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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, Charles Ernest POYNTER and Gordon Sydney SWAN, 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.

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C E Poynter, QSO, JP

.....
G S Swan

Date: 2 December 1997

Statement of Financial Performance

For The Year Ended 30 June 1997

	NOTE	Distribution \$	Retail \$
REVENUE		3,277,704	7,341,010
NET SURPLUS BEFORE TAXATION	2	1,291,936	121,480
Taxation Expense	3	500,689	42,389
NET SURPLUS AFTER TAXATION		791,247	79,091

Statement of Movement in Equity

For The Year Ended 30 June 1997

	NOTE	Distribution \$	Retail \$
EQUITY AS AT 1 JULY 1996		9,031,242	334,933
Net surplus after tax		791,247	79,091
Increase in Revaluation Reserve		207,317	0
Total Recognised Revenue and Expenses for the Year		998,564	79,091
Distribution to owners		449,634	50,366
EQUITY AS AT 30 JUNE 1997		\$9,580,172	\$363,658

Statement of Financial Position*As At 30 June 1997*

	NOTE	Distribution \$	Retail \$
NON CURRENT ASSETS			
Fixed assets	4	<u>13,737,090</u>	<u>54,522</u>
Total Non Current Assets		13,737,090	54,522
CURRENT ASSETS			
General Bank Account		519,702	0
Accounts Receivable	5	270,445	1,132,339
Inventories		149,231	0
Tax Benefit		<u>0</u>	<u>(2,386)</u>
Total Current Assets		<u>939,378</u>	<u>1,129,953</u>
TOTAL ASSETS		<u>\$14,676,468</u>	<u>\$1,184,475</u>
EQUITY			
Share Capital	6	5,264,435	199,835
Retained Earnings		1,948,207	163,823
Asset Revaluation Reserve		<u>2,367,530</u>	<u>0</u>
Total Equity		<u>9,580,172</u>	<u>363,658</u>
NON CURRENT LIABILITIES	7	<u>4,303,104</u>	<u>163,343</u>
CURRENT LIABILITIES			
Accounts Payable and Accruals		419,024	480,980
Provision for Employee Entitlements		31,255	13,206
Consumer Deposits		0	128,032
Taxation Payable		28,169	0
Provision for Dividend		<u>314,744</u>	<u>35,256</u>
Total Current Liabilities		<u>793,192</u>	<u>657,474</u>
TOTAL LIABILITIES AND EQUITY		<u>14,676,468</u>	<u>1,184,475</u>

Notes to the Financial Statements

For The Year Ended 30 June 1997

1. Statement Of Accounting Policies

Reporting Entity

Wanganui Gas Limited is a public 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 balance 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 disclosures and financial statements of Wanganui Gas Limited have been prepared in accordance with the Gas (Information Disclosure) Regulations 1997.

Methodology of Separation of Business

Methodology used in relation to the allocation of costs, revenue, assets and liabilities between Retail and Distribution businesses will be available for public inspection from 1 January 1998.

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 optimal deprival value. 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 billed at the end of the financial period.

Capital Contributions

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

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.

Fixed Assets

The distribution network is valued at optimised deprival value, valued at 30 June 1997 by Joanna Sofield, BMs (Hon.) and Dr Govind Saha, MBA, PhD. Eng, and Member IPENZ, of Ernst & Young.

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 asset's cost, or optimal deprival value, less estimated residual value, over their estimated useful lives.

Major depreciation rates are :

Mains & Services	2%	S.L
Meters & Customer Station Rebuilds	5%	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 actual 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.

Changes In Accounting Policies

During the year Wanganui Gas Limited changed its accounting policy with respect to the valuation of distribution network assets. Distribution network assets are now valued at optimal deprival value, valued as at 30 June 1997. Formerly distribution network assets were valued at depreciated cost. For the purpose of preparing accounts under the Gas (Information Disclosure) Regulations 1997 the revaluation of distribution network assets has been backdated to 30 June 1996.

Distribution network assets will continue to be depreciated at the same rate as applied to the historical cost of the like assets. Depreciation charged during the period was calculated on the optimised deprival value of distribution network assets.

The result of the revaluation of distribution network assets was an increase of \$2,160,213 in the value at 30 June 1996 and a further increase in value of \$207,317 at 30 June 1997. Revaluations resulted in the establishment of an asset revaluation reserve.

There have been no other changes in accounting policy.

	Distribution \$	Retail \$
2. <u>Surplus Before Taxation</u>		
After Charging :		
Audit Fees	6,587	2,492
Depreciation	726,077	21,645
Directors' Fees	17,263	6,532
Interest : Fixed Loans	394,068	19,003
Rental & Operating Lease Costs	65,514	24,788
Movements in provision for doubtful debts	0	(4,929)
Bad debts written off	0	12,809
After Crediting :		
Interest From Short Term Deposits	2,523	4,341
Profit On Sale Of Assets	5,762	0

3. Taxation Expense

Net Profit Before Taxation	1,291,936	121,480
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Prima Facie Taxation	426,339	40,088
Plus (Less) :		
Non Deductible Items	242	91
Non Taxable Income	0	0
Unrecognised Timing Differences	74,108	2,210
	<hr/>	<hr/>
TAXATION EXPENSE FOR PERIOD	500,689	42,389
	<hr/>	<hr/>
The Taxation Charge Is Represented By :		
Current Taxation	500,689	42,389
	<hr/>	<hr/>

The Company has not recognised the deferred tax liability on timing differences which are not expected to reverse in the foreseeable future. The potential tax liability in respect of these timing differences at 33% is \$732,792 for Distribution and a future tax benefit to Retail of \$15,925.

