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# WANGANUI GAS LIMITED

## INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

WANGANUI GAS

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

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**Reg. 32 (2)**

**Form 4**

## CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES AND STATISTICS

We, M J DOYLE and H G GREEN 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.

Matthew Doyle
M J Doyle

H G Green

Date: 4 December 2009

**Statement of Financial Performance**
*For the Year ended 30 June 2009*

| | Note | Distribution 2009 $ | Distribution 2008 $ | Retail 2009 $ | Retail 2008 $ |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Sales | | $ 5,125,842 | $ 4,820,866 | $ 25,409,333 | $ 31,131,681 |
| Finance income | | $ 9,068 | $ 281,599 | $ 84,764 | |
| Other revenue | | $ 17,345 | $ 21,461 | $ 764 | |
| Total income | | $ 5,152,255 | $ 5,123,926 | $ 25,494,861 | $ 31,131,681 |
| **Expenses** | | | | | |
| Depreciation | | $ 942,824 | $ 958,831 | $ 348,201 | $ 165,526 |
| Finance costs | | $ 675,127 | $ 898,162 | $ 686,192 | $ 462,780 |
| Subvention payment to WDC | | $ - | $ (824,172) | $ - | $ (57,419) |
| Loss on revaluation of assets | | $ - | $ 894,691 | $ - | $ - |
| Other expenses | | $ 1,797,123 | $ 1,932,316 | $ 31,344,459 | $ 32,896,995 |
| Total expenses | | $ 3,415,073 | $ 3,859,828 | $ 32,378,851 | $ 33,467,882 |
| SURPLUS / (DEFICIT) BEFORE INCOME TAX | 2 | $ 1,737,182 | $ 1,264,098 | $ (6,883,990) | $ (2,336,201) |
| Taxation benefit (expense) | 3 | $ 120,830 | $ 268,021 | $ 640,862 | $ 317,603 |
| NET SURPLUS / (DEFICIT) AFTER TAXATION | | $ 1,858,012 | $ 1,532,119 | $ (6,243,128) | $ (2,018,598) |

**Statement of Movement in Equity**
*For the Year ended 30 June 2009*

| | Note | Distribution 2009 $ | Distribution 2008 $ | Retail 2009 $ | Retail 2008 $ |
|---|---|---|---|---|---|
| EQUITY AS AT 1 JULY | | $ 14,805,067 | $ 12,153,281 | $ (1,846,465) | $ 172,133 |
| Surplus/Deficit for the year | | $ 1,858,012 | $ 1,532,119 | $ (6,243,128) | $ (2,018,598) |
| Movement in fair value through equity reserve | | $ - | $ 112 | $ - | $ - |
| Movement in revaluation reserve | | $ - | $ 1,119,555 | $ - | $ - |
| Total recognised revenue and expenses for the year | | $ 1,858,012 | $ 2,651,786 | $ (6,243,128) | $ (2,018,598) |
| Dividend to shareholders | | $ - | $ - | $ - | $ - |
| EQUITY AS AT 30 JUNE | | $ 16,663,079 | $ 14,805,067 | $ (8,089,593) | $ (1,846,465) |

The accompanying notes and accounting policies form part of these financial statements.

**Statement of Financial Position**

*As at 30 June 2009*

| | Note | Distribution 2009 $ | Distribution 2008 $ | Retail 2009 $ | Retail 2008 $ |
|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | |
| General bank account | | 43,375 | 578,719 | 204,834 | (602,496) |
| Accounts receivable | 5 | 643,341 | 541,776 | 2,941,794 | 3,275,088 |
| Inventories | | 192,173 | 169,294 | - | - |
| Provisional tax | | - | 321,207 | - | (219,907) |
| Total current assets | | 878,888 | 1,610,996 | 3,146,628 | 2,452,685 |
| NON CURRENT ASSETS | | | | | |
| Intangible assets | 4 | 37,005 | 41,637 | 1,180,455 | 838,194 |
| Property, plant and equipment | 4 | 24,216,116 | 24,498,139 | 79,367 | 75,372 |
| Investments | | - | 27,501 | - | 27,500 |
| Total non-current assets | | 24,253,121 | 24,567,277 | 1,259,822 | 941,066 |
| TOTAL ASSETS | | 25,132,009 | 26,178,273 | 4,406,450 | 3,393,751 |
| EQUITY | | | | | |
| Share capital | 6 | 5,264,435 | 5,264,435 | 199,835 | 199,835 |
| Retained earnings | | 10,278,978 | 8,420,966 | (8,289,528) | (2,046,400) |
| Fair value through equity reserve | | 112 | 112 | 100 | 100 |
| Asset revaluation reserve | | 1,119,554 | 1,119,554 | - | - |
| Total equity | | 16,663,079 | 14,805,067 | (8,089,593) | (1,846,465) |
| CURRENT LIABILITIES | | | | | |
| Accounts payable & accruals | | 343,746 | 306,495 | 4,211,655 | 2,922,376 |
| Provision for employee entitlements | | 62,465 | 61,297 | 128,104 | 64,303 |
| Consumer deposits | | - | - | 54,705 | 108,290 |
| Current finance lease | 8 | - | 2,666 | - | 3,183 |
| Taxation payable | | - | - | - | - |
| Provision for dividend | | - | - | - | - |
| Total current liabilities | | 406,211 | 370,457 | 4,394,464 | 3,098,152 |
| NON CURRENT LIABILITIES | | | | | |
| Net loans from related parties | 7 | 3,075,896 | 5,891,541 | 9,016,627 | 2,412,006 |
| Non-current finance lease | 8 | - | 3,555 | - | 4,244 |
| Deferred tax | | 4,986,823 | 5,107,653 | (915,048) | (274,186) |
| | | 8,062,719 | 11,002,749 | 8,101,579 | 2,142,064 |
| TOTAL LIABILITIES & EQUITY | | 25,132,009 | 26,178,273 | 4,406,450 | 3,393,751 |

The accompanying notes and accounting policies form part of these financial statements.

## Notes to the Financial Statements

*For the Year ended 30 June 2009*

### 1. Statement of Accounting Policies

**Entity Statement**

Wanganui Gas Limited (the Company) and its subsidiaries (the Group) is a company formed in accordance with the Energy Companies Act 1992 and registered under the Companies Act 1993.
Wanganui Gas Limited and its subsidiaries are incorporated in New Zealand and domiciled in Wanganui, New Zealand. Wanganui Gas Limited's parent entity is Wanganui District Council Holdings Limited, a Council Controlled Organisation of Wanganui District Council.
With effect from 1 July 2008 the two independent trading divisions of Wanganui Gas Limited, GasNet and Energy Direct NZ Limited, were established as separate companies. Both companies are 100% owned by Wanganui Gas Limited.
The two new companies, GasNet Limited and Energy Direct NZ Limited have their own Board of Directors and General Managers. The personnel and assets that were employed in the respective trading divisions have been allocated as appropriate to each of the new companies. Wanganui Gas Limited as the Parent entity has a focus on strategic issues and planning for the group.
For the purpose of preparing Disclosure accounts, in accordance with the Gas (Information Disclosure) Regulations 1997, the annual accounts of GasNet limited (Distribution) and Energy Direct NZ Limited (Retail) have been used to prepare these accounts.
Energy Direct NZ Limited's trading activities in relation to electricity and appliance sales have not been disclosed.
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 and Group have been prepared in accordance with the Gas (Information Disclosure) Regulations 1997.

