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NGC NEW ZEALAND LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION
DISCLOSURE) REGULATIONS 1997

NGC NEW ZEALAND LIMITED**INFORMATION FOR DISCLOSURE FOR THE YEAR ENDED 30 JUNE 2004**

Pursuant to the Gas (Information Disclosure) Regulations 1997

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The financial information presented has been prepared to comply with the requirements of the Gas (Information Disclosure) Regulations 1997 and should not be used for any purposes other than that required under those regulations.

NGC – Gas Distribution Activities
Statement of Financial Performance
For the year ended 30 June 2004
For the purposes of the Gas (Information Disclosure) Regulations 1997

		\$Thousands	
	Note	2004	2003
Revenue		21,980	22,884
Abnormal Items	2	-	(993)
Expenses	2	(13,798)	(12,194)
Surplus before Taxation	2	8,182	9,697
Income Tax Expense	3	(2,526)	(3,202)
Net Surplus for the Year		5,656	6,495

NGC – Gas Distribution Activities**Statement of Financial Position****As at 30 June 2004****For the purposes of the Gas (Information Disclosure) Regulations 1997**

		\$Thousands	
	Note	2004	2003
Non Current Assets			
Fixed Assets	4	116,557	116,091
Total Non Current Assets		116,557	116,091
Current Assets			
Cash and Short Term Deposits		12	4
Accounts Receivable	6	2,058	1,887
Inventories – Consumable Spares		207	189
Total Current Assets		2,277	2,080
Total Assets		118,834	118,171
Equity			
Notional Reserves	7	93,565	91,568
Total Equity		93,565	91,568
Non Current Liabilities			
Deferred Taxation		20,286	23,622
Total Non Current Liabilities		20,286	23,622
Current Liabilities			
Current Tax		(146)	1,468
Accounts Payable and Accruals		5,129	1,513
Total Current Liabilities		4,983	2,981
Total Liabilities and Equity		118,834	118,171

**NGC – Gas Distribution Activities
Notes to the Financial Statements
For the year ended 30 June 2004**

1. Statement of Accounting Policies

a) Accounting Entity

The financial statements are those of NGC – Gas Distribution Activities (NGC). Gas Distribution Activities involves the ownership and the supply of line function services for the distribution of gas. This excludes activities associated with the gas metering business.

b) Special Purpose Financial Statements

The financial statements have been prepared in accordance with the Gas (Information Disclosure) Regulations 1997 and generally accepted accounting principles.

c) General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of earnings and the financial position under the historical cost method, as modified by the revaluation of certain assets, have been followed in the preparation of these financial statements. This includes the going concern concept and the matching of revenue and expenses under the accrual concept.

d) Particular Accounting Policies

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

i) Revenues and Expenses

These financial statements are presented under the Avoidable Cost Allocation Methodology (ACAM). The 2003 comparatives have not been prepared on this basis. In November 2002 the Cabinet reaffirmed its May 2000 decision to mandate the use of the avoidable cost allocation methodology (ACAM) in the Gas (Information Disclosure) Regulations 1997. The Gas Control Inquiry being conducted by the Commerce Commission has been assessing the gas transportation businesses as stand alone entities which has involved the application of ACAM.

Revenues and expenses are stated exclusive of Goods and Services Tax (GST).

ii) Valuation of Fixed Assets

Pipelines, compressors and gate stations are recorded at the most recent valuation, adjusted by subsequent additions, disposals and depreciation. Valuations are carried out regularly and reviewed by independent experts, using the optimised deprival valuation methodology. All fixed assets other than pipelines, compressors and gate stations, are included at cost less accumulated depreciation.

Under the modified historical cost method, the revaluation, reflecting the difference between the net carrying value of the assets and the valuation (net of the deferred tax), is recorded in the asset revaluation reserve. In arriving at the net carrying value any accumulated depreciation is written back against the asset value. The revaluation increase or decrease is transferred from the revaluation reserve to retained earnings on the disposal of an asset.

Construction in progress is recorded at cost. For projects having a cost in excess of \$500,000 and a construction period of not less than three months, finance costs relating to that project are capitalised. The finance costs capitalised are based on the actual cost directly attributable to the construction of the asset. Where this is not clearly identifiable, NGC's cost of debt is used. Assets constructed by NGC are commissioned and transferred from construction in progress to fixed assets as each facility or operating unit within a facility becomes operational and available for use.

iii) Current Assets

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

iv) Depreciation

The rates of depreciation vary according to the nature and economic lives of the assets and fall within the following ranges (on a straight line basis):

Low Pressure Pipelines	25-50 years
Meters and Stations	15-45 years
Plant, Equipment & Motor Vehicles	5-20 years
Buildings	40-100 years
Capital Spares	5-20 years

Depreciation of pipelines commences when the pipeline is physically complete and flowing gas.

v) Deferred Income

Contributions received from gas utilities and other parties towards the capital expenditure on pipelines are accounted for initially in a deferred income account. Amortisation to income of the deferred income account takes place only after the obligations in connection with the contributions are performed. The deferred income account is amortised to the statement of financial performance over the life of the pipelines to which they relate or over the life of the gas supply contract, whichever is the shorter.

vi) Taxation

NGC recognises deferred taxation using the liability method and on a comprehensive basis. Income tax expense is recognised on the surplus before taxation. It is then adjusted for permanent differences between taxable and accounting income. The tax effect of all timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the statement of financial position as a future tax benefit or as deferred tax. The future tax benefit or deferred tax is stated at the income tax rates prevailing at balance date. Future tax benefits are not recognised unless realisation of the asset is virtually certain. Future tax benefits and deferred tax is offset.

vii) Deferred Expenditure

Deferred expenditure is expenditure which provides benefits beyond the current accounting period. These expenditures include the connection of new customers to the gas system and the conversion of existing customers' appliances to the use of natural gas which are written off over periods up to ten years, and financing costs which are amortised to earnings over the remaining life of the relevant lending facility.

e) Changes in Accounting Policy and Comparatives

Management fees allocated to the Distribution business have been calculated and presented under the Avoidable Cost Allocation Methodology (ACAM) for the 2004 results. This has resulted in the Management fee being \$0.01million higher than was actually charged in the current year. Otherwise, there have been no changes in accounting policies. These policies have been applied on a consistent basis during the year.

2. Surplus before Taxation

	\$ Thousands	
	2004	2003
Surplus before Taxation is stated after charging/(crediting):		
Audit fees and expenses	33	31
Depreciation	4,962	4,319
Amortisation	-	767
Leasing Costs	235	197
Asset Acquisition Feasibility Cost	-	993

3. Income Tax

	\$ Thousands	
	2004	2003
The Income Tax Expense has been calculated as follows:		
Surplus before Taxation	8,182	9,697
Income Tax at 33%	2,700	3,200
Adjusted for:		
Prior Period Adjustment	(177)	-
Permanent Differences	3	2
	2,526	3,202

4. Fixed Assets

	\$Thousands			
	2004			
	Cost/ Valuation	Accumulated Depreciation	Net Book Value	Depreciation Charge
Pipelines, Compressors & Gate Stations	115,258	5,107	110,151	3,738
Plant, Equipment & Motor Vehicles	7,885	5,371	2,514	1,223
Work in Progress	3,832	-	3,832	-
Freehold Land & Buildings	71	11	60	1
	127,046	10,489	116,557	4,962

\$Thousands**2003**

	Cost/ Valuation	Accumulated Depreciation	Net Book Value	Depreciation Charge
Pipelines, Compressors & Gate Stations	111,666	-	111,666	3,240
Plant, Equipment & Motor Vehicles	7,268	4,097	3,171	1,078
Work in Progress	1,194	-	1,194	-
Freehold Land & Buildings	71	11	60	1
	120,199	4,108	116,091	4,319

Pipelines, compressors and gate stations were revalued as at 30 June 2003 using the optimised deprival valuation (ODV) methodology. As a result, the valuation of pipelines, compressors and gate stations increased by \$12.93 million from the pre-revaluation amounts.

