SUPPLEMENT TO

New Zealand Gazette

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VECTOR LIMITED

&

NGC HOLDINGS LIMITED

(A SUBSIDIARY OF VECTOR LIMITED)

GAS ACTIVITIES 2008

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 19 November 2008 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

19 November 2008

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 19 November 2008 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

19 November 2008

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

We, Michael Stiassny and Alison Paterson, directors of Vector Limited, certify that, having made all reasonable enquiry, to the best of our knowledge:

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

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

Director

Date: 19 November 2008

Director

Date: 19 November 2008

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	2008 $000	2007 $000
Operating revenue		**75,227**	73,690
Other income		**10**	21
Total income		**75,237**	73,711
Gas purchases		**(615)**	(515)
Network and asset maintenance expenses		**(8,366)**	(7,541)
Indirect expenses		**(16,901)**	(20,323)
Operating expenditure		**(25,882)**	(28,379)
Earnings before interest, income tax, depreciation and amortisation		**49,355**	45,332
Depreciation and amortisation		**(12,341)**	(11,984)
Operating surplus before interest and income tax	1	**37,014**	33,348
Finance costs	2	**(32,163)**	(29,950)
Operating surplus before income tax		**4,851**	3,398
Income tax benefit	3	**1**	3,360
Operating surplus		**4,852**	6,758

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

BALANCE SHEET
AS AT 30 JUNE 2008

	NOTE	2008 $000	2007 $000
CURRENT ASSETS			
Cash		-	2
Receivables and prepayments	5	10,870	9,953
Inventories		159	124
Total current assets		11,029	10,079
NON-CURRENT ASSETS			
Receivables and prepayments	5	-	125
Intangible assets	7	170,740	169,675
Property, plant and equipment	8	402,706	390,167
Total non-current assets		573,446	559,967
Total assets		584,475	570,046
CURRENT LIABILITIES			
Bank overdraft		1,408	-
Payables and accruals	9	16,553	15,895
Provisions	10	1,670	747
Notional borrowings	11	96,126	43,764
Total current liabilities		115,757	60,406
NON-CURRENT LIABILITIES			
Payables and accruals	9	861	811
Notional borrowings	11	304,398	354,089
Deferred tax	4	47,369	43,502
Total non-current liabilities		352,628	398,402
Total liabilities		468,385	458,808
EQUITY			
Notional reserves	6	116,090	111,238
Total equity		116,090	111,238
Total equity and liabilities		584,475	570,046

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2008

ENTITIES REPORTING

These consolidated financial information disclosure statements comprise the gas distribution business 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 business are detailed below.

These consolidated financial information disclosure statements for the gas distribution business activities of the Vector group (the 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 1July 2004 and subsequent balance acquisition 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 group annual report for the year ended 30 June 2008.

The policy to apply the avoidable cost allocation methodology (ACAM) 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 businesses and other activities of the company. Under the Gas (Information Disclosure) Regulation 1997, there is no specific requirement to apply the ACAM methodology, thus the Electricity Information Disclosure Handbook in allocating costs has been applied.

The NGC gas distribution business and the Vector gas distribution business are treated as separate regulated standalone businesses and then consolidated for presentation in these information disclosure statements. The Vector group has adopted this approach 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 specific businesses.
- For any components of financial statement items that are not directly attributable to a specific business:
  - By assessing the proportions of those components which are avoidable and non-avoidable; and
  - Allocating those components amongst the businesses 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 integration costs, 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 business, are allocated to other businesses within the Vector group. Other businesses are not disclosed within these consolidated financial information disclosure statements.

GOING CONCERN

The financial statements have been prepared on a going concern basis which the directors believe is appropriate.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2008

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of profit or loss and balance sheet items have been applied.

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

As part of its transition to NZ IFRS, the group elected not to restate any business combinations that occurred prior to 1 July 2006. Accordingly, the Vector group total goodwill in respect of acquisitions prior to 1 July 2006 represents the amount recognised previously under NZ GAAP.

For acquisitions on or after 1 July 2006, goodwill arising on acquisition of a subsidiary 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 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 stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

F) INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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. 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 by the 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 each balance date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2008

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. The costs of distribution systems, distribution land and distribution buildings forming part of property, plant and equipment at 1 July 2006, the date of transition to NZ IFRSs, are measured on the basis of deemed historic cost in accordance with the exemption available on transition under NZ IFRS 1.

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 the Vector group's 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 treated as an intangible asset. It is amortised on a straight line basis over its useful life, commencing on the date it is brought into use. Software assets which are integral to the operation of the related hardware are classified as computer equipment within property, plant and equipment. Software has a useful life of between 2 and 10 years.

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

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2008

J) LEASED ASSETS

Finance leases

Property, plant and equipment under finance leases, where substantially all the risks and rewards of ownership are assumed 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

A provision is recognised as a liability where 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. 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 respective functional currencies of group entities at exchange rates at the dates of the transactions unless transactions are hedged by foreign currency derivative instruments in which case hedge accounting is applied. 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.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2008

CHANGES IN ACCOUNTING POLICY

The Vector group elected to adopt 1 July 2006 as its transition date to the requirements of NZ IFRS in accordance with NZ IFRS 1, *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*. An explanation of how the transition to NZ IFRS has affected the reported financial position and financial performance of the Vector group is provided in detail in its annual report for the year ended 30 June 2008.

All accounting policies that apply to the Vector group after the transition to NZIFRS have been applied to these set of financial statements for the year ended 30 June 2008 and comparative year ended 30 June 2007.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX	2008 $000	2007 $000
Operating surplus before interest and income tax includes:		
Bad debts written off	-	4
Increase in provision for doubtful debts	**206**	110
Rental and operating lease costs	**565**	573
Directors' fees	**86**	73
Audit fees	**114**	71
Employee benefits	**11,376**	9,382
Loss on disposal of property, plant and equipment and software	**172**	-
Depreciation of property, plant and equipment:		
Distribution systems	**10,096**	9,978
Plant, vehicles and equipment	**686**	965
Amortisation of software intangibles	**1,559**	1,041

2. NET FINANCE COSTS	2008 $000	2007 $000
Finance costs		
Interest expense	**32,683**	30,172
Capitalised interest	**(520)**	(222)
Net finance costs	**32,163**	29,950

3. INCOME TAX EXPENSE	NOTE	2008 $000	2007 $000
Operating surplus before income tax		**4,852**	3,398
Tax at current rate of 33%		**1,601**	1,121
Adjustment to deferred tax for change in company tax rate		**(801)**	(4,209)
Non taxable items:			
Capital contributions		**(693)**	(328)
Other		**(108)**	56
Income tax benefit		**(1)**	(3,360)
The income tax expense / (benefit) is represented by:			
Current income tax		**(3,595)**	(4,888)
Deferred income tax	4	**3,594**	1,528
Total		**(1)**	(3,360)

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 2008

4. DEFERRED TAX

2008	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TAX LOSSES $000	OTHER $000	TOTAL $000
Balance at the beginning of the year	(48,616)	942	4,066	106	(43,502)
Current year tax losses	-	-	3,595	-	3,595
Utilisation of prior year tax losses	-	-	(4,066)	-	(4,066)
Relating to current period	(3,257)	(337)	-	-	(3,594)
Prior period adjustment	62	-	-	136	198
Balance at the end of the year	(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)

2007	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TAX LOSSES $000	OTHER $000	TOTAL $000
Balance at the beginning of the year	(47,546)	1,337	4,157	162	(41,890)
Current year tax losses	-	-	4,066	-	4,066
Utilisation of prior year tax losses	-	-	(4,157)	-	(4,157)
Relating to current period	(1,070)	(395)	-	(63)	(1,528)
Prior period adjustment	-	-	-	7	7
Balance at the end of the year	(48,616)	942	4,066	106	(43,502)
Deferred tax assets	-	942	4,066	106	5,114
Deferred tax liabilities	(48,616)		-	-	(48,616)
Net deferred tax (liability) / asset	(48,616)	942	4,066	106	(43,502)

5. RECEIVABLES AND PREPAYMENTS

	2008 $000	2007 $000
Current		
Trade receivables	8,939	7,855
Provision for doubtful debts	(330)	(124)
	8,609	7,731
Prepayments	620	459
Interest receivables	1,641	1,763
Total	10,870	9,953
Non-current		
Other receivables	-	125
Total	-	125

