

New Zealand Gazette

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NATURAL GAS CORPORATION OF NEW ZEALAND LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION
DISCLOSURE) REGULATIONS 1997

NATURAL GAS CORPORATION OF NEW ZEALAND LIMITED**INFORMATION FOR DISCLOSURE**

Pursuant to the Gas (Information Disclosure) Regulations 1997

TABLE OF CONTENTS**GAS DISTRIBUTION ACTIVITIES**

Financial Statements
Statement of Performance Measures
Directors Certification
Auditors Certification

GAS RETAILING ACTIVITIES

Financial Statements
Directors Certification
Auditors Certification

GAS TRANSMISSION ACTIVITIES

Financial Statements
Statement of Performance Measures
Directors Certification
Auditors Certification

GAS WHOLESALING ACTIVITIES

Financial Statements
Directors Certification
Auditors Certification

The financial information presented has been prepared to comply with the requirements of the Gas (Information Disclosure) Regulations 1997 and should not be used for any purpose other than that required under the regulations.

Natural Gas Corporation – Gas Distribution Activities
Statement of Financial Performance
For the year ended 30 June 1997
For the purposes of the Gas (Information Disclosure) Regulations 1997

	Note	\$Thousands
Revenue		<u>24,148</u>
Surplus before Taxation	2.	10,162
Income Tax Expense	3.	<u>3,293</u>
Net Surplus for the Year		<u>6,869</u>

The notes form an integral part of these financial statements.

Natural Gas Corporation – Gas Distribution Activities**Statement of Financial Position**

As at 30 June 1997

For the purposes of the Gas (Information Disclosure) Regulations 1997

	Note	\$Thousands
Fixed and Long Term Assets		
Fixed Assets	4.	98,202
Deferred Expenditure	5.	<u>1,351</u>
Total Non Current Assets		<u>99,553</u>
Current Assets		
Trade Debtors		2,689
Current tax		354
Inventories – Consumable Spares		<u>599</u>
Total Current Assets		<u>3,642</u>
Total Assets		<u>103,195</u>
Equity		
Reserves	6.	<u>84,072</u>
Total Equity		<u>84,072</u>
Non Current Liabilities		
Deferred Income	7.	5,817
Deferred Taxation		<u>10,590</u>
Total Non Current Liabilities		<u>16,407</u>
Current Liabilities		
Accounts Payable and Accruals		<u>2,716</u>
Total Current Liabilities		<u>2,716</u>
Total Liabilities and Equity		<u>103,195</u>

The notes form an integral part of these financial statements

Natural Gas Corporation – Gas Distribution Activities
Notes to the Financial Statements
For the year ended 30 June 1997

1. Statement of Accounting Policies

a) Accounting Entity

The financial statements are those of Natural Gas Corporation – Gas Distribution Activities (NGC). Gas Distribution Activities involves the ownership and supply of line function services for the transportation of gas.

b) Special Purpose Financial Statements

The financial statements have been prepared in accordance with the Gas (Information Disclosure) Regulations 1997 and generally accepted accounting principles.

c) General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of earnings and the financial position under the historical cost method, as modified by the revaluation of certain assets, have been followed in the preparation of these financial statements. This includes the going concern concept and the matching of revenue and expenses under the accrual concept.

d) Particular Accounting Policies

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

i) Revenues and Expenses

Revenues and expenses are stated exclusive of Goods and Services Tax (GST).

ii) Valuation of Fixed Assets

Pipelines, compressors and gate stations are recorded at the most recent valuation, adjusted by subsequent additions, disposals and depreciation. Valuations are carried out regularly and reviewed by independent experts, using the optimised deprival valuation methodology.

All fixed assets other than pipelines, compressors and gate stations, are included at cost less accumulated depreciation.

Under the modified historical cost method, the revaluation, reflecting the difference between the net carrying value of the assets and the valuation (net of the deferred tax), is recorded in the asset revaluation reserve. In arriving at the net carrying value any accumulated depreciation is written back against the asset value.

The revaluation increase or decrease is transferred from the revaluation reserve to retained earnings on the disposal of an asset.

Construction in progress is recorded at cost. For projects having a cost in excess of \$500,000 and a construction period of not less than three months, finance costs relating to that project are capitalised. The finance costs capitalised are based on the actual cost directly attributable to the construction of the asset. Where this is not clearly identifiable, NGC's cost of debt is used.

Assets constructed by NGC are commissioned and transferred from construction in progress to fixed assets as each facility or operating unit within a facility becomes operational and available for use.

iii) Current Assets

Accounts receivables are valued at their estimated realisable value.

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

All other current assets are valued at their estimated realisable value.

iv) Depreciation

The rates of depreciation vary according to the nature and economic lives of the assets and fall within the following ranges (on a straight line basis):

Low Pressure Pipelines	25 to 50 Years		
Compressors and Gate Stations	30 Years	Plant and Equipment	5-15 years
Buildings	40-100 years	Capital Spares	5-15 years

Depreciation of pipelines commences when the pipeline is physically complete and flowing gas.

v) ***Deferred Income***

Contributions received from gas utilities and other parties towards the capital expenditure on pipelines are accounted for initially in a deferred income account. Amortisation to income of the deferred income account takes place only after the obligations in connection with the contributions are performed. The deferred income account is amortised to the statement of financial performance over the life of the pipelines to which they relate or over the life of the gas supply contract whichever is the shorter.

vi) ***Taxation***

NGC recognises deferred taxation using the liability method and on a comprehensive basis. Income tax expense is recognised on the surplus before taxation. It is then adjusted for permanent differences between taxable and accounting income. The tax effect of all timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the statement of financial position as a future tax benefit or as deferred tax. The future tax benefit or deferred tax is stated at the income tax rates prevailing at balance date. Future tax benefits are not recognised unless realisation of the asset is virtually certain. Future tax benefits and deferred tax is offset.

vii) ***Deferred Expenditure***

Deferred expenditure is expenditure which provides benefits beyond the current accounting period and is written off over periods up to twenty years. These expenditures relate to the connection of new customers to the gas system and the conversion of existing customers' appliances to the use of natural gas.

2. Surplus before Taxation

	\$ Thousands
<hr/> Surplus before Taxation is stated after charging:	
Directors' fees	11
Audit fees and expenses	6
Fees for other services paid to the Auditors	22
Depreciation	4,897
Leasing Costs	676

3. Income Tax

	\$ Thousands
<hr/> The Income Tax Expense has been calculated as follows:	
Surplus before Taxation	10,162
Income Tax at 33%	3,353
Adjustments to taxation for:	
Non-deductible expenditure	<u>60</u>
Taxation charge in Statement of Financial Performance	<u>3,293</u>

4. Fixed Assets

	\$Thousands		
	Cost/ Valuation	1997 Accumulated Depreciation	Net Book Value
Pipelines Compressors and Gate Stations	96,857	0	96,857
Machinery and Equipment	2,437	1,585	852
Motor Vehicles	734	277	457
Freehold Land and Buildings	40	4	36
	<u>100,068</u>	<u>1,866</u>	<u>98,202</u>

Pipelines, compressors and gate stations were revalued using the optimised deprival valuation methodology as at 30 June 1996. The latest valuation as at 30 June 1997 was reviewed and certified by Ernst and Young. Based on the latest Government valuations the Directors estimate that the fair valuation of land and buildings is approximately equivalent to their net book value as at 30 June 1997.

5. Deferred Expenditure

	\$ Thousands
Balance as at 1 July 1996	1,391
Plus amounts capitalised	124
Less amounts amortised to expenses	<u>164</u>
	<u>1,351</u>

6. Reserves

Gas Distribution is not a company and therefore has no share capital. The amounts for reserves attributable to Gas Distribution is calculated by reference to the equity and debt ratio of Natural Gas Corporation of New Zealand Limited.

7. Deferred Income

	\$Thousands
Balance as at 1 July 1996	6,037
Plus amount received	92
Less amount amortised to earnings	<u>312</u>
	<u>5,817</u>

Deferred income represents contributions from customers as explained in Note 1(d)(v).

8. Capital Commitments

Amounts committed but not recorded in these financial statements total \$ NIL million.

Operating Lease Commitments \$Thousands

Non cancellable operating lease rentals are payable as follows:

Not later than one year	362
Between one and two years	348
Between two and five years	578
Later than five years	<u>143</u>
	<u>1,431</u>

9. Contingent Liabilities

There are no material contingent liabilities.

Natural Gas Corporation – Gas Distribution Activities**Statement of Performance Measures****For the year ended 30 June 1997****For the purposes of the Gas (Information Disclosure) Regulations 1997****1. Financial Performance Measures**

Accounting Return on Total Assets	10.3%
Accounting Return on Equity	8.6%
Accounting Rate of Profit	6.7%

2. Efficiency Performance Measures

Direct Line Costs per Kilometre	\$1,444
Indirect Line Costs per Gas Customer	\$132

3. Energy Delivery Efficiency Performance Measures

Load Factor	85.75%
Unaccounted for Gas Ratio	0.08% gain

4. Statistics

System Length (km)	2,338
Maximum Monthly Amount of Gas Entering System	879.772 TJ
Total Annual Amount of Gas Conveyed through System	9,052.762 TJ
Total Annual Amount of Gas Conveyed through System For persons not in a prescribed business relationship	0
Total Number of Customers	43,342

5. Reliability Performance Measures

Unplanned Transmission System Interruptions (hours)	n.a.
Unplanned Distribution System Interruptions not related to Transmission System Interruptions (hours/customer) - Interruptions attributable to third party interference	0.0268 0.0228
Unplanned Distribution System Interruptions related to Transmission System Interruptions (hours/customer)	0



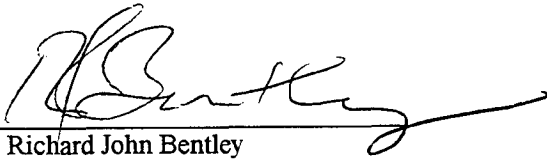
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GAS DISTRIBUTION ACTIVITIES

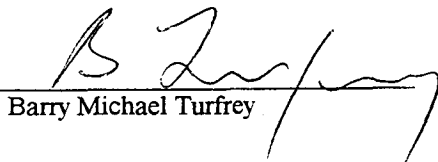
CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, Richard John Bentley and Barry Michael Turfrey, directors of Natural Gas Corporation of New Zealand Limited (the 'Corporation'), certify that, having made all reasonable enquiry, to the best of our knowledge, -

- (a) The attached audited financial statements of the Corporation, 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 the Corporation, 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.



Richard John Bentley



Barry Michael Turfrey

2 December 1997

Coopers
& Lybrand

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and business advisers

PO Box 243
UDC Tower
113-119 The Terrace
Wellington
New Zealand

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facsimile 0-4-499 9696

CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

NATURAL GAS CORPORATION - DISTRIBUTION

We have examined the attached financial statements prepared by Natural Gas Corporation - Distribution and dated 2 December 1997 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.

Coopers & Lybrand

COOPERS & LYBRAND
2 December 1997

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& Lybrand

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NATURAL GAS CORPORATION - DISTRIBUTION

CERTIFICATION OF PERFORMANCE MEASURES BY AUDITOR

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 Natural Gas Corporation - Distribution and dated 2 December 1997 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.

Coopers - Lybrand

COOPERS & LYBRAND
2 December 1997

Natural Gas Corporation – Gas Retailing Activities
Statement of Financial Performance
For the year ended 30 June 1997
For the purposes of the Gas (Information Disclosure) Regulations 1997

	Note	SThousands
Revenue		<u>143,650</u>
Surplus before Taxation	2.	4,430
Income Tax Expense	3.	<u>1,440</u>
Net Surplus for the Year		<u>2,990</u>

The notes form an integral part of these financial statements.

Natural Gas Corporation – Gas Retailing Activities
Statement of Financial Position
As at 30 June 1997
For the purposes of the Gas (Information Disclosure) Regulations 1997

	Note	\$Thousands
Fixed and Long Term Assets		
Fixed Assets	4.	2,768
Deferred Expenditure	5.	<u>1,351</u>
Total Non Current Assets		<u>4,119</u>
Current Assets		
Cash and short term deposits		170
Trade Debtors		17,531
Trading Stock		<u>351</u>
Total Current Assets		<u>18,052</u>
Total Assets		<u>22,171</u>
Equity		
Reserves	6.	<u>7,491</u>
Total Equity		<u>7,491</u>
Current Liabilities		
Accounts Payable and Accruals		14,111
Current taxation		<u>569</u>
Total Current Liabilities		<u>14,680</u>
Total Liabilities and Equity		<u>22,171</u>

The notes form an integral part of these financial statements

Natural Gas Corporation – Gas Retailing Activities
Notes to the Financial Statements
For the year ended 30 June 1997

1. Statement of Accounting Policies

a) Accounting Entity

The financial statements are those of Natural Gas Corporation – Gas Retailing Activities (NGC). Gas Retailing Activities involves the supply of gas to a consumer.

b) Special Purpose Financial Statements

The financial statements have been prepared in accordance with the Gas (Information Disclosure) Regulations 1997 and generally accepted accounting principles.

c) General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of earnings and the financial position under the historical cost method have been followed in the preparation of these financial statements. This includes the going concern concept and the matching of revenue and expenses under the accrual concept.

d) Particular Accounting Policies

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

i) Revenues and Expenses

Revenues and Expenses are stated exclusive of Goods and Services Tax (GST).

ii) Valuation of Fixed Assets

All fixed assets are included at cost less accumulated depreciation.

iii) Current Assets

Accounts receivables are valued at their estimated realisable value.
 Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis.
 All other current assets are valued at their estimated realisable value.

iv) Depreciation

The rates of depreciation vary according to the nature and economic lives of the assets and fall within the following ranges (on a straight line basis):

Plant and Equipment	5-15 years
Buildings	40-100 years

v) Taxation

NGC recognises deferred taxation using the liability method and on a comprehensive basis. Income tax expense is recognised on the surplus before taxation. It is then adjusted for permanent differences between taxable and accounting income. The tax effect of all timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the statement of financial position as a future tax benefit or as deferred tax. The future tax benefit or deferred tax is stated at the income tax rates prevailing at balance date. Future tax benefits are not recognised unless realisation of the asset is virtually certain. Future tax benefits and deferred tax is offset.

vi) Deferred Expenditure

Deferred expenditure is expenditure which provides benefits beyond the current accounting period and is written off over periods up to twenty years. These expenditures relate to the connection of new customers to the gas system and the conversion of existing customers' appliances to the use of natural gas.

2. Surplus before Taxation**\$ Thousands**

 Surplus before Taxation is stated after charging:

Directors' fees	9
Audit fees and expenses	5
Fees for other services paid to the Auditors	18
Depreciation	466
Leasing Costs	249

3. Income Tax**\$ Thousands**

 The Income Tax Expense has been calculated as follows:

Surplus before Taxation	4,430
Income Tax at 33%	1,462
Adjustments to taxation for:	
Non-deductible expenditure	<u>22</u>
Taxation charge in Statement of Financial Performance	<u>1,440</u>

4. Fixed Assets**\$Thousands**

	Cost/ Valuation	1997 Accumulated Depreciation	Net Book Value
Machinery and Equipment	5,014	3,262	1,752
Motor Vehicles	1,511	569	942
Freehold Land and Buildings	<u>81</u>	<u>7</u>	<u>74</u>
	<u>6,606</u>	<u>3,838</u>	<u>2,768</u>

Based on the latest Government valuations the Directors estimate that the fair valuation of land and buildings is approximately equivalent to their net book value as at 30 June 1997.

5. Deferred Expenditure**\$ Thousands**

Balance as at 1 July 1996	1,391
Plus amounts capitalised	124
Less amounts amortised to expenses	<u>164</u>
	<u>1,351</u>

6. Reserves

Gas Retailing is not a company and therefore has no share capital. The amounts for reserves attributable to Gas Retailing is calculated by reference to the equity and debt ratio of Natural Gas Corporation of New Zealand Limited.

7. Capital Commitments

Amounts committed but not recorded in these financial statements total \$ NIL million.

Operating Lease Commitments**\$Thousands**

Non cancellable operating lease rentals are payable as follows:

Not later than one year	134
Between one and two years	128
Between two and five years	213
Later than five years	<u>53</u>
	<u>528</u>

8. Contingent Liabilities

There are no material contingent liabilities.



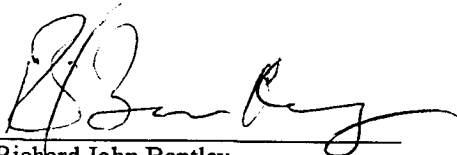
NATURAL GAS CORPORATION

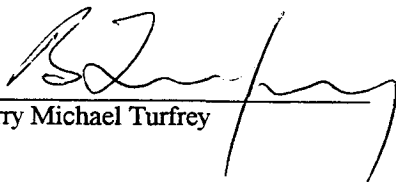
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GAS RETAILING ACTIVITIES

CERTIFICATION OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, Richard John Bentley and Barry Michael Turfrey, directors of Natural Gas Corporation of New Zealand Limited (the 'Corporation'), certify that, having made all reasonable enquiry, to the best of our knowledge, the attached audited financial statements of the Corporation, prepared for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997, comply with the requirements of that regulation.


Richard John Bentley


Barry Michael Turfrey

2 December 1997

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CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS
NATURAL GAS CORPORATION - RETAIL

We have examined the attached financial statements prepared by Natural Gas Corporation - Retail and dated 2 December 1997 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.

Coopers & Lybrand

COOPERS & LYBRAND
2 December 1997

Natural Gas Corporation – Gas Transmission Activities
Statement of Financial Performance
For the Year Ended 30 June 1997
For the purposes of the Gas (Information Disclosure) Regulations 1997

		\$Thousands
	Note	1997
Revenue		<u>71,048</u>
Surplus before Taxation	2.	39,890
Income Tax Expense	3.	<u>13,164</u>
Net Surplus for the Year		<u>26,726</u>

The notes form an integral part of these financial statements

Natural Gas Corporation – Gas Transmission Activities
Statement of Financial Position
As at 30 June 1997
For the purposes of the Gas (Information Disclosure) Regulations 1997

	Note	\$Thousands 1997
Fixed and Long Term Assets		
Fixed Assets	4.	<u>385,051</u>
Total Non Current Assets		<u>385,051</u>
Current Assets		
Cash and Short Term Deposits		11
Accounts Receivable	5.	10,336
Inventories – Consumable Spares		<u>1,110</u>
Total Current Assets		<u>11,457</u>
Total Assets		<u>396,508</u>
Equity		
Reserves	6.	<u>324,433</u>
Total Equity		<u>324,433</u>
Non Current Liabilities		
Deferred Income	7.	9,828
Deferred Taxation		<u>49,077</u>
Total Non Current Liabilities		<u>58,905</u>
Current Liabilities		
Accounts Payable and Accruals		9,993
Current taxation		<u>3,177</u>
Total Current Liabilities		<u>13,170</u>
Total Liabilities and Equity		<u>396,508</u>

The notes form an integral part of these financial statements

Natural Gas Corporation – Gas Transmission Activities
Notes to the Financial Statements
For the year ended 30 June 1997

1. Statement of Accounting Policies

a) Accounting Entity

The financial statements are those of Natural Gas Corporation – Gas Transmission Activities (NGC). Gas Transmission Activities involves the ownership and the supply of line function services for the transportation of gas.

b) Special Purpose Financial Statements

The financial statements have been prepared in accordance with the Gas (Information Disclosure) Regulations 1997 and generally accepted accounting principles.

c) General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of earnings and the financial position under the historical cost method, as modified by the revaluation of certain assets, have been followed in the preparation of these financial statements. This includes the going concern concept and the matching of revenue and expenses under the accrual concept.

d) Particular Accounting Policies

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

i) Revenue and Expenses

Revenue and expenses are stated exclusive of Goods and Services Tax (GST).

ii) Valuation of Fixed Assets

Pipelines, compressors and gate stations are recorded at the most recent valuation, adjusted by subsequent additions, disposals and depreciation. Valuations are carried out regularly and reviewed by independent experts, using the optimised deprival valuation methodology.

All fixed assets other than pipelines, compressors and gate stations, are included at cost less accumulated depreciation.

Under the modified historical cost method, the revaluation, reflecting the difference between the net carrying value of the assets and the valuation (net of the deferred tax), is recorded in the asset revaluation reserve. In arriving at the net carrying value any accumulated depreciation is written back against the asset value.

The revaluation increase or decrease is transferred from the revaluation reserve to retained earnings on the disposal of an asset.

Construction in progress is recorded at cost. For projects having a cost in excess of \$500,000 and a construction period of not less than three months, finance costs relating to that project are capitalised. The finance costs capitalised are based on the actual cost directly attributable to the construction of the asset. Where this is not clearly identifiable, NGC's cost of debt is used.

Assets constructed by NGC are commissioned and transferred from construction in progress to fixed assets as each facility or operating unit within a facility becomes operational and available for use.

iii) Current Assets

Accounts receivables are valued at their estimated realisable value.

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

All other current assets are valued at their estimated realisable value.

iv) **Depreciation**

The rates of depreciation vary according to the nature and economic lives of the assets and fall within the following ranges (on a straight line basis):

High Pressure Pipelines	50 Years	Plant and Equipment	5-15 years
Compressors and Gate Stations	50 Years	Capital Spares	5-15 years
Buildings	40-100 years		

Depreciation of pipelines commences when the pipeline is physically complete and flowing gas.

v) **Deferred Income**

Contributions received from gas utilities and other parties towards the capital expenditure on pipelines are accounted for initially in a deferred income account. Amortisation to income of the deferred income account takes place only after the obligations in connection with the contributions are performed. The deferred income account is amortised to the statement of financial performance over the life of the pipelines to which they relate or over the life of the gas supply contract whichever is the shorter.

vi) **Taxation**

Deferred taxation is recognised using the liability method and on a comprehensive basis. Income tax expense is recognised on the surplus before taxation. It is then adjusted for permanent differences between taxable and accounting income. The tax effect of all timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the statement of financial position as a future tax benefit or as deferred tax. The future tax benefit or deferred tax is stated at the income tax rates prevailing at balance date. Future tax benefits are not recognised unless realisation of the asset is virtually certain. Future tax benefits and deferred tax is offset.

