

financial contents >

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< directors' report

Your directors have pleasure in submitting their 1999 Annual Report and Financial Statements.

Principal Activities

The group's principal activities during the year were:

- The provision of a lines network for the distribution of electricity in Auckland.
- The wholesale purchase and retail sale of electricity.
- The generation of electricity for sale to the national grid.

Results and Distributions

\$ 000

Group net surplus for the financial year	49,229
Interim distributions:	
Dividends paid on ordinary shares	43,500

Review of Operations

The directors decided, in agreement with the shareholders, that the company would continue to retain the distribution business and dispose of the generation and retail business. Also, major investments in associates would be liquidated.

As a result, a large portion of the generation assets, all of the retail business and the investments in associates were sold prior to balance date.

The results for the period are a surplus before tax of \$83.6 million and a net surplus after tax of \$49.2 million.

Changes in Equity

During the year dividends of \$43.5 million were paid. There is no provision for a final dividend.

The revaluation of electricity distribution assets to ODV has created an asset revaluation reserve of \$463 million.

Directors Holding Office During the Period

Parent

J B Macaulay	M J Brown
G S Hawkins	J G Collinge
R H Jeffrey	W K Brown
K A Sherry	M J Wells
J C Jackson	D G Dell
R P Meo	J A Hood
P F Menzies	S A Lawson (alternate for M J Brown and K A Sherry)

Subsidiaries

W L Gilbert	D J Andrews
P C Strange	P G Denham
A S McLachlan	G R Rohloff
D J Ross	R J Gatland

Remuneration of Directors

VECTOR Limited (formerly Mercury Energy Limited)			GROUP	PARENT	INCLUDING RETIRING ALLOWANCES* OF	RETIRED/ APPOINTED
J B Macaulay	Retired		220,139	220,139	163,333	11 September 1998
G S Hawkins			36,615	36,615		
R H Jeffrey	Retired		97,641	97,641	79,333	11 September 1998
K A Sherry			36,615	36,615		
J C Jackson	Retired		95,549	95,549	79,333	20 August 1998
R P Meo			36,615	36,615		
M J Brown			36,615	36,615		
J G Collinge			43,417	43,417		
W K Brown	Appointed		17,915	17,915		17 September 1998
P F Menzies	Appointed		42,269	42,269		20 August 1998
D G Dell	Appointed		18,831	18,831		8 September 1998
J A Hood	Retired		-	-	-	12 May 1998
M J Wells	Appointed		17,915	17,915		17 September 1998
S A Lawson (alternate for M J Brown and K A Sherry)						27 May 1998
Mercury Geotherm Limited						
D J Ross			8,500			* Retirement scheme was terminated June 1999.

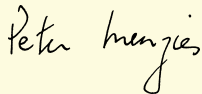
Directors' Interests

During the year the company paid consultancy fees to Bancorp New Zealand Limited of which M J Wells is a director.

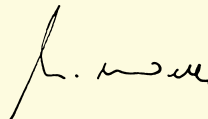
Share Dealings

No directors acquired or disposed of any equity securities in the company during the year.

For and on behalf of the board



Peter Menzies Director
17 June 1999



John Wells Director
17 June 1999

FOR THE YEAR ENDED
31 MARCH 1999

< statement of financial performance

	NOTES	GROUP		PARENT	
		1999	1998	1999	1998
		\$000	\$000	\$000	\$000
Revenue	2	679,180	607,092	669,172	613,105
Surplus (deficit) before tax	3, 4	83,561	(49,548)	138,810	(4,687)
Tax (expense) benefit	7	(19,495)	895	(19,422)	845
Surplus (deficit) after tax		64,066	(48,653)	119,388	(3,842)
Tax paid net deficit attributable to minority shareholders in subsidiary companies		-	7,428	-	-
Share of retained surplus (deficit) of associate companies after tax	8	(14,837)	15,912	-	-
Net surplus (deficit) attributable to the shareholders of the parent company		49,229	(25,313)	119,388	(3,842)

