125	70

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 2023

### 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 2022.

### 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 2022/23	Budget Target 2022/23	Actual 2022/23	Actual 2021/22
<u>Health and Safety</u>				
Incidents Reported (No)	5	5	11	10
Lost Time Incidents	0	0	2	1
Lost Time Rate	0	0	7.25	3
<u>Financial Performance</u>				
EBITDA (before Subvention payment)	\$2.8m	\$3.06m	\$2.83m	\$3.09m
Rate of Return (minimum)	8.10%	8.65%	8.39%	8.69%
Accumulated profits & capital reserves distributed to shareholders	\$1.0m	\$1.00m	\$1.21m	\$2.107m
<u>Network Throughput</u>				
Total Throughput	1.2 PJ	1.22 PJ	1.20 PJ	1.22 PJ
Non-Tou Throughput (PJ)	0.39 PJ	0.38 PJ	0.31 PJ	0.38 PJ
UFG (Unaccounted For Gas)	1.0%	1.0%	1.13%	1.54%
<u>Operational Financial Performance</u>				
Direct & Indirect Costs per consumer	\$315	\$199	\$226	\$237
Direct & Indirect Costs per GJ conveyed	\$2.57	\$2.17	\$2.51	\$2.06
<u>Network Reliability</u>				
<i>Planned Interruptions (Class B)</i>				
Consumer Hours Lost	580	370	184	225



	SoCI Target 2022/23	Budget Target 2022/23	Actual 2022/23	Actual 2021/22
<i>Unplanned Interruptions (Class C)</i>				
Consumer Hours Lost	80	80	58	38
<i>Unplanned Third Party Interruptions (Class I)</i>				
Consumer Hours Lost	90	40	25	75
<i>Total Interruptions</i>				
Consumer Hours Lost	750	490	267	338
Third Party Interference Damage (No)	30	25	19	21
Public Reported Gas Escapes (No)	50	50	39	29
<i>Metering</i>				
Total on-network (000)	10.0	10.10	10.67	10.08
Total off-network (000)	0.20	0.23	0.25	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 \$1,210,000 to the parent Whanganui District Council Holdings Limited as a planned dividend of \$1,000,000 and an unplanned \$210,000 as an extraordinary dividend. Year to year budget differences related to increased company financial commitments.

Health and safety performance KPI indicates that there were eleven incidents reported against a target of five. Five incidents were near miss incidents related to network incidents and not to safety as such. Of the six injury incidents, one was a groin strain, one was a re-aggravation of an old shoulder injury, one an eye irritation, one a hand laceration, one a rolled ankle and a paper cut.

The Public Safety Management system review visit was successfully completed in March this year by Telarc. 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 reduced pandemic mode for the most of 2022-23 financial year. It is GasNet's view that commercially, COVID-19 has had an insignificantly reduced 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 quantity 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 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).

Network reliability performance showed an improvement with the number of third party damage incidents but, public reported escapes are up. 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 seven 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 performance information for the year ended 30 June 2023

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 performance information of the company on his behalf.

### Opinion on the financial statements and the performance information

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 2023, 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:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2023; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 30 June 2023.

Our audit was completed on 29 September 2023. 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 on behalf of the company for preparing performance information that is fairly presented.

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 it 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 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 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 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 (including International Independence Standards) (New Zealand) (PES 1) 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 2022 and the Gas Distribution Services Default Price-Quality Path Determination 2017 for the assessment period ended 30 September 2022, 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  
Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand