SUPPLEMENT TO

New Zealand Gazette

OF THURSDAY, 21 FEBRUARY 2008

WELLINGTON: TUESDAY, 26 FEBRUARY 2008 — ISSUE NO. 39

VECTOR LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

KPMG

Auditors Report

To the readers of the financial statements of Vector Elcctricity Lines Business.

We have audited the accompanying special purpose information disclosure statements of Vector Electricity Lines Business. The special purpose information disclosure statements provide information about the past financial performance of Vector Electricity Lines Business and its financial position as at 31 March 2007. This information is stated in accordance with the accounting policies set out in the special purpose financial statements.

Directors' Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Vector Electricity Lines Business as at 31 March 2007, and the results of operations and cash flows for the year then ended.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the special purpose information disclosure 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 special purpose information disclosure statements. It also include 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 Electricity Lines Business's 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. We obtained sufficient evidence to give reasonable assurance that the special purpose information disclosure statements are free from misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the special purpose information disclosure statements.

Our firm has also provided other services to the company in relation to other audit related services. Partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditors of the electricity lines business. The firm has no other relationship with, or interest in Vector Limited – Electricity Lines Business.

KPMG

Unqualified Opinion

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

In our opinion-

- proper accounting records have been maintained by Vector Electricity Lines Business as far as appears from our examination of those records; and
- the special purpose information disclosure statements referred to above-
  - comply with generally accepted accounting practice; and
  - give a true and fair view of financial position of Vector Electricity Lines Business as at 31 March 2007 and the results of its operations and cash flows for the year ended; and
  - comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 13 February 2008 and our opinion is expressed as at that date.

KPMG.

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PO Box 1584
Auckland

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Auditor's Opinion of Performance Measures

We have examined the attached information, being:

(a) a derivation table per Schedule 1 Part 7; and
(b) an annual ODV reconciliation report per Schedule 1 Part 8; and
(c) financial performance measures in clause 1 of Part 3 of Schedule 1; and
(d) financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1,

that were prepared by Vector Electricity Line Business and dated 13 February 2008 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with those Electricity Information Disclosure Requirements 2004.

KPMG

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PO Box 1584
Auckland

CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY DISCLOSING ENTITIES (OTHER THAN TRANSPOWER)

We, Michael Stiassny and Alison Paterson, 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's electricity lines business prepared for the purposes of requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; 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 requirements 14, 15, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

The valuations on which those financial performance measures are based are as at 31 March 2007.

Signature of Directors: ______________________

____

Date: 13 February 2008

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2007

	NOTE	2007 $000	2006 $000
Operating revenue	1	**632,034**	588,516
Operating expenditure	2	**(401,988)**	(360,650)
Operating surplus before interest and income tax		**230,046**	227,866
Interest expense	3	**(138,107)**	(125,944)
Operating surplus before income tax		**91,939**	101,922
Income tax	4	**(50,897)**	(48,153)
Net surplus after tax		**41,042**	53,769

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007

	NOTE	2007 $000	2006 $000
RECOGNISED REVENUES AND EXPENSES			
Net surplus after tax		**41,042**	53,769
Movement in asset revaluation reserve		**-**	450,475
Total recognised revenues and expenses for the year		**41,042**	504,244
Adjustment to notional share capital		**-**	(336,338)
Distribution to owners – dividends	6	**(45,916)**	(70,200)
Movements in equity for the year		**(4,874)**	97,706
Equity at beginning of the year		**879,688**	781,982
Equity at end of the year		**874,814**	879,688

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2007

	NOTE	2007 $000	2006 $000
CURRENT ASSETS			
Cash and bank balances		-	-
Short-term investments		-	-
Inventories		-	-
Accounts receivable	10	67,343	56,682
Other current assets	9	2,557	3,371
Total current assets		69,900	60,053
NON-CURRENT ASSETS			
Total fixed assets (property, plant and equipment)	11	2,602,372	2,535,630
Other tangible assets	9	15,257	15,719
Total non-current assets		2,617,629	2,551,349
Total tangible assets		2,687,529	2,611,402
INTANGIBLE ASSETS			
Goodwill	12	469,226	499,470
Other intangible assets		-	-
Total intangible assets		469,226	499,470
Total assets		3,156,755	3,110,872
CURRENT LIABILITIES			
Bank overdraft		-	-
Short-term borrowings	15	23,049	22,744
Payables and accruals	13	115,181	85,478
Provision for dividends payable		-	-
Provision for income tax		28,375	29,256
Other current liabilities	14	238	832
Total current liabilities		166,843	138,310
NON-CURRENT LIABILITIES			
Payables and accruals	13	451	507
Borrowings	15	1,824,387	1,824,387
Deferred tax	5	290,187	267,665
Other non-current liabilities	14	73	315
Total non-current liabilities		2,115,098	2,092,874
Total liabilities		2,281,941	2,231,184
EQUITY			
Share capital (notional)	7	-	-
Retained earnings		(120,543)	(115,669)
Reserves (asset revaluation)	8	995,357	995,357
Total shareholders' equity (notional)		874,814	879,688
Minority interests in subsidiaries		-	-
Total equity		874,814	879,688
Capital notes		-	-
Total capital funds		874,814	879,688
Total equity and liabilities		3,156,755	3,110,872

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2007

	NOTE	2007 $000	2006 $000
OPERATING ACTIVITIES			
Cash provided from:			
Receipts from customers		**614,438**	558,677
Interest received on deposits		**103**	94
		614,541	558,771
Cash applied to:			
Payments to suppliers and employees		**(248,064)**	(235,618)
Income tax paid		**(29,256)**	(31,958)
Interest paid		**(132,268)**	(121,924)
		(409,588)	(389,500)
Net cash from operating activities		**204,953**	169,271
INVESTING ACTIVITIES			
Cash provided from:			
Proceeds from sale of property, plant and equipment		**160**	-
		160	-
Cash applied to:			
Purchase and construction of property, plant and equipment		**(156,450)**	(125,458)
		(156,450)	(125,458)
Net cash used in investing activities		**(156,290)**	(125,458)
FINANCING ACTIVITIES			
Cash provided from/(applied to):			
Net loan facilities*		**31**	40,294
Debt raising costs incurred		**(2,778)**	(15,146)
Dividends paid	6	**(45,916)**	(70,200)
Net cash from financing activities		**(48,663)**	(45,052)
Net decrease in cash balances		**-**	(1,239)
Cash balances at beginning of the year		**-**	1,239
Cash balances at end of the year		**-**	-

* 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 2007

RECONCILIATION OF NET SURPLUS AFTER TAX TO NET CASH FROM OPERATING ACTIVITIES

	2007 $000	2006 $000
Net surplus after tax	**41,042**	53,769
ITEMS CLASSIFIED AS INVESTING AND FINANCING ACTIVITIES		
Net loss/(gain) on disposal of non current assets	**9,118**	(110)
	9,118	(110)
NON-CASH ITEMS IMPACTING NET SURPLUS		
Depreciation and amortisation	**111,501**	94,818
Amortisation of the mark to market adjustment	**(836)**	(1,351)
Amortisation of capitalised finance costs	**4,328**	3,899
Increase in deferred tax	**22,522**	18,897
Increase in provisions	**1,458**	1,719
	138,973	117,982
MOVEMENT IN WORKING CAPITAL		
Increase in payables and accruals	**27,362**	4,042
Increase in accounts receivable	**(10,661)**	(3,710)
Decrease in provision for income tax	**(881)**	(2,702)
	15,820	(2,370)
Net cash from operating activities	**204,953**	169,271

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2007

ENTITIES REPORTING

These financial information disclosure statements comprise the electricity lines business activities of Vector Limited. The electricity lines business activities involve the ownership of lines for the distribution of electricity.

Vector Limited is a company registered under the Companies Act 1993. Vector Limited is an issuer for the purpose of the Financial Reporting Act 1993 and its financial statements comply with that Act. The accounting policies as they relate to the electricity lines business activities are detailed below.

These financial information disclosure statements of the electricity lines business activities of Vector Limited are Special Purpose Financial Reports as defined in the New Zealand Institute of Chartered Accountants' "framework for differential reporting".

All prior year comparative numbers are as disclosed for the electricity lines business activity of Vector Limited for the year ended 31 March 2006.

STATUTORY BASE

These financial information disclosure statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Electricity Information Disclosure Requirements 2004.

MEASUREMENT BASE

The financial information disclosure statements are 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 below.
The Vector group has adopted a policy to apply the avoidable cost allocation methodology (ACAM) described in the Electricity Information Disclosure Handbook 31 March 2004, for the allocation of revenues, costs, assets and liabilities between the regulated businesses and other activities of the company.
The electricity lines business is treated as a separate regulated standalone business.
The costs have been allocated on the following basis:

- Direct allocation of all components of financial statement items which are directly attributable to the specific businesses.
- For any components of financial statement items that are not directly attributable to a specific business:
  - By assessing the proportions of those components which are avoidable and non-avoidable; and
  - Allocating those components amongst the businesses on the basis of those proportions using an appropriate cost allocator.

The two main allocators used are the number of employees and the book value of property plant and equipment. Some costs like integration costs, IT costs and non-system asset depreciation are separately analysed and are allocated using allocators specific to those costs.
All costs not allocated to the standalone electricity lines business, are allocated to other businesses within the Vector group. Other businesses are not disclosed within these financial information disclosure statements.
Allocators are also utilised to allocate balance sheet assets and liabilities that are not directly attributable to the standalone business.

SPECIFIC ACCOUNTING POLICIES

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

A) COMPARATIVES

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

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

B) ACQUISITIONS AND DISPOSALS OF AN ENTITY OR BUSINESS

Acquisition or disposal during the year

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

Goodwill arising on acquisition

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

Fees and other costs incurred in raising debt or equity finance directly attributable to the acquisition are recognised as part of the cost of acquisition within goodwill and amortised on a straight line basis over a period of up to 20 years.

C) INCOME RECOGNITION

Income from the provision of goods and services is recognised as goods and services are delivered. Interest and rental income is accounted for as earned. Income from customer contributions is recognised on a percentage of completion basis.

D) 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 receivables and payables, which include GST invoiced.

E) ACCOUNTS RECEIVABLE

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

F) INCOME TAX

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

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

A deferred tax asset, or the effect of tax losses carried forward 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.

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

G) 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 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 classes of land and buildings are revalued by independent experts. Revalued assets are valued to fair value in accordance with Financial Reporting Standard No.3, applying a depreciated replacement cost or a discounted cash flow methodology as appropriate. Revaluations of distribution systems and distribution land and buildings are carried out at least every three years.

Other classes of property, plant and equipment are not revalued. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of financial performance. Estimated recoverable amount is the greater of the estimated amount from the future use of property, plant and equipment and its ultimate disposal, and its net market value. Annual impairment reviews are undertaken for these classes of property, plant and equipment.

H) DEPRECIATION

Depreciation of property, plant and equipment, is calculated on a straight line basis or diminishing value basis so as to expense the cost or revalued amount, less any expected residual value of the property, plant and equipment to the statement of financial performance over its useful economic life.

	USEFUL LIVES YEARS
Distribution systems	15 - 100
Distribution and other buildings	40 - 100
Motor vehicles and mobile equipment	3 - 20
Consumer billing and information systems	3 - 40
Other plant and equipment	5 - 20

I) LEASED ASSETS

Finance leases

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

Operating leases

Lease payments under operating leases, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment are expensed to the statement of financial performance in equal instalments over the lease term.

Leasehold improvements

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

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

J) PROVISIONS

Employee entitlements

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

Other provisions

A provision is recognised as a liability where a constructive or legal obligation exists to settle items in the foreseeable future. A provision is recognised where the likelihood of a resultant liability is considered more probable than not. Where the likelihood of a resultant liability is more than remote but insufficient to warrant a provision, such events are disclosed as contingent liabilities.

K) FINANCIAL INSTRUMENTS

Derivative financial instruments are used within predetermined policies and limits in order to manage the 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.

No speculative transactions are conducted nor are any derivative financial instruments held for trading purposes.

Fees and other costs incurred in raising debt finance not directly attributable to the acquisition of subsidiaries 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.

Fair value adjustments on derivative instruments acquired are initially recognised in the statement of financial position as a mark to market adjustment. Subsequent to initial recognition, the mark to market adjustment is amortised to the statement of financial performance over the period of the underlying derivative.

The allocation of debt and equity items is in accordance with the principles and rules of ACAM.

L) FOREIGN CURRENCIES

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

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

M) 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 of investments.

Investments can include securities not falling within the definition of cash.

Financing activities are those activities 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 cash on hand and in current accounts in banks, net of bank overdrafts.

CHANGES IN ACCOUNTING POLICY

All policies have been applied on a basis consistent with those applied for the year ended 31 March 2006.

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

1. OPERATING REVENUE	2007 $000	2006 $000
Revenue from line/access charges	581,685	534,453
Revenue from "other" business for services carried out by the line business (transfer payment)	-	-
Interest on cash, bank balances and short-term investments	103	94
AC loss-rental rebates	19,201	22,353
Other operating revenue	30,885	31,506
Gain on sale of property, plant and equipment	160	110
Total operating revenue	632,034	588,516

2. OPERATING EXPENDITURE	2007 $000	2006 $000
Depreciation		
System fixed assets	78,219	60,165
Other assets	3,038	4,409
Total depreciation	81,257	64,574
Amortisation		
Goodwill	30,244	30,244
Other intangibles	-	-
Total amortisation of intangibles	30,244	30,244
Expense to entities that are not related parties		
Asset maintenance	63,976	63,723
Consumer disconnection/reconnection services	-	-
Meter data	1	9
Consumer-based load control services	-	-
Royalty and patent expenses	-	-
Total of specified expenses to non-related parties	63,977	63,732
Cost of offering credit		
Bad debts written off	-	103
Decrease in estimated doubtful debts	-	(549)
Total cost of offering credit	-	(446)

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

2. OPERATING EXPENDITURE (continued)	2007 $000	2006 $000
Auditors' fees		
Audit fees paid to principal auditors	**353**	346
Audit fees paid to other auditors	**-**	43
Fees paid for other services provided by principal and other auditors	**272**	207
Total auditors' fees	**625**	596
Payment for transmission charges	**136,438**	127,402
Employee salaries, wages and redundancies	**20,003**	20,956
Consumer billing and information system expense	**4,437**	3,248
Loss on sale of property, plant and equipment	**9,278**	-
Corporate and administration	**10,673**	8,639
Human resource expenses	**1,846**	1,937
Marketing / advertising	**3,258**	3,221
Merger and acquisition expenses	**-**	-
Takeover defence expenses	**-**	-
Research and development expenses	**-**	-
Consultancy and legal expenses	**9,293**	4,154
Donations	**4**	22
Directors' fees	**507**	718
Local authority rates expense	**4,900**	5,054
AC loss – rental rebates (distribution to retailers/customers) expense	**19,201**	22,353
Rebates to consumers due to ownership interest	**-**	-
Subvention payments	**-**	-
Unusual expenses	**-**	-
Rental expense on operating leases	**1,482**	2,074
Other expenditure	**4,565**	2,172
Total operating expenditure	**401,988**	360,650

Transfer payments to the "other" business for	2007 $000	2006 $000
Asset maintenance	**-**	-
Consumer disconnection/reconnection services	**-**	-
Meter data	**-**	-
Consumer-based load control services	**-**	-
Royalty and patent expenses	**-**	-
Avoided transmission charges on account of own generation	**-**	-
Other goods and services	**-**	-
Total transfer payment to the "other" business	**-**	-

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

3. INTEREST EXPENSE	2007 $000	2006 $000
Interest expense on borrowings	**138,107**	125,944
Financing charges related to finance leases	-	-
Other interest expense	-	-
Total interest expense	**138,107**	125,944

4. INCOME TAX	NOTE	2007 $000	2006 $000
Operating surplus before income tax		**91,939**	101,922
Prima facie tax at 33%		**30,340**	33,634
Plus tax effect of permanent differences:			
Other permanent differences		**20,557**	14,519
Income tax expense		**50,897**	48,153
The income tax expense is represented by:			
Current tax		**28,375**	29,256
Deferred tax	5	**22,522**	18,897
Total		**50,897**	48,153

5. DEFERRED TAX	NOTE	2007 $000	2006 $000
Balance at beginning of the year		**267,665**	229,511
Increase on revaluation of property, plant & equipment		-	19,257
On net surplus for the year	4	**22,522**	18,897
Balance at end of the year		**290,187**	267,665

In May 2007, the Government changed the corporate tax rate to 30% effective from the 2008/2009 income year. The estimated impact of this rate change is a reduction of $25.3 million in the deferred tax liability.

6. DIVIDENDS

It is assumed that the electricity lines business has paid a notional dividend of $45.9 million (31 March 2006: $70.2 million), equating to 64.4% (31 March 2006: 83.5%) of net profit after tax and before intangible asset amortisation (NPATA), which is based on the NPATA payout ratio of the Vector group.

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

7. SHARE CAPITAL (NOTIONAL)	2007 $000	2006 $000
Balance at beginning of the year	-	133,000
Movement during the year	-	(133,000)
Balance at end of the year	-	-

8. RESERVES	2007 $000	2006 $000
Asset revaluation reserve		
Balance at beginning of the year	995,357	544,882
Revaluation of property, plant and equipment	-	450,475
Balance at end of the year	995,357	995,357

9. OTHER TANGIBLE ASSETS	2007 $000	2006 $000
Current		
Capitalised finance costs	2,557	3,371
Total other current assets	2,557	3,371
Non-current		
Capitalised finance costs	14,983	15,719
Other non current receivables	274	-
Total other non current assets	15,257	15,719

10. ACCOUNTS RECEIVABLE	2007 $000	2006 $000
Trade receivables	62,369	54,082
Provision for doubtful debts	(134)	(134)
	62,235	53,948
Other receivables	5,108	2,734
Total	67,343	56,682

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

11. PROPERTY, PLANT AND EQUIPMENT 2007	COST/ VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
System fixed assets			
Distribution systems	2,422,276	(76,642)	2,345,634
Distribution land	87,628	-	87,628
Distribution buildings	43,038	(1,300)	41,738
Total system fixed assets	2,552,942	(77,942)	2,475,000
Consumer billing and information system assets	26,494	(16,201)	10,293
Motor vehicles	171	(114)	57
Office equipment	-	-	-
Land	295	-	295
Buildings	82	(8)	74
Leasehold improvements	1,848	(1,021)	827
Capital works under construction	115,349	-	115,349
Other fixed assets	1,050	(573)	477
Total	2,698,231	(95,859)	2,602,372

Non system fixed assets, namely corporate IT assets, are allocated across the electricity business and other businesses. This is a change in allocation methodology from 2006, resulting in a reduction in net book value of these assets by $11.5 million.

2006	COST/ VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
System fixed assets			
Distribution systems	2,313,813	-	2,313,813
Distribution land	87,110	-	87,110
Distribution buildings	41,439	-	41,439
Total system fixed assets	2,442,362	-	2,442,362
Consumer billing and information system assets	53,755	(32,991)	20,764
Motor vehicles	125	(108)	17
Office equipment	-	-	-
Land	295	-	295
Buildings	271	(19)	252
Leasehold improvements	3,375	(1,963)	1,412
Capital works under construction	69,730	-	69,730
Other fixed assets	1,978	(1,180)	798
Total	2,571,891	(36,261)	2,535,630

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The fair value of the land and buildings is equal to their net book value.

As stated in the statement of accounting policies, interest and other costs are capitalised to property, plant and equipment while under construction. During the year $2.3 million (31 March 2006: $1.6 million) of interest and other costs were capitalised.

The system fixed assets were revalued to $2,442.4 million as at 31 March 2006 consistent with the group's accounting policy to revalue property, plant and equipment at least every three years. The basis of this valuation is the lesser of depreciated replacement cost and the estimated amount from the future use of these system fixed assets. This valuation was undertaken in conjunction with the following parties:

	FIRM	*QUALIFICATION*
Eric Lucas	PricewaterhouseCoopers	CA; BA (Hons)
Lynne Taylor	PricewaterhouseCoopers	BSoc.Sci (Hons) Economics
Trevor Walker	Telfer Young Ltd	Dip Val; ANZIV; SNZP; Registered Valuer
Jeffrey Wilson	Wilson Cook & Co Ltd	ME; BCom; CEng; FIEE; FIPENZ; MIEEE

12. GOODWILL	2007 $000	2006 $000
Balance at beginning of the year	**499,470**	531,890
Prior period adjustment	**-**	(2,176)
Amortisation in the financial year	**(30,244)**	(30,244)
Balance at end of the year	**469,226**	499,470

Goodwill is amortised over a period of up to 20 years. The prior period adjustment is the result of an amendment to the goodwill allocation methodology.

13. PAYABLES AND ACCRUALS	2007 $000	2006 $000
Current		
Trade payables and other creditors	**89,783**	62,323
Provision for employee entitlements	**2,115**	2,135
Interest payable	**23,135**	20,789
Other provisions	**148**	231
Total	**115,181**	85,478
Non-current		
Other non-current payables	**451**	507
Total	**451**	507

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

14. OTHER LIABILITIES	2007 $000	2006 $000
Current	**238**	832
Non-current	**73**	315
Total	**311**	1,147

15. BORROWINGS

Borrowings are a notional apportionment of the Vector group debt facilities including bank loans, a working capital facility, medium term notes - floating rate A$, capital bonds, fixed interest rate bonds, private placement senior notes and NZ floating rate notes. All borrowings are unsecured with all bank loans and medium term notes being subject to negative pledge arrangements.

The interest cost on the borrowings has been calculated using a weighted average interest rate of 7.47% applicable to the Vector group.

Borrowings are classified between current and non-current dependent on expected repayment dates. Borrowings are subject to various lending covenants. These have all been met for the years ended 31 March 2007 and 31 March 2006.

A detailed disclosure of the Vector group's borrowings is available under Note 29 of the Vector group's annual report for the year ended 30 June 2007.

16. COMMITMENTS

The following amounts have been committed to but are not recognised in the financial statements.

	2007 $000	2006 $000
Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date but not provided	**37,677**	47,085
Operating lease commitments		
Within one year	**2,615**	1,889
One to two years	**2,367**	1,784
Two to five years	**4,509**	4,934
Beyond five years	**845**	1,117
Total	**10,336**	9,724

The majority of the operating lease commitments relate to premises leases. These, in the main, give the lessee the right to renew the lease.

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

17. FINANCIAL INSTRUMENTS

A comprehensive treasury policy approved by the Vector Limited board of directors is used to manage the risks of financial instruments. The policy outlines the objectives and approach that will be adopted in the treasury management processes. The policy covers, among other things, management of credit risk, interest rate risk, funding risk, liquidity risk, currency risk and operational risk.

A detailed disclosure of the Vector group's financial instruments is available under Note 30 of Vector group's annual report for the year ended 30 June 2007.

INTEREST RATE RISK

Interest rate exposures are actively managed in accordance with treasury policy. In this respect, at least forty percent of all debt must be at fixed interest rates or effectively fixed using interest rate swaps, forward rate agreements, options and other derivative instruments.

FOREIGN EXCHANGE RISK

In this reporting period transactions in foreign currencies have been conducted for the purpose of protecting the NZ$ value of capital expenditure.

There are outstanding forward exchange contracts. At balance date there is no significant exposure to foreign exchange risk.

CREDIT RISK

In the normal course of business, there is exposure to credit risks from energy retailers, financial institutions and trade debtors. There are credit policies, which are used to manage the exposure to credit risks.

As part of these policies, exposures are limited to financial institutions having at least a credit rating of A+ long term from Standard & Poor's (or equivalent rating). In addition, limits on exposures to financial institutions have been set by the Vector board of directors and are monitored on a regular basis. In this respect, credit risk is minimised by spreading such exposures across a range of institutions. There is no anticipation of non-performance by any of these financial institutions.

There are some concentration of credit exposures with a few large energy retailers and large energy customers. To minimise this risk, credit evaluations on all energy retailers and large energy customers are undertaken and a requirement for a bond or other form of security where deemed necessary is placed.

Cash deposits with a small number of banking institutions are placed and limits are set for the amount deposited with each institution.

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

	2007 CARRYING AMOUNT $000	2006 CARRYING AMOUNT $000
Trade receivables	**62,235**	53,948

LIQUIDITY RISK

Liquidity risk is the risk of encountering difficulty in raising funds at short notice to meet financial commitments as they fall due. In order to reduce the exposure to liquidity risk, access to un-drawn committed lines of credit has been established.

18. CONTINGENT LIABILITIES

The directors are aware of claims against entities within the Vector group and, where appropriate, have recognised provisions for these within the financial statements. No other material contingencies requiring disclosure have been identified (31 March 2006: nil).

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

19. TRANSACTIONS WITH RELATED PARTIES

The electricity lines business has purchased vegetation management services of $7.8 million (31 March 2006: $8.5 million) from Treescape Limited, which is an associate of Vector group.

The electricity lines business has purchased telecommunications services of $1.9 million (31 March 2006: $0.9 million) from Vector Communications Limited.

20. INTERNATIONAL FINANCIAL REPORTING STANDARDS

A detailed disclosure of the Vector group's New Zealand equivalents to International Financial Reporting standards (NZ IFRS) transition management, impacts on transition to NZ IFRS, significant changes in accounting policies on transition to NZ IFRS and exemptions taken on transition to NZ IFRS is available under Note 34 of the Vector group's annual report for the year ended 30 June 2007.

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

FINANCIAL PERFORMANCE AND EFFICIENCY MEASURES
FOR THE YEAR ENDED 31 MARCH 2007

SCHEDULE 1 – PART 3

		2007	2006	2005	2004
1	**Financial performance measures**				
a	Return on funds	**13.68%**[1]	13.16%	12.80%	13.30%
b	Return on equity	**(57.39)%**	349.71%	49.00%	77.90%
c	Return on investment	**8.85%**[1]	8.54%	8.20%	8.40%[2]
2	**Efficiency performance measures**				
a	Direct line cost per kilometre	**$2,942.24**	$2,949.28	$2,492.50	$1,944.18
b	Indirect line cost per consumer	**$91.70**[3]	$79.28	$90.99	$92.02

[1] Interest expense accruals have been excluded from the calculation of ROF and ROI. Including the interest expense accruals ROF is 13.8% and ROI is 8.9%.

[2] Revaluation arising from the recalibration of the ODV Handbook is excluded. Including the recalibration the ROI would be 21.9%, however, Vector considers this provides a misleading view of the return on investment for 2004 given the source of the change is a recalibration.

[3] Loss on disposal of assets has been excluded from the calculation of indirect line cost per consumer. Including the loss on disposal of assets, the indirect line cost per consumer is $105.52.

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS
FOR THE YEAR ENDED 31 MARCH 2007

SCHEDULE 1 – PART 4

1. Energy delivery efficiency performance measures

		2007	2006	2005	2004
(a)	Load factor	**57.17%**	59.13%	58.81%	59.81%
(b)	Loss ratio	**4.73%**	4.91%	4.65%	4.72%
(c)	Capacity utilisation	**43.77%**	41.39%	42.29%	40.42%

2. Statistics

(a) System length excluding street lighting (in kilometres)

	400V	6.6kV	11kV	22kV	33kV	66kV	110kV	Total
2007	**11,844.37**	**68.18**	**8,679.92**	**145.88**	**914.99**	**0.00**	**90.62**	**21,743.95**
2006	11,747.75	67.43	8,638.40	144.90	917.31	0.00	90.63	21,606.42
2005	11,638.52	67.17	8,571.24	125.68	910.38	0.00	91.30	21,404.29
2004	11,481.46	66.54	8,487.72	125.24	911.60	0.00	90.48	21,163.04

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

	400V	6.6kV	11kV	22kV	33kV	66 kV	110kV	Total
2007	**5,393.00**	**24.59**	**4,481.20**	**6.97**	**435.98**	**0.00**	**25.73**	**10,367.47**
2006	5,371.28	25.92	4,486.26	7.44	436.35	0.00	25.74	10,352.99
2005	5,396.52	26.43	4,486.98	2.91	437.89	0.00	25.74	10,376.47
2004	5,417.57	26.43	4,495.66	2.91	446.11	0.00	25.74	10,414.42

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

	400V	6.6kV	11kV	22kV	33kV	66kV	110kV	Total
2007	**6,451.37**	**43.59**	**4,198.72**	**138.91**	**479.01**	**0.00**	**64.89**	**11,376.48**
2006	6,376.47	41.51	4,152.14	137.46	480.96	0.00	64.89	11,253.43
2005	6,242.00	40.74	4,084.26	122.78	472.48	0.00	65.56	11,027.82
2004	6,063.89	40.11	3,992.06	122.33	465.49	0.00	64.74	10,748.62

2(a) 2(b) 2(c) 400V includes 52km of DC power systems.
2(a) 2(b) 2(c) Per energised voltage

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS
FOR THE YEAR ENDED 31 MARCH 2007

SCHEDULE 1 – PART 4 (continued)

2. Statistics (continued)

		2007	2006	2005	2004
(d)	Transformer capacity (MVA)	**5,121.46**	5,046.67	4,930.04	4,843.25
(e)	Maximum demand (kW)	**2,241,800**	2,088,862	2,085,090	1,957,774
(f)	Total electricity entering system (before losses of electricity), in kilowatt hours	**11,226,947,405**	10,820,021,932	10,742,433,048	10,257,438,450
(g)	The total amount of electricity (in kilowatt hours) supplied from the system (after losses of electricity) during the financial year on behalf of each person that is an electricity generator or an electricity retailer, or both	**10,695,854,602**	10,289,040,526	10,243,037,361	9,773,773,861
	Company A	**3,497,066,821**	3,441,561,038	3,307,258,372	2,850,340,301
	Company B	**-**	-	-	-
	Company C	**-**	-	-	-
	Company D	**1,954,636,656**	1,905,575,365	2,053,761,415	2,220,527,842
	Company E	**3,474,577,436**	3,308,788,718	3,406,723,668	3,101,604,795
	Company F	**1,066,033,838**	941,139,488	858,163,539	891,429,437
	Company G	**-**	-	-	-
	Company H	**-**	-	-	-
	Company I	**-**	-	-	-
	Company J	**673,953,212**	671,690,116	614,060,342	690,358,384
	Company K	**-**	-	-	-
	Company L	**-**	-	-	-
	Company M	**-**	-	-	-
	Company N	**29,423,855**	20,285,801	3,070,025	19,513,102
	Company O	**-**	-	-	-
	Company P	**162,785**	-	-	-
	Company Q	**-**	-	-	-
	Company R	**-**	-	-	-
	Company S	**-**	-	-	-
	Company T	**-**	-	-	-
(h)	Total consumers	**671,678**	660,347	651,000	644,000

2(d) Transformer capacity excludes customer owned transformers.

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

RELIABILITY PERFORMANCE MEASURES TO BE DISCLOSED BY DISCLOSING ENTITIES (OTHER THAN TRANSPOWER)

FOR THE YEAR ENDED 31 MARCH 2007

SCHEDULE 1 – PART 5

1. Interruptions

	2007	2006	2005	2004
Total number of interruptions according to class				
Class A	-	1	-	1
Class B	**489**	532	416	610
Class C	**1481**	1400	1131	1333
Class D	**24**	7	7	7
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-
Total interruptions	**1994**	1940	1554	1951

2. Interruption targets

	2008
(a) Planned (class B)	550
(b) Unplanned (class C)	1,400

3. Average interruption targets

	2008-2012
(a) Planned (class B)	550
(b) Unplanned (class C)	1,400

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

	2007
(a) 3 hours	**29.7%**
(b) 24 hours	**0.1%**

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

RELIABILITY PERFORMANCE MEASURES TO BE DISCLOSED BY DISCLOSING ENTITIES (OTHER THAN TRANSPOWER) (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

SCHEDULE 1 – PART 5 (continued)

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

		2007	2006	2005	2004
(a)	The total number of faults	**16.19**	15.22	12.56	14.91

		2008
(b)	The total number of targeted faults	14.72

		2008-2012
(c)	The average total number of faults	14.72

(d) Breakdown of (a) to (c) according to line voltage

		6.6kV	11kV	22kV	33kV	110kV	Total
(a)	**2007**	**11.73**	**17.00**	**10.97**	**10.71**	**5.52**	**16.19**
(b)	**2008**	16.13	15.55	8.23	8.74	4.41	14.72
(c)	**2008-2012**	-	15.55	8.23	8.74	4.41	14.72

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

	6.6kV	11kV	22kV	33kV	110kV	Total
2007	**6.88**	**8.53**	**8.64**	**5.43**	**4.62**	**8.16**
2006	7.23	7.18	1.45	5.20	-	6.73
2005	-	4.04	4.07	1.06	-	3.66
2004	-	6.46	4.09	5.59	7.72	6.28

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

	6.6kV	11kV	22kV	33kV	110kV	Total
2007	**20.33**	**24.95**	**57.41**	**16.51**	**7.77**	**24.14**
2006	15.43	24.10	13.44	19.48	3.89	23.53
2005	-	21.37	-	20.10	19.43	21.12
2004	-	23.18	-	23.54	11.66	23.01

5(c) 5(d) Vector plans to phase out 6.6kV by 2012

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

RELIABILITY PERFORMANCE MEASURES TO BE DISCLOSED BY DISCLOSING ENTITIES (OTHER THAN TRANSPOWER) (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

SCHEDULE 1 – PART 5 (continued)

SAIDI

8. The SAIDI for the total number of interruptions

	2007	**2006**	**2005**	**2004**
	244.38[4]	119.81	83.09	107.94

9. SAIDI targets for the following financial year

	2008
(a) Planned (class B)	5.00
(b) Unplanned (class C)	80.45

10. Average SAIDI targets

	2008-2012
(a) Planned (class B)	5.00
(b) Unplanned (class C)	80.45

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

	2007	**2006**	**2005**	**2004**
Class A	**-**	-[5]	-	-[6]
Class B	**5.27**	4.70	3.70	9.16
Class C	**109.35**	112.57	78.21	94.29
Class D	**129.76**	2.54	1.18	4.50
Class E	**-**	-	-	-
Class F	**-**	-	-	-
Class G	**-**	-	-	-
Class H	**-**	-	-	-
Class I	**-**	-	-	-

[4] The increase is mainly due to a Transpower outage on 12 June 2006 and other extreme events.
[5] 0.00041
[6] 0.00068

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

RELIABILITY PERFORMANCE MEASURES TO BE DISCLOSED BY DISCLOSING ENTITIES (OTHER THAN TRANSPOWER) (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

SCHEDULE 1 – PART 5 (continued)

SAIFI

12. The SAIFI for the total number of interruptions

	2007	2006	2005	2004
	2.05[7]	1.67	1.25	1.54

13. SAIFI targets for the following financial year

	2008
(a) Planned (class B)	0.04
(b) Unplanned (class C)	1.27

14. Average SAIFI targets

	2008-2012
(a) Planned (class B)	0.04
(b) Unplanned (class C)	1.27

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

	2007	2006	2005	2004
Class A	**-**	-[8]	-	-[9]
Class B	**0.03**	0.03	0.02	0.05
Class C	**1.38**	1.47	1.12	1.38
Class D	**0.64**	0.17	0.11	0.11
Class E	**-**	-	-	-
Class F	**-**	-	-	-
Class G	**-**	-	-	-
Class H	**-**	-	-	-
Class I	**-**	-	-	-

[7] The increase is mainly due to a Transpower outage on 12 June 2006 and other extreme events.
[8] 0.0000015
[9] 0.0000016

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

RELIABILITY PERFORMANCE MEASURES TO BE DISCLOSED BY DISCLOSING ENTITIES (OTHER THAN TRANSPOWER) (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

SCHEDULE 1 – PART 5 (continued)

CAIDI

16. The CAIDI for the total of all interruptions

	2007	2006	2005	2004
	173.32[10]	71.55	66.62	70.05

17. CAIDI targets for the following financial year

	2008
(a) Planned (class B)	125.00
(b) Unplanned (class C)	63.35

18. Average CAIDI targets

	2008-2012
(a) Planned (class B)	125.00
(b) Unplanned (class C)	63.35

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

	2007	2006	2005	2004
Class A	-	273.00	-	439.00
Class B	**175.67**	150.83	164.25	174.18
Class C	**79.24**	76.47	70.05	68.40
Class D	**202.75**	15.03	10.88	40.93
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-

Description of interruption classes as per The Electricity Information Disclosure Requirements 2004

Class A	Planned interruption by Transpower
Class B	Planned interruption by the principal
Class C	An unplanned interruption originating within the principal disclosing entity, where those works are used for carrying out lines business activities
Class D	An unplanned interruption originating within the works of Transpower, where those works are used for carrying out line business activities
Class E	An unplanned interruption origination within works used, by the principal disclosing entity, for the generation of electricity
Class F	An unplanned interruption originating within works used, by persons other than the principal disclosing entity, for the generation of electricity
Class G	An unplanned interruption caused by another disclosing entity
Class H	A planned interruption caused by another disclosing entity
Class I	An interruption not referred to in classes A to H

[10] The increase is mainly due to a Transpower outage on 12 June 2006 and other extreme events.

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

Form for the Derivation of Financial Performance Measures from Financial Statements

For the year ended 31 March 2007

SCHEDULE 1 - PART 7

Derivation Table	Input and Calculation	Symbol in formula	ROF		ROE		ROI	
Operating surplus before interest and income tax from financial statements	230,046							
Operating surplus before interest and income tax adjusted pursuant to requirement 18 (OSBIIT)	230,046							
Interest on cash, bank balances, and short-term investments (ISTI)	103							
OSBIIT minus ISTI	229,943	a		229,943				229,943
Net surplus after tax from financial statements	41,042							
Net surplus after tax adjusted pursuant to requirement 18 (NSAT)	41,042	n				41,042		
Amortisation of goodwill and amortisation of other intangibles	30,244	g	add	30,244	add	30,244	add	30,244
Subvention payment	-	s	add	-	add	-	add	-
Depreciation of SFA at BV (x)	78,219							
Depreciation of SFA at ODV (y)	63,554							
ODV depreciation adjustment	14,665	d	add	14,665	add	14,665	add	14,665
Subvention payment tax adjustment	-	s*t			deduct	-	deduct	-
Interest tax shield	46,269	q					deduct	46,269
Revaluations		r						
Income tax	50,897	p					deduct	50,897
Numerator				274,852 $OSBIIT^{ADJ} = a + g + s + d$		85,951 $NSAT^{ADJ} = n + g + s - s*t + d$		177,686 $OSBIIT^{ADJ} = a + g - q + r + s + d - p - s*t$
Fixed assets at end of previous financial year (FA_0)	2,535,630							
Fixed assets at end of current financial year (FA_1)	2,602,372							
Adjusted net working capital at end of previous financial year ($ANWC_0$)	(8,007)							
Adjusted net working capital at end of current financial year ($ANWC_1$)	(27,177)							
Average total funds employed (ATFE)	2,551,409	c		2,551,409				2,551,409
	(or requirement 32 time-weighted average)							
Total equity at end of previous financial year (TE_0)	879,688							
Total equity at end of current financial year (TE_1)	874,814							
Average total equity	877,251	k				877,251		
	(or requirement 32 time-weighted average)							
WUC at end of previous financial year (WUC_0)	69,730							
WUC at end of current financial year (WUC_1)	115,349							
Average total works under construction	92,540	e	deduct	92,540	deduct	92,540	deduct	92,540
	(or requirement 32 time-weighted average)							
Revaluations		r						
Half of Revaluations		r/2					deduct	-
Intangible assets at end of previous financial year (IA_0)	499,470							
Intangible assets at end of current financial year (IA_1)	469,226							
Average total intangible asset	484,348	m			deduct	484,348		
	(or requirement 32 time-weighted average)							
Subvention payment at end of previous financial year (S_0)	-							
Subvention payment at end of current financial year (S_1)	-							
Subvention payment tax adjustment at end of previous financial year	-							
Subvention payment tax adjustment at end of current financial year	-							
Average subvention payment & related tax adjustment	-	v			add	-		
System fixed assets at end of previous financial year as book value (SFA_{bv0})	2,442,362							
System fixed assets at end of current financial year as book value (SFA_{bv1})	2,475,000							
Average value of system fixed assets at book value	2,458,681	f	deduct	2,458,681	deduct	2,458,681	deduct	2,458,681
	(or requirement 32 time-weighted average)							
System fixed assets at year beginning at ODV value (SFA_{odv0})	1,985,468							
System fixed assets at end of current financial year at ODV value (SFA_{odv1})	2,031,645							
Average value of system fixed assets at ODV value	2,008,556	h	add	2,008,556	add	2,008,556	add	2,008,556
	(or requirement 32 time-weighted average)							
Denominator				2,008,744 $ATFE^{ADJ} = c - e - f + h$		(149,762) $Ave\ TE^{ADJ} = k - e - m + v - f + h$		2,008,744 $ATFE^{ADJ} = c - e - ½r - f + h$
Financial Performance Measure:				13.7% $ROF = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$		(57.4%) $ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$		8.8% $ROI = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$

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

Interest expense accruals have been excluded from the calculation of ROF and ROI. Including the interest expense accruals ROF is 13.8% and ROI is 8.9%.

VECTOR LIMITED
ELECTRICITY LINES BUSINESS

ANNUAL VALUATION RECONCILIATION REPORT
FOR THE YEAR ENDED 31 MARCH 2007

SCHEDULE 1 – PART 8

	2007	2006
	$000	$000
System fixed assets at ODV - end of the previous financial year	**1,985,468**	1,915,102
Add system fixed assets acquired during the year at ODV	**114,973**	139,396
Less system fixed assets disposed of during the year at ODV	**(5,242)**	(7,632)
Less depreciation on system fixed assets at ODV	**(63,554)**	(61,398)
Add revaluations of system fixed assets	**-**	-
Total	**2,031,645**	1,985,468

PUBLISHED BY THE
DEPARTMENT OF INTERNAL AFFAIRS
PRINTED BY WICKLIFFE LIMITED
LexisNexis
THE DEPARTMENT OF INTERNAL AFFAIRS
Te Tari Taiwhenua
ISSN 0111-5650
ISSN 1177-8415
Price $5.00 (inc. GST)