NGC has been completing regular revaluations of these assets since 1994 using the ODV methodology. The major assumptions resulting in the increase from the 2000 revaluation included an increase in construction rates for measure and value contracts. The valuation was reviewed and certified by Meritec Limited, the legal entity that employed its Senior Business Consultant, Guenter Wabnitz, as the person with primary responsibility for the review of NGC's valuation.

The independent valuer was engaged by NGC on the basis of his experience in valuations of infrastructure assets and technical and commercial expertise in New Zealand's gas and energy sector. Meritec Limited is an independent consulting firm and has no commercial interest in NGC.

The qualifications of Guenter Wabnitz relevant to this valuation review are:

- Commercial valuations of most of New Zealand's gas networks, for ODV, due diligence, insurance, district valuation roll and other purposes.
- Over 20 years experience in management, design and operations of gas production, processing and transportation systems in New Zealand, Australia, Asia and Europe.

5. Deferred Expenditure

	\$Thousands	
	2004	2003
Balance as at 1 July	-	774
Less amounts amortised to expenses	-	(774)
	-	-

6. Accounts Receivable

	\$Thousands	
	2004	2003
Trade Debtors	2,058	1,801
Prepayments and Sundry Receivables	-	86
	2,058	1,887

7. Notional Reserves

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

8. Deferred Income

	\$Thousands	
	2004	2003
Balance as at 1 July	-	7
Less amount amortised to earnings	-	(7)
	-	-

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

9. Capital Commitments

There were no capital amounts committed but not recorded in these financial statements (30 June 2003: Nil).

	\$ Thousands	
Operating Lease Commitments	2004	2003
Non cancellable operating lease rentals are payable as		
Not later than one year	187	279
Between one and two years	34	189
Between two and five years	10	131
Later than five years	-	-
	231	599

10. Contingent Liabilities

There are no contingent liabilities which would have a material adverse effect on the financial statements. (30 June 2003: Nil)

11. Financial Instruments

Interest Rate Risk

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

Credit Risk

Financial instruments potentially subject to credit risk are cash deposits and trade debtors. Cash deposits are placed with a small number of trading banks and the amount deposited per bank is limited. The counter parties and the credit limits 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. There are no significant concentrations of credit risk.

Foreign Currency Risk

Transactions denominated in foreign currencies are undertaken from time to time and resulting from these activities exposures in foreign currencies arise, these exposures are managed by other NGC Group companies.

Fair Values

Cash at bank, other investments, trade creditors and amounts due to subsidiaries - the carrying value of these items is equivalent to their fair value.

12. Related Parties Transactions

NGC Management Limited provides management services in respect of the gas distribution activities. Management fees were paid to NGC Management Limited of \$3.5 million (30 June 2003: \$4.1 million).

Sales of distribution services to Gas Retailing Activities were \$3.9 million (30 June 2003: \$9.6 million). No amounts were outstanding from related parties as at 30 June 2004 (30 June 2003: 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 2004 (30 June 2003: Nil).

Natural Gas Corporation – Gas Distribution Activities
Statement of Performance Measures
For the year ended 30 June 2004
For the purposes of the Gas (Information Disclosure) Regulations 1997

	2004 NGC	2003 NGC	2002 NGC/ AGLNZE	2001 NGC/ AGLNZE	2000 NGC Only
1. Financial Performance Measures					
a) Measures including abnormal items and earnings adjustments					
Accounting Return on Total Assets	7.15%	8.24%	11.37%	16.27%	14.44%
Accounting Return on Equity	6.11%	6.54%	11.47%	33.56%	39.24%
Accounting Rate of Profit	3.96%	16.29%	9.04%	15.70%	17.83%
b)	<i>The accounting rate of profit for 2003 includes a revaluation increase of \$12.93 million in respect of the NGC network. Excluding this amount, the accounting rate of profit would be reduced from 16.29% to 6.20%. The accounting rate of profit for 2000 includes a revaluation increase of \$9.9 million in respect of the NGC network. Excluding this amount, the accounting rate of profit would be reduced from 17.83% to 11.68% in 2000.</i>				
c)	<i>2003, 2002 and 2001 ratios are calculated inclusive of abnormal items. The 2003 ratios include abnormal costs associated with asset acquisition feasibility costs of \$1 million. The 2002 ratios include abnormal items of \$4.9 million being profit on the sale of the AGLNZE pipeline assets. In addition, the 2001 ratios are calculated after adding back to earnings, the amortisation of identifiable intangible asset (pre-tax \$1.4 million), and ODV write-downs through earnings of AGLNZE and after deducting from funds employed and shareholders funds the value of the identifiable intangible asset of AGLNZE (\$50 million).</i>				
d) Measures Adjusted to exclude abnormal items					
Accounting Return on Total Assets	7.15%	8.88%	8.43%	11.89%	11.91%
Accounting Return on Equity	6.11%	6.69%	8.58%	23.50%	33.08%
Accounting Rate of Profit	3.96%	16.72%	6.14%	11.56%	15.22%
e) Measures Adjusted to exclude abnormal items and earnings adjustments described above					
Accounting Return on Total Assets	7.15%	8.88%	8.43%	8.77%	6.66%
Accounting Return on Equity	6.11%	6.69%	8.58%	11.88%	10.10%
Accounting Rate of Profit	3.96%	16.72%	6.14%	8.47%	9.04%
2. Efficiency Performance Measures					
Direct Line Costs per Kilometre	\$1,097	\$718	\$716	\$1,100	\$1,345
Indirect Line Costs per Gas Customer	\$92	\$135	\$155	\$71	\$64

NGC ONLY	2004	2003	2002	2001	2000
3. Energy Delivery Efficiency Performance Measures					
Load Factor	83.68%	86.12%	84.83%	69.22%	85.33%
Unaccounted for Gas Ratio	0.31% Loss	0.31% Loss	0.31% Loss	0.31% Loss	0.31% Loss
4. Statistics					
System Length (km)	2,867	2,739	2,639	2,533	2,479
Maximum Monthly Amount of Gas Entering System (GJ)	1,105,540	1,070,335	1,005,560	1,223,573	856,362
Total Annual Amount of Gas Conveyed through System (GJ)	11,101,232	11,061,901	10,235,729	10,163,878	8,769,123
Total Annual Amount of Gas Conveyed through System for persons not in a prescribed business relationship (GJ)	3,494,822	2,866,840	1,697,583	1,602,301	805,395
Total Number of Customers	57,896	55,938	52,318	50,452	48,270
5. Reliability Performance Measures					
Unplanned Transmission System Interruptions (hours)	n.a	n.a	n.a	n.a	n.a
Unplanned Distribution System Interruptions not related to Transmission System Interruptions (hours/customer)	0.0097	0.0657	.00245	.0086	.4564
Interruptions attributable to third party interference	.00364	0.0592	.00109	.0084	.01679
Unplanned Distribution System Interruptions related to Transmission System Interruptions (hours/customer)	0	0	0	0	.7513

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

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

NB: Some prior year performance measures have changed due to new information available.



PricewaterhouseCoopers
113 – 119 The Terrace
PO Box 243
Wellington, New Zealand
Telephone +64 4 462 7000
Facsimile +64 4 462 7001
www.pwc.com/nz

Certification by Auditor in Relation to Financial Statements

NGC – Gas Distribution Activities

We have examined the attached financial statements prepared by NGC Holdings Limited in respect to NGC – Gas Distribution Activities dated 26 November 2004 for the purposes of Regulation 6 of the Gas (Information Disclosure) Regulations 1997.

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

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
26 November 2004



PricewaterhouseCoopers
113 – 119 The Terrace
PO Box 243
Wellington, New Zealand
Telephone +64 4 462 7000
Facsimile +64 4 462 7001
www.pwc.com/nz

NGC – Gas Distribution Activities

Certification of Performance Measures by Auditor

We have examined the attached information, being:

- financial performance measures specified in clause 1 of Part 2 of Schedule 1 of the Gas (Information Disclosure) Regulations 1997; and
- financial components of the efficiency performance measures specified in clause 2 of Part 2 of that Schedule;

and having been prepared by NGC Holdings Limited in respect to NGC – Gas Distribution Activities dated 26 November 2004 for the purposes of Regulations 15 and 16 of those Regulations.

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

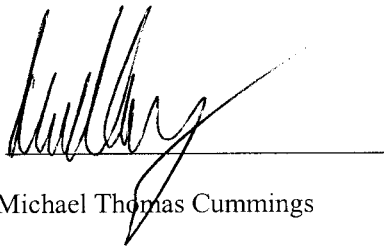
A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
26 November 2004

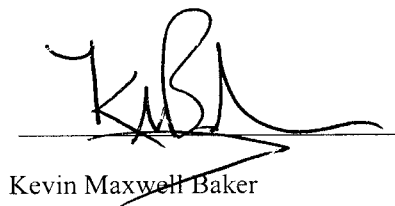
GAS DISTRIBUTION ACTIVITIES**CERTIFICATE OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND
STATISTICS DISCLOSED BY DIRECTORS OF THE CORPORATION**

We, Michael Thomas Cummings and Kevin Maxwell Baker, directors of NGC New Zealand Limited (the 'Corporation'), certify that, having made all reasonable enquiry, to the best of our knowledge, -

- (a) the attached audited financial statements of the Corporation, prepared for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997, comply with the requirements of that regulation; and
- (b) the attached information, being financial performance measures, efficiency performance measures, energy delivery performance measures and statistics, and reliability performance measures in relation to the Corporation, and having been prepared for the purposes of regulations 15 to 19 of the Gas (Information Disclosure) Regulations 1997, complies with the requirements of those regulations.



Michael Thomas Cummings



Kevin Maxwell Baker

26 November 2004

NGC – Gas Retailing Activities
Statement of Financial Performance
For the year ended 30 June 2004
For the purposes of the Gas (Information Disclosure) Regulations 1997

\$Thousands			
	Note	June 2004	June 2003
Gas Sales		196,639	255,529
Expenses		(158,564)	(216,195)
Abnormal Item	10	-	37,124
Surplus before Taxation	2	38,075	76,458
Income Tax Expense	3	(12,866)	(14,348)
Net Surplus for the Year		25,209	62,110

NGC – Gas Retailing Activities**Statement of Financial Position****As at 30 June 2004****For the purposes of the Gas (Information Disclosure) Regulations 1997**

		\$Thousands	
	Note	2004	2003
Non Current Assets			
Fixed Assets	4	172	1,482
Goodwill		-	-
Deferred Expenditure	5	-	30
Total Non Current Assets		172	1,512
Current Assets			
Trade Debtors		15,001	19,246
Current Tax		594	-
Total Current Assets		15,595	19,246
Total Assets		15,767	20,758
Equity			
Notional Reserves	6	(2,334)	(2,647)
Total Equity		(2,334)	(2,647)
Non Current Liabilities			
Deferred Taxation		-	2,188
Total Non Current Liabilities		-	2,188
Current Liabilities			
Bank Overdraft		412	892
Current Tax		6,929	9,150
Accounts Payable and Accruals		10,760	11,175
Total Current Liabilities		18,101	21,217
Total Liabilities and Equity		15,767	20,758

NGC – Gas Retailing Activities
Notes to the Financial Statements
For the year ended 30 June 2004

1. Statement of Accounting Policies

a) Accounting Entity

The financial statements are those of NGC – Gas Retailing Activities. Gas Retailing Activities involves the supply of gas to gas consumers.

b) Special Purpose Financial Statements

The financial statements have been prepared in accordance with the Gas (Information Disclosure) Regulations 1997 and generally accepted accounting principles.

c) General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of earnings and the financial position under the historical cost method, as modified by the revaluation of certain assets, have been followed in the preparation of these financial statements. This includes the going concern concept and the matching of revenue and expenses under the accrual concept.

d) Particular Accounting Policies

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

i) Revenues and Expenses

Revenues and expenses are stated exclusive of Goods and Services Tax (GST).

ii) Valuation of Fixed Assets

All fixed assets are included at cost less accumulated depreciation.

iii) Current Assets

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

iv) Depreciation

The rates of depreciation vary according to the nature and economic lives of the assets and fall within the following ranges (on a straight line basis):

Plant and Equipment	5-15 years
Motor Vehicles	5 years

v) Taxation

NGC recognises deferred taxation using the liability method and on a comprehensive basis. Income tax expense is recognised on the surplus before taxation. It is then adjusted for permanent differences between taxable and accounting income. The tax effect of all timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the statement of financial position as a future tax benefit or as deferred tax. The future tax benefit or deferred tax is stated at the income tax rates prevailing at balance date. Future tax benefits are not recognised unless realisation of the asset is virtually certain. Future tax benefits and deferred tax is offset.

vi) Deferred Expenditure

Deferred expenditure is expenditure which provides benefits beyond the current accounting period and is written off over periods up to ten years. These expenditures relate to the connection of new customers to the gas system and the conversion of existing customers' appliances to the use of natural gas.

vii) Goodwill

The excess of cost over the fair value of businesses acquired is recognised as goodwill and is amortised to the Statement of Financial Performance over periods of up to 20 years.

viii) Changes in Accounting Policies

There have been no changes in accounting policies.

