SUPPLEMENT TO

New Zealand Gazette

OF THURSDAY, 25 NOVEMBER 2010

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VECTOR LIMITED

&

NGC HOLDINGS LIMITED
(A SUBSIDIARY OF VECTOR LIMITED)

GAS ACTIVITIES 2010

INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

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KPMG

CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

We have examined the attached special purpose information disclosure statements of Vector Gas Distributions (Information Disclosure) Business and dated 15 November 2010 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulation 1997.

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

KPMG

KPMG

15 November 2010

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CERTIFICATION OF PERFORMANCE MEASURES BY AUDITOR

We have examined the attached information, being –

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

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

and having been prepared by Vector Gas Distributions (Information Disclosure) Business and dated 15 November 2010 for the purposes of regulations 15 and 16 of those regulations.

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

KPMG

KPMG

15 November 2010

Vector

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

We, JAMES CARMICHAEL and ALISON PATERSON, directors of Vector Limited, certify that, having made all reasonable enquiry, to the best of our knowledge, –

(a) the attached audited financial statements of the consolidated Vector Limited's and NGC Holdings Limited's gas distribution lines businesses, prepared for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997, comply with the requirements of that regulation; and

(b) the attached information, being the financial performance measures, efficiency performance measures, energy delivery performance measures and statistics, and reliability performance measures in relation to the consolidated Vector Limited's and NGC Holdings Limited's gas distribution lines businesses, 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.

J A Carmichael
Director

Date: 15 November 2010

A M Paterson
Director

Date: 15 November 2010

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 $000	2009 $000
Operating revenue		80,765	75,245
Total income		80,765	75,245
Network and asset maintenance expenses		(7,651)	(7,050)
Personnel expenses		(9,268)	(8,303)
Other expenses		(6,437)	(7,853)
Operating expenditure		(23,356)	(23,206)
Earnings before interest, income tax, depreciation and amortisation (EBITDA)		57,409	52,039
Depreciation and amortisation		(11,882)	(14,176)
Profit before interest and income tax	1	45,527	37,863
Finance costs	2	(18,715)	(21,796)
Profit before income tax		26,812	16,067
Income tax expense	3	(4,317)	(4,948)
Net profit for the period		22,495	11,119
Total comprehensive income for the period		22,495	11,119

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	NOTE	2010 $000	2009 $000
CURRENT ASSETS			
Receivables and prepayments	5	**10,035**	8,658
Inventories		**13**	121
Total current assets		**10,048**	8,779
NON-CURRENT ASSETS			
Intangible assets	7	**170,970**	173,556
Property, plant and equipment	8	**408,361**	402,157
Total non-current assets		**579,331**	575,713
Total assets		**589,379**	584,492
CURRENT LIABILITIES			
Payables and accruals	9	**12,677**	12,684
Provisions	10	**735**	1,025
Income tax		**3,289**	192
Notional borrowings	11	**25,478**	-
Total current liabilities		**42,179**	13,901
NON-CURRENT LIABILITIES			
Payables and accruals	9	**66**	629
Notional borrowings	11	**236,641**	282,332
Deferred tax	4	**57,000**	56,632
Total non-current liabilities		**293,707**	339,593
Total liabilities		**335,886**	353,494
EQUITY			
Notional reserves	6	**253,493**	230,998
Total equity		**253,493**	230,998
Total equity and liabilities		**589,379**	584,492

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

REPORTING ENTITIES

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

Vector Limited and NGC Holdings Limited are companies registered under the Companies Act 1993. NGC Holdings Limited is a wholly owned subsidiary of Vector Limited. Vector Limited is an issuer for the purpose of the Financial Reporting Act 1993 and its statements comply with that Act. The gas distribution activities form part of that statutory entity, the financial statements of which are consolidated into the Vector Limited financial statements for the year ended 30 June 2010 which have been prepared in accordance with New Zealand International Financial Reporting Standards. These financial statements have been prepared in accordance with accounting policies detailed below and the disclosures correspond accordingly.

These financial information disclosure statements for the gas distribution activities are special purpose financial reports.

STATUTORY BASE

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

MEASUREMENT BASE

The consolidated financial information disclosure statements are prepared on the basis of historical cost and should be read in conjunction with the accounting policies in Vector Limited's annual report for the year ended 30 June 2010.

The avoidable cost allocation methodology (ACAM) as described in the Electricity Information Disclosure Handbook 31 March 2004 has been adopted, for the allocation of revenues, costs, assets and liabilities between the regulated activities and other activities of the company. Under the Gas (Information Disclosure) Regulation 1997, there is no mandated allocation methodology, thus ACAM as prescribed in the Electricity Information Disclosure Handbook has been applied.

The NGC gas distribution activities and the Vector gas distribution activities are treated as separate regulated standalone businesses and then consolidated for presentation in these information disclosure statements. This approach has been adopted as the Vector Auckland Gas Distribution business was subject to a provisional price control authorisation issued by the Commerce Commission (Commerce Act (Natural Gas Services) Provisional Authorisation 2005), at balance date.

The allocations have been carried out on the following basis:

- Direct allocation of all components of financial statement items which are directly attributable to the activity.
- For any components of financial statement items that are not directly attributable to an activity:
    - By assessing the proportions of those components which are avoidable and non-avoidable; and
    - Allocating those components amongst the activities on the basis of those proportions using an appropriate cost allocator.

The two main allocators used are the number of employees and the book value of property, plant and equipment. Some costs, for example IT costs and non-system asset depreciation, are separately analysed and are allocated using allocators specific to those costs.

All financial statement items not allocated to the standalone gas distribution activities, are allocated to other activities within the Vector group. Other activities are not disclosed within these consolidated financial information disclosure statements.

PRESENTATION OF FINANCIAL STATEMENTS

In accordance with the revised IAS 1 Presentation of Financial Statements (2007), which became effective for financial periods commencing on or after 1 January 2009, movements in equity resulting from transactions other than those with owners are presented in a statement of comprehensive income. Since this change in accounting policy only impacts presentation aspects, there are no impacts on the statement of comprehensive income, or the statement of financial position. Comparative information has been re-presented so that it conforms to the revised standard.

The comparative figures have been reclassified to ensure consistency with the presentation of Vector Limited statutory financial statements where required.

GOING CONCERN

The financial statements have been prepared on a going concern basis.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of profit or loss and statement of financial position items have been applied consistently to all periods presented in the consolidated financial statements.

A) BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are those entities controlled, directly or indirectly by Vector Limited. The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method of consolidation.

Goodwill arising on acquisition

Goodwill arising on acquisition of a subsidiary or associate represents the excess of the purchase consideration over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is measured at cost less accumulated impairment losses.

B) REVENUE

Sale of services

Sales of services are recognised at fair value of the consideration received or receivable as the services are delivered or to reflect the percentage completion of the related services where delivered over time.

C) GOODS AND SERVICES TAX (GST)

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

D) RECEIVABLES

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

E) INVENTORIES

Inventories are measured at lower of cost and net realisable value. The cost of inventories is determined on a first-in-first-out or weighted average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price less the estimated costs of completion and selling expenses.

F) INCOME TAX

Income tax expense comprises current and deferred tax.

Income tax assets and liabilities are the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at balance date, and any adjustment to tax payable or receivable in respect of previous years. During the financial period, the income tax liability or asset is estimated based on the forecast effective tax rate for that entire financial period.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Movements in deferred tax assets and liabilities are recognised within tax expense in the statement of comprehensive income unless the temporary difference initially arose in equity or the difference resulted from application of ACAM to statement of financial position items in which case the movement is then recognised as an adjustment in equity and / or borrowings against the item to which the temporary difference relates.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) INCOME TAX (CONTINUED)

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at balance date.

Deferred tax assets including unutilised tax losses are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at balance date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

G) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets expected to be used during more than one financial period and include spares held for the servicing of other property, plant and equipment that is owned.

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

The initial cost of self-constructed property, plant and equipment includes the cost of all materials used in construction, direct labour on the project, financing costs that are attributable to the project, costs of ultimately dismantling and removing the items and restoring the site on which they are located (where an obligation exists to do so) and an appropriate proportion of the other directly attributable overheads incurred in bringing the items to working condition for their intended use. Financing costs that would have been avoided if the expenditure on qualifying assets had not been made are capitalised while the construction activities are in progress. Costs cease to be capitalised as soon as the property, plant and equipment is ready for productive use and do not include any costs of abnormal waste.

Uninstalled property, plant and equipment are stated at the lower of cost and estimated recoverable amount. Estimated recoverable amount is the greater of the estimated amount from the future use of the property, plant and equipment and its ultimate disposal, and its fair value less costs to sell.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses.

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure can be measured reliably and either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and that expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time. The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

H) IDENTIFIABLE INTANGIBLE ASSETS

Goodwill

Goodwill is allocated to the operating segments, being the lowest level at which the goodwill is monitored for internal management purposes. Goodwill is then tested annually for impairment against the recoverable amount of the operating segments to which goodwill has been allocated.

Easements

Easements are perpetual rights to use land owned by others for a stated purpose and are classified as intangible assets. Easements are not amortised.

Software

Software that is not integral to the functionality of the related hardware is classified as an intangible asset. It is amortised on a straight line basis over its useful life, commencing on the date it is available for use. Software assets which are integral to the operation of the related hardware are classified as computer equipment within property, plant and equipment. Software intangible assets have a useful life of between 2 and 10 years.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) DEPRECIATION

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

Depreciation commences when the item of property, plant and equipment is brought into productive use, or when such items become available for use.

	ESTIMATED USEFUL LIVES YEARS
Distribution systems	15 – 100
Plant, vehicles and equipment	3 – 40

J) LEASED ASSETS

Finance leases

Property, plant and equipment under finance leases, where substantially all the risks and rewards of ownership are assumed by the gas distribution activities as lessee, are recognised as non-current assets in the statement of financial position. Leased property, plant and equipment are recognised initially at the lower of the present value of the minimum lease payments or their fair value. A corresponding liability is established and each lease payment apportioned between the reduction of the outstanding liability and the finance expense. The finance expense is charged to the statement of comprehensive income in each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased property, plant and equipment are depreciated over the shorter of the lease term and the useful life of equivalent owned property, plant and equipment.

Operating leases

Payments made under operating leases, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment are recognised in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. Property, plant and equipment used under operating leases are not recognised in the statement of financial position.

Leasehold improvements

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

K) PROVISIONS

Employee entitlements

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

Other provisions

Provisions are estimated by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where a provision is currently expected to be utilised within one year, or where the future actions of a third party could cause the liability to be settled within one year, the provision is not discounted.

The amortisation or unwinding of any discount applied in establishing the net present value of provisions is charged to finance costs in the statement of comprehensive income as the period of discounting diminishes.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K) PROVISIONS (CONTINUED)

Provisions are liabilities which arise where it is considered, as a result of a past event, that a constructive or legal obligation exists to settle items in the foreseeable future. A provision is recognised where the likelihood of a resultant liability is considered more probable than not and the amount required to settle the liability can be reliably estimated. Where the likelihood of a resultant liability is more than remote but insufficient to warrant a provision, such events are disclosed as contingent liabilities.

L) FINANCIAL INSTRUMENTS

The allocation of debt and equity items is in accordance with the principles and rules of ACAM.

M) FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions unless transactions are hedged by foreign currency derivative instruments. Foreign currency differences arising on translation are recognised in the statement of comprehensive income. At balance date foreign monetary assets and liabilities are translated at the functional currency closing rate, and exchange variations arising from these translations are included in the statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historic cost are not retranslated at balance date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined and are not retranslated at balance date.

N) IMPAIRMENT

The carrying amounts of the assets are reviewed at balance date to determine whether there is any evidence of impairment.

Where assets are deemed to be impaired, the impairment loss is the amount that the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of comprehensive income.

Impairment of receivables

The carrying amount of the receivables is compared to the recoverable amount which is amortised cost. Amortised cost is estimated as the present value of estimated future cash flows. Long term receivables are discounted to reflect the time value of money. An impairment loss is recognised if the carrying amount of a receivable or grouping of similar receivables exceeds its recoverable amount. Receivables with a short duration are not discounted.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account previous experience of doubtful or delayed collection of debts on portfolios with a similar amount of days overdue.

Impairment of non-financial assets

The carrying amounts of the non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists then the asset's carrying amount is compared to its recoverable amount to determine the level of impairment if any. For goodwill, recoverable amount is determined at least annually and compared with the carrying value for impairment testing purposes.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N) IMPAIRMENT (CONTINUED)

Impairment of non-financial assets (continued)

Impairment losses recognised in prior periods are assessed at each balance date for any indications that the loss has decreased or no longer exists. An impairment loss may be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed to the statement of comprehensive income only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Refer to the accounting policies in Vector Limited's annual report for the year ended 30 June 2010 for detailed information.

APPROVAL OF FINANCIAL STATEMENTS

The financial information disclosure statements, performance measures and statistics were approved by the board of directors on 15 November 2010.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. PROFIT BEFORE INTEREST AND INCOME TAX	2010 $000	2009 $000
Profit before interest and income tax includes:		
Bad debts written off	**16**	25
Decrease in provision for doubtful debts	**(144)**	(13)
Rental and operating lease costs	**602**	815
Directors' fees	**100**	114
Audit fees	**115**	121
Personnel expenses	**9,268**	8,303
(Profit)/loss on disposal of property, plant and equipment and software	**(44)**	17
Depreciation of property, plant and equipment:		
Distribution systems	**9,515**	10,875
Plant, vehicles and equipment	**1,137**	1,223
Amortisation of software intangibles	**1,230**	2,078

2. FINANCE COSTS	2010 $000	2009 $000
Interest expense	**19,192**	22,246
Capitalised interest	**(477)**	(450)
Total	**18,715**	21,796

3. INCOME TAX EXPENSE	2010 $000	2009 $000
Profit before income tax	**26,812**	16,067
Tax at current rate of 30%	**8,044**	4,820
Future reduction in tax rate impacting deferred tax	**(4,071)**	-
Future change in buildings depreciation rules impacting deferred tax	**12**	-
Non taxable items:		
Customer contributions	**(629)**	(84)
Prior year adjustments	**263**	(134)
Other	**698**	346
Income tax expense	**4,317**	4,948
The income tax expense is represented by:		
Current income tax	**3,310**	53
Deferred income tax	**1,007**	4,895
Total	**4,317**	4,948

The tax charge is notional, therefore no actual tax payments are made and as a result there are no imputation credits available to the gas distribution activities.

In May 2010 the Government announced a reduction in the company tax rate to 28% and the removal of depreciation deductions for buildings, effective from the 2011/2012 income year. In accordance with NZ IAS 12, the deferred tax liability has been restated to reflect these changes. The Government also announced that customer contributions would be taxable for those contributions received on or after 21 May 2010.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

4. DEFERRED TAX

2010	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TAX LOSSES $000	OTHER $000	TOTAL $000
Balance at the beginning of the period	(56,739)	(145)	-	252	(56,632)
Amounts recognised in the statement of comprehensive income:					
Relating to the current period	(5,456)	639	-	(4)	(4,821)
Prior period adjustments	(20)	17	-	(242)	(245)
Relating to future reduction in tax rate	4,130	(59)	-	-	4,071
Relating to future change in buildings depreciation rules	(12)	-	-	-	(12)
Amounts recognised directly in the statement of financial position	275	364	-	-	639
Balance at the end of the period	(57,822)	816	-	6	(57,000)
Deferred tax assets	-	816	-	6	822
Deferred tax liabilities	(57,822)	-	-	-	(57,822)
Net deferred tax (liabilities) / assets	(57,822)	816	-	6	(57,000)

2009	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TAX LOSSES $000	OTHER $000	TOTAL $000
Balance at the beginning of the period	(51,811)	605	3,595	242	(47,369)
Amounts recognised in the statement of comprehensive income:					
Relating to the current period	(4,131)	(731)	-	(28)	(4,890)
Prior period adjustments	(24)	(19)	-	38	(5)
Amounts recognised directly in the statement of financial position:					
Utilisation of prior year tax losses	-	-	(3,595)	-	(3,595)
Prior period adjustments	(773)	-	-	-	(773)
Balance at the end of the period	(56,739)	(145)	-	252	(56,632)
Deferred tax assets	-	-	-	252	252
Deferred tax liabilities	(56,739)	(145)	-	-	(56,884)
Net deferred tax (liabilities) / assets	(56,739)	(145)	-	252	(56,632)

5. RECEIVABLES AND PREPAYMENTS

	2010 $000	2009 $000
Current		
Trade receivables	9,217	8,017
Provision for doubtful debts	(173)	(317)
	9,044	7,700
Prepayments	991	958
Total	10,035	8,658

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

6. NOTIONAL RESERVES

	2010 $000	2009 $000
Balance at beginning of the period	**230,998**	116,090
Net profit for the period	**22,495**	11,119
Increase due to debt-equity ratio reset	**-**	103,789
Balance at end of the period	**253,493**	230,998

7. INTANGIBLE ASSETS

2010	COST $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Goodwill	**167,869**	**-**	**167,869**
Easements	**191**	**-**	**191**
Software	**11,507**	**(8,597)**	**2,910**
Total	**179,567**	**(8,597)**	**170,970**

2009	COST $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Goodwill	167,869	-	167,869
Easements	183	-	183
Software	17,129	(11,625)	5,504
Total	185,181	(11,625)	173,556

8. PROPERTY, PLANT AND EQUIPMENT

2010	COST $000	ACCUMULATED DEPRECIATION $000	CARRYING AMOUNT $000
Freehold land	**14**	**-**	**14**
Distribution systems	**446,682**	**(48,668)**	**398,014**
Plant, vehicles and equipment	**5,304**	**(4,162)**	**1,142**
Capital work in progress	**9,191**	**-**	**9,191**
Total	**461,191**	**(52,830)**	**408,361**

2009	COST $000	ACCUMULATED DEPRECIATION $000	CARRYING AMOUNT $000
Freehold land	78	-	78
Distribution systems	441,041	(45,979)	395,062
Plant, vehicles and equipment	12,873	(10,516)	2,357
Capital work in progress	4,660	-	4,660
Total	458,652	(56,495)	402,157

Interest and other internal costs are capitalised to property, plant and equipment while under construction. Interest is capitalised against property, plant and equipment largely at a capitalisation rate of 7% per annum. During the year $0.5 million (30 June 2009: $0.5 million) of interest and other costs were capitalised.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

9. PAYABLES AND ACCRUALS

	2010 $000	2009 $000
Current		
Trade payables and other creditors	**9,208**	8,960
Finance leases	**86**	231
Interest payable	**3,383**	3,493
Total	**12,677**	12,684
Non-current		
Finance leases	**66**	599
Other non-current payables	**-**	30
Total	**66**	629

10. PROVISIONS

	2010 $000	2009 $000
Balance at beginning of the period	**1,025**	1,670
Additions:		
Provision for employee entitlements	**-**	20
Utilised	**(290)**	(665)
Balance at end of the period	**735**	1,025

11. NOTIONAL BORROWINGS

Borrowings are a notional loan from Vector Limited to reflect a debt/equity mix in line with ACAM.

The interest cost on the borrowings has been calculated using a weighted average interest rate.

12. COMMITMENTS

	2010 $000	2009 $000
Capital expenditure commitments		
Capital expenditure contracted for at balance date but not yet incurred	**3,540**	4,043
Operating lease commitments		
Within one year	**517**	868
One to five years	**35**	756
Beyond five years	**24**	26
Total	**576**	1,650

The majority of the operating lease committments relate to premises.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

12. COMMITMENTS (CONTINUED)

	2010 $000	2009 $000
Finance lease commitments		
Within one year	**98**	302
One to five years	**74**	654
Total	**172**	956
Less: future finance charges	**(20)**	(126)
Present value of minimum lease payments	**152**	830
Present value of finance lease liabilities		
Within one year	**86**	231
One to five years	**66**	599
Present value of minimum lease payments	**152**	830

Finance leases relate to motor vehicles with varying lease terms.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FOREIGN EXCHANGE RISK

Transactions are conducted in foreign currencies for the purpose of protecting the NZD value of capital expenditure. Forward exchange contracts are used to hedge forecasted foreign currency exposure arising out of the capital expenditure program. Hence at balance date no significant exposure to foreign currency risk exists.

CREDIT RISK

In the normal course of business, there is exposure to credit risks from energy retailers and customers. Credit policies are in place, which are used to manage the exposure to credit risks.

	2010 CARRYING AMOUNT $000	2009 CARRYING AMOUNT $000
Receivables and prepayments	**10,035**	8,658

14. CONTINGENT LIABILITIES

Claims against the gas distribution activities, where appropriate, have been recognised and disclosed within provisions. No other material contingencies requiring disclosure have been identified (30 June 2009: nil).

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

15. TRANSACTIONS WITH RELATED PARTIES

NATURE OF THE TRANSACTION	RELATED PARTY	2010 $000	2009 $000
Vector gas distribution activities sold distribution services based on standard terms and conditions	Gas Retailing Activities	**4,498**	4,506
NGC gas distribution activities sold distribution services based on standard terms and conditions	Gas Retailing Activities	**3,791**	4,198

(Distribution services charges are paid by related parties at the time of billing.)

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009	2008	2007
1 Financial performance measures				
a (i) Accounting return on total assets (excluding current borrowings in working capital) [1]	**11.25%**	9.48%	9.52%	8.62%
a (ii) Accounting return on total assets (including current borrowings in working capital)[1]	**11.72%**	10.89%	11.61%	9.53%
b Accounting return on equity	**9.29%**	6.41%	4.27%	6.27%
c (i) Accounting rate of profit (excluding current borrowings in working capital) [1]	**9.78%**	7.81%	6.75%	6.04%
c (ii) Accounting rate of profit (including current borrowings in working capital) [1]	**10.18%**	8.97%	8.22%	6.69%
2 Efficiency performance measures				
a Direct line costs per kilometre	**$753**	$701	$707	$755
b Indirect line costs per gas customer	**$104**	$109	$116	$144

[1] The regulations are silent on the treatment of amortisation. Earnings before interest and tax is calculated after amortisation. This treatment is consistent with NZ GAAP.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS
FOR THE YEAR ENDED 30 JUNE 2010

		2010	2009	2008	2007
3	**Energy delivery efficiency performance measures**				
	Load factor[2]	**80.32%**	78.41%	80.59%	78.27%
	Unaccounted for gas ratio[2]	**1.40%**	1.64%	1.40%	1.39%
4	**Statistics**				
	System length (km)	**10,155**	10,061	9,911	9,756
	Maximum monthly amount of gas entering system (GJ)[2]	**2,202,174**	2,296,534	2,287,144	2,406,065
	Total annual amount of gas conveyed through system (GJ)[2]	**21,226,186**	21,607,463	22,117,219	22,597,621
	Total annual amount of gas conveyed through system for persons not in a prescribed business relationship (GJ)[2]	**13,121,726**	12,605,677	11,999,196	12,012,132
	Total number of customers	**150,892**	148,357	145,122	140,872

[2] The methodology used to calculate the amount of gas (GJ) that was disclosed for 2007 for Vector's non-controlled (NGC) distribution activities was amended in 2008 to provide a consistent methodology across Vector's total distribution activities. The previously disclosed figures have been adjusted to provide a consistent basis for comparison; this has necessitated minor adjustments being made to the corresponding values for load factor and unaccounted for gas ratio. The previously disclosed figures were as follows:

	2007
Load factor	78.09%
Unaccounted for gas ratio	1.41%
Maximum monthly amount of gas entering system (GJ)	2,383,459
Total annual amount of gas conveyed through system (GJ)	22,335,868
Total annual amount of gas conveyed through system for persons not in a prescribed business relationship (GJ)	10,507,493

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

RELIABILITY PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2010

	2010	**2009**	**2008**	**2007**
5 Reliability performance measures				
Unplanned transmission system interruptions (hours)	**n.a**	n.a	n.a	n.a
Unplanned distribution system interruptions not related to transmission system interruptions (hours/customer)	**0.0259**	0.0072	0.0305	0.0036
Unplanned distribution system interruptions related to transmission system interruptions (hours/customer)	**-**	-	-	-

KPMG

CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

We have examined the attached special purpose information disclosure statements of NGC Holdings Limited Retail Gas (Information Disclosure) Business and dated 15 November 2010 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulation 1997.

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

KPMG

KPMG

15 November 2010

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CERTIFICATION OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, JAMES CARMICHAEL and ALISON PATERSON, directors of NGC Holdings 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.

Director

Date: 15 November 2010

Director

Date: 15 November 2010

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 $000	2009 $000
Operating revenue		**268,501**	256,923
Gas purchases, transmission and network charges		**(264,035)**	(249,242)
Personnel expenses		**(1,637)**	(1,207)
Other expenses		**(231)**	255
Operating expenditure		**(265,903)**	(250,194)
Earnings before interest, income tax, depreciation and amortisation (EBITDA)		**2,598**	6,729
Depreciation and amortisation		**(346)**	(373)
Profit before interest and income tax	1	**2,252**	6,356
Finance costs	2	**(1,069)**	(1,447)
Profit before income tax		**1,183**	4,909
Income tax expense	3	**(344)**	(1,343)
Net profit for the period		**839**	3,566
Total comprehensive income for the period		**839**	3,566

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	NOTE	2010 $000	2009 $000
CURRENT ASSETS			
Trade receivables	6	**23,117**	29,821
Total current assets		**23,117**	29,821
NON-CURRENT ASSETS			
Property, plant and equipment	10	**166**	315
Intangible assets	11	**554**	602
Deferred tax	4	**21**	6
Total non-current assets		**741**	923
Total assets		**23,858**	30,744
CURRENT LIABILITIES			
Dividend payable		**839**	3,566
Notional borrowings		**1,455**	-
Income tax		**373**	1,138
Payables and accruals	7	**7,491**	8,722
Provisions	8	**90**	89
Total current liabilities		**10,248**	13,515
Notional borrowings	14	**13,510**	17,129
Total non-current liabilities		**13,510**	17,129
Total liabilities		**23,758**	30,644
EQUITY			
Notional reserves	5	**100**	100
Total equity		**100**	100
Total equity and liabilities		**23,858**	30,744

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

REPORTING ENTITIES

These financial information disclosure statements comprise the gas retailing activities of NGC Holdings Limited and its subsidiaries. The gas retailing activities involve the supply of gas to consumers.

NGC Holdings Limited is a company registered under the Companies Act 1993. NGC Holdings Limited is a wholly owned subsidiary of Vector Limited. The gas retailing activities of NGC Holdings Limited form part of that statutory entity, the financial statements of which are consolidated into the Vector Limited financial statements for the year ended 30 June 2010 which have been prepared in accordance with New Zealand International Financial Reporting Standards. These financial statements have been prepared in accordance with accounting policies detailed below and the disclosures correspond accordingly.

These financial information disclosure statements for the gas retailing activities are special purpose financial reports.

STATUTORY BASE

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

MEASUREMENT BASE

The financial information disclosure statements are prepared on the basis of historical cost and should be read in conjunction with the accounting policies in Vector Limited's annual report for the year ended 30 June 2010.

The avoidable cost allocation methodology (ACAM) as described in the Electricity Information Disclosure Handbook 31 March 2004 has been adopted, for the allocation of revenues, costs, assets and liabilities between the regulated activities and other activities of the company. Under the Gas (Information Disclosure) Regulation 1997, there is no mandated allocation methodology, thus ACAM as prescribed in the Electricity Information Disclosure Handbook has been applied.

Allocations have been carried out on the following basis:

- Direct allocation of all components of financial statement items which are directly attributable to the activity.
- For any components of financial statement items that are not directly attributable to an activity:
  - By assessing the proportions of those components which are avoidable and non-avoidable; and
  - Allocating those components amongst the activities on the basis of those proportions using an appropriate cost allocator.

The two main allocators used are the number of employees and the book value of property, plant and equipment. Some costs, for example IT costs and non-system asset depreciation, are separately analysed and are allocated using allocators specific to those costs.

In applying the principles of ACAM, activities have been split into two categories – activities potentially subject to limited or no competition and activities that operate in a competitive market. ACAM is intended to show that no more than the standalone costs have been allocated to the activities in potentially non-competitive markets. The 'not directly attributable' costs are initially allocated to the activities potentially subject to limited or no competition, any residual costs i.e. avoided costs are allocated to incremental activities. The gas retailing activities are treated as an incremental activity as it operates in a competitive market.

All financial statement items not allocated to the gas retailing activities, are allocated to other activities within the Vector group. Other activities are not disclosed within these financial information disclosure statements.

PRESENTATION OF FINANCIAL STATEMENTS

In accordance with the revised IAS 1 Presentation of Financial Statements (2007), which became effective for financial periods commencing on or after 1 January 2009, movements in equity resulting from transactions other than those with owners are presented in a statement of comprehensive income. Since this change in accounting policy only impacts presentation aspects, there are no impacts on the statement of comprehensive income, or the statement of financial position. Comparative information has been re-presented so that it conforms to the revised standard.

The comparative figures have been reclassified to ensure consistency with the presentation of Vector Limited statutory financial statements where required.

GOING CONCERN

The financial statements have been prepared on a going concern basis.

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of profit or loss, comprehensive income, assets, liabilities and equity have been applied consistently to all periods presented in the financial statements.

A) REVENUE

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

B) GOODS AND SERVICES TAX (GST)

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

C) RECEIVABLES

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

D) INCOME TAX

Income tax expense comprises current and deferred tax.

Income tax assets and liabilities are the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable or receivable in respect of previous years. During the financial period, the income tax liability or asset is estimated based on the forecast effective tax rate for that entire financial period.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Movements in deferred tax assets and liabilities are recognised within tax expense in the statement of comprehensive income unless the temporary difference initially arose in equity or the difference resulted from application of ACAM to balance sheet items in which case the movement is then recognised as an adjustment in equity and / or borrowings against the item to which the temporary difference relates.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at balance date.

Deferred tax assets including unutilised tax losses are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at balance date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

E) IDENTIFIABLE INTANGIBLE ASSETS

Easements

Easements are perpetual rights to use land owned by others for a stated purpose and are classified as intangible assets. Easements are not amortised.

Software

Software that is not integral to the functionality of the related hardware is classified as an intangible asset. It is amortised on a straight line basis over its useful life, commencing on the date it is available for use. Software assets which are integral to the operation of the related hardware are classified as computer equipment within property, plant and equipment. Software intangible assets have a useful life of between 2 and 10 years.

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets expected to be used during more than one financial period and include spares held for the servicing of other property, plant and equipment that is owned.

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

The initial cost of self-constructed property, plant and equipment includes the cost of all materials used in construction, direct labour on the project, financing costs that are attributable to the project, costs of ultimately dismantling and removing the items and restoring the site on which they are located (where an obligation exists to do so) and an appropriate proportion of the other directly attributable overheads incurred in bringing the items to working condition for their intended use. Financing costs that would have been avoided if the expenditure on qualifying assets had not been made are capitalised while the construction activities are in progress. Costs cease to be capitalised as soon as the property, plant and equipment is ready for productive use and do not include any costs of abnormal waste.

Uninstalled property, plant and equipment are stated at the lower of cost and estimated recoverable amount. Estimated recoverable amount is the greater of the estimated amount from the future use of the property, plant and equipment and its ultimate disposal, and its fair value less costs to sell.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses.

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure can be measured reliably and either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and that expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time. The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

G) DEPRECIATION

Depreciation of property, plant and equipment is calculated on a straight line basis so as to expense the cost of the property, plant and equipment, less any expected residual value, to the statement of comprehensive income over its useful economic life.

Depreciation commences when the item of property, plant and equipment is brought into productive use, or when such items become available for use.

	ESTIMATED USEFUL LIVES YEARS
Plant, vehicles and equipment	3 – 40 years

H) LEASED ASSETS

Operating leases

Payments made under operating leases, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment are recognised in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. Property, plant and equipment used under operating leases are not recognised in the statement of financial position.

I) PROVISIONS

Employee entitlements

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

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) PROVISIONS (CONTINUED)

Other provisions

Provisions are estimated by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where a provision is currently expected to be utilised within one year, or where the future actions of a third party could cause the liability to be settled within one year, the provision is not discounted.

The amortisation or unwinding of any discount applied in establishing the net present value of provisions is charged to finance costs in the statement of comprehensive income as the period of discounting diminishes.

Provisions are liabilities which arise where it is considered, as a result of a past event, that a constructive or legal obligation exists to settle items in the foreseeable future. A provision is recognised where the likelihood of a resultant liability is considered more probable than not and the amount required to settle the liability can be reliably estimated. Where the likelihood of a resultant liability is more than remote but insufficient to warrant a provision, such events are disclosed as contingent liabilities.

J) IMPAIRMENT

The carrying amounts of the assets are reviewed at balance date to determine whether there is any evidence of impairment.

Where assets are deemed to be impaired, the impairment loss is the amount that the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of comprehensive income.

Impairment of receivables

The carrying amount of the receivables is compared to the recoverable amount which is amortised cost. Amortised cost is estimated as the present value of estimated future cash flows. Long term receivables are discounted to reflect the time value of money. An impairment loss is recognised if the carrying amount of a receivable or grouping of similar receivables exceeds its recoverable amount. Receivables with a short duration are not discounted.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account previous experience of doubtful or delayed collection of debts on portfolios with a similar amount of days overdue.

Impairment of non-financial assets

The carrying amounts of the non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists then the asset's carrying amount is compared to its recoverable amount to determine the level of impairment if any.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each balance date for any indications that the loss has decreased or no longer exists. An impairment loss may be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed to the statement of comprehensive income only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Refer to the accounting policies in Vector Limited's annual report for the year ended 30 June 2010 for detailed information.

APPROVAL OF FINANCIAL STATEMENTS

The financial information disclosure statements were approved by the board of directors on 15 November 2010.

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. PROFIT BEFORE INTEREST AND INCOME TAX	2010 $000	2009 $000
Profit before interest and income tax includes:		
Audit fees	28	28
Depreciation of plant, vehicles and equipment	155	159
Operating leasing costs	50	47
Personnel expenses	1,637	1,207
Amortisation of software intangibles	191	214
Increase / (decrease) in provisions	1	(5,924)
Decrease in provision for doubtful debts	(70)	(538)

2. FINANCE COSTS	2010 $000	2009 $000
Finance costs		
Interest expense	1,069	1,447

3. INCOME TAX EXPENSE	2010 $000	2009 $000
Profit before income tax	1,183	4,909
Tax at current rate of 30%	355	1,473
Prior period adjustments	1	(132)
Other	(13)	2
Future reduction in tax rate impacting deferred tax	1	-
Income tax expense	344	1,343
Current income tax	405	1,295
Deferred income tax	(61)	48
Total	344	1,343

4. DEFERRED TAX 2010	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at the beginning of the period	(58)	64	6
Amounts recognised in the statement of comprehensive income:			
Relating to the current period	28	3	31
Prior period adjustments recognised in the current period	2	29	31
Relating to future reduction in tax rate	5	(6)	(1)
Amounts recognised in the statement of financial position	(46)	-	(46)
Balance at the end of the period	(69)	90	21
Deferred tax assets	-	90	90
Deferred tax liabilities	(69)	-	(69)
Net deferred tax (liabilities) / assets	(69)	90	21

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

4. DEFERRED TAX (continued) 2009	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at the beginning of the period	(23)	77	54
Amounts recognised in the statement of comprehensive income:			
Relating to the current period	(130)	(206)	(336)
Prior period adjustments recognised in the current period	95	193	288
Balance at the end of the period	(58)	64	6
Deferred tax assets	-	64	64
Deferred tax liabilities	(58)	-	(58)
Net deferred tax (liabilities) / assets	(58)	64	6

The tax charge is notional, therefore no actual tax payments are made and as a result there are no imputation credits available to the gas retailing activities.

In May 2010 the Government announced a reduction in the company tax rate to 28%, effective from the 2011/2012 income year. In accordance with NZ IAS 12 the deferred tax has been restated to reflect this change.

5. NOTIONAL RESERVES	2010 $000	2009 $000
Balance at the beginning of the period	**100**	100
Net profit for the period	**839**	3,566
Notional dividend declared	**(839)**	(3,566)
Balance at the end of the period	**100**	100

A provision has been made for a notional dividend of $0.8 million (30 June 2009: $3.6 million) payable for the current year.

6. TRADE RECEIVABLES	2010 $000	2009 $000
Current		
Trade receivables	**23,147**	29,921
Provision for doubtful debts	**(30)**	(100)
Total	**23,117**	29,821

7. PAYABLES AND ACCRUALS	2010 $000	2009 $000
Current		
Trade payables – NGC gas wholesaling activities (related party)	**5,366**	7,967
Other trade payables and creditors	**1,932**	508
Interest payable	**193**	247
Total	**7,491**	8,722

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

8. PROVISIONS	**2010**	**2009**
	$000	**$000**
Balance at the beginning of the period	**89**	6,013
Increase of provision for employee entitlements	**1**	2
Decrease of other provisions	**-**	(5,926)
Balance at the end of the period	**90**	89

9. COMMITMENTS

There is no capital expenditure committed for and not recorded in these financial statements for the year ended 30 June 2010 (30 June 2009: nil).

Operating lease commitments	**2010**	**2009**
	$000	**$000**
Non cancellable operating lease payments are as follows:		
Within one year	**52**	53
One to five years	**1**	37
Total	**53**	90

The majority of the operating lease commitments relate to premises.

10. PROPERTY, PLANT AND EQUIPMENT	**COST**	**ACCUMULATED DEPRECIATION**	**CARRYING AMOUNT**
2010	**$000**	**$000**	**$000**
Plant, vehicles and equipment	**848**	**(682)**	**166**
Total	**848**	**(682)**	**166**

	COST	**ACCUMULATED DEPRECIATION**	**CARRYING AMOUNT**
2009	**$000**	**$000**	**$000**
Plant, vehicles and equipment	880	(565)	315
Total	880	(565)	315

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

11. INTANGIBLE ASSETS

2010	COST $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Software	**2,060**	**(1,506)**	**554**
Total	**2,060**	**(1,506)**	**554**

2009	COST $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Software	1,873	(1,271)	602
Total	1,873	(1,271)	602

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FOREIGN EXCHANGE RISK

Transactions are conducted in foreign currencies for the purpose of protecting the NZD value of capital expenditure. Forward exchange contracts are used to hedge forecasted foreign currency exposure arising out of the capital expenditure program. Hence at balance date no significant exposure to foreign currency risk exists.

CREDIT RISK

In the normal course of business, there is exposure to credit risks from energy retailers and customers. Credit policies are in place, which are used to manage the exposure to credit risks.

	2010 CARRYING AMOUNT $000	2009 CARRYING AMOUNT $000
Trade receivables	**23,117**	29,821

13. CONTINGENT LIABILITIES

Claims against the gas retailing activities, where appropriate, have been recognised and disclosed within provisions. No other material contingent liabilities requiring disclosure have been identified (30 June 2009: nil).

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

14. NOTIONAL BORROWINGS

Borrowings are a notional loan from Vector Limited to reflect a debt/equity mix in line with ACAM.

The interest cost on the borrowings has been calculated using a weighted average interest rate.

15. TRANSACTIONS WITH RELATED PARTIES

NATURE OF THE TRANSACTION	RELATED PARTY	2010 $000	2009 $000
Sold gas based on standard terms and conditions.	Vector Kapuni Limited	**10,510**	8,667
Sold gas based on standard terms and conditions.	Kapuni Gas Treatment Plant	**831**	1,044
Sold gas for use in the compressors and line heaters based on standard terms and conditions.	Gas Transmission Activities	**3,475**	3,798
Purchased gas based on actual amounts billed and notional revenue charged to gas retailing activities based on gas wholesales's cost of gas.	Gas Wholesaling Activities	**214,193**	199,442
Purchased gas transmission services based on standard terms and conditions.	Gas Transmission Activities	**30,274**	29,160
Purchased gas processing services based on notional revenue charged to gas retailing activities.	Kapuni Gas Treatment Plant	**7,095**	6,131
Purchased distribution services based on standard terms and conditions.	Gas Distribution Activities	**3,791**	4,198
Purchased metering services based on standard terms and conditions.	NGC Metering Limited	**599**	596
Purchased distribution services based on standard terms and conditions.	Vector Limited	**4,498**	4,506
Notional borrowings advance	Vector Limited	**14,965**	17,129

(Transmission and distribution services charges are paid to related parties at the time of billing.)

KPMG

CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

We have examined the attached special purpose information disclosure statements of NGC Holdings Limited Gas Transmissions (Information Disclosure) Business and dated 15 November 2010 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulation 1997.

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

KPMG

KPMG

15 November 2010

CERTIFICATION OF PERFORMANCE MEASURES BY AUDITOR

We have examined the attached information, being –

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

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

and having been prepared by NGC Holdings Limited Gas Transmissions (Information Disclosure) Business and dated 15 November 2010 for the purposes of regulations 15 and 16 of those regulations.

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

KPMG

15 November 2010

Vector

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CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, JAMES CARMICHAEL and ALISON PATERSON, directors of NGC Holdings 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 the 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.

Director

Date: 15 November 2010

Director

Date: 15 November 2010

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 $000	2009 $000
Operating revenue		**105,792**	102,548
Gas purchases and pipeline maintenance		**(11,918)**	(11,437)
Personnel expenses		**(6,229)**	(6,201)
Other expenses		**(6,327)**	(8,995)
Operating expenditure		**(24,474)**	(26,633)
Earnings before interest, income tax, depreciation and amortisation (EBITDA)		**81,318**	75,915
Depreciation and amortisation		**(16,693)**	(19,591)
Profit before interest and income tax	1	**64,625**	56,324
Finance costs	2	**(9,564)**	(13,440)
Profit before income tax		**55,061**	42,884
Income tax expense	3	**(8,819)**	(13,824)
Net profit for the period		**46,242**	29,060
Total comprehensive income for the period		**46,242**	29,060

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	NOTE	2010 $000	2009 $000
CURRENT ASSETS			
Receivables and prepayments	5	8,762	11,732
Inventories		3,625	3,538
Total current assets		12,387	15,270
NON-CURRENT ASSETS			
Intangible assets	7	9,977	11,688
Property, plant and equipment	8	413,335	415,768
Total non-current assets		423,312	427,456
Total assets		435,699	442,726
CURRENT LIABILITIES			
Payables and accruals	9	8,409	14,524
Provisions	10	2,567	2,747
Income tax		16,791	14,942
Notional borrowings	11	13,019	-
Total current liabilities		40,786	32,213
NON-CURRENT LIABILITIES			
Payables and accruals	9	2,079	2,144
Notional borrowings	11	120,923	174,092
Deferred tax	4	83,224	91,832
Total non-current liabilities		206,226	268,068
Total liabilities		247,012	300,281
EQUITY			
Notional reserves	6	188,687	142,445
Total equity		188,687	142,445
Total equity and liabilities		435,699	442,726

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

REPORTING ENTITIES

These financial information disclosure statements comprise the gas transmission activities of NGC Holdings Limited and its subsidiaries. The gas transmission activities involve the ownership and supply of pipeline function services for the transmission of gas.

NGC Holdings Limited is a company registered under the Companies Act 1993. NGC Holdings Limited is a wholly owned subsidiary of Vector Limited. The gas transmission activities of NGC Holdings Limited form part of that statutory entity, the financial statements of which are consolidated into the Vector Limited financial statements for the year ended 30 June 2010 which have been prepared in accordance with New Zealand International Financial Reporting Standards. These financial statements have been prepared in accordance with accounting policies detailed below and the disclosures correspond accordingly.

These financial information disclosure statements for the gas transmission activities are special purpose financial reports.

STATUTORY BASE

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

MEASUREMENT BASE

The financial information disclosure statements are prepared on the basis of historical cost and should be read in conjunction with the accounting policies in Vector Limited's annual report for the year ended 30 June 2010.

The avoidable cost allocation methodology (ACAM) as described in the Electricity Information Disclosure Handbook 31 March 2004 has been adopted, for the allocation of revenues, costs, assets and liabilities between the regulated activities and other activities of the company. Under the Gas (Information Disclosure) Regulation 1997, there is no mandated allocation methodology, thus ACAM as prescribed in the Electricity Information Disclosure Handbook has been applied.

Allocations have been carried out on the following basis:

- Direct allocation of all components of financial statement items which are directly attributable to the activity.
- For any components of financial statement items that are not directly attributable to an activity:
  - By assessing the proportions of those components which are avoidable and non-avoidable; and
  - Allocating those components amongst the activities on the basis of those proportions using an appropriate cost allocator.

The two main allocators used are the number of employees and the book value of property, plant and equipment. Some costs, for example IT costs and non-system asset depreciation, are separately analysed and are allocated using allocators specific to those costs.

All financial statement items not allocated to the standalone gas transmission activities are allocated to other activities within the Vector group. Other activities are not disclosed within these financial information disclosure statements.

PRESENTATION OF FINANCIAL STATEMENTS

In accordance with the revised IAS 1 Presentation of Financial Statements (2007), which became effective for financial periods commencing on or after 1 January 2009, movements in equity resulting from transactions other than those with owners are presented in a statement of comprehensive income. Since this change in accounting policy only impacts presentation aspects, there are no impacts on the statement of comprehensive income, or the statement of financial position. Comparative information has been re-presented so that it conforms to the revised standard.

The comparative figures have been reclassified to ensure consistency with the presentation of Vector Limited statutory financial statements where required.

GOING CONCERN

The financial statements have been prepared on a going concern basis.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of profit or loss and statement of financial position items have been applied consistently to all periods presented in the financial statements.

A) INCOME RECOGNITION

Income from the provision of gas transmission services is recognised as services are delivered. Interest income is accounted for as earned. Income from customer contributions is recognised on a percentage of completion basis.

B) GOODS AND SERVICES TAX (GST)

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

C) RECEIVABLES

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

D) INVENTORIES

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

E) INCOME TAX

Income tax expense comprises current and deferred tax.

Income tax assets and liabilities are the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable or receivable in respect of previous years. During the financial period, the income tax liability or asset is estimated based on the forecast effective tax rate for that entire financial period.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Movements in deferred tax assets and liabilities are recognised within tax expense in the statement of comprehensive income unless the temporary difference initially arose in equity or the difference resulted from application of ACAM to statement of financial position items in which case the movement is then recognised as an adjustment in equity and / or borrowings against the item to which the temporary difference relates.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at balance date.

Deferred tax assets including unutilised tax losses are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at balance date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets expected to be used during more than one financial period and include spares held for the servicing of other property, plant and equipment that is owned.

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

The initial cost of self-constructed property, plant and equipment includes the cost of all materials used in construction, direct labour on the project, financing costs that are attributable to the project, costs of ultimately dismantling and removing the items and restoring the site on which they are located (where an obligation exists to do so) and an appropriate proportion of the other directly attributable overheads incurred in bringing the items to working condition for their intended use. Financing costs that would have been avoided if the expenditure on qualifying assets had not been made are capitalised while the construction activities are in progress. Costs cease to be capitalised as soon as the property, plant and equipment is ready for productive use and do not include any costs of abnormal waste.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Uninstalled property, plant and equipment are stated at the lower of cost and estimated recoverable amount. Estimated recoverable amount is the greater of the estimated amount from the future use of the property, plant and equipment and its ultimate disposal, and its fair value less costs to sell.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses.

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure can be measured reliably and either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and that expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time. The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

G) IDENTIFIABLE INTANGIBLE ASSETS

Easements

Easements are perpetual rights to use land owned by others for a stated purpose and are classified as intangible assets. Easements are not amortised.

Software

Software that is not integral to the functionality of the related hardware is classified as an intangible asset. It is amortised on a straight line basis over its useful life, commencing on the date it is available for use. Software assets which are integral to the operation of the related hardware are classified as computer equipment within property, plant and equipment. Software intangible assets have a useful life of between 2 and 10 years.

H) DEPRECIATION

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

Depreciation commences when the item of property, plant and equipment is brought into productive use, or when such items become available for use.

	ESTIMATED USEFUL LIVES YEARS
Pipelines, compressors and gate stations	35 – 65
Plant, vehicles and equipment	3 – 40
Buildings	40 – 100

I) LEASED ASSETS

Finance leases

Property, plant and equipment under finance leases, where substantially all the risks and rewards of ownership are assumed by gas transmission activities as lessee, are recognised as non-current assets in the statement of financial position. Leased property, plant and equipment are recognised initially at the lower of the present value of the minimum lease payments or their fair value. A corresponding liability is established and each lease payment apportioned between the reduction of the outstanding liability and the finance expense. The finance expense is charged to the statement of comprehensive income in each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased property, plant and equipment are depreciated over the shorter of the lease term and the useful life of equivalent owned property, plant and equipment.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) LEASED ASSETS (CONTINUED)

Operating leases

Payments made under operating leases, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment are recognised in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. Property, plant and equipment used under operating leases are not recognised in the statement of financial position.

Leasehold improvements

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

J) PROVISIONS

Employee entitlements

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

Other provisions

Provisions are estimated by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where a provision is currently expected to be utilised within one year, or where the future actions of a third party could cause the liability to be settled within one year, the provision is not discounted.

The amortisation or unwinding of any discount applied in establishing the net present value of provisions is charged to finance costs in the statement of comprehensive income as the period of discounting diminishes.

Provisions are liabilities which arise where it is considered, as a result of a past event, that a constructive or legal obligation exists to settle items in the foreseeable future. A provision is recognised where the likelihood of a resultant liability is considered more probable than not and the amount required to settle the liability can be reliably estimated. Where the likelihood of a resultant liability is more than remote but insufficient to warrant a provision, such events are disclosed as contingent liabilities.

K) FINANCIAL INSTRUMENTS

The allocation of debt and equity items is in accordance with the principles and rules of ACAM.

L) FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions unless transactions are hedged by foreign currency derivative instruments. Foreign currency differences arising on translation are recognised in the statement of comprehensive income. At balance date foreign monetary assets and liabilities are translated at the functional currency closing rate, and exchange variations arising from these translations are included in the statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historic cost are not retranslated at balance date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined and are not retranslated at balance date.

M) IMPAIRMENT

The carrying amounts of the assets are reviewed at balance date to determine whether there is any evidence of impairment.

Where assets are deemed to be impaired, the impairment loss is the amount that the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of comprehensive income.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M) IMPAIRMENT (CONTINUED)

Impairment of receivables

The carrying amount of the receivables is compared to the recoverable amount which is amortised cost. Amortised cost is estimated as the present value of estimated future cash flows. Long term receivables are discounted to reflect the time value of money. An impairment loss is recognised if the carrying amount of a receivable or grouping of similar receivables exceeds its recoverable amount. Receivables with a short duration are not discounted.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account previous experience of doubtful or delayed collection of debts on portfolios with a similar amount of days overdue.

Impairment of non-financial assets

The carrying amounts of the non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists then the asset's carrying amount is compared to its recoverable amount to determine the level of impairment if any.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each balance date for any indications that the loss has decreased or no longer exists. An impairment loss may be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed to the statement of comprehensive income only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Refer to the accounting policies in Vector Limited's annual report for the year ended 30 June 2010 for detailed information.

APPROVAL OF FINANCIAL STATEMENTS

The financial information disclosure statements, performance measures and statistics were approved by the board of directors on 15 November 2010.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. PROFIT BEFORE INTEREST AND INCOME TAX	**2010 $000**	**2009 $000**
Profit before interest and income tax includes:		
(Decrease) / increase in provision for doubtful debts	**(411)**	35
Rental and operating lease costs	**490**	561
Directors' fees	**109**	125
Audit fees	**127**	128
Personnel expenses	**6,229**	6,201
Decrease in provisions	**(180)**	(240)
Depreciation of property, plant and equipment and software:		
Pipelines, compressors and gate stations	**9,071**	12,874
Plant, vehicles and equipment	**3,212**	2,704
Amortisation of software intangibles	**4,410**	4,013

2. FINANCE COSTS	**2010 $000**	**2009 $000**
Interest expense	**9,701**	13,554
Capitalised interest	**(137)**	(114)
Total	**9,564**	13,440

3. INCOME TAX EXPENSE	**2010 $000**	**2009 $000**
Profit before income tax	**55,061**	42,884
Tax at current rate of 30%	**16,519**	12,865
Future reduction in tax rate impacting deferred tax	**(5,946)**	-
Future change in buildings depreciation rules impacting deferred tax	**676**	-
Non taxable items:		
Customer contributions	**(405)**	-
Prior year adjustments	**(50)**	628
Other	**(1,975)**	331
Income tax expense	**8,819**	13,824
The income tax expense is represented by:		
Current income tax	**17,284**	15,395
Deferred income tax	**(8,465)**	(1,571)
Total	**8,819**	13,824

In May 2010 the Government announced a reduction in the company tax rate to 28% and the removal of depreciation deductions for buildings, effective from the 2011/2012 income year. In accordance with NZ IAS 12, the deferred tax liability has been restated to reflect these changes. The Government also announced that customer contributions would be taxable for those contributions received on or after 21 May 2010.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

4. DEFERRED TAX

2010	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at beginning of the period	(92,759)	927	(91,832)
Amounts recognised in the statement of comprehensive income:			
Relating to the current period	2,790	(208)	2,582
Prior period adjustments recognised in the current period	(416)	1,029	613
Relating to future reduction in tax rate	6,069	(123)	5,946
Relating to future change in buildings depreciation rules	(676)	-	(676)
Amounts recognised directly in the statement of financial position	30	113	143
Balance at end of the period	(84,962)	1,738	(83,224)
Deferred tax assets	-	1,738	1,738
Deferred tax liabilities	(84,962)	-	(84,962)
Net deferred tax (liabilities) / assets	(84,962)	1,738	(83,224)

2009	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at beginning of the period	(93,905)	1,756	(92,149)
Amounts recognised in the statement of comprehensive income:			
Relating to the current period	2,441	(767)	1,674
Prior period adjustments recognised in the current period	(41)	(62)	(103)
Amounts recognised directly in the statement of financial position	(1,254)	-	(1,254)
Balance at end of the period	(92,759)	927	(91,832)
Deferred tax assets	-	927	927
Deferred tax liabilities	(92,759)	-	(92,759)
Net deferred tax (liabilities) / assets	(92,759)	927	(91,832)

The tax charge is notional, therefore no actual tax payments are made and as a result there are no imputation credits available to the gas transmission activities.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

5. RECEIVABLES AND PREPAYMENTS	2010 $000	2009 $000
Current		
Trade receivables	**7,455**	11,049
Provision for doubtful debts	**(59)**	(470)
	7,396	10,579
Prepayments	**1,366**	1,153
Total	**8,762**	11,732

6. NOTIONAL RESERVES	2010 $000	2009 $000
Balance at beginning of the period	**142,445**	139,822
Net profit for the period	**46,242**	29,060
Decrease due to debt-equity ratio reset	**-**	(26,437)
Balance at end of the period	**188,687**	142,445

7. INTANGIBLE ASSETS

2010	COST $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Easements	**241**	**-**	**241**
Software	**41,664**	**(31,928)**	**9,736**
Total	**41,905**	**(31,928)**	**9,977**

2009	COST $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Software	37,711	(26,023)	11,688
Total	37,711	(26,023)	11,688

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

8. PROPERTY, PLANT AND EQUIPMENT

2010	COST $000	ACCUMULATED DEPRECIATION $000	CARRYING AMOUNT $000
Pipelines, compressors and gate stations	**466,449**	**(65,762)**	**400,687**
Plant, vehicles and equipment	**31,077**	**(24,773)**	**6,304**
Freehold land	**229**	**-**	**229**
Capital work in progress	**6,115**	**-**	**6,115**
Total	**503,870**	**(90,535)**	**413,335**

2009	COST $000	ACCUMULATED DEPRECIATION $000	CARRYING AMOUNT $000
Pipelines, compressors and gate stations	457,630	(61,197)	396,433
Plant, vehicles and equipment	30,721	(22,147)	8,574
Freehold land	483	-	483
Capital work in progress	10,278	-	10,278
Total	499,112	(83,344)	415,768

Interest and other internal costs are capitalised to property, plant and equipment while under construction. Interest is capitalised against property, plant and equipment largely at a capitalisation rate of 7% per annum. During the year $0.1 million (30 June 2009: $0.1 million) of interest and other costs were capitalised.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

9. PAYABLES AND ACCRUALS	2010 $000	2009 $000
Current		
Trade payables and other creditors	**1,861**	2,119
Finance lease	**675**	394
Interest payable	**1,729**	2,153
Other current payables	**4,144**	9,858
Total	**8,409**	14,524
Non-current		
Finance lease	**286**	1,020
Other non-current payables	**1,793**	1,124
Total	**2,079**	2,144

10. PROVISIONS	2010 $000	2009 $000
Balance at beginning of the period	**2,747**	2,987
Utilised:		
Provision for employee entitlements	**(180)**	(240)
Balance at end of the period	**2,567**	2,747

11. NOTIONAL BORROWINGS

Borrowings are a notional loan from Vector Limited to reflect a debt/equity mix in line with ACAM.
The interest cost on the borrowings has been calculated using a weighted average interest rate.

12. COMMITMENTS	2010 $000	2009 $000
Capital expenditure commitments		
Capital expenditure contracted for at balance date but not yet incurred	**1,975**	2,400
Operating lease commitments		
Within one year	**321**	453
One to five years	**40**	345
Total	**361**	798

The majority of the operating lease commitments relate to premises.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

12. COMMITMENTS (CONTINUED)	2010 $000	2009 $000
Finance lease commitments		
Within one year	**619**	515
One to five years	**468**	1,113
Total	**1,087**	1,628
Less: future finance charges	**(126)**	(214)
Present value of minimum lease payments	**961**	1,414
Present value of finance lease liability		
Within one year	**675**	394
One to five years	**286**	1,020
Present value of minimum lease payments	**961**	1,414

Finance leases relate to motor vehicles with varying lease terms.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FOREIGN EXCHANGE RISK

Transactions are conducted in foreign currencies for the purpose of protecting the NZD value of capital expenditure. Forward exchange contracts are used to hedge forecasted foreign currency exposure arising out of the capital expenditure program. Hence at balance date no significant exposure to foreign currency risk exists.

CREDIT RISK

In the normal course of business, there is exposure to credit risks from energy retailers and customers. Credit policies are in place, which are used to manage the exposure to credit risks.

	2010 CARRYING AMOUNT $000	2009 CARRYING AMOUNT $000
Receivables and prepayments	**8,762**	11,732

14. CONTINGENT LIABILITIES

Claims against the gas transmission activities, where appropriate, have been recognised and disclosed within provisions. No other material contingencies requiring disclosure have been identified (30 June 2009: nil).

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

15. TRANSACTIONS WITH RELATED PARTIES

NATURE OF THE TRANSACTION	RELATED PARTY	2010 $000	2009 $000
Sale of transmission services based on actual revenue charged and notional revenue charged.	Gas Wholesaling Activities	**515**	634
Sale of transmission services based on actual revenue charged and notional revenue charged.	Gas Retailing Activities	**30,274**	29,160
Purchase of gas on standard terms and conditions.	Gas Retailing Activities	**3,475**	3,798
Purchase of mechanical services at market rates for the maintenance of export compressor based at Kapuni.	Kapuni Gas Treatment Plant	**567**	656
Notional borrowings advance	Vector Limited	**133,942**	174,092

(Transmission services charges are paid by related parties at the time of billing.)

16. EVENTS AFTER BALANCE DATE

Post balance date credit notes of $1.7 million were reversed to revenue. No adjustment to these financial statements is required for this event.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009	2008	2007
1. FINANCIAL PERFORMANCE MEASURES				
a (i) Accounting return on total assets (excluding current borrowings in working capital)	**15.53%**	13.49%	12.25%	10.96%
a (ii) Accounting return on total assets (including current borrowings in working capital)	**15.85%**	14.26%	13.31%	11.29%
b Accounting return on equity	**27.93%**	20.59%	20.13%	29.67%
c (i) Accounting rate of profit (excluding current borrowings in working capital)	**11.12%**	8.88%	8.88%	7.18%
c (ii) Accounting rate of profit (including current borrowings in working capital)	**11.35%**	9.38%	9.64%	7.40%
2. EFFICIENCY PERFORMANCE MEASURES				
a Direct line costs per kilometre[1]	**$3,708**	$4,366	$3,170	$3,239
b Indirect line costs per gas customer[2]	**$1,046,254**	$1,085,429	$1,149,180	$1,119,079

[1] Direct line costs excludes fuel gas (FG) and unaccounted for gas (UFG).
Direct line costs per kilometre including FG and UFG is $5,369, $5,155, $6,186, and $6,622 for 2010, 2009, 2008, and 2007 respectively.

[2] Indirect line costs excludes fuel gas (FG) and unaccounted for gas (UFG). Indirect line costs per gas customer including FG & UFG is $1,353,577, $1,210,394, $1,627,152, and $1,597,242 for 2010, 2009, 2008, and 2007 respectively.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS
FOR THE YEAR ENDED 30 JUNE 2010

3. LOAD FACTOR

System	2010 Gas Into System [a] (GJ p.a.)	2010 Max. Monthly Quantity [b] (GJ/month)	2010 Load Factor % a x 100 / 12 x b	2009 Gas Into System [a] (GJ p.a.)	2009 Max. Monthly Quantity [b] (GJ/month)	2009 Load Factor % a x 100 / 12 x b
North & Central	**49,758,988**	**5,256,816**	**78.88**	49,300,737	6,051,861	67.89
Bay of Plenty	**8,937,851**	**852,547**	**87.36**	8,931,816	889,989	83.63
Frankley Rd – Kapuni	**24,821,335**	**3,130,985**	**66.06**	23,194,720	2,602,208	74.28
South	**10,710,092**	**1,215,309**	**73.44**	10,692,344	1,215,946	73.28
Total	**94,228,266**			**92,119,617**		

System	2008 Gas Into System [a] (GJ p.a.)	2008 Max. Monthly Quantity [b] (GJ/month)	2008 Load Factor % a x 100 / 12 x b	2007 Gas Into System [a] (GJ p.a.)	2007 Max. Monthly Quantity [b] (GJ/month)	2007 Load Factor % a x 100 / 12 x b
North & Central	64,613,328	6,310,963	85.32	56,513,361	6,043,308	77.93
Bay of Plenty	9,763,970	968,670	84.00	10,212,588	1,072,961	79.32
Frankley Rd – Kapuni [3]	20,399,390	2,246,725	75.66	15,248,478	1,895,649	67.03
South	10,537,176	1,150,918	76.30	10,909,282	1,242,523	73.17
Total	**105,313,864**			**92,883,709**		

4. UNACCOUNTED – FOR – GAS RATIO

System	2010 Unaccounted For Gas [a] (GJ p.a.)	2010 Gas Into System [b] (GJ p.a.)	2010 UFG % a x 100 / b	2009 Unaccounted For Gas [a] (GJ p.a.)	2009 Gas Into System [b] (GJ p.a.)	2009 UFG % a x 100 / b
North & Central	**120,579**	**49,758,988**	**0.24**	328,004	49,300,737	0.67
Bay of Plenty	**41,622**	**8,937,851**	**0.47**	(7,750)	8,931,816	(0.09)
Frankley Rd – Kapuni	**(167,043)**	**24,821,335**	**(0.67)**	(188,084)	23,194,720	(0.81)
South	**43,156**	**10,710,092**	**0.40**	43,210	10,692,344	0.40
Total		**94,228,266**			**92,119,617**	

System	2008 Unaccounted For Gas [a] (GJ p.a.)	2008 Gas Into System [b] (GJ p.a.)	2008 UFG % a x 100 / b	2007 Unaccounted For Gas [a] (GJ p.a.)	2007 Gas Into System [b] (GJ p.a.)	2007 UFG % a x 100 / b
North & Central	184,596	64,613,328	0.29	307,339	56,513,361	0.54
Bay of Plenty	26,763	9,763,970	0.27	316	10,212,588	0.00
Frankley Rd – Kapuni [3]	(157,248)	20,399,390	(0.77)	54,980	15,248,478	0.36
South	32,645	10,537,176	0.31	106,125	10,909,282	0.97
Total		**105,313,864**			**92,883,709**	

[3] An error was identified in the 2008 and 2007 years' "Gas Into System" quantities previously disclosed for the Frankley Rd – Kapuni system. Re-stated quantities have been disclosed for the 2008 and 2007 years.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS
FOR THE YEAR ENDED 30 JUNE 2010

5. STATISTICS

	2010				2009			
System	Length (km)	Max. Monthly Quantity Entering the System (GJ/month)	Total Gas Conveyed (GJ p.a.)	Gas Conveyed Other than for Vector (GJ p.a.)	Length (km)	Max. Monthly Quantity Entering the System (GJ/month)	Total Gas Conveyed (GJ p.a.)	Gas Conveyed Other than for Vector (GJ p.a.)
North & Central	**829.5**	**5,256,816**	**49,639,637**		827.0	6,051,861	48,979,436	
Bay of Plenty	**610.3**	**852,547**	**8,896,524**		612.2	889,989	8,941,627	
Frankley Rd – Kapuni	**83.1**	**3,130,985**	**25,072,109**		82.9	2,602,208	23,483,527	
South	**696.8**	**1,215,309**	**10,661,819**		696.5	1,215,946	10,643,670	
Total	**2,219.7**		**94,270,089**	**70,986,318**	**2,218.6**		**92,048,260**	**65,850,247**

	2008				2007			
System	Length (km)	Max. Monthly Quantity Entering the System (GJ/month)	Total Gas Conveyed (GJ p.a.)	Gas Conveyed Other than for Vector (GJ p.a.)	Length (km)	Max. Monthly Quantity Entering the System (GJ/month)	Total Gas Conveyed (GJ p.a.)	Gas Conveyed Other than for Vector (GJ p.a.)
North & Central	827.0	6,310,963	64,426,662		827.0	6,043,308	56,198,219	
Bay of Plenty	612.2	968,670	9,736,411		612.2	1,072,961	10,215,074	
Frankley Rd – Kapuni [4]	82.9	2,246,725	20,580,125		82.9	1,895,649	15,466,920	
South	696.5	1,150,918	10,505,779		696.5	1,242,523	10,799,716	
Total	**2,218.6**		**105,248,977**	**81,612,482**	**2,218.6**		**92,679,929**	**69,721,189**

	2010	2009	2008	2007
Number of Transmission Customers	12	14	14	16

	2010		2009		2008		2007	
Number of unplanned interruptions in transmission systems	**No.**	**Hrs**	**No.**	**Hrs**	**No.**	**Hrs**	**No.**	**Hrs.**
	-	-	-	-	1	9.5	-	-
	-	-	-	-	2	9.0	-	-
	-	-	-	-	3	12.0	-	-
Total Interruptions	-	-	-	-	3	30.5	-	-

[4] An error was identified in the 2008 and 2007 years' "Total Gas Conveyed" quantities previously disclosed for the Frankley Rd – Kapuni system. Re-stated quantities have been disclosed for the 2008 and 2007 years.

KPMG

CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

We have examined the attached special purpose information disclosure statements of NGC Holdings Limited Wholesale Gas (Information Disclosure) Business and dated 15 November 2010 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulation 1997.

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

KPMG

KPMG

15 November 2010

Vector

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CERTIFICATION OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, JAMES CARMICHAEL and ALISON PATERSON, directors of NGC Holdings 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.

Director

Date: 15 November 2010

Director

Date: 15 November 2010

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 $000	2009 $000
Operating revenue		**240,501**	227,197
Gas purchases and transmission charges		**(212,381)**	(201,523)
Personnel expenses		**(1,653)**	(1,295)
Other expenses		**(740)**	(232)
Operating expenditure		**(214,774)**	(203,050)
Earnings before interest, income tax, depreciation and amortisation (EBITDA)		**25,727**	24,147
Depreciation and amortisation		**(440)**	(331)
Profit before income tax	**1**	**25,287**	23,816
Income tax expense	**2**	**(8,262)**	(7,305)
Net profit for the period		**17,025**	16,511
Total comprehensive income for the period		**17,025**	16,511

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	NOTE	2010 $000	2009 $000
CURRENT ASSETS			
Notional cash		**37,452**	33,329
Receivables and prepayments	**5**	**8,117**	10,726
Total current assets		**45,569**	44,055
NON-CURRENT ASSETS			
Property, plant and equipment	**9**	**130**	177
Intangible assets	**10**	**861**	555
Deferred tax	**3**	**1,114**	2,485
Total non-current assets		**2,105**	3,217
Total assets		**47,674**	47,272
CURRENT LIABILITIES			
Dividend payable		**17,025**	16,511
Income tax		**7,629**	7,903
Payables and accruals	**6**	**19,168**	18,694
Provisions	**7**	**3,752**	4,064
Total current liabilities		**47,574**	47,172
Total liabilities		**47,574**	47,172
EQUITY			
Notional reserves	**4**	**100**	100
Total equity		**100**	100
Total equity and liabilities		**47,674**	47,272

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

REPORTING ENTITIES

These financial information disclosure statements comprise the gas wholesaling activities of NGC Holdings Limited and its subsidiaries. The gas wholesaling activities sell gas to persons for the purpose of resupply by those persons (other than those wholesaling activities involving the supply of gas to refuellers).

NGC Holdings Limited is a company registered under the Companies Act 1993. NGC Holdings Limited is a wholly owned subsidiary of Vector Limited. The gas wholesaling activities of NGC Holdings Limited form part of that statutory entity, the financial statements of which are consolidated into the Vector Limited financial statements for the year ended 30 June 2010 which have been prepared in accordance with New Zealand International Financial Reporting Standards. These financial statements have been prepared in accordance with accounting policies detailed below and the disclosures correspond accordingly.

These financial information disclosure statements for the gas wholesaling activities are special purpose financial reports.

STATUTORY BASE

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

MEASUREMENT BASE

The financial information disclosure statements are prepared on the basis of historical cost and should be read in conjunction with the accounting policies in Vector Limited's annual report for the year ended 30 June 2010.

The avoidable cost allocation methodology (ACAM) as described in the Electricity Information Disclosure Handbook 31 March 2004 has been adopted, for the allocation of revenues, costs, assets and liabilities between the regulated activities and other activities of the company. Under the Gas (Information Disclosure) Regulation 1997, there is no mandated allocation methodology, thus ACAM as prescribed in the Electricity Information Disclosure Handbook has been applied.

Allocations have been carried out on the following basis:

- Direct allocation of all components of financial statement items which are directly attributable to the activity.
- For any components of financial statement items that are not directly attributable to an activity:
  - By assessing the proportions of those components which are avoidable and non-avoidable; and
  - Allocating those components amongst the activities on the basis of those proportions using an appropriate cost allocator.

The two main allocators used are the number of employees and the book value of property, plant and equipment. Some costs, for example IT costs and non-system asset depreciation, are separately analysed and are allocated using allocators specific to those costs.

In applying the principles of ACAM, activities have been split into two categories – activities potentially subject to limited or no competition and activities that operate in a competitive market. ACAM is intended to show that no more than the standalone costs have been allocated to the activities in potentially non-competitive markets. The 'not directly attributable' costs are initially allocated to the activities potentially subject to limited or no competition, any residual costs i.e. avoided costs are allocated to incremental activities. The gas wholesaling activities are treated as an incremental activity as it operates in a competitive market.

All financial statement items not allocated to the gas wholesaling activities, are allocated to other activities within the Vector group. Other activities are not disclosed within these financial information disclosure statements.

PRESENTATION OF FINANCIAL STATEMENTS

In accordance with the revised IAS 1 Presentation of Financial Statements (2007), which became effective for financial periods commencing on or after 1 January 2009, movements in equity resulting from transactions other than those with owners are presented in a statement of comprehensive income. Since this change in accounting policy only impacts presentation aspects, there are no impacts on the statement of comprehensive income, or the statement of financial position. Comparative information has been re-presented so that it conforms to the revised standard.

The comparative figures have been reclassified to ensure consistency with the presentation of Vector Limited statutory financial statements where required.

GOING CONCERN

The financial statements have been prepared on a going concern basis.

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of profit or loss, comprehensive income, assets, liabilities and equity have been applied consistently to all periods presented in the financial statements.

A) REVENUE

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

B) GOODS AND SERVICES TAX (GST)

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

C) RECEIVABLES

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

D) INCOME TAX

Income tax expense comprises current and deferred tax.

Income tax assets and liabilities are the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable or receivable in respect of previous years. During the financial period, the income tax liability or asset is estimated based on the forecast effective tax rate for that entire financial period.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Movements in deferred tax assets and liabilities are recognised within tax expense in the statement of comprehensive income unless the temporary difference initially arose in equity or the difference resulted from application of ACAM to balance sheet items in which case the movement is then recognised as an adjustment in equity and / or borrowings against the item to which the temporary difference relates.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at balance date.

Deferred tax assets including unutilised tax losses are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at balance date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

E) IDENTIFIABLE INTANGIBLE ASSETS

Easements

Easements are perpetual rights to use land owned by others for a stated purpose and are classified as intangible assets. Easements are not amortised.

Software

Software that is not integral to the functionality of the related hardware is classified as an intangible asset. It is amortised on a straight line basis over its useful life, commencing on the date it is available for use. Software assets which are integral to the operation of the related hardware are classified as computer equipment within property, plant and equipment. Software intangible assets have a useful life of between 2 and 10 years.

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets expected to be used during more than one financial period and include spares held for the servicing of other property, plant and equipment that is owned.

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

The initial cost of self-constructed property, plant and equipment includes the cost of all materials used in construction, direct labour on the project, financing costs that are attributable to the project, costs of ultimately dismantling and removing the items and restoring the site on which they are located (where an obligation exists to do so) and an appropriate proportion of the other directly attributable overheads incurred in bringing the items to working condition for their intended use. Financing costs that would have been avoided if the expenditure on qualifying assets had not been made are capitalised while the construction activities are in progress. Costs cease to be capitalised as soon as the property, plant and equipment is ready for productive use and do not include any costs of abnormal waste.

Uninstalled property, plant and equipment are stated at the lower of cost and estimated recoverable amount. Estimated recoverable amount is the greater of the estimated amount from the future use of the property, plant and equipment and its ultimate disposal, and its fair value less costs to sell.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses.

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure can be measured reliably and either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and that expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time. The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

G) DEPRECIATION

Depreciation of property, plant and equipment is calculated on a straight line basis so as to expense the cost of the property, plant and equipment, less any expected residual value, to the statement of comprehensive income over its useful economic life.

Depreciation commences when the item of property, plant and equipment is brought into productive use, or when such items become available for use.

	ESTIMATED USEFUL LIVES YEARS
Plant, vehicles and equipment	3 - 40 years

H) LEASED ASSETS

Operating leases

Payments made under operating leases, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment are recognised in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. Property, plant and equipment used under operating leases are not recognised in the statement of financial position.

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) PROVISIONS

Employee entitlements

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

Other provisions

Provisions are estimated by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where a provision is currently expected to be utilised within one year, or where the future actions of a third party could cause the liability to be settled within one year, the provision is not discounted.

The amortisation or unwinding of any discount applied in establishing the net present value of provisions is charged to finance costs in the statement of comprehensive income as the period of discounting diminishes.

Provisions are liabilities which arise where it is considered, as a result of a past event, that a constructive or legal obligation exists to settle items in the foreseeable future. A provision is recognised where the likelihood of a resultant liability is considered more probable than not and the amount required to settle the liability can be reliably estimated. Where the likelihood of a resultant liability is more than remote but insufficient to warrant a provision, such events are disclosed as contingent liabilities.

J) IMPAIRMENT

The carrying amounts of the assets are reviewed at balance date to determine whether there is any evidence of impairment.

Where assets are deemed to be impaired, the impairment loss is the amount that the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of comprehensive income.

Impairment of receivables

The carrying amount of the receivables is compared to the recoverable amount which is amortised cost. Amortised cost is estimated as the present value of estimated future cash flows. Long term receivables are discounted to reflect the time value of money. An impairment loss is recognised if the carrying amount of a receivable or grouping of similar receivables exceeds its recoverable amount. Receivables with a short duration are not discounted.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account previous experience of doubtful or delayed collection of debts on portfolios with a similar amount of days overdue.

Impairment of non-financial assets

The carrying amounts of the non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists then the asset's carrying amount is compared to its recoverable amount to determine the level of impairment if any.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J) IMPAIRMENT (CONTINUED)

Impairment of non-financial assets (continued)

Impairment losses recognised in prior periods are assessed at each balance date for any indications that the loss has decreased or no longer exists. An impairment loss may be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed to the statement of comprehensive income only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Refer to the accounting policies in Vector Limited's annual report for the year ended 30 June 2010 for detailed information.

APPROVAL OF FINANCIAL STATEMENTS

The financial information disclosure statements were approved by the board of directors on 15 November 2010.

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. PROFIT BEFORE INCOME TAX	2010 $000	2009 $000
Profit before income tax includes:		
Audit fees	10	10
Depreciation of plant, vehicles and equipment	175	127
Operating leasing costs	63	47
Personnel expenses	1,653	1,295
Amortisation of software intangibles	265	204
(Decrease)/increase in provisions	(312)	2,543

2. INCOME TAX EXPENSE	2010 $000	2009 $000
Profit before income tax	25,287	23,816
Tax at current rate of 30%	7,586	7,145
Prior period adjustments	585	159
Other	11	1
Future reduction in tax rate impacting deferred tax	80	-
Income tax expense	8,262	7,305
Current income tax	6,974	8,445
Deferred income tax	1,288	(1,140)
Total	8,262	7,305

3. DEFERRED TAX 2010	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at the beginning of the period	(36)	2,521	2,485
Amounts recognised in the statement of comprehensive income:			
Relating to the current period	24	8	32
Prior period adjustments recognised in the current period	-	(1,240)	(1,240)
Relating to future reduction in tax rate	6	(86)	(80)
Amounts recognised in the statement of financial position	(83)	-	(83)
Balance at the end of the period	(89)	1,203	1,114
Deferred tax assets	-	1,203	1,203
Deferred tax liabilities	(89)	-	(89)
Net deferred tax (liabilities) / assets	(89)	1,203	1,114

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

3. DEFERRED TAX (continued) 2009	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at the beginning of the period	(36)	1,381	1,345
Amounts recognised in the statement of comprehensive income:			
Relating to the current period	-	757	757
Prior period adjustments recognised in the current period	-	383	383
Balance at the end of the period	(36)	2,521	2,485
Deferred tax assets	-	2,521	2,521
Deferred tax liabilities	(36)	-	(36)
Net deferred tax (liabilities) / assets	(36)	2,521	2,485

The tax charge is notional, therefore no actual tax payments are made and as a result there are no imputation credits available to the gas wholesaling activities.

In May 2010 the Government announced a reduction in the company tax rate to 28%, effective from the 2011/2012 income year. In accordance with NZ IAS 12 the deferred tax has been restated to reflect this change.

4. NOTIONAL RESERVES	2010 $000	2009 $000
Balance at the beginning of the period	**100**	100
Net profit for the period	**17,025**	16,511
Notional dividend declared	**(17,025)**	(16,511)
Balance at the end of the period	**100**	100

A provision has been made for a notional dividend of $17.0 million (30 June 2009: $16.5 million) payable for the current year.

5. RECEIVABLES AND PREPAYMENTS	2010 $000	2009 $000
Current		
Trade receivables	**1,147**	2,031
Trade receivables - NGC gas retailing activities (related party)	**5,366**	7,967
Prepayments and other receivables	**1,604**	728
Total	**8,117**	10,726

All trade receivables are expected to be realised therefore no doubtful debts have been provided for.

6. PAYABLES AND ACCRUALS	2010 $000	2009 $000
Current		
Trade payables and other creditors	**19,168**	18,694
Total	**19,168**	18,694

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7. PROVISIONS	2010 $000	2009 $000
Balance at the beginning of the period	**4,064**	1,521
Increase / (decrease) of provision for employee entitlements	**24**	(7)
(Decrease) / increase of other provisions	**(336)**	2,550
Balance at the end of the period	**3,752**	4,064

8. COMMITMENTS

There is no capital expenditure committed for and not recorded in these financial statements for the year ended 30 June 2010 (30 June 2009: nil).

Operating lease commitments	2010 $000	2009 $000
Non cancellable operating lease payments are as follows:		
Within one year	**54**	62
One to five years	**2**	41
Total	**56**	103

The majority of the operating lease commitments relate to premises.

9. PROPERTY, PLANT AND EQUIPMENT 2010	COST $000	ACCUMULATED DEPRECIATION $000	CARRYING AMOUNT $000
Plant, vehicles and equipment	**1,081**	**(951)**	**130**
Total	**1,081**	**(951)**	**130**

2009	COST $000	ACCUMULATED DEPRECIATION $000	CARRYING AMOUNT $000
Plant, vehicles and equipment	645	(468)	177
Total	645	(468)	177

10. INTANGIBLE ASSETS 2010	COST $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Software	**3,041**	**(2,180)**	**861**
Total	**3,041**	**(2,180)**	**861**

2009	COST $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Software	1,725	(1,170)	555
Total	1,725	(1,170)	555

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FOREIGN EXCHANGE RISK

Transactions are conducted in foreign currencies for the purpose of protecting the NZD value of capital expenditure. Forward exchange contracts are used to hedge forecasted foreign currency exposure arising out of the capital expenditure program. Hence at balance date no significant exposure to foreign currency risk exists.

CREDIT RISK

In the normal course of business, there is exposure to credit risks from energy retailers and customers. Credit policies are in place, which are used to manage the exposure to credit risks.

	2010 CARRYING AMOUNT $000	2009 CARRYING AMOUNT $000
Notional cash	**37,452**	33,329
Receivables and prepayments	**8,117**	10,726

12. CONTINGENT LIABILITIES

Claims against the gas wholesaling activities, where appropriate, have been recognised and disclosed within provisions. No other material contingent liabilities requiring disclosure have been identified (30 June 2009: nil).

13. TRANSACTIONS WITH RELATED PARTIES

NATURE OF THE TRANSACTION	RELATED PARTY	2010 $000	2009 $000
Sold gas based on actual amounts billed and notional revenue charged based on gas wholesale's cost of gas.	Gas Retailing Activities	**214,193**	199,442
Sold gas by-products based on standard terms and conditions.	Kapuni Gas Treatment Plant	**10,817**	7,373
Purchased gas transmission services based on standard terms and conditions.	Gas Transmission Activities	**515**	634
Allocation of processing fees costs.	Kapuni Gas Treatment Plant	**5,685**	7,416

(Transmission services charges are paid to related parties at the time of billing.)

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