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2008

6. NOTIONAL RESERVES	2008 $000	2007 $000
Balance at beginning of the year	**111,238**	104,480
Net surplus for the year	**4,852**	6,758
Balance at end of the year	**116,090**	111,238

7. INTANGIBLE ASSETS 2008	COST / VALUATION $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**

2007	COST / VALUATION $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Goodwill	167,869	-	167,869
Software	6,744	(4,938)	1,806
Total	174,613	(4,938)	169,675

8. PROPERTY, PLANT AND EQUIPMENT 2008	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $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**

2007	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Freehold land	30	-	30
Distribution systems	396,891	(23,807)	373,084
Plant, vehicles and equipment	15,047	(12,489)	2,558
Capital work in progress	14,495	-	14,495
Total	426,463	(36,296)	390,167

Distribution systems assets acquired as a result of the acquisition of NGC Holdings Limited on 14 December 2004 were restated to reflect their fair value at that date. Distribution systems, distribution land and distribution buildings in the Auckland region were revalued in March 2006 to a total of $276.5 million in accordance with the group's accounting policies at that time before transition to NZ IFRS. These fair values plus subsequent additions and disposals up to 30 June 2006 have been deemed the historic cost of those assets on transition to NZ IFRS on 1 July 2006. There were no changes to the total carrying amounts of those classes of property, plant and equipment from that reported under previous NZ GAAP on adoption of these deemed costs.

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 2007: $0.2 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 2008

9. PAYABLES AND ACCRUALS	2008 $000	2007 $000
Current		
Trade payables and other creditors	**11,005**	10,618
Interest payable	**5,548**	5,277
Total	**16,553**	15,895
Non-current		
Finance lease	**824**	725
Other payables and accruals	**37**	86
Total	**861**	811

10. PROVISIONS	2008 $000	2007 $000
Balance at beginning of the year	**747**	532
Additions:		
Provision for employee entitlements	**394**	205
Other	**539**	10
Utilised	**(10)**	-
Balance at end of the year	**1,670**	747

The provision of $0.5 million in 2008 year relates to a historic customer billing dispute.

11. BORROWINGS

Borrowings are a notional apportionment of the Vector group debt facilities including bank loans, a working capital facility, medium term notes, capital bonds, fixed interest rate bonds, private placement senior notes and floating rate notes. All borrowings are unsecured with all bank loans and medium term notes being subject to negative pledge arrangements.

The interest cost on the borrowings has been calculated using a weighted average interest rate of 8.03% (30 June 2007: 7.47%) applicable to the Vector group.

Borrowings are subject to various lending covenants. These have all been met for the years ended 30 June 2008 and 30 June 2007.

A detailed disclosure of the Vector group borrowings is reported in Note 26 of the Vector group annual report for the year ended 30 June 2008.

12. COMMITMENTS

	2008 $000	2007 $000
Capital expenditure commitments		
Capital expenditure contracted for at balance date but not yet incurred	**2,917**	4,155
Operating lease commitments		
Within one year	**620**	987
One to five years	**1,025**	2,292
Beyond five years	**2**	277
Total	**1,647**	3,556

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 2008

12. COMMITMENTS (continued)

	2008 $000	2007 $000
Finance lease commitments		
One to five years	**938**	872
Total	**938**	872
Less: future finance charges	**(114)**	(147)
Present value of minimum lease payments	**824**	725
Present value of finance lease liability		
One to five years	**824**	725
Present value of minimum lease payments	**824**	725

Finance leases relate to motor vehicles with varying lease terms.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A comprehensive treasury policy approved by the board of directors is used to manage the risks of financial instruments. The policy outlines the objectives and approach that will be adopted in the treasury management processes. The policy covers, among other things, management of credit risk, interest rate risk, funding risk, liquidity risk, currency risk and operational risk.

INTEREST RATE RISK

The interest rate exposure is actively managed in accordance with treasury policy. In this respect, at least forty percent of all debt must be at fixed interest rates or effectively fixed using interest rate swaps, forward rate agreements, options and other derivative instruments. The main objectives are to minimise the cost of total debt, control variations in the interest expense of the debt portfolio from year to year and to match where practicable the interest rate risk profile of debt with the risk profile of the assets. The treasury policy sets parameters for managing the interest rate maturity profile. The parameters depend upon the Standard and Poor's credit rating and the Reserve Bank of New Zealand continuing to implement monetary policy through adjustments to the official cash rate.

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, financial institutions and customers. Credit policies are in place, which are used to manage the exposure to credit risks. As part of these policies, exposures are limited to financial institutions having at least a credit rating of A+ long term from Standard & Poor's (or equivalent rating). In addition, limits on exposures to financial institutions have been set by the board of directors and are monitored on a regular basis. In this respect, credit risk is minimised by spreading such exposures across a range of institutions. Non-performance by any of these financial institutions is not anticipated.

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.

	2008 CARRYING AMOUNT $000	2007 CARRYING AMOUNT $000
Cash	-	2
Receivables and prepayments	**10,870**	10,078

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2008

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

LIQUIDITY RISK

Liquidity risk is the risk of difficulty in raising funds at short notice to meet financial commitments as they fall due. In order to reduce the exposure to liquidity risk, access to undrawn committed lines of credit is maintained. Cash flow reporting systems are maintained to monitor the forecast liquidity position over an outlook of five years.

The day-to-day liquidity exposure is managed by ensuring that sufficient levels of liquid assets and committed facilities are maintained for the next four to five weeks based on daily rolling operational cash flow forecasts. Short term liquidity crisis management is managed by ensuring sufficient borrowing capacity and liquid assets are available as determined from a monthly rolling 18 month cash flow forecast.

The long term liquidity exposure is managed by ensuring estimated deficits in net cash flow are able to be met as determined by the yearly rolling five year cash flow forecast.

A detailed disclosure of the financial instruments is available under Note 27 of Vector group's annual report for the year ended 30 June 2008.

14. CONTINGENT LIABILITIES

The directors are aware of claims against the entities and, where appropriate, have recognised provisions for these within the financial statements. No other material contingencies requiring disclosure have been identified (30 June 2007: nil).

15. TRANSACTIONS WITH RELATED PARTIES

NATURE OF THE TRANSACTION	RELATED PARTY	2008 $000	2007 $000
Vector gas distribution activities sold distribution services based on standard terms and conditions.	Gas retailing activities	**4,721**	4,583
NGC gas distribution activities sold distribution services based on standard terms and conditions.	Gas retailing activities	**3,780**	3,640

16. INTERNATIONAL FINANCIAL REPORTING STANDARDS

A detailed disclosure on the explanation of the transition to New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) is reported in Note 32 of the Vector group's annual report for the year ended 30 June 2008. The restatement of comparatives under IFRS resulted in the following adjustments:

	30 June 2007 $000
Equity under previous NZ GAAP	187,312
Change in deferred tax on revaluations for change in company tax rate now recorded through income statement	(1,182)
Change in deferred tax due to restatement under NZ IFRS	18,631
Change in goodwill due to allocation of goodwill within Vector group cash generating units on transition to NZ IFRS	(93,523)
Equity under NZ IFRS	111,238

17. EVENTS AFTER BALANCE DATE

Auckland gas distribution activities are subject to an authorisation under Section 70 of the Commerce Act. The Commerce Commission released its decision on 30 October 2008.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2008

	2008 NZ IFRS[1]	2007 NZ IFRS[1]	2006 Previous NZ GAAP	2005 Previous NZ GAAP
1 Financial performance measures				
a (i) Accounting return on total assets (excluding current borrowings in working capital) [2]	**9.52%**	8.62%	4.07%	6.39%
a (ii) Accounting return on total assets (including current borrowings in working capital)[2]	**11.61%**	9.53%	5.09%	7.84%
b Accounting return on equity	**4.27%**	6.27%	(8.50%)	(13.25%)
c (i) Accounting rate of profit (excluding current borrowings from working capital) [2]	**6.75%**	6.04%	[3]10.64%	2.05%
c (ii) Accounting rate of profit (including current borrowings in working capital) [2]	**8.22%**	6.69%	[4]13.48%	2.51%
2 Efficiency performance measures				
a Direct line costs per kilometre	**$707**	$755	$846	$917
b Indirect line costs per gas customer	**$116**	$144	$155	$140

[1] The financial performance ratios have been prepared under NZ IFRS for 2008 and 2007 years, and for the 2007 year are significantly different as compared to the previously disclosed 2007 ratios prepared under prior 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 previous 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 business 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 (excluding current borrowings from working capital) is 1.59% excluding revaluations.