The accompanying notes form part of these financial statements.

statement of movements in equity >

FOR THE YEAR ENDED
31 MARCH 1999

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	GROUP		PARENT	
	1999	1998	1999	1998
NOTES	\$000	\$000	\$000	\$000
Equity at 1 April 1998	354,073	388,957	375,743	379,239
Net surplus (deficit) attributable to:				
- Parent entity shareholders	49,229	(25,313)	119,388	(3,842)
- Minority shareholders	-	(7,428)	-	-
- Amalgamation of subsidiary	-	-	-	346
- Asset revaluation reserve 11	463,045	-	463,045	-
Total recognised revenues and expenses for the year	512,274	(32,741)	582,433	(3,496)
Dividends paid or payable in cash 9	(43,500)	-	(43,500)	-
Minority interest acquired	-	(2,143)	-	-
Equity at 31 March 1999	822,847	354,073	914,676	375,743

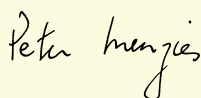
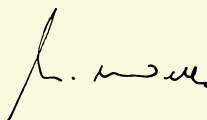
The accompanying notes form part of these financial statements.

AS AT
31 MARCH 1999

< statement of financial position

	NOTES	GROUP		PARENT	
		1999	1998	1999	1998
		\$000	\$000	\$000	\$000
Equity					
Capital	10	300,000	300,000	300,000	300,000
Reserves	11	463,045	-	463,045	-
Retained earnings	12	59,802	54,073	151,631	75,743
		822,847	354,073	914,676	375,743
Non current liabilities					
Term liabilities	13	228,582	452,165	175,810	396,863
		228,582	452,165	175,810	396,863
Current liabilities					
Accounts payable and accruals	14	67,042	186,709	66,677	186,874
Current portion of non current liabilities	13	3,154	2,948	699	686
		70,196	189,657	67,376	187,560
		1,121,625	995,895	1,157,862	960,166
Non current assets					
Deferred tax	20	13,274	28,696	15,511	30,931
Fixed assets	15	960,862	584,959	871,162	431,907
Shares in subsidiaries	16	-	-	12,700	12,700
Investments in associates	18	-	236,444	-	220,532
Other investments	17	30,709	35,320	30,709	35,320
Prepayments	19	-	3,501	-	3,501
		1,004,845	888,920	930,082	734,891
Current assets					
Cash		4,544	1,312	2,852	1,312
Receivables and prepayments	21	89,805	88,067	87,415	85,788
Stores		1,381	5,252	1,380	5,240
Provision for tax		21,050	12,344	18,180	9,364
Advances to subsidiaries		-	-	117,953	123,571
		116,780	106,975	227,780	225,275
		1,121,625	995,895	1,157,862	960,166

For and on behalf of the board


Peter Menzies Director
17 June 1999

John Wells Director
17 June 1999

The accompanying notes form part of these financial statements.

