



# New Zealand Gazette

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## WANGANUI GAS LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION  
DISCLOSURE) REGULATIONS 1997



**FINANCIAL STATEMENTS PREPARED  
FOR THE GAS (Information Disclosure)  
REGULATIONS 1997**

Reg. 32 (2)

Form 4

**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES  
AND STATISTICS**

We, Oliver Rowland MARKS and Patrick Arthur BULLOCK, Directors of Wanganui Gas Limited, certify that, having made all reasonable enquiry, to the best of our knowledge

- (a) The attached audited financial statements of Wanganui Gas Limited, prepared for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997, comply with the requirements of that regulation; and
- (b) The attached information, being financial performance measures, efficiency performance measures, energy delivery performance measures and statistics, and reliability performance measures in relation to Wanganui Gas Limited, and having been prepared for the purposes of regulations 15 to 19 of the Gas (Information Disclosure) Regulations 1997, complies with the requirements of those regulations.

*OR Marks*  
.....  
O R Marks

*PA Bullock*  
.....  
P A Bullock

Date: *18-11-2003*  
.....

**Statement of Financial Performance***For the Year ended 30 June 2003*

	Note	Distribution		Retail	
		2003 \$	2002 \$	2003 \$	2002 \$
REVENUE		3,409,408	3,433,478	16,788,836	11,742,494
NET SURPLUS BEFORE TAXATION	2	1,471,353	1,753,771	529,246	1,517,319
Taxation Expense	3	444,525	560,571	178,390	503,906
NET SURPLUS AFTER TAXATION		1,026,828	1,193,200	350,856	1,013,413

**Statement of Movement in Equity***For the Year ended 30 June 2003*

	Note	Distribution		Retail	
		2003 \$	2002 \$	2003 \$	2002 \$
EQUITY AS AT 1 JULY 2002		10,989,151	10,956,820	829,142	404,860
Net Surplus after Tax		1,026,828	1,193,200	350,856	1,013,413
Increase in Revaluation Reserve		2,100,186	0	0	0
Total Recognised Revenue and Expenses for the Year		3,127,014	1,193,200	350,856	1,013,413
Dividend to Shareholders		628,320	1,160,869	271,678	589,131
EQUITY AS AT 30 JUNE 2003		13,487,845	10,989,151	908,320	829,142

**Statement of Financial Position***As at 30 June 2003*

	Note	Distribution		Retail	
		2003 \$	2002 \$	2003 \$	2002 \$
<b>NON CURRENT ASSETS</b>					
Fixed assets	4	18,371,769	15,812,734	119,973	57,149
Investments		5,000	5,000	5,000	5,000
Total Non Current Assets		18,376,769	15,817,734	124,973	62,149
<b>CURRENT ASSETS</b>					
General Bank Account		416,433	780,478	0	839,352
Accounts Receivable	5	305,627	302,619	2,729,554	2,110,229
Prepayments		0	0	0	6,347
Inventories		173,837	174,944	0	0
Provisional Tax		124,762	0	37,490	0
Total Current Assets		1,020,659	1,258,041	2,767,044	2,955,928
<b>TOTAL ASSETS</b>		<b>19,397,428</b>	<b>17,075,775</b>	<b>2,892,017</b>	<b>3,018,077</b>
<b>EQUITY</b>					
Share Capital	6	5,264,435	5,264,435	199,835	199,835
Retained Earnings		1,638,542	1,240,034	708,485	629,307
Asset Revaluation Reserve		6,584,868	4,484,682	0	0
Total Equity		13,487,845	10,989,151	908,320	829,142
<b>NON CURRENT LIABILITIES</b>					
	7	5,720,780	5,338,096	177,091	299,008
<b>CURRENT LIABILITIES</b>					
General Bank Account		0	0	71,667	0
Accounts Payable & Accruals		118,766	134,394	1,549,640	1,422,589
Provision for Employee Entitlements		70,037	71,215	45,744	44,242
Consumer Deposits		0	0	139,555	129,797
Taxation Payable		0	45,403	0	40,814
Provision for Dividend		0	497,516	0	252,485
Total Current liabilities		188,803	748,528	1,806,606	1,889,927
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>19,397,428</b>	<b>17,075,775</b>	<b>2,892,017</b>	<b>3,018,077</b>

**Notes to the Financial Statements**

*As at 30 June 2003*

**1. Statement of Accounting Policies****Reporting Entity**

Wanganui Gas Limited is a company formed in accordance with the Energy Companies Act 1992 and registered under the Companies Act 1993. For the purpose of preparing Disclosure accounts in accordance with the Gas (Information Disclosure) Regulations 1997 the annual accounts of Wanganui Gas Limited have been divided into two entities, Distribution and Retail. The remainder of Wanganui Gas Limited's accounts have not been disclosed as it pertains to appliance trading activity.

