



New Zealand Gazette

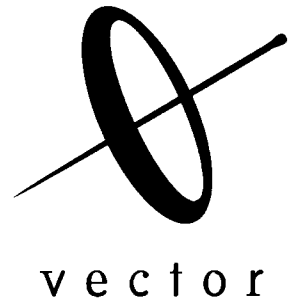
OF THURSDAY, 18 SEPTEMBER 2003

WELLINGTON: FRIDAY, 19 SEPTEMBER 2003 — ISSUE NO. 133

VECTOR LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999 AND THE
ELECTRICITY (INFORMATION DISCLOSURE)
AMENDMENT REGULATIONS 2000 AND 2001



CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS
DISCLOSED BY LINE OWNERS OTHER THAN TRANSPower

We, **Michael Stiasny** and **Bryan Leyland**, Directors of VECTOR Limited certify that,
having made all reasonable enquiry, to the best of our knowledge –

- (a) The attached audited financial statements of VECTOR Limited prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1999 comply with the requirements of those regulations; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to VECTOR Limited, and having been prepared for the purposes of regulations 15, 16, 21, and 22 of the Electricity (Information Disclosure) Regulations 1999, comply with the those regulations.

The valuations on which those financial performance measures are based are as at 31 March 2003.

Signature of Directors:

Two handwritten signatures are written over two horizontal lines. The top signature is for Michael Stiasny and the bottom signature is for Bryan Leyland.

Date:

21 August 2003



PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

Auditors' Report

To the readers of the Financial Statements of VECTOR Limited - Lines Business

We have audited the accompanying financial statements of VECTOR Limited - Lines Business. The financial statements provide information about the past financial performance and cash flows of VECTOR Limited - Lines Business and its financial position as at 31 March 2003. This information is stated in accordance with the accounting policies set out in the Statement of Accounting Policies.

Directors' responsibilities

The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements which give a true and fair view of the financial position of VECTOR Limited - Lines Business as at 31 March 2003, and the results of its operations and cash flows for the year then ended.

Auditor's responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to VECTOR Limited - Lines Business' circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacities as auditors under the Electricity (Information Disclosure) Regulations, tax advisors and in the provision of other assurance and advisory services, we have no relationship with or interests in VECTOR Limited.



Auditors' Report

To the readers of the Financial Statements of VECTOR Limited - Lines Business

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by VECTOR Limited as far as appears from our examination of those records; and
- (b) the financial statements referred to above:
 - (i) comply with generally accepted accounting practice; and
 - (ii) give a true and fair view of the financial position of VECTOR Limited - Lines Business as at 31 March 2003 and the results of its operations and cash flows for the year then ended; and
 - (iii) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 21 August 2003 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive, flowing style.

Chartered Accountants

Auckland



PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
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DX CP24073
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Auditors' Opinion of Performance Measures

VECTOR Limited - Lines Business

We have examined the attached information, being:

- (a) the derivation table in regulation 16; and
- (b) the annual ODV reconciliation report in regulation 16A; and
- (c) the financial performance measures in clause 1 of Part 3 of Schedule 1; and
- (d) the financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1,

that were prepared by VECTOR Limited – Lines Business and dated 21 August 2003 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

Chartered Accountants
21 August 2003

Auckland

VECTOR Limited

Electricity Lines Business

Statements of Financial Performance

For the year ended 31 March 2003

	Notes	2003 \$000	2002 \$000
Continuing activities			
Operating revenue	1	381,591	259,416
Operating expenses	2	(318,458)	(156,512)
Operating surplus before income tax	2	63,133	102,904
Income tax	3	(31,611)	(40,044)
Net surplus after tax		31,522	62,860

Statements of Movements in Equity

For the year ended 31 March 2003

	Notes	2003 \$000	2002 \$000
Net surplus after tax		31,522	62,860
Movement in revaluation reserve	8	209,450	(66,889)
Total recognised revenues and expenses		240,972	(4,029)
Distribution to owners	6	(42,800)	-
Movements in equity for the period		198,172	(4,029)
Equity at beginning of year		737,300	741,329
Equity at end of year		935,472	737,300

VECTOR Limited
Electricity Lines Business

Statements of Financial Position
As at 31 March 2003

	Notes	2003 \$000	2002 \$000
Equity			
Share capital	7	300,000	300,000
Reserves	8	548,407	338,957
Retained earnings	9	87,065	98,343
Total shareholders equity		935,472	737,300
Total equity		935,472	737,300
Total capital funds		935,472	737,300
Non-current liabilities			
Borrowings	10	1,396,823	-
Deferred tax	5	182,261	80,079
Total non-current liabilities		1,579,084	80,079
Current liabilities			
Payables and accruals	12	69,829	40,126
Provision for income tax		11,227	19,825
Short term borrowings	10	4,409	116,294
Total current liabilities		85,465	176,245
Total liabilities		1,664,549	256,324
Total equity and liabilities		2,600,021	993,624
Current assets			
Cash and bank balances		886	32,850
Short term investments	16	8,220	-
Accounts receivable	15	58,956	33,887
Total current assets		68,062	66,737
Non-current assets			
Property, plant and equipment	14	1,944,985	926,887
Total non-current assets		1,944,985	926,887
Total tangible assets		2,013,047	993,624
Intangible assets			
Goodwill	23	586,974	-
Total intangible assets		586,974	-
Total assets		2,600,021	993,624

VECTOR Limited

Electricity Lines Business

Statements of Cash Flows

For the year ended 31 March 2003

	Notes	2003 \$000	2002 \$000
Operating activities			
<i>Cash was provided from</i>			
Receipts from customers		370,547	236,584
Interest received		11,495	396
		382,042	236,980
<i>Cash was applied to</i>			
Payments to suppliers and employees		192,487	93,644
Income tax paid		16,839	39,333
Interest paid		59,435	9,387
		268,761	142,364
Net cash inflow from operating activities		113,281	94,616
Investing activities			
<i>Cash was provided from</i>			
Proceeds from sale of Eastern electricity lines business	22	777,503	-
Proceeds from sale of property, plant and equipment		1,706	4,938
		779,209	4,938
<i>Cash was applied to</i>			
Purchase and construction of property, plant and equipment		62,205	34,392
Purchase of UnitedNetworks Limited	22	1,433,582	-
		1,495,787	34,392
Net cash outflow from investing activities		(716,578)	(29,454)
Financing activities			
<i>Cash was provided from/(applied to)</i>			
Net loan facilities*		614,133	(15,000)
Dividends paid	6	(42,800)	(48,000)
		571,333	(63,000)
Net cash inflow/(outflow) from financing activities		571,333	(63,000)
Net increase/(decrease) in cash		(31,964)	2,162
Opening cash brought forward		32,850	30,688
Ending cash carried forward		886	32,850

* Cash inflows and outflows have been netted for ease of presentation and includes proceeds from the capital bonds issue.

