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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 2001**

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 2001
For the purposes of the Gas (Information Disclosure) Regulations 1997

| | | \$Thousands | |
|---------------------------------|-------------|----------------------|----------------------|
| | Note | June 2001 | June 2000 |
| Revenue | | 36,915 | 35,529 |
| Abnormal Items | 2 | 7,652 | 4,235 |
| Expenses | 2 | (17,129) | (20,910) |
| Surplus before Taxation | 2 | 27,438 | 18,854 |
| Income Tax Expense | 3 | (6,889) | (6,080) |
| Net Surplus for the Year | | 20,549 | 12,774 |

Natural Gas Corporation – Gas Distribution Activities
Statement of Financial Position
As at 30 June 2001
For the purposes of the Gas (Information Disclosure) Regulations 1997

| | | \$Thousands | |
|--------------------------------------|------|----------------|----------------|
| | Note | 2001 | 2000 |
| Fixed and Long Term Assets | | | |
| Fixed Assets | 4 | 213,810 | 221,252 |
| Deferred Expenditure | 5 | 902 | 1,118 |
| Total Non Current Assets | | 214,712 | 222,370 |
| Current Assets | | | |
| Cash and Short Term Deposits | | 16,461 | 498 |
| Accounts Receivable | | 6,374 | 5,011 |
| Current tax | | - | 2,820 |
| Inventories – Consumable Spares | | 371 | 438 |
| Total Current Assets | | 23,206 | 8,767 |
| Total Assets | | 237,918 | 231,137 |
| Equity | | | |
| Notional Reserves | 6 | 122,375 | 107,880 |
| Total Equity | | 122,375 | 107,880 |
| Non Current Liabilities | | | |
| Related Party Advance | 7 | 83,069 | 101,436 |
| Deferred Income | 8 | 12 | 17 |
| Deferred Taxation | | 20,707 | 17,665 |
| Total Non Current Liabilities | | 103,788 | 119,118 |
| Current Liabilities | | | |
| Current Tax | | 5,949 | - |
| Accounts Payable and Accruals | | 5,806 | 4,139 |
| Total Current Liabilities | | 11,755 | 4,139 |
| Total Liabilities and Equity | | 237,918 | 231,137 |

Natural Gas Corporation – Gas Distribution Activities
Notes to the Financial Statements
For the year ended 30 June 2001

1. Statement of Accounting Policies

a) Accounting Entity

The financial statements are presented by Natural Gas Corporation of New Zealand Limited (NGCNZ). They represent the aggregated Gas Distribution Activities of NGCNZ and AGL NZ Energy Limited (AGLNZE). AGLNZE is a subsidiary of the Australian Gas Light Company (AGL). NGCNZ is an indirect subsidiary of AGL and the two entities are therefore in a prescribed relationship, as defined in the Gas (Information Disclosure) Regulations 1997.

As required by the Regulations, these financial statements represent the aggregated Gas Distribution Activities of NGCNZ and AGLNZE. They have been compiled by aggregating the balances of each entity on a line by line basis for the period from 1 July 2000 to 30 June 2001, being the period in which a prescribed relationship has existed.

b) 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.

c) 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) Intangible Assets

The identifiable intangible asset recognises the purchase price for the gas network acquired over and above the certified ODV valuation.

The identifiable intangible assets are amortised over the expected average remaining life of the network assets of 42 years, on a straight-line basis.

iv) 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 weighted average basis. All other current assets are valued at their estimated realisable value.

v) 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 | Motor Vehicles | 5 years |
| Meters and Stations | 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.

vi) 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.

vii) 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.

viii) 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.

ix) 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 | |
|---|---------------------|-------------|
| | 2001 | 2000 |
| Surplus before Taxation is stated after charging/(crediting): | | |
| Audit fees and expenses | 11 | 35 |
| Depreciation | 5,776 | 6,025 |
| Amortisation | 1,403 | 1,267 |
| Leasing Costs | 635 | 223 |
| Abnormal Items: | | |
| Deferred Income | - | (4,235) |
| Profit on Sale of Metering Assets | (7,652) | - |

3. Income Tax

| | \$ Thousands | |
|--|---------------------|--------------|
| | 2001 | 2000 |
| The Income Tax Expense has been calculated as follows: | | |
| Surplus before Taxation | 27,438 | 18,854 |
| Income Tax at 33% | 9,054 | 6,222 |
| Adjusted for: | | |
| Permanent Differences | (2,182) | (37) |
| Prior Period Adjustments | 17 | (105) |
| | 6,889 | 6,080 |

4. Fixed Assets

| | \$Thousands | | | \$ Thousands | | |
|--|--------------------|-----------------------------|-------------------|--------------------|-----------------------------|----------------------|
| | | 2001 | | | 2000 | |
| | Cost/ Valuation | Accumulated Depreciation | Net Book Value | Cost/ Valuation | Accumulated Depreciation | Net Book Value |
| Pipeline Compressors & Gas Stations | 165,438 | 5,441 | 159,997 | 167,144 | 2,211 | 164,933 |
| Machinery, Equipment & vehicles | 6,537 | 4,540 | 1,997 | 5,056 | 2,526 | 2,530 |
| Identifiable Intangible | 53,315 | 2,987 | 50,328 | 53,315 | 1,584 | 51,731 |
| Work in Progress | 346 | - | 346 | 925 | - | 925 |
| Freehold Land & Buildings | 1,151 | 9 | 1,142 | 1,141 | 8 | 1,133 |
| | 226,787 | 12,977 | 213,810 | 227,581 | 6,329 | 221,252 |

Pipelines, compressors and gate stations were revalued using the optimised deprival valuation methodology as at 30 June 2000. The valuation was reviewed and certified by Cap Gemini 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 2001.

5. Deferred Expenditure

| | \$Thousands | |
|------------------------------------|-------------|--------------|
| | 2001 | 2000 |
| Balance as at 1 July | 1,118 | 1,183 |
| Plus amounts capitalised | - | 151 |
| Less amounts amortised to expenses | (216) | (216) |
| | 902 | 1,118 |

6. Notional Reserves

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

7. Related Party Transactions

The related party advance is an advance to AGLNZE from AGL NZ Limited. The balance has no fixed repayment term, is unsecured and bears no interest. Subsequent to year end, the loan was repaid.

Gas transportation charges were paid by On energy Limited, a subsidiary of Natural Gas Corporation Holdings Limited.

8. Deferred Income

| | \$Thousands | |
|-----------------------------------|-------------|-----------|
| | 2001 | 2000 |
| Balance as at 1 July | 17 | 4,908 |
| Less amount amortised to earnings | (5) | (4,891) |
| | 12 | 17 |

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

9. Capital Commitments

Amounts committed but not recorded in these financial statements total \$0.9 million (2000 \$0.9 million).

| Operating Lease Commitments | \$ Thousands | |
|---|--------------|------------|
| | 2001 | 2000 |
| Non cancellable operating lease rentals are payable as follows: | | |
| Not later than one year | 166 | 276 |
| Between one and two years | 133 | 220 |
| Between two and five years | 159 | 298 |
| Later than five years | - | 159 |
| | 458 | 953 |

9. Contingent Liabilities

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

10. Subsequent Events

On 25 July 2001, subsequent to the year end, AGLNZE sold its network assets, and the proceeds were used to repay the related party advance (Note 7).

Natural Gas Corporation – Gas Distribution Activities
Statement of Performance Measures
For the year ended 30 June 2001
For the purposes of the Gas (Information Disclosure) Regulations 1997

| | 2001 | 2000 | 1999 | 1998 | 1997 |
|--|----------------|----------------|-------------|----------|-------------|
| | NGC/ AGLNZE | NGC/ AGLNZE | NGC Only | NGC Only | NGC Only |
| 1. Financial Performance Measures | | | | | |
| a) Measures including abnormal items and earnings adjustments | | | | | |
| Accounting Return on Total Assets | 16.27% | 14.44% | 15.35% | 10.14% | 10.3% |
| Accounting Return on Equity | 33.56% | 39.24% | 12.00% | 8.42% | 8.6% |
| Accounting Rate of Profit | 15.70% | 17.83% | 10.95% | 7.62% | 6.7% |
| b) The accounting rate of profit for 2000 includes a revaluation increase of \$9.9 million in respect of the NGC network. Excluding this amount, the accounting rate of profit would be reduced from 17.83% to 11.68% in 2000. | | | | | |
| c) The above ratios are calculated inclusive of abnormal item relating to the profit on sale of meters which are included as part of distribution activities, which amounted to \$7.3 million net of tax (abnormal items in 2000: \$2.8 million). In addition, they are calculated after adding back to earnings, the amortisation of identifiable intangible asset (pre-tax \$1.4 million), and ODV write-downs through earnings of AGL NZE and after deducting from funds employed and shareholders funds the value of the identifiable intangible asset of AGL NZE (\$50 million). | | | | | |
| d) Measures Adjusted to exclude abnormal items (see Note 1.2 to the financial statements) | | | | | |
| Accounting Return on Total Assets | 11.89% | 11.91% | 11.43% | 10.14% | 10.3% |
| Accounting Return on Equity | 23.50% | 33.08% | 9.07% | 8.42% | 8.6% |
| Accounting Rate of Profit | 11.56% | 15.22% | 7.03% | 7.62% | 6.7% |
| e) Measures Adjusted to exclude abnormal items and earnings adjustments described above | | | | | |
| Accounting Return on Total Assets | 8.77% | 6.66% | 11.43% | 10.14% | 10.3% |
| Accounting Return on Equity | 11.88% | 10.10% | 9.07% | 8.42% | 8.6% |
| Accounting Rate of Profit | 8.47% | 9.04% | 7.03% | 7.62% | 6.7% |
| 2. Efficiency Performance Measures | | | | | |
| Direct Line Costs per Kilometre | \$1,100 | \$1,345 | \$1,854 | \$1,731 | \$1,444 |
| Indirect Line Costs per Gas Customer | \$71 | \$64 | \$65 | \$90 | \$132 |

| NGC ONLY | 2001 | 2000 | 1999 | 1998 | 1997 |
|---|------------|------------|------------|------------|------------|
| 3. Energy Delivery Efficiency Performance Measures | | | | | |
| Load Factor | 69.22% | 85.33% | 83.66% | 78.12% | 85.75% |
| Unaccounted for Gas Ratio | 0.31% Loss | 0.31% Loss | 0.01% gain | 0.38% loss | 0.08% gain |
| 4. Statistics | | | | | |
| System Length (km) | 2,533 | 2,479 | 2,267 | 2,428 | 2,338 |
| Maximum Monthly Amount of Gas Entering System (GJ) | 1,223,573 | 856,362 | 812,703 | 908,776 | 879,772 |
| Total Annual Amount of Gas Conveyed through System (GJ) | 10,163,878 | 8,769,123 | 8,192,334 | 8,518,965 | 9,052,762 |
| Total Annual Amount of Gas Conveyed through System for persons not in a prescribed business relationship (GJ) | 173,197 | 805,395 | 75,120 | 2,788,000 | 0 |
| Total Number of Customers | 50,452 | 48,270 | 47,727 | 45,834 | 43,342 |
| 5. Reliability Performance Measures | | | | | |
| Unplanned Transmission System Interruptions (hours) | n.a | n.a | n.a. | n.a. | n.a. |
| Unplanned Distribution System Interruptions not related to Transmission System Interruptions (hours/customer) | .0086 | .4564 | .00103 | 0.0211 | 0.0268 |
| Interruptions attributable to third party interference | .0084 | .01679 | .000356 | 0.0087 | 0.0228 |
| Unplanned Distribution System Interruptions related to Transmission System Interruptions (hours/customer) | 0 | .7513 | 0 | 0 | 0 |


| AGL NZE ONLY | 2001 | 2000 | 1999 |
|---|--------------|--------------|------------|
| 3. Energy Delivery Efficiency Performance Measures | | | |
| Load Factor | 64.98 | 65.23% | 79.39% |
| Unaccounted for Gas Ratio | 2.8% gain | 0.5% loss | 0.5% loss |
| 4. Statistics | | | |
| System Length (km) | 1,162 | 1,030 | 954 |
| Maximum Monthly Amount of Gas Entering System | 239,608 GJ | 240,099 GJ | 214,139 GJ |
| Total Annual Amount of Gas Conveyed through System | 1,868,405 GJ | 1,879,423 GJ | 510,044 GJ |

| AGL NZE ONLY | 2001 | 2000 | 1999 |
|---|-------------|--------------|-------------|
| Total Annual Amount of Gas Conveyed through System for persons not in a prescribed business relationship | 310,560 GJ | 1,367,372 GJ | Nil |
| Total Number of Customers | 28,347 | 27,068 | 26,697 |
| 5. Reliability Performance Measures | | | |
| Unplanned Transmission System Interruptions (hours) | n.a. | n.a. | n.a. |
| Unplanned Distribution System Interruptions not related to Transmission System Interruptions (hours/customer) | Nil | Nil | Nil |
| Interruptions attributable to third party interference | 0.1428 | 0.1219 | Nil |
| Unplanned Distribution System Interruptions related to Transmission System Interruptions (hours/customer) | Nil | Nil | Nil |

GAS DISTRIBUTION ACTIVITIES**CERTIFICATE OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY DIRECTORS OF THE CORPORATION**

We, Richard John Bentley and Gregory John Walton Martin, 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



Gregory John Walton Martin

23 November 2001



PricewaterhouseCoopers
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Telephone +64 4 462 7000
Facsimile +64 4 462 7001

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 2001 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 2001



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 - Distribution

We have examined the attached financial statements prepared by Natural Gas Corporation - Distribution and dated 23 November 2001 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 2001

Natural Gas Corporation – Gas Retailing Activities
Statement of Financial Performance
For the year ended 30 June 2001
For the purposes of the Gas (Information Disclosure) Regulations 1997

| | | \$Thousands | |
|---------------------------------|-------------|----------------------|----------------------|
| | Note | June 2001 | June 2000 |
| Gas Sales | | 242,244 | 182,178 |
| Expenses | | (231,207) | (180,554) |
| Surplus before Taxation | 2 | 11,037 | 1,624 |
| Income Tax Expense | 3 | (3,731) | (536) |
| Net Surplus for the Year | | 7,306 | 1,088 |

Natural Gas Corporation – Gas Retailing Activities
Statement of Financial Position
As at 30 June 2001
For the purposes of the Gas (Information Disclosure) Regulations 1997

| | Note | \$Thousands | |
|--------------------------------------|------|---------------|---------------|
| | | 2001 | 2000 |
| Fixed and Long Term Assets | | | |
| Fixed Assets | 4 | 4,384 | 5,644 |
| Goodwill | | 4,396 | 4,646 |
| Deferred Expenditure | 5 | 902 | 1,118 |
| Total Non Current Assets | | 9,682 | 11,408 |
| Current Assets | | | |
| Trade Debtors | | 31,687 | 35,617 |
| Current Tax | | 7,803 | 69 |
| Inventories – Consumable Spares | | 5 | 419 |
| Total Current Assets | | 39,495 | 36,105 |
| Total Assets | | 49,177 | 47,513 |
| Equity | | | |
| Notional Reserves | 6 | 24,193 | 26,121 |
| Total Equity | | 24,193 | 26,121 |
| Non Current Liabilities | | | |
| Deferred Taxation | | 739 | 1,972 |
| Total Non Current Liabilities | | 739 | 1,972 |
| Current Liabilities | | | |
| Bank Overdraft | | 2,495 | 891 |
| Accounts Payable and Accruals | | 21,705 | 18,529 |
| Total Current Liabilities | | 24,245 | 19,420 |
| Total Liabilities and Equity | | 49,177 | 47,513 |

Natural Gas Corporation – Gas Retailing Activities
Notes to the Financial Statements
For the year ended 30 June 2001

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 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 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 |
| Motor Vehicles | 5 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*

There have been no changes in accounting policies.

2. Surplus before Taxation

| | \$ Thousands | |
|---|--------------|-------|
| | 2001 | 2000 |
| Surplus before Taxation is stated after charging: | | |
| Audit fees and expenses | 28 | 28 |
| Fees for other services paid to the Auditors | - | 25 |
| Depreciation | 1,584 | 1,578 |
| Leasing Costs | 394 | 192 |
| Goodwill Amortisation | 250 | 250 |

3. Taxation

| | \$ Thousands | |
|--|--------------|-------|
| | 2001 | 2000 |
| The Income Tax Expense has been calculated as follows: | | |
| Surplus before Taxation | 11,037 | 1,624 |
| Income Tax at 33% | 3,642 | 536 |
| Adjustments to tax for: | | |
| Non-deductible expenditure | 89 | - |
| Tax Charge | 3,731 | 536 |

4. Fixed Assets

| | \$Thousands | | | \$ Thousands | | |
|----------------|--------------------|-----------------------------|-------------------|--------------------|-----------------------------|----------------------|
| | 2001 | | | 2000 | | |
| | Cost/ Valuation | Accumulated Depreciation | Net Book Value | Cost/ Valuation | Accumulated Depreciation | Net Book Value |
| Equipment | 9,213 | 5,123 | 4,090 | 9,684 | 4,977 | 4,707 |
| Motor Vehicles | 528 | 234 | 294 | 1,707 | 770 | 937 |
| | 9,741 | 5,357 | 4,384 | 11,391 | 5,747 | 5,644 |

5. Deferred Expenditure

| | \$ Thousands | |
|------------------------------------|---------------------|--------------|
| | 2001 | 2000 |
| Balance as at 1 July | 1,118 | 1,275 |
| Plus amount capitalised | - | 59 |
| Less amounts amortised to expenses | (216) | (216) |
| | 902 | 1,118 |

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 (2000: \$Nil).

Operating Lease Commitments

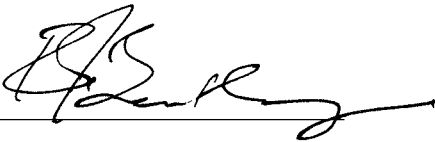
| | \$ Thousands | |
|--|---------------------|-------------|
| | 2001 | 2000 |
| Non cancelable operating lease rentals are payable as follows: | | |
| Not later than one year | 321 | 402 |
| Between one and two years | 81 | 7 |
| Between two and five years | 7 | - |
| Later than five years | - | - |
| | 409 | 409 |

8. Contingent Liabilities

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

GAS RETAILING ACTIVITIES**CERTIFICATE OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION**

We, Richard John Bentley and Gregory John Walton Martin, 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



Gregory John Walton Martin

23 November 2001



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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 2001 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 2001

