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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

FOR THE YEAR ENDED 30 JUNE 1999

PURSUANT TO THE GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

NATURAL GAS CORPORATION OF NEW ZEALAND LIMITED**INFORMATION FOR DISCLOSURE FOR THE YEAR ENDED 30 JUNE 1999**

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 purposes other than that required under those regulations.

Natural Gas Corporation – Gas Distribution Activities
Statement of Financial Performance
For the Year Ended 30 June 1999
For the purposes of the Gas (Information Disclosure) Regulations 1997

	Note	\$Thousands	
		June 1999	June 1998
Revenue		23,929	23,719
Surplus before Taxation & Abnormal Items	2	11,556	10,654
Abnormal Item	2	3,965	-
Surplus before Taxation		15,521	10,654
Income Tax Expense	3	5,122	3,495
Net Surplus for the Year		10,399	7,159

Natural Gas Corporation – Gas Distribution Activities
Statement of Financial Position
As at 30 June 1999
For the purposes of the Gas (Information Disclosure) Regulations 1997

		\$Thousands	
	Note	1999	1998
Fixed and Long Term Assets			
Fixed Assets	4	97,972	100,045
Deferred Expenditure	5	1,183	1,376
Total Non Current Assets		99,155	101,421
Current Assets			
Accounts Receivable		3,043	2,495
Current tax		1,973	819
Inventories – Consumable Spares		557	400
Total Current Assets		5,573	3,714
Total Assets		104,728	105,135
Equity			
Notional Reserves	6	87,341	86,046
Total Equity		87,341	86,046
Non Current Liabilities			
Deferred Income	7	4,908	5,564
Deferred Taxation		9,876	11,046
Total Non Current Liabilities		14,784	16,610
Current Liabilities			
Accounts Payable and Accruals		2,603	2,479
Total Current Liabilities		2,603	2,479
Total Liabilities and Equity		104,728	105,135

**Natural Gas Corporation – Gas Distribution Activities
Notes to the Financial Statements
For the year ended 30 June 1999**

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 receivable are valued at their estimated realisable value.

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average 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		
Meters, Compressors	20 to 50 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 ten 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.

viii) Changes in Accounting Policy and Comparatives

There have been no changes in accounting policies. The presentation of certain comparatives has been restated to ensure consistency with current year disclosures.

2. Surplus before Taxation & Abnormal Items

	\$ Thousands	
	1999	1998
<hr/>		
(a) Surplus before Taxation is stated after charging:		
Audit fees and expenses	32	32
Fees for other services paid to the Auditors	30	3
Depreciation	4,645	4,730
Leasing Costs	515	454
(b) Abnormal Item:		
Profit on Sale of Network Assets	3,965	-

3. Income Tax

	\$ Thousands	
	1999	1998
<hr/>		
The Income Tax Expense has been calculated as follows:		
Surplus before Taxation	15,521	10,654
Income Tax at 33%	5,122	3,516
Adjustments to taxation for:		
Non-deductible expenditure	-	(21)
Taxation charge	5,122	3,495
<hr/>		

4. Fixed Assets

	\$ Thousands					
	1999			1998		
	Cost/ Valuation	Accumulated Depreciation	Net Book Value	Cost/ Valuation	Accumulated Depreciation	Net Book Value
Pipelines, Compressors & Gate stations	98,908	2,827	96,081	100,963	3,316	97,647
Machinery & Equipment	2,313	1,353	960	4,741	3,215	1,526
Motor Vehicles	1,553	667	886	1,278	450	828
Freehold Land & Buildings	49	6	43	49	5	44
	102,823	4,853	97,970	107,031	6,986	100,045

Pipelines, compressors and gate stations were revalued using the optimised deprival valuation methodology as at 30 June 1997. The valuation 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 1999.

5. Deferred Expenditure

	\$Thousands	
	1999	1998
Balance as at 1 July 1998	1,376	1,351
Plus amounts capitalised		211
Less amounts amortised to expenses	(193)	(186)
	1,183	1,376

6. Notional Reserves

Gas Distribution is not a company and therefore has no share capital. Notional reserves are determined on the basis that Distribution is fully equity funded by Natural Gas Corporation of New Zealand Limited. Notional reserves therefore represent all funding provided to Distribution by the Natural Gas Corporation Group.

7. Deferred Income

	\$Thousands	
	1999	1998
Balance as at 1 July 1998	5,564	5,817
Plus amount received	-	63
Less amount amortised to earnings	(656)	(316)
	4,908	5,564

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 \$1.3 million (1998 \$4.3 million).

Operating Lease Commitments	\$ Thousands	
	1999	1998
Non cancellable operating lease rentals are payable as follows:		
Not later than one year	584	320
Between one and two years	530	268
Between two and five years	415	472
Later than five years	102	203
	1,631	1,263

9. Contingent Liabilities

There are no contingent liabilities, which would have a material adverse affect on the financial statements.

Natural Gas Corporation – Gas Distribution Activities
Statement of Performance Measures
For the year ended 30 June 1999
For the purposes of the Gas (Information Disclosure) Regulations 1997

	1999	1998
1. Financial Performance Measures		
Accounting Return on Total Assets	11.43%	10.14%
Accounting Return on Equity	9.07%	8.42%
Accounting Rate of Profit	7.03%	7.62%
<i>Measures Adjusted to include Profit on Sale of Network Assets (see Note 2)</i>		
Accounting Return on Total Assets	15.35%	10.14%
Accounting Return on Equity	12.00%	8.42%
Accounting Rate of Profit	10.95%	7.62%
2. Efficiency Performance Measures		
Direct Line Costs per Kilometre	\$1,854	\$1,731
Indirect Line Costs per Gas Customer	\$65	\$90
Total Costs per Kilometer	\$3,217	\$3,434
Total Costs per Customer	\$153	\$182
3. Energy Delivery Efficiency Performance Measures		
Load Factor	83.66%	78.12%
Unaccounted for Gas Ratio	0.01% gain	0.38% loss
4. Statistics		
System Length (km)	2,267	2,428
Maximum Monthly Amount of Gas Entering System	812.703 TJ	908.776TJ
Total Annual Amount of Gas Conveyed through System	8,192.334 TJ	8,518.965 TJ
Total Annual Amount of Gas Conveyed through System for persons not in a prescribed business relationship	75.120 TJ	2.788 TJ
Total Number of Customers	47,727	45,834
5. Reliability Performance Measures		
Unplanned Transmission System Interruptions (hours)	n.a.	n.a.
Unplanned Distribution System Interruptions not related to Transmission System Interruptions (hours/customer)	.00103	0.0211
Interruptions attributable to third party interference	.000356	0.0087
Unplanned Distribution System Interruptions related to Transmission System Interruptions (hours/customer)	0	0



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GAS DISTRIBUTION ACTIVITIES

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

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

- (c) 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
- (d) 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

Thomas William Blennerhassett

23 November 1999

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers
113-119 The Terrace
PO Box 243
Wellington, New Zealand
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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 23 November 1999 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.



PricewaterhouseCoopers
23 November 1999



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Natural Gas Corporation - Distribution

Certification of Performance Measures by Auditor

We 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 Natural Gas Corporation - Distribution and dated 23 November 1999 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.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers
23 November 1999

Natural Gas Corporation – Gas Retailing Activities
Statement of Financial Performance
For the Year Ended 30 June 1999
For the purposes of the Gas (Information Disclosure) Regulations 1997

		\$Thousands	
	Note	June 1999	June 1998
Revenue		144,512	140,628
Surplus before Taxation	2	3,342	7,769
Income Tax Expense	3	1,102	2,553
Net Surplus for the Year		2,240	5,216

Natural Gas Corporation – Gas Retailing Activities
Statement of Financial Position
As at 30 June 1999
For the purposes of the Gas (Information Disclosure) Regulations 1997

	Note	S Thousands	
		1999	1998
Fixed and Long Term Assets			
Fixed Assets	4	3,800	1,117
Goodwill		4,896	-
Deferred Expenditure	5	1,275	1,376
Total Non Current Assets		9,971	2,493
Current Assets			
Cash and Short Term Deposits		-	147
Trade Debtors		22,234	14,490
Current tax		199	-
Inventories – Consumable Spares		402	376
Total Current Assets		22,835	15,013
Total Assets		32,806	17,506
Equity			
Notional Reserves	6	18,684	5,979
Total Equity		18,684	5,979
Non Current Liabilities			
Deferred Taxation		1,088	473
Total Non Current Liabilities		1,088	473
Current Liabilities			
Bank Overdraft		273	-
Current tax		-	60
Accounts Payable and Accruals		12,761	10,994
Total Current Liabilities		13,034	11,054
Total Liabilities and Equity		32,806	17,506

**Natural Gas Corporation – Gas Retailing Activities
Notes to the Financial Statements
For the year ended 30 June 1999**

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, 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*

All fixed assets are included at cost less accumulated depreciation.

iii) *Current Assets*

Accounts receivable are valued at their estimated realisable value.