2. Surplus before Taxation

	1997
	\$ Thousands
<hr/>	
Surplus before Taxation is stated after charging:	
Audit fees and expenses	30
Depreciation	12,568

3. Income Tax

	1997
	\$Thousands
<hr/>	
a) The Income Tax Expense has been calculated as follows:	
Surplus before Taxation	<u>39,890</u>
Income Tax at 33%	13,164

4. Fixed Assets**\$Thousands**

	Cost/ Valuation	1997 Accumulated Depreciation	Net Book Value
Pipelines Compressors and Gate Stations	374,773	0	374,773
Machinery and Equipment	11,508	8,470	3,038
Motor Vehicles	1,801	787	1,014
Freehold Land and Buildings	3,681	548	3,133
Construction in Progress	<u>3,218</u>	<u>125</u>	<u>3,093</u>
	<u>394,981</u>	<u>9,930</u>	<u>385,051</u>

Pipelines, compressors and gate stations were revalued using the optimised deprival valuation methodology as at 30 June 1996. The latest valuation as at 30 June 1997 was reviewed and certified by Ernst and Young. Based on the latest Government valuations the Directors estimate that the fair valuation of land and buildings is approximately equivalent to their net book value as at 30 June 1997.

5. Accounts Receivable**\$Thousands**

	1997
Trade Debtors	7,384
Prepayments and Sundry Receivables	<u>2,952</u>
	<u>10,336</u>

6. Reserves

Gas Transmission is not a company and therefore has no share capital. The amounts for reserves attributable to Gas Transmission is calculated by reference to the equity and debt ratio of Natural Gas Corporation of New Zealand Limited.

7. Deferred Income**\$Thousands**

	1997
Balance as at 1 July 1996	11,737
Plus amount received	0
Less amount amortised to earnings	<u>1,909</u>
	<u>9,828</u>

Deferred income represents contributions from customers as explained in Note 1(d)(v).

8. Capital Commitments

Capital amounts committed but not recorded in these financial statements total \$9.45 million.

9. Contingent Liabilities

There are no material contingent liabilities.

Natural Gas Corporation – Gas Transmission Activities
Statement of Performance Measures
For the year ended 30 June 1997
For the purposes of the Gas (Information Disclosure) Regulations 1997

1997

1. Financial Performance Measures

Accounting Return on Total Assets	10.4%
Accounting Return on Equity	8.6%
Accounting Rate of Profit	6.5%

2. Efficiency Performance Measures

Direct Line Costs per Kilometre	\$4,049
Indirect Line Costs per Gas Customer	\$340,857

3. Other Performance Measures and Statistics**Load factor**

System	Gas Into System, a (GJ p.a.)	Max. Monthly Quantity, b (GJ/month)	Load Factor, $\frac{a \times 100}{12 \times b}$
North	21,082,652	2,069,360	84.9
Morrinsville	1,719,467	198,248	72.2
Kapuni - Rotowaro	4,020,781	427,652	78.3
Bay of Plenty	10,810,824	1,016,123	88.7
Frankley Rd - Kapuni	12,004,052	1,527,554	65.5
South	11,634,630	1,300,580	74.6

Unaccounted-for gas ratio

System	Unaccounted-For Gas, a (GJ p.a.)	Gas Into System, b (GJ p.a.)	Load Factor, $\frac{a \times 100}{b}$
North	31,624	21,082,652	0.15
Morrinsville	30,688	1,719,467	1.78
Kapuni - Rotowaro	2,579	4,020,781	0.15
Bay of Plenty	96,656	10,810,824	0.89
Frankley Rd - Kapuni	46,104	12,004,052	0.38
South	100,808	11,634,630	0.87

Statistics

System	Length (km)	Gas Into System, (GJ p.a.)	Max. Monthly Quantity, (GJ/month)	Non-NGC, Gas Conveyed (GJ p.a.)
North	420.1	21,082,652	2,069,360	5,083,494
Morrinsville	80.5	1,719,467	198,248	0
Kapuni - Rotowaro	303.8	4,020,781	427,652	304,610
Bay of Plenty	594.8	10,810,824	1,016,123	0
Frankley Rd - Kapuni	72.1	12,004,052	1,527,554	167,966
South	697.4	11,634,630	1,300,580	1,088,403

Number of transmission customers = 7

Unplanned interruptions in transmission systems

Number of unplanned interruptions = zero



NATURAL GAS CORPORATION

GAS TRANSMISSION ACTIVITIES

Natural Gas
Corporation House
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CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, Richard John Bentley and Barry Michael Turfrey, directors of Natural Gas Corporation of New Zealand Limited (the 'Corporation'), certify that, having made all reasonable enquiry, to the best of our knowledge, -

- (a) The attached audited financial statements of the Corporation, 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 the Corporation, 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.

