



# WANGANUI GAS



## ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2002

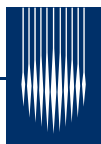
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Cover photos show a selection of Wanganui Gas Customers (clockwise from top left)

- Massey University Albany Campus
- Wanganui UCOL Catering School
- Wanganui Collegiate School
- Sky City, Auckland

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## DIRECTORY

Registered Office	Wanganui Gas Limited 179 St Hill St Wanganui Telephone : 06 - 349 0909 Fax : 06 - 349 0138 E-Mail : enquiries@wanganuigas.co.nz
Postal Address	P O Box 32 Wanganui
Directors	Charles E Poynter - Chairman Richard J Bentley Oliver R Marks John L Medicott Gordon S Swan (Resigned January 2002) Kevin M Baker Patrick A Bullock (Appointed March 2002) Steve L Bielby (NGC Alternate)
Chief Executive	Trevor J Goodwin
Executives	James T Coe Linda J James Jim Raybould
Auditors	Audit New Zealand On Behalf Of The Office Of The Auditor-General
Bankers	Westpac Banking Corporation
Solicitors	Treadwell Gordon & Co
Shareholding As At 30 June 2002	Wanganui District Council Holdings Ltd 74.9% Natural Gas Corporation Loans Ltd 25.1%



## BOARD OF DIRECTORS



### **CHARLES E POYNTER - CHAIRMAN**

Mr Chas Poynter, QSO, JP, has been Mayor of Wanganui since 1986 and prior to this was a City Councillor for nine years, filling the role of Deputy Mayor for three years. Mr Poynter has been a past President of the Gas Association of New Zealand. He is also a Fellow of the Institute of Gas Engineers (London), an Honorary Member of the Australian Gas Association and elected a Life Member of the Gas Association of New Zealand Inc in 1998. Mr Poynter

was appointed Chairman of Directors of Wanganui Gas Limited at its inaugural meeting in 1992.

*Interests:*

C E Poynter has an interest in any Company transactions with the Wanganui District Council, of which he is an elected representative.



### **KEVIN BAKER**

Mr Baker is the Chief Financial Officer of Natural Gas Corporation Holdings Limited. He has served Natural Gas Corporation Holdings Limited in a variety of senior accounting positions since 1996 and is a director of a number of NGC's wholly owned subsidiary companies. He is a member of the Institute of Chartered Accountants of New Zealand and a member of Wanganui Gas Limited's Audit Committee. He was appointed as a Director of Wanganui Gas Limited in September 1999.

*Interests:*

K M Baker, as an officer of Natural Gas Corporation Holdings Limited, has an interest in any Company transactions with this organisation and any member of the Natural Gas Corporation group of Companies.



### **RICHARD BENTLEY**

Mr Richard Bentley, BE (Hons) (Civil), M. Comm (Econ), MIPENZ, is a Director of Natural Gas Corporation Holdings Limited and Chairman of the Audit and Risk Committee. He is also Deputy Chairman of the NZ Institute for Crop and Food Research Limited, Chairman of the Rissington Breedline Company Ltd, a Director of Pacific Energy Ltd, Chairman of the Advisory Committee on Learning and Qualifications for Secondary Education (NZ Qualifications Authority), a member

of the Advisory Council of the Education Review Office, a member of the Advisory Board, Degree of Applied Sciences of Otago University, Chairman of the Karori Wildlife Sanctuary and Chairman of the Carter

Observatory. Mr Bentley was appointed as a Director of Wanganui Gas Limited when Natural Gas Corporation purchased its shares in the Company in 1992.

*Interests:*

R J Bentley, is a Director of Natural Gas Corporation and has an interest in any transactions with Natural Gas Corporation or any member of the Natural Gas Corporation Group of Companies.



### **PAT BULLOCK**

Mr Pat Bullock has been a Wanganui District Councillor since 1992, and is presently Chairman of the Finance and Administration Committee. He is also Chairman of the Community Contracts and Rates and Debt Write-Off Sub-Committees. Pat is Managing Director of H Bullock Bridge Builders Ltd, a medium-sized construction company specialising in high-risk and difficult civil engineering contracts and is Manager of PMP Developments Ltd, a property development and rental partnership.

*Interests:*

P Bullock has an interest in any Company transactions with the Wanganui District Council, of which he is an elected representative. His private commercial interests have no contact with Wanganui Gas.



### **OLIVER MARKS**

Mr Oliver Marks is a qualified accountant who has had considerable business experience, including working for a large Wanganui-based contracting firm. His involvement with the gas industry extends from the time when he was Chairman of the Wanganui District Council's Finance committee at the time of the corporatisation of the then Gas Department. Mr Marks is Chairman of the Company's Audit Committee, and has been a Director of Wanganui Gas Limited since December 1994.



### **JOHN L MEDLICOTT**

Mr John Medicott is a local farmer and businessman. He has served two terms on the Wanganui District Council, and prior to this he served as a Councillor for the Waitotara District for a period of eight years. He has been a Director of Wanganui Gas Limited since 1992.

**REPORT TO SHAREHOLDERS FOR YEAR ENDED 30 JUNE 2002**

**SUMMARY OF OPERATIONAL AND FINANCIAL PERFORMANCE**

We are again delighted to be able to report on another successful trading result for this financial year. Highlights of our business activities and financial results include:

- Our marketing arrangement with Mighty River Power which enables us to provide natural gas to the Auckland residential sector and electricity to our Wanganui customers.
- The launch of the Direct Energy New Zealand brand for off-network energy trading.
- Natural gas customer numbers up on last year by 19%.
- The increase in total gas sales of 38% as a result of gaining new commercial and industrial customers.
- The negotiation of a gas supply agreement with Nova Gas Ltd for the supply of natural gas on the southern transmission pipeline.
- Operating Revenue (excluding one-off settlement) up 27% on last year to \$12.96 million.
- Net Profit After Tax (excluding one-off settlement) up 32% on last year at \$1.74 million.
- An increase in Shareholders Equity to \$12.6 million.
- Fully imputed dividends of \$1.75 million declared.
- The total amount of gas transported by the Network Division up by 3.5%.



**Chas Poynter QSO, JP**  
Chairman



**Trevor Goodwin**  
Chief Executive

**NETWORK DIVISION - GASNET**

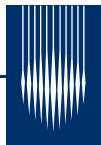
**Pipeline Network**

During the year the Company extended the gas distribution network by a total distance of 691 metres while 494 metres of redundant pipes were abandoned or used for insertion. A mains extension of 439 metres into a new industrial park bordered by Heads Road, Taupo Quay and Pacific Place was completed at very short notice.

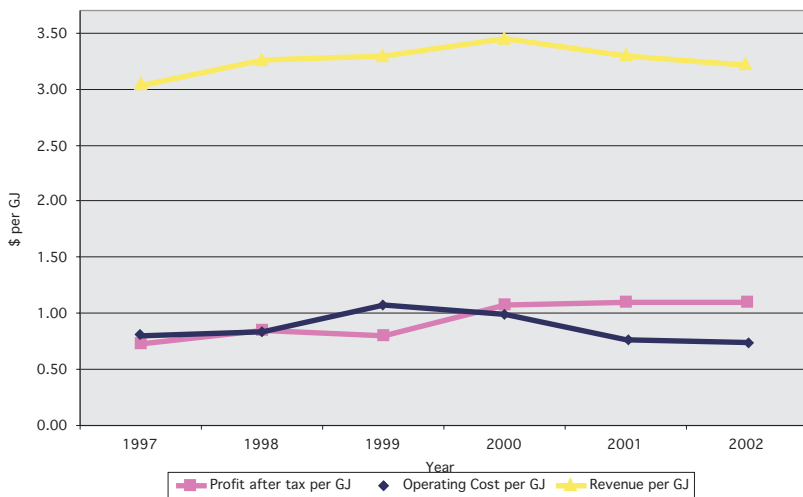
On the Wanganui network, 465 metres of cast iron and spiral welded steel pipe in Konini Street was determined to be in poor condition and was replaced. As this work was undertaken in conjunction with Wanganui Water Services trench cost-sharing was possible. In Campbell Street we inserted 167 metres of Mannesman steel pipe and we relocated 19 metres of API steel medium pressure pipeline at the Somme Parade end of the Dublin Street Bridge. This was done to allow the Whanganui River river-bank



**GasNet Team**  
**Front: Richie Parnell, Rodney Bethel**  
**Second Row: Wayne Armishaw,**  
**Craig Saunders, Phil Hogan**  
**Third Row: Alastair Hughes,**  
**Greg O'Malley**  
**Absent: Neil Hood, Hazel Holway**



## Network Financial Performance



protection work in the proximity of the Dublin Street bridge to be undertaken safely while acknowledging that the integrity of our network at that point had become jeopardised as a result of bank erosion.

In excess of 30 services were either upgraded or replaced and 450 domestic meters were replaced as part of the meter replacement programme.

### Off-Network Metering

As a result of the Commercial Division's marketing efforts, GasNet installed about 110 metering systems on networks owned by others, primarily in Palmerston North. GasNet has relationships with several contractors to undertake residential and small commercial installations.

### Network Valuation

The network was revalued at 30 June 2002 using the Optimised Deprival Valuation (ODV) methodology. The revaluation, excluding non-infrastructure assets, resulted in a new value of \$15.31 million, an increase of \$0.07 million over the 2001 figure.

### Training

GasNet completed training agreements with the Gas and Petrochemical ITO in November 2001 for all of its staff and some contractors relating to a limited credit package focussed on network service laying

(eight unit standards). Additional training agreements were entered into in January 2002 relating to the National Certificate in Gas Distribution, Level 2. The key focus is empowering staff to gain formal qualifications that demonstrate competency as measured by a third party.

### Information Disclosure Regulations

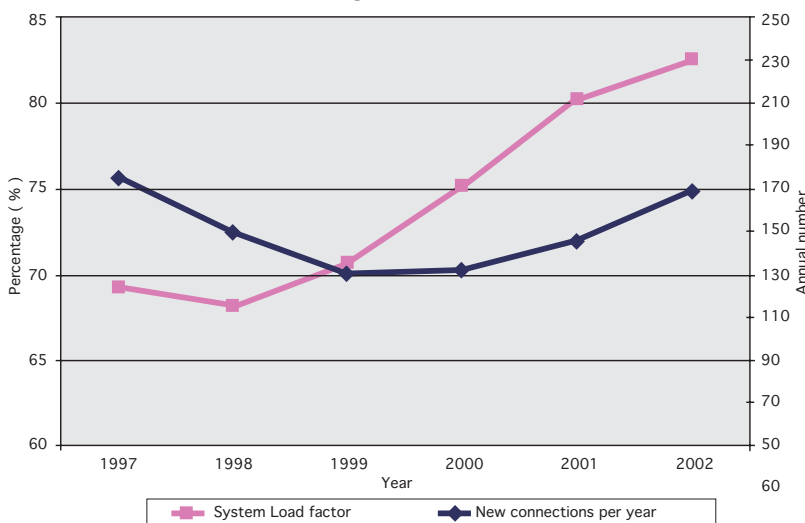
GasNet has continued to monitor developments during the year relating to draft regulations and an associated ODV handbook for gas. Originally, the Ministry of Economic Development was confident that promulgation would occur by December 2000, but as at 30 June 2002 all changes remained in abeyance, primarily due to the Gas Industry Review.

### Rating of Network Infrastructure Assets

This is a continuing issue flowing from the Valuer General's mandatory requirement that local government authorities place network assets on their district valuation roll (DVR), by 30 June 2002. GasNet has supported efforts by GANZ to bring this issue to the attention of political decision-makers and some lobbying continues.

GasNet satisfied requests for network information from territorial local authorities (TLA) establishing asset values per TLA based on the ODV. As at the 30 June 2002, not all of the TLAs had notified us of their rates assessment.

## Network Physical Performance



## Asset Management

During the year GasNet prepared a draft Asset Management (AM) plan. In addition, following consultation with shareholder representatives, observation of the Wanganui District Council's Information Systems Review and demonstrations by potential suppliers, a Request for Information for software and hardware to support the AM Plan was issued by GasNet in May 2002. As of 30 June 2002, GasNet was working through the responses with a view of short-listing parties from whom formal proposals would be sought.

## COMMERCIAL DIVISION

### Gas Supply Agreements

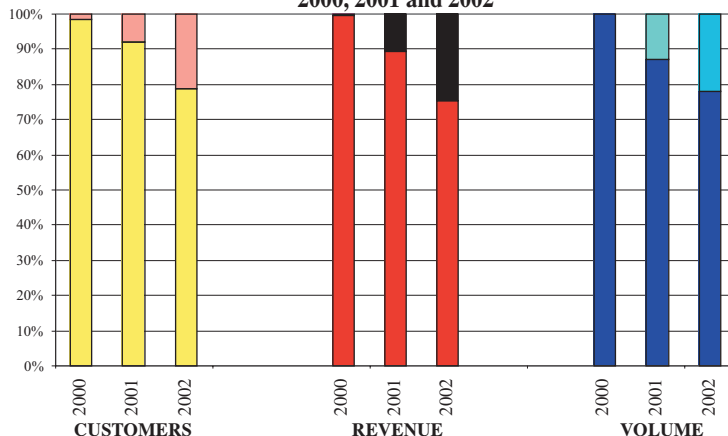
During the year we completed negotiations for the supply of additional wholesale gas to supplement our existing wholesale gas supply agreement. We needed to obtain access to extra quantities of gas to enable us to meet the potential increase in our natural gas requirements resulting from possible new customers with whom we were in negotiation.

We approached a number of wholesalers to determine the best possible supply arrangements for our needs. Ultimately we signed a gas supply agreement with Nova Gas who are now supplying our natural gas requirements on the southern transmission pipeline.

### Domestic

There were two significant developments in our domestic operations this year. In November we introduced our

**CUSTOMER NUMBERS, REVENUE AND ANNUAL CONSUMPTION  
WANGANUI GAS (bottom) compared with DIRECTENZ (top)  
2000, 2001 and 2002**



Direct Energy New Zealand (Directenz) brand for customers outside Wanganui and Rangitikei. While the Wanganui Gas brand has excellent levels of reputation and recognition it was not well received outside the traditional natural gas franchise area.

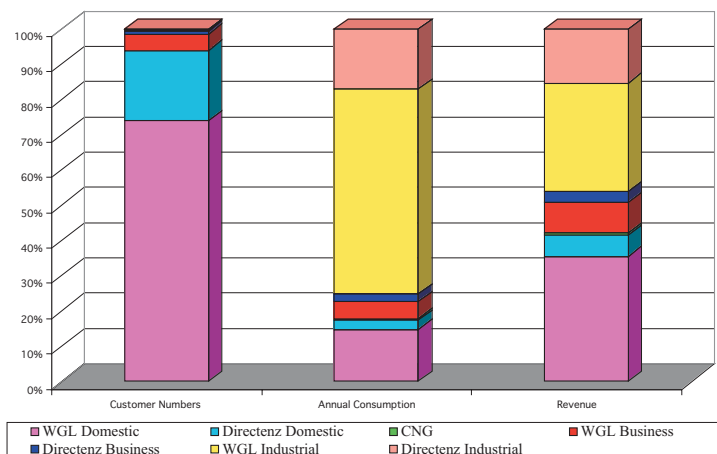
Since November 2001 all billing and correspondence with off-network customers has used the Directenz brand name which is now developing its own reputation.

In December 2001 we struck a two-part agreement with Mighty River Power. The first part of this agreement enables us to supply natural gas to Mighty River Power's Mercury Energy residential and small business customers in Auckland. We manage the customer switching process, the transport and supply of gas and provide the gas to Mercury Energy delivered to their customer.

This has enabled us to gain access to the residential and small business customers in Auckland without having to establish the customer support structures to service those clients.

In the second part of this arrangement in April 2002 we began supplying electricity, provided by Mighty River Power, to our customers in Wanganui and Rangitikei. Mighty River Power supplies the electricity to our customers and we manage all of the customer service functions such as meter reading, billing and customer enquiries. This has enabled us to become a dual-fuel energy retailer but without the risk of having to manage electricity wholesale trading.

**CUSTOMER NUMBERS, REVENUE AND ANNUAL CONSUMPTION  
BY CUSTOMER GROUP 2001-2002**





**Andrew McAdam (left) of Dynamic Castings explains the finer points of aluminium casting to our Energy Trader, Graeme Coleman.**

During this financial year our domestic customer numbers have increased by 22% whilst domestic sales of gas were 15% higher this year compared to 2000-2001. These increases are a result of the arrangement with Mighty River Power and our ongoing Directenz marketing program in the lower half of the North Island.

### **Industrial and Commercial Customers**

Following last year's upturn in the local economy our sales of gas to local Industrial and Commercial customers increased by 7% over last year's figures. In particular both International Malting in Marton and Lucky Petfood in Wanganui maintained their business growth and with that, their gas use.

We were particularly successful in gaining a relatively small number of customers with high gas loads outside our traditional sales areas. The largest of these new customers was the Goodman Fielder Group together with 2 of its associated companies, Northern Bakeries in Whangarei and Danisco in Manakau City.

Our gas supply agreement with Goodman Fielder covers 15 factories within the group and includes brand names such as Ernest Adams, Quality Bakers, Meadow Lea Foods and Bluebird Foods. Of these factories 7 are located in South Auckland, 2 in Palmerston North and 1 in each of Hamilton, Rotorua, New Plymouth, Wanganui, Napier and Petone.

In addition to the Goodman Fielder group we also added the gas supplies of Designer Textiles, Moller Textiles and the Sun Alliance Building all in Auckland. In Palmerston North we gained The Plaza and in Wellington, Victoria University was also added to our portfolio of customers.

As a result of the above and other acquisitions in the small commercial sector of the market, particularly in Hawke's Bay, sales of gas to off-network Industrial customers increased by 113% and by 535% for off-network Commercial customers.

### **CNG**

Sales of CNG locally continued to fall at a rate of 29% over the last year. Wanganui continues to be well served by 3 CNG service stations. However the financial cost of



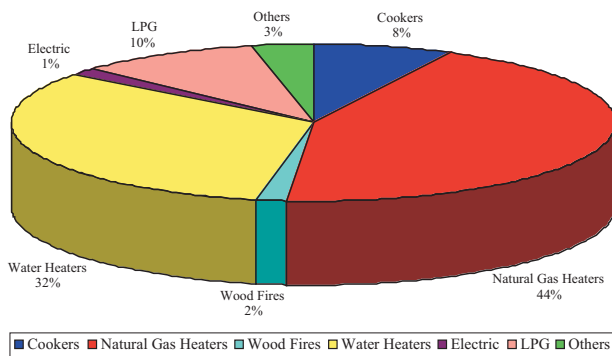
**The Royal and SunAlliance building which won an international award for energy efficiency, is a Directenz customer.**

supporting the Shell CNG service station in Marton became too high this year and we reluctantly had to withdraw this support. As a result there are now no CNG refilling services available in Marton.

## Appliance Sales

While the number of appliances sold this year fell by 3% compared to last year the value increased by 9%. This increase in the overall value of our sales is due to an increase in the number of natural gas heaters sold combined with an increase in the average value of these heaters.

APPLIANCE SALES REVENUE  
2001-2002



Water heaters were again the second largest type of appliance sold this year by both number and value. One interesting aspect of these sales this year was the interest in pool heaters resulting in 4 sales with an average appliance price of \$6,000.00.



**Appliance Sales Team**  
From Left: Kaye Leurink, Graham Pope,  
Wendy Ward, James Talbot

## Community Support

The Company continues to support a wide variety of organisations within the local community with donations and sponsorship of projects and events. We regularly support organisations involved in the arts, sports and education as well as those seeking to promote the welfare of our local community.

This year our major sponsorship was for the Wanganui Blooming Arts Festival held in the Spring of 2001 which attracted a significant number of visitors to Wanganui.

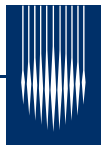
Our support for the arts continued with our sponsorship of the Wanganui Arts Society's centenary "Art You Can Live With" competition. We also sponsored The Graduates' Exhibitions at Te Wa. We are also a corporate member of the Sarjeant Gallery.

Our major sporting sponsorship this year was for the North Island Ladies Chartered Clubs Golf Tournament held in January this year at the Castlecliff Golf Course. We also continued with our sponsorship of the Classic Showjumping held at Cooks Gardens. We are a member of the Wanganui Rugby Union's "Supporters Club". Other sporting sponsorships included the provision of funding for Wanganui Splash Centre's Swim Club and we also provided funds for Wanganui Cricket, Wanganui Cycling, Wanganui Tennis and various bowls tournaments.

In education we have continued our scholarship for a student in Wanganui UCOL's Catering and Hospitality School and continued with our sponsorship of their "Top of School Award" which was won by Nicola King. We continued our sponsorship of "Newspapers in Education" through the Wanganui Chronicle and also supported various schools throughout the year on a variety of fund raising activities.

In the wider community we continued to support the Life Education Trust through membership of their Harold Club, Wanganui Hospice as a member of their 200 Club and Outward Bound by sponsoring a place on one of their courses.

Within the local business community we sponsored the "Best Large Business Award" at the Mainstreet Best Business Awards won by Central City Pharmacy. During the year we confirmed our continued sponsorship of this award for the next 3 years. We are a sponsor of the Master Builders' "House of the Year Award" and we sponsored a race at the Wanganui Jockey Club's Spring Meeting.



## **CORPORATE AND ADMINISTRATION DIVISIONS**

### **Information Management Systems**

In December 2001, we commissioned a review of the Company's information systems. The report identified a number of inadequacies in our present Financial Accounting and Management Information Systems software and highlighted some risks that we faced due to the probable lack of future support by the supplier as the other users of the system in New Zealand were planning to purchase new software.

Accordingly we joined with the Wanganui District Council to assess alternative systems that would meet our current and future needs. After short-listing the options an extensive assessment and verification process was undertaken with a number of visits to existing users of the software.

After extensive analysis the decision was made to purchase new Financial and Management Reporting systems from Technology One and a new payroll system from PayGlobal. The payroll system was installed and tested in time to be used for the new financial year commencing 1 July 2002 while the various Technology One systems will be implemented progressively during the 2002/2003 financial year.

### **Risk Management**

The Board and Management of Wanganui Gas Ltd is committed to the continued development of a policy and



#### **Administration Team**

**From Left: Sandra Blanche, Sonya Sedcole, Julie Branford-Taylor, Ian Lane, Judith Brazier, Janet McGillivray, Gill O'Kane, Beth Nation, Hayden Simmonds, Judy Slater, Absent: Maria Cording**

procedures for the identification and management of risk in all areas of the Company's operations. The Board is responsible for the corporate governance practices of the Company and to ensure that risks are recognised and managed in such a way as to minimise the necessary uncertainties of being in business. The Company's approach to risk management is based on "SAA/NZS HB143:99 Guidelines for Managing Risk in the Australian and New Zealand Public Sector".

### **MANAGEMENT AND STAFF**

Staff turnover for the year was again very low while employee numbers increased slightly to 29 with the Administration Division employing two new people to cope with the increased workload with the switching of new customers. Our focus on providing excellent service to customers meant that we did very little promotion of our electricity retail to ensure that those customers who wanted to use our services were switched in a timely fashion.

Although there was a noticeable decrease in the number of domestic gas consumers changing retailers, our personnel coped extremely well with the introduction of the new Mighty River Power gas and electricity arrangements and our success in meeting the agreed industry deadlines is evidenced by the fact that we had no complaints of switching or billing delays caused by our Company.

A considerable amount of time was spent by a number of personnel assessing, designing, testing and implementing the information technology systems. This



#### **Management Team**

**From Left: Linda James, Jim Raybould, Jim Coe, Trevor Goodwin**

placed an increased workload on those directly involved and on the others who were required to provide cover. We are grateful for the way in which all personnel responded to the need for extra effort and it is a credit to them that the Company managed to make considerable progress in spite of these increased demands.

**DIRECTORATE**

In January 2002 Mr Gordon Swan resigned as a Director of the Company. Mr Swan was a founding member of the Board of Wanganui Gas Ltd when it was established in 1993. In a letter to Mr Swan the Chairman noted that he was one of the original Directors appointed to the Company and that his ability, experience and reasoned approach to Board matters would be missed.

At the Audit Committee meeting held prior to the Meeting of Directors the Audit Committee Chairman, Oliver Marks, also noted Mr Swan’s resignation from that committee with regret. He commented that Mr Swan had made a significant contribution to the Audit Committee and would be sincerely missed.

In early 2002 we welcomed Mr Pat Bullock as a Director of the Company representing the Wanganui District Council, of which Mr Bullock is a Councillor. Mr Bullock is Chairman of the Council’s Finance and Administration Committee and brings many years of experience as a business operator.

We are grateful for the continued guidance and support from all of the Company’s Directors who have assisted the Company through a year of significant growth and change.

**SHAREHOLDING**

On 28 June 2002 the Wanganui District Council transferred its 74.9% shareholding in the Company to Wanganui District Council Holdings Ltd, a new Council owned entity which has the role of managing all of Councils ownership in investments with a view to gaining maximum advantage from those assets. The Management and Directors of Wanganui Gas Ltd look forward to working with the Directors of Wanganui District Council Holdings Ltd in the coming years.

**FUTURE OUTLOOK**

We continue to be confident that the Company has a sound future as a niche retailer of natural gas and electricity. Our base in Wanganui does not hinder our ability to provide excellent personal service to our clients

regardless of their location. As the cost of personnel, accommodation and other services are comparatively lower than in the metropolitan centres we have an extra edge in our ability to be competitive in the natural gas market and we see no reason why we cannot continue to be successful in gaining new business throughout the North Island of New Zealand.

Our ability to compete with the large multi-national companies is not limited by our size and we are constantly seeking opportunities to obtain profitable new business. As predicted last year our strategic growth initiatives resulted in significant increases to our customer numbers and the volume of gas sold with resulting increases in revenue and profit.

The next twelve months are more likely to be a period of consolidation with gas sales to Mercury Energy’s customers and electricity sales to our Wanganui customers accounting for the incremental growth that we anticipate. There are not likely to be the dramatic increases in sales volume through the acquisition of large industrial customers that we achieved this year.

Recent debate about the availability and price of wholesale gas beyond 2005 has made negotiation of long term wholesale gas supply agreements difficult. While there is no doubt that natural gas will be available for the reticulated market which includes residential, commercial and industrial consumers, there is some concern over the availability of sufficient gas to supply the petro-chemical industries past 2007.

Locally our Network Division, GasNet, is very dependent on the continued vitality of the region’s economy which at the moment is at very high levels. GasNet will continue to review its operation of the distribution networks and upgrade the integrity of the system in the most cost-efficient ways possible. They will also explore all opportunities to increase the size and efficiency of the networks to improve the shareholders’ returns on their infrastructure investment.



C E Poynter, QSO, JP  
CHAIRMAN



T J Goodwin  
CHIEF EXECUTIVE



## STATUTORY INFORMATION

The Directors present their report and the financial statements for the year ended 30 June 2002.

### Activities

The Company's principal activities are those of providing gas traders with safe efficient and reliable gas distribution services through the Company's networks and the retailing of natural gas to our customers.

Complementary activities undertaken include the sale and installation of natural gas and propane appliances and advisory services focussed on energy utilisation and efficiency.

### Results

The Directors report a tax paid profit of \$2,142,553 for the year ended 30 June 2002. After deduction of dividends paid and provided for, the amount of \$392,553 was transferred to reserves. Retained Earnings at the end of the year were \$1,604,399.

### Dividends

An interim dividend of \$1,000,000, representing 17.39 cents per share, was paid during the year. The Directors have approved a final dividend of \$750,000, representing 13.04 cents per share, payable by 30 September 2002.

Full imputation credits are attached to all dividends declared during the year.

### Directors and their Remuneration

Directors' remuneration paid during the year was as follows :

C E Poynter	\$8,000
J L Medlicott	\$6,000
G S Swan	\$4,000
O R Marks	\$6,000
R J Bentley	\$6,000
P A Bullock	\$2,000
K M Baker ( paid to Natural Gas Corporation )	\$6,000

### Directors' Interests

The Directors have made the following declarations of interest :

C E Poynter has an interest in any Company transactions with the Wanganui District Council, of which he is an elected representative.

## **STATUTORY INFORMATION**

G S Swan has an interest in any Company transactions with Treadwell Gordon & Co, with whom he is engaged as a consultant.

O R Marks has an interest in any Company transactions with B Bullock & Co Ltd, of which he is a consultant.

R J Bentley, as an director of Natural Gas Corporation Holdings Limited, has an interest in any Company transactions with this organisation and any member of the Natural Gas group of Companies.

K M Baker, as an officer of Natural Gas Corporation Holdings Limited, has an interest in any Company transactions with this organisation and any member of the Natural Gas Corporation Group of Companies.

P A Bullock has an interest in any Company transactions with the Wanganui District Council, of which he is an elected representative.

S L Bielby (alternate Director), as an officer of Natural Gas Corporation group of companies has an interest in any transactions with this group.

### **Directors' and Officers' Insurance**

Pursuant to Sections 162(3) and 162(4) of the Companies Act 1993 and Clause 66 of the Company's Constitution, Wanganui Gas Limited has effected liability insurance cover for Directors and Officers up to \$1 million. The Company has paid 100% of the premium for this cover.

### **Shareholding by Directors**

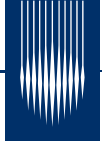
No Directors held Company shares, or acquired or disposed of shares during the year.

### **Use of Company Information**

No Directors have used or acted on information that would not otherwise be available to Directors.

### **Changes in Accounting Policies**

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



## STATUTORY INFORMATION

### **Auditor's Remuneration**

The Company paid \$20,000 to the auditor as audit fees for the current year.

The Company paid \$3,975 to the auditor for other services, including disbursements.

### **Company's Affairs**

The Directors consider the state of the Company's affairs to be satisfactory.

On behalf of the Board

CHAIRMAN

DIRECTOR

30 August 2002



## STATEMENT OF FINANCIAL PERFORMANCE

*For The Year Ended 30 June 2002*

	NOTE	2002 \$	2001 \$
OPERATING REVENUE		13,555,023	10,224,547
OPERATING SURPLUS BEFORE TAXATION	2	3,177,377	1,933,672
Taxation Expense	3	1,034,824	611,193
NET SURPLUS AFTER TAXATION		2,142,553	1,322,479

*The accompanying notes form part of these financial statements.*

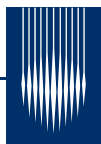


## STATEMENT OF MOVEMENTS IN EQUITY

*For The Year Ended 30 June 2002*

	2002 \$	2001 \$
EQUITY AS AT 1 JULY 2001	11,446,528	11,024,049
Increase in Revaluation Reserve	0	0
Net surplus after tax	2,142,553	1,322,479
	<hr/>	<hr/>
Total Recognised Revenue and Expenses for the Year	2,142,553	1,322,479
Dividend to Shareholders	1,750,000	900,000
	<hr/>	<hr/>
EQUITY AS AT 30 JUNE 2002	11,839,081	11,446,528
	<hr/>	<hr/>

