

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

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

		<b>\$Thousands</b>	
	<b>Note</b>	<b>2005</b>	<b>2004</b>
Revenue		<b>154,217</b>	140,136
Expenses	1	<b>(150,239)</b>	(133,240)
Surplus before Taxation		<b>3,978</b>	6,896
Income Tax Expense	2	<b>(1,477)</b>	(2,276)
<b>Net Surplus for the Year</b>		<b>2,501</b>	4,620

**NGC – Gas Wholesaling Activities**

**Statement of Financial Position**

**As at 30 June 2005**

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

		\$Thousands	
	Note	2005	2004
<b>Non Current Assets</b>			
Gas Entitlements	3	11,458	27,829
Accounts Receivable	4	6,774	-
<b>Total Non Current Assets</b>		<b>18,232</b>	27,829
<b>Current Assets</b>			
Current Portion of Gas Entitlements	3	19,180	33,403
Accounts Receivable	4	9,297	2,233
Inventories – Gas		740	521
Current Tax		265	(952)
<b>Total Current Assets</b>		<b>29,482</b>	35,205
<b>Total Assets</b>		<b>47,714</b>	63,034
<b>Equity</b>			
Notional Reserves	5	18,635	56,159
<b>Total Equity</b>		<b>18,635</b>	56,159
<b>Non Current Liabilities</b>			
Deferred Taxation	2	2,196	3,562
Gas Advance	6	15,525	-
<b>Total Non Current Liabilities</b>		<b>17,721</b>	3,562
<b>Current Liabilities</b>			
Accounts Payable and Provisions	7	11,358	3,313
<b>Total Current Liabilities</b>		<b>11,358</b>	3,313
<b>Total Liabilities and Equity</b>		<b>47,714</b>	63,034

## **NGC – Gas Wholesaling 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 Wholesaling Activities (NGC). Gas Wholesaling Activities involves the sale of gas to persons for the purpose of resupply by the other person (other than those wholesaling activities involving the supply of gas to refuellers). 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) Current Assets*

Accounts receivable are valued at their estimated realisable value. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a FIFO or weighted average cost basis. All other current assets are valued at their estimated realisable value.

###### *ii) Gas Entitlements and Advances*

Under the terms of certain gas supply contracts, NGC may be required to pay for a minimum quantity of gas in each contract year whether or not delivery has been made. NGC may from time to time prepay for gas and these payments may entitle NGC to delivery of gas in subsequent years without further payment. The prepayments are capitalised as an asset and are amortised to earnings as the prepaid gas is utilised. The amortisation rate per unit of gas is based on the amount of prepaid gas which NGC expects to access over the term of the contract.

NGC recognises an estimated liability for future obligations to provide gas at a later date. Fees associated with gas advances are realised as a component of gas cost in the Statement of Financial Performance over the expected life of the contract.

###### *iii) 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 Wholesaling 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**

	<b>\$Thousands</b>	
	<b>2005</b>	<b>2004</b>
Audit Fees and Expenses		
PricewaterhouseCoopers	<b>10</b>	10
Leasing Costs	-	-
Bad Debts Written Off	-	-
Movement in Provision for Doubtful Debts	-	-

**2. Income Tax**

	<b>\$Thousands</b>	
	<b>2005</b>	<b>2004</b>
a) <b>The Income Tax Expense has been calculated as follows:</b>		
Surplus before Taxation	<b>3,978</b>	6,896
Income Tax at 33%	<b>1,313</b>	2,276
Adjustments to Taxation for Non-deductible Items:		
Income Tax Over Provided in Previous Periods	<b>1</b>	-
Other Non-Deductible Items	<b>163</b>	-
Taxation Charge in Statement of Financial Performance	<b>1,477</b>	2,276
Income Tax Expense is represented by:		
Tax Payable in Respect of the Current Year	<b>2,843</b>	6,987
Deferred Taxation (Refer Note 2b)	<b>(1,366)</b>	(4,711)
	<b>1,477</b>	2,276

	\$Thousands	
	2005	2004
b) <b>Deferred taxation has been calculated as follows:</b>		
Balance as at 1 July	3,562	8,273
Movement for the Year	(1,366)	(4,711)
Prior Period Adjustments and Other Movements	-	-
	<b>2,196</b>	<b>3,562</b>

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.

### 3. Gas Entitlements

	\$Thousands	
	2005	2004
Maui and Other Prepaid Gas		
Balance expected to be realised:		
Within one year	19,180	33,403
Later than one year	11,458	27,829
	<b>30,638</b>	<b>61,232</b>

#### a) Maui Gas

On 1 June 2004, NGC entered into variations to its Maui gas contracts which set the total amount of gas to be delivered under the contracts at the quantity determined by the independent expert on 7 February 2003. Under the variations the redetermined amount of gas would be delivered and there would be no further redeterminations. Further, if the Maui Mining Companies do not deliver this quantity they must supply 'make up' gas for any shortfall from another supply or pay liquidated damages for any undelivered gas. At 30 June 2005, NGC has 25.3 PJ of remaining Maui gas entitlements. As part of these variations to the Maui gas contracts NGC is guaranteed delivery of 23.2 PJ of its remaining Maui gas from its original Advance Paid and Prepaid gas entitlements. The Advance Paid and Prepaid gas entitlements require no further payment to the Crown when delivery is taken except for payment of the energy resource levy. The remaining 2.1 PJ can be uplifted by NGC at the previous contract prices. As part of the variations executed on 1 June 2004, NGC also has a right of first refusal at market price along with Contact Energy Limited (Contact) over any additional gas found beyond the redetermined amount after first reserving 40 PJ for Methanex New Zealand Limited (Methanex).

#### b) Kapuni Gas

NGC currently has entitlement to 50% of the recoverable gas reserves of the Kapuni field as they were determined to be at 1 April 1997. As at 30 June 2005 this is estimated to be approximately 91 PJ following a downward reserves reassessment in February 2005 of 26 PJ (NGC share), of which, 69 PJ is at current Kapuni gas contract prices while the balance is expected to be at market prices prevailing when the gas is delivered.

NGC has reached an agreement with Shell (Petroleum Mining) Company Ltd (Shell) to purchase Shell's share of Kapuni gas, after Shell has met its pre-existing contract commitments, for the period from 1 January 2005 to 31 December 2013. Deliveries of this Kapuni gas will be dependent on the daily production from the field, but NGC expects that some 45 PJ of gas will be delivered under this contract. The maximum total quantity of gas to be delivered under the contract is 70 PJ less the amounts credited to this contract from its Pohokura Gas Contracts discussed below.

**c) Pohokura Gas**

NGC has agreed with Shell to purchase a portion of Shell's entitlements to gas from Pohokura from 1 July 2006, once the Pohokura field is commissioned, until 30 September 2007. The rates of gas able to be purchased under this contract vary over the term of the contract and NGC may purchase a total amount of up to 35 PJ of gas under this contract. The first 10 PJ of gas purchased under this contract will be credited to NGC's entitlement to 70 PJ of gas as described above under Kapuni Gas.

NGC has also agreed with Shell to purchase a further portion of Shell's entitlements to gas from Pohokura from 1 January 2007 until 30 June 2010. Delivery of such gas is dependent on Shell's share of Pohokura's daily production, but NGC will have up to 30 TJ/day available. NGC may purchase a total amount of up to 38 PJ of gas under this contract. 50% of this gas will be credited to NGC's entitlement to 70 PJ of Kapuni gas from Shell as described above.

**d) IRM and Austral Pacific Gas Prepayments**

NGC has agreed with the Kahili Joint Venture (Kahili JV) to purchase all the wet gas to be produced from the Kahili field. The Kahili JV comprises Austral Pacific Energy (NZ) Limited (Austral), International Resource Management Corporation (IRM) and Tap (New Zealand) Pty Limited (Tap). The volume expected is uncertain but unlikely to exceed 5 PJ. The field is currently closed for the pending technical review.

NGC has a prepayment of \$1.8 million to Austral at 30 June 2005, which will be utilised for purchases of Austral's share of gas from Kahili. NGC also has a prepayment of \$2.4 million to IRM at 30 June 2005 which will be utilised for purchases of IRM's share of gas from Kahili, and for purchase of IRM's share of any gas produced from the Cheal discovery in the future.

**4. Accounts Receivable**

	<b>\$Thousands</b>	
	<b>2005</b>	<b>2004</b>
Balance Expected to be Realised:		
Within One Year		
Trade Debtors	<b>7,574</b>	2,233
Prepayments and Sundry Receivables	<b>1,723</b>	-
	<b>9,297</b>	2,233
Later than One Year	<b>6,774</b>	-
Total Accounts Receivable	<b>16,071</b>	2,233

Receivables due later than one year consist of a refund for gas purchases relating to a gas supply contract with Maui Development Limited.

## 5. Notional Reserves

	\$Thousands	
	2005	2004
<b>Notional Reserves</b>		
Balance as at 1 July	56,159	79,546
Movement for the period	<b>(37,524)</b>	(23,387)
Balance as at 30 June	<b>18,635</b>	56,159

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

## 6. Gas Advance

Contact has delivered 2.5 PJ of gas (sourced from Maui) under a swap arrangement to NGC during the year ended 30 June 2005. In return, NGC expects to return the same amount of gas back to Contact in the period from 1 July 2006 to 30 September 2007.

## 7. Accounts Payable and Provisions

	\$Thousands	
	2005	2004
Accrued Expenses	10,158	2,113
Provisions	1,200	1,200
	<b>11,358</b>	3,313

The movement in provisions is shown below.

### Provisions

	\$Thousands	
	2005	2004
Balance as at 1 July	1,200	-
Additional Provision Made	-	1,200
Amounts Utilised	-	-
Unused Provision Reversed	-	-
Balance as at 30 June	<b>1,200</b>	1,200

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.

## **8. 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.

## **9. Capital and Operating Lease Commitments**

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

## **10. Other Related Party Transactions**

NGC Management Limited provides services in respect of the Gas Wholesaling Activities. Management fees were paid to NGC Management Limited of \$1.1 million (30 June 2004: \$0.9 million).

Gas Wholesaling Activities had sales of gas to NGC New Zealand Limited of \$123.4 million (30 June 2004: \$115.1 million) and sales of by products to NGC New Zealand Limited of \$5.7 million (30 June 2004: \$5.8 million).

Transmission purchases from NGC New Zealand Limited were \$0.2 million (30 June 2004: \$0.6 million) and processing services from NGC New Zealand Limited were \$13.3 million (30 June 2004: \$3.2 million).

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).

## **11. Contingencies**

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

## **12. 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.

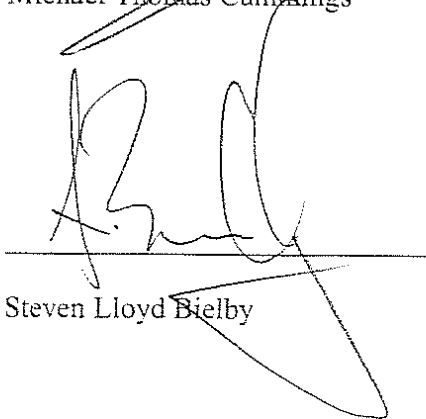
## GAS WHOLESALING ACTIVITIES

### 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 Wholesaling Activities

We have examined the attached financial statements prepared by NGC Holdings Limited in respect to NGC – Gas Wholesaling 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