Natural Gas Corporation – Gas Transmission Activities
Statement of Financial Performance
For the year ended 30 June 2001
For the purposes of the Gas (Information Disclosure) Regulations 1997

| | | \$Thousands | |
|---------------------------------|-------------|----------------------|----------------------|
| | Note | June 2001 | June 2000 |
| Revenue | | 74,967 | 76,247 |
| Expenses | | (31,134) | (29,366) |
| Surplus before Taxation | 2 | 43,833 | 46,881 |
| Income Tax Expense | 3 | (15,646) | (16,642) |
| Net Surplus for the Year | | 28,187 | 30,239 |

Natural Gas Corporation – Gas Transmission Activities
Statement of Financial Position
As at 30 June 2001
For the purposes of the Gas (Information Disclosure) Regulations 1997

| | | \$Thousands | |
|--------------------------------------|------|----------------|----------------|
| | Note | 2001 | 2000 |
| Fixed and Long Term Assets | | | |
| Fixed Assets | 4 | 379,586 | 387,154 |
| Deferred Expenditure | 5 | 6,369 | 7,455 |
| Total Non Current Assets | | 385,955 | 394,609 |
| Current Assets | | | |
| Bank | | 21 | - |
| Accounts Receivable | 6 | 8,631 | 9,226 |
| Inventories – Consumable Spares | | 969 | 1,168 |
| Current Taxation | | 2,028 | 37 |
| Total Current Assets | | 11,649 | 10,431 |
| Total Assets | | 397,604 | 405,040 |
| Equity | | | |
| Notional Reserves | 7 | 336,194 | 345,072 |
| Total Equity | | 336,194 | 345,072 |
| Non Current Liabilities | | | |
| Deferred Income | 8 | - | 1,307 |
| Deferred Taxation | | 54,650 | 53,562 |
| Total Non Current Liabilities | | 54,650 | 54,869 |
| Current Liabilities | | | |
| Bank Overdraft | | - | 6 |
| Accounts Payable and Accruals | | 6,760 | 5,093 |
| Total Current Liabilities | | 6,760 | 5,099 |
| Total Liabilities and Equity | | 397,604 | 405,040 |

Natural Gas Corporation – Gas Transmission Activities
Notes to the Financial Statements
For the year ended 30 June 2001

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.

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 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 | 65 years | Plant and Equipment | 5-15 years |
| Compressors and Gate Stations | 35-45 years | Capital Spares | 5-15 years |
| Buildings | 40-100 years | Motor Vehicles | 5 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 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**

| | \$Thousands | |
|---|-------------|-------|
| | 2001 | 2000 |
| Surplus before Taxation is stated after charging: | | |
| Audit fees and expenses | 30 | 30 |
| Depreciation | 9,775 | 9,817 |

3. Income Tax

| | \$Thousands | |
|--|---------------|---------------|
| | 2001 | 2000 |
| The Income Tax Expense has been calculated as follows: | | |
| Surplus before Taxation | 43,833 | 46,881 |
| Income Tax at 33% | 14,465 | 15,471 |
| Adjustments to tax for: | | |
| Non-deductible expenditure | 1,181 | 1,171 |
| Tax Charge | 15,646 | 16,642 |

4. Fixed Assets

| | \$Thousands | | | | | |
|--|--------------------|-----------------------------|----------------------|--------------------|-----------------------------|----------------------|
| | 2001 | | | 2000 | | |
| | Cost/ Valuation | Accumulated Depreciation | Net Book Value | Cost/ Valuation | Accumulated Depreciation | Net Book Value |
| Pipelines, Compressors and Gate Stations | 377,680 | 8,581 | 369,099 | 376,905 | - | 376,905 |
| Machinery and Equipment | 14,017 | 11,298 | 2,719 | 13,347 | 10,658 | 2,689 |
| Motor Vehicles | 1,841 | 1,023 | 818 | 1,850 | 904 | 946 |
| Freehold Land and Buildings | 4,155 | 747 | 3,408 | 4,102 | 697 | 3,405 |
| Construction in Progress | 3,542 | - | 3,542 | 3,209 | - | 3,209 |
| | 401,235 | 21,649 | 379,586 | 399,413 | 12,259 | 387,154 |

Pipelines, compressors and gate stations were revalued as at 30 June 2000 using the optimised deprival valuation methodology. The valuation was reviewed and certified by Cap Gemini 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 2001.

