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

&

NGC HOLDINGS LIMITED

(A WHOLLY OWNED SUBSIDIARY OF
VECTOR LIMITED)

GAS DISTRIBUTION ACTIVITIES 2009

INFORMATION FOR DISCLOSURE

PURSUANT TO THE
GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

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.

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.

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.

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.

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.

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.

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.

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

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.

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.

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).

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.

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)	-	-	-	-