Richard John Bentley

Barry Michael Turfrey

2 December 1997

Coopers
& Lybrand

chartered accountants
and business advisers

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New Zealand

telephone 0-4-499 9898
facsimile 0-4-499 9696

CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

NATURAL GAS CORPORATION - TRANSMISSION

We have examined the attached financial statements prepared by Natural Gas Corporation - Transmission and dated 2 December 1997 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.

Coopers & Lybrand

COOPERS & LYBRAND
2 December 1997

Coopers
& Lybrand

chartered accountants
and business advisers

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NATURAL GAS CORPORATION - TRANSMISSION
CERTIFICATION OF PERFORMANCE MEASURES BY AUDITOR

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 Natural Gas Corporation - Transmission and dated 2 December 1997 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.

Coopers & Lybrand

COOPERS & LYBRAND
2 December 1997

Natural Gas Corporation – Gas Wholesaling Activities
Statement of Financial Performance
For the Year Ended 30 June 1997
For the purposes of the Gas (Information Disclosure) Regulations 1997

	Note	\$Thousands
Gas Sales		<u>154,945</u>
Surplus before Taxation		33,625
Income Tax Expense	2.	<u>11,096</u>
Net Surplus for the Year		<u>22,529</u>

The notes form an integral part of these financial statements

Natural Gas Corporation – Gas Wholesaling Activities**Statement of Financial Position**

As at 30 June 1997

For the purposes of the Gas (Information Disclosure) Regulations 1997

	Note	Thousands
Fixed and Long Term Assets		
Gas Entitlements	3.	<u>209,183</u>
Total Non Current Assets		209,183
Current Assets		
Accounts Receivable	4.	34,206
Inventories – trading stock		<u>640</u>
Total Current Assets		<u>34,846</u>
Total Assets		<u>244,029</u>
Equity		
Reserves	5.	<u>195,991</u>
Total Equity		<u>195,991</u>
Current Liabilities		
Accounts Payable and Accruals	6.	<u>46,912</u>
Current taxation		<u>1,126</u>
Total Current Liabilities		<u>48,038</u>
Total Liabilities and Equity		<u>244,029</u>

The notes form an integral part of these financial statements

Natural Gas Corporation – Gas Wholesaling Activities
Notes to the Financial Statements
For the Year Ended 30 June 1997

1. Statement of Accounting Policies

a) Accounting Entity

The financial statements are those of Natural Gas Corporation – Gas Wholesaling Activities (NGC). Gas Wholesaling comprise those activities relating to the sale of gas to persons for the purpose of resupply by the other person (other than those wholesaling activities involving the supply of gas to refuellers).

b) Special Purpose Financial Statements

The financial statements have been prepared in accordance with the Gas (Information Disclosure) Regulations 1997 and generally accepted accounting principles.

c) General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of earnings and the financial position under the historical cost method have been followed in the preparation of these financial statements. This includes the going concern concept and the matching of revenue and expenses under the accrual concept.

d) Particular Accounting Policies

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

i) Revenue and Expenses

Revenue and expenses are stated exclusive of Goods and Services Tax (GST).

ii) Current Assets

Accounts receivables are valued at their estimated realisable value.

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

All other current assets are valued at their estimated realisable value.

iii) Gas Entitlements

Under the terms of the gas supply contracts, NGC is required to pay for a minimum quantity of gas in each contract year whether or not delivery has been made. Prepayments for undelivered gas entitle NGC to delivery of gas in subsequent years without further payment. The prepayments are capitalised as a long-term asset and will be amortised to earnings as the prepaid gas is utilised.

iv) Taxation

NGC recognises deferred taxation using the liability method and on a comprehensive basis. Income tax expense is recognised on the surplus before taxation. It is then adjusted for permanent differences between taxable and accounting income. The tax effect of all timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the statement of financial position as a future tax benefit or as deferred tax. The future tax benefit or deferred tax is stated at the income tax rates prevailing at balance date. Future tax benefits are not recognised unless realisation of the asset is virtually certain. Future tax benefits and deferred tax is offset.