5. Deferred Expenditure

| | \$Thousands | |
|------------------------------------|--------------|--------------|
| | 2001 | 2000 |
| Balance as at 1 July | 7,455 | 8,541 |
| Less Amounts Amortised to Expenses | (1,086) | (1,086) |
| | 6,369 | 7,455 |

6. Accounts Receivable

| | \$Thousands | |
|------------------------------------|--------------------|--------------|
| | 2001 | 2000 |
| Trade Debtors | 4,766 | 3,964 |
| Prepayments and Sundry Receivables | 3,865 | 5,262 |
| | 8,631 | 9,226 |

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 | |
|-----------------------------------|--------------------|--------------|
| | 2001 | 2000 |
| Balance as at 1 July | 1,307 | 3,619 |
| Less amount amortised to earnings | (1,307) | (2,312) |
| | - | 1,307 |

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 \$0.93 million (2000, \$1.88 million).

| | \$ Thousands | |
|---|---------------------|-------------|
| Operating Lease Commitments | 2001 | 2000 |
| Non cancellable operating lease rentals are payable as follows: | | |
| Not later than one year | 74 | 80 |
| Between one and two years | 50 | 77 |
| Between two and five years | 116 | 150 |
| Later than five years | - | 53 |
| | 240 | 360 |

10. Contingent Liabilities

There are no contingent liabilities, which would have a material adverse effect on these financial statements (2000, Nil).

Natural Gas Corporation – Gas Transmission Activities
Statement of Performance Measures
For the year ended 30 June 2001
For the purposes of the Gas (Information Disclosure) Regulations 1997

| | 2001 | 2000 | 1999 | 1998 |
|---|-----------|-----------|-----------|-----------|
| 1. Financial Performance Measures | | | | |
| Accounting Return on Total Assets | 11.3% | 11.9% | 9.7% | 10.6% |
| Accounting Return on Equity | 8.3% | 8.7% | 7.0% | 7.8% |
| Accounting Rate of Profit | 7.2% | 8.4% | 6.7% | 7.3% |
| 2. Efficiency Performance Measures | | | | |
| Direct Line Costs per Kilometre | \$5,023 | \$5,114 | \$6,133 | \$4,374 |
| Indirect Line Costs per Gas Customer | \$941,611 | \$929,333 | \$589,083 | \$675,545 |

3. Other Performance Measures and Statistics

3.1 Load factor

| System | 2001 | | | 2000 | | |
|---------------|------------------------------|-------------------------------------|---|------------------------------|-------------------------------------|---|
| | Gas Into System, a (GJ p.a.) | Max. Monthly Quantity, b (GJ/month) | Load Factor, $\frac{a \times 100}{12 \times b}$ | Gas Into System, a (GJ p.a.) | Max. Monthly Quantity, b (GJ/month) | Load Factor, $\frac{a \times 100}{12 \times b}$ |
| North | 42,993,206 | 4,804,021 | 74.6 | 41,869,514 | 4,842,133 | 72.1 |
| Central | 12,854,659 | 1,374,735 | 77.9 | 9,318,902 | 1,110,835 | 69.9 |
| Bay of Plenty | 11,840,281 | 1,128,152 | 87.5 | 11,852,566 | 1,204,496 | 82.0 |
| Frankley Rd - | 26,454,929 | 2,712,470 | 81.3 | 25,934,596 | 2,946,459 | 73.3 |
| South | 12,014,451 | 1,295,145 | 77.3 | 10,862,614 | 1,212,350 | 74.7 |

NB: Gas entering the North System includes some of the gas into Central System.
 Gas entering the Central System includes some of the gas into the Bay of Plenty System.
 Gas entering the Frankley Rd – Kapuni System includes some of the gas into the South System.
 No statistics are shown for North and Central for 1999 as these two areas were combined in that year.

| System | 1999 | | | 1998 | | |
|----------------------|---------------------------------|--|--|---------------------------------|--|--|
| | Gas Into System, A (GJ p.a.) | Max. Monthly Quantity, B (GJ/month) | Load Factor, $\frac{a \times 100}{12 \times b}$ | Gas Into System, a (GJ p.a.) | Max. Monthly Quantity, b (GJ/month) | 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 |
| North | | | | | | |
| Central | | | | 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 |

3.2 Unaccounted-for gas ratio

| System | 2001 | | | 2000 | | |
|----------------------|------------------------------------|--------------------------------|-----------------------------------|------------------------------------|--------------------------------|-----------------------------------|
| | 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 | (353,277) | 42,993,206 | (0.82) | (288,671) | 41,869,514 | (0.69) |
| Central | 236,736 | 12,854,659 | 1.84 | 323,637 | 9,318,902 | 3.47 |
| Bay of Plenty | 21,224 | 11,840,281 | 0.18 | 32,853 | 11,852,566 | 0.28 |
| Frankley Rd – Kapuni | 115,901 | 26,454,929 | 0.44 | (251,633) | 25,934,596 | (0.97) |
| South | 229,681 | 12,014,451 | 1.91 | 144,283 | 10,862,614 | 1.33 |

NB: UFG = Receipts + (Initial Linepack - Final Linepack) - Deliveries - Gas Used in Transmission. Positive UFG represents a “loss”, negative UFG a “gain”.