2. Surplus before Taxation

	\$ Thousands	
	2004	2003
<hr/>		
Surplus before Taxation is stated after charging:		
Audit fees and expenses	28	28
Fees for other services paid to the Auditors	-	-
Depreciation	233	496

3. Taxation

	\$ Thousands	
	2004	2003
<hr/>		
The Income Tax Expense has been calculated as follows:		
Surplus before taxation	38,075	76,458
Income tax at 33%	12,565	25,231
Adjustments to tax for:		
Non-assessable income	-	(12,251)
Non-deductible expenditure	301	1,368
Tax charge	12,866	14,348

4. Fixed Assets

\$Thousands				
2004				
	Cost/ Valuation	Accumulated Depreciation	Net Book Value	Depreciation Charge
Equipment	299	135	164	230
Motor vehicles	24	16	8	3
	323	151	172	233

\$Thousands				
2003				
	Cost/ Valuation	Accumulated Depreciation	Net Book Value	Depreciation Charge
Equipment	5,235	3,920	1,315	454
Motor vehicles	283	116	167	42
	5,518	4,036	1,482	496

5. Deferred Expenditure

\$ Thousands		
	2004	2003
Balance as at 1 July	30	774
Plus amount capitalised	-	-
Less amounts amortised to expenses	(30)	(744)
	-	30

6. Notional Reserves

Gas Retailing is not a company and therefore has no share capital. Notional Reserves are determined on the basis that Gas Retailing is fully equity funded by NGC New Zealand Limited. Notional Reserves therefore represent all funding provided to Gas Retailing by the NGC Group.

7. Financial Instruments

Interest Rate Risk - not subject to this risk as there are no interest bearing assets or liabilities.

Financial instruments potentially subject to credit risk are cash deposits and trade debtors. Cash deposits are placed with a small number of trading banks and the amount deposited per bank is limited. The Board of Directors approves the counter parties and the credit limits. NGC completes credit evaluations on customers where possible and requires a bond to be paid when customers cannot demonstrate an adequate credit history. There are no significant concentrations of credit risk.

Transactions denominated in foreign currencies are undertaken from time to time and resulting from these activities exposures in foreign currencies arise, these exposures are managed by other NGC Group companies.

Cash at bank, other investments, trade creditors and amounts due to subsidiaries - the carrying value of these items is equivalent to their fair value.

8. Capital Commitments

Amounts committed but not recorded in these financial statements total \$Nil (30 June 2003: Nil).

9. Contingent Liabilities

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

10. Abnormal Item

	\$ Thousands	
	2004	2003
Gain on sale of retail gas customers	-	37,124

11. Related Parties Transactions

NGC Management Limited provides services in respect of the Gas Retailing Activities. Management fees were paid to NGC Management Limited of \$1.8 million (30 June 2003: \$1.9 million).

Gas Retailing Activities had gas sales to Kapuni Energy Joint Venture of \$5.4 million (30 June 2003: \$4.4 million), NGC New Zealand Limited \$4.5 million (30 June 2003: \$5.4 million) and Southdown Joint Venture \$0.0 million (30 June 2003: \$2.3 million).

Gas purchases from Gas Wholesaling Activities were \$115.1 million (30 June 2003: \$151.5 million), transmission purchases from NGC New Zealand Limited were \$26.4 million (30 June 2003: \$28.5 million), processing services from NGC New Zealand Limited were \$4.2 million (30 June 2003: \$1.2 million) and distribution purchases from NGC New Zealand Limited were \$3.9 million (30 June 2003: \$9.6 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 June 2004 (2003: \$nil).

**PricewaterhouseCoopers**

113 – 119 The Terrace
PO Box 243
Wellington, New Zealand
Telephone +64 4 462 7000
Facsimile +64 4 462 7001
www.pwc.com/nz

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 26 November 2004 for the purposes of Regulation 6 of the Gas (Information Disclosure) Regulations 1997.


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

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
26 November 2004

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

We, Michael Thomas Cummings and Kevin Maxwell Baker, 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



Kevin Maxwell Baker

26 November 2004

NGC – Gas Transmission Activities
Statement of Financial Performance
For the Year Ended 30 June 2004
For the purposes of the Gas (Information Disclosure) Regulations 1997

		\$Thousands	
	Note	2004	2003
Revenue		83,699	85,524
Expenses	2	(42,027)	(38,246)
Surplus before Taxation	2	41,672	47,278
Income Tax Expense	3	(14,905)	(16,779)
Net Surplus for the Year		26,767	30,499

NGC – Gas Transmission Activities
Statement of Financial Position
As at 30 June 2004
For the purposes of the Gas (Information Disclosure) Regulations 1997

		\$Thousands	
	Note	2004	2003
Non Current Assets			
Fixed Assets	4	441,446	452,295
Deferred Expenditure	5	3,111	4,197
Total Non Current Assets		444,557	456,492
Current Assets			
Accounts Receivable	6	6,361	5,186
Inventories – Consumable Spares		1,790	1,494
Current Taxation		132	1,580
Total Current Assets		8,283	8,260
Total Assets		452,840	464,752
Equity			
Notional Reserves	7	368,502	377,002
Total Equity		368,502	377,002
Non Current Liabilities			
Deferred Taxation		81,262	85,258
Total Non Current Liabilities		81,262	85,258
Current Liabilities			
Bank Overdraft		16	25
Accounts Payable and Accruals		3,060	2,467
Total Current Liabilities		3,076	2,492
Total Liabilities and Equity		452,840	464,752

**NGC – Gas Transmission Activities
Notes to the Financial Statements
For the Year Ended 30 June 2004**

1. Statement of Accounting Policies

a) Accounting Entity

The financial statements are those of NGC – Gas Transmission Activities (NGC). Gas Transmission Activities involves the ownership and the supply of line function services for the transportation of gas. With respect to the 2004 year, activities associated with third party services are excluded.

b) Special Purpose Financial Statements

The financial statements have been prepared in accordance with the Gas (Information Disclosure) Regulations 1997 and generally accepted accounting principles.

c) General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of earnings and the financial position under the historical cost method, as modified by the revaluation of certain assets, have been followed in the preparation of these financial statements. This includes the going concern concept and the matching of revenue and expenses under the accrual concept.

d) Particular Accounting Policies

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

i) Revenue and Expenses

These financial statements are presented under the Avoidable Cost Allocation Methodology (ACAM). The 2003 comparatives have not been prepared on this basis. In November 2002 the Cabinet reaffirmed its May 2000 decision to mandate the use of the avoidable cost allocation methodology (ACAM) in the Gas (Information Disclosure) Regulations 1997. The Gas Control Inquiry being conducted by the Commerce Commission has been assessing the gas transportation businesses as stand alone entities which has involved the application of ACAM.

Revenue and expenses are stated exclusive of Goods and Services Tax (GST).

ii) Valuation of Fixed Assets

Pipelines, compressors and gate stations are recorded at the most recent valuation, adjusted by subsequent additions, disposals and depreciation. Valuations are carried out regularly and reviewed by independent experts, using the optimised deprival valuation methodology. All fixed assets other than pipelines, compressors and gate stations, are included at cost less accumulated depreciation.