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

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007	2006	2005
3 Energy delivery efficiency performance measures				
Load factor[5]	**80.59%**	78.27%	79.01%	79.36%
Unaccounted for gas ratio[5]	**1.40%**	1.39%	1.34%	1.28%
4 Statistics				
System length (km)[6]	**9,911**	9,756	9,358	7,968
Maximum monthly amount of gas entering system (GJ)[5]	**2,287,144**	2,406,065	2,458,233	2,530,123
Total annual amount of gas conveyed through system (GJ)[5]	**22,117,219**	22,597,621	23,306,357	24,093,632
Total annual amount of gas conveyed through system for persons not in a prescribed business relationship (GJ)[5]	**11,999,196**	12,012,132	10,156,387	11,467,489
Total number of customers	**145,122**	140,872	136,769	132,527

[5] The methodology used to calculate the amount of gas (GJ) that was disclosed for 2005 through 2007 for Vector's non-controlled (NGC) distribution business was amended in 2008 to provide a consistent methodology across Vector's total distribution business. 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 amount of gas (GJ) that was disclosed for 2005 for persons not in a prescribed business relationship has also been adjusted to reflect Vector's partial acquisition of NGC and its gas retail business during the period. The previously disclosed figures were as follows:

	2007	2006	2005
Load factor	78.09%	79.10%	79.99%
Unaccounted for gas ratio	1.41%	1.36%	1.29%
Maximum monthly amount of gas entering system (GJ)	2,383,459	2,425,488	2,481,916
Total annual amount of gas conveyed through system (GJ)	22,335,868	23,022,375	23,823,990
Total annual amount of gas conveyed through system for persons not in a prescribed business relationship (GJ)	10,507,493	9,983,381	15,324,017

[6] NGC service pipeline length included in System Length (km) disclosure for 2006, 2007 and 2008, but excluded from 2005 disclosure due to lack of data.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

RELIABILITY PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2008

	2008	**2007**	**2006**	**2005**
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)	**0.0305**	0.0036	0.0038	0.0013
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 19 November 2008 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

19 November 2008

CERTIFICATION OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, Alison Paterson and Michael Stiassny, 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: 19 November 2008

Director

Date: 19 November 2008

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	2008 $000	2007 $000
Operating revenue		**318,383**	**352,012**
Gas purchases		**(305,062)**	(326,771)
Indirect expenses		**(1,999)**	(2,071)
Operating expenditure		**(307,061)**	(328,842)
Earnings before interest, income tax, depreciation and amortisation		**11,322**	23,170
Depreciation and amortisation		**(203)**	(195)
Operating surplus before interest and income tax	1	**11,119**	22,975
Finance costs	2	**(528)**	(78)
Operating surplus before income tax		**10,591**	22,897
Income tax expense	3	**(3,497)**	(7,559)
Net surplus for the year		**7,094**	15,338

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

BALANCE SHEET
AS AT 30 JUNE 2008

	NOTE	2008 $000	2007 $000
CURRENT ASSETS			
Trade receivables	6	30,990	36,472
Total current assets		30,990	36,472
NON-CURRENT ASSETS			
Property, plant and equipment	10	487	492
Intangible assets	11	264	147
Deferred tax	4	54	16
Total non-current assets		805	655
Total assets		31,795	37,127
CURRENT LIABILITIES			
Bank overdraft		1,440	1,388
Notional borrowings	14	957	115
Dividend payable		7,094	15,338
Income tax		3,535	7,053
Payables and accruals	7	9,628	12,204
Provisions	8	6,013	-
Total current liabilities		28,667	36,098
Notional borrowings	14	3,028	929
Total non-current liabilities		3,028	929
Total liabilities		31,695	37,027
EQUITY			
Notional reserves	5	100	100
Total equity		100	100
Total equity and liabilities		31,795	37,127

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2008

ENTITIES REPORTING

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

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 business are detailed below.

These financial information disclosure statements for the gas retailing business activities of the Vector group 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 group annual report for the year ended 30 June 2008.

The policy to apply the avoidable cost allocation methodology (ACAM) 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 businesses and other activities of the company. Under the Gas (Information Disclosure) Regulation 1997, there is no specific requirement to apply the ACAM methodology, thus the Electricity Information Disclosure Handbook in allocating costs 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 specific businesses.
- For any components of financial statement items that are not directly attributable to a specific business:
    - By assessing the proportions of those components which are avoidable and non-avoidable; and
    - Allocating those components amongst the businesses 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 integration costs, 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, businesses have been split into two categories – businesses potentially subject to limited or no competition and businesses that operate in a competitive market. ACAM is intended to show that no more than standalone costs have been allocated to the businesses in potentially non-competitive markets. The 'not directly attributable' costs are initially allocated to the businesses potentially subject to limited or no competition. Avoided costs are allocated to incremental businesses. The gas retailing activities are treated as an incremental business as it operates in a competitive market.

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

GOING CONCERN

The financial statements have been prepared on a going concern basis which the directors believe is appropriate.

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2008

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of profit or loss and balance sheet items have been applied.

A) INCOME RECOGNITION

Income from the provision of gas retailing services is recognised as services are delivered.

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 expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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. 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 by the 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 each 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 treated as an intangible asset. It is amortised on a straight line basis over its useful life, commencing on the date it is brought into use. Software assets which are integral to the operation of the related hardware are classified as computer equipment within property, plant and equipment. Software has a useful life of between 2 and 10 years.

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.

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.

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2008

F) PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses. The costs of distribution systems, distribution land and distribution buildings forming part of property, plant and equipment at 1 July 2006, the date of transition to NZ IFRSs, are measured on the basis of deemed historic cost in accordance with the exemption available on transition under NZ IFRS 1.

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 or diminishing value basis so as to expense the cost, or revalued amount, less any expected residual value of the property, plant and equipment to the income statement over its useful economic life.

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

H) LEASED ASSETS

Operating leases

Lease payments under operating leases, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment are expensed to the income statement in equal instalments over the lease term.

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

A provision is recognised as a liability where 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. Where the likelihood of a resultant liability is more than remote but insufficient to warrant a provision, such events are disclosed as contingent liabilities.

CHANGES IN ACCOUNTING POLICIES

The Vector group elected to adopt 1 July 2006 as its transition date to the requirements of NZ IFRS in accordance with NZ IFRS 1, *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*. An explanation of how the transition to NZ IFRS has affected the reported financial position and financial performance of the Vector group is provided in detail in its annual report for the year ended 30 June 2008.

All accounting policies that apply to the Vector group after transition to NZIFRS have been applied to these financial statements for the year ended 30 June 2008 and comparative year ended 30 June 2007.

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX	2008 $000	2007 $000
Operating surplus before interest and income tax includes:		
Depreciation – plant, vehicles and equipment	58	107
Audit fees	28	28
Operating leasing costs	38	11
Employee benefits	539	368
Amortisation of software intangibles	145	88
Provision release	-	(1,200)
Decrease in provision for doubtful debts	-	(321)
Increase in provision	5,926	-
Loss on disposal of property, plant and equipment	-	3

2. NET FINANCE COSTS	2008 $000	2007 $000
Finance costs		
Interest expense	528	78

3. INCOME TAX EXPENSE	NOTE	2008 $000	2007 $000
Operating surplus before income tax		10,591	22,897
Tax at current rate of 33%		3,495	7,556
Other		2	3
Income tax expense		3,497	7,559
Current income tax		3,535	7,053
Deferred income tax	4	(38)	506
Total		3,497	7,559

4. DEFERRED TAX 2008	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at the beginning of the year	(56)	72	16
Amounts recognised in the income statement:			
Relating to current period	33	5	38
Balance at the end of the year	(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.