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average 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 ten 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.
- vii) **Goodwill**
 The excess of cost over the fair value of businesses acquired is recognised as goodwill and is amortised to the Statement of Financial Performance over periods of up to 20 years.
- viii) **Changes in Accounting Policies and Comparatives**
 There have been no changes in accounting policies. The presentation of certain comparatives has been restated to ensure consistency with current year disclosures.

2. Surplus before Taxation

	\$ Thousands	
	1999	1998
Surplus before Taxation is stated after charging:		
Audit fees and expenses	28	18
Fees for other services paid to the Auditors	25	2
Depreciation	441	421
Leasing Costs	413	247
Goodwill Amortisation	104	-

3. Income Tax

	\$ Thousands	
	1999	1998
The Income Tax Expense has been calculated as follows:		
Surplus before Taxation	3,342	7,769
Income Tax at 33%	1,102	2,564
Adjustments to taxation for:		
Non-deductible expenditure	-	(11)
Taxation charge in Statement of Financial Performance	1,102	2,553

4. Fixed Assets

	1999			1998		
	Cost/ Valuation	Accumulated Depreciation	Net Book Value	Cost/ Valuation	Accumulated Depreciation	Net Book Value
Machinery and Equipment	7,695	4,105	3,590	2,209	1,498	711
Motor Vehicles	332	142	190	596	210	386
Freehold Land and Buildings	22	2	20	22	2	20
	8,049	4,249	3,800	2,827	1,710	1,117

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 1999.

5. Deferred Expenditure

	\$ Thousands	
	1999	1998
Balance as at 1 July 1998	1,376	1,351
Plus amounts capitalised	92	211
Less amounts amortised to expenses	(193)	(186)
	1,275	1,376

6. Notional Reserves

Gas Retailing is not a company and therefore has no share capital. Notional Reserves are determined on the basis that Gas Retailing is fully equity funded by Natural Gas Corporation of New Zealand Limited. Notional Reserves therefore represent all funding provided to Gas Retailing by the Natural Gas Corporation Group.

7. Capital Commitments

Amounts committed but not recorded in these financial statements total \$ Nil (1998: \$ Nil).

Operating Lease Commitments	\$ Thousands	
	1999	1998
Non cancellable operating lease rentals are payable as follows:		
Not later than one year	260	174
Between one and two years	235	146
Between two and five years	185	257
Later than five years	45	111
	725	688

8. Contingent Liabilities

There are no contingent liabilities, which would have a material adverse affect on these financial statements.



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GAS RETAILING ACTIVITIES

CERTIFICATE OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, Richard John Bentley and Thomas William Blennerhassett, 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

Thomas William Blennerhassett

23 November 1999

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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 23 November 1999 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.

PricewaterhouseCoopers

PricewaterhouseCoopers
23 November 1999

Natural Gas Corporation – Gas Transmission Activities
Statement of Financial Performance
For the Year Ended 30 June 1999
For the purposes of the Gas (Information Disclosure) Regulations 1997

		\$Thousands	
	Note	1999	1998
Revenue		71,990	70,808
Surplus before Taxation	2	38,370	41,331
Income Tax Expense	3	13,915	14,779
Net Surplus for the Year		24,455	26,552

Natural Gas Corporation – Gas Transmission Activities
Statement of Financial Position
As at 30 June 1999
For the purposes of the Gas (Information Disclosure) Regulations 1997

		\$Thousands	
	Note	1999	1998
Fixed and Long Term Assets			
Fixed Assets	4	389,865	394,197
Deferred Expenditure	5	8,541	9,866
Total Non Current Assets		398,406	404,063
Current Assets			
Cash and Short Term Deposits		18	-
Accounts Receivable	6	9,254	9,607
Inventories – Consumable Spares		980	898
Total Current Assets		10,252	10,505
Total Assets		408,658	414,568
Equity			
Notional Reserves	7	348,850	352,272
Total Equity		348,850	352,272
Non Current Liabilities			
Deferred Income	8	3,619	5,529
Deferred Taxation		51,446	51,090
Total Non Current Liabilities		55,065	56,619
Current Liabilities			
Bank Overdraft		-	25
Accounts Payable and Accruals		3,650	4,574
Current Taxation		1,093	1,078
Total Current Liabilities		4,743	5,677
Total Liabilities and Equity		408,658	414,568

Natural Gas Corporation – Gas Transmission Activities
Notes to the Financial Statements
For the Year Ended 30 June 1999

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 receivable are valued at their estimated realisable value. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average 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.

vii) Deferred Expenditure

Deferred expenditure is expenditure, which provides benefits beyond the current accounting period and is written off over periods up to ten years. These expenditures relate to the connection of customers to the gas system.

viii) Changes in Accounting Policy and Comparatives

There have been no changes in accounting policies. The presentation of certain comparatives has been restated to ensure consistency with current year disclosures.