Under the modified historical cost method, the revaluation, reflecting the difference between the net carrying value of the assets and the valuation (net of the deferred tax), is recorded in the asset revaluation reserve. In arriving at the net carrying value any accumulated depreciation is written back against the asset value. The revaluation increase or decrease is transferred from the revaluation reserve to retained earnings on the disposal of an asset.

Construction in progress is recorded at cost. For projects having a cost in excess of \$500,000 and a construction period of not less than three months, finance costs relating to that project are capitalised. The finance costs capitalised are based on the actual cost directly attributable to the construction of the asset. Where this is not clearly identifiable, NGC's cost of debt is used. Assets constructed by NGC are commissioned and transferred from construction in progress to fixed assets as each facility or operating unit within a facility becomes operational and available for use.

iii) Current Assets

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

iv) Depreciation

The rates of depreciation vary according to the nature and economic lives of the assets and fall within the following ranges (on a straight line basis):

High Pressure Pipelines	65 Years
Compressors and Gate Stations	35-45 Years
Plant, Equipment & Motor Vehicles	5-20 years
Buildings	40-100 years
Capital Spares	5-20 years

Depreciation of pipelines commences when the pipeline is physically complete and flowing gas.

v) Deferred Income

Contributions received from gas utilities and other parties towards the capital expenditure on pipelines are accounted for initially in a deferred income account. Amortisation to income of the deferred income account takes place only after the obligations in connection with the contributions are performed. The deferred income account is amortised to the statement of financial performance over the life of the pipelines to which they relate or over the life of the gas supply contract, whichever is the shorter.

vi) Taxation

Deferred taxation is recognised using the liability method and on a comprehensive basis. Income tax expense is recognised on the surplus before taxation. It is then adjusted for permanent differences between taxable and accounting income. The tax effect of all timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the statement of financial position as a future tax benefit or as deferred tax. The future tax benefit or deferred tax is stated at the income tax rates prevailing at balance date. Future tax benefits are not recognised unless realisation of the asset is virtually certain. Future tax benefits and deferred tax is offset.

vii) Deferred Expenditure

Deferred expenditure is expenditure which provides benefits beyond the current accounting period. These expenditures include the connection of new customers to the gas system and the conversion of existing customers' appliances to the use of natural gas which are written off over periods up to ten years, and financing costs which are amortised to earnings over the remaining life of the relevant lending facility.

e) Changes in Accounting Policy and Comparatives

Management fees allocated to the Transmission business have been calculated and presented under the Avoidable Cost Allocation Methodology (ACAM) for the 2004 results. This has resulted in the management fee being \$0.7 million lower than was actually charged in the current year. Otherwise, there have been no changes in accounting policies. These policies have been applied on a consistent basis during the year.

2. Surplus before Taxation

	\$Thousands	
	2004	2003
Surplus before Taxation is stated after charging:		
Audit fees and expenses	128	110
Depreciation	14,177	10,508
Amortisation	1,086	1,086
Leasing Costs	48	48

3. Income Tax

	\$Thousands	
	2004	2003
The Income Tax Expense has been calculated as follows:		
Surplus before Taxation	41,672	47,278
Income Tax at 33%	13,752	15,602
Adjustments to tax for:		
Prior Period Adjustment	(29)	-
Non-deductible expenditure	1,182	1,177
Tax Charge	14,905	16,779

4. Fixed Assets

\$Thousands				
2004				
	Cost/ Valuation	Accumulated Depreciation	Net Book Value	Depreciation Charge
Pipelines, Compressors and Gate Stations	434,875	3,175	431,700	12,616
Plant and Equipment	17,600	14,187	3,413	1,205
Motor Vehicles	1,984	943	1,041	292
Freehold Land and Buildings	4,294	937	3,357	64
Construction in Progress	1,935	-	1,935	-
	460,688	19,242	441,446	14,177

\$Thousands				
2003				
	Cost/ Valuation	Accumulated Depreciation	Net Book Value	Depreciation Charge
Pipelines, Compressors and Gate Stations	443,053	-	443,053	9,025
Plant and Equipment	17,089	12,997	4,092	1,193
Motor Vehicles	2,017	1,067	950	226
Freehold Land and Buildings	4,229	874	3,355	64
Construction in Progress	845	-	845	-
	467,233	14,938	452,295	10,508

Pipelines, compressors and gate stations were revalued as at 30 June 2003 using the optimised deprival valuation (ODV) methodology. As a result, the valuation of pipelines, compressors and gate stations increased by \$87.87 million from the pre-revaluation amounts. An addition of \$9.4 million has been added to this amount in the current year following a further review of the ODV valuation report.

NGC has been completing regular revaluations of these assets since 1994 using the ODV methodology. The major assumptions resulting in the increase from the 2000 revaluation included an increase in construction rates for measure and value contracts, an increase in the Capital Goods Price Index for pipelines, a reduction in the amount of optimisation of the Kapuni to Rotowaro transmission line resulting from a change from a 5-year load growth projection to a 15-year load growth projection and increases in the value of easements. The valuation was reviewed and certified by Meritec Limited, the legal entity that employed its Senior Business Consultant, Guenter Wabnitz, as the person with primary responsibility for the review of NGC's valuation.

The independent valuer was engaged by NGC on the basis of his experience in valuations of infrastructure assets and technical and commercial expertise in New Zealand's gas and energy sector. Meritec Limited is an independent consulting firm and has no commercial interest in NGC.

The qualifications of Guenter Wabnitz relevant to this valuation review are:

- Commercial valuations of most of New Zealand's gas networks, for ODV, due diligence, insurance, district valuation roll and other purposes.
- Over 20 years experience in management, design and operations of gas production, processing and transportation systems in New Zealand, Australia, Asia and Europe.

5. Deferred Expenditure

	\$Thousands	
	2004	2003
Balance as at 1 July	4,197	5,283
Less Amounts Amortised to Expenses	(1,086)	(1,086)
	3,111	4,197

6. Accounts Receivable

	\$Thousands	
	2004	2003
Trade Debtors	6,194	4,937
Prepayments and Sundry Receivables	167	249
	6,361	5,186

7. Notional Reserves

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

8. Capital Commitments

There were no capital amounts committed and not recorded in these financial statements (30 June 2003: Nil).

Operating lease commitments	\$Thousands	
	2004	2003
Non cancellable operating leases are payable as follows		
Not later than one year	47	48
Between one and two years	35	37
Between two and five years	-	39
Later than five years	-	-
	82	124

9. Contingent Liabilities

There are no contingent liabilities, which would have a material adverse effect on these financial statements (30 June 2003: Nil).

10. Financial Instruments

Interest Rate Risk

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

Credit Risk

Financial instruments potentially subject to credit risk are cash deposits and trade debtors. Cash deposits are placed with a small number of trading banks and the amount deposited per bank is limited. The counter parties and the credit limits 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. There are no significant concentrations of credit risk.

Foreign Currency Risk

Transactions denominated in foreign currencies are undertaken from time to time and resulting from these activities exposures in foreign currencies arise, these exposures are managed by other NGC Group companies.

Fair Values

Cash at bank, other investments, trade creditors and amounts due to subsidiaries - the carrying value of these items is equivalent to their fair value.

11. Related Parties Transactions

NGC Management Limited provides management services in respect of the gas transmission activities. Management fees were paid to NGC Management Limited of \$8.9 million (30 June 2003: \$5.6 million).