The financial statements are for the year ended 30 June 2009 and were authorised for issue by the Board of Directors on 3 December 2009.

**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 2009.

**Statement of Compliance and Basis of Preparation**

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Energy Companies Act 1992. The financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand and therefore comply with the New Zealand equivalent of the International Financial Reporting Standards. For this purpose the Group has defined itself as profit orientated.
The financial statements are prepared using the historical cost basis except where modified by the revaluation of certain assets and liabilities which are recorded at fair value. These are detailed in the specific policies below.
The financial statements are presented in New Zealand dollars, which is the Group's functional currency.

**Significant Accounting Policies**

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

Capital Contributions

Capital contributions received from customers are netted from the cost of the asset.

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. Energy sales include an accrual for energy supplied but not billed at the end of the financial period.
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 right to receive payment has been established and are recognised net of imputation credits.

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. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

Accounts Receivable

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is he difference between the asset's carrying amount and the present value of estimated cash flows, discounted using the effective interest method.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held on call with banks.

Inventories

Inventories are valued at the lower of cost or net realisable value after making provision for damaged or obsolete items. Cost is determined by the weighted average method of valuation.
The amount of any write-down for the loss of service potential or from the cost to net realisable value is recognised in the profit and loss statement in the period of the write-down.

Investments

Investments in advances, loans and receivables, and bank deposits held to maturity are recognised at cost plus accrued interest.

Property Plant and Equipment

Property, plant and equipment are initially recorded at cost. The initial cost of property, plant and equipment includes the purchase consideration and those costs that are directly attributable in bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends the assets service potential is capitalised.
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.
For those assets that are revalued, the change in valuation is credited or debited to the asset revaluation reserve for each asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the profit and loss statement. Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the profit and loss statement will be recognised first in the profit and loss statement up to the amount previously expensed then credited to the revaluation reserve for that class of asset. Additions subsequent to revaluations are recorded at cost.
The gas distribution network and gas measurement systems are valued at optimised depreciated replacement cost, adjusted by additions (at cost), disposals and depreciation. Revaluations are carried out every three years and are independently reviewed. The Group assesses the carrying value 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 assets are revalued.
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 profit and loss statement. When revalued assets are sold, the amount included in the revaluation reserves in respect of those assets are transferred to retained earnings.
Other assets are recorded at cost less accumulated depreciation.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates calculated to allocate the assets' cost, or depreciated replacement cost, 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 | 4.42- 20% S.L |
| Computer Hardware & Software | 33% S.L |
| Leasehold Improvements | 10-15% S.L |

Intangible Assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These are valued at cost and are amortised over the expected useful life of the licence.
Costs associated with maintaining computer software are recognised as an expense when incurred

The Group has capitalised the cost of the acquisition of energy customers gained during the financial year. These are valued at cost and are amortised at 20% per annum.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows

| | | |
|---|---|---|
| Computer software | 3 years | 33% |
| Customer list | 5 years | 20% |

Impairment of Property, Plant and Equipment and Intangible Assets

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 the asset's fair value less costs to sell . and value in use. 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 class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the profit and loss statement. For assets not carried at a revalued amount, the total impairment loss is recognised in the profit and loss statement.
The reversal of 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 profit and loss statement, a reversal of the impairment loss is also recognised in the profit and loss statement.
For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the profit and loss statement.

Financial Instruments

Financial instruments that potentially subject the Group to credit risk are cash and bank balances, debtors and investments.
The Group is exposed to interest rate risk through the issuance of debt instruments. The Group is not subject to currency risk.
Financial instruments are recognised in the balance sheet. Revenues and expenses in relation to financial instruments are recognised in the profit and loss statement. Unless covered by a separate policy, all financial instruments are shown at their fair value.

Financial Assets

Financial assets are initially recognised at fair value plus transaction costs, unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the profit and loss statement.
Purchases and sales of financial assets are recognised on trade-date, the date at which the Group 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 Group has transferred substantially all the risks and rewards of ownership.
The Group classifies its financial assets into the following categories: loans, receivables and fair value through equity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets. The Group's loans and receivables comprise cash and cash equivalents, debtors and other receivables and term deposits.
Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of balance date. The Group's financial assets at fair value through equity comprise investments in quoted and unquoted shares.
After initial recognition these investments are measured at their fair value, with gains and losses recognised directly in equity except for impairment losses, which are recognised in the profit and loss statement.
The Group includes in this category investments that it intends to hold long term but which may be realised before maturity, and shareholdings that it holds for strategic purposes. On derecognition the cumulative gain or loss previously recognised in equity is recognised in the profit and loss statement.
The fair value of financial instruments trade in active markets is based on quoted market prices at the balance sheet date. The quoted market price is the current bid price.

Financial Liabilities
Financial liabilities (creditors, income in advance, loans, bonds and deposits) are initially recognised at fair value. These are subsequently recognised at amortised cost.

Impairment of Financial Assets
At each balance date the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the profit and loss statement.
Impairment of a receivable is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. 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 profit and loss statement. When the receivable uncollectible, is it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (ie not passed due). For term deposits, impairment losses are recognised directly against the instruments carrying value.

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 non current liabilities due to the expectation that they will not be repaid in the next twelve months.
Borrowing costs are recognised as an expense in the period in which they are incurred.

Employee Entitlements

Provision is made in respect of the Group's liability for annual leave, sick leave and long service leave.
Annual leave has been calculated on an actual entitlement basis at current rates of pay, while other provisions have been calculated on an actuarial basis at current rates of pay.
Employee benefits that the Group expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current pay rates.
The Group recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlement earned during the year. The amount calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Group anticipates it will be used by staff to cover those future absences. The Group recognise a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.
Obligation for contributions to defined contribution superannuation schemes are recognised as an expense to the profit and loss statement as incurred.

Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.
Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect to prior years. Current tax is calculated using rates that have been enacted or substantively enacted by 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 profit.
Deferred tax liabilities are generally recognised for all taxable temporary differences.
Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the temporary differences or tax losses can be utilised.
Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.
Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.
Current tax and deferred tax is charged or credited to the profit and loss statement, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are charged as expenses in the periods which they are incurred.
Leases which effectively transfer to the lessee substantially all the risks and benefits incidental to the ownership of the leased item are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the balance sheet. The leased assets are depreciated over the period the Group is expected to benefit from their use.

