



CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

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

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

A handwritten signature of the KPMG firm, written in a cursive, stylized font.

KPMG

15 November 2010



CERTIFICATION OF PERFORMANCE MEASURES BY AUDITOR

We have examined the attached information, being –

- (a) Financial performance measures specified in clause 1 of Part 2 of Schedule 1 of the Gas (Information Disclosure) Regulations 1997; and
- (b) Financial components of the efficiency performance measures specified in clause 2 of part 2 of the schedule,-

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

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

KPMG

KPMG

15 November 2010

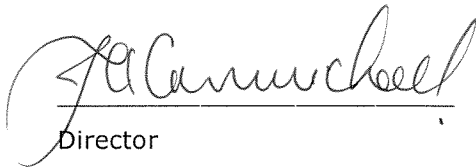


Vector Limited
101 Carlton Gore Road
PO Box 99882, Newmarket,
Auckland, New Zealand
www.vectornetworks.co.nz
Corporate Telephone
+64-9-978 7788
Corporate Facsimile
+64-9-978 7799

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

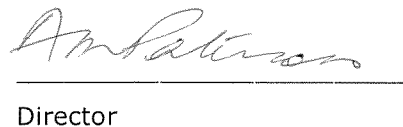
We, JAMES CARMICHAEL and AUSON PATERSON,
directors of Vector Limited, certify that, having made all reasonable enquiry, to
the best of our knowledge, -

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



Director

Date: 15 November 2010



Director

Date: 15 November 2010

VECTOR LIMITED
&
NGC HOLDINGS LIMITED
(A WHOLLY OWNED SUBSIDIARY OF
VECTOR LIMITED)

GAS DISTRIBUTION ACTIVITIES
2010

INFORMATION FOR DISCLOSURE

PURSUANT TO THE
GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

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



VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

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



VECTOR LIMITED & SUBSIDIARIES

GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2010

REPORTING ENTITIES

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

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

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

STATUTORY BASE

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

MEASUREMENT BASE

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

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

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

The allocations have been carried out on the following basis:

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

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

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

PRESENTATION OF FINANCIAL STATEMENTS

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

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

GOING CONCERN

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



VECTOR LIMITED & SUBSIDIARIES

GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES

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

A) BASIS OF CONSOLIDATION

Subsidiaries

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

Goodwill arising on acquisition

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

B) REVENUE

Sale of services

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

C) GOODS AND SERVICES TAX (GST)

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

D) RECEIVABLES

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

E) INVENTORIES

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

F) INCOME TAX

Income tax expense comprises current and deferred tax.

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

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



VECTOR LIMITED & SUBSIDIARIES

GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) INCOME TAX (CONTINUED)

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

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

G) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

H) IDENTIFIABLE INTANGIBLE ASSETS

Goodwill

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

Easements

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

Software

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

VECTOR LIMITED & SUBSIDIARIES

GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) DEPRECIATION

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

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

ESTIMATED USEFUL LIVES YEARS

Distribution systems	15 – 100
Plant, vehicles and equipment	3 – 40

J) LEASED ASSETS

Finance leases

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

Operating leases

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

Leasehold improvements

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

K) PROVISIONS

Employee entitlements

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

Other provisions

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

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



VECTOR LIMITED & SUBSIDIARIES

GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K) PROVISIONS (CONTINUED)

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

L) FINANCIAL INSTRUMENTS

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

M) FOREIGN CURRENCY TRANSLATION

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

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

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

N) IMPAIRMENT

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

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

Impairment of receivables

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

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

Impairment of non-financial assets

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

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

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

VECTOR LIMITED & SUBSIDIARIES

GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2010

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N) IMPAIRMENT (CONTINUED)

Impairment of non-financial assets (continued)

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

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

APPROVAL OF FINANCIAL STATEMENTS

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



VECTOR LIMITED & SUBSIDIARIES

GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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

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

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

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

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



VECTOR LIMITED & SUBSIDIARIES

GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

4. DEFERRED TAX

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

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

5. RECEIVABLES AND PREPAYMENTS

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



VECTOR LIMITED & SUBSIDIARIES

GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

6. NOTIONAL RESERVES

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

7. INTANGIBLE ASSETS

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

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

8. PROPERTY, PLANT AND EQUIPMENT

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

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

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

VECTOR LIMITED & SUBSIDIARIES

GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

9. PAYABLES AND ACCRUALS

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

10. PROVISIONS

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

11. NOTIONAL BORROWINGS

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

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

12. COMMITMENTS

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

The majority of the operating lease commitments relate to premises.



VECTOR LIMITED & SUBSIDIARIES

GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

12. COMMITMENTS (CONTINUED)

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

Finance leases relate to motor vehicles with varying lease terms.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FOREIGN EXCHANGE RISK

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

CREDIT RISK

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

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

14. CONTINGENT LIABILITIES

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



VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

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

15. TRANSACTIONS WITH RELATED PARTIES

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

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



VECTOR LIMITED & SUBSIDIARIES

GAS DISTRIBUTION ACTIVITIES

FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES

FOR THE YEAR ENDED 30 JUNE 2010

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



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

VECTOR LIMITED & SUBSIDIARIES

GAS DISTRIBUTION ACTIVITIES

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

FOR THE YEAR ENDED 30 JUNE 2010

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

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

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

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

RELIABILITY PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2010

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