The unexpectedly high UFG figure for the Central System is believed to be due to problems with check metering, particularly at the new interconnection to the Bay of Plenty System, rather than with custody-transfer metering. Under measurement may also have contributed to the Bay of Plenty UFG appearing so favourable.

No statistics are shown for North and Central for 1999 as these two areas were combined in that year

| System | 1999 | | | 1998 | | |
|----------------------|------------------------------------|--------------------------------|-----------------------------------|------------------------------------|--------------------------------|-----------------------------------|
| | 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) |
| North | | | | | | |
| Central | | | | (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) |

3.3 Statistics

| System | 2001 | | | Gas Conveyed Other than For NGC (GJ p.a.) | 2000 | | | |
|----------------------|----------------|--|------------------------------|---|----------------|--|------------------------------|---|
| | Length (km) | Max. Monthly Quantity Entering the System (GJ/month) | Total Gas Conveyed (GJ p.a.) | | Length (km) | Max. Monthly Quantity Entering the System (GJ/month) | Total Gas Conveyed (GJ p.a.) | Gas Conveyed Other than For NGC (GJ p.a.) |
| North & Central | | | | | | | | |
| North | 426.5 | 4,804,021 | 42,988,549 | | 426.5 | 4,842,133 | 41,850,642 | |
| Central | 384.2 | 1,374,735 | 12,597,248 | | 384.2 | 1,110,835 | 8,974,118 | |
| Bay of Plenty | 608.3 | 1,128,152 | 11,737,035 | | 608.3 | 1,204,496 | 11,748,141 | |
| Frankley Rd – Kapuni | 72.3 | 2,712,470 | 26,336,173 | | 72.3 | 2,946,459 | 26,170,977 | |
| South | 696.1 | 1,295,145 | 11,736,958 | | 696.1 | 1,212,350 | 10,660,602 | |
| Total | 2,187.4 | | 105,395,963 | 45,445,753 | 2,187.4 | | 99,404,480 | 58,932,727 |

NB: No statistics are shown for North and Central for 1999 as these two areas were combined in that year

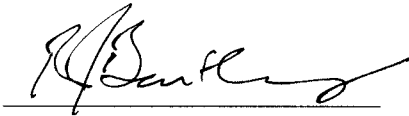
| System | 1999 | | | Gas Conveyed Other than For NGC (GJ p.a.) | 1998 | | | |
|----------------------|---------------|--|------------------------------|---|----------------|--|------------------------------|---|
| | Length (km) | Max. Monthly Quantity Entering the System (GJ/month) | Total Gas Conveyed (GJ p.a.) | | Length (km) | Max. Monthly Quantity Entering the System (GJ/month) | Total Gas Conveyed (GJ p.a.) | Gas Conveyed Other than For NGC (GJ p.a.) |
| North & Central | 811.7 | 2,519,007 | 27,565,731 | | 425.7 | 2,262,940 | 22,687,600 | 17,187,703 |
| North | | | | | | | | |
| Central | | | | | 384.3 | 825,083 | 8,765,941 | 1,306,673 |
| Bay of Plenty | 594.8 | 1,165,652 | 11,605,971 | | 594.8 | 1,224,947 | 11,283,386 | 0 |
| Frankley Rd – Kapuni | 62.4 | 3,360,884 | 30,528,389 | | 72.1 | 2,013,880 | 14,744,666 | 6,519,971 |
| South | 697.4 | 1,218,760 | 9,998,616 | | 697.4 | 1,204,330 | 10,593,321 | 2,703,337 |
| Total | 2166.3 | | 79,698,707 | 45,618,141 | 2,174.3 | | 68,074,914 | 27,717,684 |

| | 2001 | 2000 | 1999 | 1998 |
|--|------|------|------|------|
| Number of transmission customers | 11 | 9 | 12 | 11 |
| Unplanned interruptions in transmission systems (Number of unplanned interruptions) | 2 | 2 | 1 | 3 |

GAS TRANSMISSION ACTIVITIES**CERTIFICATE OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY DIRECTORS OF THE CORPORATION**

We, Richard John Bentley and Gregory John Walton Martin, 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



Gregory John Walton Martin

23 November 2001



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

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 2001 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 2001



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 2001 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 2001

Natural Gas Corporation – Gas Wholesaling Activities
Statement of Financial Performance
For the Year Ended 30 June 2001
For the purposes of the Gas (Information Disclosure) Regulations 1997

| | | \$Thousands | |
|---------------------------------|-------------|----------------------|----------------------|
| | Note | June 2001 | June 2000 |
| Gas Sales | | 153,897 | 125,164 |
| Expenses | | (134,032) | (96,893) |
| Surplus before Taxation | 2 | 19,865 | 28,271 |
| Income Tax Expense | 3 | (6,555) | (9,329) |
| Net Surplus for the Year | | 13,310 | 18,942 |

