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 23 November 2009 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulation 1997.

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

KPMG

KPMG

23 November 2009

CERTIFICATION OF FINANCIAL STATEMENTS DISCLOSED BY DIRECTORS OF THE CORPORATION

We, JAMES BRUCE MILLER and ANTONY JOHN CARTER, 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: 23 November 2009

Director

Date: 23 November 2009

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

GAS RETAILING ACTIVITIES 2009

INFORMATION FOR DISCLOSURE

PURSUANT TO THE
GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 $000	2008 $000
Operating revenue		**256,923**	318,383
Gas purchases, transmission and network charges		**(249,242)**	(305,062)
Other expenses		**(952)**	(1,999)
Operating expenditure		**(250,194)**	(307,061)
Earnings before interest, income tax, depreciation and amortisation (EBITDA)		**6,729**	11,322
Depreciation and amortisation		**(373)**	(203)
Operating surplus before interest and income tax	1	**6,356**	11,119
Finance costs	2	**(1,447)**	(528)
Operating surplus before income tax		**4,909**	10,591
Income tax expense	3	**(1,343)**	(3,497)
Operating surplus		**3,566**	7,094

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

BALANCE SHEET
AS AT 30 JUNE 2009

	NOTE	2009 $000	2008 $000
CURRENT ASSETS			
Trade receivables	6	29,821	30,990
Total current assets		29,821	30,990
NON-CURRENT ASSETS			
Property, plant and equipment	10	315	487
Intangible assets	11	602	264
Deferred tax	4	6	54
Total non-current assets		923	805
Total assets		30,744	31,795
CURRENT LIABILITIES			
Bank overdraft		-	1,440
Notional borrowings	14	-	957
Dividend payable		3,566	7,094
Income tax		1,138	3,535
Payables and accruals	7	8,722	9,628
Provisions	8	89	6,013
Total current liabilities		13,515	28,667
Notional borrowings	14	17,129	3,028
Total non-current liabilities		17,129	3,028
Total liabilities		30,644	31,695
EQUITY			
Notional reserves	5	100	100
Total equity		100	100
Total equity and liabilities		30,744	31,795

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

ENTITIES REPORTING

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

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 activities are detailed below.

These financial information disclosure statements for the gas retailing activities 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 Limited's annual report for the year ended 30 June 2009.

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

Allocations have been carried out on the following basis:

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

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

In applying the principles of ACAM, activities have been split into two categories – activities potentially subject to limited or no competition and activities that operate in a competitive market. ACAM is intended to show that no more than the standalone costs have been allocated to the activities in potentially non-competitive markets. The 'not directly attributable' costs are initially allocated to the activities potentially subject to limited or no competition, any residual costs i.e. avoided costs are allocated to incremental activities. The gas retailing activities are treated as an incremental activity as it operates in a competitive market.

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

GOING CONCERN

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

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

SIGNIFICANT ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of operating surplus and balance sheet items have been applied consistently to all periods presented in the financial statements.

A) REVENUE

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

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 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. Movements in deferred tax assets and liabilities are recognised within tax expense in the income statement unless the temporary difference initially arose in equity or the difference resulted from application of ACAM to balance sheet items in which case the movement is then recognised as an adjustment in equity and / or borrowings against the item to which the temporary difference relates.

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

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

E) IDENTIFIABLE INTANGIBLE ASSETS

Software

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

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 that is owned.

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

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

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

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

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

G) DEPRECIATION

Depreciation of property, plant and equipment 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
Plant, vehicles and equipment	3 – 40 years

H) LEASED ASSETS

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.

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.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2009

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) PROVISIONS (CONTINUED)

Other provisions

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

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

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

J) IMPAIRMENT

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

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

Impairment of receivables

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

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

Impairment of non-financial assets

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

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

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

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

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

NEW STANDARDS EARLY-ADOPTED

Refer to the accounting policies in Vector Limited's annual report for the year ended 30 June 2009 for detailed information.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 23 November 2009.

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX	2009 $000	2008 $000
Operating surplus before interest and income tax includes:		
Audit fees	28	28
Depreciation of plant, vehicles and equipment	159	58
Operating leasing costs	47	38
Employee benefits	1,124	539
Amortisation of software intangibles	214	145
(Decrease) / increase in provisions	(5,924)	5,926
(Decrease) / increase in provision for doubtful debt	(538)	499

2. NET FINANCE COSTS	2009 $000	2008 $000
Finance costs		
Interest expense	1,447	528

3. INCOME TAX EXPENSE	NOTE	2009 $000	2008 $000
Operating surplus before income tax		4,909	10,591
Tax at current rate of 30% (2008:33%)		1,473	3,495
Prior period adjustment		(132)	-
Other		2	2
Income tax expense		1,343	3,497
Current income tax		1,295	3,535
Deferred income tax	4	48	(38)
Total		1,343	3,497

4. DEFERRED TAX 2009	PROPERTY, PLANT AND EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TOTAL $000
Balance at the beginning of the period	(23)	77	54
Amounts recognised in the income statement:			
Relating to current period	(130)	(206)	(336)
Prior period adjustment recognised in the current period	95	193	288
Balance at the end of the period	(58)	64	6
Deferred tax assets	-	64	64
Deferred tax liabilities	(58)	-	(58)
Net deferred tax (liability) / asset	(58)	64	6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

4. DEFERRED TAX (continued)

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

5. NOTIONAL RESERVES

	2009 $000	2008 $000
Balance at the beginning of the period	**100**	100
Net surplus for current period	**3,566**	7,094
Notional dividend declared	**(3,566)**	(7,094)
Balance at the end of the period	**100**	100

A provision has been made for a notional dividend of $3.6 million (30 June 2008: $7.1 million) payable for the current year.

6. TRADE RECEIVABLES

	2009 $000	2008 $000
Current		
Trade receivables	**29,921**	31,628
Provision for doubtful debts	**(100)**	(638)
Total	**29,821**	30,990

7. PAYABLES AND ACCRUALS

	2009 $000	2008 $000
Current		
Trade payables – NGC gas wholesaling activities (related party)	**7,967**	9,295
Other trade payables and creditors	**508**	333
Interest payable	**247**	-
Total	**8,722**	9,628

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

8. PROVISIONS	2009 $000	2008 $000
Balance at the beginning of the period	6,013	-
Increase of provision for employee entitlements	2	87
(Decrease) / increase of other provisions	(5,926)	5,926
Balance at the end of the period	89	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 2009 (30 June 2008: nil).

Operating lease commitments	2009 $000	2008 $000
Non cancellable operating lease payments are as follows:		
Within one year	53	38
One to five years	37	63
Total	90	101

The majority of the operating lease commitments relate to premises.

10. PROPERTY, PLANT AND EQUIPMENT

2009	COST $000	ACCUMULATED DEPRECIATION $000	CARRYING AMOUNT $000
Plant, vehicles and equipment	880	(565)	315
Total	880	(565)	315

2008	COST $000	ACCUMULATED DEPRECIATION $000	CARRYING AMOUNT $000
Plant, vehicles and equipment	790	(303)	487
Total	790	(303)	487

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

11. INTANGIBLE ASSETS

2009	COST $000	ACCUMULATED AMORTISATION $000	CARRYING AMOUNT $000
Software	1,873	(1,271)	602
Total	1,873	(1,271)	602

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

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FOREIGN EXCHANGE RISK

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

CREDIT RISK

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

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

	2009 CARRYING AMOUNT $000	2008 CARRYING AMOUNT $000
Trade receivables	29,821	30,990

13. CONTINGENT LIABILITIES

Claims against the gas retailing activities, where appropriate, have been recognised and disclosed within provisions. No other material contingencies requiring disclosure have been identified (30 June 2008: nil).

NGC HOLDINGS LIMITED
GAS RETAILING ACTIVITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

14. RELATED PARTY BORROWINGS

Borrowings are a notional loan from Vector Limited.

The interest cost on the borrowings has been calculated using a weighted average interest rate of 7.72% (30 June 2008: 8.03%) applicable to the Vector group borrowings.

15. TRANSACTIONS WITH RELATED PARTIES

NATURE OF THE TRANSACTION	RELATED PARTY	2009 $000	2008 $000
Sold gas based on standard terms and conditions.	Kapuni Energy Joint Venture	**-**	6,126
Sold gas based on standard terms and conditions.	Vector Kapuni Limited	**8,667**	-
Sold gas based on standard terms and conditions.	Kapuni Gas Treatment Plant	**1,044**	1,620
Sold gas for use in the compressors and line heaters based on standard terms and conditions.	Gas Transmission Activities	**3,798**	3,280
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	**199,442**	249,657
Purchased gas transmission services based on standard terms and conditions.	Gas Transmission Activities	**29,160**	32,720
Purchased gas processing services based on notional revenue charged to gas retailing activities.	Kapuni Gas Treatment Plant	**6,131**	8,845
Purchased distribution services based on standard terms and conditions.	Gas Distribution Activities	**4,198**	3,780
Purchased metering services based on standard terms and conditions.	NGC Metering Limited	**596**	589
Purchased distribution services based on standard terms and conditions.	Vector Limited	**4,506**	4,721
Loan advance	Vector Limited	**17,129**	3,985

(Transmission and distribution services charges are paid to related parties at the time of billing.)