



# New Zealand Gazette

OF THURSDAY, 27 NOVEMBER 2003

---

WELLINGTON: FRIDAY, 28 NOVEMBER 2003 — ISSUE NO. 163

---

## UNITEDNETWORKS LIMITED

### INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION  
DISCLOSURE) REGULATIONS 1997

# **UnitedNetworks Limited**

**Gas Information Disclosure Number 10  
20 November 2003**

**Financial Statements Disclosure  
Performance Measures & Statistics Disclosure**

**For the period 1 January 2003 to 30 June 2003**

***pursuant to***

**The Gas (Information Disclosure) Regulations 1997**

<b>CONTENTS</b>
-----------------

FORM 5:	STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND INFORMATION SUPPLIED TO SECRETARY OF COMMERCE
FORM 1:	CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS
FORM 2:	CERTIFICATION OF PERFORMANCE MEASURES BY AUDITOR
FORM 4:	CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY PIPELINE OWNERS OTHER THAN THE CORPORATION

**1. INTRODUCTION AND INTERPRETATION****2. FINANCIAL STATEMENTS: Regulations 6 - 7**

- 2.1 STATEMENT OF FINANCIAL PERFORMANCE
- 2.2 STATEMENT OF FINANCIAL POSITION
- 2.3 STATEMENT OF ACCOUNTING POLICIES
- 2.4 NOTES TO THE FINANCIAL STATEMENTS

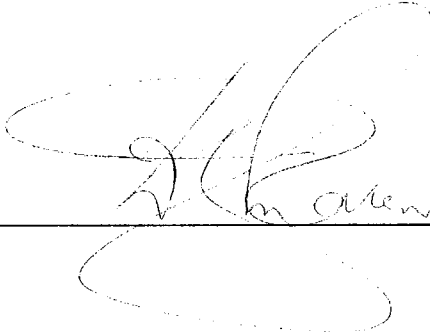
**3. PERFORMANCE MEASURES AND STATISTICS: Regulations 15 - 19**

- 3.1 FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES
- 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS
- 3.3 RELIABILITY PERFORMANCE MEASURES

**FORM 5: STATUTORY DECLARATION IN RESPECT OF STATEMENTS  
AND INFORMATION SUPPLIED TO SECRETARY OF  
COMMERCE**


I, Donald McLaren, of Auckland, being a director of Vector Limited<sup>1</sup>, solemnly and sincerely declare that, having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public under the Gas (Information Disclosure) Regulations 1997.

And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the Oaths and Declarations Act 1957.



---

Declared at Newmarket this 20th day of November 2003.



---

Sarah Katherine Hope  
Solicitor

<sup>1</sup> UnitedNetworks Limited was amalgamated with Vector Limited on 1 July 2003.

**FORM 1: CERTIFICATION BY AUDITOR IN RELATION TO  
FINANCIAL STATEMENTS**

We have examined the attached financial statements prepared in relation to UnitedNetworks Limited and dated 30 June 2003 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 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

20 November 2003


**FORM 2: 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 that Schedule, -

and having been prepared in relation to UnitedNetworks Limited and dated 30 June 2003 for the purposes of regulation 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

20 November 2003

**FORM 4: CERTIFICATION OF FINANCIAL STATEMENTS,  
PERFORMANCE MEASURES, AND STATISTICS  
DISCLOSED BY PIPELINE OWNERS OTHER THAN THE  
CORPORATION**

We, Donald McLaren and Wayne Boyd, directors of Vector Limited<sup>1</sup>, certify that, having made all reasonable enquiry, to the best of our knowledge, -

a) The attached audited financial statements of UnitedNetworks Limited, 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 UnitedNetworks Limited, 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

20 November 2003



Director

20 November 2003

<sup>1</sup> UnitedNetworks Limited was amalgamated with Vector Limited on 1 July 2003.

**1. INTRODUCTION AND INTERPRETATION**

- 1.1 UnitedNetworks Limited amalgamation with Vector Limited.
- 1.1.1 On 11 October 2002 Vector Limited acquired a controlling interest in UnitedNetworks Limited. The acquisition of 100% of United Networks Limited by Vector Limited was completed on 15 November 2002.
- 1.1.2 In November 2002 UnitedNetworks sold its Central North Island gas networks to PowerCo Limited.
- 1.1.3 On 1 July 2003 UnitedNetworks Limited was amalgamated with Vector Limited.
- 1.2 This document contains certain material required to be disclosed by UnitedNetworks Limited under Regulations 6 and 7, 15 to 19 and 22 of the Gas (Information Disclosure) Regulations 1997.
- 1.3 The information in this document was prepared by UnitedNetworks Limited after making all reasonable enquiry and to the best of its knowledge, the information complies with all relevant requirements of the Gas (Information Disclosure) Regulations 1997.
- 1.4 The information in this document is not intended by UnitedNetworks Limited to constitute an offer of services to the public.
- 1.5 The information is available on request at: -  
101 Carlton Gore Road  
Newmarket  
Auckland  
  
And on the Internet at: -  
<http://www.vectornetworks.co.nz>
- 1.6 In this document, words and expressions have the meaning given to them in the Gas(Information Disclosure)Regulations 1997 or the Gas Act 1992, unless otherwise specified.
- 1.7 For the purpose of this disclosure:
- "Disclosure date"* means 30 June 2003  
*"UnitedNetworks"* means UnitedNetworks Limited  
*"Electricity lines"* means the electricity lines business of UnitedNetworks  
*"Gas lines"* means the gas lines business of UnitedNetworks  
*"Lines"* means the electricity and gas lines business of UnitedNetworks  
*"Other"* means any part of UnitedNetworks, which is not the electricity lines or gas lines businesses  
*"The company"* means UnitedNetworks  
*"Financial period"* means from 1 January 2003 to 30 June 2003(6 months due to change in financial year end)



**2. FINANCIAL STATEMENTS: Regulations 6 - 7****2.1 STATEMENT OF FINANCIAL PERFORMANCE  
For the six months ended 30 June 2003**

		<b>6 months to 30 June 2003</b>	<b>12 months to 31 Dec 2002</b>
	<b>Notes</b>	<b>(\$000)</b>	<b>(\$000)</b>
Revenue	1,3	<b>21,095</b>	<b>75,397</b>
Expenditure	4	<b>(21,681)</b>	<b>(69,328)</b>
<b>Net profit / (loss) before taxation</b>		<b>(586)</b>	<b>6,069</b>
Taxation expense	5	<b>1,162</b>	<b>1,786</b>
<b>Net profit / (loss) for period</b>	13	<b>(1,748)</b>	<b>4,283</b>

## 2.2 STATEMENT OF FINANCIAL POSITION

### As at 30 June 2003

	Notes	As at 30 Jun 2003 (\$000)	As at 31 Dec 2002 (\$000)
<b>CURRENT ASSETS</b>			
Accounts receivable	6	875	2,555
<b>Total current assets</b>		<b>875</b>	<b>2,555</b>
<b>NON-CURRENT ASSETS</b>			
Term prepayments		4,752	4,251
Property, plant and equipment	7	219,536	163,470
Goodwill	8	148,392	152,822
Provision for tax	5	14,940	16,102
<b>Total non-current assets</b>		<b>387,620</b>	<b>336,645</b>
<b>TOTAL ASSETS</b>		<b>388,495</b>	<b>339,200</b>
<b>CURRENT LIABILITIES</b>			
Bank overdraft		57	105
Accounts payable	9	6,636	7,983
<b>Total current liabilities</b>		<b>6,693</b>	<b>8,088</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax	5	30,606	16,228
Borrowings	11	312,545	313,776
<b>Total non-current liabilities</b>		<b>343,151</b>	<b>330,004</b>
<b>Total liabilities</b>		<b>349,844</b>	<b>338,092</b>
<b>EQUITY</b>			
Share capital		-	-
Asset revaluation reserve	12	39,291	-
Retained earnings	13	(640)	1,108
<b>Total equity</b>		<b>38,651</b>	<b>1,108</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>388,495</b>	<b>339,200</b>

## 2.3 STATEMENT OF ACCOUNTING POLICIES

### **Special purpose financial statements**

The reporting entity is UnitedNetworks Limited.

These financial statements are prepared pursuant to UnitedNetworks obligations under the Gas (Information Disclosure) Regulations 1997. They are in addition to the company's financial statements published pursuant to the company's obligations under the Companies Act 1993 and the Financial Reporting Act 1993.

These financial statements are prepared for the six month period 1 January 2003 to 30 June 2003 as a result of the change in UnitedNetworks financial year end from 31 December to 30 June. Future disclosures will be for the 12 month period of 1 July to 30 June.

UnitedNetworks has followed the avoidable cost allocation methodology stipulated in the Electricity Information Disclosure Handbook issued on 30<sup>th</sup> June 2000 for allocating costs between Electricity, Gas and other activities.

### **General accounting policies**

The general accounting policies as recommended by the Institute of Chartered Accountants of New Zealand for the measurement and reporting of financial performance and financial position, under the historical costs method as modified by revaluation of certain assets, have been followed by the company. The reporting currency is New Zealand dollars.

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

### **Specific accounting policies**

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

#### ***Income Recognition***

Income from the provision of utility services is recognised as services are delivered. Interest and rental income is accounted for as earned. Income from capital contributions is typically recognised on an as-invoiced or percentage of completion basis to match the conditions of the contract.

#### ***Income tax***

The income tax expense recognised for the period 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 losses carried forward that exceed the deferred tax liability, 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.

#### ***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 self-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.

## 2.3 STATEMENT OF ACCOUNTING POLICIES *continued*

Distribution systems and some land and buildings are revalued by independent experts on the basis of depreciated replacement cost, while land and buildings are valued by reference to market information. Valuations are performed based on highest and best use in accordance with New Zealand Financial Reporting Standard No. 3. 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 asset's future use and ultimate disposal, and its net market value.

Annual impairment reviews are undertaken for all property, plant and equipment not subject to revaluations.

Revaluations of distribution systems and distribution land and buildings are carried out at least every three years.

### ***Depreciation***

Depreciation of property, plant and equipment, other than freehold land, has been calculated so as to expense the assets cost, or the valuation, less estimated residual value, over their estimated useful lives as follows:

Freehold buildings	50– 100 years (straight line)
Distribution systems	15 – 70 years (straight line)
Plant, vehicles and equipment	3 - 10 years (straight line)

### ***Financial instruments***

UnitedNetworks uses derivative financial instruments within predetermined policies and limits in order to reduce 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.

