SUPPLEMENT TO

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VECTOR LIMITED

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NGC HOLDINGS LIMITED

(A SUBSIDIARY OF VECTOR LIMITED)

GAS DISTRIBUTION ACTIVITIES 2005

INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

KPMG

Certification by Auditor in relation to Financial Statements

We have examined the attached financial statements prepared by Vector Limited and dated 15 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.

KPMG

15 November 2005

KPMG

Certification of performance measures by auditor

We have examined the attached information, being-

(a) Financial performance measures specified in clause 1 of Part 2 of Schedule 1 of the Gas (Information Disclosure) Regulations 1997; and

(b) Financial components of the efficiency performance measures specified in clause 2 of Part 2 of that schedule, -

and having been prepared by Vector Limited and dated 15 November 2005 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.

KPMG

KPMG

15 November 2005

FORM 4: CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY PIPELINE OWNERS OTHER THAN THE CORPORATION

We, MICHAEL STIASSNY and BRIAN PLIMMER, directors of Vector Limited, certify that, having made all reasonable enquiry, to the best of our knowledge, -

a) The attached audited financial statements of Vector Limited, 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 the financial performance measures, efficiency performance measures, energy delivery performance measures and statistics, and reliability performance measures in relation to Vector Limited, 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.

Director

15 NOV 05

Director

15 NOV 05

Vector Limited & Subsidiaries
Gas Distribution Activities

Statement of Financial Performance
For the year ended 30 June 2005

	Note	2005 $000	2004 $000
Operating revenue		**74,190**	46,057
Operating expenditure	2	**(25,854)**	(17,244)
Earnings before interest, income tax, depreciation and amortisation		**48,336**	28,813
Depreciation and amortisation	2	**(25,899)**	(16,085)
Operating surplus before interest and income tax		**22,437**	12,728
Interest expense		**(30,398)**	(17,984)
Operating deficit before income tax		**(7,961)**	(5,256)
Income tax expense	3	**(6,418)**	(1,068)
Operating deficit		**(14,379)**	(6,324)
Minority interests	9	**(1,743)**	-
Net deficit for the year	8	**(16,122)**	(6,324)

Vector Limited & Subsidiaries
Gas Distribution Activities

Statement of Financial Position
As at 30 June 2005

	Note	2005 $000	2004 $000
Current assets			
Cash		**6**	195
Receivables and prepayments	**10**	**4,335**	1,033
Inventories		**83**	-
Income tax		**827**	-
Capitalised finance costs		**314**	-
Total current assets		**5,565**	1,228
Non-current assets			
Property, plant and equipment	**11**	**354,147**	239,723
Goodwill	**12**	**204,157**	140,443
Future income tax benefit		**10,149**	3,060
Capitalised finance costs		**810**	3,227
Receivables and prepayments		**250**	25
Total non-current assets		**569,513**	386,478
Total assets		**575,078**	387,706
Current liabilities			
Payables and accruals	**14**	**9,735**	8,495
Borrowings	**16**	**118,352**	11,239
Total current liabilities		**128,087**	19,734
Non-current liabilities			
Borrowings	**16**	**281,698**	231,582
Deferred tax	**4**	**50,100**	19,795
Mark to market adjustment		**183**	-
Total non-current liabilities		**331,981**	251,377
Total liabilities		**460,068**	271,111
Equity			
Share capital (notional)	**6**	**123,559**	123,559
Retained earnings	**8**	**(23,086)**	(6,964)
Parent shareholders' equity		**100,473**	116,595
Minority shareholders' equity	**9**	**14,537**	-
Total equity		**115,010**	116,595
Total equity and liabilities		**575,078**	387,706

Vector Limited & Subsidiaries
Gas Distribution Activities

Statement of Accounting Policies
For the year ended 30 June 2005

Statutory base

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

Entities reporting

The financial statements comprise the gas distribution business activities of Vector Limited and its subsidiaries. Gas distribution activities involve the ownership and supply of pipeline function services for the distribution of gas.

The gas distribution businesses form part of the Vector group and adhere to the accounting policies of the Vector group. Those policies as they relate to the gas distribution businesses are detailed below.

Vector Limited is a company registered under the Companies Act 1993. Vector Limited is an issuer for the purpose of the Financial Reporting Act 1993 and its financial statements comply with that Act.

These consolidated financial statements for the gas distribution business activities of the Vector group are Special Purpose Financial Reports as defined in the Institute of Chartered Accountants' "framework for differential reporting".

The financial statements are presented for the first time since the acquisition by Vector Limited of a majority shareholding in NGC Holdings Limited in December 2004. In accordance with the Gas (Information Disclosure) Regulations 1997, these consolidated financial statements have been prepared on the basis that the acquisition of 67.21% of NGC's gas distribution business occurred at the beginning of the financial year (1 July 2004). The actual date of acquisition of this interest was 14 December 2004.

Measurement base

The financial statements are prepared on the basis of historical cost modified by the revaluation of certain items of property, plant and equipment as identified in specific accounting policies below.

The avoidable cost allocation methodology (ACAM) used for allocating revenues, costs, assets and liabilities between gas distribution and "other" activities is in accordance with the methodology prescribed in the Electricity Information Disclosure Handbook 31 March 2004.

Going concern

The financial statements have been prepared on a going concern basis which the directors believe is appropriate. All debts are an allocated portion of the Vector group's debts which the directors believe will be paid as they fall due.

Specific accounting policies

The financial statements are prepared in accordance with the Gas (Information Disclosure) Regulations 1997. The following specific accounting policies that materially affect the measurement of financial performance and financial position have been applied.

a) Comparatives

Where a change in the presentational format of the financial statements has been made during the period, comparative figures have been restated accordingly. All comparative figures for prior years are as disclosed for the gas distribution business activity of Vector Limited excluding NGC's gas distribution business.

b) Acquisitions and disposals of an entity or business

Acquisition or disposal during the year

In accordance with the Gas (Information Disclosure) Regulations 1997, where an entity or business becomes a part of the Vector group's gas distribution business during the year, the results of the entity or business are included in the consolidated results from the beginning of the financial year that control or significant influence commenced. When an entity or business is acquired all identifiable assets and liabilities are recognised at their fair value at the beginning of the financial year in which the entity or business was acquired. The fair value does not take into consideration any future intentions by the Vector group. Where an entity or business that is part of the Vector group is disposed of, the gain or loss recognised in the statement of financial performance is calculated as the difference between the sale price and the carrying amount of the entity or the assets and liabilities of the business.

Vector Limited & Subsidiaries
Gas Distribution Activities

Statement of Accounting Policies (continued)
For the year ended 30 June 2005

Goodwill arising on acquisition

Goodwill arising on acquisition of a subsidiary or associate represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired. Goodwill is amortised to the statement of financial performance on a straight line basis over the period during which benefits are expected to be derived up to a maximum of 20 years.

Fees and other costs incurred in raising debt finance directly attributable to the acquisition of a subsidiary are recognised as part of the cost of acquisition within goodwill and amortised on a straight line basis over a period of up to 20 years.

c) Income recognition

Income from the provision of gas distribution services is recognised as services are delivered. Interest income is accounted for as earned. Income from customer contributions is typically recognised on an as-invoiced or percentage of completion basis to match the conditions of the underlying contract.

d) Goods and services tax (GST)

The statement of financial performance has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

e) Receivables

Receivables are carried at estimated realisable value after providing against debts where collection is doubtful.

f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a FIFO or weighted average basis.

g) Income tax

The income tax expense recognised for the year is based on the operating surplus before taxation, adjusted for permanent differences between accounting and tax rules.

The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax under the liability method.

A deferred tax asset, or the effect of tax losses carried forward is recognised in the financial statements only where there is the virtual certainty that the benefit of the timing differences, or losses, will be utilised.

h) Investments

Non-current investments are stated at cost.

i) Property, plant and equipment

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the property, plant and equipment and the value of other directly attributable costs, which have been incurred in bringing the property, plant and equipment to the location and condition necessary for the intended service. All feasibility costs are expensed as incurred.

The cost of self-constructed property, plant and equipment includes the cost of all materials used in construction, direct labour on the project, costs of obtaining resource management consents, financing costs that are attributable to the project and an appropriate proportion of the variable and fixed overheads. Costs cease to be capitalised as soon as the item of property, plant and equipment is ready for productive use and do not include any inefficiency costs.

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and that expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time.

Distribution systems and some classes of land and buildings are revalued by independent experts. Distribution systems are valued on the basis of depreciated replacement cost, while land and buildings are valued by reference to market information. Other classes of property, plant and equipment are not revalued.

Revaluations of distribution systems and distribution land and buildings are carried out at least every three years.

Valuations are performed on highest and best use in accordance with Financial Reporting Standard No. 3. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of financial performance.

Vector Limited & Subsidiaries
Gas Distribution Activities

Statement of Accounting Policies (continued)
For the year ended 30 June 2005

i) Property, plant and equipment (continued)

Estimated recoverable amount is the greater of the estimated amount from the future use of the property, plant and equipment and its ultimate disposal, and its net market value. Annual impairment reviews are undertaken for all property, plant and equipment.

Assets acquired as part of a business acquisition are recognised at fair value calculated at the effective date of acquisition in accordance with the Gas (Information Disclosure) Regulations 1997.

j) Depreciation

Depreciation of property, plant and equipment, other than freehold land, is calculated on a straight line basis so as to expense the cost of the property, plant and equipment, or revalued amount, less any expected residual value of the property, plant and equipment to the statement of financial performance over its useful economic life.

Buildings	40 - 100 years
Distribution systems	15 - 100 years
Motor vehicles and mobile equipment	3 - 20 years
Other plant and equipment	5 - 20 years

k) Leased property, plant and equipment

Finance leases

Property, plant and equipment under finance leases are recognised as non-current assets in the statement of financial position. Leased property, plant and equipment are recognised initially at the lower of the present value of the minimum lease payments or their fair value. A corresponding liability is established and each lease payment allocated between the liability and the interest expense. Leased property, plant and equipment are depreciated on the same basis as equivalent owned property, plant and equipment.

Operating leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment, are expensed to the statement of financial performance in equal instalments over the lease term.

Leasehold improvements

The cost of improvements to leasehold property are capitalised and depreciated over the unexpired period of the lease or the estimated useful life of the improvements, whichever is the shorter.

l) Provisions

Employee entitlements

Employee entitlements to salaries and wages, annual leave, long-term leave and other benefits are recognised when they accrue to employees.

Onerous contracts

Where the benefits expected to be derived from a contract are lower than the unavoidable costs of meeting the obligation under the contract, a provision is recognised. The provision is stated at the present value of the future net cash outflows expected to be incurred in respect of the contract. Subsequent to initial recognition, the provision is expensed to the statement of financial performance, over the life of the contract as the services are delivered.

Other provisions

A provision for claims is recognised as a liability where a constructive or legal obligation exists to settle items in the foreseeable future. A provision is recognised where the likelihood of a resultant liability is considered more probable than not. Where the likelihood of a resultant liability is more than remote but insufficient to warrant a provision, such events are disclosed as contingent liabilities.

m) Financial instruments

Derivative financial instruments are used within predetermined policies and limits in order to manage the exposure to fluctuations in foreign currency exchange rates and interest rates.

Derivative financial instruments that are designated as hedges of specific items are recognised on the same basis as the underlying hedged items.

The Vector group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

Vector Limited & Subsidiaries
Gas Distribution Activities

Statement of Accounting Policies (continued)
For the year ended 30 June 2005

m) Financial instruments (continued)

Fees and other costs incurred in raising debt finance not directly attributable to the acquisition of subsidiaries are capitalised and amortised over the term of the debt instrument or debt facility.

Interest income and expenses are recognised on an accrual basis. Where a debt instrument is issued at a discount or premium, the discount or premium is capitalised and amortised over the life of the instrument.

Fair value adjustments on derivative instruments acquired are initially recognised in the statement of financial position as a mark to market adjustment. Subsequent to initial recognition, the mark to market adjustment is amortised to the statement of financial performance over the period of the underlying derivative.

n) Foreign currencies

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of the transaction. At balance date foreign monetary assets and liabilities not hedged by foreign currency derivative instruments are translated at the closing rate, and exchange variations arising from these translations are included in the statements of financial performance as operating items.

Monetary assets and liabilities in foreign currencies at balance date hedged by foreign currency derivative instruments are translated at contract rates.

Changes in accounting policy

With effect from 1 July 2004, the board of directors elected to change the accounting policy applied to fees and other costs incurred in raising debt finance directly attributable to the acquisition of subsidiary companies. As allowed by NZ GAAP, such fees and other costs are now recognised as part of the cost of acquisition within goodwill at the date of acquisition of the subsidiary and are amortised over a period up to a maximum of 20 years. This change is necessary to give a true and fair view of the period over which benefits are expected to be derived from these debt raising costs which exceeds the term of the debt facilities themselves.

The effect of this change in accounting policy for the year ended 30 June 2005 has been to increase intangible assets by $2.1 million and decrease capitalised finance costs by $0.9 million in the statement of financial position, and to decrease net interest expense by $1.3 million and increase amortisation of goodwill by $0.1 million in the statement of financial performance.

The cumulative impact, after adjusting for the consequent increase in tax expense of $0.4 million, is a $0.8 million reduction in the net deficit for the period.

With the exception of the above, all policies have been applied on a basis consistent with those used in the year ended 30 June 2004.

Vector Limited & Subsidiaries
Gas Distribution Activities

Notes to the Financial Statements
For the year ended 30 June 2005

1. SEGMENT INFORMATION

The gas distribution activities operate within the gas distribution sector. All operations are carried out within New Zealand.

2. OPERATING EXPENDITURE

	Note	2005 $000	2004 $000
Operating expenditure includes:			
Bad debts written-off		-	2
(Decrease)/increase in provision for doubtful debts		(5)	8
Rental and operating lease costs		507	93
Loss on disposal of property, plant and equipment		25	-
Donations		1	-
Directors' fees		36	45
Auditors' remuneration			
Audit fees paid to principal auditors - KPMG		38	20
Audit fees paid to other auditors - PwC		30	-
Depreciation		14,413	8,136
Amortisation of goodwill	12	11,486	7,949

3. INCOME TAX

	Note	2005 $000	2004 $000
Operating deficit before income tax		(7,961)	(5,256)
Prima facie tax at 33%		(2,627)	(1,734)
Plus tax effect of permanent differences:			
Prior period adjustment		3,296	158
Other permanent differences		5,749	2,644
Income tax expense		6,418	1,068
The income tax expense is represented by:			
Current tax		(3,601)	11,879
Deferred tax	4	10,019	(10,811)
Total		6,418	1,068

Vector Limited & Subsidiaries
Gas Distribution Activities

Notes to the Financial Statements
For the year ended 30 June 2005

4. DEFERRED TAX	Note	2005 $000	2004 $000
Balance at beginning of the year		**19,795**	30,606
Prior period adjustment		**2,272**	-
On acquisition of NGC gas distribution business	13	**20,286**	-
On net surplus for the year		**7,747**	(10,811)
Balance at end of the year		**50,100**	19,795

5. DIVIDENDS

No dividends were paid during the year (2004:nil)

6. SHARE CAPITAL (NOTIONAL)	2005 $000	2004 $000
Balance at beginning of the year	**123,559**	-
Adjustment to share capital (notional)	**-**	123,559
Balance at end of the year	**123,559**	123,559

7. RESERVES	2005 $000	2004 $000
Asset revaluation		
Balance at beginning of the year	**-**	39,291
Movement on amalgamation	**-**	(39,291)
Balance at end of the year	**-**	-

8. RETAINED EARNINGS	2005 $000	2004 $000
Balance at beginning of the year	**(6,964)**	(640)
Net deficit attributable to shareholders	**(16,122)**	(6,324)
Balance at end of the year	**(23,086)**	(6,964)

Vector Limited & Subsidiaries
Gas Distribution Activities

Notes to the Financial Statements
For the year ended 30 June 2005

9. MINORITY INTEREST	Note	2005 $000	2004 $000
Balance at beginning of the year		-	-
Arising on acquisition of NGC gas distribution business	13	12,794	-
Movement for the year		1,743	-
Balance at end of the year		14,537	-

10. RECEIVABLE AND PREPAYMENTS	2005 $000	2004 $000
Trade receivables	3,580	974
Provision for doubtful debts	(11)	(16)
	3,569	958
Prepayments and other receivables	766	75
Total	4,335	1,033

11. PROPERTY, PLANT AND EQUIPMENT

30 June 2005	Cost/ Valuation $000	Accumulated Depreciation $000	Net Book Value $000
Freehold land	653	-	653
Distribution systems	350,177	(15,135)	335,042
Plant, vehicles and equipment	36,442	(25,421)	11,021
Capital work in progress	7,431	-	7,431
Total	394,703	(40,556)	354,147

30 June 2004	Cost/ Valuation $000	Accumulated Depreciation $000	Net Book Value $000
Freehold land	641	-	641
Distribution systems	218,685	(6,224)	212,461
Plant, vehicles and equipment	33,428	(20,411)	13,017
Capital work in progress	13,604	-	13,604
Total	266,358	(26,635)	239,723

The property, plant and equipment of the gas distribution business acquired in conjunction with the acquisition of the majority shareholding in NGC included distribution systems (pipelines, compressors and gate stations), other plant, vehicles and equipment, freehold land and buildings and capital work in progress. The total net book value attributable to these assets was $116.6 million on 1 July 2004. Subsequently the distribution systems assets acquired were restated (an increase of $5.7 million) to reflect their fair value at that date.

The distribution assets held prior to the acquisition of NGC's gas distribution business were revalued to $214.2 million as at 31 March 2003. Subsequent additions are stated at cost. The basis of valuation was depreciated replacement cost. This valuation was undertaken in conjunction with Meritec Limited consulting engineers.

The directors consider that the fair value of the land and buildings is equal to or in excess of their net book value.

As stated in the statement of accounting policies, interest and other costs are capitalised to property, plant and equipment while under construction. During the year $0.5 million (2004: $0.3 million) of interest and other costs were capitalised.

Vector Limited & Subsidiaries
Gas Distribution Activities

Notes to the Financial Statements
For the year ended 30 June 2005

12. GOODWILL

	Note	2005 $000	2004 $000
Balance at beginning of the year		**140,443**	148,392
Arising on acquisition of NGC gas distribution business	13	**73,909**	-
Arising on change of accounting policy		**1,291**	-
Amortisation in the financial year		**(11,486)**	(7,949)
Balance at end of the year		**204,157**	140,443

Goodwill is amortised over a period up to 20 years in accordance with the Vector group's accounting policy.

With effect from 1 July 2004 the board of directors elected to change the accounting policy with respect to capitalised debt raising costs where the debt raised is directly attributable to the acquisition of a subsidiary. Such fees and other costs are now recognised as part of the cost of the acquisition within goodwill as allowed by NZ GAAP.

Consequently $1.3 million of capitalised finance costs were reclassified to intangible assets on 1 July 2004.

13. ACQUISITION OF SUBSIDIARY

On 14 December 2004 Vector Limited acquired a controlling 66.05% interest in NGC Holdings Limited, a company providing utility services (including gas distribution) in New Zealand. At 30 June, Vector Limited owned a 67.21% interest in NGC Holdings Limited.

The acquisition of NGC's gas distribution business has been accounted for using the purchase method with the resulting goodwill amortised in accordance with the Vector group's accounting policy. In compliance with the provisions of the Gas (Information Disclosure) Regulations 1997, the accounts have been prepared on the basis that the acquisition of NGC Holdings Limited's gas business occurred at the beginning of the financial year (1 July 2004).

Assets and liabilities have been accounted for at their value on that date. The consideration disclosed is allocated based on the gas distribution portion of the actual consideration paid in December 2004 and has not been adjusted to estimate the consideration that would have been paid at 1 July 2004. Goodwill arising on acquisition of the gas distribution business of NGC Holdings Limited has therefore been calculated as the difference between the allocated actual purchase price and the fair values at 1 July 2004.

The acquisition had the following effect on the consolidated statement of financial position at 1 July 2004.

	2005 $000
Fair value of assets and liabilities acquired	
Cash and short term deposits	**12**
Receivables	**2,058**
Inventories	**207**
Income tax	**146**
Property, plant & equipment	**122,310**
Payables and accruals	**(5,129)**
Borrowings	**(60,300)**
Deferred tax liability	**(20,286)**
Net assets acquired	**39,018**
Minority interest arising on acquisition	**(12,794)**
Goodwill arising on acquisition	**73,909**
Cash consideration paid	**100,133**
Consisting of:	
Cash paid for shares acquired	**97,976**
Professional fees incurred	**1,231**
Debt raising costs incurred	**926**
	100,133

Professional fees incurred during the acquisition of NGC Holdings Limited's gas distribution business include $9k paid to the Vector group's principal auditors, KPMG and $10k paid to other auditors, PwC.

Vector Limited & Subsidiaries
Gas Distribution Activities

Notes to the Financial Statements
For the year ended 30 June 2005

14. PAYABLES AND ACCRUALS	Note	2005 $000	2004 $000
Current			
Trade payables and other creditors		5,437	5,948
Interest payable		2,441	2,013
Mark to market adjustment		294	-
Provisions	15	1,069	-
Provision for employee entitlements		494	534
Total		9,735	8,495

15. PROVISIONS	2005 $000	2004 $000
Balance at beginning of the year	-	-
Arising on acquisition of NGC gas distribution business	4,383	-
Additions	500	-
Utilised	(3,814)	-
Balance at end of the year	1,069	-

The amounts utilised in 2005 all related to matters provided for in prior periods. The balance includes provisions for various commercial matters expected to be settled during the next two financial periods but which could be settled at any time.

16. BORROWINGS

As at 30 June 2005	Weighted average interest rates	Total $000	Payable within 1 year $000	Payable between 1 and 2 years $000	Payable between 2 and 5 years $000	Payable after 5 years $000
Bank loans	7.30%	132,676	67,202	32,898	32,576	-
Working capital loan	6.95%	5,876	5,876	-	-	-
Medium term notes						
Fixed rate NZ$	6.50%	25,486	-	25,486	-	-
Floating rate A$	6.24%	72,691	-	-	40,754	31,937
Capital bonds	9.75%	39,245	-	39,245	-	-
Fixed interest rate bonds	6.81%	25,363	-	-	25,363	-
Private placement senior notes	5.65%	53,439	-	-	-	53,439
Pre-IPO equity securities	8.51%	45,274	45,274	-	-	-
		400,050	118,352	97,629	98,693	85,376

Vector Limited & Subsidiaries
Gas Distribution Activities

Notes to the Financial Statements
For the year ended 30 June 2005

16. BORROWINGS (continued)

As at 30 June 2004	Weighted average interest rates	Total $000	Payable within 1 year $000	Payable between 1 and 2 years $000	Payable between 2 and 5 years $000	Payable after 5 years $000
Working capital loan	6.10%	11,239	11,239	-	-	-
Medium term notes – floating rate A$	6.05%	231,582	-	-	129,836	101,746
		242,821	11,239	-	129,836	101,746

The debt / equity ratio of the gas distribution businesses has been apportioned to reflect the debt / equity ratio of the Vector group with any imbalance arising from the allocation process (ACAM) being recorded as an adjustment to debt. The resultant debt has been apportioned across all the debt instruments held by Vector Limited and NGC Holdings Limited as at 30 June 2005.

All borrowings are unsecured with all bank loans and medium term notes being subject to negative pledge arrangements.

Interest rates for all bank loans are floating based on the bank bill rate plus a margin. Bank loans are arranged through various facility agreements.

The Vector group has facilities with a total committed amount of $600 million which will expire in October 2008. Other facilities comprise a $400 million revolving cash advance and standby facility due to expire in November 2006 and a $250 million commercial paper programme. The working capital facility with a total commitment of $70 million is due to expire in October 2006.

Medium term notes - fixed rate NZ$ mature April 2007 and are shown at the value of proceeds received after deducting the discount on issue ($0.2 million) and adjusted for the amount amortised to 30 June 2005 of ($0.1 million). The interest on NZ$ medium term notes is fixed at 6.5% per annum and is paid semi-annually.

Medium term notes - floating rate A$ mature April 2008 and April 2011. The interest on A$ medium term notes is paid quarterly, based on BBSW plus a margin.

Fixed interest rate bonds are unsecured, unsubordinated debt with a coupon rate of 6.81% maturing in March 2009.

Capital bonds are unsecured, subordinated debt and have a first election date of 15 December 2006. The interest as at 30 June 2005 is fixed at 9.75% per annum and is paid semi-annually. Following the quotation of Vector Limited's shares on the New Zealand Stock Exchange and the issue of at least 24.9% of the total share capital of Vector Limited to persons other than the AECT, the interest rate on the capital bonds was reset to 8.25% per annum post balance date.

Private placement senior notes of US$15 million US$65 million and US$195 million with maturity periods of 8, 12 and 15 years respectively were placed privately with US investors in September 2004 at a contract exchange rate of 0.6574 US$ for every NZ$.

Borrowings are classified between current and non-current dependent on repayment dates.

All covenants in relation to borrowings have been met for the years ended 30 June 2005 and 30 June 2004.