Natural Gas Corporation – Gas Wholesaling Activities
Statement of Financial Position
As at 30 June 2001
For the purposes of the Gas (Information Disclosure) Regulations 1997

| | | \$Thousands | |
|-------------------------------------|------|----------------|----------------|
| | Note | 2001 | 2000 |
| Non Current Assets | | | |
| Gas Entitlements | 4 | 166,044 | 162,338 |
| Future Tax Benefit | | 1,362 | 774 |
| Total Non Current Assets | | 167,406 | 163,112 |
| Current Assets | | | |
| Cash at bank | | 3 | 335 |
| Current Portion of Gas Entitlements | 4 | 27,115 | 33,670 |
| Accounts Receivable | 5 | 11,140 | 7,897 |
| Inventories – Consumable Spares | | 811 | 764 |
| Total Current Assets | | 39,069 | 42,666 |
| Total Assets | | 206,475 | 205,778 |
| Equity | | | |
| Notional Reserves | 6 | 186,760 | 107,880 |
| Total Equity | | 186,760 | 107,880 |
| Current Liabilities | | | |
| Accounts Payable and Accruals | 7 | 19,715 | 19,354 |
| Total Current Liabilities | | 19,715 | 19,354 |
| Total Liabilities and Equity | | 206,475 | 205,778 |

**Natural Gas Corporation – Gas Wholesaling Activities
Notes to the Financial Statements
For the Year Ended 30 June 2001**

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 supply 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.

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. Surplus before Taxation

| | \$Thousands | |
|---|-------------|------|
| | 2001 | 2000 |
| Surplus before Taxation is stated after charging: | | |
| Audit fees and expenses | 10 | 10 |

3. Taxation

| | \$Thousands | |
|--|--------------|--------------|
| | 2001 | 2000 |
| The Income Tax Expense has been calculated as follows: | | |
| Surplus before Taxation | 19,865 | 28,271 |
| Income Tax at 33% | <u>6,555</u> | <u>9,329</u> |

4. Gas Entitlements

| | \$Thousands | |
|---|----------------|----------------|
| | 2001 | 2000 |
| Balance expected to be realised: | | |
| Within one year | 27,115 | 33,670 |
| Later than one year | 166,044 | 162,338 |
| Advance Paid and Prepaid Gas Entitlements | <u>193,159</u> | <u>196,008</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 2001 to 27 June 2009 are 191 petajoules (2000, 213 petajoules).

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.

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 (refer 4(c) below).

The 262.5 petajoules and the 94.1 petajoules were purchased for a single payment of \$235 million. As at 30 June 2001 NGC had 104 petajoules (2000, 123 petajoules) of the Advance Paid Gas remaining.

c) Gasbank II

In 1992 NGC sold its entitlements to 79.8 petajoules of the 94.1 petajoules referred to 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. As at 30 June 2001 NGC had repurchased 2.8 petajoules of the 79.8 petajoules.

d) Kapuni Indemnity Gas

NGC has exercised its option to purchase up to 70 petajoules of gas from Fletcher Challenge Energy starting in 2005.

5. Accounts Receivable

| | \$Thousands | |
|--|--------------------|--------------|
| | 2001 | 2000 |
| Trade Debtors | 3,738 | 2,241 |
| Prepayments and Sundry Receivables | 141 | 131 |
| Amounts Owing from NGC Group Companies | 7,261 | 5,525 |
| Accounts Receivable | 11,140 | 7,897 |

6. 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 all represent all funding provided to Gas Wholesaling by the Natural Gas Corporation Group.

7. Accounts Payable and Accruals

| | \$Thousands | |
|--|--------------------|---------------|
| | 2001 | 2000 |
| Accounts Payable and Accrued Expenses | 18,180 | 17,942 |
| Amounts Owing to Other Natural Gas Corporation Group Companies | 1,535 | 1,577 |
| Accrued Take or Pay Liability | - | (165) |
| Accounts Payable and Accruals | 19,715 | 19,354 |

8. Capital Commitments

Amounts committed but not recorded in these financial statements total \$nil (2000, \$nil).

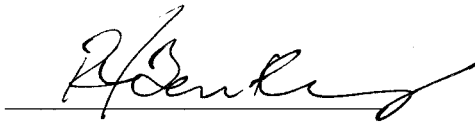
9. Contingent Liabilities

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 endeavour to deliver gas or refund part or all of the monies to Methanex.

There are no other material contingent liabilities or legal proceedings outstanding.

GAS WHOLESALING ACTIVITIES**CERTIFICATE OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION**

We, Richard John Bentley and Gregory John Walton Martin, 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



Gregory John Walton Martin

23 November 2001



PricewaterhouseCoopers
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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 - Wholesale

We have examined the attached financial statements prepared by Natural Gas Corporation - Wholesale and dated 23 November 2001 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 2001