UnitedNetworks does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

Fees incurred in raising debt finance are capitalised and amortised over the term of the debt instrument.

### ***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 as operating items.

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

### ***Leased assets***

#### ***Finance leases***

Property, plant and equipment under finance leases are recognised as non-current assets in the statement of financial position. 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 allocated between the liability and the interest expense. Leased property, plant and equipment are depreciated on the same basis as equivalent property, plant equipment.

#### ***Operating leases***

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment, are included in the determination of the surplus or deficit in equal instalments over the lease term.

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

### ***Goodwill***

Goodwill on acquisition of businesses is amortised on a straight-line basis over the period of expected benefit or 20 years, whichever is the lesser, subject to impairment review by the directors on an annual basis.

## **2.3 STATEMENT OF ACCOUNTING POLICIES continued**

### ***Accounts receivable***

Accounts receivable are stated at estimated realisable value after providing against debts where collection is doubtful.

### ***Provisions***

### ***Employee entitlements***

Employee entitlements to salaries and wages, annual leave, long-term leave and other benefits are recognised when they accrue to employees.

The liability for employee entitlements is carried at the present value of the estimated future cash outflows.

### ***Changes in Accounting policies***

### ***Plant and equipment***

The Financial Standards Reporting Board recently issued a new standard FRS 3 Accounting for property, plant and equipment. Revaluations have been stated at highest and best use without deducting disposal costs. Previously revaluations were prepared on the basis of current use. The effect of applying this standard has been to increase the Gas revaluation of property, plant and equipment by \$39.3 million.

With the exception of the above change there have been no changes in accounting policies during the period and all policies have been applied on a basis consistent with those used in the prior period.

### ***Financial Year***

UnitedNetworks financial year end has changed from 31 December to 30 June. To bring reporting into line with the new financial year end this disclosure is for the six month period of 1 January 2003 to 30 June 2003.

Future disclosures will be for the twelve month period 1 July to 30 June.

## 2.4 NOTES TO THE FINANCIAL STATEMENTS

	6 months to 30 Jun 2003 (\$000)	12 months to 31 Dec 2002 (\$000)
<b>1 Revenue includes</b>		
Interest income	-	-
Net surplus from sale of Central North Island gas assets	-	7,028
<b>2 Continuing and discontinued activities</b>		
<b>Continuing activities</b>		
Revenue	21,095	45,088
Earnings before interest and tax	10,563	21,965
Net profit / (loss) after tax	(1,748)	(994)
<b>Discontinued activities</b>		
Revenue	-	30,309
Earnings before interest and tax	-	20,793
Net profit / (loss) after tax	-	5,277
<b>Totals</b>		
Revenue	21,095	75,397
Earnings before interest and tax	10,563	42,758
Net profit / (loss) after tax	(1,748)	4,283
<b>3 Sale of Central North Island gas businesses</b>		
In November 2002 UnitedNetworks sold and settlement was made for its Central North Island gas assets. The purchaser was PowerCo Limited.		
Proceeds from sale of Central North Island gas assets	-	217,850
Less: Net book value of assets sold	-	(210,418)
<b>Profit on sale of assets at net book value</b>	-	7,432
Less: Professional fees	-	(404)
<b>Net surplus</b>	-	7,028
<b>4 Expenditure includes</b>		
Audit fees - KPMG	20	-
Other fees paid to auditors - Ernst & Young	-	52
Net interest and financing fees on borrowings	11,149	36,689
Depreciation		
- Distribution system assets	2,015	6,924
- Plant, vehicles and equipment	127	296
- Buildings	-	-
Bad debts written off/(recovered)	124	(189)
Increase in doubtful debts provision	-	143
Lease and rental	33	83
Amortisation of goodwill	4,430	13,958

**2.4 NOTES TO THE FINANCIAL STATEMENTS**

	6 months to 30 Jun 2003 (\$000)	12 months to 31 Dec 2002 (\$000)		
<b>5 Taxation</b>				
<b>Current period taxation charge</b>				
Net profit/(loss) before taxation	(586)	6,069		
Taxation at 33%	(193)	2,003		
Tax on permanent differences at 33%	1,355	(217)		
Taxation expense/(deficit)	1,162	1,786		
<b>The taxation expense is represented by:</b>				
Provision for tax	1,162	6,966		
Deferred taxation	14,378	(5,180)		
Adjustment to revaluation reserve	(14,378)	-		
	1,162	1,786		
	As at 30 Jun 2003 (\$000)	As at 31 Dec 2002 (\$000)		
<b>6 Accounts receivable</b>				
Trade receivables	804	1,122		
Prepayments	71	1,433		
Balance at end of period	875	2,555		
	<b>Recorded At FRS3 valuation (\$000)</b>	<b>Recorded At cost (\$000)</b>	<b>Accumulated depreciation (\$000)</b>	<b>Carrying value (\$000)</b>
<b>7 Property, plant and equipment as at 30 June 2003</b>				
Freehold land	350	-	-	350
Distribution systems	214,200	2,544	1290	215,454
Plant, vehicles and equipment	-	1,075	501	574
Capital work in progress	-	3,158	-	3,158
	214,550	6,777	1,791	219,536
<b>Property, plant and equipment as at 31 December 2002</b>				
Freehold land	-	350	-	350
Distribution systems	-	172,722	13,476	159,246
Plant, vehicles and equipment	-	1,075	374	701
Capital work in progress	-	3,173	-	3,173
	-	177,320	13,850	163,470

## 2.4 NOTES TO THE FINANCIAL STATEMENTS

### 7 Property, plant and equipment continued

The directors consider that the fair value of freehold land is equal to its book value and was included in the 31 March 2003 valuation accordingly.