2. Income Tax**\$Thousands**

The Income Tax Expense has been calculated as follows:

Surplus before Taxation	33,625
Income Tax at 33%	11,096

3. Gas Entitlements**\$Thousands**

Take or Pay Gas	
Balance as at 1 July 1996	68,797
Maui Take or Pay	<u>651</u>
	69,448
Advance Paid Gas	
Balance as at 1 July 1996	151,400
Less Cost of Gas Sold	<u>(11,665)</u>
	139,735
	<u>209,183</u>

NGC's entitlements to gas are:

a) Take or Pay Gas Contract

NGC has contracts with the Crown, whereby it has committed to purchase gas in annual contract quantities. The remaining commitments from 1 July 1997 to 30 September 2009 are 299.5 petajoules (1996, 327.6 petajoules). The take or pay gas asset of \$69.4 million noted above represents gas paid for but not taken under this contract.

b) Advance Paid Gas

NGC purchased, from the Crown, 262.5 petajoules of Maui gas to be delivered in annual scheduled entitlements up to 2009 for a single advance payment. This gas is referred to as Advance Paid Gas and requires no further payment to the Crown when delivery is taken except for payment of the energy resource levy. NGC takes approximately one unit of Advance Paid Gas for every two units purchased under its take or pay contract with the Crown.

In addition to the 262.5 petajoules noted above, NGC obtained access at the same time to an additional 79.8 petajoules of gas paid for but not taken by the Crown under its contract with Maui Mining Companies (refer 3(d) below).

The 262.5 petajoules and the 79.8 petajoules were purchased for a single payment of \$235 million. As at 30 June 1997 NGC had 167.3 petajoules (1996 180.9) of the Advance Paid Gas remaining.

c) Gasbank I

NGC has entered into an agreement with Fletcher Challenge, whereby Fletcher Challenge undertook to purchase from NGC, if requested, all of NGC's Maui gas paid for but not taken in each contract year up to the year 30 September 1996. NGC, at its option, will be able to repurchase all or any of these gas entitlements at the original selling price plus holding costs. This arrangement has now concluded and NGC has given notice that it will repurchase the 12.3 petajoules of gas under this arrangement. Final payment for this gas must be made by 20 October 2000.

d) Gasbank II

In September 1992 NGC sold its entitlements to the 79.8 petajoules of Gasbank II, (referred to in 3(b) above) to Fletcher Challenge for \$22 million. NGC retains the right at all times to uplift all or any part of the 79.8 petajoules for the original price of \$22 million plus holding costs. In the event of any redetermination of the Maui field resulting in a reduction in NGC's annual contract quantities, Fletcher Challenge will transfer back at no cost to NGC, the Gasbank II entitlements equivalent to the amount by which NGC's annual contract quantities are reduced up to a maximum of 79.8 petajoules.

4. Accounts Receivable**SThousands**

Trade Debtors	13,680
Utilities Take or Pay Debtor	16,325
Amounts Owing from NGC Group Companies	<u>4,201</u>
	<u>34,206</u>

5. Reserves

Gas Wholesaling is not a company and therefore has no share capital. The amounts for reserves attributable to Gas Wholesaling is calculated by reference to the equity and debt ratio of the Natural Gas Corporation of New Zealand Limited.

6. Accounts Payable and Accruals**SThousands**

Accounts Payable and Accrued Expenses	20,833
Amounts Owing to Other Natural Gas Corporation Group Companies	10,848
Utilities Accrued Take or Pay Liability	<u>14,511</u>
	<u>46,192</u>

7. Capital Commitments

Amounts committed but not recorded in these financial statements total \$nil.



NATURAL GAS CORPORATION

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GAS WHOLESALING ACTIVITIES

CERTIFICATION OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, Richard John Bentley and Barry Michael Turfrey, directors of Natural Gas Corporation of New Zealand Limited (the 'Corporation'), certify that, having made all reasonable enquiry, to the best of our knowledge, the attached audited financial statements of the Corporation, prepared for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997, comply with the requirements of that regulation.

Richard John Bentley

Barry Michael Turfrey

2 December 1997

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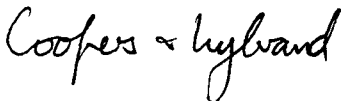
telephone 0-4-499 9898
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CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

NATURAL GAS CORPORATION - WHOLESALE

We have examined the attached financial statements prepared by Natural Gas Corporation - Wholesale and dated 2 December 1997 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.



COOPERS & LYBRAND
2 December 1997