NGC Holdings Limited acquisition borrowings

To fund Vector Limited's acquisition of NGC Holdings Limited, two bank loan facilities with a total committed amount of $800 million were raised. These were refinanced in October 2005.

In addition, pre-IPO equity securities were issued. Pre-IPO equity securities are subordinated debt with a total committed facility amount of $354.4 million. Vector Limited has repaid the pre-IPO equity securities subsequent to balance date.

17. CAPITAL BONDS

On 5 November 2002 Vector Limited issued 307,205,000 capital bonds for $307,205,000. The capital bonds have an initial term of four years from the date of issue. The capital bonds are convertible into Vector Limited ordinary shares in limited circumstances and have a principal amount of $1.00 each.

The capital bonds are unsecured debt obligations of Vector Limited, which are subordinated to all other creditors of Vector Limited, except the pre-IPO equity securities which rank below them, and are constituted by a trust deed entered into by Vector Limited and The New Zealand Guardian Trust Company Limited as trustee, dated 25 September 2002.

Vector Limited & Subsidiaries
Gas Distribution Activities

Notes to the Financial Statements
For the year ended 30 June 2005

18. COMMITMENTS

The following amounts have been committed to but not recognised in the financial statements.

	2005 $000	2004 $000
Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date but not provided	**4,167**	2,708
Operating lease commitments		
Within one year	**539**	403
One to two years	**472**	389
Two to five years	**847**	1,092
Beyond five years	**90**	88
Total commitments	**1,948**	1,972

19. FINANCIAL INSTRUMENTS

The Vector group has a comprehensive treasury policy approved by the board of directors to manage the risks of financial instruments. The policy outlines the objectives and approach that the Vector group will adopt in its treasury management processes. The policy covers, among other things, management of credit risk, interest rate risk, funding risk, liquidity risk, currency risk and operational risk.

INTEREST RATE RISK

The Vector group actively manages interest rate exposures in accordance with treasury policy. In this respect, at least forty percent of all debt must be at fixed interest rates or effectively fixed using interest rate swaps, forward rate agreements, options and other derivative instruments.

The weighted average rates of borrowings are as follows.

	2005 Weighted average interest rate	2005 Face value $000	2004 Weighted average interest rate	2004 Face value $000
Bank loans	**7.30%**	**132,676**	-	-
Working capital loans	**6.95%**	**5,876**	6.10%	11,239
Medium term notes				
Fixed rate NZ$	**6.50%**	**25,550**	-	-
Floating rate A$	**6.24%**	**72,691**	6.05%	231,582
Capital bonds	**9.75%**	**39,245**	-	-
Fixed interest rate bonds	**6.81%**	**25,363**	-	-
Private placement senior notes	**5.65%**	**53,439**	-	-
Pre-IPO equity securities	**8.51%**	**45,274**	-	-
		400,114		242,821

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19. FINANCIAL INSTRUMENTS (CONTINUED)

The weighted average interest rates of interest rate swaps and cross currency swaps are as follows.

	2005 Weighted average interest rate	2005 Notional amount $000	2004 Weighted average interest rate	2004 Notional amount $000
Interest rate swaps (floating to fixed)				
Maturing in less than 1 year	**7.30%**	**27,410**	7.11%	38,664
Maturing between 1 and 2 years	**7.22%**	**12,775**	7.32%	50,873
Maturing between 2 and 5 years	**6.73%**	**51,006**	7.03%	93,607
Maturing after 5 years	**6.56%**	**46,535**	6.79%	8,139
		137,726		191,283
Interest rate swaps (fixed to floating)				
Maturing between 1 and 2 years	**6.50%**	**25,550**	-	-
Maturing between 2 and 5 years	**7.46%**	**25,363**	-	-
		50,913		
Forward starting interest rate swaps				
Floating to fixed maturing between 2 and 5 years	**6.70%**	**31,891**	-	-
Floating to fixed maturing after 5 years	**6.60%**	**33,215**	-	-
		65,106		-
Cross currency swaps (pay leg) - floating	**7.65%**	**126,131**	6.38%	231,582
Cross currency swaps (receive leg) - floating	**5.99%**	**126,131**	6.05%	231,582

Bank loans, working capital loans, A$ medium term notes and pre-IPO equity securities are based on floating rates. A portion of the bank loans are hedged through interest rate swaps which convert the floating rate into a fixed rate.

The A$ medium term notes are hedged through cross currency swaps (eliminating the foreign currency risk) and interest rate swaps.

The NZ$ medium term notes are fixed interest rate notes. These notes are hedged by the interest rate swaps (fixed to floating).

Fixed interest rate bonds are at fixed interest rates.

The US$ privately placed senior notes are hedged through cross currency swaps (eliminating the foreign currency risk).

The forward starting interest rate swaps (fixed to floating) are to convert the fixed interest rate borrowings to floating rates.

The forward starting interest rate swaps (floating to fixed) are to hedge forecasted future floating rate debt.

FOREIGN EXCHANGE RISK

During the year, Vector Limited privately placed US$ senior notes with US investors. These notes are hedged with cross currency swaps thereby eliminating the foreign exchange currency risk.