Sales for transmission and maintenance services to Gas Wholesaling Activities of \$0.6 million (30 June 2003: \$0.6 million), Gas Retailing Activities of \$26.4 million (30 June 2003: \$28.5 million) and NGC New Zealand Limited of \$0.4 million (30 June 2003: \$0.2 million).

Purchases of fuel gas, including UFG adjustment, from Gas Retailing Activities of \$2.8 million (30 June 2003: \$4.4 million).

Purchases of mechanical services from NGC New Zealand Limited were \$0.7 million (30 June 2003: \$0.5 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 2004 (30 June 2003: Nil).

NGC – Gas Transmission Activities
Statement of Performance Measures
For the year ended 30 June 2004
For the purposes of the Gas (Information Disclosure) Regulations 1997

	2004	2003	2002	2001	2000
1. Financial Performance Measures					
Accounting Return on Total Assets	9.1%	11.3%	11.9%	11.3%	11.9%
Accounting Return on Equity	7.2%	8.7%	8.9%	8.3%	8.7%
Accounting Rate of Profit *	8.1%	25.9%	7.7%	7.2%	8.4%

* The accounting rate of profit for 2003 includes a revaluation increase of \$87.87 million in respect of the NGC transmission system. Excluding this amount, the accounting rate of profit would be reduced from 25.9% to 7.6%. An additional \$9.4 million has been included in the revaluation increase following a further review of the ODV valuation report in the current year. Excluding the \$9.4 million, the accounting rate of profit would be reduced from 8.1% to 6.1%.

2. Efficiency Performance Measures

Direct Line Costs per Kilometre	\$4,506	\$2,897	\$2,548	\$2,584	\$3,415
Indirect Line Costs per Gas Customer	\$1,114,733	\$843,800	\$1,026,674	\$941,611	\$929,333

NB: Direct Line Costs per kilometre represent the direct costs associated with maintaining the NGC system. 2001 and prior year disclosure accounts represent the direct costs associated with maintaining the NGC and third party systems.

3. Other Performance Measures and Statistics

3.1 Load factor

2004				2003		
System	Gas Into System, a (GJ p.a.)	Max. Monthly Quantity, b (GJ/month)	Load Factor, $\frac{a \times 100}{12 \times b}$	Gas Into System, a (GJ p.a.)	Max. Monthly Quantity, b (GJ/month)	Load Factor, $\frac{a \times 100}{12 \times b}$
North & Central	53,865,697	5,156,560	87.05	46,935,414	4,990,690	78.37
Bay of Plenty	12,339,539	1,217,125	84.48	11,573,320	1,216,901	79.25
Frankley Rd – Kapuni	16,365,424	1,944,392	70.14	20,964,571	2,206,343	79.18
South	12,107,703	1,265,331	79.74	11,288,942	1,235,979	76.11
Total	94,678,363			90,762,247		

NB: Gas entering the North System includes some of the gas into Central System.
Gas entering the Central System includes some of the gas into the Bay of Plenty System.
Gas entering the Frankley Rd – Kapuni System includes some of the gas into the South System.

2002				2001		
System	Gas Into System, a (GJ p.a.)	Max. Monthly Quantity, b (GJ/month)	Load Factor, $\frac{a \times 100}{12 \times b}$	Gas Into System, a (GJ p.a.)	Max. Monthly Quantity, b (GJ/month)	Load Factor, $\frac{a \times 100}{12 \times b}$
North & Central	51,657,400	5,546,350	77.6	43,663,456	4,939,219	73.7
Bay of Plenty	12,304,129	1,152,940	88.9	11,840,281	1,128,152	87.5
Frankley Rd – Kapuni	24,450,814	2,870,377	71.0	26,454,929	2,278,201	96.8
South	11,623,329	1,381,955	70.1	11,344,201	1,196,319	79.0
Total	100,035,672			93,302,867		

2000			
System	Gas Into System, a (GJ p.a.)	Max. Monthly Quantity, b (GJ/month)	Load Factor, $\frac{a \times 100}{12 \times b}$
North & Central	41,539,372	4,699,623	73.7
Bay of Plenty	11,852,566	1,204,496	82.0
Frankley Rd – Kapuni	25,243,444	2,946,459	73.3
South	10,523,677	1,212,350	72.3
Total	89,159,059		

3.2 Unaccounted-for gas ratio

2004				2003		
System	Unaccounted For Gas a (GJ p.a.)	Gas Into System b (GJ p.a.)	UFG % $\frac{a \times 100}{b}$	Unaccounted For Gas a (GJ p.a.)	Gas Into System b (GJ p.a.)	UFG % $\frac{a \times 100}{b}$
North & Central	(219,855)	53,865,697	(0.41)	(635,346)	46,935,414	(1.35)
Bay of Plenty	(106,172)	12,339,539	(0.86)	145,795	11,573,320	1.26
Frankley Rd – Kapuni	(202,449)	16,365,424	(1.24)	(129,173)	20,964,571	(0.62)
South	(30,711)	12,107,703	(0.25)	89,044	11,288,942	0.79
Total		94,678,363			90,762,247	

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

2002				2001		
System	Unaccounted For Gas a (GJ p.a.)	Gas Into System b (GJ p.a.)	UFG % $\frac{a \times 100}{b}$	Unaccounted For Gas a (GJ p.a.)	Gas Into System b (GJ p.a.)	UFG % $\frac{a \times 100}{b}$
North & Central	158,435	51,657,400	0.31	(116,541)	43,663,456	(26.7)
Bay of Plenty	289,283	12,304,129	2.35	219,850	11,840,281	1.86
Frankley Rd – Kapuni	285,057	24,450,814	1.17	115,901	26,454,929	0.44
South	335,485	11,623,329	2.89	230,574	11,344,201	2.03
Total		100,035,672			93,302,867	

2000			
System	Unaccounted For Gas a (GJ p.a.)	Gas Into System b (GJ p.a.)	UFG % $\frac{a \times 100}{b}$
North & Central	(295,042)	41,539,372	(0.71)
Bay of Plenty	229,979	11,852,566	1.94
Frankley Rd – Kapuni	(958,381)	25,243,444	(3.80)
South	131,492	10,523,677	1.25
Total		89,159,059	

3.3 Statistics

2004					2003			
System	Length (km)	Max. Monthly Quantity Entering the System (GJ/month)	Total Gas Conveyed (GJ p.a.)	Gas Conveyed Other than For NGC (GJ p.a.)	Length (km)	Max. Monthly Quantity Entering the System (GJ/month)	Total Gas Conveyed (GJ p.a.)	Gas Conveyed Other than For NGC (GJ p.a.)
North & Central	810.7	5,156,560	54,085,232		810.7	4,990,690	47,350,811	
Bay of Plenty	608.3	1,217,125	12,450,163		608.3	1,216,901	11,423,813	
Frankley Rd – Kapuni	72.3	1,944,392	17,000,910		72.3	2,206,343	21,092,803	
South	696.1	1,393,581	11,590,580		696.1	1,235,979	11,208,825	
Total	2,187.4		95,126,885	78,216,692	2,187.4		91,076,252	68,521,832