*The accompanying notes form part of these financial statements.*



STATEMENT OF FINANCIAL POSITION

For The Year Ended 30 June 2002

	NOTE	2002 \$	2001 \$
<b>NON CURRENT ASSETS</b>			
Fixed Assets	4	15,909,153	15,684,700
Investments	5	19,003	19,003
Hire Purchase Long Term Debtors		370,430	423,326
Total Non Current Assets		16,298,586	16,127,029
<b>CURRENT ASSETS</b>			
Network Deposit		45,000	45,000
General Bank Account		1,585,253	1,153,462
Accounts Receivable	6	2,830,369	2,047,612
Prepayments		6,347	31,735
Inventories		400,790	377,185
Total Current Assets		4,867,759	3,654,994
<b>TOTAL ASSETS</b>		<b>21,166,345</b>	<b>19,782,023</b>

For and on behalf of the Board :

Chairman

Director

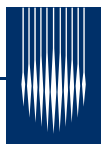
30 August 2002

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION***For The Year Ended 30 June 2002*

	NOTE	2002 \$	2001 \$
<b>EQUITY</b>			
Share Capital	7	5,750,000	5,750,000
Retained Earnings		1,604,399	1,211,846
Asset Revaluation Reserve		4,484,682	4,484,682
		<hr/>	<hr/>
Total Equity		11,839,081	11,446,528
		<hr/>	<hr/>
<b>NON CURRENT LIABILITIES</b>			
	8	6,700,000	6,700,000
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Accounts Payable & Accruals		1,528,648	962,236
Provision For Employee Entitlements		135,004	131,550
Consumer Deposits		129,797	110,088
Provision For Dividend		750,000	400,000
Provision for Tax		83,815	31,621
		<hr/>	<hr/>
Total Current Liabilities		2,627,264	1,635,495
		<hr/>	<hr/>
TOTAL LIABILITIES & EQUITY		21,166,345	19,782,023
		<hr/>	<hr/>

*The accompanying notes form part of these financial statements.*



## STATEMENT OF CASH FLOWS

For The Year Ended 30 June 2002

	NOTE	2002 \$	2001 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Was Provided From :			
Receipts From Customers		12,712,790	9,844,790
Interest Received		118,895	107,730
Dividends Received		923	837
Consumer Deposits		19,709	1,858
Cash Was Disbursed To :			
Payments To Suppliers & Employees		(8,889,861)	(7,079,686)
Taxes Paid		(982,634)	(613,840)
Interest Paid		(341,055)	(470,888)
Consumer Deposits		0	0
Net Cash Flows From Operating Activities		2,638,767	1,790,801
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash Was Provided From :			
Proceeds From Sale Of Fixed Assets		6,667	7,812
Cash Was Disbursed To :			
Loan to Artex		-	(10,000)
Purchase Of Fixed Assets		(813,643)	(693,465)
Purchase Of Shares		-	-
Net Cash Flows From Investing Activities		(806,976)	(695,653)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash Was Disbursed To :			
Payment Of Dividends		(1,400,000)	(1,000,000)
Net Cash Flows From Financing Activities		(1,400,000)	(1,000,000)
Net Increase (Decrease) In Cash Held		431,791	95,148
Add Opening Cash Balance		1,198,462	1,103,314
<b>CLOSING CASH BALANCE</b>		<b>\$1,630,253</b>	<b>\$1,198,462</b>
<b>MADE UP OF :</b>			
Network Deposits		45,000	45,000
General Bank Account		1,585,253	1,153,462
		1,630,253	1,198,462

The accompanying notes form part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For The Year Ended 30 June 2002*

### **1. Statement Of Accounting Policies**

#### Reporting Entity

Wanganui Gas Ltd is a company formed in accordance with the Energy Companies Act 1992 and registered under the Companies Act 1993.

The financial statements of Wanganui Gas Ltd have been prepared in accordance with the Energy Companies Act 1992, the Companies Act 1993 as amended and the Financial Reporting Act 1993.

#### General Accounting Policies

The general accounting principles recognised as appropriate for the measurement and reporting of results and financial position on an historical cost basis have been followed, with the exception of distribution network assets which have been valued at optimised deprival value. Accrual accounting is used to match expenses and revenues. Reliance is placed on the fact that the Company is a going concern.

#### Particular Accounting Policies

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

##### Accrued Gas Sales

Gas sales include an accrual for gas supplied but not billed at the end of the financial period.

##### Capital Contributions

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

##### Accounts Receivable

Accounts Receivable are stated at their estimated realisable value.

##### Hire Purchase Receivables

Hire purchase debtors exclude unearned interest. Interest is recognised on an accrual basis month by month.



NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2002

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventories on hand at balance date using weighted average cost.

Investments

Investments are stated at cost price.

Fixed Assets

The distribution network is valued at optimised deprival value, at 30 June 2000 by James Coe, B.Sc, B.E (Electrical), M.B.A, Registered Engineer, and Member of IPENZ - Network Manager and reviewed in accordance with SSAP-28 by Bruce Wattie, CA, BCA, Partner - Financial Advisory Services, of PricewaterhouseCoopers, and Guenter Wabnitz, Dipl.Ing (German), VDI, MIPENZ, Senior Consultant - Worley Consultants Limited. The distribution network is completely revalued three yearly.

All other fixed assets are recorded at cost.

Depreciation

Depreciation is provided on a straight line basis on all tangible fixed assets, at rates calculated to allocate the asset's cost, or optimal deprival value, less estimated residual value, over their estimated useful lives.

Major depreciation rates are :

Mains & Services	1-10%	S.L
Meters & Customer Station Rebuilds	1-10%	S.L
Vehicles, Plant, Office Equipment & Furniture and Fittings	20%	S.L
Computer Hardware & Software	33%	S.L
Leasehold Improvements	10-15%	S.L

Financial Instruments

The Company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, debtors, creditors and loans. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Employee Entitlements

Provision is made in respect of the Company's liability for annual leave and long service leave. Annual leave and long service leave have been calculated on an actual entitlement basis, at current rates of pay.

## **NOTES TO THE FINANCIAL STATEMENTS**

*For The Year Ended 30 June 2002*

### Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts and short term deposits which the Company invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of the Company and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the Company.