Critical Accounting Estimates and Assumptions

In preparing these financial statements the Group 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 the Group reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Group to consider a number of factors such as the physical condition of the asset, expected period of use of the asset, and expected 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 profit and loss statement, and carrying amount of the asset in the balance sheet. The Group minimises the risk of this estimation uncertainty to its infrastructure assets by:

- an annual review by an independent contractor of the value of the infrastructure assets to determine if any material changes exist
- physical inspection of assets
- asset replacement programmes
- review of second hand market prices for similar assets
- analysis of previous assets sales, and
- completing a revaluation of the infrastructure assets every third year.

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

The carrying amounts of property, plant and equipment are disclosed in note 4.

The Group's customer acquisition programme has incurred unprecedented costs during the year relating to the marketing and switching activities. Accordingly the Group has chosen to value these customers as an intangible asset at the cost of acquisition less amortisation at the rate of 20% per annum.

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

- an annual review of the value of its intangible assets to determine if any material changes exist
- a review of any prices for trades of similar intangible assets,
- an annual review of the appropriateness of the amortisation rate, and
- analysis of prior intangible asset sales.

Changes In Accounting Policies

There have been no changes in accounting policy. All policies have been applied on bases consistent with those used in the previous period.

## 2. Surplus Before Taxation

| | Distribution 2009 $ | Distribution 2008 $ | Retail 2009 $ | Retail 2008 $ |
|---|---|---|---|---|
| Surplus/(Deficit) before income tax | $ 1,737,182 | $ 1,264,098 | $ (6,883,990) | $ (2,336,201) |
| After charging: | | | | |
| Audit fees | $ 21,315 | $ 7,876 | $ 31,885 | $ 30,179 |
| Audit fees other services | $ - | $ 1,144 | $ - | $ 4,382 |
| Interest from short term deposits | $ - | $ 280,699 | $ - | $ - |
| Depreciation : Distribution network | $ 795,806 | $ 788,152 | $ - | $ - |
| Leasehold improvements | $ 19,510 | $ 26,243 | $ 7,422 | $ 3,658 |
| Vehicles | $ 29,166 | $ 28,623 | $ 3,527 | $ - |
| Office equipment | $ 24 | $ 6,367 | $ 7,433 | $ 3,731 |
| Furniture & fittings | $ 3,421 | $ 5,363 | $ 4,947 | $ 4,768 |
| Plant & equipment | $ 36,855 | $ 35,574 | $ - | $ - |
| Customer Acquisitions | $ - | $ - | $ 279,862 | $ 104,056 |
| Computer h/ware & s/ware | $ 58,042 | $ 68,509 | $ 45,010 | $ 49,313 |
| | $ 942,824 | $ 958,831 | $ 348,201 | $ 165,526 |
| Directors' fees | $ 72,500 | $ 63,797 | $ 72,500 | $ 63,797 |
| Interest: fixed loans | $ 675,127 | $ 898,162 | $ 686,192 | $ 258,016 |
| Rental & operating lease costs | $ 79,711 | $ 70,283 | $ 86,034 | $ 26,187 |
| Movements in provision for doubtful debts | $ - | $ - | $ 37,716 | $ (16,850) |
| Bad debts written off | $ - | $ - | $ 12,371 | $ 54,039 |
| After crediting: | | | | |
| Interest from short term deposits | $ 9,068 | $ - | $ 84,764 | $ (212,995) |
| Profit on sales of assets | $ - | $ - | $ - | $ - |
| Dividends received | $ - | $ 337 | $ - | $ 337 |

## 3. Taxation

| | Distribution 2009 | Distribution 2008 | Retail 2009 | Retail 2008 |
|---|---|---|---|---|
| Current tax | $ - | $ - | $ - | $ - |
| Prior period adjustments to current tax | $ - | $ (122,403) | $ - | $ - |
| Deferred tax | $ (120,830) | $ (145,618) | $ (640,862) | $ (317,603) |
| Tax expense | $ (120,830) | $ (268,021) | $ (640,862) | $ (317,603) |
| **Relationship between tax expense and accounting profit** | | | | |
| Surplus/(Deficit) before income tax | $ 1,737,182 | $ 1,264,098 | $ (6,883,990) | $ (2,336,201) |
| Prima facie taxation at 30% (2008 33%) | $ 521,155 | $ 417,152 | $ (2,065,197) | $ (770,946) |
| Non deductible items | $ - | $ 20,732 | $ - | $ (4,918) |
| Non taxable income | $ - | $ - | $ - | $ - |
| Deferred tax adjustment | $ (641,985) | $ (583,502) | $ 1,424,335 | $ 458,261 |
| Prior period adjustment | | $ (122,403) | | $ - |
| Taxation expense / (benefit) | $ (120,830) | $ (268,021) | $ (640,862) | $ (317,603) |

**Deferred Tax Liability**

| **Distribution** | PPE | Provisions | Losses | Total |
|---|---|---|---|---|
| Balance at 1 July 2007 | $ (4,800,000) | $ 26,538 | $ - | $ (4,773,462) |
| Charged to income | $ 153,767 | $ (8,149) | $ - | $ 145,618 |
| Charged to equity | $ (479,809) | | | $ (479,809) |
| Balance at 30 June 2008 | $ (5,126,042) | $ 18,389 | $ - | $ (5,107,653) |
| Charged to income | $ (8,108) | $ (5,115) | $ 134,052 | $ 120,830 |
| Charged to equity | $ - | | | $ - |
| Balance at 30 June 2009 | $ (5,134,149) | $ 13,274 | $ 134,052 | $ (4,986,823) |

| **Retail** | PPE | Provisions | Losses | Total |
|---|---|---|---|---|
| Balance at 1 July 2007 | $ (85,000) | $ 41,583 | $ - | $ (43,417) |
| Charged to income | $ (152,979) | $ (9,902) | $ 480,484 | $ 317,603 |
| Charged to equity | | | | |
| Balance at 30 June 2008 | $ (237,979) | $ 31,681 | $ 480,484 | $ 274,186 |
| Charged to income | $ (96,158) | $ 15,969 | $ 721,052 | $ 640,862 |
| Charged to equity | | | | |
| Balance at 30 June 2009 | $ (334,137) | $ 47,649 | $ 1,201,536 | $ 915,048 |

The deferred tax liability recognises all taxable temporary timing differences between the carrying amounts of assets and liabilities in financial statements and the corresponding tax bases used in the computation of taxable profit. This amount is not expected to reverse in the foreseeable future and is not a tax liability owed to the Inland Revenue Department.