2. Surplus before Taxation

\$Thousands

1999 1998

Surplus before Taxation is stated after charging:		
Audit fees and expenses	30	30
Depreciation	13,268	12,559

3. Income Tax

\$Thousands

1999 1998

The Income Tax Expense has been calculated as follows:		
Surplus before Taxation	38,370	41,331
Income Tax at 33%	12,662	13,639
Adjustments to tax for:		
Non-deductible expenditure	1,253	1,140
Tax Charge	13,915	14,779

4. Fixed Assets

\$Thousands

1999

1998

	Cost/ Valuation	Accumulated Depreciation	Net Book Value	Cost/ Valuation	Accumulated Depreciation	Net Book Value
Pipelines, Compressors and Gate Stations	401,148	23,236	377,912	395,651	11,004	384,647
Machinery and Equipment	12,647	9,920	2,727	11,983	9,018	2,965
Motor Vehicles	1,849	873	976	1,807	1,052	755
Freehold Land and Buildings	3,903	573	3,330	3,794	573	3,221
Construction in Progress	4,920	-	4,920	2,609	-	2,609
	424,467	34,602	389,865	415,844	21,647	394,197

Pipelines, compressors and gate stations were revalued as at 30 June 1997 using the optimised deprival valuation methodology. The valuation 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 1999.

5. Deferred Expenditure

	\$Thousands	
	1999	1998
Balance as at 1 July 1998	9,866	-
Plus Amounts Capitalised	-	10,860
Less Amounts Amortised to Expenses	(1,325)	(994)
	8,541	9,866

6. Accounts Receivable

	\$Thousands	
	1999	1998
Trade Debtors	3,649	3,923
Prepayments and Sundry Receivables	5,605	5,684
	9,254	9,607

7. Notional Reserves

Gas Transmission is not a company and therefore has no share capital. Notional Reserves are determined on the basis that Gas Transmission is fully equity funded by Natural Gas Corporation of New Zealand Limited. Notional Reserves therefore represent all funding provided to Gas Transmission by the Natural Gas Corporation Group.

8. Deferred Income

	\$Thousands	
	1999	1998
Balance as at 1 July 1998	5,529	9,828
Other Movements	-	(2,390)
Less amount amortised to earnings	(1,910)	(1,909)
	3,619	5,529

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

9. Capital Commitments

Capital amounts committed but not recorded in these financial statements total \$2.99 million (1998, \$1.49 million).

10. Contingent Liabilities

There are no contingent liabilities, which would have a material adverse effect on these financial statements.

Natural Gas Corporation – Gas Transmission Activities
Statement of Performance Measures
For the year ended 30 June 1999
For the purposes of the Gas (Information Disclosure) Regulations 1997

	1999	1998
1. Financial Performance Measures		
Accounting Return on Total Assets	9.7%	10.6%
Accounting Return on Equity	7.0%	7.8%
Accounting Rate of Profit	6.7%	7.3%
2. Efficiency Performance Measures		
Direct Line Costs per kilometre	\$6,133	\$4,374
Indirect Line Costs per Gas Customer	\$589,083	\$673,545

3. Other Performance Measures and Statistics

3.1 Load factor

System	1999			1998		
	Gas Into System, a (GJ p.a.)	Max. Monthly Quantity, b (GJ/mth)	Load Factor, $\frac{a \times 100}{12 \times b}$	Gas Into System, a (GJ p.a.)	Max. Monthly Quantity, b (GJ/mth)	Load Factor, $\frac{a \times 100}{12 \times b}$
North & Central	27,565,731	2,519,007	91.2	22,687,600	2,262,940	83.6
Central (1)				8,765,941	825,083	88.5
Bay of Plenty	11,605,971	1,165,652	83.0	11,283,386	1,224,947	76.8
Frankley Rd – Kapuni	30,528,389	3,360,884	75.7	14,744,666	2,013,880	61.0
South	9,998,616	1,218,760	68.4	10,593,321	1,204,330	73.3

