



# New Zealand Gazette

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## VECTOR LIMITED

### INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION DISCLOSURE)  
REGULATIONS 1997

# **Vector Limited**

## **Gas Information Disclosure Number 1 29 November 2004**

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

**For the period 1 July 2003 to 30 June 2004**

***pursuant to***

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

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<p><b>FORM 1: CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS</b></p>
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We have examined the attached financial statements prepared in relation to Vector Limited and dated 30 June 2004 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997.

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

*KPMG*

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KPMG

*10 Nov 2004*

<b>FORM 2: CERTIFICATION OF PERFORMANCE MEASURES BY AUDITOR</b>
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We have examined the attached information, being -

- a) Financial performance measures specified in clause 1 of Part 2 of Schedule 1 of the Gas (Information Disclosure) Regulations 1997;  
and
- b) Financial components of the efficiency performance measures specified in clause 2 of Part 2 of that schedule, -

and having been prepared by Vector Limited and dated 30 June 2004 for the purposes of regulation 15 and 16 of those regulations.

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



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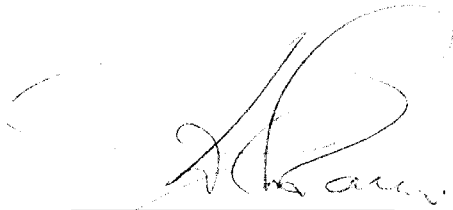
KPMG

10 Nov 2004

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

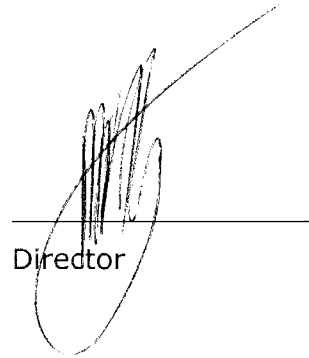
We, *D G McLaren* and *M P Stassny*, directors of Vector Limited, certify that, having made all reasonable enquiry, to the best of our knowledge, -

- a) The attached audited financial statements of Vector Limited, prepared for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997, comply with the requirements of that regulation; and
- b) The attached information, being the financial performance measures, efficiency performance measures, energy delivery performance measures and statistics, and reliability performance measures in relation to Vector Limited, and having been prepared for the purposes of regulations 15 to 19 of the Gas (Information Disclosure) Regulations 1997, complies with the requirements of those regulations.



Director

*10 Nov 2004*



Director

*10 Nov 2004*

## 1. INTRODUCTION AND INTERPRETATION

- 1.1 UnitedNetworks Limited amalgamation with Vector Limited.
- 1.1.1 On 1 July 2003 UnitedNetworks Limited was amalgamated with Vector Limited. These accounts are presented as the first Gas Information Disclosure of Vector Limited for the twelve month period to 30 June 2004.
- 1.1.2 The comparative figures represent the six month period to 30 June 2003 which is the previous disclosure for UnitedNetworks Limited.
- 1.2 This document contains certain material required to be disclosed by Vector Limited under Regulations 6 and 7, 15 to 19 and 22 of the Gas (Information Disclosure) Regulations 1997.
- 1.3 The information in this document was prepared by Vector Limited after making all reasonable enquiry and to the best of its knowledge, the information complies with all relevant requirements of the Gas (Information Disclosure) Regulations 1997.
- 1.4 The information is available on request at: -  
101 Carlton Gore Road  
Newmarket  
Auckland
- And on the internet at: <http://www.vectornetworks.co.nz>
- Any person wishing to view the information should contact Vector's Regulatory Manager in the first instance.
- 1.5 In this document, words and expressions have the meaning given to them in the Gas (Information Disclosure) Regulations 1997 or the Gas Act 1992, unless otherwise specified.
- 1.6 For the purpose of this disclosure:  
"Disclosure date" means 30 June 2004.  
"UnitedNetworks" means UnitedNetworks Limited.  
"Electricity lines" means the electricity lines business of Vector Limited and the former entity of UnitedNetworks Limited.  
"Gas lines" means the gas lines business of Vector Limited and the former entity, UnitedNetworks Limited.  
"Lines" means the electricity and gas lines businesses of Vector Limited and the former entity of UnitedNetworks Limited.  
"Other" means any part of Vector Limited and the former entity of UnitedNetworks Limited, which is not the businesses of electricity lines or gas lines.  
"Vector" or "the company" means Vector Limited.  
"Financial period" means from 1 July 2003 to 30 June 2004 (12 months).
- 1.7 The Financial Statements are Special Purpose Financial Reports as defined in the Institute of Chartered Accountants' "framework for differential reporting".

<b>2. FINANCIAL STATEMENTS</b>
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**2.1 STATEMENT OF FINANCIAL PERFORMANCE**  
**For the year ended 30 June 2004**

	Note	<b>12 months to 30 June 2004 (\$000)</b>	6 months to 30 June 2003 (\$000)
Revenue	<b>1</b>	<b>46,057</b>	21,095
Expenditure	<b>2</b>	<b>(51,313)</b>	(21,681)
<b>Net loss before taxation</b>		<b>(5,256)</b>	(586)
Taxation expense	<b>3</b>	<b>(1,068)</b>	(1,162)
<b>Net loss for period</b>	<b>11</b>	<b>(6,324)</b>	(1,748)



## 2.2 STATEMENT OF FINANCIAL POSITION

### As at 30 June 2004

	Note	As at 30 June 2004 (\$000)	As at 30 June 2003 (\$000)
<b>Current assets</b>			
Cash		195	-
Receivables	4	1,033	875
<b>Total current assets</b>		<b>1,228</b>	875
<b>Non-current assets</b>			
Term prepayments		3,252	4,752
Property, plant and equipment	5	239,723	219,536
Goodwill	6	140,443	148,392
Income tax		3,060	14,940
<b>Total non-current assets</b>		<b>386,478</b>	387,620
<b>TOTAL ASSETS</b>		<b>387,706</b>	388,495
<b>Current liabilities</b>			
Bank overdraft		-	57
Borrowings	9	11,239	-
Payables	7	8,495	6,636
<b>Total current liabilities</b>		<b>19,734</b>	6,693
<b>Non-current liabilities</b>			
Deferred tax		19,795	30,606
Borrowings	9	231,582	312,545
<b>Total non-current liabilities</b>		<b>251,377</b>	343,151
<b>Total liabilities</b>		<b>271,111</b>	349,844
<b>Equity</b>			
Notional reserves	12	123,559	-
Asset revaluation reserve	10	-	39,291
Retained earnings	11	(6,964)	(640)
<b>Total equity</b>		<b>116,595</b>	38,651
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>387,706</b>	388,495

## 2.3 STATEMENT OF ACCOUNTING POLICIES

### **Special purpose financial statements**

The reporting entity is Vector Limited ("Vector" or "the company").

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

These financial statements are prepared for the 12 month period 1 July 2003 to 30 June 2004.

Vector has followed the avoidable cost allocation methodology stipulated in the Electricity Information Disclosure Handbook issued on 31 March 2004 for allocating costs between electricity, gas and other activities.

### **General accounting policies**

The financial statements have been prepared on the basis of historical cost modified by the revaluation of certain items of property, plant and equipment as identified in specific accounting policies.

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

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

The reporting currency is New Zealand dollars.

### **Specific accounting policies**

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

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

Income from the provision of services is recognised as services are delivered. Interest and rental 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 of the underlying contract.

#### ***Property, plant and equipment***

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

The cost of self-constructed property, plant and equipment includes the cost of all materials used in construction, direct labour on the project, costs of obtaining resource management consents, financing costs that are attributable to the project and an appropriate proportion of the variable and fixed overheads. Costs cease to be capitalised as soon as the property, plant and equipment is ready for productive use and do not include any inefficiency costs.

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

Distribution systems and some land and buildings are revalued by independent experts on the basis of depreciated replacement cost, while land and buildings are valued by reference to market information.

## 2.3 STATEMENT OF ACCOUNTING POLICIES *continued*

Valuations are performed based on highest and best use in accordance with New Zealand Financial Reporting Standard No. 3. If the estimated recoverable amount of an item of property, plant and equipment is less than its carrying amount, the item of property, plant and equipment is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of financial performance.

Estimated recoverable amount is the greater of the estimated amount from the property, plant and equipment's future use and ultimate disposal, and its net market value. Annual impairment reviews are undertaken for all property, plant and equipment not subject to revaluations.

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

### ***Depreciation***

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

Buildings	50 – 100 years
Distribution systems	15 – 100 years
Motor vehicles and mobile equipment	3 – 20 years
Computer and telecommunication equipment	3 – 40 years
Other plant and equipment	5 – 20 years

### ***Accounts receivable***

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

### ***Income tax***

The income tax expense recognised for the period is based on the operating surplus or deficit before taxation adjusted for permanent differences between accounting and tax rules.

The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax under the liability method.

A deferred tax asset, or the effect of losses carried forward that exceed the deferred tax liability, is recognised in the financial statements only where there is the virtual certainty that the benefit of the timing differences, or losses, will be utilised.

### ***Goods and Service Tax (GST)***

The statement of financial performance has 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 receivables and payables, which include GST invoiced.

### ***Leased assets***

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

Property, plant and equipment under finance leases are recognised as non-current assets in the statement of financial position. Leased property, plant and equipment are recognised initially at the lower of the present value of the minimum lease payments or their fair value. A corresponding liability is established and each lease payment allocated between the liability and the interest expense. Leased property, plant and equipment is depreciated on the same basis as equivalent owned 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 net surplus or deficit in equal instalments over the lease term.

#### ***Leasehold Improvements***

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

## 2.3 STATEMENT OF ACCOUNTING POLICIES *continued*

### ***Financial instruments***

Vector uses derivative financial instruments within predetermined policies and limits in order to manage 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.

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

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

Interest income and expenses are recognised on an accrual basis. Where a debt instrument is issued at a discount or premium, the discount or premium is capitalised and amortised over the life of the instrument.

### ***Provisions***

#### **Employee entitlements**

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

#### **Onerous contracts**

Where the benefits expected to be derived from a contract are lower than the unavoidable costs of the meeting the company'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.

#### **Provision for claims**

A provision for claims is recognised as a liability where the company considers that a constructive or legal obligation to settle items under litigation or dispute may exist in the foreseeable future. A provision for claims is recognised where the likelihood of a resultant liability is considered more probable than not. Other claims where the likelihood of a resultant liability is more than remote but insufficient to warrant a provision are disclosed as contingent liabilities.

### ***Foreign currencies***

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of the transaction. At balance date foreign monetary assets and liabilities not hedged by foreign currency derivative instruments are translated at the closing rate, and exchange variations arising from these translations are included in the statement of financial performance as operating items. Monetary assets and liabilities in foreign currencies at balance date hedged by foreign currency derivative instruments are translated at contract rates.

### ***Goodwill***

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

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

There have been no changes in accounting policies during the year and all policies have been applied on a basis consistent with those used in the prior period.

**2.4 NOTES TO THE FINANCIAL STATEMENTS**

	<b>12 months to 30 June 2004 (\$000)</b>	6 months to 30 June 2003 (\$000)
<b>1 Revenue includes</b>		
Interest income	-	-
<b>2 Expenditure includes</b>		
Audit fees – KPMG	<b>20</b>	20
Interest expense	<b>17,984</b>	11,149
Depreciation	<b>8,136</b>	2,142
Bad debts written off	<b>2</b>	124
Increase in doubtful debts provision	<b>8</b>	-
Rental and operating lease costs	<b>93</b>	33
Amortisation of goodwill	<b>7,949</b>	4,430
<b>3 Taxation</b>		
<b>Current period taxation charge</b>		
Net profit/(loss) before taxation	<b>(5,256)</b>	(586)
Taxation at 33%	<b>(1,734)</b>	(193)
Tax on permanent differences at 33%	<b>2,644</b>	1,355
Prior period adjustment	<b>158</b>	-
Taxation expense	<b>1,068</b>	1,162
<b>The taxation expense is represented by:</b>		
Current tax	<b>11,879</b>	1,162
Deferred taxation	<b>(10,811)</b>	14,378
Adjustment to revaluation reserve	-	(14,378)
Total	<b>1,068</b>	1,162
	<b>As at 30 June 2004 (\$000)</b>	As at 30 June 2003 (\$000)
<b>4 Accounts receivable</b>		
Trade receivables	<b>958</b>	804
Prepayments	<b>75</b>	71
Balance at end of the period	<b>1,033</b>	875

**2.4 NOTES TO THE FINANCIAL STATEMENTS**

	<b>Recorded at FRS3 valuation (\$000)</b>	<b>Recorded at cost (\$000)</b>	<b>Accumulated depreciation (\$000)</b>	<b>Carrying value (\$000)</b>
<b>5 Property, plant and equipment as at 30 June 2004</b>				
Freehold land	350	291	-	641
Distribution systems	214,200	4,485	6,224	212,461
Plant, vehicles and equipment	-	33,428	20,411	13,017
Capital work in progress	-	13,604	-	13,604
	<b>214,550</b>	<b>51,808</b>	<b>26,635</b>	<b>239,723</b>
Property, plant and equipment as at 30 June 2003				
Freehold land	350	-	-	350
Distribution systems	214,200	2,544	1,290	215,454
Plant, vehicles and equipment	-	1,075	501	574
Capital work in progress	-	3,158	-	3,158
	214,550	6,777	1,791	219,536

The directors consider that the fair value of freehold land is equal to or greater than its net book value.

The distribution system property, plant and equipment was revalued to \$214.2 million as at 31 March 2003. Subsequent additions are stated at cost.

The basis of the valuation was depreciated replacement cost. This valuation was undertaken in conjunction with Meritec consulting engineers.

	Note	<b>As at 30 June 2004 (\$000)</b>	As at 30 June 2003 (\$000)
<b>6 Goodwill</b>			
Opening balance		148,392	152,822
Amortised during the period		7,949	4,430
Balance at end of period		140,443	148,392
<b>7 Accounts payable</b>			
Trade creditors		258	33
Other creditors and accruals		5,690	3,253
Employee entitlements	8	534	34
Interest payable		2,013	3,316
Balance at end of period		8,495	6,636
<b>8 Employee entitlements</b>			
Balance at beginning of period		34	24
Movement during period		500	10
Balance at end of period		534	34

**2.4 NOTES TO THE FINANCIAL STATEMENTS**

	<b>As at 30 June 2004 (\$000)</b>	As at 30 June 2003 (\$000)
<b>9 Borrowings</b>		
Working capital loan	<b>11,239</b>	-
Medium term notes – fixed rate NZ\$	-	80,963
Medium term notes – floating rate A\$	<b>231,582</b>	231,582
	<b>242,821</b>	312,545
The borrowing repayment terms are:		
Payable within 1 year	<b>11,239</b>	-
Payable between 1 and 2 years	-	-
Payable between 2 and 3 years	-	-
Payable between 3 and 5 years	<b>129,836</b>	210,799
Payable after 5 years	<b>101,746</b>	101,746
	<b>242,821</b>	312,545

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

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

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

	<b>As at 30 June 2004 (\$000)</b>	As at 30 June 2003 (\$000)
<b>10 Asset revaluation reserve</b>		
Opening balance	<b>39,291</b>	-
Movement for revaluation of distribution systems	-	53,669
Movement on amalgamation	<b>(39,291)</b>	-
Deferred tax adjustment on revalued assets	-	(14,378)
Closing balance at end of period	-	39,291
<b>11 Retained earnings</b>		
Opening balance	<b>(640)</b>	1,108
Transferred from statement of financial performance	<b>(6,324)</b>	(1,748)
Closing balance at end of period	<b>(6,964)</b>	(640)
<b>12 Notional reserves</b>		
Opening balance	-	-
Movement for the period	<b>123,559</b>	-
Closing balance at end of period	<b>123,559</b>	-

Vector's gas lines business is not a company and therefore has no share capital. The notional reserves are determined on the basis that the gas business' debt / equity ratio would be comparable to that of the parent company, Vector Limited.

## 2.4 NOTES TO THE FINANCIAL STATEMENTS

### 13 Financial instruments

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

#### *Interest rate risk*

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

Indicative weighted average rates of borrowings are as follows:

	30 June 2004		30 June 2003	
	Weighted avg interest rate	Face value (\$000)	Weighted avg interest rate	Face value (\$000)
Working capital loan	6.10%	11,239	-	-
Medium term notes:				
Fixed rate NZ\$	-	-	6.50%	81,397
Floating rate A\$	6.05%	231,582	5.30%	231,582
	6.05%	242,821	5.61%	312,979

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

	30 June 2004		30 June 2003	
	Weighted avg interest rate	Face value (\$000)	Weighted avg interest rate	Face value (\$000)
Maturing in less than 1 year	7.11%	38,664	5.89%	37,137
Maturing between 1 and 2 years	7.32%	50,873	7.08%	38,664
Maturing between 2 and 5 years	7.03%	93,607	7.15%	135,323
Maturing after 5 years	6.79%	8,139	6.88%	17,297
	7.12%	191,283	6.91%	228,421

#### *Foreign exchange risk*

The company has conducted transactions in foreign currencies for the purposes of protecting the NZ\$ value of capital expenditure.

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



## 2.4 NOTES TO THE FINANCIAL STATEMENTS

### 13 Financial instruments continued

#### **Credit risk**

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

As part of these policies, the company can only have exposures to financial institutions having at least a credit rating of A- long term from Standard & Poors (or equivalent rating). In addition, limits on exposures to financial institutions have been set by the board of directors and are monitored on a regular basis. In this respect, the company minimises its credit risk by spreading such exposures across a range of institutions. The company does not anticipate non-performance by any of these financial institutions.

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

The maximum exposure to credit risk is represented by the carrying value of each financial asset other than for the interest rate swaps where there is no exposure.

#### **Fair values**

The estimated fair value of financial instruments as applicable to the gas lines at 30 June 2004 are as follows:

	30 June 2004		30 June 2003	
	Carrying Amount (\$000)	Fair Value (\$000)	Carrying Amount (\$000)	Fair Value (\$000)
Cash and bank	195	195	(57)	(57)
Trade receivables	958	958	804	804
Trade payables and other creditors	6,482	6,482	3,286	3,286
Working capital loan	11,239	11,239	-	-
Medium term notes:				
Fixed rate NZ\$	-	-	80,963	84,383
Floating rate A\$	234,714	209,451	231,582	219,403
Interest rate swaps (loss)	3,098	(2,044)	-	(11,358)
Cross currency swaps (loss)	(1,470)	(22,426)	-	(10,402)

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.

#### **Trade receivables and payables, cash and short-term deposits, loans and working capital**

The carrying amount of these items is equivalent to their fair value and includes the principal and interest accrued. Bank overdrafts are set off against cash balances pursuant to right of set off.

Trade receivables are net of doubtful debts provided.

## 2.4 NOTES TO THE FINANCIAL STATEMENTS

### 13 Financial instruments continued

#### *Medium term notes*

The fair value of NZ\$ notes is based on quoted market prices and the carrying amount is based on face value less discount plus accruals.

The fair value of A\$ notes is based on the face value converted at the exchange rate prevailing at balance date. The carrying amount includes the principal and interest accrued, converted at the correct rates.

#### *Derivative instruments*

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

The carrying amount includes the fair value adjustments (net of amortisation) on derivative transactions acquired and interest accrued.

### 14 Capital commitments

At balance date, estimated capital expenditure contracted for but not provided for was \$2.7 million (2003: \$6.4 million).

### 15 Contingent liabilities

The directors are not aware of any claims that have been made against the Vector gas business, other than those already provided for in the financial statements (2003: nil).

### 16 Transactions with related parties

There were no related party transactions in relation to the gas business of Vector Limited for the period.

In 2003, the principal related party of UnitedNetworks Limited was its holding company Vector Limited. There were no gas related transactions with Vector Limited during the period.

### 17 Operating lease commitments

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

	<b>As at 30 June 2004 (\$000)</b>	As at 30 June 2003 (\$000)
Within the year	-	7

### 18 Events after balance date

On 11 October 2004, Vector Limited announced that they had agreed to purchase a 66.05% stake in Natural Gas Holdings (NGC). No adjustments are required to these financial statements in respect of this event.

<b>3. PERFORMANCE MEASURES AND STATISTICS</b>
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**3.1 FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES**  
**For the year ended 30 June 2004**

<b>Schedule 1 – PART 2</b>
----------------------------

	<b>2004</b>	2003 <sup>a</sup>	2002 <sup>b</sup>	2001 <sup>b</sup>
<b>1 Financial performance measures</b>	<b>12 months</b>	6 months	12 months	12 months
a) Accounting return on total assets	<b>5.85%</b>	5.68%	20.74%	14.46%
b) Accounting return on equity	<b>(8.15)%</b>	(8.79)%	(414.03)%	172.77%
c) Accounting rate of profit	<b>3.12%</b>	38.09%	14.87%	9.11%
<b>2 Efficiency performance measures</b>				
a) Direct line costs per kilometre	<b>\$1,041</b>	\$561	\$791	\$802
b) Indirect line costs per gas customer	<b>\$174</b>	\$19	\$70	\$28

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

<sup>b</sup> Period ending 31 December.

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

#### For the year ended 30 June 2004

#### Schedule 1 – PART 3

#### 1 Energy delivery efficiency performance measures

##### a) Load factor

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

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

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

System	Load factor (%)			
	July 2003 to June 2004	January 2003 to June 2003 <sup>a</sup>	January 2002 to December 2002	January 2001 to December 2001
Alfriston	47.10	51.14	44.59	37.02
Ashhurst	-	-	64.26 <sup>c</sup>	56.27
Auckland Central	78.49	84.54	78.01	76.42
Bruce McLaren <sup>b</sup>	-	-	-	78.52
Dannevirke	-	-	83.73 <sup>c</sup>	78.40
Drury	64.48	66.69	68.65	61.15
Feilding	-	-	69.54 <sup>c</sup>	66.16
Foxton	-	-	72.23 <sup>c</sup>	68.32
Hastings	-	-	82.19 <sup>c</sup>	77.66
Hunua	79.59	83.59	84.28	79.53
Kakariki	-	-	86.53 <sup>c</sup>	80.88
Kairanga	-	-	28.87 <sup>c</sup>	22.06
Kingseat	40.46	45.16	51.09	34.52
Levin	-	-	74.15 <sup>c</sup>	64.19
Longburn	-	-	49.98 <sup>c</sup>	48.91
Mangaroa	-	-	-	-
Mangatainoka	-	-	81.94 <sup>c</sup>	81.97
Oroua Downs	-	-	17.20 <sup>c</sup>	13.01
Pahiatua	-	-	69.70 <sup>c</sup>	74.22
Palmerston North	-	-	64.76 <sup>c</sup>	55.60
Pukekohe	73.50	74.43	73.39	68.74
Ramarama	54.59	54.57	53.42	48.11
Takapau	-	-	74.45 <sup>c</sup>	78.25
Tuakau	58.59	68.66	69.34	65.92
Waimauku <sup>b</sup>	-	-	-	-
Waitoki <sup>d</sup>	19.83	-	-	-
Waiuku <sup>b</sup>	-	-	-	49.18
Wellington	-	-	63.07 <sup>c</sup>	57.20

<sup>a</sup> As there is only six months data (Jan03-Jun03) the formula  $a/(6 \times b)$  is used.

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

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

<sup>d</sup> On 18 February 2004 the Waitoki system was connected to the NGC distribution system in the Whangaparaoa. Prior to this the system was supplied by means of the Auckland Central system.

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

#### 1 Energy delivery efficiency performance measures continued

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

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

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

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

UFG by pricing region

Pricing region	UFG (%)			
	July 2003 to June 2004	January 2003 to June 2003	January 2002 to December 2002	January 2001 to December 2001
Auckland	<b>2.31</b>	0.53	2.31	2.31
Hawkes Bay	-	-	0.65	0.65
Palmerston North	-	-	0.42	0.42
Wellington	-	-	2.50	2.50

*The data presented above is estimated based on historical data – sufficient consumption data is not available to accurately calculate the UFG percentage.*

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

#### 2 Statistics

##### a) System length

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

a = system length at the beginning of the financial year

b = system length at the end of the financial year<sup>a</sup>

System	System length (km)			
	July 2003 to June 2004	January 2003 to June 2003	January 2002 to December 2002	January 2001 to December 2001
Alfriston	<b>0.032</b>	0.032	0.032	0.143
Ashhurst	-	-	11.137 <sup>a</sup>	22.308
Auckland Central	<b>4,773.906</b>	4,761.716	4,709.510	4,457.733
Bruce McLaren <sup>b</sup>	-	-	43.307	86.614
Dannevirke	-	-	10.012 <sup>a</sup>	18.267
Drury	<b>9.004</b>	9.004	9.004	9.004
Feilding	-	-	84.221 <sup>a</sup>	168.680
Foxton	-	-	16.773 <sup>a</sup>	33.512
Hastings	-	-	143.712 <sup>a</sup>	338.252
Hunua	<b>2.581</b>	2.376	2.389	2.210
Kakariki	-	-	0.950 <sup>a</sup>	1.901
Kairanga	-	-	3.672 <sup>a</sup>	7.345
Kingseat	<b>6.439</b>	6.439	6.439	6.439
Levin	-	-	102.881 <sup>a</sup>	207.558
Longburn	-	-	18.197 <sup>a</sup>	36.425
Mangaroa	-	-	-	0.003
Mangatainoka	-	-	0.587 <sup>a</sup>	1.174
Oroua Downs	-	-	1.830 <sup>a</sup>	3.660
Pahiatua	-	-	6.012 <sup>a</sup>	12.033
Palmerston North	-	-	362.537 <sup>a</sup>	733.717
Pukekohe	<b>16.288</b>	14.373	14.510	14.439
Ramarama	<b>4.193</b>	4.193	4.195	1.659
Takapau	-	-	2.000 <sup>a</sup>	4.000
Tuakau	<b>4.075</b>	4.075	4.075	4.075
Waitoki	<b>93.422</b>	-	-	-
Waiuku <sup>b</sup>	-	-	0.073	0.145
Wellington	-	-	467.480 <sup>a</sup>	926.686

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

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

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

#### 2 Statistics continued

##### b) Maximum monthly

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

System	Maximum per month (GJ)			
	July 2003 to June 2004	January 2003 to June 2003	January 2002 to December 2002	January 2001 to December 2001
Alfriston	<b>2,766</b>	2,032	2,674	2,735
Ashhurst	-	-	1,212 <sup>a</sup>	1,393
Auckland Central	<b>1,258,449</b>	1,021,294	1,201,534	1,145,717
Bruce McLaren <sup>b</sup>	-	-	-	25,007
Dannevirke	-	-	11,118 <sup>a</sup>	11,626
Drury	<b>5,933</b>	5,062	5,697	6,417
Feilding	-	-	34,889 <sup>a</sup>	41,209
Foxton	-	-	6,417 <sup>a</sup>	6,453
Hastings	-	-	222,489 <sup>a</sup>	214,498
Hunua	<b>12,829</b>	11,088	11,926	14,828
Kakariki	-	-	7,014 <sup>a</sup>	7,145
Kairanga	-	-	1,024 <sup>a</sup>	617
Kingseat	<b>325</b>	102	267	299
Levin	-	-	37,429 <sup>a</sup>	42,168
Longburn	-	-	44,812 <sup>a</sup>	60,137
Mangaroa	-	-	-	-
Mangatainoka	-	-	2,705 <sup>a</sup>	2,890
Oroua Downs	-	-	2,505 <sup>a</sup>	3,721
Pahiatua	-	-	48,376 <sup>a</sup>	46,444
Palmerston North	-	-	131,927 <sup>a</sup>	144,383
Pukekohe	<b>4,070</b>	3,497	3,737	4,090
Ramarama	<b>3,312</b>	2,462	2,770	3,002
Takapau	-	-	15,354 <sup>a</sup>	15,045
Tuakau	<b>21,732</b>	18,669	14,789	16,961
Waitoki <sup>c</sup>	<b>1,026</b>	-	-	-
Waiuku <sup>b</sup>	-	-	-	77
Wellington	-	-	250,580 <sup>a</sup>	253,006

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

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

<sup>c</sup> On 18 February 2004 the Waitoki system was connected to the NGC distribution system in the Whangaparaoa. Prior to this the system was supplied by means of the Auckland Central system.

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

#### 2 Statistics continued

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

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

System	Total conveyed (GJ)			
	July 2003 to June 2004	January 2003 to June 2003	January 2002 to December 2002	January 2001 to December 2001
Alfriston	15,271	6,200	15,702	11,868
Ashhurst	-	-	7,758 <sup>a</sup>	9,365
Auckland Central	11,579,151	5,152,959	11,141,062	10,263,494
Bruce McLaren <sup>b</sup>	-	-	-	230,168
Dannevirke	-	-	92,487 <sup>a</sup>	108,669
Drury	44,845	20,145	54,948	46,003
Feilding	-	-	241,600 <sup>a</sup>	325,790
Foxton	-	-	46,155 <sup>a</sup>	52,681
Hastings	-	-	1,816,678 <sup>a</sup>	1,986,068
Hunua	119,704	55,314	125,115	138,251
Kakariki	-	-	60,441 <sup>a</sup>	69,055
Kairanga	-	-	2,943 <sup>a</sup>	1,628
Kingseat	1,543	274	2,085	1,210
Levin	-	-	276,359 <sup>a</sup>	323,467
Longburn	-	-	223,024 <sup>a</sup>	351,472
Mangaroa	-	-	-	-
Mangatainoka	-	-	22,017 <sup>a</sup>	28,242
Oroua Downs	-	-	4,291 <sup>a</sup>	5,782
Pahiatua	-	-	334,982 <sup>a</sup>	410,973
Palmerston North	-	-	850,810 <sup>a</sup>	959,357
Pukekohe	35,070	15,531	32,449	32,958
Ramarama	21,196	8,019	18,109	16,930
Takapau	-	-	113,559 <sup>a</sup>	140,353
Tuakau	149,255	76,500	145,871	131,068
Waitoki <sup>c</sup>	2,384	-	-	-
Waiuku <sup>b</sup>	-	-	-	446
Wellington	-	-	1,540,838 <sup>a</sup>	1,693,222

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

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

<sup>c</sup> On 18 February 2004 the Waitoki system was connected to the NGC distribution system in the Whangaparaoa. Prior to this the system was supplied by means of the Auckland Central system.



### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

#### 2 Statistics continued

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

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

System	Conveyed for others (GJ)			
	July 2003 to June 2004	January 2003 to June 2003	January 2002 to December 2002	January 2001 to December 2001
Alfriston	15,271	6,200	15,702	11,868
Ashhurst	-	-	7,758 <sup>a</sup>	9,365
Auckland Central	11,579,151	5,152,959	11,141,062	10,263,494
Bruce McLaren <sup>b</sup>	-	-	-	230,168
Dannevirke	-	-	92,487 <sup>a</sup>	108,669
Drury	44,845	20,145	54,948	46,003
Feilding	-	-	241,600 <sup>a</sup>	325,790
Foxton	-	-	46,155 <sup>a</sup>	52,681
Hastings	-	-	1,816,678 <sup>a</sup>	1,986,068
Hunua	119,704	55,314	125,115	138,251
Kakariki	-	-	60,441 <sup>a</sup>	69,055
Kairanga	-	-	2,943 <sup>a</sup>	1,628
Kingseat	1,543	274	2,085	1,210
Levin	-	-	276,359 <sup>a</sup>	323,467
Longburn	-	-	223,024 <sup>a</sup>	351,472
Mangaroa	-	-	-	-
Mangatainoka	-	-	22,017 <sup>a</sup>	28,242
Oroua Downs	-	-	4,291 <sup>a</sup>	5,782
Pahiatua	-	-	334,982 <sup>a</sup>	410,973
Palmerston North	-	-	850,810 <sup>a</sup>	959,357
Pukekohe	35,070	15,531	32,449	32,958
Ramarama	21,196	8,019	18,109	16,930
Takapau	-	-	113,559 <sup>a</sup>	140,353
Tuakau	149,255	76,500	145,871	131,068
Waitoki <sup>c</sup>	2,384	-	-	-
Waiuku <sup>b</sup>	-	-	-	446
Wellington	-	-	1,540,838 <sup>a</sup>	1,693,222

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

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

<sup>c</sup> On 18 February 2004 the Waitoki system was connected to the NGC distribution system in the Whangaparaoa. Prior to this the system was supplied by means of the Auckland Central system.

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

#### 2 Statistics continued

##### e) Total customers

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

a = total customers at the beginning of the financial year

b = total customers at the end of the financial year

System	Number of customers			
	July 2003 to June 2004	January 2003 to June 2003	January 2002 to December 2002	January 2001 to December 2001
Alfriston	2	1	4 <sup>a</sup>	5
Ashhurst	-	-	130	259
Auckland Central	70,349	68,492	66,896	60,164
Bruce McLaren <sup>b</sup>	-	-	-	590
Dannevirke	-	-	74 <sup>a</sup>	148
Drury	30	31	31	30
Feilding	-	-	1,183 <sup>a</sup>	2,361
Foxton	-	-	253 <sup>a</sup>	504
Hastings	-	-	2,456 <sup>a</sup>	4,895
Hunua	4	4	4	3
Kakariki	-	-	1 <sup>a</sup>	1
Kairanga	-	-	3 <sup>a</sup>	6
Kingseat	7	7	6	5
Levin	-	-	2,068 <sup>a</sup>	4,142
Longburn	-	-	246 <sup>a</sup>	491
Mangaroa	-	-	-	1
Mangatainoka	-	-	1 <sup>a</sup>	1
Oroua Downs	-	-	2 <sup>a</sup>	4
Pahiatua	-	-	61 <sup>a</sup>	122
Palmerston North	-	-	8,535 <sup>a</sup>	17,018
Pukekohe	101	100	102	3,744
Ramarama	3	3	3	3
Takapau	-	-	1 <sup>a</sup>	1
Tuakau	13	13	13	14
Waitoki <sup>c</sup>	128	-	-	-
Waiuku <sup>b</sup>	-	-	-	1
Wellington	-	-	14,146 <sup>a</sup>	28,040

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

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

<sup>c</sup> On 18 February 2004 the Waitoki system was connected to the NGC distribution system in the Whangaparaoa. Prior to this the system was supplied by means of the Auckland Central system.

### 3.3 RELIABILITY PERFORMANCE MEASURES For the year ended 30 June 2004

#### Schedule 1 – PART 4

##### Unplanned interruptions in distribution systems

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

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

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

System	Unplanned interruption measure (within distribution system)			
	July 2003 to June 2004	January 2003 to June 2003	January 2002 to December 2002	January 2001 to December 2001
Alfriston	-	-	-	-
Ashhurst	-	-	#	#
Auckland Central	<b>0.0020</b>	0.0007	0.0024	0.0013
Bruce McLaren <sup>a</sup>	-	-	-	-
Dannevirke	-	-	#	#
Drury	-	-	-	0.0167
Feilding	-	-	#	#
Foxton	-	-	#	#
Hastings	-	-	#	#
Hunua	-	-	-	-
Kakariki	-	-	#	#
Kairanga	-	-	#	#
Kingseat	-	-	-	-
Levin	-	-	#	#
Longburn	-	-	#	#
Mangaroa	-	-	#	#
Mangatainoka	-	-	#	#
Oroua Downs	-	-	#	#
Pahiatua	-	-	#	#
Palmerston North	-	-	#	#
Pukekohe	-	-	-	-
Ramarama	-	-	-	-
Takapau	-	-	-	-
Tuakau	-	-	-	-
Waitoki	-	-	-	-
Waiuku <sup>a</sup>	-	-	-	-
Wellington	-	-	0.0040	0.0105

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

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

### 3.3 RELIABILITY PERFORMANCE MEASURES

#### Unplanned interruptions in distribution systems continued

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

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

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

System	Unplanned interruption measure (resulting from transmission interruptions)			
	July 2003 to June 2004	January 2003 to June 2003	January 2002 to December 2002	January 2001 to December 2001
Alfriston	-	-	-	-
Ashhurst	-	-	-	-
Auckland Central	-	-	-	-
Bruce McLaren	-	-	-	-
Dannevirke	-	-	-	-
Drury	-	-	-	-
Feilding	-	-	-	-
Foxton	-	-	-	-
Hastings	-	-	-	-
Hunua	-	-	-	-
Kakariki	-	-	-	-
Kairanga	-	-	-	-
Kingseat	-	-	-	-
Levin	-	-	-	-
Longburn	-	-	-	-
Mangaroa	-	-	-	-
Mangatainoka	-	-	-	-
Oroua Downs	-	-	-	-
Pahiatua	-	-	-	-
Palmerston North	-	-	-	-
Pukekohe	-	-	-	-
Ramarama	-	-	-	-
Takapau	-	-	-	-
Tuakau	-	-	-	-
Waitoki	-	-	-	-
Waiuku	-	-	-	-
Wellington	-	-	-	-