VECTOR Limited
Electricity Lines Business

Statements of Cash Flows – continued

Reconciliation of net surplus to net cash flows from operating activities

For the year ended 31 March 2003

	Notes	2003 \$000	2002 \$000
Net surplus after tax		31,522	62,860
<i>Add/(less) non-cash items</i>			
Depreciation	2	47,742	30,108
Amortisation	2	15,730	-
Debt issue and swap costs		16,713	-
Deferred tax	5	6,419	17,697
		86,604	47,805
<i>Items classified as investing activities</i>			
Loss/(gain) on sale of property, plant and equipment		(813)	(1,917)
Capitalised costs		(1,632)	(1,026)
		(2,445)	(2,943)
<i>Add/(less) movement in working capital</i>			
Payables and accruals		(25,388)	1,080
Receivables and prepayments		14,635	2,800
Provision for income tax		8,353	(16,986)
		(2,400)	(13,106)
Net cash inflow from operating activities		113,281	94,616

VECTOR Limited

Electricity Lines Business

Statements of Accounting Policies

For the year ended 31 March 2003

Reporting entity

The accounts prepared are the consolidation of the 12 months ended 31 March 2003 of the electricity line business activity of VECTOR Limited and the period 11 October 2002 to 31 March 2003 of the electricity line business activity of UnitedNetworks Limited.

VECTOR Limited is an issuer for the purpose of the Financial Reporting Act 1993 and its financial statements comply with that Act.

All prior year comparative numbers are as disclosed for the electricity line business activity of VECTOR Limited.

VECTOR Limited and UnitedNetworks Limited are companies registered under the Companies Act 1993.

Statutory base

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993, Financial Reporting Act 1993, Electricity (Information Disclosure) Regulations 1999, Electricity (Information Disclosure) Amendment Regulations 2000, and Electricity (Information Disclosure) Amendment Regulations 2001.

Measurement base

The financial statements are prepared on the basis of historical cost modified by the revaluation of certain assets as identified in specific accounting policies below.

The avoidable cost allocation methodology (ACAM) used for allocating costs, assets and liabilities between "line" and "other" activities is in accordance with the Electricity Information Disclosure Handbook 30 June 2000.

Specific accounting policies

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The following specific accounting policies that materially affect the measurement of financial performance, financial position and cash flow have been applied.

a) Comparatives

Comparatives were prepared in accordance with the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000 and the Electricity (Information Disclosure) Amendment Regulations 2001 and also the Electricity Information Disclosure Handbook 30 June 2000.

b) Basis of consolidation

Purchase method of consolidation is used.

Acquisition or disposal during the year

Where an entity becomes or ceases to be a part of the VECTOR Group, of which the electricity line business is the predominant activity, during the year, the results of the entity are included in the consolidated results from the date that control or significant influence commenced or until the date that control or significant influence ceased. When an entity is acquired all identifiable assets and liabilities are recognised at their fair value at acquisition date. The fair value does not take into consideration any future intentions by the VECTOR Group, of which the electricity line business is the predominant activity. Where an entity that is part of the VECTOR Group, of which the electricity line business is the predominant activity, is disposed of the gain or loss recognised in the statement of financial performance is calculated as the difference between the sale price and the carrying amount of the entity.

Goodwill arising on acquisition

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

Transactions eliminated on consolidation

The effects of intra-group transactions are eliminated in preparing the consolidated financial statements.

VECTOR Limited

Electricity Lines Business

Statements of Accounting Policies - continued

For the year ended 31 March 2003

c) Income recognition

Income from the provision of electricity line network services is recognised as services are delivered. Interest income is accounted for as earned. Income from customer contributions is typically recognised on an as invoiced or percentage of completion basis to match the conditions in the customer contract.

d) 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, costs of obtaining resource management consents, financing costs that are attributable and an appropriate proportion of the variable and fixed overheads. Costs cease to be capitalised as soon as the item of property, plant and equipment is ready for productive use and do not include any inefficiency costs.

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and that expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time.

Distribution systems and some land and buildings are revalued by independent experts. Distribution systems are valued 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.

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

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

e) Depreciation

Depreciation of property, plant and equipment, is calculated so as to expense the cost or the revalued amounts of the property, plant and equipment, to their residual values over their useful lives as follows:

Buildings	40 - 100 years
System fixed assets	15 - 100 years
Motor vehicles	20% - 33% per annum diminishing value
Consumer billing and information systems	3 - 40 years
Other property, plant and equipment	4% - 60% per annum diminishing value

f) Accounts receivable

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

g) Income tax

The income tax expense recognised for the year is based on the accounting surplus, 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.

The deferred tax arising from timing differences resulting from revaluation of property, plant and equipment is recognised directly against the asset revaluation reserve.

h) Goods and services tax (GST)

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

VECTOR Limited

Electricity Lines Business

Statements of Accounting Policies - continued

For the year ended 31 March 2003

i) Leased property, plant and 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 is capitalised and amortised over the unexpired period of the lease or the estimated useful life of the improvements, which ever is the shorter.

j) 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 statements 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.

k) Financial instruments

The VECTOR Group, of which the electricity line business is the predominant activity, 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.

The VECTOR Group, of which the electricity line business is the predominant activity, 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.

l) 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.

m) Onerous contracts

Where the benefits expected to be derived from a contract are lower than the unavoidable costs of meeting the Group's obligation under the contract, a provision is recognised. The provision is stated at the present value of the future net cash outflows expected to be incurred in respect of the contract.

n) Statements of cash flows

The following are the definitions of the terms used in the statements of cash flows.

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and investments that can include securities not falling within the definition of cash.

Financing activities are those that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

o) Dividends

Dividends are brought to account in the period in which they are declared.

p) Borrowings

Borrowings are stated at face value less unamortised discounts, premiums and prepaid interest. Discounts, premiums and prepaid interest are amortised to interest expenses, over the period of the borrowing. Borrowing costs such as establishment, commitment and guarantee fees are deferred and amortised over the period of the borrowing.

VECTOR Limited Electricity Lines Business

Statements of Accounting Policies - continued

For the year ended 31 March 2003

q) Investments

Investments held for resale are stated at the lower of cost or net realisable value.

Changes in accounting policy

Property, 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 FRS 3 has been to increase the amount of the revaluation of property, plant and equipment at 31 March 2003 by \$155.1 million.

Business combinations

The Financial Reporting Standards Board recently issued two new standards FRS 36 *Accounting for acquisitions resulting in combinations of entities or operations* and FRS 37 *Consolidating investments in subsidiaries*. There has been no significant impact from the application of this standard.

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

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

	Notes	2003 \$000	2002 \$000
1. OPERATING REVENUE			
Revenue from line/access charges		338,927	228,977
Interest on cash, bank balances and short-term investments		11,495	396
Other operating revenue		18,568	11,736
AC loss-rental rebates		11,567	16,390
Gain on sale of property, plant and equipment		1,034	1,917
Total operating revenue		381,591	259,416
2. OPERATING EXPENSES			
Operating line expenses			
Depreciation:			
System fixed assets		39,772	23,940
Buildings		965	8
Leasehold improvements		456	458
Motor vehicles		31	36
Consumer billing and information system assets		6,184	5,439
Other fixed assets		334	227
Total depreciation		47,742	30,108
Amortisation:			
Goodwill	23	15,730	-
Total amortisation of intangibles		15,730	-
Specified expenses to non-related parties			
Asset maintenance		32,225	19,645
Meter data		32	113
Total of specified expenses to non-related parties		32,257	19,758
Other operating line expenses			
Payment for transmission charges		80,749	55,975
Avoided transmission charges on account of embedded generation		3,442	2,980
Employee salaries, wages and redundancies		17,562	10,327
Consumer billing and information system expense		1,576	1,551
Net loss on sale of property, plant and equipment		221	-
Corporate and administration		5,995	3,256

