



New Zealand Gazette

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VECTOR LIMITED

INFORMATION FOR DISCLOSURE

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



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

We, Wayne Brown and John Wells, 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 requirements of those regulations.

The valuations on which those financial performance measures are based are as at 31 March 2001.

Signature of Directors:

Date:

13 August 2001



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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 2001. 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 2001, 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, tax advisers and consultants we have no relationship with or interests in VECTOR Limited.



VECTOR Limited – Lines Business Auditors' Report

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 2001 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 13 August 2001 and our unqualified opinion is expressed as at that date.

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

Chartered Accountants

Auckland



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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 13 August 2001 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
13 August 2001

Auckland



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Certification by Auditor in Relation to Valuation

We have examined the valuation report of VECTOR Limited and dated 18 July 2001, which report contains valuations of system fixed assets as at 31 March 2001.

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 \$854,219,356, have been made in accordance with the ODV Handbook.

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

PricewaterhouseCoopers
Chartered Accountants
Auckland
10 August 2001

VECTOR Limited
Electricity Lines Business

Statement of Financial Performance

For the year ended 31 March 2001

	Notes	2001 \$000	2000 \$000
Operating revenue	3	239,000	223,923
Operating expenses	2	(132,983)	(163,517)
Operating surplus before income tax	4	106,017	60,406
Income tax (expense)	5	(42,345)	(18,804)
Net surplus		63,672	41,602
Comprising			
Net surplus from continuing activities		63,672	41,602
Net surplus from discontinued activities		-	-
Net surplus		63,672	41,602

VECTOR Limited
Electricity Lines Business

Statement of Movements in Equity
For the year ended 31 March 2001

	Notes	2001 \$000	2000 \$000
Equity at beginning of year		737,370	587,346
Net surplus		63,672	41,602
Movement in revaluation reserve	10	(11,713)	-
Total recognised revenues and expenses		51,959	41,602
Capital adjustment	9	-	153,475
Distribution to owners	8	(48,000)	(45,053)
Equity at end of year		741,329	737,370

VECTOR Limited
Electricity Lines Business

Statement of Financial Position

As at 31 March 2001

	Notes	2001 \$000	2000 \$000
Equity			
Share capital	9	300,000	300,000
Reserves	10	405,846	417,559
Retained earnings	11	35,483	19,811
Total shareholders equity		741,329	737,370
Non-current liabilities			
Borrowings	12	104,810	104,810
Total non-current liabilities		104,810	104,810
Current liabilities			
Payables and accruals	13	40,104	62,715
Provision for dividends payable	8	48,000	33,282
Provision for income tax		36,810	5,299
Short-term borrowings	12	26,484	-
Total current liabilities		151,398	101,296
Total liabilities		256,208	206,106
Total equity and liabilities		997,537	943,476
Tangible assets			
Non-current assets			
Deferred tax	7	2,618	8,852
Fixed assets	14	927,669	888,832
Total non-current assets		930,287	897,684
Current assets			
Cash and bank balances	17	30,688	33,248
Receivables and prepayments	15	35,447	11,506
Inventories		1,115	1,038
Total current assets		67,250	45,792
Total tangible assets		997,537	943,476

VECTOR Limited
Electricity Lines Business

Statement of Cash Flows
For the year ended 31 March 2001

	Notes	2001 \$000	2000 \$000
Operating activities			
<i>Cash was provided from</i>			
Receipts from customers		201,329	206,747
Interest received		303	4,218
		201,632	210,965
<i>Cash was disbursed to</i>			
Payments to suppliers and employees		118,415	111,539
Income tax paid		4,600	-
Interest paid		6,456	9,657
		129,471	121,196
Net cash inflow from operating activities		72,161	89,769
Investing activities			
<i>Cash was provided from</i>			
Proceeds from sale of other fixed assets		482	-
		482	-
<i>Cash was applied to</i>			
Purchase and construction of fixed assets		68,405	92,683
Purchase of fixed assets from "other" business		-	37,358
		68,405	130,041
Net cash outflow from investing activities		(67,923)	(130,041)
Financing activities			
<i>Cash was provided from</i>			
Capital reallocated from "other" business		-	153,475
		-	153,475
<i>Cash was applied to</i>			
Net loan facilities*		(26,484)	71,000
Dividends paid		33,282	11,771
		6,798	82,771
Net cash inflow/(outflow) from financing activities		(6,798)	70,704
Net increase/(decrease) in cash		(2,560)	30,432
Opening cash brought forward		33,248	2,816
Ending cash carried forward		30,688	33,248

*Cash inflows and outflows have been netted for ease of presentation

VECTOR Limited
Electricity Lines Business

Statement of Cash Flows (continued)