### Income Tax

The taxation charge against the profit for the period is the estimated liability in respect of that profit after allowance for permanent differences and timing differences not expected to reverse in the foreseeable future. This is the partial basis for the calculation of deferred taxation.

The Company follows the liability method of accounting for deferred taxation.

Future tax benefits attributable to tax losses or timing differences are only recognised when there is virtual certainty of realisation.

### Changes In Accounting Policies

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



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2002

	2002 \$	2001 \$
<b>2. Surplus Before Taxation</b>		
After Charging :		
Audit Fees	20,000	18,000
Audit Fees Other Services	3,975	3,710
Directors' Fees	38,000	38,000
Interest : Fixed Loans	409,603	480,354
Rental & Operating Lease Costs	125,000	125,000
Movement in provision for doubtful debts	8,606	(48,187)
Bad debts written off	30,218	31,881
Depreciation : Distribution Network	462,643	453,655
Leasehold Improvements	48,842	52,354
Vehicles	16,650	22,398
Office Equipment	6,772	7,240
Furniture & Fittings	4,010	5,083
Plant & Equipment	13,176	20,557
Computer H/Ware & S/Ware	35,663	37,066
Total Depreciation	587,756	598,353
After Crediting :		
Interest From Short Term Deposits	100,193	88,014
Hire Purchase Interest	18,702	21,200
Dividends Received	923	837
Profit (Loss) On Sale Of Assets	5,228	7,453
One-off Settlement	600,000	-
<b>3. Taxation Expense</b>		
Net Profit Before Taxation	3,177,377	1,933,672
Prima Facie Taxation	1,048,535	638,112
Plus (Less) :		
Permanent Differences	3,816	854
Unrecognised Timing Differences	(17,436)	(28,371)
Prior Period Adjustment	(91)	598
TAXATION EXPENSE FOR PERIOD	1,034,824	611,193
The Taxation Charge Is Represented By :		
Current Taxation	1,034,824	611,193



**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2002

**3. Taxation Expense - Cont'd**

The Company has not recognised the deferred tax liability on timing differences which are not expected to reverse in the foreseeable future. The potential tax liability in respect of these timing differences at 33%, is \$1,473,588 (2001 : \$1,308,094).

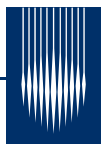
**4. Fixed Assets**

	2002			2001		
	Cost or Valuation	Accumulated Depreciation	Book Value	Cost or Valuation	Accumulated Depreciation	Book Value
	\$	\$	\$	\$	\$	\$
Distribution Network:						
Revalued Assets	15,259,577	517,874	14,741,703	15,259,577	438,726	14,820,851
At Cost	1,307,993	398,425	909,568	605,693	14,930	590,763
	16,567,570	916,299	15,651,271	15,865,270	453,656	15,411,614
Fixed Assets at Cost:						
Leasehold Improvements	527,743	445,662	82,081	511,778	396,820	114,958
Vehicles	243,348	207,494	35,854	238,345	206,667	31,678
Office Equipment	70,057	60,708	9,349	68,648	53,937	14,711
Furniture & Fittings	58,862	48,989	9,873	54,874	44,981	9,893
Plant & Equipment	246,086	187,915	58,171	229,020	174,740	54,280
Computer H/ware & S/ware	396,240	333,686	62,554	345,587	298,021	47,566
	1,542,336	1,284,454	257,882	1,448,252	1,175,166	273,086
Total Assets	18,109,906	2,200,753	15,909,153	17,313,522	1,628,822	15,684,700

**5. Investments**

Investments At Cost Comprise:

	2002	2001
	\$	\$
NGC Shares (8,452) (Mkt Value \$9,213) (2001 : \$7,438)	9,003	9,003
Powerco Shares (4,392) (Mkt Value \$8,345) (2001 : \$8,345)	0	0
Powerco Bonds (2,450) (Mkt Value \$2,504) (2001: \$2,534)	0	0
Loan to Artex	10,000	10,000
	19,003	19,003



NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2002

	2002 \$	2001 \$
<b>6. Accounts Receivable</b>		
Trade Debtors	2,284,617	1,447,887
Provision For Doubtful Debts	(38,729)	(30,123)
	2,245,888	1,417,764
Hire Purchase Debtors 12 Months and Under	584,481	629,848
	2,830,369	2,047,612
<b>7. Share Capital</b>		
Authorised Capital :		
5,750,000 Ordinary Shares Of \$1 Each Fully Paid Up	5,750,000	5,750,000
	5,750,000	5,750,000
<b>8. Long-Term Liabilities</b>		
Westpac Banking Corporation Multi Option Credit Line Facility	6,700,000	6,700,000
Less Current Portion	0	0
	6,700,000	6,700,000

Term : Three Years To December 2002

Repayments : The Term Loan Matures In December 2002.

The Intention Is To Roll Forward The Term Debt Beyond The Next 12 Months.

Security : First Ranking Debenture Providing For Fixed And Floating Charges Over All Assets.

Average Interest Rate Over Year : 6.11% (2001 : 7.16%)

**NOTES TO THE FINANCIAL STATEMENTS***For The Year Ended 30 June 2002***9. Reconciliation Of Net Cash Flow From Operating Activities**

	<b>2002</b>	<b>2001</b>
	<b>\$</b>	<b>\$</b>
NET SURPLUS AFTER TAXATION	2,142,553	1,322,479
Add Non Cash Items :		
Depreciation	587,756	598,353
Increase ( Decrease ) In Provision For Doubtful Debts	8,606	(48,187)
	596,362	550,166
Items Classified As Investing Activities :		
Profit On Sale Of Assets	(5,228)	(7,453)
	(5,228)	(7,453)
Movement In Working Capital :		
(Increase) Decrease In Accounts Receivable	(791,363)	(140,599)
(Increase) Decrease In Prepayments	25,388	25,388
(Increase) Decrease In Hire Purchase Long Term Debtors	52,896	(69,744)
(Increase) Decrease In Inventories	(23,605)	(87,783)
Increase In Accounts Payable & Accruals	566,411	186,642
Increase (Decrease) In Consumer Deposits	19,709	1,858
Increase (Decrease) In Taxation Payable	52,190	(2,647)
Increase In Employee Entitlements	3,454	12,494
	(94,920)	(74,391)
NET CASH FLOW FROM OPERATING ACTIVITIES	2,638,767	1,790,801



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2002

	2002 \$	2001 \$
<b>10. Imputation Credit Account</b>		
Opening Balance	674,188	552,496
PLUS :		
Income Tax Paid	982,634	613,839
Imputations On Dividends Received	416	393
LESS :		
Terminal Tax Refund		
Imputations Attached To Dividends Paid	(689,556)	(492,540)
Closing Balance	967,682	674,188

### 11. Financial Instruments

Financial Instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. Generally the Company does not require collateral. Maximum exposure to credit risk is the amount stated in the financial statements and is net of any recognised provision for losses on these financial instruments. An amount of \$129,797 (2001 : \$110,088) is included in current liabilities which is the value of consumer deposits held. No other collateral is held on these amounts.