4. Fixed Assets

The Disclosure accounts for the year ended 30 June 2009 are the first that comply with NZ IFRS. The 2008 Disclosure accounts were prepared under the previous GAAP. This has required that the 2008 comparatives be restated under NZ IFRS.

| DISTRIBUTION | Cost/ revaluation 1/7/2008 | Accumulated depreciation and impairment charges 1/7/2008 | Purchase from WGL (at book value) 1/7/2008 | Current year additions | Current year disposals | Current year impairment charges | Current year depreciation | Opening Accumulated depreciation eliminated on acquisition (1) | Cost/ revaluation 30/6/2009 | Accumulated depreciation and impairment charges 30/6/2009 | Carrying amount 30/6/2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operational assets** | | | | | | | | | | | |
| Leasehold improvements | 643,562 | 496,803 | 146,759 | | (18,544) | | (19,510) | 496,803 | 128,215 | (19,510) | 108,705 |
| Vehicles | 295,519 | 139,938 | 155,581 | 17,327 | | | (29,166) | 139,938 | 172,908 | (29,166) | 143,742 |
| Office equipment | 75,146 | 49,756 | 25,390 | | (23,029) | | (24) | 49,756 | 2,361 | (24) | 2,336 |
| Computer hardware | 1,097,287 | 1,036,603 | 60,684 | 2,285 | (46,978) | | (6,433) | 1,036,603 | 15,991 | (6,433) | 9,559 |
| Leased equipment | 67,683 | 63,202 | 4,481 | | (4,481) | | | 63,202 | | | |
| Furniture and fittings | 96,986 | 78,909 | 18,077 | | (9,366) | | (3,421) | 78,909 | 8,711 | (3,421) | 5,590 |
| Miscellaneous Plant & Equipment | 417,503 | 270,328 | 147,175 | 27,806 | | | (36,855) | 270,328 | 174,981 | (36,855) | 138,126 |
| *Total operational assets* | 2,693,686 | 2,135,539 | 558,147 | 47,418 | (102,398) | | (95,408) | 2,135,539 | 503,166 | (95,408) | 408,058 |
| **Infrastructural assets** | | | | | | | | | | | |
| Distribution network | 22,846,389 | 1,755,673 | 21,090,717 | 400,175 | | (19,065) | (593,717) | 1,755,673 | 21,490,892 | (612,782) | 20,878,110 |
| Gas measurement system | 3,354,739 | 505,463 | 2,849,275 | 263,697 | | (11,149) | (171,875) | 505,463 | 3,112,972 | (183,024) | 2,929,949 |
| *Total infrastructural assets* | 26,201,128 | 2,261,136 | 23,939,992 | 663,872 | | (30,214) | (765,592) | 2,261,136 | 24,603,864 | (795,806) | 23,808,058 |
| **Total property, plant and equipment** | **28,894,814** | **4,396,675** | **24,498,139** | **711,290** | **(102,398)** | **(30,214)** | **(861,000)** | **4,396,675** | **25,107,031** | **(891,214)** | **24,216,116** |
| **Intangibles** | | | | | | | | | | | |
| Software | 64,666 | 23,029 | 41,637 | 46,978 | | | (51,610) | 23,029 | 88,615 | (51,610) | 37,005 |
| Total Assets | 28,959,480 | 4,419,704 | 24,539,776 | 758,268 | (102,398) | (30,214) | (912,610) | 4,419,704 | 25,195,646 | (942,824) | 24,253,121 |

(1). Property plant and equipment were purchased by GasNet Limited from Wanganui Gas Limited on 1 July 2008 at cost less accumulated depreciation

| RETAIL | Cost/ revaluation 1/7/2008 | Accumulated depreciation and impairment charges 1/7/2008 | Purchase from WGL (at book value) 1/7/2008 | Current year additions | Current year disposals | Current year impairment charges | Current year depreciation | Opening Accumulated depreciation eliminated on acquisition (1) | Cost/ revaluation 30/6/2009 | Accumulated depreciation and impairment charges 30/6/2009 | Carrying amount 30/6/2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operational assets | | | | | | | | | | | |
| Leasehold improvements | 88,671 | 68,450 | 20,221 | 18,008 | | | (7,422) | 68,450 | 38,229 | (7,422) | 30,807 |
| Vehicles | 40,717 | 19,281 | 21,436 | | (10,701) | | (3,527) | 19,281 | 10,735 | (3,527) | 7,208 |
| Office equipment | 10,354 | 6,856 | 3,498 | 28,917 | | | (7,433) | 6,856 | 32,415 | (7,433) | 24,982 |
| Computer hardware | 149,429 | 142,598 | 6,831 | 39,881 | | | (39,274) | 142,598 | 46,712 | (39,274) | 7,438 |
| Leased equipment | 9,325 | 8,708 | 617 | | (617) | | | 8,708 | | | |
| Furniture and fittings | 13,363 | 10,872 | 2,491 | 11,388 | | | (4,947) | 10,872 | 13,879 | (4,947) | 8,932 |
| Miscellaneous Plant & Equipment | 57,524 | 37,246 | 20,278 | | (20,278) | | | 37,246 | | | |
| Total property, plant and equipment | 369,383 | 294,011 | 75,372 | 98,194 | (31,596) | | (62,603) | 294,011 | 141,970 | (62,603) | 79,367 |
| **Intangibles** | | | | | | | | | | | |
| Software | 10,667 | 3,400 | 7,267 | 7,500 | | | (5,736) | 3,400 | 14,767 | (5,736) | 9,031 |
| Customer lists | 934,983 | 104,056 | 830,927 | 620,360 | | | (279,862) | 104,056 | 1,451,286 | (279,862) | 1,171,424 |
| Total Intangibles | 945,650 | 107,456 | 838,194 | 627,860 | | | (285,598) | 107,456 | 1,466,053 | (285,598) | 1,180,455 |
| Total Assets | 1,315,033 | 401,467 | 913,566 | 726,054 | (31,596) | | (348,201) | 401,467 | 1,608,023 | (348,201) | 1,259,822 |

(1). Property plant and equipment was purchased from Wanganui Gas Limited on 1 July 2008 at cost less accumulated depreciation.

**5. Accounts Receivable**

| | Distribution 2009 $ | Distribution 2008 $ | Retail 2009 $ | Retail 2008 $ |
|---|---|---|---|---|
| Trade debtors | $ 643,341 | $ 541,776 | $ 3,003,066 | $ 3,315,908 |
| Provision for doubtful debts | $ - | $ - | $ (61,273) | $ (40,820) |
| Total Debtors | $ 643,341 | $ 541,776 | $ 2,941,794 | $ 3,275,088 |

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

*Impairment*
The carrying amount of receivables that would otherwise be past due or impaired whose terms have been renegotiated is $nil (2008 $nil).

| The status of debtors at 30 June are detailed below: | Distribution 2009 Gross $ | Distribution 2009 Impairment $ | Retail 2009 Gross $ | Retail 2009 Impairment $ |
|---|---|---|---|---|
| Not past due | $ 638,628 | | $ 2,796,755 | |
| Past due 1-60 days | $ 2,561 | | $ 60,962 | |
| Past due 61 - 120 days | | | $ 145,348 | $ 61,273 |
| Past due > 120 days | $ 2,152 | | | |
| Total | $ 643,341 | $ - | $ 3,003,066 | $ 61,273 |

| | Distribution 2008 Gross $ | Distribution 2008 Impairment $ | Retail 2008 Gross $ | Retail 2008 Impairment $ |
|---|---|---|---|---|
| Not past due | $ 539,609 | | $ 3,088,106 | |
| Past due 1-60 days | $ 2,167 | | $ 67,313 | |
| Past due 61 - 120 days | | | $ 160,490 | $ 40,820 |
| Past due > 120 days | | | | |
| Total | $ 541,776 | $ - | $ 3,315,908 | $ 40,820 |