statement of cash flows >

FOR THE YEAR ENDED
31 MARCH 1999

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	NOTES	GROUP		PARENT	
		1999	1998	1999	1998
		\$000	\$000	\$000	\$000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		524,050	582,696	502,116	578,042
Interest received		2,349	2,490	11,468	2,490
Dividends received		27,168	12,579	27,168	12,579
		553,567	597,765	540,752	593,111
Cash was disbursed to:					
Payments to suppliers and employees		393,996	444,149	403,724	454,794
Payments related to CBD crisis		91,471	19,354	91,471	19,354
Tax paid		(20)	29,000	(20)	29,000
Interest paid		40,710	23,671	32,723	18,015
		526,157	516,174	527,898	521,163
Net cash inflow from operating activities	22	27,410	81,591	12,854	71,948
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sale of investments		432,440	7,512	432,440	7,512
Proceeds from sale of retail assets		173,800	-	173,800	-
Proceeds from sale of subsidiaries		113,596	-	-	-
Proceeds from sale of fixed assets		3,387	5,038	3,387	5,038
Advances to subsidiaries*		-	-	5,978	-
		723,223	12,550	615,605	12,550
Cash was applied to:					
Purchase of investments		109,939	4,813	109,939	6,513
Payment on CFD back to back		120,000	-	120,000	-
Purchase and construction of fixed assets		253,282	103,730	135,136	96,569
Purchase of minority interest		-	2,143	-	-
		483,221	110,686	365,075	103,082
Net cash inflow (outflow) from investing activities		240,002	(98,136)	250,530	(90,532)
Cash flows from financing activities					
Cash was provided from:					
Net loan facilities*		-	37,903	-	39,942
		-	37,903	-	39,942
Cash was applied to:					
Net loan facilities*		220,680	-	218,344	-
Dividends paid		43,500	25,500	43,500	25,500
		264,180	25,500	261,844	25,500
Net cash (outflow) inflow from financing activities		(264,180)	12,403	(261,844)	14,442
Net increase (decrease) in cash		3,232	(4,142)	1,540	(4,142)
Opening cash brought forward		1,312	5,454	1,312	5,454
Ending cash carried forward		4,544	1,312	2,852	1,312

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

The accompanying notes form part of these financial statements.

1. Statement of Accounting Policies

Reporting Entity

The financial statements have been drawn up in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

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

The group consists of VECTOR Limited and its subsidiaries.

Measurement Base

The financial statements are prepared on the basis of historical cost modified by the revaluation of certain fixed assets.

Specific Accounting Policies

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

a) **Basis of Consolidation – Purchase Method**

The consolidated financial statements include the holding company and its subsidiaries, accounted for using the purchase method. All significant inter-company transactions are eliminated on consolidation. Investments in subsidiaries are stated in the statement of financial position of the parent company at cost.

b) **Associate Companies**

These are companies in which the group has significant influence, but not control, over the operating and financial policies. Associate companies have been reflected in the consolidated financial statements on an equity accounting basis.

c) **Income Recognition**

Income from electricity sales includes the value of units assessed as being recorded on meters as at 31 March 1999, but for which invoices had not been rendered.

d) **Fixed Assets**

Fixed assets other than distribution systems and some generation plant and buildings are recorded at cost less accumulated depreciation. Distribution systems are recorded at their Optimised Deprival Value (ODV) – the lower of optimised depreciated value and economic value. Revaluations are carried out at least every three years and are conducted under the guidance of independent experts. Certain generation plant and buildings are recorded at valuation.

e) **Depreciation**

Depreciation is provided to allocate the assets' cost or revalued amount less the estimated residual value over their estimated useful lives as follows:

Freehold Buildings	50 years
Distribution Systems	17 - 40 years
Generation Plant and Buildings	13 - 20 years
Motor Vehicles and Mobile Equipment	20% per annum diminishing value
Computer and Telecommunication Equipment	3 - 40 years
Other Plant and Equipment	18% per annum diminishing value

f) **Accounts Receivable**

Receivables are valued at their estimated realisable value.

g) **Income Tax**

The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method. Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

notes to and forming part of the financial statements >FOR THE YEAR ENDED
31 MARCH 1999

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h) Stores

Stores are valued on the basis of weighted average cost price.

i) Leases

Group entities lease certain land and buildings.

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

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

j) Foreign Currencies

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Short-term transactions covered by forward exchange contracts are measured and reported at the forward rates specified in those contracts.

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

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

k) Financial Instruments

The group is party to financial instruments with off balance sheet risk to meet financing needs and to reduce exposure to fluctuations in foreign currency exchange rates. These financial instruments include foreign exchange forward contracts, forward rate agreements and swaps.

The group enters into foreign currency forward exchange contracts to hedge foreign currency transactions.

Any exposure to gains or losses on these forward contracts is generally offset by a loss or gain on the item being hedged.