2002					2001			
System	Length (km)	Max. Monthly Quantity Entering the System (GJ/month)	Total Gas Conveyed (GJ p.a.)	Gas Conveyed Other than For NGC (GJ p.a.)	Length (km)	Max. Monthly Quantity Entering the System (GJ/month)	Total Gas Conveyed (GJ p.a.)	Gas Conveyed Other than For NGC (GJ p.a.)
North & Central	810.7	5,546,350	51,495,062		810.7	4,939,219	43,785,586	
Bay of Plenty	608.3	1,152,940	12,016,546		608.3	1,128,152	11,609,415	
Frankley Rd – Kapuni	72.3	2,870,377	24,165,814		72.3	2,278,201	26,340,184	
South	696.1	1,381,955	11,283,936		696.1	1,196,319	11,115,537	
Total	2,187.4		98,961,358	52,244,860	2,187.4		92,850,722	45,445,753

2000				
System	Length (km)	Max. Monthly Quantity Entering the System (GJ/month)	Total Gas Conveyed (GJ p.a.)	Gas Conveyed Other than For NGC (GJ p.a.)
North & Central	810.7	4,699,623	42,161,491	
Bay of Plenty	608.3	1,204,496	11,627,602	
Frankley Rd – Kapuni	72.3	2,946,459	26,202,192	
South	696.1	1,212,350	10,707,700	
Total	2,187.4		90,698,985	58,932,727

	2004	2003	2002	2001	2000
Number of transmission customers	15	15	14	11	9

	2004		2003		2002		2001		2000	
Number of unplanned interruptions in transmission systems	No.	Hours	No.	Hours	No.	Hours	No.	Hours	No.	Hours
	1	6	1	3	1	21	1	1	1	1
	2	2	2	72			2	4	2	6
	3	3.5							3	11
	4	107								
	5	48								
	6	6								
	7	3								
	8	4								
Total Interruptions	8	179.5	2	75	1	21	2	5	3	18

NB: Some prior year performance measures have changed due to new information available.

**PricewaterhouseCoopers**

113 – 119 The Terrace
PO Box 243
Wellington, New Zealand
Telephone +64 4 462 7000
Facsimile +64 4 462 7001
www.pwc.com/nz

Certification by Auditor in Relation to Financial Statements**NGC – Gas Transmission Activities**

We have examined the attached financial statements prepared by NGC Holdings Limited in respect to NGC - Gas Transmission Activities dated 26 November 2004 for the purposes of Regulation 6 of the Gas (Information Disclosure) Regulations 1997.

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

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
26 November 2004



PricewaterhouseCoopers
113 – 119 The Terrace
PO Box 243
Wellington, New Zealand
Telephone +64 4 462 7000
Facsimile +64 4 462 7001
www.pwc.com/nz

NGC – Gas Transmission Activities

Certification of Performance Measures by Auditor

We have examined the attached information, being:

- financial performance measures specified in clause 1 of Part 2 of Schedule 1 of the Gas (Information Disclosure) Regulations 1997; and
- financial components of the efficiency performance measures specified in clause 2 of Part 2 of that Schedule;

and having been prepared by NGC Holdings Limited in respect to NGC – Gas Transmission Activities dated 26 November 2004 for the purposes of Regulations 15 and 16 of those Regulations.

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

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
26 November 2004

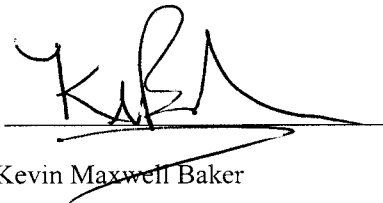
GAS TRANSMISSION ACTIVITIES**CERTIFICATE OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND
STATISTICS DISCLOSED BY DIRECTORS OF THE CORPORATION**

We, Michael Thomas Cummings and Kevin Maxwell Baker, directors of NGC New Zealand Limited (the 'Corporation'), certify that, having made all reasonable enquiry, to the best of our knowledge, -

- (a) the attached audited financial statements of the Corporation, prepared for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997, comply with the requirements of that regulation; and
- (b) the attached information, being financial performance measures, efficiency performance measures, energy delivery performance measures and statistics, and reliability performance measures in relation to the Corporation, and having been prepared for the purposes of regulations 15 to 19 of the Gas (Information Disclosure) Regulations 1997, complies with the requirements of those regulations.

A handwritten signature in black ink, appearing to read 'Michael', with a long horizontal stroke extending to the right.

Michael Thomas Cummings

A handwritten signature in black ink, appearing to read 'KMB', with a long horizontal stroke extending to the right.

Kevin Maxwell Baker

26 November 2004

NGC – Gas Wholesaling Activities
Statement of Financial Performance
For the Year Ended 30 June 2004
For the purposes of the Gas (Information Disclosure) Regulations 1997

		\$Thousands	
	Note	June 2004	June 2003
Gas Sales		140,136	183,855
Expenses		(133,240)	(164,539)
Surplus before Taxation	2	6,896	19,316
Income Tax Expense	3	(2,276)	(6,374)
Net Surplus for the Year		4,620	12,942

NGC – Gas Wholesaling Activities**Statement of Financial Position****As at 30 June 2004****For the purposes of the Gas (Information Disclosure) Regulations 1997**

		\$Thousands	
	Note	2004	2003
Non Current Assets			
Gas Entitlements	4	27,829	62,019
Total Non Current Assets		27,829	62,019
Current Assets			
Current Portion of Gas Entitlements	4	33,403	26,523
Accounts Receivable	5	2,233	5,903
Inventories – Consumable Spares		521	522
Total Current Assets		36,157	32,948
Total Assets		63,986	94,967
Equity			
Notional Reserves	6	60,898	79,546
Total Equity		60,898	79,546
Non Current Liabilities			
Deferred tax		23	8,273
Total Non Current Liabilities		23	8,273
Current Liabilities			
Current Tax		952	5,925
Accounts Payable and Accruals	7	2,113	1,223
Total Current Liabilities		3,065	7,148
Total Liabilities and Equity		63,986	94,967

**NGC – Gas Wholesaling Activities
Notes to the Financial Statements
For the Year Ended 30 June 2004**

1. Statement of Accounting Policies

a) Accounting Entity

The financial statements are those of NGC – Gas Wholesaling Activities. Gas Wholesaling comprise those activities relating to 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).

b) Special Purpose Financial Statements

The financial statements have been prepared in accordance with the Gas (Information Disclosure) Regulations 1997 and generally accepted accounting principles.

c) General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of earnings and the financial position under the historical cost method have been followed in the preparation of these financial statements. This includes the going concern concept and the matching of revenue and expenses under the accrual concept.

d) Particular Accounting Policies

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

i) *Revenue and Expenses*

Revenue and expenses are stated exclusive of Goods and Services Tax (GST).

ii) *Current Assets*

Accounts 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 first in first out basis. All other current assets are valued at their estimated realisable value.

iii) *Gas Entitlements*

Under the terms of the gas supply contracts, NGC is required to pay for a minimum quantity of gas in each contract year whether or not delivery has been made. Prepayments for undelivered gas entitle NGC to delivery of gas in subsequent years without further payment. The prepayments are capitalised as a long-term asset and will be amortised to earnings as the prepaid gas is utilised.

iv) Taxation

NGC recognises deferred taxation using the liability method and on a comprehensive basis. Income tax expense is recognised on the surplus before taxation. It is then adjusted for permanent differences between taxable and accounting income. The tax effect of all timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the statement of financial position as a future tax benefit or as deferred tax. The future tax benefit or deferred tax is stated at the income tax rates prevailing at balance date. Future tax benefits are not recognised unless realisation of the asset is virtually certain. Future tax benefits and deferred tax is offset.

v) Changes in Accounting Policy and Comparatives

There have been no changes in accounting policies. The presentation of certain comparatives has been restated to ensure consistency with current year disclosures.

