

NGC – Gas Retailing Activities
Statement of Financial Performance
For the Year Ended 30 June 2005

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

		\$Thousands	
	Note	2005	2004
Revenue		193,514	196,639
Expenses	1	(157,715)	(158,564)
Surplus before Taxation		35,799	38,075
Income Tax Expense	2	(12,483)	(12,866)
Net Surplus for the Year		23,316	25,209

NGC – Gas Retailing Activities

Statement of Financial Position

As at 30 June 2005

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

		\$Thousands	
	Note	2005	2004
Non Current Assets			
Property, Plant and Equipment	3	131	172
Deferred Taxation	2	177	1,904
Total Non Current Assets		308	2,076
Current Assets			
Accounts Receivable	4	16,503	15,001
Current Tax		2,474	(6,335)
Total Current Assets		18,977	8,666
Total Assets		19,285	10,742
Equity			
Notional Reserves	5	14,894	770
Total Equity		14,894	770
Current Liabilities			
Bank Overdraft and Short Term Loans		648	412
Accounts Payable and Provisions	6	3,743	9,560
Total Current Liabilities		4,391	9,972
Total Liabilities and Equity		19,285	10,742

NGC – Gas Retailing Activities
Statement of Accounting Policies
For the Year Ended 30 June 2005

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

a) Accounting Entity

The financial statements are those of NGC – Gas Retailing Activities (NGC). Gas Retailing Activities involve the supply of gas to gas consumers. These financial statements apply solely to the activities of NGC New Zealand Limited but are published in the names of both NGC New Zealand Limited and Vector Limited because of Vector's ownership of the NGC Group.

b) Special Purpose Financial Statements

The financial statements have been prepared in accordance with the Gas (Information Disclosure) Regulations 1997.

c) General Accounting Policies

The general accounting policies as recommended by the New Zealand Institute of Chartered Accountants for the measurement and reporting of financial performance and 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.

d) Particular Accounting Policies

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

i) Valuation of Property, Plant and Equipment

All property, plant and equipment 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 property, plant and equipment as each facility or operating unit within a facility becomes operational and available for use.

ii) Current Assets

Accounts receivable and all other current assets are valued at their estimated realisable value.

iii) Depreciation

Non current assets are depreciated on a straight line basis.

The rates of depreciation vary according to the nature and economic lives of the assets and fall within the following ranges:

Plant, Equipment and Motor Vehicles	5 - 20 years
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iv) Leased Assets

NGC leases certain plant, equipment, land and buildings. Under operating leases, all the risks and benefits of ownership are effectively retained by the lessor. Operating lease payments are expensed in the period in which they are incurred.

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 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 are offset.

e) Changes in Accounting Policies

There have been no changes in accounting policies. These policies have been applied on a consistent basis during the year.

f) Comparatives

The presentation of certain comparatives has been restated to ensure consistency with current year disclosures.

NGC – Gas Retailing Activities
Notes to the Financial Statements
For the Year Ended 30 June 2005

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

1. Expenses

	\$Thousands	
	2005	2004
Depreciation	47	233
Audit Fees and Expenses		
PricewaterhouseCoopers	28	28
Leasing Costs	28	26
Bad Debts Written Off	4	33
Movement in Provision for Doubtful Debts	(146)	(329)

2. Income Tax

	\$Thousands	
	2005	2004
a) The Income Tax Expense has been calculated as follows:		
Surplus before Taxation	35,799	38,075
Income Tax at 33%	11,814	12,565
Adjustments to Taxation for Non-deductible Items:		
Income Tax Over Provided in Previous Periods	666	-
Other Non-Deductible Items	3	301
Taxation Charge in Statement of Financial Performance	12,483	12,866
Income Tax Expense is represented by:		
Tax Payable in Respect of the Current Year	10,756	16,958
Deferred Taxation (Refer Note 2b)	1,727	(4,092)
	12,483	12,866

	\$Thousands	
	2005	2004
b) Deferred taxation has been calculated as follows:		
Balance as at 1 July	(1,904)	2,188
Movement for the Year	1,727	(4,092)
Prior Period Adjustments and Other Movements	-	-
	(177)	(1,904)

Deferred tax includes provision for the tax effect of all differences between the tax base of assets and liabilities and their carrying amounts in the financial statements including asset revaluations.

3. Property, Plant and Equipment

	\$Thousands 2005			
	Cost/ Valuation	Accumulated Depreciation	Net Book Value	Depreciation Charge
Other Plant and Equipment	168	126	42	27
Motor Vehicles	154	73	81	20
Construction in Progress	8	-	8	-
	330	199	131	47

	\$Thousands 2004			
	Cost/ Valuation	Accumulated Depreciation	Net Book Value	Depreciation Charge
Other Plant and Equipment	168	99	69	197
Motor Vehicles	155	52	103	36
	323	151	172	233

4. Accounts Receivable

	\$Thousands	
	2005	2004
Trade Debtors	16,503	15,001
	16,503	15,001

5. Notional Reserves

	\$Thousands	
	2005	2004
Notional Reserves		
Balance as at 1 July	770	(2,647)
Movement for the period	14,124	3,417
Balance as at 30 June	<u>14,894</u>	<u>770</u>

NGC's Gas Retailing Activities is not a company and therefore has no share capital. Notional reserves are determined on the basis that NGC Gas Retailing Activities is fully equity funded by the NGC Group. Notional reserves therefore represent all funding provided to NGC Gas Retailing Activities by the NGC Group.

