

# **Whanganui District Council Holdings Limited**

## **Annual Report**

**For the year ended 30 June 2018**

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## Directory

Registered office	Whanganui District Council 101 Guyton Street Whanganui Telephone (06) 349 0001 Fax (06) 349 0000 email <a href="mailto:wdc@whanganui.govt.nz">wdc@whanganui.govt.nz</a>
Postal address	PO Box 637 Whanganui
Directors	Annette Main (Chair) Matthew Doyle David Rae – appointed March 2018 Simon Karipa – appointed March 2018 Peter Hazledine Rob Vinsen (retired March 18) Ken Mair (retired September 2017)
Auditor	Audit New Zealand On behalf of the Auditor-General
Bankers	ANZ Whanganui
Solicitors	Kensington Swan
Shareholding as at 30 June 2018	Whanganui District Council 100%

## Statutory information

The Directors present their report and the financial statements for the year ended 30 June 2018. The Company was incorporated on 12 March 2002.

### Activities

The Company's principal activity is that of investments. The Company owns 100% of the share capital of GasNet Limited and also 100% of the share capital of New Zealand International Commercial Pilot Academy Limited.

The Company also owns 100% of the share capital of Whanganui Port Limited. Since incorporation in March 2013 there have been no transactions within Whanganui Port Limited.

### Results

The Directors report a parent tax paid loss of \$884,000 for the year ended 30 June 2018. Equity at the end of the year was \$7,387,000.

### Dividends

No dividends were paid during the year (2017: \$nil).

### Directors and their remuneration

Directors fees paid by the parent company during the year were as follows:

Annette Main (Chair)	\$33,190
Matthew Doyle	\$10,613
Rob Vinsen (retired March 2018)	\$17,450
Ken Mair (retired September 2017)	\$6,000
David Rae (appointed March 2018)	\$12,895
Simon Karipa (appointed March 2018)	\$12,895
Peter Hazledine	\$21,303
Charles Anderson	\$2,000

### Directors' and officers' insurance

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

### Shareholding by directors

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

### Use of company information

No Directors have used or acted on information that would not otherwise be available to Directors.

### Auditor's remuneration

The audit fees for the current year will be \$17,418.

### Donations

There were no donations for the year (2017 \$nil).

### Employee Remuneration

There were no employees who received total remuneration benefits of more than \$100,000 per annum (2017 nil).

## Directors' Interests

The Directors have made the following declarations of interest:

Director	Interest
Annette Main (Chair)	Te Korire Trust Lovely Food Co. The Kitchen Whanganui Taiata Whanganui District Council Holdings Ltd GasNet Ltd New Zealand International Commercial Pilot Academy Ltd UCOL (Universal College of Learning)
Matthew Doyle	Doyle & Associates – The Accountants Limited OTL Limited Whanganui District Council Holdings Ltd GasNet Ltd New Zealand International Commercial Pilot Academy Ltd 32 TQ Limited 59k Limited Cariad Investments Limited McCarthy Transport Assets Limited McCarthy Transport Holdings Limited Waituhi Kuratau Limited Matomic Limited Matomic Limited Doyle Trustee Services Limited McCarthy Transport Contractors Limited Doyle Audit Chartered Accountants Limited National Advocacy Trust Advocacy Network Services Mid West Helicopters Limited
David Rae	Longroad Energy Holdings LLC Astronomy NZ Ltd Metis Research Ltd The New Zealand Refining Company Pension Fund The New Zealand Refining Nominees Ltd MyFiduciary Ltd David Rae Associates Ltd PIF Guardians Ltd Whanganui District Council Holdings Ltd GasNet Ltd New Zealand International Commercial Pilot Academy Ltd Te Puia Tapapa Limited Partnership
Peter Hazledine	Altosa Forestry Company Limited Hazledine Consulting Whanganui District Council Holdings Ltd GasNet Ltd New Zealand International Commercial Pilot Academy Ltd
Simon Karipa	Paraekaretu Solutions Limited Whanganui Iwi Fisheries Limited

	<p>Te Ngakinga o Whanganui Investment Trust Karipa Marumaru Whānau Trust Parewānui Trust Charities Registration Board Whanganui District Council Holdings Ltd GasNet Ltd New Zealand International Commercial Pilot Academy Ltd Maara Moana Limited Puramakau 2L Limited Puramakau 2M Limited Puramakau 2N Limited Puramakau 2O Limited Te Kumara 3L Limited Waikato 1B Limited Waikato 1C Limited Waikato 1D Limited</p>
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## Company's Affairs

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

On behalf of the Board



Annette Main  
Chair



Matthew Doyle  
Director

## Chair's Report

I am pleased to report on behalf of the Whanganui District Council Holdings Limited (WDCHL) for the 2018 year.

### Governance

The Directors are responsible to Council as the shareholder for the performance of GasNet and NZICPA. They also have oversight of the commercial activities undertaken at both the Whanganui Airport and Port.

Our primary focus is to ensure that the interests of the shareholders and key stakeholders are protected and enhanced by adding long-term value to the Company's shares.

We agreed Statements of Intent with the Whanganui District Council.

The Board uses best practice to identify/manage and resolve strategic issues and regularly evaluates economic, political, social and legal matters that may influence or affect the development of the Business or the interests of Shareholders and takes outside expert advice on these matters when necessary.

The Board consists of the following Directors:

Annette Main – Chair

Matthew Doyle Deputy Chair

Peter Hazledine

Simon Karipa

David Rae

New Directors appointed

The Whanganui District Council undertook a governance review in late 2017 and as part of the review re-appointed three existing directors and appointed two new Directors, being Simon Karipa and David Rae.

The two new directors have each made valuable contributions since joining the board earlier in 2018, and have added their perspective and experience to board discussions.

All directors are appointed to the boards of GasNet and NZICPA and share oversight of the AirPort and Port commercial activities.

Charlie Anderson was also appointed to the board of NZICPA .

### PERSONNEL

The Directors would like to acknowledge the work of Geoff Evans the General Manager of Gasnet, Phil Bedford CE of NZICPA, and their teams for their successful work during another busy year.

Phil McBride was appointed to a new role managing both the Whanganui Airport and the Whanganui Port, and we thank him and his team also for the work he has done to fulfil our obligations to oversee the activities of both areas under Council ownership.

### AUDITORS

The Auditors are Audit New Zealand who act on behalf of The Office of the Auditor General and will continue to do so as required by legislation.

### SUMMARY

GasNet has been able to report on another successful financial year, with trading results exceeding budget expectations.

The proceeds from the decision in December 2016 to sell the Papamoa East assets to First Gas resulted in a positive result for the Company following a satisfactory conclusion to the review of the transaction by the Commerce Commission in late June 2018.

NZICPA has completed a series of audits and performed well. The NZQA external evaluation and review (EER) resulted in NZICPA attaining Category One provider status, the highest possible level. The 2018

CAA certificate re-entry audit was completed without a single finding and both the 135 and 141 certificates were issued for three years.

NZICPA will continue to advance several initiatives to further develop the international side of the fixed-wing commercial pilot licence (CPL) and multi-engine instrument rating programme delivery as a function of normal business development.

### **Port and Airport**

Our role of oversight of both the Port and Airport has continued this financial year with pleasing results and full compliance.

The Airport is a Crown/Council Joint Venture, CAA Rule Part 139 certified, un-attended facility and provides for a commercial airline, charter operations, aeromedical transfer, agricultural aviation, recreational activities, pilot training and a cafeteria.

The Seaport is a Pilot exempted Port providing facilities for coastal shipping, commercial and charter vessels, recreational/trailer boating and shore based storage and rented facilities.

Retirement of Harvey Green

The Board would like to acknowledge the retirement of Harvey after many years of service both on the Holding Company as its subsidiary Boards. Harvey's knowledge and experience was most valued and one of his key achievements was the purchase and relocation of the Flight School over to Whanganui.

### **Thanks**

I would like to express my appreciation to my fellow Directors for the considerable effort and time commitment they have made in this financial year.

The contribution of Kym Fell in his role as WDC Chief Executive, Leighton Toy and the WDC Property Team, Mike Fermor and the WDC Finance Team and Therese Zimmerman who has provided our not inconsiderable administrations support, is gratefully acknowledged.