(1) For 1999, North and Central systems have been combined

3.2 Unaccounted for gas ratio

	1999			1998		
System	Unaccounted For Gas a (GJ p.a.)	Gas Into System b (GJ p.a.)	UFG % $\frac{a \times 100}{b}$	Unaccounted For Gas a (GJ p.a.)	Gas Into System b (GJ p.a.)	UFG % $\frac{a \times 100}{b}$
North & Central	(407,463)	27,565,731	(1.48)	(217,574)	22,687,600	(0.96)
Central (1)				(87,037)	8,765,941	(0.99)
Bay of Plenty	(180,121)	11,605,971	(1.55)	(116,384)	11,283,386	(1.04)
Frankley Rd – Kapuni	280,691	30,528,389	0.92	(159,773)	14,744,666	(1.08)
South	(115,148)	9,998,616	(1.15)	(156,420)	10,593,321	(1.48)

(1) For 1999, North and Central systems have been combined

NB: UFG = Receipts + (Initial Linepack - Final Linepack) - Deliveries - Gas Used in Transmission.

3.3 Statistics

System	1999				1998			
	Length (km)	Gas Into System (GJ p.a.)	Max. Monthly Quantity (GJ/mth)	Non-NGC Gas Conveyed (GJ p.a.)	Length (km)	Gas Into System, (GJ p.a.)	Max. Monthly Quantity, (GJ/mth)	Non-NGC, Gas Conveyed (GJ p.a.)
North & Central	811.7	27,565,731	2,519,007		425.7	22,687,600	2,262,940	17,187,703
Central	0				384.3	8,765,941	825,083	1,306,673
Bay of Plenty	594.8	11,605,971	1,165,652		594.8	11,283,386	1,224,947	-
Frankley Rd - Kapuni	62.4	30,528,389	3,360,884		72.1	14,744,666	2,013,880	6,519,971
South	697.4	9,998,616	1,218,760		697.4	10,593,321	1,204,330	2,703,337
Total	2166.3	52,132,976		45,618,141	2174.3	68,074,914		27,717,684

	1999	1998
Number of transmission customers	12	11
Unplanned interruptions in transmission systems (Number of unplanned interruptions)	1	3



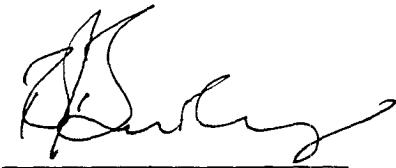
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GAS TRANSMISSION ACTIVITIES

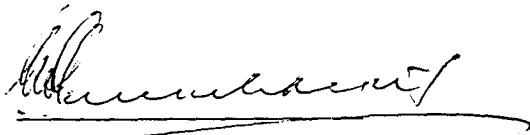
CERTIFICATE OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, Richard John Bentley and Thomas William Blennerhasset, 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



Thomas William Blennerhasset

23 November 1999



PricewaterhouseCoopers
113-119 The Terrace
PO Box 243
Wellington, New Zealand
Telephone +64 4 462 7000
Facsimile +64 4 462 7001

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 23 November 1999 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.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers
23 November 1999



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Natural Gas Corporation - Transmission

Certification of Performance Measures by Auditor

We 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 Natural Gas Corporation - Transmission and dated 23 November 1999 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.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers
23 November 1999

Natural Gas Corporation – Gas Wholesaling Activities
Statement of Financial Performance
For the Year Ended 30 June 1999
For the purposes of the Gas (Information Disclosure) Regulations 1997

		\$Thousands	
	Note	1999	1998
Gas Sales		125,438	192,672
Surplus before Taxation		26,236	43,821
Income Tax Expense	2	8,658	14,461
Net Surplus for the Year		17,578	29,360

Natural Gas Corporation – Gas Wholesaling Activities**Statement of Financial Position****As at 30 June 1999****For the purposes of the Gas (Information Disclosure) Regulations 1997**

\$Thousands

	Note	1999	1998
Non Current Assets			
Gas Entitlements	3	194,174	182,833
Future Tax Benefit		663	2,411
Total Non Current Assets		194,837	185,244
Current Assets			
Cash at bank		1	95
Accounts Receivable	4	8,350	14,178
Current tax		1,914	-
Inventories – trading stock		616	738
Total Current Assets		10,881	15,011
Total Assets		205,718	200,255
Equity			
Notional Reserves	5	176,043	162,359
Total Equity		176,043	162,359
Current Liabilities			
Accounts Payable and Accruals	6	29,675	34,993
Current taxation		-	2,903
Total Current Liabilities		29,675	37,896
Total Liabilities and Equity		205,718	200,255

**Natural Gas Corporation – Gas Wholesaling Activities
Notes to the Financial Statements
For the Year Ended 30 June 1999**

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 receivable are valued at their estimated realisable value.