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

	Notes	2003 \$000	2002 \$000
2. OPERATING EXPENSES - CONTINUED			
Human resource expenses		365	840
Marketing/advertising		1,425	1,143
Consultancy and legal expenses		4,405	2,402
Rental expense on operating leases		1,200	1,415
Total other operating line expenses		116,940	79,889
Total operating line expenses		212,669	129,755
Costs of offering credit			
Bad debts written off		256	868
Increase in estimated doubtful debts		(136)	(120)
Total cost of offering credit		120	748
Governance expenses			
Directors fees		252	212
Total governance expenses		252	212
Auditors fees			
Audit fees paid to principal auditors – PwC		120	59
Fees paid for other services provided by principal auditors and other auditors – PwC	22	126	337
Total auditors fees		246	396
Sundry expenses			
Donations		10	-
AC loss - rentals (distribution to retailers/customers) expense		11,567	16,390
Local authority rates and expenses		3,297	2,435
Total sundry expenses		14,874	18,825
Other expenditure		22,091	(2,800)
Total operating expenditure		250,252	147,136
Operating surplus before interest and income tax			
		131,339	112,280
Interest expense on borrowings/total interest expense		(68,206)	(9,376)
Operating surplus before income tax		63,133	102,904
Income tax		(31,611)	(40,044)
Net surplus after tax		31,522	62,860

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

	Notes	2003 \$000	2002 \$000
3. INCOME TAX			
Operating surplus before income tax		63,133	102,904
Prima facie tax at 33%		20,834	33,958
<i>Plus/(less) tax effect of permanent differences:</i>			
Prior period adjustment		(223)	180
Other permanent differences for non-deductible expenses		11,000	5,906
Income tax expense		31,611	40,044
<i>The income tax expense is represented by:</i>			
Current tax		46,044	22,347
Deferred tax	5	(14,433)	17,697
		31,611	40,044

Some tax benefits in VECTOR Limited are not included in the calculation of the line business tax expense as these arise from prior period transactions incurred by "other" activities. Only those taxation items directly attributable to the line business are taken into account in determining the income tax balances in these financial statements.

4. IMPUTATION CREDIT BALANCES

Balance at beginning of year	17,687	4,582
Purchase of subsidiary	(19,106)	-
Prior year adjustment	176	-
Income tax payments during year	21,275	23,525
Imputation credits received	1,996	-
Imputation credits attaching to dividends paid	(17,687)	(10,420)
Balance at end of year	4,341	17,687

The income tax payments above represent the amount actually paid by the VECTOR Group, of which the electricity lines business is the predominant activity. This differs from the income tax paid in the statements of cash flows as that figure represents the electricity lines business' allocation of the total income tax payment.

At balance date the imputation credits available to the shareholders of the VECTOR Group of which the line business is the predominant activity were:

Through the parent company VECTOR Limited of which the electricity line business is the predominant activity	3,752	17,687
Through indirect shareholding in subsidiaries	589	-
	4,341	17,687

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

	Notes	2003 \$000	2002 \$000
5. DEFERRED TAXATION LIABILITY/(ASSET)			
Balance at beginning of year		80,079	(2,618)
Purchase of subsidiary	22	95,763	-
Prior period adjustment		20,852	-
On net surplus for the year	3	(14,433)	17,697
On revaluation of property, plant and equipment		-	65,000
Balance at end of year		182,261	80,079

During 2002 the Group recognised a deferred tax liability of \$65 million, which relates to changes in accounting policy in relation to a previous revaluation of network property, plant and equipment.

6. DIVIDENDS

Distributions relating to previous year

Dividends paid on ordinary shares	42,800	48,000
Total distributions paid or payable in cash	42,800	48,000
Less proposed dividend in previous year	-	48,000
Total	42,800	-

The 2002 final dividend of \$42.8 million was paid in June 2002. A 2003 final dividend of \$32.2 million was recommended by Directors on 21 August 2003 but has not been provided for in these financial statements.

7. SHARE CAPITAL

Ordinary class A shares

300,000,000 issued and fully paid shares	300,000	300,000
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Ordinary class C shares

Nil (2002: 6) issued and deemed fully paid shares	-	-
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Balance at end of year	300,000	300,000
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The ordinary class A shares can only be held by the Auckland Energy Consumer Trust and may only be dealt with pursuant to the Trust Deed.

The ordinary class A shares are voting securities.

In September 2002 VECTOR Limited repurchased all group C shares. Upon repurchase these shares were cancelled.

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

	Notes	2003 \$000	2002 \$000			
8. RESERVES						
Asset revaluation						
Balance at beginning of year		338,957	405,846			
Increase arising from revaluation of distribution fixed assets		209,450	(1,889)			
Deferred tax adjustment on revalued assets		-	(65,000)			
Balance at end of year		548,407	338,957			
9. RETAINED EARNINGS						
Balance at beginning of year		98,343	35,483			
Net surplus after tax for the period		31,522	62,860			
Net surplus attributable to the electricity lines business		129,865	98,343			
Dividend	6	(42,800)	-			
Balance at end of year		87,065	98,343			
10. BORROWINGS						
As at 31 March 2003	Weighted average interest rates	Total	Repayable within 1 year	Repayable between 1 and 2 years	Repayable between 2 and 5 years	Repayable after 5 years
	%	\$000	\$000	\$000	\$000	\$000
Bank loans	6.31	700,864	-	-	700,864	-
Working capital loan	6.18	4,000	4,000	-	-	-
Medium term notes – fixed rate NZ\$	6.50	109,792	-	-	109,792	-
Medium term notes – floating rate A\$	5.33	314,155	-	-	176,130	138,025
Capital bonds (note 11)	8.25	288,010	-	-	288,010	-
	6.35	1,416,821	4,000	-	1,274,796	138,025
Unamortised debt costs		(22,667)	(71)	-	(22,596)	-
Interest rate swaps		7,078	480	6,598	-	-
Balance at end of year		1,401,232	4,409	6,598	1,252,200	138,025

Interest rate swaps were acquired as part of the acquisition of UnitedNetworks Limited. These swaps were initially recorded at fair value and are being amortised over the period of the underlying transactions.

VECTOR Limited Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

10. BORROWINGS - CONTINUED

As at 31 March 2002	Weighted average interest rates	Total	Repayable within 1 year	Repayable between 1 and 2 years	Repayable between 2 and 5 years	Repayable after 5 years
	%	\$000	\$000	\$000	\$000	\$000
Bank loans	7.10	104,810	104,810	-	-	-
Commercial paper	4.94	11,484	11,484	-	-	-
Balance at end of year	6.42	116,294	116,294	-	-	-

All borrowings are unsecured with all bank loans and medium term notes subject to negative pledge arrangements. The unsecured bank loans are subject to various covenants such as limitations on long term indebtedness, minimum net worth and working capital ratios. The VECTOR Group, of which the electricity lines business is the predominant activity, was in compliance with all covenants for the 2003 and 2002 financial years.

Interest rates for all bank loans, including the working capital loan, are floating based on the bank bill rate plus a margin.

Medium term notes – fixed rate NZ\$ mature April 2007 and are shown at the value of proceeds received after deducting the discount on issue (\$1.7 million) and adjusted for the amount amortised (\$0.6 million).

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

Borrowings are classified between current and non-current dependent on the repayment dates.

11. CAPITAL BONDS

On 5 November 2002 the Company issued 307,205,000 capital bonds for \$307,205,000. The capital bonds have an initial term of 4 years from the date of issue. The capital bonds are convertible into VECTOR Limited Ordinary shares in certain limited circumstances and have a principal amount of NZ\$1.00 each.

The interest rate of 8.25% is fixed until the first election date of 15 December 2006, and thereafter will be reset at intervals determined by VECTOR Limited. If a Public Offer (which involves the quotation of Ordinary Shares on the NZX and the issue of at least 24.9% of the total VECTOR Limited ordinary share capital to persons other than the AECT) is not completed by 30 September 2003, the interest rate will be increased by 1.5% per annum as from 15 June 2003 (until the date on which a Public Offer is completed or the first election date, whichever date is earlier). Such an adjustment will be in addition to any adjustment to the interest rate as a result of a change to VECTOR Limited credit rating.

The capital bonds are unsecured debt obligations of VECTOR Limited, which are subordinated to all other creditors of VECTOR Limited and are constituted by a Trust Deed entered into by VECTOR Limited and The New Zealand Guardian Trust Company Limited as Trustee dated 25 September 2002.

The purpose of the capital bonds was to partially finance VECTOR Limited's acquisition of UnitedNetworks Limited.

The capital bond details above represent the amount actually issued by VECTOR Group, of which the electricity lines business is the predominant activity. This differs from the capital bonds in the statements of financial position and the table below as these figures represent the electricity lines business' allocation of the total capital bonds.

	2003 \$000	2002 \$000
Capital bonds issued – electricity lines business allocation	288,010	-
Capitalised costs – electricity lines business allocation	(10,459)	-
Less amortisation of capitalised costs – electricity lines business allocation	1,064	-
Balance at end of year	278,615	-

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

11. CAPITAL BONDS - CONTINUED

The following related parties held capital bonds in VECTOR Limited, of which the electricity lines business is the predominant activity:

Related party	Nature of Interest	Number of bonds
B K Plimmer	Beneficial	10,000
B W Leyland	Beneficial	40,000
D G McLaren	Beneficial	100,000
J G Collinge	Beneficial	125,000
J G Collinge	Non-beneficial	75,000
W R Boyd	Non-beneficial	50,000
M P Stiassny	Non-beneficial	150,000

	Notes	2003 \$000	2002 \$000
12. PAYABLES AND ACCRUALS			
Trade payables and other creditors		48,024	35,279
Provisions for claims	13	513	200
Interest payable		19,045	3,404
Employee entitlements		2,247	1,243
Balance at end of year		69,829	40,126

13. PROVISIONS FOR CLAIMS

Balance at beginning of year	200	4,927
Additions	333	-
Used	(20)	(2,356)
Reversed	-	(2,371)
Balance at end of year	513	200

Timing of the outflows of the end of year balance of provisions for claims is uncertain pending settlement of various matters.

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

	2003 \$000	2002 \$000
14. PROPERTY, PLANT AND EQUIPMENT		
System fixed assets		
Distribution systems at valuation	1,792,966	866,587
Distribution land at valuation	42,603	20,240
Distribution buildings at valuation	36,684	16,173
	1,872,253	903,000
Accumulated depreciation		
Distribution systems	-	(22,987)
Distribution buildings	-	(953)
	-	(23,940)
Net book value	1,872,253	879,060
Consumer billing and information system assets		
Consumer billing and information system assets at cost	44,765	59,153
Accumulated depreciation	(17,747)	(28,883)
Net book value	27,018	30,270
Motor vehicles		
Motor vehicles at cost	351	371
Accumulated depreciation	(244)	(227)
Net book value	107	144
Other fixed assets		
Other fixed assets at cost	10,979	7,206
Accumulated depreciation	(1,650)	(4,156)
Net book value	9,329	3,050
Land at valuation	1,169	212
Buildings		
Buildings at cost	544	40
Accumulated depreciation	(35)	(27)
Net book value	509	13
Buildings at valuation	257	-
Accumulated depreciation	-	-
Net book value	257	-
Leasehold improvements	3,347	3,210
Accumulated depreciation	(1,497)	(683)
Net book value	1,850	2,527

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

	2003 \$000	2002 \$000
14. PROPERTY, PLANT AND EQUIPMENT - CONTINUED		
Capital works under construction	32,493	11,611
Total net book value	1,944,985	926,887

The directors consider that the fair value of the land and buildings is equal to their book value.

As indicated in the accounting policies finance costs are capitalised to property, plant and equipment while under construction.

During the year \$0.5 million (2002: \$0.3 million) of finance costs were capitalised.

During the year the VECTOR Group, of which the electricity line business is the predominant activity, acquired property, plant and equipment as part of its acquisition of UnitedNetworks Limited (refer note 22). Assets acquired were initially recorded at the fair value at the time of acquisition. At 31 March 2003, the VECTOR Group, of which the electricity line business is the predominant activity, revalued its system fixed assets to bring all these assets onto a common revaluation cycle. It is the present intention of the directors to revalue system fixed assets on a three year cycle.

In previous years, distribution systems were also revalued on the basis of depreciated replacement cost using regulatory values and lives as used in the determination of optimised deprival value (ODV), whereas for 2003 the VECTOR Group, of which the electricity line business is the predominant activity, has determined replacement cost by reference to current replacement costs and estimated lives pertaining to asset categories. The effect of this has been to increase the amount of the revaluation by \$155.1 million. This valuation was undertaken in conjunction with Meritec Limited consulting engineers.

The independent valuation of property assets based on market values was under taken by Trevor Walker a registered valuer with Telfer Young (Auckland) Limited on 31 March 2003.

All valuations are based on the highest and best uses of assets.

15. ACCOUNTS RECEIVABLE

Accounts receivable	57,091	32,026
Provision for doubtful debts	(1,222)	-
	55,869	32,026
Other receivables	3,087	1,861
Balance at end of year	58,956	33,887

16. SHORT TERM INVESTMENTS

Surplus property held for sale	8,220	-
Balance at end of year	8,220	-

Following the acquisition of UnitedNetworks Limited, the VECTOR Group, of which the electricity line business is the predominant activity, has identified properties surplus to requirements and intends to offer them for sale. The surplus property is held at the lower of cost or net realisable value. The properties were independently valued on 31 March 2003 by Trevor Walker a registered valuer with Telfer Young (Auckland) Ltd. Trevor Walker is a member of the New Zealand Institute of Valuers. The basis of valuation was market value less the estimated costs of disposal, based on the properties highest and best use. The valuations did not indicate any impairment in value.

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

17. FINANCIAL INSTRUMENTS

The VECTOR Group, of which the electricity line business is the predominant activity, has a comprehensive Treasury Policy to manage the risks of financial instruments, which is approved by the Board of Directors. It is subject to a number of financial risks which primarily arose as a result of its debt portfolio.

Interest rate risk

The VECTOR Group, of which the electricity line business is the predominant activity, has long-term borrowings, which are used to fund ongoing activities. The VECTOR Group, of which the electricity line business is the predominant activity, 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.

The weighted average rates of borrowings are as follows:

	2003	2003	2002	2002
	Weighted average interest rate	Face value	Weighted average interest rate	Face value
	%	\$000	%	\$000
Bank loans	6.31	700,864	7.10	104,810
Commercial paper	-	-	4.94	11,484
Working capital loan	6.18	4,000	-	-
Medium term notes – fixed rate NZ\$	6.50	109,792	-	-
Medium term notes – floating rate A\$	5.33	314,155	-	-
Capital bonds	8.25	288,010	-	-
Balance at end of year	6.34	1,416,821	6.42	116,294

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

	2003	2003	2002	2002
	Weighted average interest rate	Face value	Weighted average interest rate	Face value
	%	\$000	%	\$000
Interest rate swaps				
Maturing in less than 1 year	7.16	85,243	-	-
Maturing between 1 and 2 years	6.97	103,441	7.17	20,000
Maturing between 2 and 5 years	6.94	415,679	7.12	50,000
Maturing after 5 years	6.69	132,174	-	-
Balance at end of year	6.92	736,537	7.13	70,000
Cross currency swaps	5.33	314,155	7.10	104,810

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

17. FINANCIAL INSTRUMENTS - CONTINUED

Foreign exchange risk

The VECTOR Group, of which the electricity line business is the predominant activity, has, in this reporting period, conducted transactions in foreign currencies for the purposes of protecting the NZ\$ value of capital expenditure. In the year it acquired A\$ floating rate medium term notes with cross currency swaps as part of its acquisition of UnitedNetworks Limited.

At balance date the VECTOR Group, of which the electricity line business is the predominant activity, has no significant exposure to foreign currency risk through its cross currency swaps.

Credit risk

In the normal course of its business, the VECTOR Group, of which the electricity line business is the predominant activity, is exposed to credit risk from energy retailers, financial institutions and trade debtors. The VECTOR Group, of which the electricity line business is the predominant activity, has a credit policy, which is used to manage this exposure to credit risk.

As part of this policy, the VECTOR Group, of which the electricity line business is the predominant activity, can only have exposures to financial institutions having at least a credit rating of A- long term and A1 short 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 VECTOR Group, of which the electricity line business is the predominant activity, minimises their credit risk by spreading such exposures across a range of institutions. The VECTOR Group, of which the electricity line business is the predominant activity, does not anticipate non-performance by any of these financial institutions.

The VECTOR Group, of which the electricity line business is the predominant activity, has some concentration of credit exposures with a few large energy retailers. To minimise this risk, the VECTOR Group, of which the electricity line business is the predominant activity, performs credit evaluations on all energy retailers and other electricity 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 in the statements of financial position.

Fair values

The estimated fair value of financial instruments at balance date is:

	2003	2003	2002	2002
	Carrying	Fair Value	Carrying	Fair Value
	Amount		Amount	
	\$000	\$000	\$000	\$000
Bank loans	700,864	700,864	104,810	104,810
Commercial paper	-	-	11,484	11,484
Working capital facility	4,000	4,000	-	-
Medium term notes – fixed rate NZ\$	109,792	112,330	-	-
Medium term notes – floating rate A\$	314,155	283,206	-	-
Capital bonds	288,010	300,970	-	-
Interest rate swaps – unrecognised loss/(profit)	-	16,784	-	(28,500)
Cross currency swaps – unrecognised loss/(profit)	-	25,286	-	-

VECTOR Limited Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

17. FINANCIAL INSTRUMENTS - CONTINUED

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, loans and working capital

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

Commercial paper

The carrying amount of these items is equivalent to their fair value.

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 on 31 March 2003.

Capital bonds

The fair value of capital bonds is based on quoted market prices.

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.

18. COMMITMENTS

	2003 \$000	2002 \$000
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The following amounts have been committed to by VECTOR Group, of which the electricity line business is the predominant activity, but not recognised in the financial statements

Capital expenditure commitments

Estimated capital expenditure contracted for at balance date but not provided:	26,800	9,983
--	--------	-------

Operating lease commitments

Within one year	4,112	1,172
One to two years	1,709	1,172
Two to five years	1,894	2,302
Beyond five years	2,487	113
Total	10,202	4,759

The majority of the operating lease commitments relate to premises leases. Operating leases held over properties give the VECTOR Group, of which the electricity line business is the predominant activity, the right to renew the lease.

19. CONTINGENT LIABILITIES

Certain parties have claimed against the VECTOR Group, of which the electricity line business is the predominant activity. Anticipated liabilities in relation to these claims have been fully accounted for. No other material contingencies have been identified.

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

20. TRANSACTIONS WITH RELATED PARTIES

During the year VECTOR Limited, of which the electricity line business is the predominant activity, had the following related party transactions:

	2003 \$000	2002 \$000
Payment of Dividends to AECT	42,800	48,000
Payments from AECT	100	52
Electricity line services charged to UnitedNetworks Limited	348	-

Auckland Energy Consumer Trust (AECT) is the sole shareholder of VECTOR Limited, of which the electricity lines business is the predominant activity.

No related party debts have been written off or forgiven during the year.

The VECTOR Group, of which the electricity lines business is the predominant activity, transacted on an arms length basis with entities in which Directors had interests, either as Directors or shareholders.

21. SEGMENT INFORMATION

The electricity line business operates within the electricity distribution sector. All operations are carried out within New Zealand.

22. ACQUISITION OF UNITEDNETWORKS LIMITED

Name of entity	Principal activities	Interest held by Parent	
		2003	2002
UnitedNetworks Limited	Utilities network operator	100%	-

The balance date of the UnitedNetworks Limited electricity lines business is 31 March.

During October and November 2002 VECTOR Limited acquired 100% of the shares in UnitedNetworks Limited for a cash consideration of \$1,499 million. \$1,417 million relates to the acquisition of the electricity lines business. VECTOR Limited acquired effective control of UnitedNetworks Limited on 11 October 2002.

Summary of the effect of acquisition of UnitedNetworks Limited – electricity lines business	Notes	2003 \$000	2002 \$000
Lines activity assets and liabilities acquired:			
Bank balances		(16,956)	-
Net current assets		4,654	-
Deferred tax	5	(95,763)	-
Property, plant and equipment		1,341,159	-
Borrowings		(658,240)	-
		574,854	-
Goodwill	23	841,772	-
Cash consideration paid		1,416,626	-
Overdraft acquired		16,956	-
Net cash impact of acquisition		1,433,582	-

Included in cash consideration paid are capitalised acquisition costs for professional services provided. This includes \$2.2 million paid to principal auditors – PwC. The net surplus after tax includes \$28.6 million resulting from the acquisition of UnitedNetworks Limited – electricity lines business.

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

	Notes	2003 \$000	2002 \$000
22. ACQUISITION OF UNITEDNETWORKS LIMITED - CONTINUED			
DISPOSAL OF EASTERN ELECTRICITY LINES ASSETS			
In November 2002 UnitedNetworks Limited disposed of their Eastern Electricity lines assets.			
Summary of the effect of disposal of Eastern Electricity lines assets			
Assets and liabilities disposed of:			
Goodwill	23	239,068	-
Net current assets		3,868	-
Property, plant and equipment		535,372	-
		778,308	-
Disposal costs		(805)	-
Net cash impact of disposal		777,503	-

23. INTANGIBLE ASSETS

Goodwill

Balance at beginning of year		-	-
Acquired in the financial period	22	841,772	-
Disposal of goodwill	22	(239,068)	-
Amortisation in the financial period	2	(15,730)	-
Balance at end of year		586,974	-

An amortisation period of twenty years has been adopted in respect of goodwill arising on consolidation.

24. EVENTS AFTER BALANCE DATE

Effective from 1 July 2003, UnitedNetworks Limited was amalgamated with VECTOR Limited.

No adjustments are required to these financial statements in respect of the amalgamation of these companies.

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

	2003 \$000	2002 \$000
25. ITEMS WITH BALANCES REQUIRING SPECIFIC DISCLOSURE UNDER THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999 AS AMENDED BY THE ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT REGULATIONS 2000 AND THE ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT REGULATIONS 2001		
1. Current assets		
(c) inventories	Nil	Nil
(e) other current assets not listed in (a) to (d)	Nil	Nil
2. Fixed assets		
(d) office equipment	Nil	Nil
3. Other tangible assets not listed above	Nil	Nil
5. Intangible assets		
(a) other intangibles not listed in (a)	Nil	Nil
7. Current liabilities		
(a) bank overdraft	Nil	Nil
(d) provision for dividends payable	Nil	Nil
(f) other current liabilities not listed in (a) to (e)	Nil	Nil
8. Non-current liabilities		
(a) payables and accruals	Nil	Nil
(d) other non-current liabilities not listed (a) to (c)	Nil	Nil
9. Equity		
(b) minority interest in subsidiaries	Nil	Nil
(d) capital notes	Nil	Nil
11. Statements of financial performance		
(b) revenue from "other" business for services carried out by the line business (transfer payment)	Nil	Nil

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2003

	2003 \$000	2002 \$000
25. ITEMS WITH BALANCES REQUIRING SPECIFIC DISCLOSURE UNDER THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999 AS AMENDED BY THE ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT REGULATIONS 2000 AND THE ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT REGULATIONS 2001 – CONTINUED		
12. Operating expenditure		
(b) transfer payments to the "other" business for	Nil	Nil
(i) asset maintenance	Nil	Nil
(ii) consumer disconnection/reconnection services	Nil	Nil
(iii) meter data	Nil	Nil
(iv) customer based load control services	Nil	Nil
(v) royalty and patent expenses	Nil	Nil
(vi) avoided transmission charges on account of own generation:	Nil	Nil
(vii) other goods and services not listed in (i) to (vi)	Nil	Nil
(viii) total transfer payments to the "other" business (sum of (i) to (vi))	Nil	Nil
(c) expense to entities that are not related parties for		
(ii) consumer disconnection/reconnection services	Nil	Nil
(iv) consumer based load control services	Nil	Nil
(v) royalty and patent expenses	Nil	Nil
(g) amortisation of		
(ii) other intangibles	Nil	Nil
(k) merger and acquisition expenses	Nil	Nil
(l) takeover defence expenses	Nil	Nil
(m) research and development expenses	Nil	Nil
(q) auditors' fees	Nil	Nil
(ii) audit fees paid to other auditors	Nil	Nil
(u) rebates to customers due to ownership interest	Nil	Nil
(v) subvention payments	Nil	Nil
(w) unusual expenses	Nil	Nil
15. Interest expense		
(b) financing charges related to finance leases	Nil	Nil
(c) other interest expense not listed in (a) or (b)	Nil	Nil

VECTOR Limited Electricity Lines Business

Financial Performance Measures and Efficiency Performance Measures

For the year ended 31 March 2003

SCHEDULE 1 – PART 3

	2003	2002	2001	2000
1 Financial performance measures				
a Return on funds	10.6%	12.4%	14.09%	9.61%
b Return on equity	13.6%	8.8%	9.78%	7.51%
c Return on investment	11.2%	7.4%	9.39%	6.46%
Return on investment excluding revaluations	7.1%			
2 Efficiency performance measures				
a Direct line cost per kilometre	\$1,825.05	\$2,290.01	\$2,511.83	\$1,951.07
b Indirect line cost per customer	\$118.95	\$80.43	\$79.06	\$136.45

The 2003 financial and efficiency performance measures have been calculated using a time-weighted average in accordance with the Electricity (Information Disclosure) Regulations 2000, Regulation 33. VECTOR was combined with UnitedNetworks in October 2002. One month (October 2002) includes the Eastern region of UnitedNetworks Limited as well as the Northern and Wellington regions. The final 5 months are for VECTOR, plus the Northern and Wellington regions of UnitedNetworks Limited.

VECTOR Limited Electricity Lines Business

Energy Delivery Efficiency Performance Measures and Statistics

For the year ended 31 March 2003

SCHEDULE 1 – PART 4

1. Energy delivery efficiency performance measures

	2003	2002	2001	2000
(a) Load factor	67.43	59.41	62.11	59.26
(b) Loss ratio	4.55	4.50	4.50	4.50
(c) Capacity utilisation	35.91	41.84	40.94	39.09

2. Statistics

(a) System length (in kilometres)

		400V	6.6kV	11kV	22kV	33kV	110kV	Total
2003	*	10,526.31	65.39	6,182.68	126.36	673.28	83.07	17,657.09
2002	*	5,318.61	65.47	2,722.63	126.50	280.74	64.84	8,578.79
2001	*	5,201.30	89.74	2,666.91	136.90	273.73	77.35	8,445.93
2000		4,952.67	259.09	2,932.83	189.76	292.82	84.10	8,711.25

(b) Total circuit length (in kilometres) of overhead electric lines

		400V	6.6kV	11kV	22kV	33kV	110kV	Total
2003	*	4,683.84	26.40	3,293.11	2.91	314.94	13.84	8,335.04
2002	*	2,218.76	26.63	989.31	2.91	45.63	0.00	3,283.24
2001	*	2,219.50	30.34	987.70	0.00	45.63	21.07	3,304.24
2000		2,012.36	59.90	1,071.39	0.00	55.18	15.75	3,214.58

(c) Total circuit length (in kilometres) of underground electric lines

		400V	6.6kV	11kV	22kV	33kV	110kV	Total
2003	*	5,842.47	38.99	2,889.57	123.45	358.34	69.23	9,322.05
2002	*	3,099.85	38.84	1,733.32	123.59	235.11	64.84	5,295.55
2001	*	2,981.80	59.40	1,679.21	136.90	228.10	56.28	5,141.69
2000		2,940.32	199.19	1,861.44	189.76	237.64	68.35	5,496.68

* Data from GIS.

The 2003 performance statistics have been calculated using a time-weighted average in accordance with the Electricity (Information Disclosure) Regulations 2000, Regulation 33. VECTOR was combined with UnitedNetworks in October 2002. One month (October 2002) includes the Eastern region of UnitedNetworks Limited as well as the Northern and Wellington regions. The final 5 months are for VECTOR, plus the Northern and Wellington regions of UnitedNetworks Limited.

VECTOR Limited Electricity Lines Business

Energy Delivery Efficiency Performance Measures and Statistics - continued

For the year ended 31 March 2003

SCHEDULE 1 – PART 4 - CONTINUED

2. Statistics - continued

	2003	2002	2001	2000
(d) Transformer capacity (MVA)	3,685.28	2,349.45	2,240.28	2,276.80
(e) Maximum demand (kW)	1,323,472	982,910	917,196	889,896
(f) Total electricity entering system (before losses of electricity), in kilowatts:	7,818,016,002	5,115,120,438	4,990,007,759	4,632,091,028
(g) The total amount of electricity (in kilowatts hours) supplied from the system (after losses of electricity) during the financial year on behalf of each person that is an electricity generator or an electricity retailer, or both:	7,462,630,726	4,884,940,018	4,765,457,410	4,423,646,932
Company A	2,619,377,061	2,728,749,951	3,097,865,423	3,434,806,876
Company B	-	-	163,534,679	157,532,624
Company C	52,194,205	37,776,653	25,423,693	719,709
Company D	1,434,854,901	595,950,503	191,463,874	21,313,136
Company E	1,808,784,932	390,723,653	96,039,599	56,473,837
Company F	580,017,136	319,926,289	108,511,241	28,595,213
Company G	-	-	-	144,455,484
Company H	-	-	-	29,673,759
Company I	-	337,161,361	344,965,186	141,780,392
Company J	837,754,095	474,651,608	737,653,715	378,901,221
Company K	-	-	-	29,344,233
Company L	-	-	-	50,448
Company M	7,274,558	-	-	-
Company N	54,277,785	-	-	-
Company O	32,339,274	-	-	-
Company P	14,010,704	-	-	-
Company Q	464,486	-	-	-
Company R	1,921,774	-	-	-
Company S	1,418,731	-	-	-
Company T	17,941,084	-	-	-
(h) Total consumers	467,248	274,000	265,895	259,577

The 2003 performance statistics have been calculated using a time-weighted average in accordance with the Electricity (Information Disclosure) Regulations 2000, Regulation 33. VECTOR was combined with UnitedNetworks in October 2002. One month (October 2002) includes the Eastern region of UnitedNetworks Limited as well as the Northern and Wellington regions. The final 5 months are for VECTOR, plus the Northern and Wellington regions of UnitedNetworks Limited.

VECTOR Limited

Electricity Lines Business

Reliability Performance Measures to be Disclosed by Lines Owners (Other Than Transpower)

For the year ended 31 March 2003

SCHEDULE 1 – PART 5

1. Interruptions

	2003	2002	2001	2000
Total number of interruptions according to class				
Class A	1	-	-	-
Class B	329	26	14	50
Class C	896	299	344	397
Class D	6	6	4	1
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-
Total interruptions	1,232	331	362	448

2. Interruptions targets

	2004
(a) Planned (class B)	463
(b) Unplanned (class C)	977

3. Average interruptions targets

	2004-2008
(a) Planned (class B)	371
(b) Unplanned (class C)	937

4. The proportion (expressed as a percentage) of the total number of class interruptions not restored within:

	2003
(a) 3 hours	16.40
(b) 24 hours	0.00

The 2003 performance statistics have been calculated using a time-weighted average in accordance with the Electricity (Information Disclosure) Regulations 2000, Regulation 33. VECTOR was combined with UnitedNetworks in October 2002. One month (October 2002) includes the Eastern region of UnitedNetworks Limited as well as the Northern and Wellington regions. The final 5 months are for VECTOR, plus the Northern and Wellington regions of UnitedNetworks Limited.

VECTOR Limited

Electricity Lines Business

Reliability Performance Measures to be Disclosed by Lines Owners (Other Than Transpower) - continued

For the year ended 31 March 2003

SCHEDULE 1 – PART 5 - CONTINUED

5. Faults per 100 circuit kilometres of prescribed voltage electric lines

		2003	2002	2001	2000		
(a)	The total number of faults	12.57	9.36	10.68	10.51		
						2004	
(b)	The targeted number of faults					11.46	
						2004-2008	
(c)	The average number of faults					9.15	
(d)	Breakdown of (a) to (c) according to line voltage:						
		6.6kV	11kV	22kV	33kV	110kV	Total
(a)	2003	6.12	13.85	5.54	4.01	2.41	12.57
(b)	2004	3.06	11.78	4.75	9.70	3.92	11.46
(c)	2004-2008	1.23	9.48	3.80	7.80	3.09	9.15

6. Number of faults per 100 kilometres of prescribed voltage underground cables

	6.6kV	11kV	22kV	33kV	110kV	Total
2003	0.00	6.51	5.67	0.56	1.44	5.69
2002	0.00	7.90	2.43	4.68	6.17	7.06
2001	1.65	6.64	7.13	5.03	3.00	6.26
2000	1.00	7.84	5.27	2.52	1.46	6.45

7. Number of faults per 100 kilometres of prescribed voltage overhead lines

	6.6kV	11kV	22kV	33kV	110kV	Total
2003	15.15	20.28	0.00	7.94	7.23	19.12
2002	3.76	14.15	0.00	8.77	23.73	14.09
2001	3.54	20.22	0.00	13.15	23.73	19.56
2000	5.01	20.53	0.00	7.25	0.25	19.13

The 2003 performance statistics have been calculated using a time-weighted average in accordance with the Electricity (Information Disclosure) Regulations 2000, Regulation 33. VECTOR was combined with UnitedNetworks in October 2002. One month (October 2002) includes the Eastern region of UnitedNetworks Limited as well as the Northern and Wellington regions. The final 5 months are for VECTOR, plus the Northern and Wellington regions of UnitedNetworks Limited.

VECTOR Limited

Electricity Lines Business

Reliability Performance Measures to be Disclosed by Lines Owners (Other Than Transpower) - continued

For the year ended 31 March 2003

SCHEDULE 1 – PART 5 - CONTINUED

SAIDI

8. The SAIDI for the total interruptions

2003	2002	2001	2000
79.72	56.32	49.55	59.17

9. SAIDI targets for the following financial year

2004

(a) Planned (class B)	7.00
(b) Unplanned (class C)	62.90

10. Average SAIDI targets

2004-2008

(a) Planned (class B)	6.90
(b) Unplanned (class C)	53.10

11. The SAIDI for the total interruptions within each interruption class

	2003	2002	2001	2000
Class A	-	-	-	-
Class B	7.19	0.68	0.51	3.38
Class C	72.21	50.48	48.90	53.75
Class D	0.32	5.15	0.14	2.04
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-

The 2003 performance statistics have been calculated using a time-weighted average in accordance with the Electricity (Information Disclosure) Regulations 2000, Regulation 33. VECTOR was combined with UnitedNetworks in October 2002. One month (October 2002) includes the Eastern region of UnitedNetworks Limited as well as the Northern and Wellington regions. The final 5 months are for VECTOR, plus the Northern and Wellington regions of UnitedNetworks Limited.

VECTOR Limited Electricity Lines Business

Reliability Performance Measures To Be Disclosed By Lines Owners (Other Than Transpower) - continued

For the year ended 31 March 2003

SCHEDULE 1 – PART 5 - CONTINUED

SAIFI

12. The SAIFI for the total interruptions

2003	2002	2001	2000
1.32	1.05	1.01	1.14

13. SAIFI targets for the following financial year

2004

(a) Planned (class B)	0.07
(b) Unplanned (class C)	1.13

14. Average SAIFI targets

2004-2008

(a) Planned (class B)	0.08
(b) Unplanned (class C)	1.02

15. The SAIFI for the total interruptions within each interruption class

	2003	2002	2001	2000
Class A	-	-	-	-
Class B	0.04	0.01	0.00	0.02
Class C	1.28	0.79	0.99	0.99
Class D	0.02	0.25	0.02	0.13
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-

The 2003 performance statistics have been calculated using a time-weighted average in accordance with the Electricity (Information Disclosure) Regulations 2000, Regulation 33. VECTOR was combined with UnitedNetworks in October 2002. One month (October 2002) includes the Eastern region of UnitedNetworks Limited as well as the Northern and Wellington regions. The final 5 months are for VECTOR, plus the Northern and Wellington regions of UnitedNetworks Limited.

VECTOR Limited

Electricity Lines Business

Reliability Performance Measures to be Disclosed by Lines Owners (Other Than Transpower) - continued

For the year ended 31 March 2003

SCHEDULE 1 – PART 5 - CONTINUED

CAIDI

16. The CAIDI for the total interruptions

2003	2002	2001	2000
60.61	53.89	49.00	52.08

17. CAIDI targets for the following financial year

2004

(a) Planned (class B)	100.00
(b) Unplanned (class C)	55.66

18. Average CAIDI targets

2004-2008

(a) Planned (class B)	86.25
(b) Unplanned (class C)	52.06

19. The CAIDI for the total interruptions within each interruption class

	2003	2002	2001	2000
Class A	75.00	-	-	-
Class B	186.75	107.55	176.15	180.48
Class C	56.55	64.24	49.36	54.29
Class D	13.19	20.38	8.00	16.00
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-

Description of interruption classes as per The Electricity (Information Disclosure) Regulations 1999

Class A	Planned Transpower interruption
Class B	Planned interruption by a line operator (other than Transpower)
Class C	Unplanned interruption origination within the principal line owners works
Class D	Unplanned Transpower interruption
Class E	Unplanned interruption origination within the principal line owners works (generation)
Class F	Unplanned interruption (as E above) by persons other than principal line owner (generation)
Class G	Unplanned interruption caused by another line owner
Class H	Planned interruption caused by another line owner
Class I	Other (an interruption not referred to above)

VECTOR Limited

Electricity Lines Business

Form for the Derivation of Financial Performance Measures from Financial Statements

For the year ended 31 March 2003

SCHEDULE 1 - PART 7

Derivation Table	Input and Calculations \$000	Symbol in formula	ROF	\$000	ROE	\$000	ROI	\$000
Operating surplus before interest and income tax from financial statements	131,339							
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	131,339							
Interest on cash, bank balances, and short-term investments (ISTI)	11,495							
OSBIT minus ISTI	119,844	a		119,844			119,844	
Net surplus after tax from financial statements	31,522							
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	31,522	n			31,522			
Amortisation of goodwill and amortisation of other intangibles	15,730	g	add	15,730	add	15,730	add	15,730
Subvention payment	0	s	add	0	add	0	add	0
Depreciation of SFA at BV (x)	39,772							
Depreciation of SFA at ODV (y)	36,436							
ODV depreciation adjustment	3,336	d	add	3,336	add	3,336	add	3,336
Subvention payment tax adjustment	0	s*t			deduct	0	deduct	0
Interest tax shield	18,873	q					deduct	18,873
Revaluations	54,389	r					add	54,389
Income tax	31,611	p					deduct	31,611
Numerator				138,910		50,588		142,815
				OSBIT ^{ADJ} = a + g + s + d		NSAT ^{ADJ} = n + g + s - s*t + d		OSBIT ^{ADJ} = a + g - q + r + s + d - p - s*t
Fixed assets at end of previous financial year (FA ₀)	926,887							
Fixed assets at end of current financial year (FA ₁)	1,953,205							
Adjusted net working capital at end of previous financial year (ANWC ₀)	-6,240							
Adjusted net working capital at end of current financial year (ANWC ₁)	-10,673							
Average total funds employed (ATFE)	1,455,372 (regulation 33 time-weighted average)	c		1,455,372				1,455,372
Total equity at end of previous financial year (TE ₀)	737,300							
Total equity at end of current financial year (TE ₁)	935,472							
Average total equity	836,386 (regulation 33 time-weighted average)	k				836,386		
WUC at end of previous financial year (WUC ₀)	11,611							
WUC at end of current financial year (WUC ₁)	32,493							
Average total works under construction	21,661 (regulation 33 time-weighted average)	e	deduct	21,661	deduct	21,661	deduct	21,661
Revaluations	54,389	r						
Half of revaluations	27,195	r/2					deduct	27,195
Intangible assets at end of previous financial year (IA ₀)	0							
Intangible assets at end of current financial year (IA ₁)	586,974							
Average total intangible asset	314,721 (regulation 33 time-weighted average)	m			deduct	314,721		
Subvention payment at end of previous financial year (S ₀)	0							
Subvention payment at end of current financial year (S ₁)	0							
Subvention payment tax adjustment at end of previous financial year	0							
Subvention payment tax adjustment at end of current financial year	0							
Average subvention payment & related tax adjustment	0	v			add	0		
System fixed assets at end of previous financial year at book value (SFA _{0,bv})	879,060							
System fixed assets at end of current financial year at book value (SFA _{1,bv})	1,872,253							
Average value of system fixed assets at book value	1,401,198 (regulation 33 time-weighted average)	f	deduct	1,401,198	deduct	1,401,198	deduct	1,401,198
System Fixed assets at year beginning at ODV value (SFA _{0,odv})	879,060							
System Fixed assets at end of current financial year at ODV value (SFA _{1,odv})	1,609,940							
Average value of system fixed assets at ODV value	1,274,186 (regulation 33 time-weighted average)	h	add	1,274,186	add	1,274,186	add	1,274,186
Denominator				1,306,699		372,992		1,279,504
				ATFE ^{ADJ} = c - e - f + h		Ave TE ^{ADJ} = k - e - m + v - f + h		ATFE ^{ADJ} = c - e - 1/2r - f + h
Financial Performance Measure:				10.6		13.6		11.2
				ROF = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100		ROE = NSAT ^{ADJ} /ATE ^{ADJ} x 100		ROI = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100

t = maximum statutory income tax rate applying to corporate entities bv = book value ave = average odv = optimised deprival valuation subscript '0' = end of the previous financial year
 subscript '1' = end of the current financial year ROF = return on funds ROE = return on equity ROI = return on investment

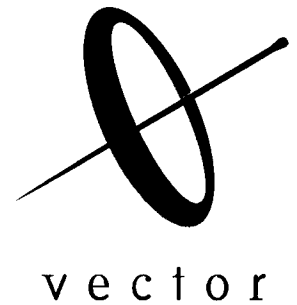
VECTOR Limited
Electricity Lines Business

Annual Valuation Reconciliation Report

For the year ended 31 March 2003

SCHEDULE 1 – PART 8

	2003	2002
	\$000	\$000
System fixed assets at ODV – end of the previous financial year	879,060	854,219
Add system fixed assets acquired during the year at ODV	1,119,446	50,670
Less system fixed assets disposed of during the year at ODV	406,519	-
Less depreciation on system fixed assets at ODV	36,436	23,940
Commerce Commission recalibration adjustment	-	(1,889)
Add revaluation of system fixed assets	54,389	-
Equals system fixed assets at ODV – end of the financial year	1,609,940	879,060



CERTIFICATION OF VALUATION REPORT OF LINE OWNERS

We, **Michael Stiasny** and **Bryan Leyland**, Directors of VECTOR Limited certify that, having made all reasonable enquiry, to the best of our knowledge—

- (a) The attached valuation report of VECTOR Limited, prepared for the purposes of regulation 20 of the Electricity (Information Disclosure) Regulations 1999, complies with the requirements of that regulation; and
- (b) The replacement cost of the line business system fixed assets of VECTOR Limited is \$2,825,943,000; and
- (c) The depreciated replacement cost of the line business system fixed assets of VECTOR Limited is \$1,643,792,000; and
- (d) The optimised depreciated replacement cost of the line business system fixed assets of VECTOR Limited is \$1,609,940,000; and
- (e) The optimised deprival valuation of the line business system fixed assets of VECTOR Limited is \$1,609,940,000; and
- (f) The values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook.

These valuations are as at 31 March 2003.

Signature of Directors:

Two handwritten signatures are written over two horizontal lines. The top signature is more stylized and cursive, while the bottom signature is more legible and appears to be 'Bryan Leyland'.

Date:

21 August 2003



PricewaterhouseCoopers
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Auckland, New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

CERTIFICATION BY AUDITOR IN RELATION TO VALUATION

We have examined the valuation report of VECTOR Limited and dated 21 August 2003, which report contains valuations of system fixed assets as at 31 March 2003.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$1,609,940,000, have been made in accordance with the ODV Handbook.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
Chartered Accountants
Auckland
21 August 2003