As required by the Gas (Information Disclosure) Regulations 1997, 'Distribution' involves the ownership, and maintenance of a gas distribution system, and conveyance of gas via the system. 'Retail' involves supply of gas to consumers.

The gas information disclosure and financial statements of Wanganui Gas Limited have been prepared in accordance with the Gas (Information Disclosure) Regulations 1997.

**Methodology of Separation of Business**

The Methodology used in relation to the allocation of costs, revenue, assets and liabilities between Retail and Distribution businesses will be available for public inspection no later than 30 November 2003.

**General Accounting Policies**

The general accounting principles recognised as appropriate for the measurement and reporting of results and financial position on an historical cost basis have been followed, with the exception of distribution network assets which have been valued at optimised depreciated replacement cost. Accrual accounting is used to match expenses and revenues. Reliance is placed on the fact that the Company is a going concern.

**Particular Accounting Policies**

The following particular accounting policies which materially affect the measurement of results and financial position have been applied:

**Accrued Gas Sales**

Gas sales include an accrual for gas supplied but not invoiced at the end of the financial period.

**Capital Contributions**

Capital contributions received from customers are recognised as income in the period received.

**Revenue**

Revenue is derived from the Sale of Energy, and Distribution Services. Such revenue is recognised when earned and is reported in the financial period to which it relates.

**Goods and Service Tax**

All items in the financial statements are exclusive of GST, with the exception of accounts receivable and accounts payable which are stated with GST included.

**Accounts Receivable**

Accounts Receivable are stated at their estimated realisable value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventories on hand at balance date using weighted average cost.

Investments

Investments are stated at cost price or net realisable value.

Property Plant and Equipment

The distribution network is valued at optimised depreciated replacement cost, at 30 June 2003 by James Coe, B.Sc, B.E (Electrical), M.B.A, Registered Engineer, and Member of IPENZ - Network Manager and reviewed in accordance with FRS-3 by Bruce Wattie, CA, BCA, Partner - Financial Advisory Services, of PricewaterhouseCoopers, and Guenter Wabnitz, Dipl.Ing (German), VDI, MIPENZ, Senior Consultant - Meritec Limited.

All other fixed assets are recorded at cost.

Depreciation

Depreciation is provided on a straight line basis on all tangible fixed assets, at rates calculated to allocate the assets cost, or optimised deprival value, less estimated residual life, over their estimated useful lives.

Major depreciation rates are:

Mains & Services	1-10% S.L
Condition Renewals	2% S.L
Meters & Customer Station Rebuilds	1-10% S.L
Vehicles, Plant, Office Equipment & Furniture and Fittings	20% S.L
Computer Hardware & Software	33% S.L
Leasehold Improvements	10-15% S.L

Financial Instruments

The Company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, debtors, creditors and loans. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance.

Employee Entitlements

Provision is made in respect of the Company's liability for annual leave and long service leave. Annual leave and long service leave have been calculated on an accrual entitlement basis, at current rates of pay.

Income Tax

The taxation charge against the profit for the period is the estimated liability in respect of that profit after allowance for permanent differences and timing differences not expected to reverse in the foreseeable future. This is the partial basis for the calculation of deferred taxation.

The Company follows the liability method of accounting for deferred taxation.

Future tax benefits attributable to tax losses or timing differences are only recognised when there is virtual certainty of realisation.

Changes In Accounting Policies

There has been a change in accounting policy, in respect of the valuation of Distribution Network, from optimised deprival value to optimised depreciated replacement cost. This change was made in order to comply with the requirements of FRS-3. The change did not have a material effect in the current period. All other policies have been applied on bases consistent with those used in the previous period.

**2. Surplus Before Taxation**

	Distribution		Retail	
	2003	2002	2003	2002
	\$	\$	\$	\$
After Charging:				
Audit Fees	11,713	8,056	13,105	9,164
Audit Fees Other Services	3,196	1,601	0	1,821
Depreciation: Distribution Network	543,197	462,643	0	0
Leasehold Improvements	14,147	24,850	8,963	15,979
Vehicles	5,064	5,094	5,224	5,327
Office Equipment	3,803	3,114	3,341	2,684
Furniture & Fittings	2,251	2,284	1,106	1,138
Plant & Equipment	13,192	12,308	200	188
Computer H/Ware & S/Ware	34,932	18,293	24,338	12,916
Total Depreciation	616,586	528,586	43,172	38,232
Directors' Fees	28,273	15,306	31,633	17,412
Interest: Fixed Loans	338,387	330,426	14,568	23,308
Rental & Operating Lease Costs	71,058	71,683	22,997	23,083
Movements in provision for Doubtful Debts	0	0	8,827	6,235
Bad debts written off	0	0	36,314	21,893
After Crediting:				
Interest From Short Term Deposits	58,613	70,094	(2,052)	29,730
Profit On Sales Of Assets	8,661	3,273	2,698	1,159