The impairment provision for Energy Direct NZ Limited (Retail) has been calculated based on an analysis of losses in previous periods and a review of specific debtors as detailed below:

| | 2009 $ | 2008 $ |
|---|---|---|
| Individual Impairment | $ 33,280 | $ 20,900 |
| Collective impairment | $ 27,993 | $ 19,920 |
| Total provision for impairment | $ 61,273 | $ 40,820 |

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

| | | |
|---|---|---|
| At 1 July | $ 40,820 | $ 57,670 |
| Additional provisions made during the year | $ 50,087 | $ 37,189 |
| Provisions reversed during the year | $ (17,264) | |
| Debtors written-off during the period | $ (12,371) | $ (54,039) |
| At 30 June | $ 61,273 | $ 40,820 |

**6. Share Capital**

| Authorised capital: | 2009 $ | 2008 $ |
|---|---|---|
| Distribution - 5,264,435 Ordinary shares each fully paid up | $ 5,264,435 | $ 5,264,435 |
| Retail - 199,835 Ordinary shares each fully paid up | $ 199,835 | $ 199,835 |

**7. Net loans from related parties**

| | Distribution 2009 $ | Distribution 2008 $ | Retail 2009 $ | Retail 2008 $ |
|---|---|---|---|---|
| Wanganui Gas Limited | $ 3,075,896 | | $ 9,016,627 | |
| WDCHL | $ - | $ 5,891,541 | $ - | $ 2,412,006 |
| | $ 3,075,896 | $ 5,891,541 | $ 9,016,627 | $ 2,412,006 |

**2009 - Wanganui Gas Limited**

Term : The loans / advances mature upon demand being made in writing by the parent, Wanganui Gas Limited, to each subsidiary. As no such demands are foreseen in the next 12 months, the loans / advances are treated as non- current.

Security: Unsecured.
Interest rate over year : 8% to 12%
The loans / advances 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.

**2008 - WDCHL**

Term : The loan matures upon demand being made in writing by the lender.
Security : First ranking debenture providing for fixed and floating charges over all assets of the Group.
Interest rate over year : 8% to 12%

The parent company has a flexible credit line facility with WDCHL. From 1 July 2008, the two subsidiary companies obtain their loans/ advances from the parent company.

**8. Finance Lease Liabilities**

| | Distribution 2009 $ | Distribution 2008 $ | Retail 2009 $ | Retail 2008 $ |
|---|---|---|---|---|
| Not later than one year | | $ 3,378 | | $ 4,034 |
| Later than one year and not later than two years | | $ 3,378 | | $ 4,034 |
| Later than two year and not later than five years | | $ 1,128 | | $ 1,344 |
| Later than five years | | $ - | | $ - |
| | $ - | $ 7,884 | $ - | $ 9,412 |
| Future finance charges | | $ 1,664 | | $ 1,986 |
| Recognised as a liability | $ - | $ 6,220 | $ - | $ 7,426 |
| Representing lease liabilities | | | | |
| Current | | $ 2,666 | | $ 3,182 |
| Non-current | | $ 3,554 | | $ 4,244 |
| | $ - | $ 6,220 | $ - | $ 7,426 |

**9. Imputation Credit Account**

No imputation credits available

**10. Financial Instruments**

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

| | Distribution 2009 $ | Distribution 2008 $ | Retail 2009 $ | Retail 2008 $ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **Loans and receivables** | | | | |
| Cash and cash equivalents | $ 43,375 | $ 578,719 | $ 204,834 | $ (602,496) |
| Debtors and other receivables | $ 643,341 | $ 541,776 | $ 2,941,794 | $ 3,275,088 |
| Other financial assets: | | | | |
| - term deposits | | | | |
| - loans to related parties | | | | |
| **Held to maturity** | | | | |
| **Fair value through equity** | | | | |
| Other financial assets: | | | | |
| - unlisted shares | | | | |
| - listed shares | | | | |

| Financial liabilities | | Distribution 2009 $ | | Distribution 2008 $ | | Retail 2009 $ | | Retail 2008 $ |
|---|---|---|---|---|---|---|---|---|
| **Financial liabilities at amortised cost** | | | | | | | | |
| Creditors and other payables | $ | 343,746 | $ | 306,495 | $ | 4,211,655 | $ | 2,922,376 |
| Borrowings: | | | | | | | | |
| - secured loans | | | | | | | | |
| - Net advance from related parties | $ | 3,075,896 | $ | 5,891,541 | $ | 9,016,627 | $ | 2,412,006 |

Financial Instruments which potentially subject the Group to credit risk principally consist of bank balances and accounts receivable. Generally the Group 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 $54,705 (2008 : $108,290) is included in Retail's current liabilities which is the value of consumer deposits held. No other collateral is held on these amounts.

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

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

The Group has arranged a bank guarantee for $388,203 (2008: $388,203) which is required by Vector Ltd to ($335,000) to gain access to their distribution networks and Maui Development Limited ($53,203) for use of the Maui pipeline under the open access agreement.

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

The interest rates on the Group'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 2009 (2008 : Nil).

Currency Risk

No currency risk.

Liquidity Risk

*Management of liquidity risk*
Liquidity risk is the risk that the group will encounter difficulty raising liquid funds to meet commitments as they fall due.
Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.
The Group manages its borrowings in accordance with its funding and financial policies, which include a Liability Management policy.

*Contractual maturity analysis of financial liabilities*
The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.
The amounts disclosed are the contractual undiscounted cash flows.

| | Distribution | | Retail | |
|---|---|---|---|---|
| | Carrying amount and contractual cash flows $ | Less than I year $ | Carrying amount and contractual cash flows $ | Less than I year $ |
| **2009** | | | | |
| Creditors and other payables | $ 343,746 | $ 343,746 | $ 4,211,655 | $ 4,211,655 |
| Net loans from related parties | $ 3,075,896 | | $ 9,016,627 | |
| Finance leases | $ - | $ - | $ - | $ - |
| Total | $ 3,419,642 | $ 343,746 | $ 13,228,282 | $ 4,211,655 |
| **2008** | | | | |
| Creditors and other payables | $ 306,495 | $ 306,495 | $ 2,922,376 | $ 2,922,376 |
| Net loans from related parties | $ 5,891,541 | | $ 2,412,006 | |
| Finance leases | $ 2,666 | $ 2,666 | $ 3,183 | $ 3,183 |
| Total | $ 6,198,036 | $ 306,495 | $ 5,334,382 | $ 2,922,376 |

