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 14 November 2007 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

21 November 2007

KPMG

CERTIFICATION OF PERFORMANCE MEASURES BY AUDITOR

We have examined the attached information, being –

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

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

and having been prepared by Vector Gas Distributions (Information Disclosure) Business and dated 14 November 2007 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

21 November 2007

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

We, Bob Thomson 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: 14 November 2007

Director

Date: 14 November 2007

VECTOR LIMITED

&

NGC HOLDINGS LIMITED

(A WHOLLY OWNED SUBSIDIARY OF VECTOR LIMITED)

GAS DISTRIBUTION ACTIVITIES 2007

INFORMATION FOR DISCLOSURE

PURSUANT TO THE

GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	2007 $000	2006 $000
Operating revenue		**73,863**	67,245
Operating expenditure		**(28,531)**	(25,474)
Earnings before interest, income tax, depreciation and amortisation		**45,332**	41,771
Depreciation and amortisation		**(28,209)**	(26,714)
Operating surplus before interest and income tax	1	**17,123**	15,057
Net interest expense		**(29,951)**	(27,475)
Operating deficit before income tax		**(12,828)**	(12,418)
Income tax benefit / (expense)	2	**4,543**	(791)
Net deficit for the year		**(8,285)**	(13,209)

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2007

	NOTE	2007 $000	2006 $000
CURRENT ASSETS			
Cash		**2**	-
Receivables and prepayments	6	**8,189**	5,902
Inventories		**124**	97
Income tax		**4,066**	4,157
Capitalised finance costs		**532**	603
Total current assets		**12,913**	10,759
NON-CURRENT ASSETS			
Receivables and prepayments	6	**125**	188
Property, plant and equipment	7	**391,974**	392,456
Goodwill	8	**261,392**	277,617
Capitalised finance costs		**2,588**	2,762
Total non-current assets		**656,079**	673,023
Total assets		**668,992**	683,782
CURRENT LIABILITIES			
Payables and accruals	10	**14,878**	12,707
Borrowings	12	**20,879**	30,642
Total current liabilities		**35,757**	43,349
NON-CURRENT LIABILITIES			
Payables and accruals	10	**841**	93
Borrowings	12	**380,065**	380,065
Deferred tax	3	**65,017**	64,678
Total non-current liabilities		**445,923**	444,836
Total liabilities		**481,680**	488,185
EQUITY			
Asset revaluation reserve	5	**20,123**	20,123
Notional reserves	4	**167,189**	175,474
Total equity		**187,312**	195,597
Total equity and liabilities		**668,992**	683,782

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2007

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 is yet to adopt 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 Generally Accepted Accounting Practice. 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 are Special Purpose Financial Reports as defined in the New Zealand Institute of Chartered Accountants' "framework for differential reporting".

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 1st July 2004 and subsequent balance acquisition of 32.79% occurred at the beginning of the financial year 1st July 2005. The actual dates of initial and subsequent acquisition were 14th December 2004 and 10th 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 modified by the revaluation of certain items of property, plant and equipment as identified in specific accounting policies below.

The Vector group has adopted a policy to apply the avoidable cost allocation methodology (ACAM) described in the Electricity Information Disclosure Handbook 31 March 2004, 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 guidance provided on the cost allocation method to apply, thus Vector group has followed the Electricity Information Disclosure Handbook in allocating costs to the regulated business.

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. Vector group has adopted this approach as the Vector Auckland Gas Distribution business is subject to a provisional price control authorisation issued by the Commerce Commission (Commerce Act (Natural Gas Services) Provisional Authorisation 2005).

The costs have been allocated 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 costs 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.

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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of financial performance and financial position have been applied.

A) BASIS OF CONSOLIDATION

Subsidiaries

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

Comparatives

Where a change in the presentational format of the consolidated financial information disclosure statements has been made during the period, comparative figures have been restated accordingly.

Acquisition or disposal during the year

In accordance with the Gas (Information Disclosure) Regulations 1997, where an entity becomes or ceases to be a part of the group during the period, the results of the entity are included in the consolidated results from the date that control or significant influence ceased. When an entity is acquired all identifiable assets and liabilities are recognised at their fair value at acquisition date. The fair value does not take into consideration any future intentions by the group. Where an entity that is part of the group is disposed of, the gain or loss recognised in the statement of financial performance is calculated as the difference between the sale price and the carrying amount of the identifiable assets and liabilities and related goodwill of that entity.

Goodwill arising on acquisition

Goodwill arising on acquisition of a subsidiary or associate represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired. Goodwill is amortised to the statement of financial performance on a straight line basis over the period during which benefits are expected to be derived up to a maximum of 20 years.

Goodwill arising on acquisition of the gas distribution business of NGC Holdings Limited and United Networks Limited has been allocated from the total goodwill arising from each acquisition transaction on the basis of property, plant and equipment acquired.

Fees and other costs incurred in raising debt finance directly attributable to the acquisition are recognised as part of the cost of acquisition within goodwill and amortised on a straight line basis over a period of up to 20 years.

B) INCOME RECOGNITION

Income from the provision of gas distribution services is recognised as services are delivered. Income from customer contributions is recognised on a percentage of completion basis.

C) GOODS AND SERVICES TAX (GST)

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

D) RECEIVABLES

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

E) INVENTORIES

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

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2007

F) INCOME TAX

The income tax expense recognised for the year is based on the operating surplus before taxation, adjusted for permanent differences between accounting and tax rules.

The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax under the liability method.

A deferred tax asset, or the effect of tax losses carried forward is recognised in the financial statements only where there is the virtual certainty that the benefit of the timing differences, or losses, will be utilised within the Vector group.

G) PROPERTY, PLANT AND EQUIPMENT

The 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. All feasibility costs are expensed as incurred.

The cost of constructed property, plant and equipment includes the cost of all materials used in construction, direct labour on the project, costs of obtaining resource management consents, financing costs that are attributable to the project and an appropriate proportion of the variable and fixed overheads. Costs cease to be capitalised as soon as the property, plant and equipment is ready for productive use and do not include any inefficiency costs.

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure 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.

Distribution systems and some classes of land and buildings are revalued by independent experts. Revalued assets are valued to fair value in accordance with Financial Reporting Standard No. 3, applying a depreciated replacement cost or a discounted cash flow methodology as appropriate. Revaluations of distribution systems and distribution land and buildings are carried out at least every three years.

Other classes of property, plant and equipment are not revalued. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of financial performance. Estimated recoverable amount is the greater of the estimated amount from the future use of property, plant and equipment and its ultimate disposal, and its net market value. Annual impairment reviews are undertaken for these classes of property, plant and equipment.

H) DEPRECIATION

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

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

I) 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 statement of financial performance in equal instalments over the lease term.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

Leasehold improvements

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

J) PROVISIONS

Employee entitlements

Employee entitlements to salaries and wages, annual leave, long-service 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

Derivative financial instruments are used within predetermined policies and limits in order to manage its exposure to fluctuations in foreign currency exchange rates and interest rates.

Derivative financial instruments that are designated as hedges of specific items are recognised on the same basis as the underlying hedged items.

No speculative transactions are conducted nor are any derivative financial instruments held for trading purposes.

Fees and other costs incurred in raising debt finance not directly attributable to the acquisition of subsidiaries are capitalised and amortised over the term of the debt instrument or debt facility.

Interest income and expenses are recognised on an accrual basis. Where a debt instrument is issued at a discount or premium, the discount or premium is capitalised and amortised over the life of the instrument.

Fair value adjustments on derivative instruments acquired are initially recognised in the statement of financial position as a mark to market adjustment. Subsequent to initial recognition, the mark to market adjustment is amortised to the statement of financial performance over the period of the underlying derivative.

L) FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of the transaction. At balance date foreign monetary assets and liabilities not hedged by foreign currency derivative instruments are translated at the closing rate, and exchange variations arising from these translations are included in the statement of financial performance.

Monetary assets and liabilities in foreign currencies at balance date hedged by foreign currency derivative instruments are translated at contract rates.

CHANGES IN ACCOUNTING POLICY

All accounting policies have been applied on a basis consistent with those applied for the year ended 30 June 2006.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1. OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX	NOTE	2007 $000	2006 $000
Operating surplus before interest and income tax includes:			
Bad debts written off		4	-
Increase in provision for doubtful debts		110	28
Rental and operating lease costs		573	735
Donations		-	2
Directors' fees		73	73
Audit fees		91	81
Depreciation		11,984	10,418
Amortisation of goodwill	8	16,225	16,296

2. INCOME TAX EXPENSE		2007 $000	2006 $000
Operating deficit before income tax		(12,828)	(12,418)
Prima facie tax at 33%		(4,233)	(4,098)
Plus tax effect of permanent differences:			
Adjustment to deferred tax for change in company tax rate		(5,751)	-
Other permanent differences		5,441	4,889
Income tax (benefit) / expense		(4,543)	791
The income tax (benefit) / expense is represented by:			
Current tax		(4,882)	(4,157)
Deferred tax	3	339	4,948
Total		(4,543)	791

In May 2007, the Government changed the corporate tax rate to 30% effective from the 2008/2009 income year. In accordance with SSAP 12, the deferred tax liability has been restated, reflecting the change in corporate tax rate from 1 July 2008. As a result of the deferred tax restatement there is a reduction in the deferred tax liability of $5.7 million and a corresponding credit to income tax expense in the statement of financial performance.

3. DEFERRED TAX	2007 $000	2006 $000
Balance at beginning of the year	64,678	50,100
Prior period adjustment	-	(38)
On acquisition of NGC gas distribution business	-	(2,048)
Decrease relating to change in company tax rate	(5,751)	-
Increase on revaluation of assets	-	11,716
On net surplus for the year	6,090	4,948
Balance at end of the year	65,017	64,678

The decrease in the gas distribution business's deferred tax liability of $5.7 million resulting from the change in the corporate tax rate to 30% effective from the 2008/2009 income year is explained in Note 2 above.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

4. NOTIONAL RESERVES	2007 $000	2006 $000
Balance at beginning of the year	**175,474**	100,473
Net deficit for the year	**(8,285)**	(13,209)
Reset of equity position	**-**	88,210
Balance at end of the year	**167,189**	175,474

5. ASSET REVALUATION RESERVE	2007 $000	2006 $000
Balance at beginning of year	**20,123**	-
Movement on revaluation (net of deferred tax)	**-**	20,123
Balance at end of year	**20,123**	20,123

6. RECEIVABLES AND PREPAYMENTS	2007 $000	2006 $000
Current		
Prepayments and other receivables	**458**	230
Trade receivables	**7,855**	5,686
Provision for doubtful debts	**(124)**	(14)
Total	**8,189**	5,902
Non-current		
Other receivables	**125**	188
Total	**125**	188

7. PROPERTY, PLANT AND EQUIPMENT 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	**21,792**	**(17,427)**	**4,365**
Capital work in progress	**14,495**	**-**	**14,495**
Total	**433,208**	**(41,234)**	**391,974**

2006	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Freehold land	713	-	713
Distribution systems	381,762	(14,022)	367,740
Plant, vehicles and equipment	16,043	(12,455)	3,588
Capital work in progress	20,415	-	20,415
Total	418,933	(26,477)	392,456

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The fair value of land and buildings is considered equal to or in excess of their net book value.

As stated in the statement of accounting policies, interest and other costs are capitalised to property, plant and equipment while under construction. During the year $0.2 million (2006: $0.3 million) of interest and other costs were capitalised.

The Auckland system fixed assets were revalued to $276.5 million as at 31 March 2006 consistent with the group's accounting policy to revalue property, plant and equipment at least every three years. The basis of this valuation is the lesser of depreciated replacement cost and the estimated amount from the future use of these distribution assets. This valuation was undertaken in conjunction with the following parties:

	FIRM	*QUALIFICATION*
Eric Lucas	PricewaterhouseCoopers	CA; BA (Hons)
Lynne Taylor	PricewaterhouseCoopers	BSoc.Sci (Hons) Economics
Trevor Walker	Telfer Young Ltd	Dip Val; ANZIV; SNZPI; Registered Valuer
Jeffrey Wilson	Wilson Cook & Co Ltd	ME; BCom; CEng; FIEE; FIPENZ; MIEEE

8. GOODWILL	**2007 $000**	**2006 $000**
Balance at beginning of the year	**277,617**	204,157
Arising on acquisition of NGC gas distribution business	**-**	58,014
Prior period adjustment	**-**	31,742
Amortisation in the financial year	**(16,225)**	(16,296)
Balance at end of the year	**261,392**	277,617

Goodwill is amortised over a period up to 20 years. Goodwill arising on acquisition of the gas distribution businesses of NGC Holdings Limited and United Networks Limited has been allocated on the basis of acquired property, plant and equipment. The prior period adjustment is in respect of the amendment to the goodwill allocation methodology.

9. ACQUISITION OF SUBSIDIARY

On 14 December 2004 Vector Limited acquired a controlling 66.05% interest in NGC Holdings Limited, a company providing utility services (including gas distribution) in New Zealand. On 10 August 2005, Vector Limited acquired the remaining shares in NGC Holdings Limited it did not already own. In compliance with the provisions of the Gas (Information Disclosure) Regulations 1997, the accounts have been prepared on the basis that the initial acquisition of NGC Holdings Limited's gas distribution activities occurred at the beginning of the 2004/2005 financial year (1 July 2004) and the subsequent acquisition at beginning of the 2005/2006 financial year (1 July 2005). Goodwill arising on acquisition of the gas distribution business of NGC Holdings Limited has been allocated on the basis of acquired property, plant and equipment as at acquisition date.

10. PAYABLES AND ACCRUALS

	NOTE	2007 $000	2006 $000
Current			
Trade payables and other creditors		**10,618**	8,572
Interest payable		**3,513**	3,482
Mark to market adjustment		**-**	121
Provisions	11	**10**	-
Provision for employee entitlements		**737**	532
Total		**14,878**	12,707
Non-current			
Mark to market adjustment		**30**	39
Other payables and accruals		**811**	54
Total		**841**	93

11. PROVISIONS

	2007 $000	2006 $000
Balance at beginning of the year	**-**	1,069
Arising on acquisition of NGC gas distribution business	**-**	-
Additions	**10**	-
Utilised	**-**	(1,069)
Balance at end of the year	**10**	-

Provisions are for various commercial matters expected to be settled during the next two financial years but which could require settlement at any time.

12. BORROWINGS

Borrowings are a notional apportionment of the Vector group debt facilities including bank loans, a working capital facility, medium term notes - floating rate A$, capital bonds, fixed interest rate bonds, private placement senior notes and NZ 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 7.47% applicable to the Vector Group.

Borrowings are classified between current and non-current dependent on expected repayment dates. Borrowings are subject to various lending covenants. These have all been met for the years ended 30 June 2007 and 30 June 2006.

A detailed disclosure of the Vector group's borrowings is available under Note 29 of the Vector Group's annual report for the year ended 30 June 2007.

13. COMMITMENTS

The following amounts have been committed to but not recognised in the financial statements.

	2007 $000	2006 $000
Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date but not provided	**4,155**	1,668
Operating lease commitments		
Within one year	**987**	636
One to two years	**849**	531
Two to five years	**1,443**	1,211
Beyond five years	**277**	139
Total	**3,556**	2,517

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

14. FINANCIAL INSTRUMENTS

A comprehensive treasury policy approved by the Vector Limited 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.

A detailed disclosure of the Vector group's financial instruments is available under Note 30 of Vector group's annual report for the year ended 30 June 2007.

INTEREST RATE RISK

Interest rate exposures are 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.

FOREIGN EXCHANGE RISK

In this reporting period transactions in foreign currencies have been conducted for the purpose of protecting the NZ$ value of capital expenditure.

There are outstanding forward exchange contracts. At balance date there is no significant exposure to foreign exchange risk.

CREDIT RISK

In the normal course of business, there is exposure to credit risks from energy retailers, financial institutions and trade debtors. There are credit policies, 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 Vector 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. There is no anticipation of non-performance by any of these financial institutions.

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

Cash deposits with a small number of banking institutions are placed and limits are set for the amount deposited with each institution.

The maximum exposure to credit risk is represented by the carrying value of each financial asset.

	2007 CARRYING AMOUNT $000	2006 CARRYING AMOUNT $000
Cash and bank overdraft	**2**	-
Trade receivables	**7,730**	5,672

LIQUIDITY RISK

Liquidity risk is the risk of encountering 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 un-drawn committed lines of credit has been established.

15. 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 2006: nil).

16. TRANSACTIONS WITH RELATED PARTIES

NATURE OF THE TRANSACTION	RELATED PARTY	2007 $000	2006 $000
Vector gas distribution activities sold distribution services based on standard terms and conditions.	Gas retailing activities	**4,555**	3,842
NGC gas distribution activities sold distribution services based on standard terms and conditions.	Gas retailing activities	**3,640**	3,282
Vector gas distribution purchased telecommunication services based on standard terms and conditions.	Vector Communications Limited	**-**	200

17. INTERNATIONAL FINANCIAL REPORTING STANDARDS

A detailed disclosure of the Vector group's New Zealand equivalents to International Financial Reporting standards (NZ IFRS) transition management, impacts on transition to NZ IFRS, significant changes in accounting policies on transition to NZ IFRS and exemptions taken on transition to NZ IFRS is available under Note 34 of the Vector group's annual report for the year ended 30 June 2007.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006	[1]2005	[2]2004
1 Financial performance measures				
a (i) Accounting return on total assets (including current borrowings in working capital)[3]	**4.70%**	5.09%	7.84%	5.85%
a (ii) Accounting return on total assets (excluding current borrowings in working capital) [3]	**4.39%**	4.07%	6.39%	5.71%
b Accounting return on equity	**(4.33%)**	(8.50%)	(13.25%)	(8.15%)
c (i) Accounting rate of profit (including current borrowings in working capital) [3]	**1.97%**	[4]13.48%	2.51%	3.12%
c (ii) Accounting rate of profit (excluding current borrowing from working capital) [3]	**1.84%**	[5]10.64%	2.05%	3.05%
2 Efficiency performance measures				
a Direct line costs per kilometre	**$755**	$846	$917	$1,041
b Indirect line costs per gas customer	**$134**	$155	$140	$174

[1] Consolidation of Vector and NGC pipeline disclosure data from 2005. Prior period disclosures do not include NGC data.

[2] UnitedNetworks Limited was amalgamated with Vector Limited on 1 July 2004.

[3] 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.

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

[5] Accounting rate of profit (excluding current borrowings from working capital) is 1.59% before revaluation.

VECTOR LIMITED & SUBSIDIARIES
GAS DISTRIBUTION ACTIVITIES

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS
FOR THE YEAR ENDED 30 JUNE 2007

		2007	2006	[6]2005	[7]2004
3	**Energy delivery efficiency performance measures**				
	Load factor	**78.09%**	79.10%	79.99%	76.11%
	Unaccounted-for gas ratio	**1.41%**	1.36%	1.29%	2.31%
4	**Statistics**				
	System length (km)	[8]**9,756**	[8]9,358	[8]7,956	4,910
	Maximum monthly amount of gas entering the systems (GJ)	**2,383,459**	2,425,448	2,481,916	1,310,442
	Total annual amount of gas conveyed through the systems (GJ)	**22,335,868**	23,022,375	23,823,990	11,968,419
	Total annual amount of gas conveyed through the systems for persons not in a prescribed business relationship (GJ)	**10,507,493**	9,983,381	15,324,017	11,953,148
	Total (number of) customers	**140,872**	136,769	132,527	70,637

RELIABILITY PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2007

		2007	2006	[6]2005	[7]2004
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)	**0.0036**	0.0038	0.0013	0.0020
	Unplanned distribution system interruptions related to transmission system interruptions (hours/customer)	-	-	-	-

[6] Consolidation of Vector and NGC pipeline disclosure data from 2005. Prior period disclosures do not include NGC data.

[7] UnitedNetworks Limited was amalgamated with Vector Limited on 1 July 2004.

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