The Vector group has also, in this reporting period, conducted transactions in foreign currencies for the purposes of protecting the NZ$ value of capital expenditure.

At balance date the Vector group has no significant exposure to foreign currency risk.

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Notes to the Financial Statements

For the year ended 30 June 2005

19. FINANCIAL INSTRUMENTS (CONTINUED)

CREDIT RISK

In the normal course of its business, the Vector group is exposed to credit risk from energy retailers, financial institutions and trade debtors. The Vector group has credit policies which are used to manage the exposure to credit risks.

As part of these policies, the Vector group can only have exposure to financial institutions having at least a credit rating of A- long term from Standard & Poor's (or equivalent rating). In addition, limits on exposures to financial institutions have been set by the board of directors and are monitored on a regular basis. In this respect, the Vector group minimises its credit risk by spreading such exposures across a range of institutions. The Vector group does not anticipate non-performance by any of these financial institutions.

The Vector group has some concentration of credit exposures with a few large energy retailers and large energy customers. To minimise this risk the Vector group perform credit evaluations on all energy retailers and large energy customers and requires a bond or other form of security where deemed necessary.

The Vector group places its cash deposits with a small number of banking institutions and limits the amount deposited with each institution.

The maximum exposure to credit risk is represented by the carrying value of each financial asset.

	Carrying Amount 2005 $000	Carrying Amount 2004 $000
Cash	**6**	195
Receivables	**3,569**	958
Interest rate swaps	**-**	-
Cross currency swaps	**1,097**	1,470

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Notes to the Financial Statements
For the year ended 30 June 2005

19. FINANCIAL INSTRUMENTS (CONTINUED)
FAIR VALUES

The estimated fair value of financial instruments at balance date is:

	2005 Carrying Amount $000	2005 Fair Value $000	2004 Carrying Amount $000	2004 Fair Value $000
Financial assets				
Cash	6	6	195	195
Trade receivables	3,569	3,569	958	958
Financial liabilities				
Trade payables and other creditors	5,931	5,931	6,482	6,482
Bank loans	133,271	133,271	-	-
Working capital facility	5,878	5,878	11,239	11,239
Medium term notes				
Fixed rate NZ$	25,950	25,877	-	-
Floating rate A$	73,705	65,421	234,714	209,451
Capital bonds	39,415	40,708	-	-
Fixed interest rate bonds	25,478	25,527	-	-
Private placement senior notes	54,318	51,019	-	-
Pre-IPO equity securities	45,443	45,443	-	-
Financial derivative liabilities/(assets)				
Interest rate swaps	508	1,622	3,098	(2,044)
Cross currency swaps	(1,097)	9,805	(1,470)	(22,426)

The following methods and assumptions were used to estimate the carrying amount and fair value of each class of financial instrument where it is practical to estimate that value.

Trade receivables and payables, cash and short-term deposits, bank loans and working capital

The carrying amount of these items is equivalent to their fair value and includes the principal and interest accrued. Trade receivables are net of doubtful debts provided.

Medium term notes

The fair value of NZ$ medium term notes is based on quoted market prices.

The carrying amount for the NZ$ medium term notes is based on face value less discount plus accruals.

The fair value of A$ medium term notes is based on face value plus accruals converted at the exchange rate prevailing at balance date.

The carrying amount for the A$ medium term notes include the principal and interest accrued, converted at the contract rates.

Capital bonds

The fair value of capital bonds is based on quoted market prices.

The carrying amount includes the principal and interest accrued.

Fixed interest rate bonds

The fair value of fixed interest rate bonds is based on quoted market prices.

The carrying amount includes the principal and interest accrued.

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Notes to the Financial Statements
For the year ended 30 June 2005

19. FINANCIAL INSTRUMENTS (CONTINUED)

Private placement senior notes

The fair value of US$ privately placed senior notes is based on face value plus accruals converted at the exchange rate prevailing at balance date.

The carrying amount for the US$ privately placed senior notes includes the principal and interest accrued, converted at the contract rates.

Pre-IPO equity securities

The carrying amount of the pre-IPO equity securities is equivalent to their fair value and includes the principal and interest accrued.

Derivative instruments

The fair value of interest rate swaps, cross currency swaps, forward rate agreements, and other derivative instruments is estimated based on the quoted market prices for these instruments.

The carrying amount includes the mark to market adjustments (net of amortisation) on derivative transactions acquired and interest accrued.

LIQUIDITY RISK

Liquidity risk is the risk that there may be difficulty in raising funds at short notice to meet financial commitments as they fall due. In order to reduce the exposure to liquidity risk, the Vector group has access to undrawn committed lines of credit.

20. CONTINGENT LIABILITIES

The directors are aware of claims against entities within the Vector group and, where appropriate, have recognised provisions for these as they relate to gas distribution activities within the financial statements. No other material contingencies requiring disclosure have been identified (2004: nil).

21. TRANSACTIONS WITH RELATED PARTIES

The Vector gas distribution business sold $2.2 million of distribution services to NGC New Zealand Limited in the year ended 30 June 2005.

NGC Holdings Limited's gas distribution business sold $3.6 million of distribution services to NGC New Zealand Limited and $43k to Vector Limited in the year ended 30 June 2005.