The distribution system property, plant and equipment was revalued to \$214.2m as at 31 March 2003. Subsequent additions are stated at cost. The basis of valuation was depreciated replacement cost. This valuation was undertaken in conjunction with Meritec consulting engineers.

	As at 30 Jun 2003 (\$000)	As at 31 Dec 2002 (\$000)
<b>8 Goodwill</b>		
Opening balance	152,822	274,133
Goodwill disposed of during the period	-	107,353
Amortised during the period	4,430	13,958
Balance at end of period	148,392	152,822
<b>9 Accounts payable</b>		
Trade creditors	33	843
Other creditors and accruals	3,253	3,727
Employee entitlements	34	24
Interest payable	3,316	3,389
Balance at end of period	6,636	7,983
<b>10 Employee entitlements</b>		
Balance at beginning of period	24	43
Movement during period	10	(19)
Balance at end of period	34	24
<b>11 Borrowings</b>		
Medium term notes – fixed rate NZ\$	80,963	81,239
Medium term notes – floating rate A\$	231,582	232,537
	312,545	313,776
The borrowing repayment terms are:		
Payable within 1 year	-	-
Payable between 1 and 2 years	-	-
Payable between 2 and 3 years	-	-
Payable between 3 and 5 years	210,799	81,239
Payable after 5 years	101,746	232,537
	312,545	313,776



## 2.4 NOTES TO THE FINANCIAL STATEMENTS

### 11 Borrowings continued

All borrowings are unsecured with all bank loans and medium term notes being subject to negative pledge arrangements.

Medium term notes – fixed rate NZ\$ mature April 2007 and are shown at the value of proceeds received after deducting the discount on issue and adjusted for the amount of discount amortised.

Medium term notes – floating rate A\$ mature April 2008 and April 2011.

	As at 30 Jun 2003 (\$000)	As at 31 Dec 2002 (\$000)
<b>12 Asset revaluation reserve</b>		
Opening balance	-	-
Movement for Revaluation of distribution systems	53,669	-
Deferred tax adjustment on revalued assets	(14,378)	-
Closing balance at end of period	39,291	-

	As at 30 Jun 2003 (\$000)	As at 31 Dec 2002 (\$000)
<b>13 Retained earnings</b>		
Opening balance	1,108	(3,175)
Transferred from statement of financial performance	(1,748)	4,283
Closing balance at end of period	(640)	1,108

### 14 Financial instruments

The company has a comprehensive treasury policy to manage the risks of financial instruments which is approved by the Board of Directors.

#### *Interest rate risk*

The company has long term borrowings, which are used to fund ongoing activities. The company actively manages interest rate exposures in accordance with treasury policy. In this respect, at least 40% of all term debt must be at fixed interest rates or effectively fixed using interest rate swaps, forward rate agreements, options and similar derivative instruments.

Indicative weighted average rates of borrowings are as follows:

	30 Jun 2003		31 Dec 2002	
	Weighted avg interest rate	Face value (\$000)	Weighted avg interest rate	Face value (\$000)
Medium term notes:				
Fixed rate NZ\$	6.50%	81,397	6.50%	81,733
Floating rate A\$	5.30%	231,582	5.39%	232,537
	5.61%	312,979	5.68%	314,270

## 2.4 NOTES TO THE FINANCIAL STATEMENTS

### 14 Financial instruments continued

Indicative weighted average rates of interest rate swaps are as follows:

	30 Jun 2003		31 Dec 2002	
	Weighted avg interest rate	Face value (\$000)	Weighted avg interest rate	Face value (\$000)
Interest rate swaps				
Maturing in less than 1 year	5.89%	37,137	6.63%	6,641
Maturing between 1 and 2 years	7.08%	38,664	7.28%	38,823
Maturing between 2 and 5 years	7.15%	135,323	7.19%	146,608
Maturing after 5 years	6.88%	17,297	6.78%	37,290
	6.91%	228,421	7.12%	229,362

#### **Foreign exchange risk**

The company has conducted transactions in foreign currencies for the purposes of protecting the NZ\$ value of capital expenditure and for the issuance of A\$ bonds which have been hedged with cross currency swaps.

At balance date the company has no significant exposure to foreign currency risk.

#### **Credit risk**

In the normal course of its business, the company incurs credit risk from energy retailers, financial institutions and trade debtors. The company has a credit policy, which is used to manage this exposure to credit risk.

As part of this policy, the company can only have exposures to financial institutions having at least a credit rating of A- long term from Standard & Poors (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, the company minimises their credit risk by spreading such exposures across a range of institutions. The company does not anticipate non-performance by any of these financial institutions.

The company has some concentration of credit exposures to a few large energy retailers. To minimise this risk, the company performs credit evaluations on all energy retailers and other large customers and requires a bond or other form of security where deemed necessary.