**3. Taxation Expense**

Net Profit Before Taxation	1,471,353	1,753,771	529,246	1,517,319
Prima Facie Taxation	485,546	578,744	174,651	500,715
Plus (Less):				
Non Deductible Items	6,907	3,796	22	12
Non Taxable Income	0	0	0	0
Unrecognised Timing Differences	(47,929)	(21,855)	3,717	3,162
Prior Period Adjustment	0	(114)	0	17
TAXATION EXPENSE FOR THE PERIOD	444,525	560,571	178,390	503,906
The Taxation Charge Is Represented By:				
Current Taxation	444,525	560,571	178,390	503,906

The Company has not recognised the deferred tax liability on timing differences which are not expected to reverse in the foreseeable future. The tax liability in respect of these timing differences at 33% is \$1,734,669 (2002: \$1,519,365) for Distribution and a future tax benefit to Retail of \$32,558 (2002: \$24,859), the realisation of which is subject to the requirements of the Income Tax Act 1994.

**4. Fixed Assets**

	Distribution					
	2003		Book Value	2002		
	Cost	Accumulated Depreciation		Cost	Accumulated Depreciation	Book Value
Revalued Assets:						
Distribution Network	17,986,660	0	17,986,660	16,567,570	916,299	15,651,271
	17,986,660	0	17,986,660	16,567,570	916,299	15,651,271
Fixed Assets at cost:						
Leasehold Improvements	379,361	322,092	57,269	330,425	279,033	51,392
Vehicles	184,545	129,053	55,492	152,363	129,914	22,449
Office Equipment	56,042	47,031	9,011	43,863	38,010	5,853
Furniture & Fittings	44,958	35,997	8,961	36,854	30,673	6,181
Plant & Equipment	190,668	137,401	53,267	154,077	117,655	36,422
Computer H/ware & S/w	473,625	272,516	201,109	248,090	208,924	39,166
	1,329,199	944,090	385,109	965,672	804,209	161,463
Total Distribution Assets	19,315,859	944,090	18,371,769	17,533,242	1,720,508	15,812,734

	Retail					
	2003		Book Value	2002		
	Cost	Accumulated Depreciation		Cost	Accumulated Depreciation	Book Value
Fixed Assets at cost:						
Leasehold Improvements	118,182	100,341	17,841	116,954	98,764	18,190
Vehicles	57,491	40,204	17,287	53,929	45,983	7,946
Office Equipment	17,459	14,652	2,807	15,525	13,454	2,071
Furniture & Fittings	14,006	11,214	2,792	13,044	10,856	2,188
Plant & Equipment	59,399	42,804	16,595	54,535	41,644	12,891
Computer H/ware & S/w	147,549	84,898	62,651	87,811	73,948	13,863
	414,086	294,113	119,973	341,798	284,649	57,149
Total Retail Assets	414,086	294,113	119,973	341,798	284,649	57,149

**5. Accounts Receivable**

	Distribution		Retail	
	2003 \$	2002 \$	2003 \$	2002 \$
Trade Debtors	305,627	302,619	2,772,484	2,138,288
Provision for Doubtful Debts	0	0	(42,930)	(28,059)
	305,627	302,619	2,729,554	2,110,229
	305,627	302,619	2,729,554	2,110,229

**6. Share Capital**

Authorised Capital:

	2003	2002
	\$	\$
Distribution - 5,264,435 Ordinary shares of \$1 each Fully Paid Up	5,264,435	5,264,435
Retail - 199,835 Ordinary shares of \$1 each Fully Paid Up	199,835	199,835

**7. Long Term Liabilities**

	Distribution		Retail	
	2003	2002	2003	2002
	\$	\$	\$	\$
Westpac Banking Corporation Multi Option Credit Line Facility	5,720,780	5,338,096	177,091	299,008
Less Current Portion	0	0	0	0
Long-Term Portion	<u>5,720,780</u>	<u>5,338,096</u>	<u>177,091</u>	<u>299,008</u>

Term: Three years to December 2005.

Repayments: No Further Repayments Required Until December 2005.

Security: First ranking debenture providing for fixed and floating charges over all assets.

