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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 2003
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 2003
For the purposes of the Gas (Information Disclosure) Regulations 1997

		$Thousands	
	Note	**2003**	**2002**
Revenue		22,884	29,257
Abnormal Items	2	(993)	4,850
Expenses	2	(12,194)	(14,470)
Surplus before Taxation	2	**9,697**	**19,637**
Income Tax Expense	3	(3,202)	(6,482)
Net Surplus for the Year		**6,495**	**13,155**

NGC – Gas Distribution Activities
Statement of Financial Position
As at 30 June 2003
For the purposes of the Gas (Information Disclosure) Regulations 1997

		$Thousands	
	Note	**2003**	**2002**
Fixed and Long Term Assets			
Fixed Assets	4	116,091	117,126
Deferred Expenditure	5	-	774
Total Non Current Assets		**116,091**	**117,900**
Current Assets			
Cash and Short Term Deposits		4	-
Accounts Receivable	6	1,887	14,339
Inventories – Consumable Spares		189	136
Total Current Assets		**2,080**	**14,475**
Total Assets		**118,171**	**132,375**
Equity			
Notional Reserves	7	91,568	107,026
Total Equity		**91,568**	**107,026**
Non Current Liabilities			
Deferred Income	9	-	7
Deferred Taxation		23,622	13,875
Total Non Current Liabilities		**23,622**	**13,882**
Current Liabilities			
Bank Overdraft		-	168
Current Tax		1,468	5,577
Accounts Payable and Accruals		1,513	5,722
Total Current Liabilities		**2,981**	**11,467**
Total Liabilities and Equity		**118,171**	**132,375**

NGC – Gas Distribution Activities
Notes to the Financial Statements
For the year ended 30 June 2003

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.

The financial statements represent the aggregated Gas Distribution Activities of Natural Gas Corporation of New Zealand (NGCNZ) and AGL NZ Energy Limited (AGLNZE). AGLNZE Gas Distribution business was sold by Australian Gas Light Company Limited (AGL) on 25 July 2001. AGLNZE was a subsidiary of AGL. NGCNZ is an indirect subsidiary of AGL and the two entities were therefore in a prescribed relationship, as defined in the Gas (Information Disclosure) Regulations 1997.

As required by the Regulations, these financial statements represented the aggregated Gas Distribution Activities of NGCNZ and AGLNZE. They were compiled by aggregating the balances of each entity on a line by line basis for the period from 1 July 2001 to 25 July 2001, being the period in which a prescribed relationship existed.

On 25 July 2001 AGLNZE disposed of its distribution pipeline business. These financial statements include the results of the AGLNZE distribution business from 1 July 2001 to 25 July 2001.

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
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 to 50 years	Plant, Equipment	
Meters and Stations	15 to 45 years	& 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**

The revenues, expenses and fixed assets relating to the Gas meters have been excluded from the 2003 results, as they are not required to be disclosed under the Gas Information Disclosure Regulations 1997. 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	
	2003	**2002**
Surplus before Taxation is stated after charging/(crediting):		
Audit fees and expenses	31	11
Depreciation	4,319	4,280
Amortisation	767	133
Leasing Costs	197	301
Profit on Sale of Pipeline Assets	-	(4,850)
Asset Acquisition Feasibility Cost	993	-

3. Income Tax

	$ Thousands 2003	$ Thousands 2002
The Income Tax Expense has been calculated as follows:		
Surplus before Taxation	9,697	19,637
Income Tax at 33%	3,200	6,481
Adjusted for:		
Permanent Differences	2	1
	3,202	**6,482**

4. Fixed Assets

$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**

$Thousands 2002

	Cost/ Valuation	Accumulated Depreciation	Net Book Value	Depreciation Charge
Pipelines, Compressors & Gate Stations	113,233	6,929	106,304	3,924
Plant, Equipment & Motor Vehicles	4,445	2,999	1,446	355
Work in Progress	9,315	-	9,315	-
Freehold Land & Buildings	71	10	61	1
	127,064	**9,938**	**117,126**	**4,280**

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.