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

## 2.4 NOTES TO THE FINANCIAL STATEMENTS

### 14 Financial instruments continued

#### *Fair values*

The estimated fair value of financial instruments as applicable to the gas lines at 30 June 2003 is:

	30 Jun 2003		31 Dec 2002	
	Carrying Amount (\$000)	Fair Value (\$000)	Carrying Amount (\$000)	Fair Value (\$000)
Cash and bank	(57)	(57)	(105)	(105)
Trade receivables	804	804	1,122	1,122
Medium term notes:				
Fixed rate NZ\$	80,963	84,383	81,239	82,537
Floating rate A\$	231,582	219,403	232,537	202,866
Interest rate swaps (loss)	-	(11,358)	-	(6,955)
Cross currency swaps (loss)	-	(10,402)	-	(30,968)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument where it is practical to estimate that value:

#### *Cash and short-term deposits, short term loans*

The carrying amount of these items is equivalent to the fair value. Bank overdrafts are set off against cash balances pursuant to right of set off.

#### *Medium term notes*

The fair value of NZ\$ notes is based on quoted market prices.

The fair value of A\$ notes is based on the face value converted at the exchange rate prevailing at the end of the period.

#### *Derivative instruments*

The fair value of interest rate swaps, forward rate agreements, interest rate options and other derivative instruments is estimated based on the quoted market prices for these instruments.

### 15 Capital commitments

At balance date, estimated capital expenditure contracted for but not provided for was \$6.4 million (2002: \$4.5 million).

### 16 Contingent liabilities

The directors are not aware of any claims that have been made against the UnitedNetworks gas business, other than those already provided for in the financial statements (2002: nil).

### 17 Transactions with related parties

The principal related party of UnitedNetworks Limited is its holding company Vector Limited. There were no gas related transactions with Vector Limited during the period. In 2002 the principal related parties of UnitedNetworks Limited were its holding company Vector Limited and former holding company Utilicorp N.Z. Limited. Deutsche Bank AG is a shareholder of Utilicorp N.Z. Limited and details of transactions have been disclosed as if Deutsche Bank AG were a related party.

## 2.4 NOTES TO THE FINANCIAL STATEMENTS

### 17 Transactions with related parties continued

	As at 30 Jun 2003 (\$000)	As at 31 Dec 2002 (\$000)
Interest payments to Deutsche Bank AG	-	3,772

### 18 Operating lease commitments

At balance date the business had the following operating lease commitments:

	As at 30 Jun 2003 (\$000)	As at 31 Dec 2002 (\$000)
Within the year	7	20
Between 1 and 2 years	-	7

### 19 Events occurring after balance date

On 1 July 2003 United Networks was amalgamated with Vector Limited. No adjustments were required to these financial statements in respect of this event.

The directors are not aware of any other significant event occurring subsequent to balance date which, if known at balance date, would have had a material impact on these financial statements.

### 3. PERFORMANCE MEASURES AND STATISTICS: Regulations 15 - 19

#### 3.1 FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES For the six months ended 30 June 2003

##### Schedule 1 – PART 2

<b>1</b>	<b>Financial performance measures</b>	<b>2003 6 months</b>	<b>2002 12 months</b>	<b>2001 12 months</b>	<b>2000 9 months</b>
a)	Accounting return on total assets	5.68%	20.74%	14.46%	11.94%
b)	Accounting return on equity	(8.79)%	(414.03)%	172.77%	200.00%
c)	Accounting rate of profit	38.09%	14.87%	9.11%	7.96%
<b>2</b>	<b>Efficiency performance measures</b>	<b>6 months</b>	<b>12 months</b>	<b>12 months</b>	<b>9 months</b>
a)	Direct line costs per kilometre	\$561	\$791	\$802	\$684
b)	Indirect line costs per gas customer	\$19	\$70	\$28	\$26

##### Additional information

The accounting rate of profit excluding revaluation has been included below to highlight the significant impact the asset revaluation has had on the calculation.

<b>3</b>	<b>Financial performance measures</b>	<b>2003 6 months</b>
a)	Accounting rate of profit (excluding revaluation)	4.33%

## 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

For the six months ended 30 June 2003

### Schedule 1 – PART 3

#### 1 Energy delivery efficiency performance measures

##### a) Load factor

As calculated by the formula  $a/(12 \times b)$  expressed as a percentage, where:

a = the amount of gas entering the system or systems during the financial year; and

b = the maximum monthly amount of gas entering the system or systems.

System	Load factor (%)			
	Jan03-Jun03 <sup>2</sup>	Jan02-Dec02	Jan01-Dec01	Apr00-Dec00 <sup>1</sup>
Alfriston	51.14	44.59	37.02	60.56
Ashhurst	-	64.26√	56.27	75.39
Auckland Central	84.54	78.01	76.42	85.04
Bruce McLaren <sup>^</sup>	-	-	78.52	81.59
Dannevirke	-	83.73√	78.40	85.79
Drury	66.69	68.65	61.15	68.98
Feilding	-	69.54√	66.16	76.65
Foxton	-	72.23√	68.32	66.08
Hastings	-	82.19√	77.66	87.81
Hunua	83.59	84.28	79.53	87.13
Kakariki	-	86.53√	80.88	83.16
Kairanga	-	28.87√	22.06	20.50
Kingseat	45.16	51.09	34.52	63.03
Levin	-	74.15√	64.19	78.66
Longburn	-	49.98√	48.91	52.73
Mangaroa	-	-	0.00	67.51
Mangatainoka	-	81.94√	81.97	86.62
Oroua Downs	-	17.20√	13.01	18.91
Pahiatua	-	69.70√	74.22	68.15
Palmerston North	-	64.76√	55.60	75.78
Pukekohe	74.43	73.39	68.74	78.23
Ramarama	54.57	53.42	48.11	71.80
Takapau	-	74.45√	78.25	73.32
Tuakau	68.66	69.34	65.92	75.28
Waimauku <sup>^</sup>	-	-	0.00	0.00
Waiuku <sup>^</sup>	-	-	49.18	85.44
Wellington	-	63.07√	57.20	76.02