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average 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.

v) Changes in Accounting Policy and Comparatives

There have been no changes in accounting policies. The presentation of certain comparatives has been restated to ensure consistency with current year disclosures.

2. Income Tax

	\$Thousands	
	1999	1998
The Income Tax Expense has been calculated as follows:		
Surplus before Taxation	26,236	43,821
Income Tax at 33%	8,658	14,461

3. Gas Entitlements

	\$Thousands	
	1999	1998
Advance Paid and Prepaid Gas Entitlements	194,174	182,833

NGC's entitlements to gas are:

NGC has Take or Pay Gas Contracts with the Crown, whereby it has committed to purchase gas in annual contract quantities. The remaining commitments from 1 July 1999 to 30 September 2009 are 244 petajoules (1998, 272 petajoules).

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. At the same time NGC obtained access to an additional 94.1 petajoules of gas paid for but not taken by the Crown under its contract with Maui Mining Companies.

The 262.5 petajoules and the 94.1 petajoules were purchased for a single payment of \$235 million. As at 30 June 1999 NGC had 135 petajoules (1998, 148 petajoules) of the Advance Paid Gas remaining.

NGC has entered into an agreement with Fletcher Challenge Limited, whereby Fletcher Challenge Limited 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.

In 1992 NGC sold its entitlements to 79.8 petajoules of the 94.1 petajoules referred to above to Fletcher Challenge Limited 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 Limited will transfer back at no cost to NGC, the gas entitlements equivalent to the amount by which NGC's annual contract quantities are reduced up to a maximum of 79.8 petajoules.

NGC has an option with Fletcher Challenge Limited to purchase up to 65 petajoules of gas. NGC must give notice that it intends to exercise this option by 1 April 2000.

4. Accounts Receivable

	\$Thousands	
	1999	1998
Trade Debtors	2,627	10,159
Prepayments and Sundry Receivables	233	456
Amounts Owing from NGC Group Companies	5,490	3,563
	8,350	14,178

5. Notional Reserves

Gas Wholesaling is not a company and therefore has no share capital. Notional Reserves are determined on the basis that Gas Wholesaling is fully equity funded by Natural Gas Corporation of New Zealand Limited. Notional Reserves therefore represent all funding provided to Gas Wholesaling by the Natural Gas Corporation Group.

6. Accounts Payable and Accruals

	\$Thousands	
	1999	1998
Accounts Payable and Accrued Expenses	17,610	19,813
Amounts Owing to Other Natural Gas Corporation Group Companies	4,178	5,288
Utilities Accrued Take or Pay Liability	7,887	9,892
	29,675	34,993

7. Capital Commitments

Amounts committed but not recorded in these financial statements total \$nil (1998, \$ nil).

8. Contingent Liabilities

NGC has transferred 25 petajoules of prepaid Maui gas to Methanex, which must be uplifted by 2006. In the unlikely event that the Crown is unable to deliver these gas entitlements to Methanex, because of the failure of the Maui field, NGC must make its best endeavor to deliver gas or refund part or all of the monies to Methanex.

There are no other contingent liabilities, which would have a material adverse effect on these financial statements.

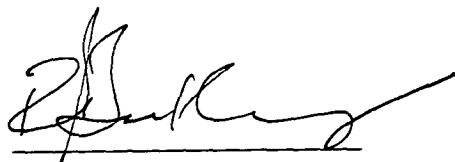


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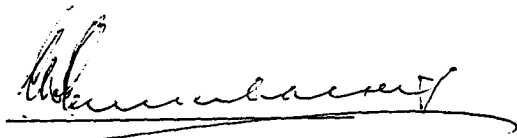
GAS WHOLESALING ACTIVITIES

CERTIFICATE OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, Richard John Bentley and Thomas William Blennerhassett, 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



Thomas William Blennerhassett

23 November 1999

PRICEWATERHOUSECOOPERS 

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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 23 November 1999 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.

PricewaterhouseCoopers

PricewaterhouseCoopers
23 November 1999