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

4. DEFERRED TAX (continued)

2007	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at the beginning of the year	(11)	533	522
Amounts recognised in the income statement:			
Relating to current period	(45)	(461)	(506)
Balance at the end of the year	(56)	72	16
Deferred tax assets	-	72	72
Deferred tax liabilities	(56)	-	(56)
Net deferred tax (liability) / asset	(56)	72	16

5. NOTIONAL RESERVES

	2008 $000	2007 $000
Balance at the beginning of the year	**100**	100
Net surplus for the year	**7,094**	15,338
Notional dividend declared	**(7,094)**	(15,338)
Balance at the end of the year	**100**	100

The gas retailing activities is not a company and therefore has no share capital. A provision has been made for a notional dividend of $7.1 million (30 June 2007: $15.3 million) payable for the current year.

6. TRADE RECEIVABLES

	2008 $000	2007 $000
Current		
Trade receivables	**30,990**	36,472
Total	**30,990**	36,472

7. PAYABLES AND ACCRUALS

	2008 $000	2007 $000
Current		
Trade payables – gas wholesaling activities (related party)	**9,295**	11,817
Other trade payables and creditors	**333**	387
Total	**9,628**	12,204

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

8. PROVISIONS

	2008 $000	2007 $000
Balance at the beginning of the year	-	1,200
Additions:		
Other provisions	5,926	-
Provision for employee entitlements	87	-
Reversed to the income statement	-	(1,200)
Balance at the end of the year	**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 2008 (30 June 2007: nil).

Operating lease commitments

	2008 $000	2007 $000
Non cancellable operating lease payments are as follows:		
Within one year	38	6
One to five years	63	-
Beyond five years	-	-
Total	**101**	6

The majority of the operating lease commitments relate to premises.

10. PROPERTY, PLANT AND EQUIPMENT

2008	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Plant, vehicles and equipment	790	(303)	487
Total	790	(303)	487

2007	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Plant, vehicles and equipment	1,281	(789)	492
Total	1,281	(789)	492

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

11. INTANGIBLE ASSETS

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

2007	COST / VALUATION $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Software	588	(441)	147
Total	588	(441)	147

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A comprehensive treasury policy approved by the board of directors is used to manage the risks of financial instruments. The policy outlines the objectives and approach that will be adopted in the treasury management processes. The policy covers, among other things, management of credit risk, interest rate risk, funding risk, liquidity risk, currency risk and operational risk.

INTEREST RATE RISK

The interest rate exposure is actively managed in accordance with treasury policy. In this respect, at least forty percent of all debt must be at fixed interest rates or effectively fixed using interest rate swaps, forward rate agreements, options and other derivative instruments. The main objectives are to minimise the cost of total debt, control variations in the interest expense of the debt portfolio from year to year and to match where practicable the interest rate risk profile of debt with the risk profile of the assets. The treasury policy sets parameters for managing the interest rate maturity profile. The parameters depend upon the Standard and Poor's credit rating and the Reserve Bank of New Zealand continuing to implement monetary policy through adjustments to the official cash rate.

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, financial institutions and customers. Credit policies are in place, which are used to manage the exposure to credit risks. As part of these policies, exposures are limited to financial institutions having at least a credit rating of A+ long term from Standard & Poor's (or equivalent rating). In addition, limits on exposures to financial institutions have been set by the board of directors and are monitored on a regular basis. In this respect, credit risk is minimised by spreading such exposures across a range of institutions. Non-performance by any of these financial institutions is not anticipated.

There exists some concentration of credit exposures with a few 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.

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

CREDIT RISK (continued)

	2008 CARRYING AMOUNT $000	2007 CARRYING AMOUNT $000
Trade receivables	**30,990**	36,472

LIQUIDITY RISK

Liquidity risk is the risk of difficulty in raising funds at short notice to meet financial commitments as they fall due. In order to reduce the exposure to liquidity risk, access to undrawn committed lines of credit is maintained. Cash flow reporting systems are maintained to monitor the forecast liquidity position over an outlook of five years.

The day-to-day liquidity exposure is managed by ensuring that sufficient levels of liquid assets and committed facilities are maintained for the next four to five weeks based on daily rolling operational cash flow forecasts. Short term liquidity crisis management is managed by ensuring sufficient borrowing capacity and liquid assets are available as determined from a monthly rolling 18 month cash flow forecast.

The long term liquidity exposure is managed by ensuring estimated deficits in net cash flow are able to be met as determined by the yearly rolling five year cash flow forecast.

A detailed disclosure of the financial instruments is reported in Note 27 of the Vector group's annual report for the year ended 30 June 2008.

13. CONTINGENT LIABILITIES

The directors are aware of claims against entities within the Vector group and, where appropriate, have recognised provisions for these within the financial statements. No material contingencies requiring disclosure have been identified (30 June 2007: nil).

14. RELATED PARTY BORROWINGS

Borrowings are a notional apportionment of the Vector group debt facilities including bank loans, a working capital facility, medium term notes, capital bonds, fixed interest rate bonds, private placement senior notes and floating rate notes. All borrowings are unsecured with all bank loans and medium term notes being subject to negative pledge arrangements.

The interest cost on borrowings has been calculated using a weighted average interest rate of 8.03% (30 June 2007: 7.47%) applicable to the Vector group. Borrowings are subject to various lending covenants. These have all been met for the years ended 30 June 2008 and 30 June 2007.

A detailed disclosure of the Vector group borrowings is reported in Note 26 of the Vector group annual report for the year ended 30 June 2008.

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

15. TRANSACTIONS WITH RELATED PARTIES

NATURE OF THE TRANSACTION	RELATED PARTY	2008 $000	2007 $000
Sold gas based on standard terms and conditions.	Kapuni Energy Joint Venture	**6,126**	6,381
Sold fuel gas based on standard terms and conditions.	Kapuni Gas Treatment Plant	**1,620**	3,445
Sold gas for use in the compressors and line heaters based on standard terms and conditions.	Gas Transmission Activities	**3,280**	3,456
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	**249,657**	277,157
Purchased gas transmission services based on actual revenue charged and notional revenue charged to as retailing activities.	Gas Transmission Activities	**32,720**	30,885
Purchased gas processing services based on notional revenue charged to gas retailing activities.	Kapuni Energy Joint Venture and Kapuni Gas Treatment Plant	**8,845**	7,615
Purchased distribution services based on standard terms and conditions.	Gas Distribution Activities	**3,780**	3,640
Purchased metering services based on standard terms and conditions.	NGC Metering Limited	**589**	567
Purchased distribution services based on standard terms and conditions.	Vector Limited	**4,721**	4,583
Loan advance.	Vector Limited	**3,984**	1,044

16. INTERNATIONAL FINANCIAL REPORTING STANDARDS

A detailed disclosure on the explanation of transition to IFRSs of the Vector group's New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) is available under Note 32 of the Vector group's annual report for the year ended 30 June 2008. The restatement of comparatives under IFRS has no impact on these financial statements.

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 19 November 2008 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

19 November 2008

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 19 November 2008 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

19 November 2008

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

We, Michael Stiassny and Alison Paterson, directors of NGC Holdings Limited ("the Corporation"), certify that, having made all reasonable enquiry, to the best of our knowledge:

(a) the attached audited financial statements of the Corporation, prepared for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997, comply with the requirements of that regulation; and

(b) the attached information, being the financial performance measures, efficiency performance measures, energy delivery performance measures and statistics, and reliability performance measures in relation to the Corporation, and having been prepared for the purposes of regulations 15 to 19 of the Gas (Information Disclosure) Regulations 1997, complies with the requirements of those regulations.