Gains and losses on contracts which hedge specific short-term foreign currency denominated commitments are recognised as a component of the related transaction in the period in which the transaction is completed. The group is not involved in foreign exchange speculation.

The group is also party to financial instruments with off balance sheet risk for the primary purpose of reducing its exposure to electricity spot market prices. Assets, liabilities, and any unrealised revenues and expenses associated with these electricity price hedging contracts as at balance date are not recognised in the financial statements.

Realised revenues and expenses are recognised in the statement of financial performance on maturity of the hedging contracts and are included as part of the cost of electricity.

l) Joint Ventures

The group is party to several joint venture arrangements. The group has accounted for its interest in these ventures by recognising its share of revenue, expenses, assets and liabilities on a line by line basis.

m) Other Investments

Investments in other companies are recorded at cost.

Changes in Accounting Policies

All policies have been applied on bases consistent with those used in previous years with one exception, the revaluation of the Distribution System to ODV.

Previously the Distribution System was recorded at cost less accumulated depreciation. The implementation of this new policy had the following impact on this year's financial statements: Fixed Assets increased \$463 million, Asset Revaluation Reserve increased \$463 million.

FOR THE YEAR ENDED
31 MARCH 1999

< notes to and forming part of the financial statements

	GROUP		PARENT	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
2. Revenue				
Comprises:				
Sales	484,811	573,348	484,811	573,348
Interest revenue	4,266	2,490	14,944	9,467
Dividend revenue	38,844	21,248	38,844	21,248
Generation income	19,593	3,882	2,506	2,918
Miscellaneous income	4,477	5,630	4,477	5,630
Gain on sale of fixed assets	11,719	494	11,719	494
	563,710	607,092	557,301	613,105
Non recurring				
Reversal of CBD provision	17,479	-	17,479	-
Gain on sale of subsidiaries	4,675	-	-	-
Gain on sale of associates	93,316	-	94,392	-
	115,470	-	111,871	-
	679,180	607,092	669,172	613,105
3. Surplus (Deficit) before Tax				
After charging:				
Depreciation	40,430	38,371	29,412	27,914
Interest	39,520	26,086	30,013	20,430
Bad debts written off	3,490	3,870	3,490	3,870
Change in provision for doubtful debts	761	312	761	312
Rental and operating lease costs	1,849	1,195	1,669	1,114
Loss on sale of fixed assets	2,581	1,371	2,581	1,058
Non recurring				
Loss on sale of retail assets	50,798	-	49,887	-
Restructuring costs	5,688	6,574	5,688	6,574
CBD network restoration costs	-	128,304	-	128,304
Asset write downs	55,594	36,688	2,330	-
Write off research and development costs	-	1,485	-	-

notes to and forming part of the financial statements >FOR THE YEAR ENDED
31 MARCH 1999

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	GROUP		PARENT	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
4. Continuing and Discontinued Activities				
Continuing activities				
Revenue	264,778	607,092	272,828	613,105
Surplus (deficit) before tax	24,405	(49,548)	68,758	(4,687)
Discontinued activities				
Revenue	414,402	-	396,344	-
Surplus before tax	10,587	-	25,247	-
Gain on sale	48,569	-	44,805	-
Totals				
Revenue	679,180	607,092	669,172	613,105
Surplus (deficit) before tax	83,561	(49,548)	138,810	(4,687)
<p>The Electricity Industry Reform Act 1998 required electricity companies to separate their distribution business from their generation and retail (sale and purchase of electricity) businesses. In addition, investments in other electricity companies could not be held.</p> <p>The directors, in agreement with the shareholders, divested the company's shareholdings in neighbouring distribution utilities Power New Zealand and WEL Energy Group, and also divested the retail business and much of the generation assets effective 28 February 1999 in accordance with the Electricity Industry Reform Act 1998. It is planned to divest the balance of the generation assets in the near future.</p> <p>The group has retained its core lines network for the distribution of electricity in Auckland.</p>				
5. Auditor's Remuneration				
Amounts payable or due and payable to the auditor for:				
Audit services				
Parent entity auditor	95	143	80	110
Other services				
Parent entity auditor	100	127	100	127
6. Directors' Remuneration				
Fees paid to directors	387	364	378	347
Retiring allowances	322	129	322	129