<sup>^</sup> During 2002 the Waimauku and Waiuku gates were removed. Bruce McLaren has been interconnected with other Auckland Central Networks.

<sup>1</sup> As there is only 9 months data (1Apr00-31Dec00) for the financial period comparative, the formula  $a/(9 \times b)$  is used.

<sup>2</sup> As there is only 6 months data (1Jan03-30Jun03) for the financial period comparative, the formula  $a/(6 \times b)$  is used.

√ UnitedNetworks sold the gas pipelines in Hawkes Bay, Palmerston North and Wellington to PowerCo effective from 1 November 2002. This has affected the formula,  $a/(10 \times b)$  has been used.

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

#### 1 Energy delivery efficiency performance measures continued

##### b) Unaccounted-for gas ratio (UFG)

As calculated by the formula  $a/b$  expressed as a percentage, where:

a = the amount of unaccounted-for gas during the financial year; and

b = the amount of gas entering the system or systems during the financial year.

UFG by UnitedNetworks Pricing Region

Pricing Region	UFG (%)			
	Jan03-Jun03	Jan02-Dec02	Jan01-Dec01	Apr00-Dec00
Auckland	0.53	2.31	2.31	2.31
Hawkes Bay	-	0.65	0.65	0.65
Palmerston North	-	0.42	0.42	0.42
Wellington	-	2.50	2.50	2.50

*The data presented above is estimated, based on historical data as we do not have sufficient consumption data to accurately calculate the UFG percentage.*

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

#### 2 Statistics

##### a) System length

The system length of each system, in kilometres as calculated by the formula  $a+b/2$  where:

a = system length at the beginning of the financial year

b = system length at the end of the financial year

System	System length (km)			
	Jan03-Jun03	Jan02-Dec02	Jan01-Dec01	Apr00-Dec00
Alfriston	0.032	0.032	0.143	0.254
Ashhurst	-	11.137√	22.308	22.314
Auckland Central	4761.716	4,709.510	4,457.733	4,280.361
Bruce McLaren^	-	43.307	86.614	70.561
Dannevirke	-	10.012√	18.267	16.560
Drury	9.004	9.004	9.004	8.916
Feilding	-	84.221√	168.680	167.593
Foxton	-	16.773√	33.512	33.389
Hastings	-	143.712√	338.252	388.576
Hunua	2.376	2.389	2.210	2.053
Kakariki	-	0.950√	1.901	1.712
Kairanga	-	3.672√	7.345	7.342
Kingseat	6.439	6.439	6.439	6.450
Levin	-	102.881√	207.558	207.716
Longburn	-	18.197√	36.425	36.406
Mangaroa	-	-	0.003	0.003
Mangatainoka	-	0.587√	1.174	1.173
Oroua Downs	-	1.830√	3.660	3.687
Pahiatua	-	6.012√	12.033	11.984
Palmerston North	-	362.537√	733.717	741.363
Pukekohe	14.373	14.510	14.439	13.746
Ramarama	4.193	4.195	1.659	0.656
Takapau	-	2.000√	4.000	4.001
Tuakau	4.075	4.075	4.075	4.076
Waiuku^	-	0.073	0.145	0.145
Wellington	-	467.480√	926.686	912.173

^ During 2002 the Waimauku and Waiuku gates were removed. Bruce McLaren has been interconnected with other Auckland Central Networks.

√ UnitedNetworks sold the gas pipelines in Hawkes Bay, Palmerston North and Wellington to PowerCo effective from 1 November 2002. This has affected the system length as 'b' in the above formula is nil.



### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

#### 2 Statistics continued

##### b) Maximum monthly

The maximum monthly amount of gas (in gigajoules) entering the system or systems.

System	Max month (GJ)			
	Jan03-Jun03	Jan02-Dec02	Jan01-Dec01	Apr00-Dec00
Alfriston	2,032	2,674	2,735	1,914
Ashhurst	-	1,212√	1,393	1,210
Auckland Central	1,021,294	1,201,534	1,145,717	1,049,022
Bruce McLaren^	-	-	25,007	23,626
Dannevirke	-	11,118√	11,626	10,806
Drury	5,062	5,697	6,417	6,623
Feilding	-	34,889√	41,209	39,141
Foxton	-	6,417√	6,453	7,893
Hastings	-	222,489√	214,498	173,225
Hunua	11,088	11,926	14,828	14,326
Kakariki	-	7,014√	7,145	5,499
Kairanga	-	1,024√	617	1,044
Kingseat	102	267	299	240
Levin	-	37,429√	42,168	36,079
Longburn	-	44,812√	60,137	58,402
Mangaroa	-	-	-	2,481
Mangatainoka	-	2,705√	2,890	2,983
Oroua Downs	-	2,505√	3,721	4,006
Pahiatua	-	48,376√	46,444	46,480
Palmerston North	-	131,927√	144,383	120,787
Pukekohe	3,497	3,737	4,090	3,994
Ramarama	2,462	2,770	3,002	2,183
Takapau	-	15,354√	15,045	13,444
Tuakau	18,669	14,789	16,961	13,464
Waiuku^	-	-	77	105
Wellington	-	250,580√	253,006	214,513

^ During 2002 the Waimauku and Waiuku gates were removed. Bruce McLaren has been interconnected with other Auckland Central Networks.

√ UnitedNetworks sold the gas pipelines in Hawkes Bay, Palmerston North and Wellington to PowerCo effective from 1 November 2002. This means that maximum monthly amount was during the period from 1 January 2002 - 31 October 2002.

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

#### 2 Statistics continued

##### c) Total amount of gas conveyed

The total amount of gas (in gigajoules) conveyed through the system or systems during the financial year.

System	Total conveyed (GJ)			
	Jan03-Jun03	Jan02-Dec02	Jan01-Dec01	Apr00-Dec00
Alfriston	6,200	15,702	11,868	11,941
Ashhurst	-	7,758√	9,365	8,371
Auckland Central	5,152,959	11,141,062	10,263,494	7,832,499
Bruce McLaren^	-	-	230,168	172,939
Dannevirke	-	92,487√	108,669	83,094
Drury	20,145	54,948	46,003	41,090
Feilding	-	241,600√	325,790	269,891
Foxton	-	46,155√	52,681	46,106
Hastings	-	1,816,678√	1,986,068	1,358,758
Hunua	55,314	125,115	138,251	112,127
Kakariki	-	60,441√	69,055	40,887
Kairanga	-	2,943√	1,628	1,956
Kingseat	274	2,085	1,210	1,600
Levin	-	276,359√	323,467	252,609
Longburn	-	223,024√	351,472	282,595
Mangaroa	-	-	-	14,884
Mangatainoka	-	22,017√	28,242	22,360
Oroua Downs	-	4,291√	5,782	6,484
Pahiatua	-	334,982√	410,973	285,419
Palmerston North	-	850,810√	959,357	815,179
Pukekohe	15,531	32,449	32,958	27,572
Ramarama	8,019	18,109	16,930	14,544
Takapau	-	113,559√	140,353	87,954
Tuakau	76,500	145,871	131,068	90,933
Waiuku^	-	-	446	796
Wellington	-	1,540,838√	1,693,222	1,431,055

^ During 2002 the Waimauku and Waiuku gates were removed. Bruce McLaren has been interconnected with other Auckland Central Networks.

√ UnitedNetworks sold the gas pipelines in Hawkes Bay, Palmerston North and Wellington to PowerCo effective from 1 November 2002. This means that total amount of gas conveyed for others above is for 1 January 2002 - 31 October 2002.

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

#### 2 Statistics continued

##### d) Total amount of gas conveyed – on behalf of others

The total amount of gas (in gigajoules) conveyed through the system or systems during the financial year on behalf of other persons who are gas wholesalers or gas retailers, or both, not being persons who are in a prescribed business relationship with the pipeline owner.

System	Conveyed for Others (GJ)			
	Jan03-Jun03	Jan02-Dec02	Jan01-Dec01	Apr00-Dec00
Alfriston	6,200	15,702	11,868	11,941
Ashhurst	-	7,758√	9,365	8,371
Auckland Central	5,152,959	11,141,062	10,263,494	7,832,499
Bruce McLaren^	-	-	230,168	172,939
Dannevirke	-	92,487√	108,669	83,094
Drury	20,145	54,948	46,003	41,090
Feilding	-	241,600√	325,790	269,891
Foxton	-	46,155√	52,681	46,106
Hastings	-	1,816,678√	1,986,068	1,358,758
Hunua	55,314	125,115	138,251	112,127
Kakariki	-	60,441√	69,055	40,887
Kairanga	-	2,943√	1,628	1,956
Kingseat	274	2,085	1,210	1,600
Levin	-	276,359√	323,467	252,609
Longburn	-	223,024√	351,472	282,595
Mangaroa	-	-	-	14,884
Mangatainoka	-	22,017√	28,242	22,360
Oroua Downs	-	4,291√	5,782	6,484
Pahiatua	-	334,982√	410,973	285,419
Palmerston North	-	850,810√	959,357	815,179
Pukekohe	15,531	32,449	32,958	27,572
Ramarama	8,019	18,109	16,930	14,544
Takapau	-	113,559√	140,353	87,954
Tuakau	76,500	145,871	131,068	90,933
Waiuku^	-	-	446	796
Wellington	-	1,540,838√	1,693,222	1,431,055

^ During 2002 the Waimauku and Waiuku gates were removed. Bruce McLaren has been interconnected with other Auckland Central Networks.

√ UnitedNetworks sold the gas pipelines in Hawkes Bay, Palmerston North and Wellington to PowerCo effective from 1 November 2002. This means that gas conveyed for others above is for 1 January 2002 - 31 October 2002.