4. Fixed Assets

	Distribution			Retail		
	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
	\$	\$	\$	\$	\$	\$
Revalued Assets:						
Distribution Network	13,426,444	0	13,426,444	0	0	0
	13,426,444	0	13,426,444	0	0	0
Fixed Assets at Cost:						
Leasehold Improvements	264,933	110,921	154,012	46,499	19,468	27,031
Vehicles	153,156	88,340	64,816	26,881	15,505	11,376
Office Equipment	29,853	18,763	11,090	5,240	3,293	1,947
Furniture & Fittings	23,511	12,334	11,177	4,126	2,165	1,961
Plant & Equipment	93,015	56,009	37,006	16,325	9,830	6,495
Computer H/ware & S/ware	133,905	101,360	32,545	23,502	17,790	5,712
	\$698,373	\$387,727	\$310,646	\$122,573	\$68,051	\$54,522
Total Assets	\$14,124,817	\$387,727	\$13,737,090	\$122,573	\$68,051	\$54,522

5. Accounts Receivable

	Distribution \$	Retail \$
Trade Debtors	270,445	1,171,302
Provision for Doubtful Debtors	0	(38,963)
	270,445	1,132,339

6. Share Capital

\$

Authorised Capital :

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

7. Long-Term Liabilities

	Distribution \$	Retail \$
Westpac Banking Corporation Multi Option Credit Line Facility	4,303,104	163,343
Less Current Portion	0	0
	<hr/>	<hr/>
Long-Term Portion	4,303,104	163,343
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Term : Three Years To December 1999.

Repayments : No further repayments required until December 1999.

Security : First Ranking Debenture providing for fixed and floating charges over all assets.

Average Interest Rate Over Year : 9.8%

8. Imputation Credit Account

	Distribution \$	Retail \$
Opening Balance	817,972	20,894
PLUS:		
Income tax paid	507,748	42,307
LESS:		
Terminal Tax Refund	0	0
Imputations attached to dividends paid	(155,024)	(17,365)
	<hr/>	<hr/>
Balance at 30 June 1997	1,170,696	45,836
	<hr/>	<hr/>

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 \$128,032 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 a bank overdraft facility of \$500,000.

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 carrying amount of investments in the financial statements reflect their cost. Fair values for these at balance date were \$18,240 (all distribution).

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

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 6.75% to 6.97%:

	Distribution	Retail
	\$	\$
Short term deposits	425,000	0

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 1997.

Currency Risk

No currency risk.

10. Related Party Transactions

The following transactions occurred during the period with Related Parties:

	Distribution \$	Retail \$
<u>Wanganui District Council (74.9% Shareholder)</u>		
Rent	65,514	24,788
Information Services Support	4,067	1,539
Plant Hire	691	262
Rates	6,179	2,338
Other	2,752	1,041
	79,203	29,968
<u>Natural Gas Corporation (25.1% Shareholder)</u>		
Gas Purchases	0	4,156,439
Consultancy Fees	13,377	5,061
Franchise Fee	9,935	4,967
Other (1996 includes appliance purchases)	8,274	3,131
	31,586	4,169,598
<u>Treadwell Gordon & Co (G S Swan, consultant)</u>		
Legal Advice	17,712	6,702
<u>Amounts owed to related parties at Balance Date were :</u>		
Wanganui District Council	9,266	3,506
Natural Gas Corporation	4,377	577,857
Treadwell Gordon & Co	3,776	1,429

All transactions were conducted on normal commercial terms.

11. Commitments

Lease Commitments Under Non-Cancellable Operating Leases :

	Distribution	Retail
	\$	\$
Not later than one year	27,297	10,328
Later than one year and not later than two years	0	0
Later than two years and not later than five years	0	0

There are no capital commitments at the balance date.

12. Contingent Liabilities

	Distribution	Retail
	\$	\$
Contingent Liabilities	0	0

Statement of Performance Measures*For the Year ended 30 June 1997**For the purposes of the Gas (Information Disclosure) Regulations 1997*

	Reference	Distribution
1 Financial Performance Measures		
Accounting Return on Total Assets	Sch 1 Pt 2 1(a)	12.42%
Accounting Return on Equity	Sch 1 Pt 2 1(b)	8.71%
Accounting Rate of Profit	Sch 1 Pt 2 1(c)	9.32%
2 Efficiency Performance Measures		
Direct Line Costs per Kilometre	Sch 1 Pt 2 2(a)	\$1,353
Indirect Line Costs per Gas Customer	Sch 1 Pt 2 2(b)	\$36
3 Energy Delivery Efficiency Performance Measures		
Load Factor	Sch 1 Pt 3 1(a)	69.21%
Unaccounted for Gas Ratio	Sch 1 Pt 3 1(b)	2.79%
4 Statistics		
System length (km)	Sch 1 Pt 3 2(a)	343
Maximum Monthly Amount of Gas Entering System (GJ)	Sch 1 Pt 3 2(b)	130,079
Total Annual Amount of Gas Conveyed through System (GJ)	Sch 1 Pt 3 2(c)	1,080,256
Total Annual Amount of Gas Conveyed through System for Persons not in a Prescribed Business Relationship (GJ)	Sch 1 Pt 3 2(d)	203,045
Total Number of Customers	Sch 1 Pt 3 2(e)	11,181
5 Reliability Performance Measures		
Unplanned Transmission System Interruptions (hours)	Sch 1 Pt 4 1	nil
Unplanned Distribution System Interruptions not related to Transmission System Interruptions (hours/customer)	Sch 1 Pt 4 2(a)	0.0248
Unplanned Distribution System Interruptions related to Transmission System Interruptions (hours/customer)	Sch 1 Pt 4 2(b)	nil
Unplanned Distribution System Interruptions as a result of third party damage (hours/customer).		0.0105
Unplanned Distribution System Interruptions not as a result of third party damage (hours/customer).		0.0143

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