For the year ended 31 March 2001

	2001 \$000	2000 \$000
Reported surplus after tax	63,672	41,602
<i>Add/(less) non-cash items</i>		
Depreciation	25,021	26,012
Deferred tax	6,234	7,851
<i>Items classified as investing activities</i>		
Loss/(gain) on sale of fixed assets	176	1,412
Capitalised costs	(801)	(2,045)
	30,630	33,230
<i>Add/(less) movement in working capital</i>		
Payable and accruals	(28,761)	16,705
Receivables, prepayments and inventories	(24,891)	(12,721)
Taxation - current	31,511	10,953
	(22,141)	14,937
Net cash inflow from operating activities	72,161	89,769

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2001

1. STATEMENT OF ACCOUNTING POLICIES

Reporting entity

The financial statements have been extracted from the audited financial statements of the VECTOR Limited parent company and represent the electricity line business activities of the company.

VECTOR Limited is a company registered under the Companies Act 1993.

Statutory base

The financial statements have been drawn up in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and Regulation 6 of the Electricity (Information Disclosure) Regulations 1999 and Regulation 15 of the Electricity (Information Disclosure) Amendment Regulations 2000.

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 and assets and liabilities between "line" and "other" activities is in accordance with the Electricity Information Disclosure Handbook 30 June 2000.

Specific accounting policies

The following specific accounting policies that materially affect the measurement of financial performance, financial position and cash flow have been applied.

a) Income Recognition

Income from the provision of line network services is recognised as services are delivered. Interest income is accounted for as earned.

b) Fixed Assets

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

The cost of self-constructed assets includes the cost of all materials used in construction, direct labour on the project, 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 asset is ready for productive use and do not include any inefficiency costs.

Fixed assets except distribution systems and some land and buildings are recorded at cost less accumulated depreciation. Distribution systems and some land and buildings are recorded at their Optimised Deprival Value (ODV) - the lower of optimised depreciated value and economic value. Revaluations are carried out at least every three years and are conducted under the guidance of independent experts. Subsequent additions are recorded at cost.

c) Depreciation

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

Buildings	50 years
Distribution systems	15 - 70 years
Motor vehicles	20% - 33% per annum diminishing value
Consumer billing and information systems	3 - 40 years
Office equipment	3 - 40 years

VECTOR Limited
Electricity Lines Business**Notes to the Financial Statements**

For the year ended 31 March 2001

STATEMENT OF ACCOUNTING POLICIES (continued)**d) Accounts Receivable**

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

e) Income Tax

The income tax expense recognised for the year is 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 liability 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.

f) Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined on a weighted average cost basis.

g) Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased assets, are included in the determination of the surplus 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, whichever is the shorter.

h) Foreign Currencies

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction, except when forward currency contracts have been taken out to cover short-term forward currency commitments.

Short-term transactions covered by forward exchange contracts are measured and reported at the forward rates specified in those contracts.

At balance date foreign currency monetary assets and liabilities are translated to New Zealand dollars at the balance date exchange rate and exchange variations arising from these translations are included in the statement of financial performance.

The exchange differences on hedging transactions undertaken to establish the price of particular sales or purchases, together with any costs associated with the hedge transactions, are deferred and included in the measurement of the purchase or sale transaction.

i) Goods and Services Tax (GST)

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

VECTOR Limited
Electricity Lines Business**Notes to the Financial Statements**

For the year ended 31 March 2001

STATEMENT OF ACCOUNTING POLICIES (continued)**j) 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.

k) Statement of Cash Flows

The following are the definitions of the terms used in the Statement 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.

l) Financial Instruments

The VECTOR group, of which the line business is the predominant activity, is party to financial instruments with off-balance sheet risk to meet financing needs and to reduce exposure to fluctuations in foreign currency exchange rates. These financial instruments include foreign exchange forward contracts, forward rate agreements and swaps.

The VECTOR group, of which the line business is the predominant activity, enters into foreign currency forward exchange contracts to hedge foreign currency transactions. A loss or gain on the item being hedged generally offsets any exposure to gains or losses on these forward contracts. Gains and losses on contracts which hedge specific short-term foreign currency denominated commitments are recognised as a component of the related transaction in the period in which the transaction is completed. The VECTOR group, of which the line business is the predominant activity, is not involved in foreign exchange speculation.

The net differential paid or received on interest swaps is recognised as a component of the interest expense over the period of the agreement.

Changes in Accounting Policies

There has been no change in accounting policies and all policies have been applied consistent with those used in the prior year.

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2001

	2001 \$000	2000 \$000
2. OPERATING EXPENSES		
<i>Operating expenses include</i>		
Operating line expenses		
Payment for transmission charges	58,568	57,027
Depreciation on system fixed assets	19,181	19,342
Depreciation on other fixed assets	5,840	6,670
Total depreciation	25,021	26,012
Employee salaries, wages and redundancies	11,599	14,294
Consumer billing and information system expense	1,686	1,898
Asset maintenance	21,215	16,996
Meter data	14	-
Net loss on sale of property, plant and equipment	176	1,412
Corporate and administration	2,602	4,988
Human resource expenses	923	615
Marketing/advertising	1,472	1,264
Consultancy and legal expenses	1,608	4,150
Rental expense on operating leases	1,508	635
Total operating line expenses	126,392	129,291
Costs of offering credit		
Bad debts written off	673	1,359
Increase in estimated doubtful debts	(152)	(387)
Total cost of offering credit	521	972
Governance expenses		
Directors fees	207	253
Director retiring allowances	-	195
Total directors fees	207	448
Auditors fees		
Audit fees paid to principal auditors	59	57
Fees paid for other services provided by principal auditors and other auditors	199	401
Audit fees paid to other auditors	-	15
Total auditors fees	258	473
Sundry expenses		
Donations	12	3
AC loss -rentals (distribution to retailers/ customers) expense	2,966	-
Local authority rates expenses	1,790	1,453
Total sundry expenses	4,768	1,456
Other expenditure	(5,187)	20,416
Total operating expenditure	126,959	153,056
Operating surplus before interest and income tax	112,041	70,867
Interest expense on borrowings/total interest expense	6,024	10,461
Operating surplus before income tax	106,017	60,406
Income tax	(42,345)	(18,804)
Net surplus after income tax	63,672	41,602

VECTOR Limited
Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2001

	2001 \$000	2000 \$000
3. OPERATING REVENUE		
Continuing activities		
Revenue from line/access charges	218,295	211,324
Interest on cash, bank balances and short-term investments	303	4,219
Other income	11,493	6,963
AC loss-rental rebates	8,909	-
Gain on sale of fixed assets	-	1,417
Total operating revenue	239,000	223,923
4. CONTINUING AND DISCONTINUED ACTIVITIES		
Continuing activities		
Revenue	239,000	223,923
Operating surplus before income tax	106,017	60,406
Discontinued activities		
Revenue	-	-
Operating surplus before income tax	-	-
Totals		
Revenue	239,000	223,923
Operating surplus before income tax	106,017	60,406
5. INCOME TAX		
Operating surplus before tax	106,017	60,406
Prima facie tax at 33%	34,985	19,934
<i>Plus/ (less) tax effect of permanent differences:</i>		
Non-deductible entertainment	20	15
Non-deductible legal and consulting	223	838
Loss offset from other business	-	1,518
Prior period adjustment	246	(7,200)
Other permanent differences	6,871	3,699
Tax expense	42,345	18,804
<i>The tax charge is represented by:</i>		
Current tax	36,111	10,953
Deferred tax	6,234	7,851
	42,345	18,804

Some tax benefits in VECTOR Limited are not included in the calculation of the line business tax expense as these losses 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.

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2001

	2001 \$000	2000 \$000
6. IMPUTATION BALANCES		
Balance at beginning of year	768	11,618
Income tax payments during year	4,200	(5,053)
Imputation credits attaching to dividends paid	(386)	(5,797)
Balance at end of year	4,582	768

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 direct shareholding in VECTOR Limited of which the line business is the predominant activity	4,582	768
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7. DEFERRED TAXATION ASSET/ (LIABILITIES)

Balance at beginning of year	8,852	16,703
Transfer to statement of financial performance	(6,234)	(7,851)
Balance at end of year	2,618	8,852

8. DIVIDENDS

<i>Distributions relating to previous year:</i>		
Dividends paid on ordinary shares	33,282	11,771
<i>Proposed distributions:</i>		
Proposed dividend on ordinary shares	48,000	33,282
Total distributions paid or payable in cash	81,282	45,053
Less proposed dividend in previous year	33,282	-
Total	48,000	45,053

The proposed dividends for 2001 will not be fully imputed. The dividend paid in 2001 was not fully imputed. The 2000 proposed dividends carried no imputation credits. Dividends paid in 2000 were fully imputed.

9. SHARE CAPITAL

Ordinary class A shares		
Opening	300,000	146,525
Capital adjustment*	-	153,475
300,000,000 issued and fully paid shares	300,000	300,000
Ordinary class C shares		
6 issued and deemed fully paid shares	-	-
	300,000	300,000

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 and the ordinary class C shares are voting securities.

The ordinary class A shares have 75% of the voting entitlement and ordinary class C shares have 25% voting entitlement.

*Divestment activities as required by the Electricity Industry Reform Act 1998 were substantially completed by 31 March 2000. With the divestment substantially complete the capital of the line business as at 31 March 2000 is \$300,000,000 which is the entire share capital of VECTOR Limited.

VECTOR Limited
Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2001

	2001 \$000	2000 \$000
10. RESERVES		
Asset revaluation		
Balance at beginning of year	417,559	417,559
Decrease arising from revaluation of distribution fixed assets	(11,713)	-
Balance at end of year	405,846	417,559
11. RETAINED EARNINGS		
Balance at beginning of year	19,811	23,262
Net surplus for the period	63,672	41,602
Net surplus attributable to the shareholders of the company	83,483	64,864
Dividends	(48,000)	(45,053)
Balance at end of year	35,483	19,811
12. BORROWINGS		
Repayable:	Interest rates:	
Within one year	6.4% to 6.5%	-
One to Two years	7.1%	-
Two to five years	7.1%	104,810
		131,294
Less short-term borrowings		-
		104,810
Debt issued of \$131.3 million (2000: \$104.8 million) is secured by way of negative pledge over the assets of the VECTOR group of which the line business is the predominant activity within the group.		
13. PAYABLES AND ACCRUALS		
Trade payables, other creditors and provisions	31,146	44,316
CBD network restoration costs	4,227	13,039
Interest payable	3,416	3,848
Employee entitlements	1,315	1,512
	40,104	62,715

VECTOR Limited
Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2001

	2001 \$000	2000 \$000
14. FIXED ASSETS		
System fixed assets		
Distribution system at valuation	818,000	691,601
Distribution land at valuation	20,047	17,589
Distribution buildings at valuation	16,172	17,734
	854,219	726,924
Accumulated depreciation		
Distribution system	-	(18,400)
Distribution buildings	-	(942)
	-	(19,342)
Net book value	854,219	707,582
Consumer billing and information system assets		
Consumer billing and information system assets at cost	56,211	54,885
Accumulated depreciation	(23,453)	(21,546)
Net book value	32,758	33,339
Motor vehicles		
Motor vehicles at cost	370	470
Accumulated depreciation	(190)	(213)
Net book value	180	257
Office equipment		
Office equipment at cost	6,355	4,264
Accumulated depreciation	(4,143)	(3,726)
Net book value	2,212	538
Land at cost	597	597
Buildings		
Buildings at cost	5,307	3,253
Accumulated depreciation	(631)	(524)
Net book value	4,676	2,729
Capital works under construction	33,027	143,790
Total net book value	927,669	888,832

VECTOR Limited
Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2001

	2001 \$000	2000 \$000
14. FIXED ASSETS (CONTINUED)		
ODV valuation		
Balance at beginning of year	707,582	710,139
Movement in net book value	158,350	(2,557)
Devaluation	(11,713)	-
Balance at end of year	854,219	707,582

The latest Optimised Deprival Value (ODV) valuation was carried out as at 31 March 2001 and was prepared in accordance with the 4th edition of the Ministry of Commerce Handbook (October 2000) by Meritec Limited consulting engineers. Revaluations are carried out at least every three years in accordance with accounting policy. The previous valuation was carried out as at 31 March 1999.

As indicated in the accounting policies finance costs are capitalised to fixed assets while under construction. During the year \$4.6 million (2000: \$2.9 million) of finance costs were capitalised.

15. RECEIVABLES AND PREPAYMENTS

Accounts receivable	33,792	9,809
Provision for doubtful debts	(120)	(273)
	33,672	9,536
Other receivables	-	317
Other current assets	1,775	1,653
	35,447	11,506

16. FINANCIAL INSTRUMENTS

The VECTOR group, of which the line business is the predominant activity, is subject to financial risk as a result of its debt portfolio.

To manage and limit the effect of those financial risks, the Board of Directors of VECTOR Limited, of which the line business is the predominant activity, has approved policy guidelines and authorised the use of various financial instruments. The policies approved, and financial instruments being utilised at balance date, are outlined below.

Credit risk

Financial instruments that potentially subject the VECTOR group, of which the line business is the predominant activity, to credit risk principally consist of bank balances, money market deposits and accounts receivable.

The VECTOR group, of which the line business is the predominant activity, monitors the credit quality of the major financial institutions that are counterparties to its off-balance sheet financial instruments and does not anticipate any non-performance by the counterparties.

Maximum exposures to credit risk as at balance date are:

Bank balances	30,688	11,248
Term deposits	-	22,000
Accounts receivables	33,672	9,852

The above maximum exposures are net of any recognised provision for losses on these financial instruments.

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2001

	2001 \$000	2000 \$000
17. FINANCIAL INSTRUMENTS (CONTINUED)		
Concentrations of credit risk		
Bank balances	30,688	11,248
Term deposits	-	22,000
	30,688	33,248

The line business is not exposed to any other concentrations of credit risk.

Interest rate risk

Interest rates on debt issued in the current year are generally fixed for periods of between one and three months at rates from 6.4 % to 6.9 % (2000: 4.1% to 7.8%). The interest rates are based on the BkBM rate plus a margin.

Interest rate swaps and forward rate agreements are used to manage the proportion of fixed rate debt to total debt. Interest rate swaps and forward rate agreements open as at 31 March 2001 have a principal of \$194 million (2000:\$209.8 million) with a cash benefit of \$33.3 million (2000:\$27.4 million). The VECTOR group, of which the line business is the predominant activity, pays a weighted average interest rate on open interest rate swaps and forward rate agreements of 7.1% (2000:7.2%).

The VECTOR group, of which the line business is the predominant activity, values interest rate swaps by determining the net present value of future cash flows using current interest rates. The VECTOR group, of which the line business is the predominant activity, continuously monitors the credit quality of the major international institutions that are counterparties to its off-balance sheet financial instruments and does not anticipate non-performance by any of the counterparties.

Currency Risk

In 1997 the VECTOR group, of which the line business is the predominant activity, issued a bond in Swiss Francs. As a result of this transaction exposures to fluctuations in foreign currency exchange rates arise. The VECTOR group, of which the line business is the predominant activity, has hedged all these borrowings in foreign currency by currency swap. Currency swaps open at balance date have a principal of \$104.8 million (2000: \$104.8 million). The cash benefit of the currency swaps is incorporated in the interest rate swaps. The currency swap was taken with an interest rate swap as one transaction. Valuation cannot be obtained to distinguish the two components.

18. COMMITMENTS

Capital expenditure commitments

Estimated capital expenditure contracted for at balance date but not provided for:

CBD reinforcement tunnel	100	36,500
Other commitments	7,313	8,239
	7,413	44,739

Operating lease commitments

Within one year	1,445	2,792
One to two years	1,316	1,284
Two to five years	3,598	3,765
Beyond five years	180	1,256
	6,539	9,097

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

VECTOR Limited **Electricity Lines Business**

Notes to the Financial Statements

For the year ended 31 March 2001

2001

2000

19. CONTINGENT LIABILITIES

No significant contingent liabilities exist as at 31 March 2001.

20. TRANSACTIONS WITH RELATED PARTIES

During the year VECTOR Limited, of which the line business is the predominant activity, had the following transactions with the Auckland Energy Consumer Trust (AECT), which is the majority shareholder of VECTOR Limited:

Payment of Dividends	\$33.3 million	\$11.8 million
Payment to AECT	Nil	\$ 0.6 million

No related party debts have been written off or forgiven during the year. All transactions took place on a commercial arms length basis.

21. 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 Handbook 30 June 2000.

22. SEGMENT INFORMATION

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

VECTOR Limited

Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2001

	2001 \$000	2000 \$000
23. ITEMS WITH BALANCES REQUIRING SPECIFIC DISCLOSURE UNDER THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999 AS AMENDED BY THE ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT REGULATIONS 2000		
1. Current assets		
(b) short-term investments	Nil	Nil
(e) other current assets not listed in (a) to (d)	Nil	Nil
2. Fixed assets		
(g) other fixed assets not listed in (a) to (f)	Nil	Nil
3. Other tangible assets not listed above	Nil	Nil
5. Intangible assets		
(a) goodwill	Nil	Nil
(b) other intangibles not listed in (a)	Nil	Nil
(c) total intangible assets (sum of (a) and (b))	Nil	Nil
7. Current liabilities		
(a) bank overdraft	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
(c) total equity (sum of (a) and (b))		
(d) capital notes	Nil	Nil
(e) total capital funds (sum of (c) and (d))		
11. Statement of financial performance		
(b) Revenue from "other" business for services carried out by the line business (transfer payment)	Nil	Nil
(e) other operating revenue not listed in (a) to (d)		
12. Operating expenditure		
(b) Transfer payments to the "other" business for		
(i) asset maintenance	Nil	Nil
(ii) consumer disconnection/reconnection services	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 payment 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) customer based load control services	Nil	Nil
(v) royalty and patent expenses	Nil	Nil
(vi) total of specified expenses to non-related parties (sum of (i) to (v))	Nil	Nil

VECTOR Limited
Electricity Lines Business

Notes to the Financial Statements

For the year ended 31 March 2001

	2001 \$000	2000 \$000
23. ITEMS WITH BALANCES REQUIRING SPECIFIC DISCLOSURE UNDER THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999 AS AMENDED BY THE ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT REGULATIONS 2000 (CONTINUED)		
(g) Amortisation of		
(i) goodwill	Nil	Nil
(ii) other intangibles	Nil	Nil
(iii) total amortisation of intangibles (sum of (i) and (ii))	Nil	Nil
(k) Merger and acquisition expenses	Nil	Nil
(l) Takeover defence expenses	Nil	Nil
(m) Research and development expenses	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 2001

FIRST Schedule - Part 3

	2001	2000	1999	1998
1 Financial performance measures				
a Return on funds	14.09%	9.61%	9.44%	(1.53)%
b Return on equity	9.78%	7.51%	5.76%	(8.64)%
c Return on investment	9.39%	6.46%	8.83%	(12.38)%
Return on investment excluding revaluation	8.32%			
2 Efficiency performance measures				
a Direct line cost per kilometre	\$2,511.83	\$1,951.07	\$2,746.16	\$2,830.15
b Indirect line cost per customer	\$79.06	\$136.45	\$213.27	\$83.73

VECTOR Limited

Electricity Lines Business

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS FOR THE YEAR ENDED 31 MARCH 2001

FIRST SCHEDULE - PART 4

1. Energy delivery efficiency performance measures

	2001	2000	1999	1998
(a) Load factor	62.40%	60.88%	58.06%	56.71%
(b) Loss ratio	4.50%	4.50%	4.47%	4.50%
(c) Capacity utilisation	39.56%	39.09%	35.40%	35.15%

2. Statistics

(a) System length (in kilometres)

	400V	6.6kV	11kV	22kV	33kV	110kV	Total
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
1999	4,747.18	414.45	3,236.26	251.46	294.42	70.66	9,014.41
1998	4,732.28	415.89	3,092.57	249.90	261.49	60.86	8,812.99

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

	400V	6.6kV	11kV	22kV	33kV	110kV	Total
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
1999	1,800.60	91.99	1,177.86	0.00	64.66	5.25	3,140.36
1998	1,809.10	93.74	1,196.22	0.00	64.66	0.00	3,163.71

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

	400V	6.6kV	11kV	22kV	33kV	110kV	Total
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
1999	2,946.58	322.46	2,058.39	251.46	229.76	65.41	5,874.06
1998	2,923.19	322.15	1,896.35	249.90	196.83	60.86	5,649.28

* Data from computerised mapping system (GIS), previous years data from paper based systems.

VECTOR Limited

Electricity Lines Business

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS FOR THE YEAR ENDED 31 MARCH 2001

FIRST SCHEDULE - PART 4 continued

	2001	2000	1999	1998
(d) Transformer capacity (MVA)	2,240.28	2,276.80	2,537.61 *	2,657.45 *
(e) Maximum demand (kW)	917,196	889,896	898,212	934,154
(f) Total electricity supplied (kWh)	4,765,457,410	4,423,646,932	4,363,866,868	4,432,166,623
(g) Total amount of electricity (kWh) conveyed through the system on behalf of each person that is an electricity retailer or generator, or both	4,990,007,759	4,632,091,028	507,455,757	244,212,463
Company A	3,243,838,139	3,596,656,415		
Company B	171,240,502	164,955,627		
Company C	26,621,668	753,622		
Company D	200,485,732	22,317,420		
Company E	100,565,025	59,134,908		
Company F	113,624,336	29,942,630		
Company G	-	151,262,287		
Company H	-	31,071,999		
Company I	361,220,090	148,461,144		
Company J	772,412,267	396,755,205		
Company K	-	30,726,946		
Company L	-	52,825		
(h) Total consumers	265,895	259,577	255,010	251,155

* Includes transformer capacity for customer owned transformers (1999: 262.97 MVA 1998: 367.61MVA)

VECTOR Limited

Electricity Lines Business

RELIABILITY PERFORMANCE MEASURES TO BE DISCLOSED BY LINE OWNERS (OTHER THAN TRANSPower) FOR THE YEAR ENDED 31 MARCH 2001

FIRST SCHEDULE - PART 5

Reliability performance measures

1. Interruptions	2001	2000	1999	1998	
Total number of interruptions according to class:					
Class A	-	-	-	-	
Class B	14	50	80	274	
Class C	344	397	521	490	
Class D	4	1	4	6	
Class E	-	-	-	-	
Class F	-	-	-	-	
Class G	-	-	-	-	
Class H	-	-	-	-	
Class I	-	-	-	-	
Total interruptions	362	448	605	770	
2. Interruption targets	2006	2005	2004	2003	2002
(a) Planned (Class B)					13
(b) Unplanned (Class C)					309
3. Average interruption targets					
(a) Planned (Class B)	10	11	12	13	14
(b) Unplanned (Class C)	214	241	267	294	329
4. The proportion (expressed as a percentage) of the total number of class C interruptions not restored within:					
	2001				
(a) 3 hours	2.87				
(b) 24 hours	0.00				

VECTOR Limited

Electricity Lines Business

RELIABILITY PERFORMANCE MEASURES TO BE DISCLOSED BY LINE OWNERS (OTHER THAN TRANSPower) FOR THE YEAR ENDED 31 MARCH 2001

FIRST SCHEDULE - PART 5 continued

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

					2001	2000	1999	1998	
(a)	The total number of faults				10.68	10.51	12.30	12.01	
					2006	2005	2004	2003	2002
(b)	The targetted number of faults								9.47
(c)	The average number of faults				6.22	7.11	7.99	8.93	10.08
(d)	Breakdown of (a) to (c) according to line voltage:								
	6.6kV	11kV	22kV	33kV	110kV	Total			
(a)	2001	2.25	11.66	7.13	6.43	7.99	10.68		
(b)	2002	2.32	10.62	6.30	2.87	6.01	9.47		
(c)	2002	2.29	11.14	6.72	4.65	7.00	10.08		
(c)	2003	2.32	9.99	6.06	2.67	6.01	8.93		
(c)	2004	2.32	8.93	5.40	2.28	5.26	7.99		
(c)	2005	2.32	7.92	4.57	2.11	4.50	7.11		
(c)	2006	2.32	6.87	4.15	2.11	4.50	6.22		

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

	6.6kV	11kV	22kV	33kV	110kV	Total
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
1999	1.24	9.72	6.76	3.05	6.12	7.92
1998	1.86	8.70	3.60	8.13	13.14	7.48

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

	6.6kV	11kV	22kV	33kV	110kV	Total
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
1999	4.35	23.69	0.00	10.83	0.22	21.87
1998	5.33	23.16	0.07	4.64	0.00	21.11

VECTOR Limited

Electricity Lines Business

RELIABILITY PERFORMANCE MEASURES TO BE DISCLOSED BY LINE OWNERS (OTHER THAN TRANSPower) FOR THE YEAR ENDED 31 MARCH 2001

FIRST SCHEDULE - PART 5 continued

SAIDI	2001	2000	1999	1998
8. The SAIDI for the total interruptions	49.55	59.17	82.26	153.32
	2006	2005	2004	2003
9. SAIDI targets for following financial year				
(a) Planned (Class B)				0.50
(b) Unplanned (Class C)				46.84
	2006	2005	2004	2003
10. Average SAIDI targets				
(a) Planned (Class B)	0.50	0.50	0.50	0.50
(b) Unplanned (Class C)	40.92	42.89	44.86	46.34
11. The SAIDI for the total interruptions within each interruption class				
	2001	2000	1999	1998
Class A	-	-	-	-
Class B	0.51	3.38	6.49	35.41
Class C	48.90	53.75	74.70	117.91
Class D	0.14	2.04	1.07	-
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-

VECTOR Limited

Electricity Lines Business

RELIABILITY PERFORMANCE MEASURES TO BE DISCLOSED BY LINE OWNERS (OTHER THAN TRANSPower) FOR THE YEAR ENDED 31 MARCH 2001

FIRST SCHEDULE - PART 5 continued

SAIFI	2001	2000	1999	1998
12. The SAIFI for the total interruptions	1.01	1.14	1.26	1.72
	2006	2005	2004	2003
13. SAIFI targets for following financial year				
(a) Planned (Class B)				0.00
(b) Unplanned (Class C)				0.95
	2006	2005	2004	2003
14. Average SAIFI targets				
(a) Planned (Class B)	0.00	0.00	0.00	0.00
(b) Unplanned (Class C)	0.83	0.87	0.91	0.94
15. The SAIFI for the total interruptions within each interruption class				
	2001	2000	1999	1998
Class A	-	-	-	-
Class B	0.00	0.02	0.03	0.15
Class C	0.99	0.99	1.16	1.57
Class D	0.02	0.13	0.07	-
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-

VECTOR Limited **Electricity Lines Business**

RELIABILITY PERFORMANCE MEASURES TO BE DISCLOSED BY LINE OWNERS **(OTHER THAN TRANSPOWER)** **FOR THE YEAR ENDED 31 MARCH 2001**

FIRST SCHEDULE - PART 5 continued

CAIDI	2001	2000	1999	1998
16. The CAIDI for the total interruptions	49.00	52.08	65.45	89.37
	2006	2005	2004	2003
17. CAIDI targets for following financial year				
(a) Planned (Class B)				180.00
(b) Unplanned (Class C)				49.30
	2006	2005	2004	2003
18. Average CAIDI targets				
(a) Planned (Class B)	180.00	180.00	180.00	180.00
(b) Unplanned (Class C)	49.30	49.30	49.30	49.30
19. The CAIDI for the total interruptions within each interruption class				
	2001	2000	1999	1998
Class A	-	-	-	-
Class B	176.15	180.48	196.15	239.37
Class C	49.36	54.29	64.59	75.22
Class D	8.00	16.00	15.89	-
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-

Description of interruption classes as per 1999 Disclosure Regulations

- Class A Planned Transpower interruption
- Class B Planned interruption by a line operator (other than Transpower)
- Class C Unplanned interruption originating within the principal line owners works
- Class D Unplanned Transpower interruption
- Class E Unplanned interruption originating 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
 FOR THE YEAR ENDED 31 MARCH 2001

SCHEDULE 1 - PART 7
 FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

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	112,041				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	112,041				
Interest on cash, bank balances, and short-term investments (ISTI)	303				
OSBIT minus ISTI	111,738	a	111,738		111,738
Net surplus after tax from financial statements	63,672				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	63,672	n		63,672	
Amortisation of goodwill and amortisation of other intangibles	0	g	add	0	add
Subvention payment	0	s	add	0	add
Depreciation of SFA at BV (x)	19,181				
Depreciation of SFA at ODV (y)	19,181				
ODV depreciation adjustment	0	d	add	0	add
Subvention payment tax adjustment	0	s*t		deduct	deduct
Interest tax shield	3,434	q			deduct
Revaluations	8,118	r			add
Income tax	42,345	p			deduct
Numerator			111,738 $OSBIT^{ADJ} = a + q + s + d$	63,672 $NSAT^{ADJ} = n + q + s - s*t + d$	74,077 $OSBIT^{ADJ} = a + q - q + r + s + d - p - s*t$
Fixed assets at end of previous financial year (FA_0)	888,832				
Fixed assets at end of current financial year (FA_1)	927,669				
Adjusted net working capital at end of previous financial year ($ANWC_0$)	-50,170				
Adjusted net working capital at end of current financial year ($ANWC_1$)	-3,541				
Average total funds employed (ATFE)	881,395 (or regulation 33 time-weighted average)	c	881,395		881,395
Total equity at end of previous financial year (TE_0)	737,370				
Total equity at end of current financial year (TE_1)	741,329				
Average total equity	739,350 (or regulation 33 time-weighted average)	k		739,350	
WUC at end of previous financial year (WUC_0)	143,790				
WUC at end of current financial year (WUC_1)	33,027				
Average total works under construction	88,409 (or regulation 33 time-weighted average)	e	deduct 88,409	deduct 88,409	deduct 88,409
Revaluations	8,118	r			
Half of revaluations	4,059	r/2			deduct
Intangible assets at end of previous financial year (IA_0)	0				
Intangible assets at end of current financial year (IA_1)	0				
Average total intangible asset	0 (or regulation 33 time-weighted average)	m		add	0
Subvention payment at end of previous financial year	0				
Subvention payment at end of current financial year	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_{bvc})	707,582				
System fixed assets at end of current financial year at book value (SFA_{bvc1})	854,219				
Average value of system fixed assets at book value	780,901 (or regulation 33 time-weighted average)	f	deduct 780,901	deduct 780,901	deduct 780,901
System Fixed assets at year beginning at ODV value (SFA_{odv0})	707,582				
System Fixed assets at end of current financial year at ODV value (SFA_{odv1})	854,219				
Average value of system fixed assets at ODV value	780,901 (or regulation 33 time-weighted average)	h	add 780,901	add 780,901	add 780,901
Denominator			792,986 $ATFE^{ADJ} = c - e - f + h$	650,941 $Ave TE^{ADJ} = k - e - m + v - f + h$	788,927 $ATFE^{ADJ} = c - e - f + h$
Financial Performance Measure:			14.1 $ROF = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$	9.8 $ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$	9.4 $ROI = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$

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 2001

Schedule 1 - Part 8

	2001
	\$000
System fixed assets at ODV - end of the previous financial year	707,582
Add system fixed assets acquired during the year at ODV	157,700
Less system fixed assets disposed of during the year at ODV	0
Less depreciation on system fixed assets at ODV	19,181
Add revaluation of system fixed assets	8,118
Equals system fixed assets at ODV - end of the financial year	854,219