Average Interest Rate Over Year: 6.38% ( 2002: 6.11% )

**8. Imputation Credit Account**

	Distribution		Retail	
	2003	2002	2003	2002
	\$	\$	\$	\$
Opening Balance	917,391	804,528	178,266	(11,177)
PLUS:				
Income tax paid	650,418	570,174	195,446	421,470
Imputations on dividends received	149	109	149	109
LESS:				
Terminal Tax Refund	0	0	0	0
Imputations Attached to Dividends Paid	(567,368)	(457,420)	(245,323)	(232,136)
Balance 30 June	<u>1,000,590</u>	<u>917,391</u>	<u>128,539</u>	<u>178,266</u>

**9. Financial Instruments**

Financial Instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. Generally the Company does not require collateral. Maximum exposure to credit risk is the amount stated in the financial statements and is net of any recognised provision for losses on these financial instruments. An amount of \$139,555 (2002: \$129,797) is included in Retail's current liabilities which is the value of consumer deposits held. No other collateral is held on these amounts.

The Company is not exposed to any concentrations of risk or currency risk.

The Company has no bank overdraft facility.

The methods and assumptions used are that the carrying amount in the financial statements reflects the estimated fair value of the financial instruments including receivables, bank and investments and accounts payable.

The Company has long term borrowings which are used to fund ongoing activities.

The Company has arranged a bank guarantee for \$300,000 which is required by United Networks Ltd to gain access to their networks.

**Interest Rate Risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return on investments.

The interest rates on the Company's investments are 5.02% to 5.89%.(2002: 4.66% to 5.89%).

	Distribution		Retail	
	2003 \$	2002 \$	2003 \$	2002 \$
Short term deposits	0	780,478	0	839,352

The Directors do not consider there is any significant exposure to interest rate risk on the Company's investments.

The interest rates on the Company's borrowings are disclosed in note 7. Interest rates are reviewed regularly.

There are no interest rate options or interest rate swap agreements in place as at 30 June 2003 (2002 : Nil).

**Currency Risk**

No currency risk.

**10. Related Party Transactions**

The following transactions occurred during the period with Related Parties:

	Distribution		Retail	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>Wanganui District Council (74.9% Shareholder):</b>				
by virtue of 100% Shareholding in Wanganui District Council Holdings Ltd (C E Poynter, Mayor)				
Rent	71,058	71,683	22,997	23,083
Information Services Support	130,143	3,194	84,667	3,542
Plant hire	0	1,829	0	2,264
Rates	15,638	7,492	765	1,025
Other	2,985	3,525	3,814	4,362
	<u>219,824</u>	<u>87,723</u>	<u>112,243</u>	<u>34,276</u>
<b>NGC Holdings Group (25.1% Shareholder):</b>				
( R J Bentley, Director & K M Baker, Chief Financial Officer				
Gas Purchases & Transmission Services	0	0	5,226,433	4,081,434
	<u>0</u>	<u>0</u>	<u>5,226,433</u>	<u>4,081,434</u>

**Amounts Owed to Related Parties at Balance date were:**

Wanganui District Council	6,253	3,752	3,193	1,466
NGC Holdings Group	0	0	223,810	399,061

All transactions were conducted on normal commercial terms.  
NGC Shares purchased following Rights Issue

**11. Prescribed Business Relationships**

Under Regulation 22 of the Gas (Information Disclosure) Regulations 1997 total costs and revenue must be disclosed for goods and services provided between entities in prescribed business relationships. 'Distribution' and 'Retail' fall within the Gas (Information Disclosure) Regulations 1997 definition of a prescribed business relationship (Regulation 3).

	2003	2002
	\$	\$
<b>Distribution Revenue from Retail</b>		
Gas Distribution Tariffs *	3,035,837	2,996,228
<b>Distribution Debtors from Retail</b>		
Wanganui Gas Ltd - Distribution *	280,365	278,856

\* Tariff represents revenue to Distribution for the transportation of gas through its distribution network. The value of transactions is calculated by applying current published Distribution tariffs to actual Retail throughput gas volumes and connection numbers. Transactions represent a book entry only. Debtor represents June revenue - assumed to be paid in the subsequent month.

**12. Commitments**

Lease commitments under non-cancellable operating leases:

	Distribution		Retail	
	2003 \$	2002 \$	2003 \$	2002 \$
Not later than one year	0	0	0	0
Later than one year and not later than two years	0	0	0	0
Later than two years and not later than five years	0	0	0	0

There are no capital commitments at the balance date.