## 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

### 2 Statistics continued

#### e) Total customers

The total number of customers being supplied by means of a system as calculated by the formula  $a+b/2$  where:

a = total customers at the beginning of the financial year

b = total customers at the end of the financial year

System	Number of customers			
	Jan03-Jun03	Jan02-Dec02	Jan01-Dec01	Apr00-Dec00@
Alfriston	1	4√	5	2
Ashhurst	-	130	259	256
Auckland Central	68,492	66,896	60,164	58,088
Bruce McLaren ^	-	-	590	453
Dannevirke	-	74√	148	146
Drury	31	31	30	29
Feilding	-	1,183√	2,361	2,305
Foxton	-	253√	504	491
Hastings	-	2,456√	4,895	4,828
Hunua	4	4	3	4
Kakariki	-	1√	1	1
Kairanga	-	3√	6	6
Kingseat	7	6	5	4
Levin	-	2,068√	4,142	4,089
Longburn	-	246√	491	486
Mangaroa	-	-	1	1
Mangatainoka	-	1√	1	1
Oroua Downs	-	2√	4	4
Pahiatua	-	61√	122	122
Palmerston North	-	8,535√	17,018	16,686
Pukekohe	100	102	3,744	3,741
Ramarama	3	3	3	3
Takapau	-	1√	1	1
Tuakau	13	13	14	14
Waiuku ^	-	-	1	1
Wellington	-	14,146√	28,040	27,309

√ UnitedNetworks sold the gas pipelines in Hawkes Bay, Palmerston North and Wellington to PowerCo effective from 1 November 2002. This has affected the customer number as 'b' in the above formula is nil.

@ As at the start of the 2000 financial year, UnitedNetworks did not own any gas lines. We have used the system length and total customers as at the purchase date of 1 April 2000 for 'a' in the formula.

^ During 2002 the Waimauku and Waiuku gates were removed. Bruce McLaren has been interconnected with other Auckland Central Networks.

### 3.3 RELIABILITY PERFORMANCE MEASURES For the six months ended 30 June 2003

#### Schedule 1 – PART 4

##### Unplanned interruptions in distribution systems

a) The measure of unplanned interruptions (other than those directly resulting from unplanned interruptions of a transmission system) calculated by the formula **a/b** where:

a = the sum obtained by adding together the number of customer-hours lost during each interruption; and

b = the total number of customers being supplied by means of the system.

System	Unplanned interruption measure (within distribution system)			
	Jan03-Jun03	Jan02-Dec02	Jan01-Dec01	Apr00-Dec00
Alfriston	-	-	-	0.3333
Ashhurst	-	#	#	0.0078
Auckland Central	0.0007	0.0024	0.0013	0.0013
Bruce McLaren ^	-	-	-	-
Dannevirke	-	#	#	-
Drury	-	-	0.0167	-
Feilding	-	#	#	0.0009
Foxton	-	#	#	-
Hastings	-	#	#	0.0006
Hunua	-	-	-	-
Kakariki	-	#	#	-
Kairanga	-	#	#	-
Kingseat	-	-	-	-
Levin	-	#	#	0.0007
Longburn	-	#	#	-
Mangaroa	-	#	#	-
Mangatainoka	-	#	#	-
Oroua Downs	-	#	#	-
Pahiatua	-	#	#	-
Palmerston North	-	#	#	0.0022
Pukekohe	-	-	-	-
Ramarama	-	-	-	-
Takapau	-	-	-	-
Tuakau	-	-	-	-
Waiuku ^	-	-	-	-
Wellington	-	0.0040	0.0105	0.0053

On systems where the number of customers affected has been recorded but the duration of each interruption is not recorded and the local engineer has estimated the average length of the interruptions.  
Data indicated by # has been amalgamated into the Wellington system.

^ During 2002 the Waimauku and Waiuku gates were removed. Bruce McLaren has been interconnected with other Auckland Central Networks.

### 3.3 RELIABILITY PERFORMANCE MEASURES

b) The measure of unplanned interruptions directly resulting from unplanned interruptions of a transmission system calculated by the formula  $a/b$  where:

a = the sum obtained by adding together the number of customer-hours lost during each interruption; and

b = the total number of customers being supplied by means of the system.

System	Unplanned interruption measure (resulting from transmission interruptions)			
	Jan03-Jun03	Jan02-Dec02	Jan01-Dec01	Apr00-Dec00
Alfriston	-	-	-	-
Ashhurst	-	-	-	-
Auckland Central	-	-	-	-
Bruce McLaren	-	-	-	-
Dannevirke	-	-	-	-
Drury	-	-	-	-
Feilding	-	-	-	-
Foxton	-	-	-	-
Hastings	-	-	-	-
Hunua	-	-	-	-
Kakariki	-	-	-	-
Kairanga	-	-	-	-
Kingseat	-	-	-	-
Levin	-	-	-	-
Longburn	-	-	-	-
Mangaroa	-	-	-	-
Mangatainoka	-	-	-	-
Oroua Downs	-	-	-	-
Pahiatua	-	-	-	-
Palmerston North	-	-	-	-
Pukekohe	-	-	-	-
Ramarama	-	-	-	-
Takapau	-	-	-	-
Tuakau	-	-	-	-
Waiuku	-	-	-	-
Wellington	-	-	-	-