Director

Date: 19 November 2008

Director

Date: 19 November 2008

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	2008 $000	2007 $000
Operating revenue		**100,499**	96,400
Gas purchases and pipeline maintenance		**(13,725)**	(14,838)
Indirect expenses		**(16,088)**	(17,905)
Operating expenditure		**(29,813)**	(32,743)
Earnings before interest, income tax, depreciation and amortisation		**70,686**	63,657
Depreciation and amortisation		**(18,643)**	(16,527)
Operating surplus before interest and income tax	1	**52,043**	47,130
Finance costs	2	**(14,367)**	(16,007)
Operating surplus before income tax		**37,676**	31,123
Income tax expense	3	**(12,101)**	(1,606)
Net surplus for the year		**25,575**	29,517

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

BALANCE SHEET
AS AT 30 JUNE 2008

	NOTE	2008 $000	2007 $000
CURRENT ASSETS			
Cash		**730**	-
Receivables and prepayments	**6**	**8,135**	5,901
Inventories		**1,479**	3,175
Total current assets		**10,344**	9,076
NON-CURRENT ASSETS			
Property, plant and equipment	**7**	**424,258**	425,136
Intangible assets	**12**	**8,619**	12,193
Total non-current assets		**432,877**	437,329
Total assets		**443,221**	446,405
CURRENT LIABILITIES			
Bank overdraft		**-**	3
Payables and accruals	**8**	**12,317**	1,849
Provisions	**9**	**2,987**	2,062
Notional borrowings	**10**	**42,980**	24,543
Income tax		**14,734**	9,559
Total current liabilities		**73,018**	38,016
NON-CURRENT LIABILITIES			
Payables and accruals	**8**	**2,130**	1,017
Notional borrowings	**10**	**136,102**	198,576
Deferred tax	**4**	**92,149**	94,549
Total non-current liabilities		**230,381**	294,142
Total liabilities		**303,399**	332,158
EQUITY			
Notional reserves	**5**	**139,822**	114,247
Total equity		**139,822**	114,247
Total equity and liabilities		**443,221**	446,405

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2008

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. Activities associated with third party services have been excluded.

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 business are detailed below.

These financial information disclosure statements for the gas transmission business activities of the Vector group 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 conjuction with the accounting policies in the Vector group annual report for the year ended 30 June 2008.

The policy to apply the avoidable cost allocation methodology (ACAM) 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 businesses and other activities of the company. Under the Gas (Information Disclosure) Regulation 1997, there is no specific requirement to apply the ACAM methodology, thus the Electricity Information Disclosure Handbook in allocating costs has been applied.

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 specific businesses.
- For any components of financial statement items that are not directly attributable to a specific business:
  - By assessing the proportions of those components which are avoidable and non-avoidable; and
  - Allocating those components amongst the businesses 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 integration costs, 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 business, are allocated to other businesses within the Vector group. Other businesses are not disclosed within these financial information disclosure statements.
Allocators are also utilised to allocate balance sheet assets and liabilities that are not directly attributable to the standalone business.

GOING CONCERN

The financial statements have been prepared on a going concern basis which the directors believe is appropriate.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2008

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of profit or loss and balance sheet items have been applied.

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 first in first out or weighted average cost basis.

E) INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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. 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 by the 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 each 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.

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.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2008

F) PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses. The costs of distribution systems, distribution land and distribution buildings forming part of property, plant and equipment at 1 July 2006, the date of transition to NZ IFRSs, are measured on the basis of deemed historic cost in accordance with the exemption available on transition under NZ IFRS 1.

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.

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.

G) IDENTIFIABLE INTANGIBLE ASSETS

Software

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

H) DEPRECIATION

Depreciation of property, plant and equipment and 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
Other plant and equipment	5 – 20
Motor Vehicles	3 – 20
Buildings	40 – 100

I) LEASED ASSETS

Finance leases

Property, plant and equipment under finance leases, where the lessee assumes substantially all the risks and rewards of ownership, 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 2008

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.

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

A provision is recognised as a liability where 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. 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 of group entities at exchange rates at the dates of the transactions unless transactions are hedged by foreign currency derivative instruments in which case hedge accounting is applied as stated in note above. 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.

CHANGES IN ACCOUNTING POLICIES

The Vector group elected to adopt 1 July 2006 as its transition date to the requirements of NZ IFRS in accordance with NZ IFRS 1, *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards.* An explanation of how the transition to NZ IFRS has affected the reported financial position and financial performance of the Vector Group is provided in detail in its annual report for the year ended 30 June 2008.

All accounting policies that applies to Vector group after transition to NZIFRS have been applied to these set of financial statements for the year ended 30 June 2008 and comparative year ended 30 June 2007.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX	2008 $000	2007 $000
Operating surplus before interest and income tax includes:		
Depreciation		
Pipelines, compressors and gate stations	**13,274**	12,053
Other plant and equipment	**1,329**	1,629
Motor vehicles	**325**	310
Buildings	**80**	321
	15,008	14,313
Audit fees	**135**	103
Directors' fees	**101**	86
Provision release	**338**	3,708
Increase in provision for doubtful debts	**187**	198
Rental and operating lease costs	**31**	96
Loss on disposal of property, plant and equipment	**177**	725
Employee benefits	**14,604**	14,383
Amortisation of software intangibles	**3,635**	2,214

2. NET FINANCE COSTS	2008 $000	2007 $000
Finance costs		
Interest expense	**14,367**	16,007

3. INCOME TAX EXPENSE	NOTE	2008 $000	2007 $000
Operating surplus before income tax		**37,676**	31,123
Tax at current rate of 33%		**12,433**	10,271
Plus/(less) tax effect of permanent differences:			
Prior period adjustment		**-**	3
Adjustment to deferred tax for change in company tax rate		**90**	(8,627)
Non-taxable income		**(129)**	(50)
Other non-deductible items		**(293)**	9
Income tax expense		**12,101**	1,606
The income tax expense is represented by:			
Current income tax		**14,733**	9,562
Deferred income tax	4	**(2,632)**	(7,956)
Total		**12,101**	1,606

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

4. DEFERRED TAX

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

2007	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at beginning of the year	(104,853)	2,489	(102,364)
On surplus for the year	197	(868)	(671)
Prior period adjustment	-	(141)	(141)
Decrease relating to change in company tax rate	8,627	-	8,627
Balance at end of the year	(96,029)	1,480	(94,549)
Deferred tax asset	-	1,480	1,480
Deferred tax liability	(96,029)	-	(96,029)
Net deferred tax (liability) / asset	(96,029)	1,480	(94,549)

The tax charge is notional, therefore no tax payments are made and as a result there are no imputation credits available.

5. NOTIONAL RESERVES

	2008 $000	2007 $000
Balance at beginning of the year	114,247	84,730
Net surplus for the year	25,575	29,517
Balance at end of the year	139,822	114,247

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

6. RECEIVABLES AND PREPAYMENTS	2008 $000	2007 $000
Current		
Trade receivables	**7,783**	6,305
Prepayments and other receivables	**787**	(156)
Provision for doubtful debts	**(435)**	(248)
Total	**8,135**	5,901

7. PROPERTY, PLANT AND EQUIPMENT 2008	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Pipelines, compressors and gate stations	**451,957**	**(48,318)**	**403,639**
Other plant and equipment	**28,604**	**(19,352)**	**9,252**
Motor vehicles	**2,083**	**(794)**	**1,289**
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**

2007	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Pipelines, compressors and gate stations	446,890	(35,044)	411,846
Other plant and equipment	25,237	(19,977)	5,260
Motor vehicles	1,822	(471)	1,351
Freehold land	431	-	431
Buildings	4,342	(1,196)	3,146
Capital work in progress	3,102	-	3,102
Total	481,824	(56,688)	425,136

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

8. PAYABLES AND ACCRUALS	2008 $000	2007 $000
Current		
Trade payables and other creditors	5,664	493
Other payable and accruals	6,653	1,356
Total	12,317	1,849
Non-current		
Finance lease	1,037	1,017
Other payables	1,093	-
Total	2,130	1,017

9. PROVISIONS	2008 $000	2007 $000
Balance at beginning of the year	2,062	6,891
Additions:		
Provision for employee entitlements	1,287	-
Other provisions	-	699
Utilised:		
Other provisions	(24)	(1,820)
Reversed to the income statement	(338)	(3,708)
Balance at end of the year	2,987	2,062

Other provisions primarily relate to commercial matters.

10. RELATED PARTY BORROWINGS

Borrowings are a notional apportionment of the Vector group debt facilities including bank loans, a working capital facility, medium term notes, capital bonds, fixed interest rate bonds, private placement senior notes and floating rate notes. All borrowings are unsecured with all bank loans and medium term notes being subject to negative pledge arrangements.

Interest cost on the borrowings has been calculated using a weighted average interest rate of 8.03% applicable to the Vector group (30 June 2007: 7.47%).

Borrowings are subject to various lending covenants. These have all been met for the years ended 30 June 2008 and 30 June 2007.