NGC Management Limited provides management services in respect of the gas distribution activities of NGC Holdings Limited. Management fees of $4.0 million were paid to NGC Management Limited by NGC Holdings Limited's gas distribution business during the year ended 30 June 2005.

No related party debts have been written-off or forgiven during the year.

Vector Limited & Subsidiaries
Gas Distribution Activities

Notes to the Financial Statements
For the year ended 30 June 2005

22. EVENTS AFTER BALANCE DATE

Initial Public Offering (IPO)

On 11 July 2005, Vector Limited made a full takeover offer to purchase all of the NGC shares on issue not already held by Vector Limited. The takeover offer was partially funded by the launch of an IPO of 24.9% of the existing share capital of Vector Limited. Vector Limited issued its Prospectus on 27 June 2005.

On 10 August 2005, a sufficient number of acceptances of the takeover offer had been received in order for Vector Limited to obtain an aggregate shareholding in NGC Holdings Limited exceeding the 90 percent limit required to move to compulsory acquisition of the remaining shares not held. Hence the takeover offer was closed on that date. As the other offers pursuant to the IPO to Auckland Energy Consumer Trust (AECT) beneficiaries and capital bondholders were significantly oversubscribed, Vector Limited also elected to close those offers on 10 August 2005.

On 15 August, Vector Limited commenced trading on the NZSX and repaid the pre-IPO equity securities.

Provisional Authorisation

On 24 August 2005, the Commerce Commission issued a Provisional Authorisation to implement control over the gas pipeline services of Vector Limited. As a result of this, Vector Limited will decrease its Standard Gas Network Line Charges by an average of 9.5% broadly across all customer classes. The Provisional Authorisation does not apply to NGC Holdings Limited, a subsidiary of Vector Limited which undertakes gas distribution activities.

Debt refinancing

On 26 October 2005, Vector Limited issued three tranches of medium term notes including a NZ$250 million 10 year, a NZ$400 million 12 year and a NZ$350 million 15 year tranche as part of the refinancing of its acquisition facilities.

No adjustments are required to these financial statements in respect of these events.

Vector Limited & Subsidiaries
Gas Distribution Activities

Financial and Efficiency Performance Measures
For the year ended 30 June 2005

		[1]2005	[2]2004	[3]2003	[4]2002
1	**Financial performance measures**				
a (i)	Accounting return on total assets (including current borrowings in working capital)	**7.84%**	5.85%	5.68%	20.74%
a (ii)	Accounting return on total assets (excluding current borrowings from working capital)	**6.39%**	5.71%	5.68%	20.74%
b	Accounting return on equity	**(13.25%)**	(8.15%)	(8.79%)	(414.03%)
c (i)	Accounting rate of profit (including current borrowings in working capital)	**2.51%**	3.12%	38.09%	14.87%
c (ii)	Accounting rate of profit (excluding current borrowings from working capital)	**2.05%**	3.05%	38.09%	20.74%
2	**Efficiency performance measures**				
a	Direct line cost per kilometre	**$917**	$1,041	$561	$791
b	Indirect line cost per consumer	**$140**	$174	$19	$70

The financial and efficiency performance measures for 2005 assume NGC was acquired at the beginning of the financial year.

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[1] Consolidation of Vector and NGC pipeline disclosure data. Prior period disclosures do not include NGC data
[2] UnitedNetworks Limited was amalgamated with Vector Limited on 1 July 2004
[3] UnitedNetworks Limited disclosure for the 6 month period ended 30 June 2003
[4] UnitedNetworks Limited disclosure for the year ended 31 December 2002

Vector Limited & Subsidiaries
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Energy Delivery Efficiency Performance Measures and Statistics
For the year ended 30 June 2005

		[1]2005	[2]2004	[3]2003	[4]2002
3	**Energy delivery efficiency performance measures**				
	Load factor	**79.99%**	76.11%	41.78%	69.41%
	Unaccounted for gas ratio	**1.29%**	2.31%	0.53%	1.90%
4	**Statistics**				
	System length (km)	**7,968**	4,910	4,802	6,026
	Maximum monthly amount of gas entering system (GJ)	**2,481,916**	1,310,442	1,064,206	2,061,245
	Total annual amount of gas conveyed through system (GJ)	**23,823,990**	11,968,419	5,334,942	17,169,283
	Total annual amount of gas conveyed through system for persons not in a prescribed business relationship (GJ)	**15,324,017**	11,953,148	5,328,742	17,153,581
	Total number of customers	**132,527**	70,637	68,651	95,966

Reliability Performance Measures
For the year ended 30 June 2005

		[1]2005	[2]2004	[3]2003	[4]2002
5	**Reliability Performance Measures**				
	Unplanned transmission system interruptions (hours)	**n.a**	n.a	n.a	n.a
	Unplanned distribution system interruptions not related to transmission system interruptions (hours/customer)	**0.0013**	0.0020	0.0007	0.0017
	Unplanned distribution system interruptions related to transmission system interruptions (hours/customer)	-	-	-	-

[1] Consolidation of Vector and NGC pipeline disclosure data. Prior period disclosures do not include NGC data
[2] UnitedNetworks Limited was amalgamated with Vector Limited on 1 July 2004
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