Based on the latest Government valuations the Directors estimate that the fair valuation of land and buildings is approximately equivalent to their net book value as at 30 June 2003.

5. Deferred Expenditure

	$Thousands	
	2003	**2002**
Balance as at 1 July	774	902
Less amounts amortised to expenses	(774)	(128)
	-	**774**

6. Accounts Receivable

	$Thousands	
	2003	**2002**
Trade Debtors	1,801	14,228
Prepayments and Sundry Receivables	86	111
	1,887	**14,339**

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	
	2003	2002
Balance as at 1 July	7	12
Less amount amortised to earnings	(7)	(5)
	-	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 (2002 $0.2 million).

	$ Thousands	
Operating Lease Commitments	2003	2002
Non cancellable operating lease rentals are payable as follows:		
Not later than one year	279	331
Between one and two years	189	306
Between two and five years	131	297
Later than five years	-	30
	599	**964**

10. Contingent Liabilities

There are no contingent liabilities which would have a material adverse effect on the financial statements. (2002: 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. Avoidable Cost Allocation Methodology

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 provided a further driver as it will not be possible for the Commission to accurately assess NGC's returns unless the gas transportation businesses are modelled as stand alone entities. Recently, NGC has initiated a project to develop ACAM for the financial information disclosed in the Transmission and Distribution businesses Gas (Information Disclosure) financial statements. The completion of this project will likely result in future presentation of these Gas (Information Disclosure) financial statements to be under an ACAM methodology which may produce results different to those presented in these financial statements.

13. 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 $4.1 million (30 June 2002: $4.1 million).

Sales of distribution services to NGC Retail were $6.3 million (30 June 2002: $26.5 million). Amounts outstanding from related parties as at 30 June 2003 totalled $0 million (30 June 2002: $3 million)

Purchases of maintenance services from NGC Transmission were $0 (June 2002: $0.1 million). Amounts owing to related parties as at 30 June 2003 totalled $0 million (30 June 2002: $0 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 2003 (2002: Nil).

Natural Gas Corporation – Gas Distribution Activities
Statement of Performance Measures
For the year ended 30 June 2003
For the purposes of the Gas (Information Disclosure) Regulations 1997

	2003 NGC	2002 NGC/ AGLNZE	2001 NGC/ AGLNZE	2000 NGC Only	1999 NGC Only
1. Financial Performance Measures					
a) ***Measures including abnormal items and earnings adjustments***					
Accounting Return on Total Assets	8.24%	11.37%	16.27%	14.44%	15.35%
Accounting Return on Equity	6.54%	11.47%	33.56%	39.24%	12.00%
Accounting Rate of Profit	16.29%	9.04%	15.70%	17.83%	10.95%
b) *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.*					
c) 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).*					
d) ***Measures Adjusted to exclude abnormal items***					
Accounting Return on Total Assets	8.88%	8.43%	11.89%	11.91%	11.43%
Accounting Return on Equity	6.69%	8.58%	23.50%	33.08%	9.07%
Accounting Rate of Profit	16.72%	6.14%	11.56%	15.22%	7.03%
e) ***Measures Adjusted to exclude abnormal items and earnings adjustments described above***					
Accounting Return on Total Assets	8.88%	8.43%	8.77%	6.66%	11.43%
Accounting Return on Equity	6.69%	8.58%	11.88%	10.10%	9.07%
Accounting Rate of Profit	16.72%	6.14%	8.47%	9.04%	7.03%
2. Efficiency Performance Measures					
Direct Line Costs per Kilometre	$718	$716	$1,100	$1,345	$1,854
Indirect Line Costs per Gas Customer	$135	$155	$71	$64	$65

NGC ONLY	2003	2002	2001	2000	1999
3. Energy Delivery Efficiency Performance Measures					
Load Factor	86.12%	84.83%	69.22%	85.33%	83.66%
Unaccounted for Gas Ratio	0.31% Loss	0.31% Loss	0.31% Loss	0.31% Loss	0.01% gain
4. Statistics					
System Length (km)	2,739	2,639	2,533	2,479	2,267
Maximum Monthly Amount of Gas Entering System (GJ)	1,070,335	1,005,560	1,223,573	856,362	812,703
Total Annual Amount of Gas Conveyed through System (GJ)	11,061,901	10,235,729	10,163,878	8,769,123	8,192,334
Total Annual Amount of Gas Conveyed through System for persons not in a prescribed business relationship (GJ)	1,352,001	1,218,363	173,197	805,395	75,120
Total Number of Customers	55,938	52,318	50,452	48,270	47,727
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)	0.0657	.00245	.0086	.4564	.00103
Interruptions attributable to third party interference	0.0592	.00109	.0084	.01679	.000356
Unplanned Distribution System Interruptions related to Transmission System Interruptions (hours/customer)	0	0	0	.7513	0

AGL NZE ONLY	2001	2000	1999
3. Energy Delivery Efficiency Performance Measures			
Load Factor	64.98	65.23%	79.39%
Unaccounted for Gas Ratio	2.8% gain	0.5% loss	0.5% loss
4. Statistics			
System Length (km)	1,162	1,030	954
Maximum Monthly Amount of Gas Entering System (GJ)	239,608	240,099	214,139
Total Annual Amount of Gas Conveyed through System (GJ)	1,868,405	1,879,423	510,044

AGL NZE ONLY	2001	2000	1999
Total Annual Amount of Gas Conveyed through System for persons not in a prescribed business relationship (GJ)	310,560	1,367,372	Nil
Total Number of Customers	28,347	27,068	26,697
5. Reliability Performance Measures			
Unplanned Transmission System Interruptions (hours)	n.a.	n.a	n.a.
Unplanned Distribution System Interruptions not related to Transmission System Interruptions (hours/customer)	Nil	Nil	Nil
Interruptions attributable to third party interference	0.1428	0.1219	Nil
Unplanned Distribution System Interruptions related to Transmission System Interruptions (hours/customer)	Nil	Nil	Nil

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, -

(c) 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

(d) 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

20 November 2003

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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 20 November 2003 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.

PricewaterhouseCoopers

PricewaterhouseCoopers
20 November 2003

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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 20 November 2003 for the purposes of Regulation 6 of the Gas (Information Disclosure) Regulations 1997.

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

PricewaterhouseCoopers

PricewaterhouseCoopers
20 November 2003

NGC – Gas Retailing Activities
Statement of Financial Performance
For the year ended 30 June 2003
For the purposes of the Gas (Information Disclosure) Regulations 1997

	Note	$Thousands June 2003	June 2002
Gas Sales		255,529	251,320
Expenses		(216,195)	(247,202)
Abnormal Item	10	37,124	-
Surplus before Taxation	2	**76,458**	**4,118**
Income Tax Expense	3	(14,348)	(1,624)
Net Surplus for the Year		**62,110**	**2,494**

NGC – Gas Retailing Activities
Statement of Financial Position
As at 30 June 2003
For the purposes of the Gas (Information Disclosure) Regulations 1997

	Note	$Thousands 2003	2002
Non Current Assets			
Fixed Assets	4	1,482	2,072
Goodwill		-	4,146
Deferred Expenditure	5	30	774
Total Non Current Assets		**1,512**	**6,992**
Current Assets			
Trade Debtors		19,246	30,126
Current Tax		-	-
Inventories – Consumable Spares		-	-
Total Current Assets		**19,246**	**30,126**
Total Assets		**20,758**	**37,118**
Equity			
Notional Reserves	6	(2,647)	23,277
Total Equity		**(2,647)**	**23,277**
Non Current Liabilities			
Deferred Taxation		2,188	968
Total Non Current Liabilities		**2,188**	**968**
Current Liabilities			
Bank Overdraft		892	-
Current Tax		9,150	439
Accounts Payable and Accruals		11,175	12,434
Total Current Liabilities		**21,217**	**12,873**
Total Liabilities and Equity		**20,758**	**37,118**

NGC – Gas Retailing Activities
Notes to the Financial Statements
For the year ended 30 June 2003

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 a consumer.

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	
	2003	**2002**
Surplus before Taxation is stated after charging:		
Audit fees and expenses	28	28
Fees for other services paid to the Auditors	-	-
Depreciation	496	1,098

3. Taxation

	$ Thousands	
	2003	**2002**
The Income Tax Expense has been calculated as follows:		
Surplus before taxation	76,458	4,118
Income tax at 33%	25,231	1,359
Adjustments to tax for:		
Non-assessable income	(12,251)	-
Non-deductible expenditure	1,368	265
Tax charge	**14,348**	**1,624**

4. Fixed Assets

	$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**

	$Thousands 2002			
	Cost/ Valuation	**Accumulated Depreciation**	**Net Book Value**	**Depreciation Charge**
Equipment	5,524	3,662	1,862	1,017
Motor vehicles	382	172	210	81
	5,906	**3,834**	**2,072**	**1,098**

5. Deferred Expenditure

	$ Thousands	
	2003	**2002**
Balance as at 1 July	774	902
Plus amount capitalized	-	90
Less amounts amortised to expenses	(744)	(218)
	30	**774**

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 (2002: $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	
	2003	2002
Gain on sale of retail gas customers	37,124	-

11. Related Parties Transactions

NGC Management Limited provides services in respect of the gas retailing activites.
Management fees were paid to NGC Management Limited of $2.2 million (30 June 2002: $2.2 million).

NGC Retail had sales of gas to NGC Transmission of $4.4 million (30 June 2002: $3.2 million).

Gas purchases from NGC Gas Wholesale were $164.6 million (30 June 2002: $156.4 million), transmission purchases from NGC Transmission were $28.2 million (30 June 2002: $35.9 million), and distribution purchases from NGC Distribution of $6.3 million (30 June 2002: $26.5 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 June 2003 (2002: $nil)

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

20 November 2003

PRICEWATERHOUSECOOPERS

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Certification by Auditor in Relation to Financial Statements

NGC – Gas Retail Activities

We have examined the attached financial statements prepared by NGC Holdings Limited in respect to NGC – Gas Retail Activities dated 20 November 2003 for the purposes of Regulation 6 of the Gas (Information Disclosure) Regulations 1997.

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

PricewaterhouseCoopers

PricewaterhouseCoopers
20 November 2003

NGC – Gas Transmission Activities
Statement of Financial Performance
For the Year Ended 30 June 2003
For the purposes of the Gas (Information Disclosure) Regulations 1997

		$Thousands	
	Note	**2003**	**2002**
Revenue		85,524	81,799
Expenses	2	(38,246)	(36,361)
Surplus before Taxation	2	47,278	45,438
Income Tax Expense	3	16,779	16,169
Net Surplus for the Year		**30,499**	**29,269**

NGC – Gas Transmission Activities
Statement of Financial Position
As at 30 June 2003
For the purposes of the Gas (Information Disclosure) Regulations 1997

		$Thousands	
	Note	**2003**	**2002**
Fixed and Long Term Assets			
Fixed Assets	4	452,295	373,491
Deferred Expenditure	5	4,197	5,283
Total Non Current Assets		**456,492**	**378,774**
Current Assets			
Accounts Receivable	6	5,186	8,590
Inventories – Consumable Spares		1,494	1,192
Current Taxation		1,580	1,836
Total Current Assets		**8,260**	**11,618**
Total Assets		**464,752**	**390,392**
Equity			
Notional Reserves	7	377,002	321,342
Total Equity		**377,002**	**321,342**
Non Current Liabilities			
Deferred Taxation		85,258	55,572
Total Non Current Liabilities		**85,258**	**55,572**
Current Liabilities			
Bank Overdraft		25	200
Accounts Payable and Accruals		2,467	13,278
Total Current Liabilities		**2,492**	**13,478**
Total Liabilities and Equity		**464,752**	**390,392**

NGC – Gas Transmission Activities
Notes to the Financial Statements
For the Year Ended 30 June 2003

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.

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

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	
	2003	**2002**
Surplus before Taxation is stated after charging:		
Audit fees and expenses	110	30
Depreciation	10,508	9,522
Amortisation	1,086	1,086

3. Income Tax

	$Thousands	
	2003	**2002**
The Income Tax Expense has been calculated as follows:		
Surplus before Taxation	47,278	45,438
Income Tax at 33%	15,602	14,995
Adjustments to tax for:		
Non-deductible expenditure	1,177	1,174
Tax Charge	16,779	16,169

4. Fixed Assets

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**

2002	Cost/ Valuation	Accumulated Depreciation	Net Book Value	Depreciation Charge
Pipelines, Compressors and Gate Stations	378,820	17,307	361,513	8,741
Plant and Equipment	14,052	11,808	2,244	494
Motor Vehicles	1,945	971	974	223
Freehold Land and Buildings	4,212	810	3,402	64
Construction in Progress	5,358	-	5,358	-
	404,387	**30,896**	**373,491**	**9,522**

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, gate stations and gas meters increased by $87.87 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, 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.

Based on the latest Government valuations the Directors estimate that the fair valuation of land and buildings is approximately equivalent to their net book value as at 30 June 2003.

5. Deferred Expenditure

	$Thousands	
	2003	**2002**
Balance as at 1 July	5,283	6,369
Less Amounts Amortised to Expenses	(1,086)	(1,086)
	4,197	**5,283**

6. Accounts Receivable

	$Thousands	
	2003	**2002**
Trade Debtors	4,937	7,435
Prepayments and Sundry Receivables	249	1,155
	5,186	**8,590**

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 (2002, Nil).

Operating lease commitments	$Thousands	
	2003	**2002**
Non cancellable operating leases are payable as follows		
Not later than one year	48	61
Between one and two years	37	55
Between two and five years	39	89
Later than five years	-	-
	124	**205**

9. Contingent Liabilities

There are no contingent liabilities, which would have a material adverse effect on these financial statements (2002, 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. Avoidable Cost Allocation methodology

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 provided a further driver as it will not be possible for the Commission to accurately assess NGC's returns unless the gas transportation businesses are modelled as stand alone entities. Recently, NGC has initiated a project to develop ACAM for the financial information disclosed in the Transmission and Distribution businesses Gas (Information Disclosure) financial statements. The completion of this project will likely result in future presentation of these Gas (Information Disclosure) financial statements to be under an ACAM methodology which may produce results different to those presented in these financial statements.

12. 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 $5.6 million (30 June 2002: $8.1 million).

Sales to NGC Wholesale for transmission and maintenance services were $1.7 million (30 June 2002: $3 million).

Purchases of fuel gas from NGC Retail were $4.4 million (30 June 2002: $3.2 million).

Sales to NGC Retail for transmission services were $28.2 million (30 June 2002: $35.9 million).

Sales of maintenance services to NGC Distribution were $0 (June 2002: $0.1 million).

Sales of maintenance services to Kapuni Gas Treatment Plant were $0.2 million (30 June 2002: $0.1million).

Amounts outstanding from related parties as at 30 June 2003 totalled $0 million (30 June 2002: $0.4 million).

Purchases of mechanical services from Kapuni Gas Treatment Plant were $0.5 million (30 June 2002: $0.5million)

Amounts owing to related parties as at 30 June 2003 totalled $0 million (30 June 2002: $4.7 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 2003 (2002: $nil).

NGC – Gas Transmission Activities
Statement of Performance Measures
For the year ended 30 June 2003
For the purposes of the Gas (Information Disclosure) Regulations 1997

	2003	2002	2001	2000	1999
1. Financial Performance Measures					
Accounting Return on Total Assets	11.3%	11.9%	11.3%	11.9%	9.7%
Accounting Return on Equity	8.7%	8.9%	8.3%	8.7%	7.0%
Accounting Rate of Profit *	25.9%	7.7%	7.2%	8.4%	6.7%

** 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 25.97% to 7.60%*

	2003	2002	2001	2000	1999
2. Efficiency Performance Measures					
Direct Line Costs per Kilometre	$2,897	$2,548	$2,584	$3,415	$5,539
Indirect Line Costs per Gas Customer	$843,800	$1,026,674	$941,611	$929,333	$589,083

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

	2003			2002		
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	46,935,414	4,990,690	78.37	51,657,400	5,546,350	77.6
Central	-	-	-	-	-	-
Bay of Plenty	11,573,320	1,216,901	79.25	12,304,129	1,152,940	88.9
Frankley Rd – Kapuni	20,964,571	2,206,343	79.18	24,450,814	2,870,377	71.0
South	13,051,950	1,431,959	75.96	14,431,137	1,661,135	72.4

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.

	2001			2000		
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	42,993,206	4,804,021	74.6	41,869,514	4,842,133	72.1
Central	12,854,659	1,374,735	77.9	9,318,902	1,110,835	69.9
Bay of Plenty	11,840,281	1,128,152	87.5	11,852,566	1,204,496	82.0
Frankley Rd – Kapuni	26,454,929	2,712,470	81.3	25,934,596	2,946,459	73.3
South	12,014,451	1,295,145	77.3	10,862,614	1,212,350	74.7

	1999		
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	27,565,731	2,519,007	91.2
Bay of Plenty	11,605,971	1,165,652	83.0
Frankley Rd – Kapuni	30,528,389	3,360,884	75.7
South	9,998,616	1,218,760	68.4

3.2 Unaccounted-for gas ratio

	2003			2002		
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	(635,346)	46,935,414	(1.35)	156,962	51,657,400	0.30
Bay of Plenty	(69,103)	11,573,320	(0.60)	78,787	12,304,129	0.64
Frankley Rd – Kapuni	(129,173)	20,964,571	(0.62)	285,057	24,450,814	1.17
South	88,060	13,051,950	0.68	333,622	14,431,137	2.31

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

	2001			**2000**		
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	(353,277)	42,993,206	(0.82)	(288,671)	41,869,514	(0.69)
Central	236,736	12,854,659	1.84	323,637	9,318,902	3.47
Bay of Plenty	21,224	11,840,281	0.18	32,853	11,852,566	0.28
Frankley Rd – Kapuni	115,901	26,454,929	0.44	(251,633)	25,934,596	(0.97)
South	229,681	12,014,451	1.91	144,283	10,862,614	1.33

	1999		
System	Unaccounted For Gas a (GJ p.a.)	Gas Into System b (GJ p.a.)	UFG % $\frac{a \times 100}{b}$
North & Central	(407,463)	27,565,731	(1.48)
Bay of Plenty	(180,121)	11,605,971	(1.55)
Frankley Rd – Kapuni	280,691	30,528,389	0.92
South	(115,148)	9,998,616	(1.15)

3.3 Statistics

	2003				**2002**			
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	5,019,685	47,617,430		810.7	5,546,350	51,092,450	
Bay of Plenty	608.3	1,246,428	11,638,711		608.3	1,152,940	12,152,110	
Frankley Rd – Kapuni	72.3	2,187,893	21,092,803		72.3	2,870,377	24,160,700	
South	696.1	1,388,174	12,962,102		696.1	1,661,135	14,034,764	
Total	**2187.4**		93,311,046	**68,521,8/32**	**2,187.4**		101,440,024	**52,244,860**

	2001				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.)	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	426.5	4,804,021	42,988,549		426.5	4,842,133	41,850,642	
Central	384.2	1,374,735	12,597,248		384.2	1,110,835	8,974,118	
Bay of Plenty	608.3	1,128,152	11,737,035		608.3	1,204,496	11,748,141	
Frankley Rd – Kapuni	72.3	2,712,470	26,336,173		72.3	2,946,459	26,170,977	
South	696.1	1,295,145	11,736,958		696.1	1,212,350	10,660,602	
Total	**2,187.4**		105,395,963	**45,445,753**	2,187.40		99,404,480	**58,932,727**

	1999			
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	811.7	2,519,007	27,565,731	
Bay of Plenty	594.8	1,165,652	11,605,971	
Frankley Rd – Kapuni	62.4	3,360,884	30,528,389	
South	697.4	1,218,760	9,998,616	
Total	2,166.3		79,698,707	**45,618,141**

	2003	**2002**	**2001**	**2000**
Number of transmission customers	15	14	11	9
Number of unplanned interruptions in transmission systems	1	1	2	2

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.

Michael Thomas Cummings

Kevin Maxwell Baker

20 November 2003

PRICEWATERHOUSECOOPERS

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Wellington, New Zealand
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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 20 November 2003 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.

PricewaterhouseCoopers

PricewaterhouseCoopers
20 November 2003

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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PO Box 243
Wellington, New Zealand
Telephone +64 4 462 7000
Facsimile +64 4 462 7001

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 20 November 2003 for the purposes of Regulation 6 of the Gas (Information Disclosure) Regulations 1997.

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

PricewaterhouseCoopers

PricewaterhouseCoopers
20 November 2003

NGC – Gas Wholesaling Activities
Statement of Financial Performance
For the Year Ended 30 June 2003
For the purposes of the Gas (Information Disclosure) Regulations 1997

	Note	$Thousands June 2003	$Thousands June 2002
Gas Sales		183,855	190,931
Expenses		(164,539)	(143,749)
Abnormal Item	10	-	12,000
Surplus before Taxation	2	**19,316**	**59,182**
Income Tax Expense	3	(6,374)	(19,617)
Net Surplus for the Year		**12,942**	**39,595**

NGC – Gas Wholesaling Activities
Statement of Financial Position
As at 30 June 2003
For the purposes of the Gas (Information Disclosure) Regulations 1997

		$Thousands	
	Note	**2003**	**2002**
Non Current Assets			
Gas Entitlements	4	62,019	89,794
Future Tax Benefit		-	325
Total Non Current Assets		**62,019**	**90,119**
Current Assets			
Cash at Bank			
Current Portion of Gas Entitlements	4	26,523	58,630
Accounts Receivable	5	5,903	22,691
Inventories – Consumable Spares		522	804
Total Current Assets		**32,948**	**82,125**
Total Assets		**94,967**	**172,244**
Equity			
Notional Reserves	6	79,546	134,848
Total Equity		**79,546**	**134,848**
Current Liabilities			
Bank Overdraft		-	319
Deferred Tax		8,273	-
Current Tax		5,925	17,267
Accounts Payable and Accruals	7	1,223	19,810
Total Current Liabilities		**15,421**	**37,396**
Total Liabilities and Equity		**94,967**	**172,244**

NGC – Gas Wholesaling Activities
Notes to the Financial Statements
For the Year Ended 30 June 2003

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 have been restated to ensure consistency with current year disclosures.

2. Surplus before Taxation

	$Thousands 2003	2002
Surplus before Taxation is stated after charging:		
Audit fees and expenses	10	10

3. Taxation

	$Thousands 2003	2002
The Income Tax Expense has been calculated as follows:		
Surplus before taxation	19,316	59,182
Income tax at 33%	6,374	19,530
Adjustments to tax for:		
Non-deductible expenditure	-	87
Tax charge	**6,374**	**19,617**

4. Gas Entitlements

	$Thousands 2003	2002
Balance expected to be realised:		
Within one year	26,523	58,630
Later than one year	62,019	89,794
Advance Paid and Prepaid Gas Entitlements	**88,542**	**148,424**

NGC's entitlements to gas are:

a) **Take or Pay Gas Contract**
NGC has contracts with the Crown, whereby it has committed to purchase gas in annual contract quantities. The remaining commitments from 1 July 2003 to 27 June 2009 are 61 PJ (30 June 2002, 166 PJ).

b) **Advance Paid Gas**
NGC purchased, from the Crown, 262.5 PJ of Maui gas to be delivered in annual scheduled entitlements up to 2009 for a single advance payment. This gas is referred to as Advance Paid Gas and requires no further payment to the Crown when delivery is taken except for payment of the energy resource levy. NGC takes approximately one unit of Advance Paid Gas for every two units purchased under its take or pay contract with the Crown.

At the same time NGC obtained access to an additional 94.1 PJ of gas paid for but not taken by the Crown under its contract with Maui Mining Companies (refer 4(c) below).

The 262.5 PJ and the 94.1 PJ were purchased for a single payment of $235 million. As at 30 June 2003 NGC had 71 PJ (30 June 2002, 83 PJ) of the Advance Paid Gas remaining. Based on the Redetermination this may be reduced to 14.5PJ.

c) Gasbank II

NGC's Maui gas includes entitlements at 30 June 2003 of 74.6 PJ of PPG gas and 0.3PJ of current year prepaid take or pay quantities of gas. The 74.6 PJ includes the balances of the gas transferred back to NGC by Shell New Zealand of 75.0PJ in August 2002 for no consideration. Access to PPG is available when NGC exceeds its ACQ in a contract year and in the final three contract delivery years of the Contract. NGC may be financially compensated by the Crown for all or part of any prepaid gas not uplifted at the end of the Maui contract. Based on the Redetermination NGC expects to access approximately 52.2 PJ of prepaid gas.

d) Kapuni Indemnity Gas

NGC has exercised its option to purchase up to 70 PJ of gas from Shell New Zealand starting in 2005. Negotiations have begun over the detailed contract for this gas. NGC also has entitlements to 50% of the gas production from the Kapuni gas field.

5. Accounts Receivable

	$Thousands 2003	$Thousands 2002
Trade debtors	2,011	21,705
Prepayments and sundry receivables	3,892	388
Amounts owing from NGC Group Companies	-	598
	5,903	**22,691**

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 2003	$Thousands 2002
Accounts payable and accrued expenses	1,223	19,285
Amounts owing to other NGC Group Companies	-	525
	1,223	**19,810**

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 (2002, $nil).

10. Abnormal Item

	$Thousands	
	2003	2002
Receipt of Gas Commitment Fee from the amendment of a wholesale gas contract	-	12,000

11. Contingent Liabilities

NGC has transferred 25 PJ of prepaid Maui gas to Methanex, which must be uplifted by 2006. The liability will arise if Methanex calls for prepaid gas within the terms of its own Maui contracts and the Crown does not deliver on that call. In these circumstances NGC must make its best endeavors to deliver sufficient gas to meet its remaining obligations (10.1 PJ at 30 June 2002) or refund part of the monies to Methanex.

There are no other material contingent liabilities or legal proceedings outstanding.

12. Related Parties Transactions

NGC Management Limited provides management services in respect of the gas wholesaling activities. Management fees were paid to NGC Management Limited of $1.8 million (30 June 2002: $1.9 million).

NGC Wholesale Gas had sales of gas to NGC Retail $164.6 million (30 June 2002: $156.4 million).

Transmission purchases from NGC Transmission were $1.7 million (30 June 2002: $3.0 million). A share of the costs of the Kapuni Gas Treatment Plant, $1.9 million (30 June 2002: $0.6 million), were purchased from NGC KGTP.

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 2003 (2002: $nil).

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.

Michael Thomas Cummings

Kevin Maxwell Baker

20 November 2003

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Certification by Auditor in Relation to Financial Statements

NGC – Gas Wholesale Activities

We have examined the attached financial statements prepared by NGC Holdings Limited in respect to NGC – Gas Wholesale Activities dated 20 November 2003 for the purposes of Regulation 6 of the Gas (Information Disclosure) Regulations 1997.

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

PricewaterhouseCoopers

PricewaterhouseCoopers
20 November 2003

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