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

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

(A WHOLLY OWNED SUBSIDIARY OF
VECTOR LIMITED)

GAS TRANSMISSION ACTIVITIES 2008

INFORMATION FOR DISCLOSURE

PURSUANT TO THE
GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

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.

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.

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.

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.

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

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

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.

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.

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).

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.

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3. LOAD FACTOR

System	2008 Gas Into System [a] (GJ p.a.)	2008 Max. Monthly Quantity [b] (GJ/month)	2008 Load Factor % a x 100 / 12 x b	2007 Gas Into System [a] (GJ p.a.)	2007 Max. Monthly Quantity [b] (GJ/month)	2007 Load Factor % a x 100 / 12 x 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**		

System	2006 Gas Into System [a] (GJ p.a.)	2006 Max. Monthly Quantity [b] (GJ/month)	2006 Load Factor % a x 100 / 12 x b	2005 Gas Into System [a] (GJ p.a.)	2005 Max. Monthly Quantity [b] (GJ/month)	2005 Load Factor % a x 100 / 12 x 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

System	2008 Unaccounted For Gas [a] (GJ p.a.)	2008 Gas Into System [b] (GJ p.a.)	2008 UFG % a x 100 / b	2007 Unaccounted For Gas [a] (GJ p.a.)	2007 Gas Into System [b] (GJ p.a.)	2007 UFG % a x 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**	

System	2006 Unaccounted For Gas [a] (GJ p.a.)	2006 Gas Into System [b] (GJ p.a.)	2006 UFG % a x 100 / b	2005 Unaccounted For Gas [a] (GJ p.a.)	2005 Gas Into System [b] (GJ p.a.)	2005 UFG % a x 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**	

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5.STATISTICS

	2008				2007			
System	Length (km)	Max. Monthly Quantity Entering the System (GJ/month)	Total Gas Conveyed (GJ p.a.)	Gas Conveyed Other than for Vector (GJ p.a.)	Length (km)	Max. Monthly Quantity Entering the System (GJ/month)[3]	Total Gas Conveyed (GJ p.a.)	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**

	2006				2005			
System	Length (km)	Max. Monthly Quantity Entering the System (GJ/month)	Total Gas Conveyed (GJ p.a.)	Gas Conveyed Other than for Vector (GJ p.a.)	Length (km)	Max. Monthly Quantity Entering the System (GJ/month)	Total Gas Conveyed (GJ p.a.)	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

	2008		2007		2006		2005	
Number of unplanned interruptions in transmission systems	**No.**	**Hrs**	**No.**	**Hrs**	**No.**	**Hrs.**	**No.**	**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.