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 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

CERTIFICATION OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, Bob Thomson and Alison Paterson,
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: 14 November 2007

Director

Date: 14 November 2007

NGC HOLDINGS LIMITED

(A WHOLLY OWNED SUBSIDIARY OF VECTOR LIMITED)

GAS RETAILING ACTIVITIES 2007

INFORMATION FOR DISCLOSURE

PURSUANT TO THE

GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	2007 $000	2006 $000
Operating revenue		**352,012**	206,435
Operating expenditure		**(328,842)**	(144,425)
Earnings before interest, income tax, depreciation and amortisation		**23,170**	62,010
Depreciation and amortisation		**(195)**	(48)
Operating surplus before interest and income tax	**1**	**22,975**	61,962
Net Interest expense		**(78)**	-
Operating surplus before income tax		**22,897**	61,962
Income tax expense	**2**	**(7,559)**	(20,453)
Net surplus for the year		**15,338**	41,509

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2007

	NOTE	2007 $000	2006 $000
CURRENT ASSETS			
Notional cash		-	1,554
Receivables and prepayments	5	36,472	23,322
Total current assets		36,472	24,876
NON-CURRENT ASSETS			
Property, plant and equipment	9	639	83
Deferred tax	3	16	522
Total non-current assets		655	605
Total assets		37,127	25,481
CURRENT LIABILITIES			
Bank overdraft and short term loans		1,388	1,264
Notional borrowings	13	1,044	-
Dividend payable		15,338	-
Income tax		7,053	20,798
Payables and accruals	6	12,204	3,319
Total current liabilities		37,027	25,381
Total liabilities		37,027	25,381
EQUITY			
Notional reserves	4	100	100
Total equity		100	100
Total equity and liabilities		37,127	25,481

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2007

REPORTING ENTITIES

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

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.

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 group. Under the Gas (Information Disclosure) Regulation 1997, there is no specific guidance provided on the cost allocation method to apply, thus the Vector group has followed the Electricity Information Disclosure Handbook in allocating costs.

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.

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 this is a competitive market.

All costs 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 (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) 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.

B) INCOME RECOGNITION

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

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 basis or weighted average cost basis.

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.

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.

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.

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 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 statement of financial performance over its useful economic life.

Plant, vehicles and equipment	3 – 40 years

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.

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

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.

CHANGES IN ACCOUNTING POLICIES

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

NGC HOLDINGS LIMITED
GAS RETAILING 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:			
Depreciation – plant, vehicles and equipment		**195**	48
Audit fees		**28**	28
Interest expense		**78**	-
Operating leasing costs		**11**	29
Provision release		**(1,200)**	(522)
Movement in provision for doubtful debts		**(321)**	375
Loss on disposal of property, plant and equipment		**3**	-

2. INCOME TAX EXPENSE		2007 $000	2006 $000
Operating surplus before income tax		**22,897**	61,962
Prima facie tax at 33%		**7,556**	20,448
Plus tax effect of permanent differences:			
Prior period adjustment		**-**	1
Other permanent differences		**3**	4
Income tax expense		**7,559**	20,453
The income tax expense is represented by:			
Current tax		**7,053**	20,798
Deferred tax	3	**506**	(345)
Total		**7,559**	20,453

3. DEFERRED TAX	2007 $000	2006 $000
Balance at the beginning of the year	**(522)**	(177)
On net surplus for the year	**506**	(345)
Balance at the end of the year	**(16)**	(522)

4. NOTIONAL RESERVES	2007 $000	2006 $000
Balance at the beginning of the year	**100**	14,894
Net surplus for the year	**15,338**	41,509
Notional dividend declared	**(15,338)**	(41,509)
Reset of equity position	**-**	(14,794)
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 $15.3 million payable for the current year.

5. RECEIVABLE AND PREPAYMENTS

	NOTE	2007 $000	2006 $000
Current			
Trade receivables		**36,472**	23,322
Total		**36,472**	23,322

6. PAYABLES AND ACCRUALS

		2007 $000	2006 $000
Current			
Trade payables and other creditors		**12,204**	2,119
Provisions	7	**-**	1,200
Total		**12,204**	3,319

7. PROVISIONS

	2007 $000	2006 $000
Balance at the beginning of the year	**1,200**	522
Additions	**-**	1,200
Reversed to the statement of financial performance	**(1,200)**	(522)
Balance at the end of the year	**-**	1,200

8. COMMITMENTS

There is no capital expenditure committed but not recorded in these financial statements for the year ended 30 June 2007 (30 June 2006: Nil).

Operating Lease Commitments	2007 $000	2006 $000
Non cancellable operating lease rentals are payable as follows:		
Within one year	6	31
One to two years	-	25
Two to five years	-	14
Beyond five years	-	-
Total	6	70

The majority of the operating lease commitments relate to premises leases.

9. PROPERTY, PLANT AND EQUIPMENT

2007	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Plant, vehicles, equipment	1,869	(1,230)	639
Total	1,869	(1,230)	639

2006	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Plant, vehicles, equipment	329	(246)	83
Total	329	(246)	83

The corporate non-system fixed assets have been allocated to the gas retailing activities in 2007. These assets were not allocated in 2006 but their use was charged to the business by way of a management fee.

10. FINANCIAL INSTRUMENTS

A comprehensive treasury policy approved by the Vector board of directors is used to manage the risks of financial instruments. The policy outlines the objectives and approach that are 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 Vector group's financial instruments is available under Note 30 of the 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.

10. FINANCIAL INSTRUMENTS (CONTINUED)

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	-	1,554
Trade receivables	36,472	23,322

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.

11. 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 2006: nil).

12. RELATED PARTY 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.

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

13. TRANSACTIONS WITH RELATED PARTIES

NATURE OF THE TRANSACTION	RELATED PARTY	2007 $000	2006 $000
Sold gas based on standard terms and conditions.	Kapuni Energy Joint Venture	6,381	5,968
Sold fuel gas on standard terms and conditions.	Kapuni Gas Treatment Plant	3,445	3,086
Sold gas for use in the compressors and line heaters on standard terms and conditions.	Gas Transmission Activities	3,456	3,279
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	277,157	101,087
Purchased gas transmission services based on actual revenue charged and notional revenue charged to gas retailing activities.	Gas Transmission Activities	30,885	30,591
Purchased gas processing services based on notional revenue charged to gas retailing activities.	Kapuni Energy Joint Venture and Kapuni Gas Treatment Plant	7,615	182
Purchased distribution services based on standard terms and conditions.	Gas Distribution Activities	3,640	3,282
Purchased metering services based on standard terms and conditions.	NGC Metering Limited	567	1,028
Purchased distribution services based on standard terms and conditions.	Vector Limited	4,555	3,842
Loan advance	Vector Limited	1,044	-

14. 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.