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

The Company has no bank overdraft facility.

The methods and assumptions used are that the carrying amount in the financial statements reflects the estimated fair value of the financial instruments including receivables, bank and investments and accounts payable. The carrying amount of investments in the financial statements reflect their cost. Fair values for these at balance date were \$30,062 (2001 : \$28,317).

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

The Company has arranged a bank guarantee for \$300,000 which was required by United Networks Ltd to gain access to their distribution networks.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2002

### Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return on investments.

The interest rates on the Company's investments are 4.66% to 5.89% (2001 : 5.68% to 6.67%)

	<b>2002</b>	<b>2001</b>
	<b>\$</b>	<b>\$</b>
Short term deposits	1,475,000	1,110,000

The Directors do not consider there is any significant exposure to interest rate risk on its investments.

The interest rates on the Company's borrowings are disclosed in Note 8. Interest rates are reviewed regularly.

There are no interest rate options or interest rate swap agreements in place as at 30 June 2002 (2001 : Nil).

### Currency Risk

No currency risk.

## 12. Related Party Transactions

The Following Transactions Occurred During The Period With Related Parties :

Wanganui District Council (74.9% Shareholder)  
( C E Poynter, Mayor)( P A Bullock, Councillor)

	<b>2002</b>	<b>2001</b>
	<b>\$</b>	<b>\$</b>
Rent	125,000	125,000
Rates	9,852	9,564
Other	9,326	12,648
IT Services	7,770	-
Insurance	4,839	-
	156,787	147,212



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2002

### 12. Related Party Transactions - Cont'd

	2002 \$	2001 \$
Natural Gas Corporation (25.1% Shareholder) ( R J Bentley, Director, K M Baker, Chief Financial Officer)		
Wholesale Gas Purchases	2,569,947	2,746,473
Transmission & Network Services	1,511,487	1,186,902
Meter Testing, Energy Audit & Other	0	5,529
	<hr/>	<hr/>
	4,081,434	3,938,904
Treadwell Gordon & Co (G S Swan, Consultant) Legal Advice	45,478	6,456
Amounts (excluding GST) owed to related parties at Balance Date were :		
Wanganui District Council	6,706	22,121
Natural Gas Corporation	399,061	454,019
Treadwell Gordon & Co	0	1,625

All transactions were conducted on normal commercial terms.

### 13. Commitments

Lease Commitments Under Non-Cancellable Operating Leases.

Not later than one year	0	62,000
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### 14. Contingent Liabilities

An outstanding matter of maximum exposure \$30,000 (2001: \$0).



## PERFORMANCE TARGETS

*For The Year Ended 30 June 2002*

	<i>Actual 2000/01</i>	<i>Target as Per Statement of Corporate Intent 2001/02</i>	<i>Actual 2001/02</i>
Profit Before Interest, Tax, And One-off Settlement To Average Net Funds Employed (Total Assets Less Current Liabilities)	13%		16%
Net Profit After Interest And Tax To Average Ordinary Shareholders' Funds.	11.5%	11.6%	14.97%
System Monthly Load Factor	80.2%	81.0%	74.8%

## **AUDITOR'S REPORT**

*For The Year Ended 30 June 2002*

### REPORT OF THE AUDIT OFFICE

#### TO THE READERS OF THE FINANCIAL STATEMENTS OF WANGANUI GAS LIMITED FOR THE YEAR ENDED 30 JUNE 2002

We have audited the financial statements and performance information on pages 14 to 29. The financial statements provide information about the past financial performance of Wanganui Gas Limited and its financial position as at 30 June 2002. The performance information specifies the performance targets and other measures by which the performance of Wanganui Gas Limited can be judged in relation to its objectives. This information is stated in accordance with the accounting policies set out on pages 19 to 21.

#### **Responsibilities of the Board of Directors**

The Energy Companies Act 1992 and the Financial Reporting Act 1993 require the Board of Directors (the Board) to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the financial position of Wanganui Gas Limited as at 30 June 2002 and the results of its operations and cash flows for the year ended on that date. The Energy Companies Act 1992 also requires the Board to report the performance targets and other measures by which the performance of Wanganui Gas Limited can be judged in relation to its objectives.

#### **Auditor's responsibilities**

Section 15 of the Public Audit Act 2001 and Section 45(1) of the Energy Companies Act 1992 require the Auditor-General to audit the financial statements and the performance information presented by the Board. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and the performance information and report that opinion to you.

The Auditor-General has appointed L H Desborough, of Audit New Zealand, to undertake the audit.

#### **Basis of opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements and performance information. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial statements and performance information; and
- whether the accounting policies are appropriate to Wanganui Gas Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and performance information are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.



## AUDITOR'S REPORT

*For The Year Ended 30 June 2002*

We have carried out an assurance related assignment for Wanganui Gas Limited. This involved issuing audit certificates pursuant to the Gas (Information Disclosure) Regulations 1997. Other than this assignment, and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Wanganui Gas Limited.

### Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by Wanganui Gas Limited as far as appears from our examination of those records;
- the financial statements of Wanganui Gas Limited on pages 14 to 28:
  - comply with generally accepted accounting practice in New Zealand; *and*
  - give a true and fair view of:
    - Wanganui Gas Limited's financial position as at 30 June 2002; *and*
    - the results of its operations and cash flows for the year ended on that date; *and*
- the performance information of Wanganui Gas Limited on page 29 gives a true and fair view of the achievements in relation to the performance targets and other measures adopted for the year ended 30 June 2002.

Our audit was completed on 4 September 2002 and our unqualified opinion is expressed as at that date.

L H Desborough  
Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand