SUPPLEMENT TO

New Zealand Gazette

OF THURSDAY, 26 NOVEMBER 2009

WELLINGTON: MONDAY, 30 NOVEMBER 2009 — ISSUE NO. 173

VECTOR LIMITED

&

NGC HOLDINGS LIMITED
(A SUBSIDIARY OF VECTOR LIMITED)

GAS ACTIVITIES 2009

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 23 November 2009 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

23 November 2009

KPMG

CERTIFICATION OF PERFORMANCE MEASURES BY AUDITOR

We have examined the attached information, being –

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

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

and having been prepared by Vector Gas Distributions (Information Disclosure) Business and dated 23 November 2009 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

23 November 2009

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

We, JAMES MILLER and ANTONY JOHN CARTER, 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.

Director

Date: 23 November 2009

Director

Date: 23 November 2009

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 $000	2008 $000
Operating revenue		75,245	75,237
Total income		75,245	75,237
Network and asset maintenance expenses		(7,050)	(7,011)
Other expenses		(16,156)	(18,871)
Operating expenditure		(23,206)	(25,882)
Earnings before interest, income tax, depreciation and amortisation (EBITDA)		52,039	49,355
Depreciation and amortisation		(14,176)	(12,341)
Operating surplus before interest and income tax	1	37,863	37,014
Finance costs	2	(21,796)	(32,163)
Operating surplus before income tax		16,067	4,851
Income tax (expense) / benefit	3	(4,948)	1
Operating surplus		11,119	4,852

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

BALANCE SHEET
AS AT 30 JUNE 2009

	NOTE	2009 $000	2008 $000
CURRENT ASSETS			
Receivables and prepayments	5	8,658	9,229
Inventories		121	159
Total current assets		8,779	9,388
NON-CURRENT ASSETS			
Intangible assets	7	173,373	170,740
Property, plant and equipment	8	402,340	402,706
Total non-current assets		575,713	573,446
Total assets		584,492	582,834
CURRENT LIABILITIES			
Bank overdraft		-	1,408
Payables and accruals	9	12,684	14,912
Provisions	10	1,025	1,670
Income tax		192	-
Notional borrowings	11	-	96,126
Total current liabilities		13,901	114,116
NON-CURRENT LIABILITIES			
Payables and accruals	9	629	861
Notional borrowings	11	282,332	304,398
Deferred tax	4	56,632	47,369
Total non-current liabilities		339,593	352,628
Total liabilities		353,494	466,744
EQUITY			
Notional reserves	6	230,998	116,090
Total equity		230,998	116,090
Total equity and liabilities		584,492	582,834

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

ENTITIES REPORTING

These consolidated 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 is a company registered under the Companies Act 1993. Vector Limited is an issuer for the purpose of the Financial Reporting Act 1993 and its financial statements comply with that Act. Vector Limited has adopted New Zealand International Financial Reporting Standards, as such these consolidated financial information disclosure statements follow the same accounting policies as that of Vector Limited and comply with New Zealand equivalents to IFRS. The accounting policies as they relate to the gas distribution activities are detailed below.

These consolidated financial information disclosure statements for the gas distribution activities of the Vector group are special purpose financial reports.

In accordance with the Gas (Information Disclosure) Regulation 1997, these consolidated financial information disclosure statements have been prepared on the basis that the initial acquisition of 67.21% of NGC gas distribution business occurred at 1 July 2004 and the subsequent balance acquired of 32.79% occurred at the beginning of the financial year 1 July 2005. The actual dates of initial and subsequent acquisition were 14 December 2004 and 10 August 2005 respectively.

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 the Vector Limited's annual report for the year ended 30 June 2009.

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 like 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.

GOING CONCERN

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

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

SIGNIFICANT ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of operating surplus and balance sheet 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 income statement has been prepared so that all components are stated exclusive of GST. All items in the balance sheet 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 income statement 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.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

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 income statement as incurred.

H) IDENTIFIABLE INTANGIBLE ASSETS

Goodwill

Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs, 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 CGUs or groups of CGUs to which goodwill has been allocated.

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 brought 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 (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

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 income statement 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 balance sheet. 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 income statement 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 income statement 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 balance sheet.

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 income statement as the period of discounting diminishes.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

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 income statement. 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 income statement.

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 income statement.

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 income statement.

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 (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

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 income statement 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 EARLY-ADOPTED

Refer to the accounting policies within Vector Limited's annual report for the year ended 30 June 2009 for detailed information.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 23 November 2009.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

1. OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX	2009 $000	2008 $000
Operating surplus before interest and income tax includes:		
Bad debts written off	25	-
(Decrease) / increase in provision for doubtful debts	(13)	206
Rental and operating lease costs	815	565
Directors' fees	114	86
Audit fees	121	114
Employee benefits	10,111	11,376
Loss on disposal of property, plant and equipment and software	17	172
Depreciation of property, plant and equipment:		
Distribution systems	10,875	10,096
Plant, vehicles and equipment	1,223	686
Amortisation of software intangibles	2,078	1,559

2. FINANCE COSTS	2009 $000	2008 $000
Interest expense	22,246	32,683
Capitalised interest	(450)	(520)
Finance costs	21,796	32,163

3. INCOME TAX EXPENSE		2009 $000	2008 $000
Operating surplus before income tax		16,067	4,851
Tax at current rate of 30% (2008: 33%)		4,820	1,601
Adjustment to deferred tax for change in company tax rate		-	(801)
Non taxable items:			
Customer contributions		(84)	(693)
Prior year adjustment		(134)	-
Other		346	(108)
Income tax expense / (benefit)		4,948	(1)
The income tax expense / (benefit) is represented by:			
Current income tax		53	(3,595)
Deferred income tax	4	4,895	3,594
Total		4,948	(1)

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.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

4. DEFERRED TAX

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 income statement:					
Relating to current period	(4,131)	(731)	-	(28)	(4,890)
Prior period adjustment	(24)	(19)		38	(5)
Amounts recognised directly in the balance sheet:					
Utilisation of prior year tax losses	-	-	(3,595)	-	(3,595)
Prior period adjustment	(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 (liability) / asset	(56,739)	(145)	-	252	(56,632)

2008	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TAX LOSSES $000	OTHER $000	TOTAL $000
Balance at the beginning of the period	(48,616)	942	4,066	106	(43,502)
Amounts recognised in the income statement:					
Current year tax losses	-	-	3,595	-	3,595
Relating to current period	(3,257)	(337)	-	-	(3,594)
Amounts recognised directly in the balance sheet:					
Utilisation of prior year tax losses	-	-	(4,066)	-	(4,066)
Prior period adjustment	62	-	-	136	198
Balance at the end of the period	(51,811)	605	3,595	242	(47,369)
Deferred tax assets	-	605	3,595	-	4,200
Deferred tax liabilities	(51,811)	-	-	242	(51,569)
Net deferred tax (liability) / asset	(51,811)	605	3,595	242	(47,369)

5. RECEIVABLES AND PREPAYMENTS

	2009 $000	2008 $000
Current		
Trade receivables	8,017	8,939
Provision for doubtful debts	(317)	(330)
	7,700	8,609
Prepayments	958	620
Total	8,658	9,229

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

6. NOTIONAL RESERVES

	2009 $000	2008 $000
Balance at beginning of the period	**116,090**	111,238
Operating surplus for the period	**11,119**	4,852
Increase due to debt-equity ratio reset	**103,789**	-
Balance at end of the period	**230,998**	116,090

Notional reserves is determined by adjusting debt and equity balances such that the debt to equity ratio is consistent with the Vector group. The debt and equity balances have been reset in 2009 to reflect the change in the Vector group's debt to equity ratio, which changed significantly during the year due to the sale of Wellington electricity network and the subsequent restructuring of various financing arrangements.

7. INTANGIBLE ASSETS

2009	COST $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Goodwill	**167,869**	**-**	**167,869**
Software	**17,129**	**(11,625)**	**5,504**
Total	**184,998**	**(11,625)**	**173,373**

2008	COST $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Goodwill	167,869	-	167,869
Software	10,286	(7,415)	2,871
Total	178,155	(7,415)	170,740

8. PROPERTY, PLANT AND EQUIPMENT

2009	COST $000	ACCUMULATED DEPRECIATION $000	CARRYING AMOUNT $000
Freehold land	**261**	**-**	**261**
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	**458,835**	**(56,495)**	**402,340**

2008	COST $000	ACCUMULATED DEPRECIATION $000	CARRYING AMOUNT $000
Freehold land	56	-	56
Distribution systems	416,714	(34,588)	382,126
Plant, vehicles and equipment	14,509	(9,525)	4,984
Capital work in progress	15,540	-	15,540
Total	446,819	(44,113)	402,706

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 8% per annum. During the year $0.5 million (30 June 2008: $0.5 million) of interest and other costs were capitalised.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

9. PAYABLES AND ACCRUALS

	2009 $000	2008 $000
Current		
Trade payables and other creditors	8,960	11,005
Finance leases	231	-
Interest payable	3,493	3,907
Total	12,684	14,912
Non-current		
Finance leases	599	824
Other non-current payables	30	37
Total	629	861

10. PROVISIONS

	2009 $000	2008 $000
Balance at beginning of the period	1,670	747
Additions:		
Provision for employee entitlements	20	394
Other	-	539
Utilised	(665)	(10)
Balance at end of the period	1,025	1,670

11. BORROWINGS

Borrowings are a notional loan from Vector Limited.

The interest cost on the borrowings has been calculated using a weighted average interest rate of 7.72% (30 June 2008: 8.03%) applicable to the Vector group borrowings.

12. COMMITMENTS

	2009 $000	2008 $000
Capital expenditure commitments		
Capital expenditure contracted for at balance date but not yet incurred	4,043	2,917
Operating lease commitments		
Within one year	868	620
One to five years	756	1,025
Beyond five years	26	2
Total	1,650	1,647

The majority of the operating lease commitments relate to premises.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

12. COMMITMENTS (CONTINUED)

	2009 $000	2008 $000
Finance lease commitments		
Within one year	302	-
One to five years	654	938
Total	956	938
Less: future finance charges	(126)	(114)
Present value of minimum lease payments	830	824
Present value of finance lease liabilities		
Within one year	231	-
One to five years	599	824
Present value of minimum lease payments	830	824

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. The outstanding 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.

There exists some concentration of credit exposures with a few large energy retailers and large energy customers. To minimise this risk, credit evaluations are performed on all energy retailers and large energy customers and requirement of a bond or other form of security where deemed necessary is made.

	2009 CARRYING AMOUNT $000	2008 CARRYING AMOUNT $000
Receivables and prepayments	8,658	9,229

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 2008: nil).

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

15. TRANSACTIONS WITH RELATED PARTIES

NATURE OF THE TRANSACTION	RELATED PARTY	2009 $000	2008 $000
Vector gas distribution activities sold distribution services based on standard terms and conditions	Gas Retailing Activities	**4,506**	4,721
NGC gas distribution activities sold distribution services based on standard terms and conditions	Gas Retailing Activities	**4,198**	3,780

(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 2009

	2009 NZ IFRS[1]	2008 NZ IFRS[1]	2007 NZ IFRS[1]	2006 Pre-IFRS NZ GAAP
1 Financial performance measures				
a (i) Accounting return on total assets (excluding current borrowings in working capital) [2]	**9.48%**	9.52%	8.62%	4.07%
a (ii) Accounting return on total assets (including current borrowings in working capital)[2]	**10.89%**	11.61%	9.53%	5.09%
b Accounting return on equity	**6.41%**	4.27%	6.27%	(8.50%)
c (i) Accounting rate of profit (excluding current borrowings from working capital) [2]	**7.81%**	6.75%	6.04%	[3]10.64%
c (ii) Accounting rate of profit (including current borrowings in working capital) [2]	**8.97%**	8.22%	6.69%	[4]13.48%
2 Efficiency performance measures				
a Direct line costs per kilometre	**$701**	$707	$755	$846
b Indirect line costs per gas customer	**$109**	$116	$144	$155

[1] The financial performance ratios have been prepared under NZ IFRS for 2009, 2008 and 2007 years. The 2007 year are significantly different as compared to the previously disclosed 2007 ratios prepared under pre-IFRS NZ GAAP. Key reasons for the changes under the transition to NZ IFRS are:

- Goodwill is not amortised under NZ IFRS. This has resulted in an increase in earnings before interest and tax.
- Software assets classified as property, plant and equipment under pre-IFRS NZ GAAP are reclassified as intangible assets under NZ IFRS. This reduces fixed assets which therefore reduces average capital employed.
- On transition to NZ IFRS the Vector group reallocated goodwill to its cash generating units. This resulted in a reduction in the goodwill allocated to the gas distribution activities along with a corresponding reduction in equity.
- Deferred tax is calculated using the balance sheet approach under NZ IFRS. This resulted in a decrease in the deferred tax liability and a corresponding increase in equity.

[2] 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.

[3] Accounting rate of profit (including current borrowings in working capital) is 1.99% excluding revaluations.

[4] Accounting rate of profit (excluding current borrowings from working capital) is 1.59% excluding revaluations.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS
FOR THE YEAR ENDED 30 JUNE 2009

		2009	2008	2007	2006
3	**Energy delivery efficiency performance measures**				
	Load factor[5]	**78.41%**	80.59%	78.27%	79.01%
	Unaccounted for gas ratio[5]	**1.64%**	1.40%	1.39%	1.34%
4	**Statistics**				
	System length (km)	**10,061**	9,911	9,756	9,358
	Maximum monthly amount of gas entering system (GJ)[5]	**2,296,534**	2,287,144	2,406,065	2,458,233
	Total annual amount of gas conveyed through system (GJ)[5]	**21,607,463**	22,117,219	22,597,621	23,306,357
	Total annual amount of gas conveyed through system for persons not in a prescribed business relationship (GJ)[5]	**12,605,677**	11,999,196	12,012,132	10,156,387
	Total number of customers	**148,357**	145,122	140,872	136,769

[5] The methodology used to calculate the amount of gas (GJ) that was disclosed for 2006 and 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	2006
Load factor	78.09%	79.10%
Unaccounted for gas ratio	1.41%	1.36%
Maximum monthly amount of gas entering system (GJ)	2,383,459	2,425,488
Total annual amount of gas conveyed through system (GJ)	22,335,868	23,022,375
Total annual amount of gas conveyed through system for persons not in a prescribed business relationship (GJ)	10,507,493	9,983,381

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

RELIABILITY PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008	2007	2006
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)	**0.0072**	0.0305	0.0036	0.0038
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 23 November 2009 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

23 November 2009

CERTIFICATION OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, JAMES BRUCE MILLER and ANTONY JOHN CARTER, 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: 23 November 2009

Director

Date: 23 November 2009

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 $000	2008 $000
Operating revenue		**256,923**	318,383
Gas purchases, transmission and network charges		**(249,242)**	(305,062)
Other expenses		**(952)**	(1,999)
Operating expenditure		**(250,194)**	(307,061)
Earnings before interest, income tax, depreciation and amortisation (EBITDA)		**6,729**	11,322
Depreciation and amortisation		**(373)**	(203)
Operating surplus before interest and income tax	**1**	**6,356**	11,119
Finance costs	**2**	**(1,447)**	(528)
Operating surplus before income tax		**4,909**	10,591
Income tax expense	**3**	**(1,343)**	(3,497)
Operating surplus		**3,566**	7,094

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

BALANCE SHEET
AS AT 30 JUNE 2009

	NOTE	2009 $000	2008 $000
CURRENT ASSETS			
Trade receivables	6	29,821	30,990
Total current assets		29,821	30,990
NON-CURRENT ASSETS			
Property, plant and equipment	10	315	487
Intangible assets	11	602	264
Deferred tax	4	6	54
Total non-current assets		923	805
Total assets		30,744	31,795
CURRENT LIABILITIES			
Bank overdraft		-	1,440
Notional borrowings	14	-	957
Dividend payable		3,566	7,094
Income tax		1,138	3,535
Payables and accruals	7	8,722	9,628
Provisions	8	89	6,013
Total current liabilities		13,515	28,667
Notional borrowings	14	17,129	3,028
Total non-current liabilities		17,129	3,028
Total liabilities		30,644	31,695
EQUITY			
Notional reserves	5	100	100
Total equity		100	100
Total equity and liabilities		30,744	31,795

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

ENTITIES REPORTING

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. NGC Holdings Limited has adopted New Zealand International Financial Reporting Standards, as such these financial information disclosure statements follow the same accounting policies as that of Vector Limited and comply with New Zealand equivalents to IFRS. The accounting policies as they relate to the gas retailing activities are detailed below.

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 the Vector Limited's annual report for the year ended 30 June 2009.

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 like 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.

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 2009

SIGNIFICANT ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of operating surplus and balance sheet items 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 income statement has been prepared so that all components are stated exclusive of GST. All items in the balance sheet 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 income statement 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

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 brought 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 2009

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 income statement 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 income statement 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 income statement 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 balance sheet.

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 2009

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 income statement 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 income statement.

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 income statement.

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 income statement 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 2009

NEW STANDARDS EARLY-ADOPTED

Refer to the accounting policies in Vector Limited's annual report for the year ended 30 June 2009 for detailed information.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 23 November 2009.

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX	2009 $000	2008 $000
Operating surplus before interest and income tax includes:		
Audit fees	**28**	28
Depreciation of plant, vehicles and equipment	**159**	58
Operating leasing costs	**47**	38
Employee benefits	**1,124**	539
Amortisation of software intangibles	**214**	145
(Decrease) / increase in provisions	**(5,924)**	5,926
(Decrease) / increase in provision for doubtful debt	**(538)**	499

2. NET FINANCE COSTS	2009 $000	2008 $000
Finance costs		
Interest expense	**1,447**	**528**

3. INCOME TAX EXPENSE	NOTE	2009 $000	2008 $000
Operating surplus before income tax		**4,909**	10,591
Tax at current rate of 30% (2008:33%)		**1,473**	3,495
Prior period adjustment		**(132)**	-
Other		**2**	2
Income tax expense		**1,343**	3,497
Current income tax		**1,295**	3,535
Deferred income tax	4	**48**	(38)
Total		**1,343**	3,497

4. DEFERRED TAX 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 income statement:			
Relating to current period	(130)	(206)	(336)
Prior period adjustment 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 (liability) / asset	(58)	64	6

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

4. DEFERRED TAX (continued)

2008	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at the beginning of the period	(56)	72	16
Amounts recognised in the income statement:			
Relating to current period	33	5	38
Balance at the end of the period	(23)	77	54
Deferred tax assets	-	77	77
Deferred tax liabilities	(23)	-	(23)
Net deferred tax (liability) / asset	(23)	77	54

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.

5. NOTIONAL RESERVES

	2009 $000	2008 $000
Balance at the beginning of the period	**100**	100
Net surplus for current period	**3,566**	7,094
Notional dividend declared	**(3,566)**	(7,094)
Balance at the end of the period	**100**	100

A provision has been made for a notional dividend of $3.6 million (30 June 2008: $7.1 million) payable for the current year.

6. TRADE RECEIVABLES

	2009 $000	2008 $000
Current		
Trade receivables	**29,921**	31,628
Provision for doubtful debts	**(100)**	(638)
Total	**29,821**	30,990

7. PAYABLES AND ACCRUALS

	2009 $000	2008 $000
Current		
Trade payables – NGC gas wholesaling activities (related party)	**7,967**	9,295
Other trade payables and creditors	**508**	333
Interest payable	**247**	-
Total	**8,722**	9,628

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

8. PROVISIONS	2009 $000	2008 $000
Balance at the beginning of the period	6,013	-
Increase of provision for employee entitlements	2	87
(Decrease) / increase of other provisions	(5,926)	5,926
Balance at the end of the period	89	6,013

Other provisions relates to a historic customer billing dispute.

9. COMMITMENTS

There is no capital expenditure committed for and not recorded in these financial statements for the year ended 30 June 2009 (30 June 2008: nil).

Operating lease commitments	2009 $000	2008 $000
Non cancellable operating lease payments are as follows:		
Within one year	53	38
One to five years	37	63
Total	90	101

The majority of the operating lease commitments relate to premises.

10. PROPERTY, PLANT AND EQUIPMENT

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

2008	COST $000	ACCUMULATED DEPRECIATION $000	CARRYING AMOUNT $000
Plant, vehicles and equipment	790	(303)	487
Total	790	(303)	487

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

11. INTANGIBLE ASSETS

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

2008	COST $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Software	982	(718)	264
Total	982	(718)	264

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. The outstanding 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.

There exists some concentration of credit exposures with a few large energy retailers and large energy customers. To minimise this risk, credit evaluations are performed on all energy retailers and large energy customers and requirement of a bond or other form of security where deemed necessary is made.

	2009 CARRYING AMOUNT $000	2008 CARRYING AMOUNT $000
Trade receivables	**29,821**	30,990

13. CONTINGENT LIABILITIES

Claims against the gas retailing activities, where appropriate, have been recognised and disclosed within provisions. No other material contingencies requiring disclosure have been identified (30 June 2008: nil).

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

14. RELATED PARTY BORROWINGS

Borrowings are a notional loan from Vector Limited.

The interest cost on the borrowings has been calculated using a weighted average interest rate of 7.72% (30 June 2008: 8.03%) applicable to the Vector group borrowings.

15. TRANSACTIONS WITH RELATED PARTIES

NATURE OF THE TRANSACTION	RELATED PARTY	2009 $000	2008 $000
Sold gas based on standard terms and conditions.	Kapuni Energy Joint Venture	-	6,126
Sold gas based on standard terms and conditions.	Vector Kapuni Limited	**8,667**	-
Sold gas based on standard terms and conditions.	Kapuni Gas Treatment Plant	**1,044**	1,620
Sold gas for use in the compressors and line heaters based on standard terms and conditions.	Gas Transmission Activities	**3,798**	3,280
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	**199,442**	249,657
Purchased gas transmission services based on standard terms and conditions.	Gas Transmission Activities	**29,160**	32,720
Purchased gas processing services based on notional revenue charged to gas retailing activities.	Kapuni Gas Treatment Plant	**6,131**	8,845
Purchased distribution services based on standard terms and conditions.	Gas Distribution Activities	**4,198**	3,780
Purchased metering services based on standard terms and conditions.	NGC Metering Limited	**596**	589
Purchased distribution services based on standard terms and conditions.	Vector Limited	**4,506**	4,721
Loan advance	Vector Limited	**17,129**	3,985

(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 23 November 2009 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

23 November 2009

KPMG

CERTIFICATION OF PERFORMANCE MEASURES BY AUDITOR

We have examined the attached information, being –

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

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

and having been prepared by NGC Holdings Limited Gas Transmissions (Information Disclosure) Business and dated 23 November 2009 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

23 November 2009

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

We, JAMES BRUCE MILLER and ANTONY JOHN CARTER, 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: 23 November 2009

Director

Date: 23 November 2009

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 $000	2008 $000
Operating revenue		**102,548**	100,499
Gas purchases and pipeline maintenance		**(11,437)**	(13,725)
Other expenses		**(15,196)**	(16,088)
Operating expenditure		**(26,633)**	(29,813)
Earnings before interest, income tax, depreciation and amortisation (EBITDA)		**75,915**	70,686
Depreciation and amortisation		**(19,591)**	(18,643)
Operating surplus before interest and income tax	**1**	**56,324**	52,043
Finance costs	**2**	**(13,440)**	(14,367)
Operating surplus before income tax		**42,884**	37,676
Income tax expense	**3**	**(13,824)**	(12,101)
Operating surplus		**29,060**	25,575

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

BALANCE SHEET
AS AT 30 JUNE 2009

	NOTE	2009 $000	2008 $000
CURRENT ASSETS			
Cash		-	730
Receivables and prepayments	5	11,732	8,135
Inventories		1,514	1,479
Total current assets		13,246	10,344
NON-CURRENT ASSETS			
Intangible assets	7	11,688	8,619
Property, plant and equipment	8	417,792	424,258
Total non-current assets		429,480	432,877
Total assets		442,726	443,221
CURRENT LIABILITIES			
Payables and accruals	9	14,524	12,317
Provisions	10	2,747	2,987
Income tax		14,942	14,734
Notional borrowings	11	-	42,980
Total current liabilities		32,213	73,018
NON-CURRENT LIABILITIES			
Payables and accruals	9	2,144	2,130
Notional borrowings	11	174,092	136,102
Deferred tax	4	91,832	92,149
Total non-current liabilities		268,068	230,381
Total liabilities		300,281	303,399
EQUITY			
Notional reserves	6	142,445	139,822
Total equity		142,445	139,822
Total equity and liabilities		442,726	443,221

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

ENTITIES REPORTING

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. NGC Holdings Limited has adopted New Zealand International Financial Reporting Standards, as such these financial information disclosure statements follow the same accounting policies as that of Vector Limited and comply with New Zealand equivalents to IFRS. The accounting policies as they relate to the gas transmission activities are detailed below.

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 the Vector Limited's annual report for the year ended 30 June 2009.

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 like 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.

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 2009

SIGNIFICANT ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of operating surplus and balance sheet 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 income statement has been prepared so that all components are stated exclusive of GST. All items in the balance sheet 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 income statement 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.

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 2009

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 income statement as incurred.

G) IDENTIFIABLE INTANGIBLE ASSETS

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 brought 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 income statement 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 balance sheet. 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 income statement 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 2009

SIGNIFICANT ACCOUNTING POLICIES (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 income statement 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 balance sheet.

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 income statement 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 income statement. 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 income statement.

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 income statement.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2009

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 income statement.

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 income statement 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 EARLY-ADOPTED

Refer to the accounting policies in Vector Limited's annual report for the year ended 30 June 2009 for detailed information.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 23 November 2009.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX	2009 $000	2008 $000
Operating surplus before interest and income tax includes:		
Increase in provision for doubtful debts	35	187
Rental and operating lease costs	561	598
Directors' fees	125	101
Audit fees	128	135
Employee benefits	12,477	14,604
(Decrease) / increase in provisions	(240)	925
Loss on disposal of property, plant and equipment	-	177
Depreciation of property, plant and equipment and software:		
Pipelines, compressors and gate stations	12,874	13,274
Other plant and equipment	2,341	1,329
Motor vehicles	314	325
Buildings	49	80
Amortisation of software intangibles	4,013	3,635

2. FINANCE COSTS	2009 $000	2008 $000
Interest expense	13,554	14,458
Capitalised interest	(114)	(91)
Finance costs	13,440	14,367

3. INCOME TAX EXPENSE	NOTE	2009 $000	2008 $000
Operating surplus before income tax		42,884	37,676
Tax at current rate of 30% (2008: 33%)		12,865	12,433
Adjustment to deferred tax for change in company tax rate		-	90
Non taxable items:			
Customer contributions		-	(129)
Prior year adjustment		628	-
Other		331	(293)
Income tax expense		13,824	12,101
The income tax expense is represented by:			
Current income tax		15,395	14,733
Deferred income tax	4	(1,571)	(2,632)
Total		13,824	12,101

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

4. DEFERRED TAX

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 income statement:			
Relating to current period	**2,441**	**(767)**	**1,674**
Prior period adjustment recognised in the current period	**(41)**	**(62)**	**(103)**
Amounts recognised directly in the balance sheet	**(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 (liability) / asset	**(92,759)**	**927**	**(91,832)**

2008	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at beginning of the period	(96,029)	1,480	(94,549)
Relating to current period	2,214	508	2,722
Increase relating to change in company tax rate	(90)	-	(90)
Prior period adjustment	-	(232)	(232)
Balance at end of the period	(93,905)	1,756	(92,149)
Deferred tax asset	-	1,756	1,756
Deferred tax liability	(93,905)	-	(93,905)
Net deferred tax (liability) / asset	(93,905)	1,756	(92,149)

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.

5. RECEIVABLES AND PREPAYMENTS

	2009 $000	2008 $000
Current		
Trade receivables	**11,049**	7,783
Provision for doubtful debts	**(470)**	(435)
	10,579	7,348
Prepayments	**1,153**	787
Total	**11,732**	8,135

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

6. NOTIONAL RESERVES	2009 $000	2008 $000
Balance at beginning of the period	**139,822**	114,247
Operating surplus for the period	**29,060**	25,575
Decrease due to debt-equity ratio reset	**(26,437)**	-
Balance at end of the period	**142,445**	139,822

Notional reserves is determined by adjusting debt and equity balances such that the debt to equity ratio is consistent with the Vector group. The debt and equity balances have been reset in 2009 to reflect the change in the Vector group's debt to equity ratio, which changed significantly during the year due to the sale of Wellington electricity network and the subsequent restructuring of various financing arrangements.

7. INTANGIBLE ASSETS

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

2008	COST $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Software	27,539	(18,920)	8,619
Total	27,539	(18,920)	8,619

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

8. PROPERTY, PLANT AND EQUIPMENT

2009	COST $000	ACCUMULATED DEPRECIATION $000	CARRING AMOUNT $000
Pipelines, compressors and gate stations	**457,630**	**(61,197)**	**396,433**
Plant, vehicles and equipment	**28,488**	**(20,819)**	**7,669**
Freehold land	**483**	**-**	**483**
Buildings	**4,257**	**(1,328)**	**2,929**
Capital work in progress	**10,278**	**-**	**10,278**
Total	**501,136**	**(83,344)**	**417,792**

2008	COST $000	ACCUMULATED DEPRECIATION $000	CARRING AMOUNT $000
Pipelines, compressors and gate stations	451,957	(48,318)	403,639
Plant, vehicles and equipment	30,687	(20,146)	10,541
Freehold land	436	-	436
Buildings	4,395	(1,279)	3,116
Capital work in progress	6,526	-	6,526
Total	494,001	(69,743)	424,258

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 8% per annum. During the year $0.1 million (30 June 2008: $0.1 million) of interest and other costs were capitalised.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

9. PAYABLES AND ACCRUALS	2009 $000	2008 $000
Current		
Trade payables and other creditors	**2,119**	1,364
Finance lease	**394**	
Interest payable	**2,153**	-
Other current payables	**9,858**	10,953
Total	**14,524**	12,317
Non-current		
Finance lease	**1,020**	1,037
Other non-current payables	**1,124**	1,093
Total	**2,144**	2,130

10. PROVISIONS	2009 $000	2008 $000
Balance at beginning of the period	**2,987**	2,062
Additions:		
Provision for employee entitlements	**-**	1,287
Utilised:		
Other provisions	**(240)**	(24)
Reversed to the income statement	**-**	(338)
Balance at end of the period	**2,747**	2,987

11. RELATED PARTY BORROWINGS

Borrowings are a notional loan from Vector Limited.

The interest cost on the borrowings has been calculated using a weighted average interest rate of 7.72% (30 June 2008: 8.03%) applicable to the Vector group borrowings.

12. COMMITMENTS	2009 $000	2008 $000
Capital expenditure commitments		
Capital expenditure contracted for at balance date but not yet incurred	**2,400**	-
Operating lease commitments		
Within one year	**453**	7
One to five years	**345**	14
Total	**798**	21

The majority of the operating lease commitments relate to premises.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

12. COMMITMENTS (CONTINUED)	2009 $000	2008 $000
Finance lease commitments		
Within one year	515	-
One to five years	1,113	1,180
Total	1,628	1,180
Less: future finance charges	(214)	(143)
Present value of minimum lease payments	1,414	1,037
Present value of finance lease liability		
Within one year	394	-
One to five years	1,020	1,037
Present value of minimum lease payments	1,414	1,037

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. The outstanding 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.

There exists some concentration of credit exposures with a few large energy retailers and large energy customers. To minimise this risk, credit evaluations are performed on all energy retailers and large energy customers and requirement of a bond or other form of security where deemed necessary is made.

	2009 CARRYING AMOUNT $000	2008 CARRYING AMOUNT $000
Cash	-	730
Receivables and prepayments	11,732	8,135

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 2008: nil).

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

15. TRANSACTIONS WITH RELATED PARTIES

NATURE OF THE TRANSACTION	RELATED PARTY	2009 $000	2008 $000
Sale of transmission services based on actual revenue charged and notional revenue charged.	Gas Wholesaling Activities	**634**	468
Sale of transmission services based on actual revenue charged and notional revenue charged.	Gas Retailing Activities	**29,160**	32,720
Purchase of gas on standard terms and conditions.	Gas Retailing Activities	**3,798**	3,280
Net cost from operational gas swap arrangements.	Gas Wholesaling Activities	**-**	25
Purchase of mechanical services at market rates for the maintenance of export compressor based at Kapuni.	Kapuni Gas Treatment Plant	**656**	741
Loan advance	Vector Limited	**174,092**	179,082

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

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2009

	2009 NZ IFRS[1]	2008 NZ IFRS[1]	2007 NZ IFRS[1]	2006 PRE-IFRS NZ GAAP
1. FINANCIAL PERFORMANCE MEASURES				
a (i) Accounting return on total assets (excluding current borrowings in working capital)	**13.49%**	12.25%	10.96%	8.43%
a (ii) Accounting return on total assets (including current borrowings in working capital)	**14.26%**	13.31%	11.29%	-
b Accounting return on equity	**20.59%**	20.13%	29.67%	4.81%
c (i) Accounting rate of profit (excluding current borrowings in working capital)	**8.88%**	8.88%	7.18%	[2]7.00%
c (ii) Accounting rate of profit (including current borrowings in working capital)	**9.38%**	9.64%	7.40%	-
2. EFFICIENCY PERFORMANCE MEASURES				
a Direct line costs per kilometre[3]	**$4,366**	$3,170	$3,239	$4,810
b Indirect line costs per gas customer[4]	**$1,085,429**	$1,149,180	$1,119,079	$1,263,156

[1] The financial performance ratios have been prepared under NZ IFRS for 2009, 2008 and 2007 years. The 2007 year is different as compared to the previously disclosed 2007 ratios prepared under pre-IFRS NZ GAAP. Key reasons for the changes under the transition to NZ IFRS are:

- Software assets classified as property, plant and equipment under pre-IFRS NZ GAAP are reclassified as intangible assets under NZ IFRS. This reduces fixed assets which therefore reduces average capital employed.
- Deferred tax is calculated using the balance sheet approach under NZ IFRS. This resulted in an increase in the deferred liability and a corresponding decrease in equity.

[2] Re-disclosed due to restated cash tax.

[3] Direct line costs excludes fuel gas (FG) and unaccounted for gas (UFG).
Direct line costs per kilometre including FG and UFG is $5,155, $6,186, $6,622 and $7,410 for 2009, 2008, 2007 and 2006 respectively.

[4] Indirect line costs excludes fuel gas (FG) and unaccounted for gas (UFG). Indirect line costs per gas customer including FG & UFG is $1,210,394, $1,627,152, $1,597,242 and $1,561,903 for 2009, 2008, 2007 and 2006 respectively.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS
FOR THE YEAR ENDED 30 JUNE 2009

3. LOAD FACTOR

System	2009 Gas Into System [a] (GJ p.a.)	2009 Max. Monthly Quantity [b] (GJ/month)	2009 Load Factor % a x 100 / 12 x b	2008 Gas Into System [a] (GJ p.a.)	2008 Max. Monthly Quantity [b] (GJ/month)	2008 Load Factor % a x 100 / 12 x b
North & Central	**49,300,737**	**6,051,861**	**67.89**	64,613,328	6,310,963	85.32
Bay of Plenty	**8,931,816**	**889,989**	**83.63**	9,763,970	968,670	84.00
Frankley Rd – Kapuni [5]	**23,194,720**	**2,602,208**	**74.28**	20,399,390	2,246,725	75.66
South	**10,692,344**	**1,215,946**	**73.28**	10,537,176	1,150,918	76.30
Total	**92,119,617**			**105,313,864**		

System	2007 Gas Into System [a] (GJ p.a.)	2007 Max. Monthly Quantity [b] (GJ/month)	2007 Load Factor % a x 100 / 12 x b	2006 Gas Into System [a] (GJ p.a.)	2006 Max. Monthly Quantity [b] (GJ/month)	2006 Load Factor % a x 100 / 12 x b
North & Central	56,513,361	6,043,308	77.93	60,848,748	5,728,319	88.52
Bay of Plenty	10,212,588	1,072,961	79.32	11,386,661	1,134,147	83.67
Frankley Rd – Kapuni [5]	15,248,478	1,895,649	67.03	22,405,091	2,290,168	81.53
South	10,909,282	1,242,523	73.17	11,067,829	1,289,209	71.54
Total	**92,883,709**			**105,708,329**		

4. UNACCOUNTED – FOR – GAS RATIO

System	2009 Unaccounted For Gas [a] (GJ p.a.)	2009 Gas Into System [b] (GJ p.a.)	2009 UFG % a x 100 / b	2008 Unaccounted For Gas [a] (GJ p.a.)	2008 Gas Into System [b] (GJ p.a.)	2008 UFG % a x 100 / b
North & Central	**328,004**	**49,300,737**	**0.67**	184,596	64,613,328	0.29
Bay of Plenty	**(7,750)**	**8,931,816**	**(0.09)**	26,763	9,763,970	0.27
Frankley Rd – Kapuni [5]	**(188,084)**	**23,194,720**	**(0.81)**	(157,248)	20,399,390	(0.77)
South	**43,210**	**10,692,344**	**0.40**	32,645	10,537,176	0.31
Total		**92,119,617**			**105,313,864**	

System	2007 Unaccounted For Gas [a] (GJ p.a.)	2007 Gas Into System [b] (GJ p.a.)	2007 UFG % a x 100 / b	2006 Unaccounted For Gas [a] (GJ p.a.)	2006 Gas Into System [b] (GJ p.a.)	2006 UFG % a x 100 / b
North & Central	307,339	56,513,361	0.54	257,346	60,848,748	0.42
Bay of Plenty	316	10,212,588	0.00	(28,235)	11,386,661	(0.25)
Frankley Rd – Kapuni [5]	54,980	15,248,478	0.36	(33,457)	22,405,091	(0.15)
South	106,125	10,909,282	0.97	150,763	11,067,829	1.36
Total		**92,883,709**			**105,708,329**	

[5] 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 2009

5. STATISTICS

	2009				2008			
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**	**6,051,861**	**48,979,436**		827.0	6,310,963	64,426,662	
Bay of Plenty	**612.2**	**889,989**	**8,941,627**		612.2	968,670	9,736,411	
Frankley Rd – Kapuni [6]	**82.9**	**2,602,208**	**23,483,527**		82.9	2,246,725	20,580,125	
South	**696.5**	**1,215,946**	**10,643,670**		696.5	1,150,918	10,505,779	
Total	**2,218.6**		**92,048,260**	**65,850,247**	**2,218.6**		**105,248,977**	**81,612,482**

	2007				2006			
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	6,043,308	56,198,219		827.0	5,728,319	60,584,831	
Bay of Plenty	612.2	1,072,961	10,215,074		612.2	1,134,147	11,412,230	
Frankley Rd – Kapuni [6]	82.9	1,895,649	15,466,920		82.9	2,290,168	22,438,808	
South	696.5	1,242,523	10,799,716		696.5	1,289,209	10,910,375	
Total	**2,218.6**		**92,679,929**	**69,721,189**	**2,218.6**		**105,346,244**	**80,365,582**

	2009	2008	2007	2006
Number of Transmission Customers	**14**	14	16	16

	2009		2008		2007		2006	
Number of unplanned interruptions in transmission systems	**No.**	**Hrs**	**No.**	**Hrs**	**No.**	**Hrs.**	**No.**	**Hrs**
	-	-	1	9.5	-	-	1	1.0
	-	-	2	9.0	-	-	2	0.7
	-	-	3	12.0	-	-	-	-
Total Interruptions	**-**	**-**	**3**	**30.5**	**-**	**-**	**2**	**1.7**

[6] 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 23 November 2009 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

23 November 2009

CERTIFICATION OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, JAMES BRUCE MILLER and ANTONY JOHN CARTER, 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: 23 November 2009

Director

Date: 23 November 2009

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 $000	2008 $000
Operating revenue		**227,197**	277,352
Gas purchases and transmission charges		**(201,523)**	(231,306)
Other expenses		**(1,527)**	(1,936)
Operating expenditure		**(203,050)**	(233,242)
Earnings before interest, income tax, depreciation and amortisation (EBITDA)		**24,147**	44,110
Depreciation and amortisation		**(331)**	(199)
Operating surplus before income tax	1	**23,816**	43,911
Income tax expense	2	**(7,305)**	(14,493)
Operating surplus		**16,511**	29,418

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

BALANCE SHEET
AS AT 30 JUNE 2009

	NOTE	2009 $000	2008 $000
CURRENT ASSETS			
Notional cash		**33,329**	49,783
Receivables and prepayments	**5**	**10,726**	15,960
Total current assets		**44,055**	65,743
NON-CURRENT ASSETS			
Property, plant and equipment	**9**	**177**	388
Intangible assets	**10**	**555**	280
Deferred tax	**3**	**2,485**	1,345
Total non-current assets		**3,217**	2,013
Total assets		**47,272**	67,756
CURRENT LIABILITIES			
Dividend payable		**16,511**	29,418
Income tax		**7,903**	14,893
Payables and accruals	**6**	**18,694**	21,824
Provisions	**7**	**4,064**	1,521
Total current liabilities		**47,172**	67,656
Total liabilities		**47,172**	67,656
EQUITY			
Notional reserves	**4**	**100**	100
Total equity		**100**	100
Total equity and liabilities		**47,272**	67,756

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

ENTITIES REPORTING

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. NGC Holdings Limited has adopted New Zealand International Financial Reporting Standards, as such these financial information disclosure statements follow the same accounting policies as that of Vector Limited and comply with New Zealand equivalents to IFRS. The accounting policies as they relate to the gas wholesaling activities are detailed below.

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 the Vector Limited's annual report for the year ended 30 June 2009.

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 like 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.

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 2009

SIGNIFICANT ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of operating surplus and balance sheet items 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 income statement has been prepared so that all components are stated exclusive of GST. All items in the balance sheet 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 income statement 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

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 brought 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 2009

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 income statement 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 income statement 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 income statement 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 balance sheet.

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

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 income statement 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 income statement.

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 income statement.

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 income statement 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 WHOLESALING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

NEW STANDARDS EARLY-ADOPTED

Refer to the accounting policies in Vector Limited's annual report for the year ended 30 June 2009 for detailed information.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 23 November 2009.

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. OPERATING SURPLUS BEFORE INCOME TAX	2009 $000	2008 $000
Operating surplus before income tax includes:		
Audit fees	**10**	10
Depreciation of plant, vehicles and equipment	**127**	45
Operating leasing costs	**47**	42
Employee benefits	**1,235**	637
Amortisation of software intangibles	**204**	154
Increase in provisions	**2,543**	1,521

2. INCOME TAX EXPENSE	NOTE	2009 $000	2008 $000
Operating surplus before income tax		**23,816**	43,911
Tax at current rate of 30% (2008: 33%)		**7,145**	14,491
Prior period adjustment		**159**	-
Other		**1**	2
Income tax expense		**7,305**	14,493
Current income tax		**8,445**	14,893
Deferred income tax	3	**(1,140)**	(400)
Total		**7,305**	14,493

3. DEFERRED TAX

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 income statement:			
Relating to current period	-	757	757
Prior period adjustment 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 (liability) / asset	(36)	2,521	2,485

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

3. DEFERRED TAX (continued)

2008	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at the beginning of the period	(31)	912	881
Relating to current period	(5)	405	400
Prior period adjustment	-	64	64
Balance at the end of the period	(36)	1,381	1,345
Deferred tax assets	-	1,381	1,381
Deferred tax liabilities	(36)	-	(36)
Net deferred tax (liability) / asset	(36)	1,381	1,345

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.

4. NOTIONAL RESERVES

	2009 $000	2008 $000
Balance at the beginning of the period	**100**	100
Net surplus for the period	**16,511**	29,418
Notional dividend declared	**(16,511)**	(29,418)
Balance at the end of the period	**100**	100

A provision has been made for a notional dividend of $17 million (30 June 2008: $29 million) payable for the current year.

5. RECEIVABLES AND PREPAYMENTS

	2009 $000	2008 $000
Current		
Trade receivables	**2,031**	4,647
Trade receivables - NGC gas retailing activities (related party)	**7,967**	9,295
Prepayments and other receivables	**728**	2,018
Total	**10,726**	15,960

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

6. PAYABLES AND ACCRUALS

	2009 $000	2008 $000
Current		
Trade payables and other creditors	**18,694**	21,824
Total	**18,694**	21,824

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

7. PROVISIONS	2009 $000	2008 $000
Balance at the beginning of the period	**1,521**	-
(Decrease)/increase of provision for employee entitlements	**(7)**	96
Increase of other provisions	**2,550**	1,425
Balance at the end of the period	**4,064**	1,521

8. COMMITMENTS

There is no capital expenditure committed for and not recorded in these financial statements for the year ended 30 June 2009 (30 June 2008: nil).

Operating lease commitments	2009 $000	2008 $000
Non cancellable operating lease payments are as follows:		
Within one year	**62**	42
One to five years	**41**	69
Total	**103**	111

The majority of the operating lease commitments relate to premises.

9. PROPERTY, PLANT AND EQUIPMENT

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

2008	COST $000	ACCUMULATED DEPRECIATION $000	CARRYING AMOUNT $000
Plant, vehicles and equipment	708	(320)	388
Total	708	(320)	388

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

10. INTANGIBLE ASSETS

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

2008	COST $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Software	1,035	(755)	280
Total	1,035	(755)	280

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. The outstanding 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.

There exists some concentration of credit exposures with a few large energy customers. To minimise this risk, credit evaluations are performed on large energy customers and requirement of a bond or other form of security where deemed necessary is made.

	2009 CARRYING AMOUNT $000	2008 CARRYING AMOUNT $000
Notional cash	**33,329**	49,783
Receivables and prepayments	**10,726**	15,960

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

12. CONTINGENT LIABILITIES

Claims against the gas wholesaling activities, where appropriate, have been recognised and disclosed within provisions. No other material contingencies requiring disclosure have been identified (30 June 2008: nil).

13. TRANSACTIONS WITH RELATED PARTIES

NATURE OF THE TRANSACTION	RELATED PARTY	2009 $000	2008 $000
Sold gas based on actual amounts billed and notional revenue charged based on gas wholesale's cost of gas.	Gas Retailing Activities	**199,442**	249,657
Sold gas by products based on standard terms and conditions.	Kapuni Gas Treatment Plant	**7,373**	7,482
Purchased gas transmission services based on standard terms and conditions.	Gas Transmission Activities	**634**	468
Allocation of processing fees costs.	Kapuni Gas Treatment Plant	**7,416**	2,242
Net revenue from operational gas swap arrangements.	Gas Transmission Activities	**-**	25

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

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