We look forward to the coming year and further progress in providing greater economic growth and development of all areas we have responsibility to manage on behalf of the Whanganui District Council, and ultimately the Whanganui community.



**Annette Main**  
Chair



## Statement of comprehensive income

For the year ended 30 June 2018

	Note	Parent		Group	
		2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Income</b>					
Sales		-	-	6,733	7,453
Cost of sales		-	-	624	1,247
Gross profit from trading		-	-	6,109	6,206
Finance income	1	1,254	1,051	79	53
Other revenue	2	1,021	1,109	933	1,118
Gains/(Losses)	3	98	303	110	1,659
Total income		2,374	2,463	7,232	9,036
<b>Expenses</b>					
Personnel costs	4	108	167	1,818	1,630
Depreciation and amortisation expense		145	96	1,358	1,306
Finance costs	1	910	914	837	857
Subvention payment		-	-	600	600
Goodwill impairment	13	1,073	624	1,073	624
Impairment Plant and Equipment	12	352	-	352	-
Other expenses	5	665	599	2,042	1,937
Total expenses		3,252	2,399	8,081	6,954
<b>Surplus/(deficit) before tax</b>		<b>(878)</b>	<b>64</b>	<b>(850)</b>	<b>2,082</b>
Income tax expense	6	-	-	(224)	261
<b>Surplus/(deficit) after tax</b>		<b>(878)</b>	<b>64</b>	<b>(626)</b>	<b>1,821</b>
<b>Other comprehensive income and expenses</b>					
Asset revaluation movement		-	-	3,919	-
Income tax re components of other comprehensive income		-	-	(1,097)	-
Total other comprehensive income		-	-	2,822	-
<b>Total comprehensive income</b>		<b>(878)</b>	<b>64</b>	<b>2,196</b>	<b>1,821</b>
<b>Attributable to</b>					
Whanganui District Council Holdings Limited		(878)	64	2,196	1,821
		<b>(878)</b>	<b>64</b>	<b>2,196</b>	<b>1,821</b>

The accompanying notes form part of these financial statements.

## Statement of changes in equity

For the year ended 30 June 2018

Note	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance at 1 July	8,271	8,207	28,253	26,432
<b>Comprehensive income</b>				
Surplus/(deficit) after tax from continuing operations	(878)	64	2,196	1,821
Adjustment opening balances	-	-	-	-
<i>Total comprehensive income</i>	(878)	64	2,196	1,821
<b>Attributable to</b>				
Whanganui District Council Holdings Limited	(878)	64	2,196	1,821
<b>Transactions with shareholders</b>				
Issue Share Capital	-	-	-	-
Dividends paid	-	-	-	-
<b>Equity as at 30 June</b>	<b>7,392</b>	<b>8,271</b>	<b>30,449</b>	<b>28,253</b>

*The accompanying notes form part of these financial statements.*

**Statement of financial position**  
As at 30 June 2018

Note	Parent		Group		
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	137	1,652	4,177	5,729
Debtors and other receivables	8	464	199	2,124	1,699
Taxation refund		-	-	5	3
Non-Current assets held for sale	25	1,000	-	1,000	-
Other financial assets	11	-	65	-	-
Inventories	10	-	-	297	285
		1,601	1,916	7,603	7,716
<b>Non-current assets</b>					
Other financial assets	11	19,825	19,400	-	-
Property, plant and equipment	12	473	2,422	38,067	33,817
Intangible assets	13	-	1,602	20	1,658
Investment property	26	2,364	-	-	-
Goodwill on consolidation	13	-	-	9,749	9,749
		22,662	23,424	47,836	45,224
<b>Total assets</b>		<b>24,263</b>	<b>25,340</b>	<b>55,439</b>	<b>52,940</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Creditors and other payables	14	251	1,151	787	2,111
Employee entitlements	15	13	12	144	131
Tax payable		-	-	760	646
Derivative financial instruments	9	41	-	41	-
Borrowings	16	3,700	950	2,350	-
Income in advance		-	-	1,023	587
		4,003	2,112	5,105	3,475
<b>Non-current liabilities</b>					
Borrowings	16	12,400	14,350	12,400	14,350
Derivative financial instruments	9	468	607	468	607
Deferred tax	6	-	-	7,018	6,255
		12,868	14,957	19,886	21,212
<b>Total liabilities</b>		<b>16,872</b>	<b>17,069</b>	<b>24,991</b>	<b>24,687</b>
<b>Net assets</b>		<b>7,392</b>	<b>8,271</b>	<b>30,449</b>	<b>28,253</b>
<b>Equity</b>					
Share capital	17	7,846	7,846	7,846	7,846
Retained earnings		(454)	424	14,261	14,886
Asset revaluation reserve		-	-	8,342	5,521
		7,392	8,271	30,449	28,253

For and on behalf of the Board



Annette Main  
Chair



Matthew Doyle  
Director

The accompanying notes form part of these financial statements.

## Statement of cash flows

For the year ended 30 June 2018

	Note	Parent		Group	
		2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Cash flows from operating activities</b>					
Receipts from customers		826	998	7,744	8,564
Interest received		4	1	84	53
Dividends received		1,250	1,050	-	-
Payments to suppliers and employees		(1,694)	(810)	(5,835)	(4,487)
GST (net)		(55)	89	(44)	(111)
Taxes paid		(0)	-	(3)	-
Subvention payment		-	-	(600)	(600)
Interest paid		(903)	(899)	(830)	(860)
<b>Net cash from operating activities</b>	<b>18</b>	<b>(571)</b>	<b>429</b>	<b>517</b>	<b>2,559</b>
<b>Cash flows from investing activities</b>					
Sale of fixed assets and investments		-	3	12	2,890
Sale of intangibles		-	-	-	-
Purchase of intangibles		-	-	1	(200)
Sale of interest rate swaps		-	-	-	-
Purchase of fixed assets and investments		(1,384)	(642)	(2,482)	(2,908)
<b>Net cash from investing activities</b>		<b>(1,384)</b>	<b>(639)</b>	<b>(2,469)</b>	<b>(218)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		-	-	-	-
Proceeds from borrowings		1,200	1,600	800	1,600
Advances to subsidiaries		(360)	(126)	-	-
Repayment of loans		(400)	-	(400)	-
Purchase of shares		-	-	-	-
Dividends paid		-	-	-	-
<b>Net cash from financing activities</b>		<b>440</b>	<b>1,474</b>	<b>400</b>	<b>1,600</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,515)</b>	<b>1,265</b>	<b>(1,552)</b>	<b>3,941</b>
Cash and cash equivalents at the beginning of the year		1,652	387	5,729	1,788
<b>Cash and cash equivalents at the end of the year</b>		<b>137</b>	<b>1,652</b>	<b>4,177</b>	<b>5,729</b>

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

*The accompanying notes form part of these financial statements.*

## Statement of accounting policies

For the year ended 30 June 2018

### REPORTING ENTITY

Whanganui District Council Holdings Limited (WDCHL) is a company formed in accordance with and registered under the Companies Act 1993. WDCHL is controlled by Whanganui District Council (the Council) and is a Council Controlled Trading Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint the Board of Directors. WDCHL is domiciled in New Zealand.

The group financial statements include its subsidiaries, GasNet Limited and New Zealand International Commercial Pilot Academy (NZICPA) which are also domiciled in New Zealand. On 1 July 2008 the two independent trading divisions of Wanganui Gas Limited, GasNet and Energy Direct NZ, were established as separate companies. Both companies are 100% owned by Wanganui Gas Limited. During 2013, the assets of Energy Direct NZ Ltd were sold and the company ceased to operate as an energy retailer. On 30 June 2016 Wanganui Gas Limited, Wanganui Gas No. 1 Limited, Wanganui Gas No. 3 Limited and GasNet Limited were amalgamated to become GasNet Limited. NZICPA was acquired at the start of the 2016 Financial Year and it is consolidated for the third time into the Group accounts.

The primary objective of WDCHL is to operate as a successful business in relation to its investments and the monitoring roles assigned to it under contract by the Council. The Company aims to improve the long term value and financial return that the Council receives from its trading undertakings.

WDCHL is a profit oriented entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of WDCHL are for the year ended 30 June 2018. The financial statements were authorised for issue by the Board of Directors on 1<sup>st</sup> October 2018.

### BASIS OF PREPARATION

#### Statement of compliance

The financial statements of WDCHL have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP.

For the purposes of complying with NZ GAAP, the WDCHL is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector. The WDCHL has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

#### Measurement base

The financial statements are prepared using the historical cost basis, modified by the revaluation of certain financial instruments (including derivative instruments).

#### Functional and presentation currency

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

### SIGNIFICANT ACCOUNTING POLICIES

#### Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intergroup balances, transactions, income and expenses are eliminated on consolidation.

#### Subsidiaries

WDCHL consolidates as subsidiaries in the group financial statements all entities where WDCHL has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where WDCHL controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by WDCHL or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

WDCHL measures the cost of a business combination as the aggregate of:

- the consideration transferred, which is generally measured at acquisition date fair value;
- the amount of any non-controlling interest measured at either fair value or the non-controlling interest in the fair value of the net identifiable assets of the acquiree; and
- the acquisition date fair value of the previously held equity interest in the acquiree, if any.

Any excess of the cost of the business combination over WDCHL's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If WDCHL's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the statement of comprehensive income.

Investments in subsidiaries are carried at cost in WDCHL's own "parent entity" financial statements.

#### **Revenue**

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

Revenue is derived from port operations, gas network distribution services and is also derived from the wash up of energy sales and recovery of debtors previously written off. 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.

Dividends are recognised when the shareholder's rights to receive payment has been established and are recognised net of imputation credits.

A grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

#### **Borrowing costs**

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset, otherwise borrowing costs are recognised as an expense in the period in which they are incurred.

#### **Income Tax**

Income tax expense is the aggregate of current period movements in relation to both current and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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 surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects that tax consequences that would follow from the manner in which WDCHL 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 surpluses 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 surplus nor taxable surplus.

Current and deferred tax is recognised against the statement of comprehensive income for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

#### **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.

Impairment of a receivable is established when there is objective evidence that WDCHL 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 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 for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

#### **Financial assets**

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through the statement of comprehensive income 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 WDCHL 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 WDCHL has transferred substantially all the risks and rewards of ownership.

WDCHL classifies its financial assets into the following categories: fair value through the statement of comprehensive income, held-to-maturity investments, loans and receivables and fair value through other comprehensive income. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through the statement of comprehensive income include financial assets held for trading. A financial asset is categorised in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. WDCHL's financial assets at fair value through profit and loss include derivatives that are not designated as hedges.

Financial assets acquired principally for the purpose of selling in the short-term are classified as a current asset.

After initial recognition, financial assets are measured at their fair values with gains or losses on remeasurement are recognised in statement of comprehensive income.

#### *Loans and receivables*

These 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. WDCHL's loans and receivables comprise cash and cash equivalents, debtors and other receivables, term deposits, and related party loans.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive income.

#### **Impairment of financial assets**

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the statement of comprehensive income.

#### *Loans and other receivables, and held-to-maturity investments*

Impairment is established when there is objective evidence that WDCHL will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer 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 asset's 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 instruments carrying amount.

Impairment of term deposits and related party loans is established when there is objective evidence that the WDCHL will not be able to collect amounts due to the original terms of the instrument. Significant financial difficulties of the issuer, probability the issuer will enter into bankruptcy, and default in payments are considered indicators that the instrument is impaired.

#### **Derivative financial instruments and hedge accounting**

WDCHL uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, WDCHL does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The associated gains or losses of derivatives that are not hedge accounted are recognised in the statement of comprehensive income.

WDCHL designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

### **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 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 WDCHL 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 land, buildings, 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*

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

WDCHL 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.

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

The results of revaluing are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the statement of comprehensive income. Any subsequent increase on revaluation that reverses 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 recognised in other comprehensive income.

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

Work in progress is recognised at cost less impairment and is not depreciated.

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 a straight-line basis on all property, plant and equipment other than land and art works, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

<b>Asset type</b>	<b>Depreciation rate</b>
Distribution Network Mains and Services	1-15% SL
Distribution Network Condition Renewals	2% SL
Gas Measurement Systems and Distribution Network Customer Stations	1-10% SL
Buildings	2% SL
Vehicles, Plant, Office Equipment and Furniture and Fittings	4-40 % SL
Computer Hardware	20-33% SL
Leasehold Improvements	2-20% SL
Aircraft	10% SL
Simulators	8-40% SL

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

#### **Investment property**

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition the asset shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

#### **Intangible assets**

##### *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of WDCHL's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets".

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination, in which the goodwill arose.

##### *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 WDCHL, 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 in the statement of comprehensive income 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 amortisation 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 recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated, replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets and cash generating units is the present value of expected future cash flows. In assessing value in use the estimated cashflows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and risks to the specific asset.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that 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 the 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 recognised 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 WDCHL has an unconditional right to defer settlement of the liability for at least 12 months after the balance date or if the borrowings are expected to be settled within 12 months of balance date.

#### **Employee entitlements**

##### *Short-term employee entitlements*

Employee benefits that WDCHL 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.

WDCHL recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that WDCHL anticipates it will be used by staff to cover those future absences.

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

##### *Presentation of employee entitlements*

Annual leave expected to be settled within 12 months of balance date is classified as a current liability. All other employee entitlements are classified as a non-current liability.

#### **Equity**

Equity is the community's interest in WDCHL 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 other comprehensive 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 statement of financial position.

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 WDCHL 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:

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

- 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 every third year

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

The carry amounts of property, plant and equipment are disclosed in note 12.

An incorrect estimate of the residual value will impact on the amortisable amount of an intangible asset impacting on the amortisation expense recognised in the profit and loss statement and the carrying amount of the intangible asset in the balance sheet. WDCHL minimises the risk of this estimation uncertainty to its intangible assets by:

- a review of any prices for trades of similar intangible assets.
- an annual review of the appropriateness of the amortisation rate.
- analysis of prior intangible asset sales.



## Notes to the Financial Statements

For the year ended 30 June 2018

### 1. Finance income and finance costs

	Parent		Group	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
<b>Finance income</b>				
Interest income				
- from term loans	4	2	79	53
Dividend income	1,250	1,050	-	-
<b>Total finance income</b>	<b>1,254</b>	<b>1,052</b>	<b>79</b>	<b>53</b>
<b>Finance costs</b>				
Interest paid on fixed loans	910	914	837	857
<b>Total finance costs</b>	<b>910</b>	<b>914</b>	<b>837</b>	<b>857</b>

### 2. Other revenue

	Parent		Group	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Management fees	90	60	80	60
Contracting revenue	251	204	272	213
Grants - Council Harbour Endowment	470	685	470	689
Rental income	202	159	80	102
Sundry revenue	9	1	31	54
<b>Total other revenue</b>	<b>1,021</b>	<b>1,109</b>	<b>933</b>	<b>1,118</b>

### 3. Gains/(Losses)

	Parent		Group	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
<b>Non-financial instruments</b>				
Property plant and equipment gains/(losses) on disposal	-	(2)	12	1,354
<b>Total non-financial instruments gains/(losses)</b>	<b>-</b>	<b>(2)</b>	<b>12</b>	<b>1,354</b>
<b>Financial instruments</b>				
Gains/(losses) from derivative financial instruments	98	305	98	305
<b>Total financial instruments gains/(losses)</b>	<b>98</b>	<b>305</b>	<b>98</b>	<b>305</b>
<b>Total gains/(losses)</b>	<b>98</b>	<b>303</b>	<b>110</b>	<b>1,659</b>

### 4. Personnel costs

	Parent		Group	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Salaries and wages	105	175	1,858	1,698
Employer contributions to superannuation	-	-	34	33
Other personnel costs	-	-	57	19
Increase/(decrease) in employee entitlements/liabilities	3	(9)	(18)	(13)
Less capitalised labour	-	-	(114)	(107)
<b>Total personnel costs</b>	<b>108</b>	<b>167</b>	<b>1,818</b>	<b>1,630</b>

## Notes to the Financial Statements

For the year ended 30 June 2018

### 5. Other expenses

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Fees to principal auditor:				
- audit fees for financial statement audit	18	16	66	71
- audit related fees for disclosure regulations <i>TEC</i>	-	-	41	36
Directors' fees	117	50	236	229
Rental and operating lease costs	-	-	82	83
Other operating costs	530	533	1,617	1,519
<b>Total operational expenses</b>	<b>666</b>	<b>599</b>	<b>2,042</b>	<b>1,937</b>

### 6. Tax

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Components of tax expense</b>				
Current tax expense	-	-	760	646
Deferred tax on temporary differences	-	-	(338)	140
Prior period adjustment	-	-	(646)	(525)
<b>Income tax expense</b>	<b>-</b>	<b>-</b>	<b>(224)</b>	<b>261</b>

#### Relationship between tax expense and accounting profit

Surplus/(deficit) before tax	(878)	64	(850)	2,082
Tax @ 28%	(246)	18	(238)	583
Non-taxable income	49	(119)	-	(380)
Non-deductible expenditure	-	-	193	43
Deferred tax not recognised	197	100	283	1
Deferred tax adjustment	-	-	183	539
Prior period adjustment	-	-	(646)	(525)
<b>Total tax expense</b>	<b>-</b>	<b>-</b>	<b>(224)</b>	<b>261</b>

#### Deferred tax liability - group

All tax losses have been recognised in the group.

	Property plant and equipment \$000	Provisions and derivatives \$000	Tax losses \$000	Total \$000
Balance 1 July 2016	6,768	(271)	(382)	6,115
Charged to profit and loss	(75)	80	135	140
Charged to equity	-	-	-	-
Balance 30 June 2017	6,693	(191)	(247)	6,255
Charged to profit and loss	(204)	29	(159)	(334)
Charged to equity	1,097	-	-	1,097
<b>Balance 30 June 2018</b>	<b>7,586</b>	<b>(162)</b>	<b>(406)</b>	<b>7,018</b>

The parent has not recognised a deferred tax asset in relation to temporary differences of \$817,206 (2017: \$441,277) and tax losses of \$784,043 (2017: \$656,640). The group has recognised these deferred tax assets.

The prior year tax liability for GasNet limited was offset by losses of \$712,000 from WDCHL and losses from WDC

## Notes to the Financial Statements

For the year ended 30 June 2018

### 7. Cash and cash equivalents

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Cash at bank and on hand	137	1,652	1,309	5,729
Term deposits with maturities less than 3 months	-	-	2,868	-
<b>Total cash and cash equivalents</b>	<b>137</b>	<b>1,652</b>	<b>4,177</b>	<b>5,729</b>

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

### 8. Debtors and other receivables

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Trade debtors	419	186	2,026	1,545
Amounts due from related parties (Note 21)	-	8	-	6
Other receivables	5	6	76	157
Less provision for impairment	-	(1)	(18)	(10)
GST	40	-	40	-
<b>Total debtors and other receivables</b>	<b>464</b>	<b>199</b>	<b>2,124</b>	<b>1,699</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.

The status of receivables as at 30 June 2018 and 2017 are detailed below:

	2018		
	Gross \$000	Impairment \$000	Net \$000
<b>Parent</b>			
Not past due	155	-	155
Past due 1-60 days	63	-	63
Past due 61-120 days	59	-	59
Past due > 120 days	187	-	187
<b>Total</b>	<b>464</b>	<b>-</b>	<b>464</b>

	2017		
	Gross \$000	Impairment \$000	Net \$000
<b>Parent</b>			
Not past due	156	-	156
Past due 1-60 days	6	-	6
Past due 61-120 days	29	-	29
Past due > 120 days	8	(1)	7
<b>Total</b>	<b>200</b>	<b>(1)</b>	<b>199</b>

	2018		
	Gross \$000	Impairment \$000	Net \$000
<b>Group</b>			
Not past due	2,019	-	2,018
Past due 1-60 days	54	-	54
Past due 61-120 days	2	-	2
Past due > 120 days	68	(18)	50
<b>Total</b>	<b>2,143</b>	<b>(18)</b>	<b>2,124</b>

	2017		
	Gross \$000	Impairment \$000	Net \$000
<b>Group</b>			
Not past due	1,666	-	1,666
Past due 1-60 days	6	-	6
Past due 61-120 days	29	(9)	20
Past due > 120 days	8	(1)	7
<b>Total</b>	<b>1,709</b>	<b>(10)</b>	<b>1,699</b>



## Notes to the Financial Statements

For the year ended 30 June 2018

The impairment provision has been calculated based on expected losses for the WDCHL group's pool of debtors. Expected losses have been determined based on an analysis of WDCHL's losses in previous periods, and review of specific debtors as detailed below.

	Parent		Group	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Collective impairment	-	-	-	-
Individual impairment	-	1	18	10
<b>Total provision for impairment</b>	<b>-</b>	<b>1</b>	<b>18</b>	<b>10</b>

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

	Parent		Group	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
At 1 July	1	-	10	1
Additional provisions made during the year	-	1	8	9
Provisions reversed during the year	(1)	-	-	-
Receivables written-off during period	-	-	-	-
<b>At 30 June</b>	<b>-</b>	<b>1</b>	<b>18</b>	<b>10</b>

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

### 9. Derivative financial instruments

	Parent		Group	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
<b>Current asset portion</b>				
Interest rate swaps - fair value hedges	-	-	-	-
<b>Non-current asset portion</b>				
Interest rate swaps - fair value hedges	-	-	-	-
<b>Total derivative financial instrument assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current liability portion</b>				
Interest rate swaps - fair value hedges	(41)	-	(41)	-
<b>Non-current liability portion</b>				
Interest rate swaps - fair value hedges	(468)	(607)	(468)	(607)
<b>Total derivative financial instrument liabilities</b>	<b>(509)</b>	<b>(607)</b>	<b>(509)</b>	<b>(607)</b>

#### Fair value

The fair values of interest rate swaps have been determined using a discounted cash flows valuation technique based on quoted market prices.

#### Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for WDCHL were \$5,500,000 (2017 \$5,500,000) and for the Group were \$5,500,000 (2017 \$7,500,000). At 30 June 2018, the fixed interest rates of cash flow hedge interest rate swaps vary from 4.46% to 6.29% (2017 4.46% to 6.29%).

### 10. Inventories

	Parent		Group	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
<i>Held for distribution/Commercial inventories</i>				
Network	-	-	297	285
Other	-	-	-	-
<b>Group Total inventories</b>	<b>-</b>	<b>-</b>	<b>297</b>	<b>285</b>

Inventories are pledged as security for liabilities \$296,917 (2017 \$284,911). There has been no write-down of commercial inventories to net realisable value (2017 nil).

## Notes to the Financial Statements

For the year ended 30 June 2018

### 11. Other financial assets

	Parent		Group	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
<b>Current portion</b>				
Loans to related parties (NZICPA)		65	-	-
		<b>65</b>	<b>-</b>	<b>-</b>
<b>Non-current portion</b>				
Shares in subsidiaries (cost):				
GasNet Limited	18,800	18,800	-	-
NZICPA	1,025	600	-	-
	<b>19,825</b>	<b>19,400</b>	<b>-</b>	<b>-</b>
<b>Total other financial assets</b>	<b>19,825</b>	<b>19,465</b>	<b>-</b>	<b>-</b>

#### Fair value

##### *Loans to related parties*

WDCHL's agreement with NZICPA is that the loan is repayable on demand.

##### *Unquoted shares*

The carrying value of the shares in subsidiaries is at cost.

During the year 425,000 shares of NZICPA were issued to WDC Holdings, converting an advance to shares.

#### Impairment

There were no impairment provisions for other financial assets. None of the financial assets are either past due or impaired.

### 12. Property, plant and equipment

#### Valuation

##### *Infrastructural assets*

The distribution network and the gas measurement systems had been carried at cost less depreciation. A revaluation at 30 June 2018 increased the carrying value of the Infrastructural assets by \$3.919 million. The revaluation was completed using a discounted cashflow methodology. A peer review was undertaken by Jeff Whitlock from Markham and Partners.

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



## Notes to the Financial Statements

For the year ended 30 June 2018

### 1.2. Property, plant and equipment

Holdings 2018	Cost/ valuation 1 July 2017 \$000	Accumulated depreciation and impairment charges 1 July 2017 \$000	Carrying amount 1 July 2017 \$000	Current year additions \$000	Current year transfers & disposals \$000	Current year impairment charges \$000	Current year depreciation \$000	Accumulated depreciation eliminated on revaluations & transfers \$000	Revaluation movement \$000	Cost/ revaluation 30 June 2018 \$000	Accumulated depreciation and impairment charges 30 June 2018 \$000	Carrying amount 30 June 2018 \$000
<i>Operational assets:</i>												
Buildings	331	(44)	287	6	(337)	-	(39)	83	-	-	-	-
Buildings Work in progress	1,263	-	1,263	912	(2,176)	-	-	-	-	-	-	-
Vehicles	12	(6)	6	10	(22)	(1)	(1)	8	-	-	-	-
Office equipment	23	(17)	6	-	(23)	(3)	(3)	20	-	-	-	-
Furniture and fittings	3	(2)	1	230	(233)	(10)	(10)	11	-	-	-	-
Plant and equipment	811	(246)	565	-	(459)	(352)	(46)	292	-	-	-	-
Computer hardware	4	(3)	1	-	(4)	-	-	3	-	-	-	-
Aircraft	278	(50)	228	225	-	(38)	(38)	-	-	503	(87)	416
Simulators	80	(15)	65	-	-	(8)	(8)	-	-	80	(23)	57
<b>Total</b>	<b>2,804</b>	<b>(382)</b>	<b>2,422</b>	<b>1,383</b>	<b>(3,255)</b>	<b>(352)</b>	<b>(145)</b>	<b>416</b>	<b>-</b>	<b>582</b>	<b>(110)</b>	<b>473</b>

Group 2018	Cost/ valuation 1 July 2017 \$000	Accumulated depreciation and impairment charges 1 July 2017 \$000	Carrying amount 1 July 2017 \$000	Current year additions \$000	Current year transfers & disposals \$000	Current year impairment charges \$000	Current year depreciation \$000	Accumulated depreciation eliminated on revaluations \$000	Revaluation movement \$000	Cost/ revaluation 30 June 2018 \$000	Accumulated depreciation and impairment charges 30 June 2018 \$000	Carrying amount 30 June 2018 \$000
<i>Infrastructural assets:</i>												
Distribution network	30,441	(3,216)	27,225	954	-	-	(836)	4,052	3,451	30,795	-	30,795
Work in Progress	200	-	200	113	(294)	-	-	-	-	19	-	19
Gas measurement system	4,713	(973)	3,740	235	-	-	(266)	1,238	468	4,177	-	4,177
<i>Operational assets:</i>												
Land	39	-	39	-	-	-	-	-	-	39	-	39
Buildings	331	(45)	287	6	1,839	-	(39)	83	-	2,176	(30)	2,146
Buildings Work in progress	1,263	-	1,263	912	(2,176)	-	-	-	-	-	-	-
Leasehold improvements	163	(133)	30	-	-	-	(9)	-	-	163	(143)	19
Vehicles	290	(232)	58	60	(22)	(65)	(9)	41	-	294	(222)	72
Office equipment	39	(19)	20	13	(23)	(9)	(9)	20	-	29	(12)	17
Furniture and fittings	18	(13)	5	233	(8)	(13)	(13)	2	-	248	(22)	226
Plant and equipment	1,123	(476)	647	14	(459)	(352)	(46)	292	-	327	(250)	77
Computer hardware & software	105	(95)	10	5	(4)	-	(7)	3	-	106	(98)	8
Aircraft	278	(48)	230	225	-	(38)	(38)	-	-	503	(87)	416
Simulators	80	(15)	65	-	-	(8)	(8)	-	-	80	(23)	57
<b>Total</b>	<b>39,082</b>	<b>(5,266)</b>	<b>33,817</b>	<b>2,769</b>	<b>(1,143)</b>	<b>(352)</b>	<b>(1,358)</b>	<b>5,730</b>	<b>3,919</b>	<b>38,954</b>	<b>(887)</b>	<b>38,067</b>

## Notes to the Financial Statements

For the year ended 30 June 2018

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

Holdings 2017	Cost/ valuation 1 July 2016 \$000	Accumulated depreciation and impairment charges 1 July 2016 \$000	Carrying amount 1 July 2016 \$000	Current year additions \$000	Current year disposals \$000	Current year impairment charges \$000	Current year depreciation \$000	Accumulated Depreciation eliminated on disposals and revaluations \$000	Revaluation movement \$000	Cost/ revaluation 30 June 2017 \$000	Accumulated depreciation and impairment charges 30 June 2017 \$000	Carrying amount 30 June 2017 \$000
<i>Operational assets:</i>												
Buildings	331	(37)	294	-	-	-	(7)	-	-	331	(44)	287
Buildings Work in progress	-	-	-	1,263	-	-	-	-	-	1,263	-	1,263
Vehicles	12	(4)	8	-	-	-	(2)	-	-	12	(6)	6
Office equipment	23	(13)	10	-	-	-	(4)	-	-	23	(17)	6
Furniture and fittings	3	(2)	1	-	-	-	(2)	-	-	3	(2)	1
Plant and equipment	663	(197)	466	148	-	-	(49)	-	-	811	(246)	565
Computer hardware	4	(4)	-	-	-	-	(1)	-	-	4	(3)	1
Aircraft	314	(25)	289	6	(42)	-	(28)	3	-	278	(50)	228
Simulators	80,000	(6,717)	73,283	0	0	0	(8)	0	0	80	(15)	65
<b>Total</b>	<b>1,430</b>	<b>(289)</b>	<b>1,141</b>	<b>1,417</b>	<b>(42)</b>	<b>-</b>	<b>(97)</b>	<b>3</b>	<b>-</b>	<b>2,804</b>	<b>(382)</b>	<b>2,422</b>

Group 2017	Cost/ valuation 1 July 2016 \$000	Accumulated depreciation and impairment charges 1 July 2016 \$000	Carrying amount 1 July 2016 \$000	Current year additions \$000	Current year disposals \$000	Current year impairment charges \$000	Current year depreciation \$000	Accumulated Depreciation eliminated on disposals and revaluations \$000	Revaluation movement \$000	Cost/ revaluation 30 June 2017 \$000	Accumulated depreciation and impairment charges 30 June 2017 \$000	Carrying amount 30 June 2017 \$000
<i>Infrastructural assets:</i>												
Distribution network	29,807	(2,396)	27,411	635	-	-	(820)	-	-	30,441	(3,216)	27,225
Work in Progress	116	-	116	84	-	-	-	-	-	200	-	200
Gas measurement system	4,549	(715)	3,834	164	-	-	(258)	-	-	4,713	(973)	3,740
<i>Operational assets:</i>												
Land	39	-	39	-	-	-	-	-	-	39	-	39
Buildings	331	(37)	294	-	-	-	(7)	-	-	331	(45)	286
Buildings Work in progress	-	-	-	1,263	-	-	-	-	-	1,263	-	1,263
Leasehold improvements	162	(120)	42	-	-	-	(14)	-	-	162	(133)	29
Vehicles	290	(201)	89	-	-	-	(30)	-	-	290	(232)	58
Office equipment	32	(15)	17	-	-	-	(5)	-	-	32	(19)	12
Furniture and fittings	19	(11)	8	-	-	-	(1)	-	-	19	(13)	6
Plant and equipment	969	(401)	568	180	(23)	-	(76)	-	-	1,127	(476)	650
Computer hardware & software	104	(92)	12	4	-	-	(5)	2	-	108	(95)	13
Aircraft	314	(25)	289	6	(42)	-	(28)	3	-	278	(49)	228
Simulators	80	(7)	73	-	-	-	(8)	-	-	80	(15)	65
<b>Total</b>	<b>36,812</b>	<b>(4,020)</b>	<b>32,791</b>	<b>2,336</b>	<b>(65)</b>	<b>-</b>	<b>(1,251)</b>	<b>5</b>	<b>-</b>	<b>39,082</b>	<b>(5,265)</b>	<b>33,817</b>