*Contractual maturity analysis of financial assets*
The table below analyses the financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

| | Distribution | | Retail | |
|---|---|---|---|---|
| | Carrying amount and contractual cash flows $ | Less than I year $ | Carrying amount and contractual cash flows $ | Less than I year $ |
| **2009** | | | | |
| Cash and cash equivalents | $ 43,375 | $ 43,375 | $ 204,834 | $ 204,834 |
| Debtors and other receivables | $ 643,341 | $ 643,341 | $ 2,941,794 | $ 2,941,794 |
| Other financial assets | | | | |
| Total | $ 686,716 | $ 686,716 | $ 3,146,628 | $ 3,146,628 |
| **2008** | | | | |
| Cash and cash equivalents | $ 578,719 | $ 578,719 | $ (602,496) | $ (602,496) |
| Debtors and other receivables | $ 541,776 | $ 541,776 | $ 3,275,088 | $ 3,275,088 |
| Other financial assets | | | | |
| Total | $ 1,120,496 | $ 1,120,496 | $ 2,672,592 | $ 2,672,592 |

**Sensitivity analysis**
The tables below illustrate the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on financial instrument exposures at balance date.

| | Distribution | | Retail | |
|---|---|---|---|---|
| | | - 100bps | | - 100bps |
| | Profit $ | Other Equity $ | Profit $ | Other Equity $ |
| **2009** | | | | |
| **Interest rate risk** | | | | |
| *Financial assets* | | | | |
| Cash and cash equivalents | | | | |
| Other financial assets | | | | |
| *Financial liabilities* | | | | |
| Borrowings | | | | |
| - bank overdraft | | | | |
| - net loans from related parties | $ 30,759 | | $ 90,166 | |
| **Total sensitivity to interest rate risk** | **$ 30,759** | **$ -** | **$ 90,166** | **$ -** |

| 2008 | Distribution | | Retail | |
|---|---|---|---|---|
| | | - 100bps | | - 100bps |
| Interest rate risk | Profit | Other Equity | Profit | Other Equity |
| | $ | $ | $ | $ |
| *Financial assets* | | | | |
| Cash and cash equivalents | | | | |
| Other financial assets | | | | |
| *Financial liabilities* | | | | |
| Borrowings | | | | |
| - bank overdraft | | | | |
| - net loans from related parties | $ 58,915 | | $ 24,120 | |
| **Total sensitivity to interest rate risk** | $ 58,915 | $ - | $ 24,120 | $ - |

**11. Related Party Transactions**

The following transactions occurred during the period with Related Parties:

| | | Distribution | | Retail | |
|---|---|---|---|---|---|
| | | 2009 | 2008 | 2009 | 2008 |
| | | $ | $ | $ | $ |
| Energy Direct NZ Limited and GasNet Limited are wholly owned subsidiaries of Wanganui Gas Limited. Wanganui Gas Ltd is a wholly owned subsidiary of Wanganui District Council Holdings Ltd (WDCHL), a Council Controlled Organisation of Wanganui District Council. | | | | | |
| Wanganui District Council (rent, rates IT services, other) | | $ 130,607 | $ 162,090 | $ 117,287 | $ 87,763 |
| Subvention Payment | | | $ (824,173) | | $ (57,420) |
| | | $ 130,607 | $ (662,083) | $ 117,287 | $ 30,343 |
| Wanganui Gas Limited | | | | | |
| Services provided by Wanganui Gas Limited | | $ 387,179 | $ - | $ 474,297 | $ - |
| Shares issued to Wanganui Gas Limited | | $ 100 | $ - | $ 199,835 | $ - |
| Net loans / (advances) with Wanganui Gas Limited | | $ 3,075,896 | $ - | $ 9,016,627 | $ - |
| | | $ - | $ - | $ - | $ - |
| | | $ 3,463,175 | $ - | $ 9,690,759 | $ - |
| Mr Doyle is a principal of Doyle & Associates | | | | | |
| Doyle & Associates | Consulting | $ - | $ 4,861 | $ 3,726 | $ 4,861 |
| Mr Warburton is a beneficiary of the Four P International Trust | | | | | |
| Four P International Trust | Consulting | $ - | $ 3,713 | $ - | $ 3,713 |
| Mr Reidy is Chief Executive, Global Consulting Services for Downer EDI Limited | | | | | |
| Downer EDI Works Limited | Drain laying | $ 140,832 | $ 107,935 | $ - | $ - |
| Employers and Manufacturers Association (Central) Inc (2009 Nil) | | $ - | $ 2,351 | | $ 2,351 |

<u>Amounts Owed to Related Parties at Balance date were:</u>

| | | | | |
|---|---|---|---|---|
| Wanganui District Council | $ 13,807 | $ 31,288 | $ 11,588 | $ (1,434) |
| Wanganui Gas Limited | $ 62,022 | | $ 112,809 | |
| Energy Direct NZ Limited | $ 11,088 | | | |
| GasNet Limited | | | $ 428,490 | |
| Doyle & Associates | $ - | $ 3,000 | $ - | $ 3,000 |
| Four P International Trust | $ - | $ 3,713 | $ - | $ 3,713 |
| Downer EDI Works Limited | $ 16,835 | $ 3,034 | $ - | $ - |

All Transactions were conducted on normal commercial terms.

**12. 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).

| | | 2009 $ | | 2008 $ |
|---|---|---|---|---|
| Distribution Revenue from Retail (GST inclusive) | | | | |
| GasNet Distribution Tariffs * | $ | 4,019,022 | $ | 3,945,052 |
| Distribution Debtors from Retail | | | | |
| Energy Direct NZ Limited | $ | 428,490 | $ | 426,874 |

* Tariff represents revenue to GasNet Limited from Energy Direct NZ Limited 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.

| | | | | |
|---|---|---|---|---|
| Distribution Charges from Retail (GST inclusive) | | | | |
| Energy and Admin support | $ | 72,448 | $ | - |
| Distribution Creditors from Retail | | | | |
| Energy Direct New Zealand | $ | 11,088 | $ | - |

**13. Commitments**

The Company has no commitments as at 30 June 2009 (2008: Nil)

**14. Contingent Liabilities and Assets**

There are no contingent liabilities which would have a material adverse effect on these accounts (2008 : Nil).

| | Distribution | | | | Retail | | | |
|---|---|---|---|---|---|---|---|---|
| | | 2009 $ | | 2008 $ | | 2009 $ | | 2008 $ |
| Under the terms of their pipeline access agreement Vector and Maui Development require bank guarantees refer Note 10. | $ | - | $ | - | $ | 388,203 | $ | 388,203 |

There are no contingent assets other than normal energy trading (2008 : nil)

**15. Dividend**

No Dividends have been declared for 2009 (2008 : Nil)

**16. Post Balance Date Events**

There have been no material events since balance date.

**17. Adoption of New Zealand Equivalents to International Financial Reporting Standards**

The Disclosure accounts for the year ended 30 June 2009 are the first that comply with NZ IFRS. The 2008 Disclosure accounts were prepared under the previous GAAP. This has required that the 2008 comparatives be restated under NZ IFRS.

The impact of this on the 2008 comparatives is detailed below.