2. Surplus before Taxation

	\$Thousands	
	2004	2003
<hr/>		
Surplus before Taxation is stated after charging:		
Audit fees and expenses	10	10

3. Taxation

	\$Thousands	
	2004	2003
<hr/>		
The Income Tax Expense has been calculated as follows:		
Surplus before Taxation	6,896	19,316
Income tax at 33%	2,276	6,374
Adjustments to tax for:		
Non-deductible expenditure	-	-
Tax Charge	2,276	6,374

4. Gas Entitlements

	\$Thousands	
	2004	2003
Balance expected to be realised:		
Within one year	33,403	26,523
Later than one year	27,828	62,019
Advance Paid and Prepaid Gas Entitlements	<u>61,231</u>	<u>88,542</u>

NGC's entitlements to gas are:

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 2004, NGC has 46.5 PJ of remaining Maui gas entitlements. As part of these variations to the Maui gas contracts NGC is guaranteed delivery of 42.2 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 4.3 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 over any additional gas found beyond the redetermined amount after first reserving 40 PJs for Methanex NZ.

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 2004 this is estimated to be approximately 130 PJ, of which, 83 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 70PJ 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 70PJ of Kapuni gas from Shell as described above.

d) Kahili Gas

NGC has agreed with the Kahili Joint Venture (Kahili JV) to purchase all the wet gas to be produced from the Kahili field, expected to be approximately 5 PJ. The Kahili JV comprises Austral Pacific Energy (NZ) Limited ("Austral"), International Resource Management Corporation ("IRM") and Tap (New Zealand) Pty Limited ("Tap"). NGC is currently constructing the production facility and pipeline to the gas from Kahili to its existing infrastructure and production is expected to commence by mid-August.

NGC has also made a prepayment of \$2 million to Austral, which will be utilised for purchases of Austral's share of gas from Kahili. NGC has also made a prepayment of \$2.5 million to IRM 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.

e) Gas Swaps and/or Other Purchases

NGC entered into an agreement with Methanex New Zealand ('Methanex') to swap gas, whereby NGC delivered 4PJ of gas (sourced from Maui and Kapuni) to Methanex from March to May 2004. In return, Methanex is to deliver the 4 PJ of gas back to NGC by 31 March 2005. As at 30 June 2004 NGC had received 1.22 PJ of gas back from Methanex, leaving an outstanding balance of 2.78 PJ. In addition to the swap, NGC will purchase a further 2 PJ of gas from Methanex by 31 March 2005, and Methanex can sell up to a further 8 PJ gas to NGC, at Methanex's election.

NGC has agreed to purchase 2.5 PJ of gas from Contact Energy Ltd (Contact) to be delivered to NGC by 31 March 2005. In addition to this purchase, NGC has agreed with Contact to swap gas, whereby Contact will deliver up to 2.5 PJ of gas (sourced from Maui) to NGC from 1 October 2004 to 31 March 2005. In return, NGC will return the same amount of gas back to Contact in the period from 1 July 2006 to 30 September 2007.

5. Accounts Receivable

	\$Thousands	
	2004	2003
Trade Debtors	2,233	2,011
Prepayments and Sundry Receivables	-	3,892
Accounts Receivable	2,233	5,903

6. Notional Reserves

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

7. Accounts Payable and Accruals

	\$Thousands	
	2004	2003
Accounts Payable and Accrued Expenses	2,113	1,223
Accounts Payable and Accruals	2,113	1,233

8. Financial Instruments

Interest Rate Risk - not subject to this risk as there are no interest bearing assets or liabilities.

Financial instruments potentially subject to credit risk are cash deposits and trade debtors. Cash deposits are placed with a small number of trading banks and the amount deposited per bank is limited. The Board of Directors approves the counter parties and the credit limits. NGC completes credit evaluations on customers where possible and requires a bond to be paid when customers cannot demonstrate an adequate credit history. There are no significant concentrations of credit risk.

Transactions denominated in foreign currencies are undertaken from time to time and resulting from these activities exposures in foreign currencies arise. These exposures are managed by other NGC Group companies.

Cash at bank, other investments, trade creditors and amounts due to subsidiaries - the carrying value of these items is equivalent to their fair value.

9. Capital Commitments

Amounts committed but not recorded in these financial statements total \$nil (2003: \$nil).

10. Contingent Liabilities

There are no material contingent liabilities or legal proceedings outstanding.

11. Related Parties Transactions

NGC Management Limited provides services in respect of the Gas Wholesaling Activities. Management fees were paid to NGC Management Limited of \$0.9 million (30 June 2003: \$0.8 million).

Gas Wholesale Activities had sales of gas to Gas Retailing Activities of \$115.1 million (30 June 2003: \$151.5 million) and sales of by products to NGC New Zealand Limited of \$5.8 million (30 June 2003: \$4.6 million).

Transmission purchases from NGC New Zealand Limited were \$0.6 million (30 June 2003: \$0.6 million) and processing services from NGC New Zealand Limited were \$3.2 million (30 June 2003: \$0.7 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 2004 (2003: \$nil).



PricewaterhouseCoopers
113 – 119 The Terrace
PO Box 243
Wellington, New Zealand
Telephone +64 4 462 7000
Facsimile +64 4 462 7001
www.pwc.com/nz

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 26 November 2004 for the purposes of Regulation 6 of the Gas (Information Disclosure) Regulations 1997.

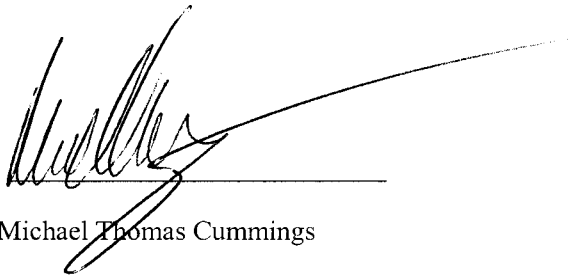
We certify that, having made all reasonable enquiry, to the best of our knowledge, those financial statements have been prepared in accordance with the requirements of the Gas (Information Disclosure) Regulations 1997.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
26 November 2004

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

We, Michael Thomas Cummings and Kevin Maxwell Baker, 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.

A handwritten signature in black ink, appearing to read 'M. Cummings', written over a horizontal line.

Michael Thomas Cummings

A handwritten signature in black ink, appearing to read 'K. Baker', written over a horizontal line.

Kevin Maxwell Baker

26 November 2004