6. Accounts Payable and Provisions

	\$Thousands	
	2005	2004
Accounts Payable	3,179	280
Accrued Expenses	42	3,810
Provisions	522	5,470
	<u>3,743</u>	<u>9,560</u>

The movement in provisions is shown below.

Provisions

	\$Thousands	
	2005	2004
Balance as at 1 July	5,470	-
Additional Provision Made	-	5,470
Amounts Utilised	(4,948)	-
Unused Provision Reversed	-	-
Balance as at 30 June	<u>522</u>	<u>5,470</u>

This balance includes provisions for various commercial matters expected to be settled in periods from now to two years, but could require settlement at any time.

7. Financial Instruments

Interest Rate Risk

There is no interest rate risk as NGC does not hold any interest bearing assets or liabilities.

Credit Risk

Financial instruments which potentially subject NGC to credit risk consist principally of cash deposits and trade debtors.

NGC places its cash deposits with a small number of banking institutions and limits the amount deposited. The credit limits based on credit quality are approved by the Board of Directors.

NGC completes credit evaluations on customers where possible and requires a bond to be paid when customers cannot demonstrate an adequate credit history.

NGC does not have any significant concentration of credit risk.

Foreign Currency Risk

NGC undertakes transactions denominated in foreign currencies from time to time resulting in exposures in foreign currencies. Other NGC Group companies manage these exposures where it is their policy to hedge foreign exchange currency risks as they arise.

Fair Values

The carrying value of cash at bank, other investments and trade creditors is equivalent to their fair value.

8. Capital and Operating Lease Commitments

There is no capital expenditure committed but not recorded in these financial statements for the year ended 30 June 2005 (30 June 2004: Nil).

	\$Thousands	
	2005	2004
Operating Lease Commitments		
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Non cancellable operating lease rentals are payable as follows:		
Not later than one year	25	27
Between one and two years	14	25
Between two and five years	8	22
Later than five years	-	-
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	47	74
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9. Other Related Party Transactions

NGC Management Limited provides management services in respect of the Gas Retailing Activities. Management fees were paid to NGC Management Limited of \$1.4 million (30 June 2004: \$1.8 million).

Gas Retailing Activities had gas sales to Kapuni Energy Joint Venture of \$5.7 million (30 June 2004: \$5.4 million) and NGC New Zealand Limited \$6.9 million (30 June 2004: \$4.5 million).

Gas purchases from NGC New Zealand Limited were \$122.7 million (30 June 2004: \$115.1 million), transmission purchases from NGC New Zealand Limited were \$26.6 million (30 June 2004: \$26.4 million), processing services from NGC New Zealand Limited were \$0.6 million (30 June 2004: \$4.2 million) and distribution purchases from NGC New Zealand Limited were \$3.6 million (30 June 2004: \$3.9 million), NGC Metering Limited \$0.3 million (30 June 2004: nil) and Vector Limited \$3.8 million (30 June 2004: nil).

Transactions with related parties are settled in the ordinary course of business. No amounts have been written off or forgiven during the year ended 30 June 2005 (30 June 2004: Nil).

10. Contingencies

There are no contingencies which would have a material adverse effect on these financial statements.

11. Events Subsequent to Balance Date

Subsequent to 30 June 2005:

On 27 June 2005, Vector launched its initial public offering (IPO) of 24.9% of its shares. As part of the IPO, Vector made a full takeover offer to purchase all of the NGC shares on issue not already held by Vector.

As a consequence of acquiring more than 90% of all NGC shares as part of the takeover offer, Vector has compulsorily acquired the remaining shares, on the same terms and conditions as the takeover offer. Subsequently NGC delisted its shares from trading on the New Zealand Exchange on 7 September 2005.

No other events have occurred subsequent to 30 June 2005 which would have a material adverse effect on these financial statements.

GAS RETAILING ACTIVITIES

CERTIFICATE OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, Michael Thomas Cummings and Steven Lloyd Bielby, directors of NGC 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.



Michael Thomas Cummings



Steven Lloyd Bielby


9 November 2005

Certification by Auditor in Relation to Financial Statements

NGC – Gas Retailing Activities

We have examined the attached financial statements prepared by NGC Holdings Limited in respect to NGC – Gas Retailing Activities dated 9 November 2005 for the purposes of Regulation 6 of the Gas (Information Disclosure) Regulations 1997.

We certify that, having made all reasonable enquiry, to the best of our knowledge, those financial statements have been prepared in accordance with the requirements of the Gas (Information Disclosure) Regulations 1997.



PricewaterhouseCoopers
9 November 2005