### Statement of Financial Performance

For the Year Ended 30 June 2008

| | Distribution | | | | Retail | | | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | | | 2008 | | | |
| | Old GAAP | IFRS Mvmt | Note | NZIFRS | Old GAAP | IFRS Mvmt | Note | NZIFRS |
| | $ | $ | | $ | $ | $ | | $ |
| **Income** | | | | | | | | |
| Sales | $ 5,102,465 | | | $ 4,820,866 | $30,926,917 | $ 204,764 | I | $ 31,131,681 |
| Finance income | | | | $ 281,599 | | | | $ - |
| Other revenue | | $ 21,461 | A | $ 21,461 | | | | $ - |
| Total income | $ 5,102,465 | $ 21,461 | | $ 5,123,926 | $30,926,917 | $ 204,764 | | $ 31,131,681 |
| **Expenses** | | | | | | | | |
| Depreciation | $ 958,831 | | | $ 958,831 | $ 165,526 | | | $ 165,526 |
| Finance costs | $ 898,162 | | | $ 898,162 | $ 258,016 | $ 204,764 | I | $ 462,780 |
| Subvention payment to WDC | $ (824,172) | | | $ (824,172) | $ (57,419) | | | $ (57,419) |
| Asset Revaluation movement | | $ 894,691 | B | $ 894,691 | | | | $ - |
| Other expenses | $ 1,932,316 | | | $ 1,932,316 | $32,896,995 | | | $ 32,896,995 |
| Total expenses | $ 2,965,136 | $ 894,691 | | $ 3,859,828 | $33,263,118 | $ 204,764 | | $ 33,467,882 |
| SURPLUS / (DEFICIT) BEFORE INCOME TAX | $ 2,137,329 | $ (873,230) | | $ 1,264,098 | $ (2,336,201) | | | $ (2,336,201) |
| Taxation benefit (expense) | $ 122,403 | $ 145,618 | K | $ 268,021 | $ - | $ 317,603 | K | $ 317,603 |
| | | | | | | | | $ - |
| | | | | | | | | $ - |
| NET SURPLUS / (DEFICIT) AFTER TAXATION | $ 2,259,732 | $ (727,612) | | $ 1,532,119 | $ (2,336,201) | $ 317,603 | | $ (2,018,598) |

### Statement of Movement in Equity

For the Year Ended 30 June 2008

| | Distribution | | | | Retail | | | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | | | 2008 | | | |
| | Old GAAP | IFRS Mvmt | Note | NZIFRS | Old GAAP | IFRS Mvmt | Note | NZIFRS |
| | $ | $ | | $ | $ | $ | | $ |
| EQUITY AS AT 1 JULY | $16,931,230 | $ (4,777,949) | C | $ 12,153,281 | $ 220,138 | $ (48,005) | C | $ 172,133 |
| Shares | | | | $ - | | | | $ - |
| Surplus/Deficit for the year | $ 2,259,732 | $ (727,613) | | $ 1,532,119 | $ (2,336,201) | $ 317,603 | | $ (2,018,598) |
| Movement in fair value through equity reserve | $ - | $ 112 | D | $ 112 | $ - | | | $ - |
| Movement in revaluation reserve | $ 704,672 | $ 894,691 | B | $ 1,119,555 | | | | |
| | | $ (479,808) | E | | $ - | $ - | | $ - |
| Total recognised revenue and expenses for the year | $ 2,964,404 | $ (312,618) | | $ 2,651,786 | $ (2,336,201) | $ 317,603 | | $ (2,018,598) |
| Dividend to shareholders | $ (0) | | | $ (0) | $ 0 | | | $ 0 |
| EQUITY AS AT 30 JUNE | $19,895,634 | $ (5,090,567) | | $ 14,805,067 | $ (2,116,064) | $ 269,598 | | $ (1,846,465) |

### Statement of Financial Position

*as at 30 June 2008*

| | Distribution | | | | Retail | | | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | | | 2008 | | | |
| | Old GAAP | IFRS Mvmt | Note | NZIFRS | Old GAAP | IFRS Mvmt | Note | NZIFRS |
| | $ | $ | | $ | $ | $ | | $ |
| CURRENT ASSETS | | | | | | | | |
| General bank account | 578,719 | | | 578,719 | (602,496) | | | (602,496) |
| Accounts receivable | 541,776 | | | 541,776 | 3,275,088 | | | 3,275,088 |
| Inventories | 169,294 | | | 169,294 | - | | | - |
| | | | | - | | | | |
| Provisional tax | 321,207 | | | 321,207 | (219,907) | | | (219,907) |
| Total current assets | 1,610,996 | | | 1,610,996 | 2,452,685 | | | 2,452,685 |
| NON CURRENT ASSETS | | | | | | | | |
| Intangible Assets | | | J | 41,637 | | | J | 838,194 |
| Property Plant and Equipment | 24,518,314 | 21,462 | A,J | 24,498,139 | 913,566 | | J | 75,372 |
| Investments | 27,501 | | | 27,501 | 27,500 | | | 27,500 |
| Total non-current assets | 24,545,815 | 21,462 | A | 24,567,277 | 941,066 | - | | 941,066 |
| TOTAL ASSETS | 26,156,812 | 21,462 | | 26,178,274 | 3,393,750 | - | | 3,393,750 |

| | Distribution | | | | Retail | | | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | | | 2008 | | | |
| | Old GAAP | IFRS Mvmt | Note | NZIFRS | Old GAAP | IFRS Mvmt | Note | NZIFRS |
| | $ | $ | | $ | $ | $ | | $ |
| EQUITY | | | | | | | | |
| | | | | - | | | | |
| Share capital | 5,264,435 | | | 5,264,435 | 199,835 | | | 199,835 |
| Retained earnings | 2,276,495 | 11,650,031 | H | 8,420,966 | (2,315,898) | (4,588) | G | (2,046,400) |
| | | (894,691) | B | | | | | |
| | | 479,809 | E | | | | | |
| | | (5,107,653) | F | | | 274,186 | F | |
| | | (112) | D | | | (100) | D | |
| | | 21,462 | A | | | | | |
| | | (4,375) | G | | | | | |
| Fair value through equity reserve | | 112 | D | 112 | - | 100 | D | 100 |
| Asset revaluation reserve | 12,354,703 | (11,650,031) | H | 1,119,554 | - | | | - |
| | | 894,691 | B | | | | | |
| | | (479,809) | E | | | | | |
| Total equity | 19,895,633 | (5,090,566) | | 14,805,067 | (2,116,063) | 269,598 | | (1,846,465) |
| CURRENT LIABILITIES | | | | | | | | |
| General bank account | - | | | - | - | | | |
| Accounts payable & accruals | 306,495 | | | 306,495 | 2,922,376 | | | 2,922,376 |
| Provision for employee entitlements | 56,922 | 4,375 | G | 61,297 | 59,715 | 4,588 | G | 64,303 |
| Consumer deposits | - | | | - | 108,290 | | | 108,290 |
| Current finance lease | 2,666 | | | 2,666 | 3,183 | | | 3,183 |
| Taxation payable | - | | | - | - | | | - |
| Provision for dividend | - | | | - | - | | | - |
| Total current liabilities | 366,083 | 4,375 | | 370,458 | 3,093,564 | 4,588 | | 3,098,152 |
| | | | | - | | | | |
| NON CURRENT LIABILITIES | | | | - | | | | |
| Net loans from related parties | 5,891,541 | | | 5,891,541 | 2,412,006 | | | 2,412,006 |
| Non-current finance lease | 3,554 | | | 3,554 | 4,244 | | | 4,244 |
| Deferred tax | - | 5,107,653 | F | 5,107,653 | - | (274,186) | F | (274,186) |
| | 5,895,095 | 5,107,653 | | 11,002,748 | 2,416,250 | (274,186) | | 2,142,064 |
| TOTAL LIABILITIES & EQUITY | 26,156,812 | 21,462 | | 26,178,273 | 3,393,750 | - | | 3,393,751 |

**A** These were additional assets identified during revaluation but excluded from the disclosure accounts

**B** Revaluation loss taken to the P&L. In transitioning to NZ IFRS in 2007, WGL group used the deemed cost approach which effectively transferred its revaluation reserve to retained earnings. Thus, when the infrastructure assets were revalued in 2008, there was no reserve to offset the decreases in asset values. Under NZ IAS 16, where this is the case, the loss will be taken to the P&L.