## Notes to the Financial Statements

For the year ended 30 June 2018

### 13. Intangible assets

	WDCHL goodwill \$000	Group software \$000	Group goodwill \$000	Group total \$000
Movements for each class of intangible asset are as follows:				
Balance at 1 July 2017				
Cost	2,226	443	9,749	12,418
Accumulated amortisation and impairment	(624)	(387)	-	(1,011)
Opening carrying amount	1,602	56	9,749	11,406
Year ended 30 June 2018				
Additions	-	1	-	1
Disposals /Transfers (cost)	(528)	-	-	(528)
Accumulated Depreciation eliminated on Disposal	-	-	-	-
Amortisation and impairment charge	(1,073)	(37)	-	(1,110)
Closing carrying amount		20	9,749	9,769
Balance at 30 June 2018				
Cost	1,697	443	9,749	11,891
Accumulated amortisation and impairment	(1,697)	(424)	-	(2,121)
Closing carrying amount		19	9,749	9,769
Balance at 1 July 2016				
Cost	2,226	413	9,749	12,388
Accumulated amortisation and impairment	(624)	(334)	-	(958)
Opening carrying amount	1,602	80	9,749	11,430
Year ended 30 June 2017				
Additions	-	30	-	30
Disposals (cost)	-	-	-	-
Accumulated Depreciation eliminated on Disposal	-	-	-	-
Amortisation & impairment charge	-	(54)	-	(54)
Closing carrying amount	1,602	56	9,749	11,405
Balance at 30 June 2017				
Cost	2,226	443	9,749	12,418
Accumulated amortisation and impairment	(624)	(387)	-	(1,011)
Closing carrying amount	1,602	56	9,749	11,406

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

Goodwill on the Port Assets has been impaired by \$1,073,000; as a result of reducing income from Harbour Endowment properties.

#### Goodwill

WDCHL Goodwill relates to the purchase of the assets of the Port. Group Goodwill arises on consolidation of GasNet Limited and NZICPA in the books of WDCHL.

### 14. Creditors and other payables

	Parent		Group	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Trade payables and other accrued expenses	69	234	366	1,037
Amounts due to related parties (note 21)	61	949	143	994
GST	-	(145)	118	(78)
Accrued interest expenses	120	113	159	158
	250	1,151	787	2,111

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.

## Notes to the Financial Statements

For the year ended 30 June 2018

### 15. Employee entitlements

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Current portion</b>				
Accrued pay	-	2	48	49
Annual leave	13	10	96	79
Sick leave	-	-	-	3
Retirement and long service	-	-	-	-
<i>Total current portion</i>	13	12	145	131
<b>Total employee entitlements</b>	<b>13</b>	<b>12</b>	<b>145</b>	<b>131</b>

### 16. Borrowings

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Current portion</b>				
Secured loans	3,700	950	2,350	-
Finance leases	-	-	-	-
<i>Total current portion</i>	3,700	950	2,350	-
<b>Non-current portion</b>				
Secured loans - Port	-	2,750	-	2,750
Secured loans - Other	12,400	11,600	12,400	11,600
Finance leases	-	-	-	-
<i>Total non-current portion</i>	12,400	14,350	12,400	14,350
<b>Total borrowings</b>	<b>16,100</b>	<b>15,300</b>	<b>14,750</b>	<b>14,350</b>

#### Secured loans

WDCHL's secured debt of \$16,100,000 (2017 \$15,300,000) is issued at a mix of fixed and floating rates of interest. For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a margin of 1.05% to 1.9% for credit risk. WDCHL's debt to WDC of \$2,350,000 (2017 \$2,750,000) has an interest rate of 6.0% p.a.

#### Security

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

#### Fair values of non-current borrowings

	Carrying amount		Fair value	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Total Secured loans Parent	12,400	15,300	12,400	12,509
Total Secured loans Group	12,400	14,350	12,400	11,601



## Notes to the Financial Statements

For the year ended 30 June 2018

### 17. Equity

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Share capital</b>				
Balance at 1 July	7,846	7,846	7,846	7,846
Shares cancelled	-	-	-	-
Balance at 30 June	7,846	7,846	7,846	7,846
<b>Retained earnings</b>				
Balance at 1 July	424	361	14,886	13,065
Surplus/(deficit) for the year	(878)	64	(625)	1,821
Share repurchase	-	-	-	-
Dividends paid	-	-	-	-
Balance at 30 June	(454)	424	14,261	14,886
<b>Asset revaluation reserve</b>				
Balance at 1 July	-	-	5,521	5,521
Revaluation gains/(losses)	-	-	3,919	-
Deferred tax on revaluation	-	-	(1,097)	-
Balance at 30 June	-	-	8,342	5,521
Distribution network	-	-	8,054	5,233
Gas measurement system	-	-	288	288
Balance at 30 June	-	-	8,342	5,521

#### Share capital

Authorised shares 31,945,700 (2017: 31,945,700)

As at 30 June 2018 WDCHL has 7,845,800 shares issued and fully paid up (2017: 7,845,800). The fully paid shares are all ordinary shares. The remaining authorised shares are redeemable preference shares. ANZ Bank has first option on any call made on uncalled capital.

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

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Surplus/(deficit) after tax</b>	<b>(878)</b>	<b>64</b>	<b>(626)</b>	<b>1,821</b>
<b>Add/(less) non-cash items:</b>				
Depreciation and amortisation expense	145	96	1,358	1,306
(Gains)/losses from derivative financial instruments	(98)	(303)	(98)	(303)
Other non-cash items - including Impairment	1,425	622	1,413	(730)
	593	479	2,047	2,095
<b>Add/(less) items classified as investing or financing activities:</b>				
Increase/(decrease) in deferred tax	-	-	(337)	140
	-	-	(337)	140
<b>Add/(less) movements in working capital items:</b>				
Income in advance	-	-	437	587
Accounts receivable	(119)	(126)	(279)	(682)
Inventories	-	-	(11)	(19)
Accounts payable	(1,046)	85	(1,469)	271
Income tax payable	-	-	115	147
Employee entitlements	1	(9)	14	21
	(1,164)	(50)	(1,193)	325
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(572)</b>	<b>429</b>	<b>517</b>	<b>2,559</b>

## Notes to the Financial Statements

For the year ended 30 June 2018

### 19. Capital commitments and operating leases

The company has capital commitments as at 30 June 2018 of \$Nil (2017 \$1,329,551).

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Not later than one year	113	1,330	187	1,330
Later than one year and not later than five years	396	-	235	-
Greater than five years	-	-	14	-

### 20. Contingencies

At 30 June 2018 there are no contingent liabilities or assets (2017 nil).

### 21. Related party transactions

WDCHL is a wholly owned subsidiary of the Whanganui District Council and 100% owns GasNet Limited and 100% of Whanganui Port Limited.

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Whanganui District Council</b>				
Loans to WDCHL	2,350	2,750	2,350	2,750
Port Grant provided to WDCHL	470	685	470	685
Services provided by WDC	42	77	373	432
Interest paid to WDC	164	206	164	206
Management fees paid to WDCHL	80	60	80	60
Accounts payable to WDC	61	891	142	994
Accounts receivable from WDC	14	8	14	8
Subvention payment to Whanganui District Council	-	-	600	600
Services provided to WDC	80	52	80	52
Tax losses transferred from WDC to GasNet	-	-	1,594	511
<b>GasNet Limited</b>				
Loan advance to WDCHL	1,350	950	-	-
Dividend paid to WDCHL	1,250	1,050	-	-
Interest paid to GasNet Limited.	73	58	-	-
Management Fee payable to WDCHL	10	-	-	-
Accounts payable to WDCHL	12	-	-	-
Tax losses transferred from WDCHL to GasNet	712	-	-	-
<b>NZICPA</b>				
Loan advance from WDCHL	-	65	-	-
Rental of Planes, simulators and Property	122	57	-	-
Accounts receivable from NZICPA	289	-	-	-
<b>Consultancy fees paid to directors during the year were</b>				
Matthew Doyle	3	13	41	13
Peter Hazledine	-	-	23	-
Harvey Green	-	7	27	7

### Transactions with key management personnel

During the year Directors and key management, as part of a normal customer relationship, were involved in minor transaction with WDCHL and GasNet (purchase of energy). Amounts owing to related parties at balance date were: Doyle & Associates \$Nil (2017 \$4,252), and GasNet \$Nil (2017 \$57,000).

## Notes to the Financial Statements

For the year ended 30 June 2018

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Key management personnel compensation</b>				
Salaries and short term employee benefits	116	50	652	603
Other long-term benefits	-	-	-	-
	<b>116</b>	<b>50</b>	<b>652</b>	<b>603</b>

Key management personnel for the parent includes the Directors. The Group includes the Directors and the companys' General Managers and members of their senior management team.

The Group has supplied energy to Directors and key management personnel on an arms length basis for which related party disclosures have not been made.

### 22. Remuneration

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<i>Directors</i>				
Directors received the following remuneration:				
Matthew Doyle (WDCHL Group)	11	-	57	60
Rob Vinsen (WDCHL director - retired March 2018)	17	18	17	18
Annette Main (WDCHL Group Chair)	33	18	33	18
Ken Mair (WDCHL director - retired September 2017)	6	14	6	14
David Rae (WDCHL Group - appointed March 2018)	13	-	13	-
Simon Karipa (WDCHL Group - appointed March 2018)	13	-	13	-
Harvey Green (GasNet/NZICPA director)	-	-	39	31
Charles Anderson (WDCHL Group/NZICPA)	2	-	12	-
Peter Hazledine (WDCHL Group)	21	-	46	31
	<b>116</b>	<b>50</b>	<b>236</b>	<b>172</b>

Directors fees for M Doyle, P Hazledine & H Green were paid through GasNet Limited.

### 23. Events after the balance date

Since Balance date the Board has approved the transfer of the Port assets back to the Whanganui District Council.

### 24. Financial instruments

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

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Financial assets</b>				
<b>Fair value through profit and loss - held for trading</b>				
Derivative financial instrument assets	509	607	509	607
<b>Loans and receivables</b>				
Cash and cash equivalents	137	1,652	4,177	5,729
Debtors and other receivables	464	199	2,124	1,699
Other financial assets:				
- term deposits	-	-	-	-
- loans to related parties	-	-	-	-
<b>Financial liabilities at amortised cost</b>				
Creditors and other payables	251	1,151	787	2,111
Borrowings:				
- secured loans	16,100	15,300	14,750	14,350
<b>Fair value through comprehensive income</b>				
- net change in fair value of CFDs	-	-	-	-



## Notes to the Financial Statements

For the year ended 30 June 2018

### 25. Non-current assets held for sale

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Port Assets</b>				
Buildings	281	-	281	-
Plant and Equipment	186	-	186	-
Computers, Fixtures, fittings & office equipment	5	-	5	-
Goodwill	528	-	528	-
	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>

The Council has approved the transfer of the Port assets back to the Council. The transfer is expected to go through in the first 6 months of the financial year, with Council paying WDCHL an agreed price for the assets.

### 26. Investment property

	Parent		Group	
	\$000	\$000	\$000	\$000
Balance at 1 July	-	-	-	-
Additions	-	-	-	-
Transfers	2,406	-	-	-
Accumulated Depreciation	(42)	-	-	-
<b>Balance at 30 June</b>	<u>2,364</u>	<u>-</u>	<u>-</u>	<u>-</u>

The NZICPA building is classified as an Investment Property on the cost model basis. At a Group level the property is considered to be an operational asset, and thus part of Property, Plant and Equipment.

	Parent		Group	
	\$000	\$000	\$000	\$000
<u>Revenue and expenses in relation to investment properties:</u>				
Rental revenue	57	-	-	-
Expenses from investment property generating revenue	1	-	-	-
Expenses from investment property not generating revenue	-	-	-	-
Contractual obligations for capital expenditure	-	-	-	-
Contractual obligations for operating expenditure	-	-	-	-



## Statement of service performance

For the year ended 30 June 2018

### Whanganui District Council Holdings Limited

#### Objectives

*1.1 The Board intends to operate as a successful business in relation to its investments to the monitoring roles assigned to it under contract by WDC.*

The directors have closely monitored the performance of both its own investments and those assigned to it by WDC. The Board has worked with WDC staff to monitor current investment and develop new investment opportunities, with regular feedback being provided to its shareholder.

*1.2 The company aims to improve the long term value and financial return that WDC receives from its trading undertakings.*

WDCHL's directors have continued to closely monitor the company's progress and have aggressively advised on implementing new income streams and have taken advantage of risk mitigating courses of action.

*1.2.1 Optimise financial and physical resources through close scrutiny of potential areas of inefficiency, waste or under-utilisation of capital.*

The Directors all have extensive and varied commercial experience which when combined provides a wide set of skills that can provide solutions to issues of inefficiency or under-utilisation of capital. This has been evidenced by our involvement in the shellrock venture at Waitaihanga, and working alongside Iwi to co-develop the shellrock reserve at Kaiwhaiki.

*1.2.2 Provide prudent management of investments and timely, constructive professional advice regarding its position as shareholder in Wanganui Gas Limited, and any other subsidiary companies or undertakings.*

In 2014, as a result of the review, it was decided to replicate the Directors of Wanganui Gas Limited onto the Board of Whanganui District Council Holdings Limited to provide for a more streamlined and co-ordinated governance model. In addition, WDCHL's directors sit on the Airport Management Board, worked along-side external contractors with the Forestry portfolio, worked along-side WDC staff with regard to property matters, including monitoring the Port operations, and investigated new commercial projects such as property development opportunities, shell rock extraction agreements, and the purchase of a flight school.

*1.2.3 Meet the expectations of WDC for quality, competitively priced strategic planning advice on investments and trading undertakings.*

The Board meets six-weekly to discuss its portfolio performance and the Chairman has reported to Council every meeting to update the Council on matters.

*1.2.4 Review and advise on the strategies and plans of any subsidiary company, business unit or asset as requested by WDC.*

Board meetings are held on a six-weekly basis and include the Chief Executive of the Council which enables open communication regarding matters concerning the Council. Board papers include reports on each area under WDCHL's governance portfolio.

1.2.5 *Be a good corporate citizen and exercising the appropriate level of social responsibility toward the community and the environment, consistent with the conduct of a sustainable and profitable business.*

WDCHL's Directors are experienced directors who have had significant training and experience in the operations of a Board and the concept of governance. The directors are aware of the responsibilities of local government as defined by the Local Government Act 2002 and carry out their decision making with the benefits to the ratepayers of the Whanganui District in the forefront in addition to ensuring the sustainability and profitability of the business.

## Performance targets

2 *To break-even for the financial year*

	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>2017/18</b>	<b>2017/18</b>	<b>2016/17</b>
Surplus/(deficit) after dividends	\$82,100	(\$878,000)	\$64,000
Dividend received	\$800,000	\$1,250,000	\$1,050,000
Dividend paid	\$0	\$0	\$0

The directors of GasNet Ltd resolved to pay a subvention payment of \$600,000 directly to Whanganui District Council instead of paying this as a dividend to WDCHL. This, together with unbudgeted revaluations of derivative financial instruments and impairment of assets were the main reasons for the variance between actual and budget for 2018.

3 *To facilitate GasNet Limited to achieve the performance targets identified in its Statement of Intent*

On 30<sup>th</sup> June 2016 Wanganui Gas Limited, Wanganui Gas No 1 Limited, Wanganui Gas No 3 Limited and GasNet Limited were amalgamated to become GasNet Limited. The directors have closely monitored the Whanganui District Council's investment in GasNet Limited, with three Directors of WDCHL, including the Chairman, sitting on the GasNet Board. The Board has facilitated the continuance of the Council's investment with variances to performance targets being monitored.

## GasNet Limited

### Statement of Intent For the year ended 30 June 2018

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 Company's parent entity is Wanganui Gas Limited.

The Statement of Intent sets out the overall intentions and objectives of GasNet Limited for the year beginning 1 July 2017.

### Objectives

The Directors intend that the Company operate as a successful business and be at least as profitable and efficient as other gas distribution network companies.

The Company aims to provide a reasonable rate of return to its Shareholder after retaining adequate earnings for future business requirements.

### Activities

The Company's core business is that of network infrastructure utility company with interests in natural gas distribution networks.

### Performance Targets

The performance of the Company will be judged against the following measures:

#### KPIs

	Target 2017/18	Actual 2017/18	Actual 2016/17
<b>Health and Safety</b>			
Incidents Reported (No)	5	3	3
Lost Time Incidents	0	0	0
Lost Time Rate	0	0	0
<b>Financial Performance</b>			
EBITDA (before subvention payment)	\$3.48m	3.53m	\$4.45m
Capex Depreciation Ratio	1.0	0.9	0.8
Rate of Return (minimum)	8.0%	8.24%	11.9%
Accumulated profits and capital reserves distributed to shareholder	\$1.60m	\$1.25m	\$1.65
<b>Network Throughput</b>			
Total Throughput	1.33 PJ	1.24 PJ	1.28 PJ
UFG (Unaccounted For Gas)	1.00%	1.40%	1.48%
<b>Operational Financial Performance</b>			
Direct & Indirect Costs per consumer	\$190	\$210	\$209
Direct & Indirect Costs per GJ conveyed	\$1.46	\$1.69	\$1.62
<b>Network Reliability</b>			
<b>Planned Interruptions (Class B)</b>			
Consumer Hours Lost	400	310.27	126.95
SAIDI		1428.70	588.50
SAIFI		6.14	4.87
CAIDI		232.70	120.90
<b>Unplanned Interruptions (Class C)</b>			
Consumer Hours Lost	200	640.17	75.83
SAIDI		2947.81	351.54

	Target	Actual	Actual
	2017/18	2017/18	2016/17
SAIFI		7.14	4.48
CAIDI		413.01	78.45
Unplanned Third Party Interruptions (Class I)			
Consumer Hours Lost	100	18.65	51.83
SAIDI		85.88	240.28
SAIFI		1.07	2.40
CAIDI		79.93	100.32
Total Interruptions			
Consumer Hours Lost	700.00	969.09	254.61
SAIDI		4462.39	1180.33
SAIFI		14.35	11.74
CAIDI		310.94	100.51
Third Party Interference Damage (No)	50	22	25
Public Reported Gas Escapes (No)	50	28	29

Explanation of acronyms above:

System Average Interruption Duration Index (SAIDI) – represents the average number of minutes a consumer was without gas during the reporting period

System Average Interruption Frequency Index (SAIFI) - represents the average number of interruptions that a consumer experiences during the reporting period.

Consumer Average Interruption Duration Index (CAIDI) – represents the average duration in minutes that a consumer experienced during the reporting period

## Assessment

The Company is of the opinion that, as a reasonable and prudent operator, it has achieved the above performance targets within acceptable margins and continues to exercise tight cost controls on the financial KPIs. A subvention payment was made to Whanganui District Council which reduced the EBITDA figure by \$600,000. The company also advanced \$1.25M to the parent Whanganui District Council Holdings Ltd as a dividend. The company undertook a revaluation of its infrastructural assets using a discounted cash flow model resulting in a net increase to capital reserves of \$2.822M.

The total number of consumer hours lost due to unplanned interruptions (Class C) was significantly greater than previous years. The variance is mainly due to one event in April 2018 when pressurized water entered the low pressure gas network in Downes Avenue, Whanganui effectively blocking the gas main and interrupting all supplies. This event contributed 556 hours to the total 640 hours of unplanned interruptions. It is worthy of note that the cause of the water ingress was not identified and if damage by a party had been identified, the interruptions may have been classed unplanned third party damage (Class 1).

The number of consumer hours lost due to unplanned third party damage (Class C) was low with less incidents and none affecting more than one supply.

Planned Interruptions (Class B) were low again this year due to fewer connections to the mains that were replaced than usual. One mains renewal project in Heads Road and Carlton Avenue incurred 130 of the total 310 hours during changeover of the gas services to the new main.



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

## **New Zealand International Commercial Pilot Academy Limited (NZICPA)**

### **Description of Entity's outcomes**

The New Zealand International Commercial Pilot Academy (NZICPA) exist to train professional flight-deck crew for the global aviation industry. The business is intended to operate as a profit centre within the wider Whanganui District Council Holdings (WDCHL) portfolio. The business was established under a regional economic development mandate and accordingly seeks to enable spend from New Zealand and international students within the district. NZICPA acts in alignment with corporate social responsibility best practice, and this is particularly focussed on a community approach to youth development.

### **Description and Quantification of the Entity's outputs**

NZICPA provides professional flight training programmes for New Zealand and international students. New Zealand students typically complete training for a Private Pilot Licence, or a level 5 or 6 New Zealand Diploma in Aviation qualification. Flight training and education is delivered IAW New Zealand rules and regulations for both education and aviation, including those established by; Tertiary Education Commission (TEC) and New Zealand Qualifications Authority (NZQA) and Civil Aviation Authority (CAA).

NZICPA delivers the following programmes and or qualifications:

- Private Pilot Licence (aeroplane).
- Commercial Pilot Licence (aeroplane).
- New Zealand Multi-engine Instrument Rating.
- Aerobatics Rating.
- New Zealand Diploma in Aviation (Aeroplane) General Aviation Strand (level 5)
- New Zealand Diploma in Aviation (Aeroplane) Flight Instruction Strand (level 6)
- New Zealand Diploma in Aviation (Aeroplane) Airline Preparation Strand (level 6)

Generally, in New Zealand the minimum pilot hours requirement for employment by a passenger airline exceeds the hours attained during flight training. Accordingly many young pilots are employed as flight instructors following their training courses to gain experience. NZICPA employs a high number of graduates who have completed the initial flight instructor qualification.

### **Performance Results**

NZICPA is regularly assessed through detailed audit as an aviation, education and Council Controlled Organisation.

NZICPA has maintained the highest education organisation ranking against the NZQA External Evaluation and Review (EER) assessment criteria, being Highly Confident in Educational Performance (1), and Highly Confident in Capability and Self Assessment.

NZICPA completed CAA re-entry audit for both certificates, including the Part 141 approved training organisation (ATO) and Part 135 air operator. The detailed and comprehensive audit was completed with no findings.

Regular audit by Audit New Zealand demonstrates sound business procedures and processes are applied across the organisation.

NZICPA is a signatory to the Code of Practice for the Pastoral Care of International Students.

## Description and Quantification of the Entity's Outputs

NZICPA delivered an ambitious programme during FY 17/18, including completing a significant facility project, and relocating from the Feilding Aerodrome to the Whanganui Airport. The organisation encountered a significant delay in completing the complex project and as a result operated from three temporary locations for a period of four months. Coupled with personnel and fleet turnover, the outcome was a reduction in completed flying against those planned. Specifically, 3,926 hours were flown against the planned 5,600.

The transition to Whanganui has resulted in increased costs. As a result of establishing a purpose-built flight training centre, NZICPA has increased operating costs (building lease, insurance, power, and ground maintenance), and increased airport usage fees (landing fees).

Despite a complex year NZICPA maintained superior results against CAA, NZQA and Audit New Zealand measures of performance. Furthermore the company maintained financial viability.

NZICPA completed CAA re-entry audit for both certificates, including the Part 141 approved training organisation (ATO) and Part 135 air operator. The detailed and comprehensive audit was completed with no findings.

NZICPA is a signatory to the Code of Practice for the Pastoral Care of International Students.

Description and Quantification of the Entity's Outputs	2018	2017
EBITDA for the year before one off costs	(436,679)	(135,564)
One off Costs	-	-
EBITDA	(436,679)	(135,564)
<b>Other Performance Objectives</b>	<b>2018</b>	<b>2017</b>
Donations	100	100
Flying hours available to community groups	67	-