**13. Contingent Liabilities**

	Distribution		Retail	
	2003 \$	2002 \$	2003 \$	2002 \$
Contingent Liabilities	0	0	0	0

**Statement of Performance Measures***For the Year ended 30 June 2003**For the purposes of the Gas (Information Disclosure) Regulations 1997  
Regulations 15, 17, & 18*

	Reference	2003	2002	Distribution		
				2001	2000	1999
<b>1. Financial Performance Measures</b>						
Accounting Return on Total Assets	Sch 1 Pt 2 1(a)	10.19%	12.78%	12.95%	12.66%	10.64%
Accounting Return on Equity	Sch 1 Pt 2 1(b)	8.39%	10.87%	10.67%	11.12%	8.11%
Accounting Rate of Profit Including Network Revaluation	Sch 1 Pt 2 1(c)	18.83%	8.61%	8.87%	25.12%	6.99%
Accounting Rate of Profit Excluding Network Revaluation		6.69%	8.61%	8.87%	10.46%	6.99%
Note: The Accounting Rate of Profit Excluding Network Revaluation is not required by the Gas (Information Disclosure) Regulations 1997.						
<b>2. Efficiency Performance Measures</b>						
Direct Line Costs per Kilometre	Sch 1 Pt 2 2(a)	\$ 1,518	\$ 1,157	\$ 1,231	\$ 1,666	\$ 1,511
Indirect Line Costs per Gas Customer	Sch 1 Pt 2 2(b)	\$ 41	\$ 39	\$ 37	\$ 37	\$ 36
<b>3. Energy Delivery Efficiency Performance Measures</b>						
Load Factor	Sch 1 Pt 3 1(a)	80.77%	76.99%	80.23%	75.06%	70.63%
Unaccounted for Gas Ratio	Sch 1 Pt 3 1(b)	1.81%	1.81%	1.90%	1.90%	2.14%
<b>4. Statistics</b>						
System Length (km)	Sch 1 Pt 3 2(a)	354	349	348	348	349
Maximum Monthly Amount of Gas Entering System (GJ)	Sch 1 Pt 3 2(b)	114,280	117,079	108,297	108,079	108,104
Total Annual Amount of Gas Conveyed through System (GJ)	Sch 1 Pt 3 2(c)	1,107,666	1,081,694	1,042,587	973,447	916,254
Total Annual Amount of Gas Conveyed through System for Persons not in a Prescribed Business Relationship (GJ/pa)	Sch 1 Pt 3 2(d)	283,047	274,253	278,994	238,977	203,374
Total Number of Customers	Sch 1 Pt 3 2(e)	10,921	10,810	10,670	10,251	10,195
<b>5. Reliability Performance Measures</b>						
Unplanned Transmission System Interruptions (hours)	Sch 1 Pt 4 1	nil	nil	nil	nil	nil
Unplanned Distribution System Interruptions not related to Transmission System Interruptions (hours/customer)	Sch 1 Pt 4 2(a)	0.0557	0.0198	0.0157	0.0158	0.0226
Unplanned Distribution System Interruptions related to Transmission System Interruptions (hours/customer)	Sch 1 Pt 4 2(b)	nil	nil	nil	nil	nil
Unplanned Distribution System Interruptions as a result of third party damage (hours/customer).		0.0416	0.0144	0.0103	0.0071	0.0128
Unplanned Distribution System Interruptions not as a result of third party damage (hours/customer).		0.0141	0.0054	0.0054	0.0087	0.0098

Note: The last two performance measures are not required by the Gas (Information Disclosure) Regulations 1997.



**Audit New Zealand**

## **Certification by Auditor in Relation to Financial Statements**

### **Report of the Auditor-General**

We have examined the attached financial statements prepared by Wanganui Gas Limited and dated 30 June 2003 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997.

We certify that, having made all reasonable enquiry, to the best of our knowledge, those financial statements have been prepared in accordance with the requirements of the Gas (Information Disclosure) Regulations 1997.

R.L. Tomlinson  
Audit New Zealand  
On behalf of the Auditor-General  
18 November 2003  
Wellington, New Zealand



Audit New Zealand

## Certification of Performance Measures by Auditor

### Report of the Auditor-General

We have examined the attached information, being-

- a) Financial performance measures specified in clause 1 of Part 2 of Schedule 1 of the Gas (Information Disclosure) Regulations 1997; and
- b) Financial components of the efficiency performance measures specified in clause 2 of Part 2 of that Schedule, —

and having been prepared by Wanganui Gas Limited and dated 30 June 2003 for the purposes of regulations 15 and 16 of those regulations.

We certify that, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the requirements of the Gas (Information Disclosure) Regulations 1997.

R. L. Tomlinson  
Audit New Zealand  
On behalf of the Auditor-General  
18 November 2003  
Wellington, New Zealand