**C** This is the net movement from the transition to NZIFRS:

| | | |
|---|---|---|
| For distribution, this is the total of: | 479,809 | E |
| | (5,107,653) | F |
| | (112) | D |
| | (4,375) | G |
| | (4,632,331) | |
| For retail, this is the total of: | (4,588) | G |
| | (274,186) | F |
| | (100) | D |
| | 100 | D |
| | (210,886) | |

**D** All investments are now recorded at fair value under NZIFRS, where previously they had been recorded at cost. The changes in the fair value have been taken through the investment revaluation reserve.

**E** Deferred tax on revaluation gains are recognised under NZIFRS

**F** Under previous NZ GAAP the company used the partial method of calculating deferred tax and no liability was recorded. Under NZ IAS 12 deferred tax is calculated based on the difference betweent he carrying value of an asset and the amount attributed to it for tax purposes. The method generally results in a significantly larger deferred tax liability, especially in relation to revalued assets.

**G** Sick leave was not recognised as a liability under previous NZ GAAP. NZ IAS 19 requires the company to recognise employees' unused sick leave entitements that can be carried forward at balance date, to the extent that the Company anticipates they will be used by staff to cover future absenses.

**H** Distribution assets and metering assets (for retail) were revalued 1 July 2005. This valuation is considered deemed cost under NZIFRS and associated revaluation reserves have been transferred to retained earnings.

**I** Finance income and expenses are required to be separately disclosed under NZ IFRS. Due to allocation in 2008 Retail had negative finance income, this has been transferred to finance costs

**J** Computer software had been previously accounted for as property, plant and equipment. It has now been accounted for as an intangible asset as required by NZ IFRS

**K** Adjusted for deferred tax movement which is recognised under NZ IFRS

**Statement of Performance Measures**
*For the Year ended 30 June 2009*
*For the purposes of the Gas (Information Disclosure) Regulations 1997*
*Regulations 15, 17, & 18*

| | Reference | Distribution 2009 | 2008 | 2007 | 2006 | 2005 | *2008* | *2007* |
|---|---|---|---|---|---|---|---|---|
| **1. Financial Performance Measures** | | | | | | | | |
| Accounting Return on Total Assets | Sch 1 Pt 2 1(a) | 9.51% | 7.58% | 1.10% | 7.83% | 8.89% | *4.27%* | *8.21%* |
| Accounting Return on Equity | Sch 1 Pt 2 1(b) | 11.81% | 11.37% | -0.02% | 5.18% | 7.06% | *5.42%* | *6.25%* |
| Accounting Rate of Profit Including Network Revaluation | Sch 1 Pt 2 1(c) | 8.71% | 11.12% (2) | -0.20% (1) | 34.34% (1) | 7.14% | *7.74%* | *4.57%* |
| Accounting Rate of Profit Excluding Network Revaluation | | 8.71% | 8.12% | 0.07% | 6.63% | 7.14% | *4.79%* | *4.84%* |

Note: The Accounting Rate of Profit Excluding Network Revaluation is not required by the Gas (Information Disclosure) Regulations 1997.

The figures in italics have been adjusted to exclude the subvention payment to WDC and the resulting profit taxed at 33% (2007:33%). This has been provided for ease of comparison to previous financial years.

| | Reference | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|
| **2. Efficiency Performance Measures** | | | | | | |
| Direct Line Costs per Kilometre | Sch 1 Pt 2 2(a) | $ 2,337 | $ 2,916 | $ 2,416 | $ 2,068 | $ 1,907 |
| Indirect Line Costs per Gas Customer | Sch 1 Pt 2 2(b) | $ 82 | $ 84 | $ 73 | $ 62 | $ 58 |
| **3. Energy Delivery Efficiency Performance Measures** | | | | | | |
| Load Factor | Sch 1 Pt 3 1(a) | 69.70% | 80.10% | 79.50% | 75.77% | 74.02% |
| Unaccounted for Gas Ratio | Sch 1 Pt 3 1(b) | 1.18% | 1.80% | 1.80% | 1.80% | 1.80% |
| **4. Statistics** | | | | | | |
| System Length (km) | Sch 1 Pt 3 2(a) | 384 | 366 | 365 | 362 | 360 |
| Maximum Monthly Amount of Gas Entering System (GJ) | Sch 1 Pt 3 2(b) | 114,968 | 107,645 | 110,651 | 113,872 | 125,474 |
| Total Annual Amount of Gas Conveyed through System (GJ | Sch 1 Pt 3 2(c) | 961,994 | 1,034,957 | 1,055,279 | 1,035,434 | 1,114,509 |
| Total Annual Amount of Gas Conveyed through System for Persons not in a Prescribed Business Relationship (GJ/pa) | Sch 1 Pt 3 2(d) | 514,832 | 542,665 | 538,798 | 507,347 | 403,317 |
| Total Number of Customers | Sch 1 Pt 3 2(e) | 10,287 | 10,331 | 10,326 | 10,581 | 10,776 |
| **5. Reliability Performance Measures** | | | | | | |
| 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) | 0.0258 | 0.018 | 0.0152 | 0.0216 | 0.1743 |
| 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). | | 0.02 | 0.0116 | 0.0067 | 0.0157 | 0.1557 |
| Unplanned Distribution System Interruptions not as a result of third party damage (hours/customer). | | 0.0058 | 0.0064 | 0.0085 | 0.0059 | 0.0186 |

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

1. The increase in percentage is due to the revaluation carried out during the year.
2. The increase in percentage is due to the revaluation carried out during the year and the reversal of the subvention payment.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

**Certification by the Auditor-General in relation to financial statements**

I have examined the attached financial statements prepared by Wanganui Gas Limited and group and dated 4 December 2009 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997.

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

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

## Certification of performance measures by the Auditor-General

I have examined the attached information, being:

- financial performance measures specified in clause 1 of part 2 of Schedule 1 of the Gas (Information Disclosure) Regulations 1997; and
- 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 group and dated 4 December 2009 for the purposes of regulations 15 and 16 of those regulations.

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

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

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