A detailed disclosure of the Vector group borrowings is reported in note 26 of the Vector group annual report for the year ended 30 June 2008.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

11. COMMITMENTS	2008 $000	2007 $000
Capital expenditure commitments		
Capital expenditure contracted for at balance date but not yet incurred	-	903
Operating lease commitments		
Within one year	**7**	35
One to five years	**14**	-
Total	**21**	35
The majority of the operating lease commitments relate to premises.		
Finance lease commitments		
One to five years	**1,180**	1,223
Total	**1,180**	1,223
Less: future finance charges	**(143)**	(206)
Present value of minimum lease payments	**1,037**	1,017
Present value of finance lease liability		
One to five years	**1,037**	1,017
Present value of minimum lease payments	**1,037**	1,017
Finance leases relate to motor vehicles with varying lease terms.		

12. INTANGIBLE ASSETS

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

2007	COST / VALUATION $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Software	27,478	(15,285)	12,193
Total	27,478	(15,285)	12,193

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A comprehensive treasury policy approved by the board of directors is used to manage the risks of financial instruments. The policy outlines the objectives and approach that will be adopted in the treasury management processes. The policy covers, among other things, management of credit risk, interest rate risk, funding risk, liquidity risk, currency risk and operational risk.

INTEREST RATE RISK

The interest rate exposure is actively managed in accordance with treasury policy. In this respect, at least forty percent of all debt must be at fixed interest rates or effectively fixed using interest rate swaps, forward rate agreements, options and other derivative instruments. The main objectives are to minimise the cost of total debt, control variations in the interest expense of the debt portfolio from year to year and to match where practicable the interest rate risk profile of debt with the risk profile of the assets. The treasury policy sets parameters for managing the interest rate maturity profile. The parameters depend upon the Standard and Poor's credit rating and the Reserve Bank of New Zealand continuing to implement monetary policy through adjustments to the official cash rate.

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, financial institutions and customers. Credit policies are in place, which are used to manage the exposure to credit risks. As part of these policies, exposures are limited to financial institutions having at least a credit rating of A+ long term from Standard & Poor's (or equivalent rating). In addition, limits on exposures to financial institutions have been set by the board of directors and are monitored on a regular basis. In this respect, credit risk is minimised by spreading such exposures across a range of institutions. Non-performance by any of these financial institutions is not anticipated.

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.

	2008 CARRYING AMOUNT $000	**2007 CARRYING AMOUNT $000**
Cash	**730**	-
Receivables and prepayments	**8,135**	5,901

LIQUIDITY RISK

Liquidity risk is the risk of difficulty in raising funds at short notice to meet financial commitments as they fall due. In order to reduce the exposure to liquidity risk, access to undrawn committed lines of credit is maintained. Cash flow reporting systems are maintained to monitor the forecast liquidity position over an outlook of five years.

The day-to-day liquidity exposure is managed by ensuring that sufficient levels of liquid assets and committed facilities are maintained for the next four to five weeks based on daily rolling operational cash flow forecasts. Short term liquidity crisis management is managed by ensuring sufficient borrowing capacity and liquid assets are available as determined from a monthly rolling 18 month cash flow forecast.

The long term liquidity exposure is managed by ensuring estimated deficits in net cash flow are able to be met as determined by the yearly rolling five year cash flow forecast.

A detailed disclosure of the financial instruments is available under Note 27 of Vector group's annual report for the year ended 30 June 2008.

14. CONTINGENT LIABILITIES

The directors are aware of claims against entities within the Vector group and, where appropriate, have recognised provisions for these within the financial statements. No other material contingencies requiring disclosure have been identified (30 June 2007: nil).

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

15. RELATED PARTY TRANSACTIONS

NATURE OF THE TRANSACTION	RELATED PARTY	2008 $000	2007 $000
Sale of transmission services based on actual revenue charged and notional revenue charged.	Gas Wholesaling Activities	**468**	316
Sale of transmission services based on actual revenue charged and notional revenue charged.	Gas Retailing Activities	**32,720**	30,885
Purchase of own use gas on standard terms and conditions.	Gas Retailing Activities	**3,280**	3,456
Operational gas swap arrangements.	Gas Wholesaling Activities	**25**	198
Purchase of mechanical services at market rates for the maintenance of export compressor based at Kapuni.	Kapuni Gas Treatment Plant	**741**	715
Debt funding	Vector Limited	**179,082**	223,119

16. INTERNATIONAL FINANCIAL REPORTING STANDARDS

A detailed disclosure on the explanation of the transition to New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) is reported in Note 32 of the Vector group annual report for the year ended 30 June 2008. The restatement of comparatives under IFRS resulted in the following adjustments:

	30 June 2007 $000
Equity under previous NZ GAAP	**137,416**
Change in deferred tax on revaluations for change in company tax rate now recorded through income statement	10,161
Change in deferred tax on revaluations for change in company tax rate recorded in equity under previous NZ GAAP reversed as it is now recorded through income statement	(7,844)
Change in deferred tax due to restatement under IFRS	(25,486)
Equity under NZ IFRS	**114,247**

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2008

	2008 NZ IFRS[1]	2007 NZ IFRS[1]	2006 Previous NZ GAAP	2005 Previous NZ GAAP
1. FINANCIAL PERFORMANCE MEASURES				
a (i) Accounting return on total assets (excluding current borrowings in working capital)	**12.3%**	11.0%	8.4%	10.1%
a (ii) Accounting return on total assets (including current borrowings in working capital)	**13.3%**	11.3%	-	-
b Accounting return on equity	**20.1%**	29.7%	4.8%	7.8%
c (i) Accounting rate of profit (excluding current borrowings in working capital)	**8.9%**	7.2%	[2]7.0%	6.4%
c (ii) Accounting rate of profit (including current borrowings in working capital)	**9.6%**	7.4%	-	-
2. EFFICIENCY PERFORMANCE MEASURES				
a Direct line costs per kilometre	**$3,170**	$3,239	$4,810	$3,880
b Indirect line costs per gas customer	**$1,149,180**	$1,119,079	$1,263,156	$997,847

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

- Software assets classified as property, plant and equipment under previous 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 a increase in the deferred liability and a corresponding decrease in equity.

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

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS
FOR THE YEAR ENDED 30 JUNE 2008

3. LOAD FACTOR

	2008			2007		
System	Gas Into System [a] (GJ p.a.)	Max. Monthly Quantity [b] (GJ/month)	Load Factor % $\frac{a \times 100}{12 \times b}$	Gas Into System [a] (GJ p.a.)	Max. Monthly Quantity [b] (GJ/month)	Load Factor % $\frac{a \times 100}{12 \times b}$
North & Central	**64,613,328**	**6,310,963**	**85.32**	56,513,361	6,043,308	77.93
Bay of Plenty	**9,763,970**	**968,670**	**84.00**	10,212,588	1,072,961	79.32
Frankley Rd – Kapuni	**24,494,371**	**2,994,545**	**68.16**	17,253,226	2,161,470	66.52
South	**10,537,176**	**1,150,918**	**76.30**	10,909,282	1,242,523	73.17
Total	**109,408,845**			**94,888,457**		

	2006			2005		
System	Gas Into System [a] (GJ p.a.)	Max. Monthly Quantity [b] (GJ/month)	Load Factor % $\frac{a \times 100}{12 \times b}$	Gas Into System [a] (GJ p.a.)	Max. Monthly Quantity [b] (GJ/month)	Load Factor % $\frac{a \times 100}{12 \times b}$
North & Central	60,848,748	5,728,319	88.52	54,227,789	5,168,202	87.44
Bay of Plenty	11,386,661	1,134,147	83.67	12,346,173	1,232,461	83.48
Frankley Rd – Kapuni	22,405,091	2,290,168	81.53	16,282,358	2,123,607	63.89
South	11,067,829	1,289,209	71.54	11,333,608	1,277,991	73.90
Total	**105,708,329**			**94,189,928**		

4. UNACCOUNTED – FOR – GAS RATIO

	2008			2007		
System	Unaccounted For Gas [a] (GJ p.a.)	Gas Into System [b] (GJ p.a.)	UFG % $\frac{a \times 100}{b}$	Unaccounted For Gas [a] (GJ p.a.)	Gas Into System [b] (GJ p.a.)	UFG % $\frac{a \times 100}{b}$
North & Central	**184,596**	**64,613,328**	**0.29**	307,339	56,513,361	0.54
Bay of Plenty	**26,763**	**9,763,970**	**0.27**	316	10,212,588	0.00
Frankley Rd – Kapuni	**(157,248)**	**24,494,371**	**(0.64)**	54,980	17,253,226	0.32
South	**32,645**	**10,537,176**	**0.31**	106,125	10,909,282	0.97
Total		**109,408,845**			**94,888,457**	

	2006			2005		
System	Unaccounted For Gas [a] (GJ p.a.)	Gas Into System [b] (GJ p.a.)	UFG % $\frac{a \times 100}{b}$	Unaccounted For Gas [a] (GJ p.a.)	Gas Into System [b] (GJ p.a.)	UFG % $\frac{a \times 100}{b}$
North & Central	257,346	60,848,748	0.42	188,530	54,227,789	0.35
Bay of Plenty	(28,235)	11,386,661	(0.25)	(114,815)	12,346,173	(0.93)
Frankley Rd – Kapuni	(33,457)	22,405,091	(0.15)	(126,023)	16,282,358	(0.77)
South	150,763	11,067,829	1.36	(10,583)	11,333,608	(0.09)
Total		**105,708,329**			**94,189,928**	

NGC HOLDINGS LIMITED
GAS TRANSMISSION ACTIVITIES

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS
FOR THE YEAR ENDED 30 JUNE 2008

5.STATISTICS

System	2008 Length (km)	2008 Max. Monthly Quantity Entering the System (GJ/month)	2008 Total Gas Conveyed (GJ p.a.)	2008 Gas Conveyed Other than for Vector (GJ p.a.)	2007 Length (km)	2007 Max. Monthly Quantity Entering the System (GJ/month)[3]	2007 Total Gas Conveyed (GJ p.a.)	2007 Gas Conveyed Other than for Vector (GJ p.a.)
North & Central	**827.0**	**6,310,963**	**64,426,662**		827.0	6,043,308	56,198,219	
Bay of Plenty	**612.2**	**968,670**	**9,736,411**		612.2	1,072,961	10,215,074	
Frankley Rd – Kapuni	**82.9**	**2,994,545**	**24,652,271**		82.9	2,161,470	17,340,118	
South	**696.5**	**1,150,918**	**10,505,779**		696.5	1,242,523	10,799,716	
Total	**2,218.6**		**109,321,123**	**81,612,482**	**2,218.6**		**94,553,127**	**69,721,189**

System	2006 Length (km)	2006 Max. Monthly Quantity Entering the System (GJ/month)	2006 Total Gas Conveyed (GJ p.a.)	2006 Gas Conveyed Other than for Vector (GJ p.a.)	2005 Length (km)	2005 Max. Monthly Quantity Entering the System (GJ/month)	2005 Total Gas Conveyed (GJ p.a.)	2005 Gas Conveyed Other than for Vector (GJ p.a.)
North & Central	827.0	5,728,319	60,584,831		827.0	5,168,202	54,048,678	
Bay of Plenty	612.2	1,134,147	11,412,230		612.2	1,232,461	12,463,630	
Frankley Rd – Kapuni	82.9	2,290,168	22,438,808		82.9	2,123,607	16,409,024	
South	696.5	1,289,209	10,910,375		696.5	1,277,991	11,353,330	
Total	**2,218.6**		**105,346,244**	**80,365,582**	**2,218.6**		**94,274,662**	**80,328,113**

	2008	2007	2006	2005
Number of Transmission Customers	**14**	16	16	16

Number of unplanned interruptions in transmission systems	2008 No.	2008 Hrs	2007 No.	2007 Hrs	2006 No.	2006 Hrs.	2005 No.	2005 Hrs
	1	**9.5**	-	-	1	1.0	1	2.5
	2	**9.0**	-	-	2	0.7	-	-
	3	**12.0**	-	-	-	-	-	-
Total Interruptions	**3**	**30.5**	**-**	**-**	**2**	**1.7**	**1**	**2.5**

[3] Restated to make it consistent with 2005 and 2006 interpretation.

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 19 November 2008 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

19 November 2008

CERTIFICATION OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, [illegible] ~~and~~ and Michael Stiassny [illegible],
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	Director
Date: 19 November 2008	Date: 19 November 2008

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	2008 $000	2007 $000
Operating revenue		**277,352**	313,427
Gas purchases		**(231,306)**	(265,743)
Indirect expenses		**(1,936)**	(2,260)
Operating expenditure		**(233,242)**	(268,003)
Earnings before interest, income tax, depreciation and amortisation		**44,110**	45,424
Depreciation and amortisation		**(199)**	(138)
Operating surplus before income tax	1	**43,911**	45,286
Income tax expense	2	**(14,493)**	(15,277)
Net surplus for the year		**29,418**	30,009

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

BALANCE SHEET
AS AT 30 JUNE 2008

	NOTE	2008 $000	2007 $000
CURRENT ASSETS			
Notional cash		**49,783**	48,158
Prepaid gas	4	**-**	4,210
Receivables and prepayments	6	**15,960**	17,882
Total current assets		**65,743**	70,250
NON-CURRENT ASSETS			
Property, plant and equipment	10	**388**	354
Intangible assets	11	**280**	140
Deferred tax	3	**1,345**	881
Total non-current assets		**2,013**	1,375
Total assets		**67,756**	71,625
CURRENT LIABILITIES			
Income tax		**14,893**	15,518
Dividend payable		**29,418**	30,009
Payables and accruals	7	**21,824**	25,998
Provisions	8	**1,521**	-
Total current liabilities		**67,656**	71,525
Total liabilities		**67,656**	71,525
EQUITY			
Notional reserves	5	**100**	100
Total equity		**100**	100
Total equity and liabilities		**67,756**	71,625

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2008

ENTITIES REPORTING

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

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 business are detailed below.

These financial information disclosure statements for the gas wholesaling business activities of the Vector group 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 group annual report for the year ended 30 June 2008.

The policy to apply the avoidable cost allocation methodology (ACAM) 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 businesses and other activities of the Vector group. Under the Gas (Information Disclosure) Regulation 1997, there is no specific requirement to apply the ACAM methodology, thus the Electricity Information Disclosure Handbook in allocating costs 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 specific businesses.
- For any components of financial statement items that are not directly attributable to a specific business:
    - By assessing the proportions of those components which are avoidable and non-avoidable; and
    - Allocating those components amongst the businesses 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 integration costs, 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, businesses have been split into two categories – businesses potentially subject to limited or no competition and businesses that operate in a competitive market. ACAM is intended to show that no more than standalone costs have been allocated to the businesses in potentially non-competitive markets. The 'not directly attributable' costs are initially allocated to the businesses potentially subject to limited or no competition. Avoided costs are allocated to incremental businesses. The gas wholesaling activities are treated as an incremental business as it operates in a competitive market.

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

GOING CONCERN

The financial statements have been prepared on a going concern basis which the directors believe is appropriate.

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2008

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of profit or loss and balance sheet items have been applied.

A) INCOME RECOGNITION

Income from the provision of gas wholesaling services is recognised as services are delivered.

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) GAS CONTRACTS AND PREPAID GAS

The gas wholesaling activities may from time to time prepay for gas and these payments may entitle the gas wholesaling activities to delivery of gas in subsequent years without further payment. Gas prepayments are capitalised as an asset and are expensed to cost of goods sold in the income statement as the prepaid gas is utilised. The amortisation rate per unit of gas is based on the amount of prepaid gas which the gas wholesaling activities expects to access over the term of the contract.

Where the gas wholesaling activities recognises an estimated liability for future obligations to provide gas at a later date, fees associated with those gas advances are amortised to the income statement over the expected life of the contract.

E) INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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. 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 by the 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 each balance date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

F) IDENTIFIABLE INTANGIBLE ASSETS

Software

Software that is not integral to the functionality of the related hardware is treated as an intangible asset. It is amortised on a straight line basis over its useful life, commencing on the date it is brought into use. Software assets which are integral to the operation of the related hardware are classified as computer equipment within property, plant and equipment. Software has 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 2008

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.

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. The costs of distribution systems, distribution land and distribution buildings forming part of property, plant and equipment at 1 July 2006, the date of transition to NZ IFRSs, are measured on the basis of deemed historic cost in accordance with the exemption available on transition under NZ IFRS 1.

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) DEPRECIATION

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

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

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

A provision is recognised as a liability where 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. Where the likelihood of a resultant liability is more than remote but insufficient to warrant a provision, such events are disclosed as contingent liabilities.

CHANGES IN ACCOUNTING POLICIES

The Vector group elected to adopt 1 July 2006 as its transition date to the requirements of NZ IFRS in accordance with NZ IFRS 1, *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards.* An explanation of how the transition to NZ IFRS has affected the reported financial position and financial performance of the Vector group is provided in detail in its annual report for the year ended 30 June 2008.

All accounting policies that applies to the Vector group after transition to NZIFRS have been applied to these financial statements for the year ended 30 June 2008 and comparative year ended 30 June 2007.

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX	2008 $000	2007 $000
Operating surplus before income tax includes:		
Audit fees	10	10
Depreciation – plant, vehicles and equipment	45	56
Operating leasing costs	42	11
Employee benefits	637	394
Amortisation of software intangibles	154	82

2. INCOME TAX	NOTE	2008 $000	2007 $000
Operating surplus before income tax		43,911	45,286
Tax at current rate of 33%		14,491	14,944
Prior period adjustment		-	162
Adjustment to deferred tax for change in company tax rate		-	128
Other		2	43
Income tax expense		14,493	15,277
Current income tax		14,893	15,280
Deferred income tax	3	(400)	(3)
Total		14,493	15,277

3. DEFERRED TAX 2008	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at the beginning of the year	(31)	912	881
Relating to current period	(5)	405	400
Prior period adjustment	-	64	64
Balance at the end of the year	(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.

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

3. DEFERRED TAX (continued)

2007	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at the beginning of the year	(26)	904	878
Decrease relating to change in company tax rate	-	(128)	(128)
Relating to current period	(5)	136	131
Balance at the end of the year	(31)	912	881
Deferred tax assets	-	912	912
Deferred tax liabilities	(31)	-	(31)
Net deferred tax (liability) / asset	(31)	912	881

4. GAS CONTRACTS AND PREPAID GAS

	2008 $000	2007 $000
Current		
Maui prepaid gas	-	4,210
Total	-	4,210

5. NOTIONAL RESERVES

	2008 $000	2007 $000
Balance at the beginning of the year	**100**	100
Net surplus for the year	**29,418**	30,009
Notional dividend declared	**(29,418)**	(30,009)
Balance at the end of the year	**100**	100

The gas wholesaling activities is not a company and therefore has no share capital. A provision has been made for a notional dividend of $29 million (30 June 2007:$30 million) payable for the current year.

6. RECEIVABLES AND PREPAYMENTS

	2008 $000	2007 $000
Current		
Trade receivables	**4,647**	4,955
Trade receivables - gas retailing activities (related party)	**9,295**	11,817
Prepayments and other receivables	**2,018**	1,110
Total	**15,960**	17,882

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

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

7. PAYABLES AND ACCRUALS	2008 $000	2007 $000
Current		
Trade payables and other creditors	**21,824**	25,998
Total	**21,824**	25,998

8. PROVISIONS	2008 $000	2007 $000
Balance at the beginning of the year	-	-
Additions:		
Provision for onerous contracts	**1,425**	-
Provision for employee entitlements	**96**	-
Balance at the end of the year	**1,521**	-

The provision for onerous contracts relates to a historic loss making contract.

9. COMMITMENTS

There is no capital expenditure committed for and not recorded in these financial statements for the year ended 30 June 2008 (30 June 2007: nil).

Operating lease commitments	2008 $000	2007 $000
Non cancellable operating lease payments are as follows:		
Within one year	**42**	17
One to five years	**69**	42
Beyond five years	-	6
Total	**111**	65

The majority of the operating lease commitments relate to premises.

10. PROPERTY, PLANT AND EQUIPMENT

2008	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Plant, vehicles and equipment	**708**	**(320)**	**388**
Total	**708**	**(320)**	**388**

2007	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Plant, vehicles and equipment	858	(504)	354
Total	858	(504)	354

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

11. INTANGIBLE ASSETS

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

2007	COST / VALUATION $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Software	551	(411)	140
Total	551	(411)	140

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A comprehensive treasury policy approved by the board of directors is used to manage the risks of financial instruments. The policy outlines the objectives and approach that will be adopted in the treasury management processes. The policy covers, among other things, management of credit risk, interest rate risk, funding risk, liquidity risk, currency risk and operational risk.

INTEREST RATE RISK

The interest rate exposure is actively managed in accordance with treasury policy. In this respect, at least forty percent of all debt must be at fixed interest rates or effectively fixed using interest rate swaps, forward rate agreements, options and other derivative instruments. The main objectives are to minimise the cost of total debt, control variations in the interest expense of the debt portfolio from year to year and to match where practicable the interest rate risk profile of debt with the risk profile of the assets. The treasury policy sets parameters for managing the interest rate maturity profile. The parameters depend upon the Standard and Poor's credit rating and the Reserve Bank of New Zealand continuing to implement monetary policy through adjustments to the official cash rate.

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, financial institutions and customers. Credit policies are in place, which are used to manage the exposure to credit risks. As part of these policies, exposures are limited to financial institutions having at least a credit rating of A+ long term from Standard & Poor's (or equivalent rating). In addition, limits on exposures to financial institutions have been set by the board of directors and are monitored on a regular basis. In this respect, credit risk is minimised by spreading such exposures across a range of institutions. Non-performance by any of these financial institutions is not anticipated.

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 large energy customers and requirement of a bond or other form of security where deemed necessary is made. Cash deposits with a small number of banking institutions are placed. There are limits to the amount deposited with each institution. The maximum exposure to credit risk is represented by the fair value of each financial instrument.

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

CREDIT RISK (continued)

	2008 CARRYING AMOUNT $000	2007 CARRYING AMOUNT $000
Notional cash	**49,783**	48,158
Receivables and prepayments	**15,960**	17,882

LIQUIDITY RISK

Liquidity risk is the risk of difficulty in raising funds at short notice to meet financial commitments as they fall due. In order to reduce the exposure to liquidity risk, access to undrawn committed lines of credit is maintained. Cash flow reporting systems are maintained to monitor the forecast liquidity position over an outlook of five years.

The day-to-day liquidity exposure is managed by ensuring that sufficient levels of liquid assets and committed facilities are maintained for the next four to five weeks based on daily rolling operational cash flow forecasts. Short term liquidity crisis management is managed by ensuring sufficient borrowing capacity and liquid assets are available as determined from a monthly rolling 18 month cash flow forecast.

The long term liquidity exposure is managed by ensuring estimated deficits in net cash flow are able to be met as determined by the yearly rolling five year cash flow forecast.

A detailed disclosure of the financial instruments is available under Note 27 of Vector group's annual report for the year ended 30 June 2008.

13. CONTINGENT LIABILITIES

The directors are aware of claims against entities within the Vector group and, where appropriate, have recognised provisions for these within the financial statements. No material contingencies requiring disclosure have been identified. (30 June 2007: nil).

14. TRANSACTIONS WITH RELATED PARTIES

NATURE OF THE TRANSACTION	RELATED PARTY	2008 $000	2007 $000
Sale of gas based on actual amounts billed and notional revenue charged based on gas wholesale's cost of gas.	Gas Retailing Activities	**249,657**	277,157
Sale of gas by products based on standard terms and conditions.	Kapuni Gas Treatment Plant	**7,482**	6,600
Purchase of gas transmission services based on notional revenue charged to gas wholesaling activities.	Gas Transmission Activities	**468**	316
Received allocation of share of the processing fees costs.	Kapuni Gas Treatment Plant	**2,242**	6,688
Operational gas swap arrangements.	Gas Transmission Activities	**25**	198

NGC HOLDINGS LIMITED
GAS WHOLESALING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

15. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

A detailed disclosure on the explanation of transition to IFRSs of the Vector group's New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) is available under Note 32 of the Vector group's annual report for the year ended 30 June 2008. The restatement of comparatives under IFRS has no impact on these financial statements.

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