FOR THE YEAR ENDED
31 MARCH 1999

< notes to and forming part of the financial statements

	GROUP		PARENT	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
7. Tax				
Surplus (deficit) before tax	83,561	(49,548)	138,810	(4,687)
Prima facie tax @ 33%	27,575	(16,351)	45,807	(1,547)
Plus (less) tax effect of permanent differences:				
Non deductible entertainment	37	72	37	72
Non deductible legal and consulting	660	165	660	165
Capital gains and losses on divestment	(24,768)	-	(28,499)	-
Other permanent differences	15,991	15,219	1,417	465
Tax expense	19,495	(895)	19,422	(845)
The tax charge is represented by:				
Current tax	4,073	28,213	4,002	29,212
Deferred tax	15,422	(29,108)	15,420	(30,057)
	19,495	(895)	19,422	(845)
The group has recognised gross tax losses available to be carried forward and offset against future assessable income of: \$31.158 million (1998: \$nil).				
The subsequent realisation of the tax losses is subject to the requirements of income tax legislation being met.				
Imputation credit account				
Balance as at 1 April 1998			73,640	50,182
Income tax payments during year			(20)	29,000
Imputation credits attaching to dividends received in year			12,820	7,018
Imputation credits attaching to dividends paid in year			(21,425)	(12,560)
Balance as at 31 March 1999			65,015	73,640
At balance date the imputation credits available to the shareholders of the parent company were:				
Through direct shareholding in the parent company			65,015	73,640
			GROUP	
			1999	1998
			\$000	\$000
8. Associate Companies				
Share of retained surplus of associate companies before tax			11,899	26,890
Tax			(3,602)	(5,462)
Dividends			(23,134)	(5,516)
Share of retained surplus (deficit) of associate companies			(14,837)	15,912

notes to and forming part of the financial statements >FOR THE YEAR ENDED
31 MARCH 1999

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	GROUP & PARENT													
	1999	1998												
	\$000	\$000												
9. Dividends														
Interim distributions:														
Dividends paid on ordinary shares	43,500	-												
	43,500	-												
Proposed distributions:														
Proposed dividends on ordinary shares	-	-												
	-	-												
Total distributions paid or payable in cash	43,500	-												
10. Capital														
Ordinary class A shares														
102,020,202 issued and fully paid shares	102,020	102,020												
Ordinary class B shares														
197,979,798 issued and fully paid shares	197,980	197,980												
Ordinary class C shares														
6 issued and uncalled shares	-	-												
	300,000	300,000												
<p>The ordinary class A shares and the ordinary class B shares can only be held by the Auckland Energy Consumer Trust and may only be dealt with pursuant to the Trust Deed.</p> <p>The ordinary class A shares and the ordinary class C shares are voting securities.</p> <p>The ordinary class B shares are non-voting securities.</p> <p>Otherwise, all ordinary shares rank equally.</p>														
	<table border="1"> <thead> <tr> <th colspan="2">GROUP</th> <th colspan="2">PARENT</th> </tr> <tr> <th>1999</th> <th>1998</th> <th>1999</th> <th>1998</th> </tr> <tr> <th>\$000</th> <th>\$000</th> <th>\$000</th> <th>\$000</th> </tr> </thead> </table>		GROUP		PARENT		1999	1998	1999	1998	\$000	\$000	\$000	\$000
GROUP		PARENT												
1999	1998	1999	1998											
\$000	\$000	\$000	\$000											
11. Reserves														
Asset revaluation														
Balance as at 1 April 1998	-	-	-											
Increase arising from revaluation of distribution systems	463,045	-	463,045											
Balance as at 31 March 1999	463,045	-	463,045											

FOR THE YEAR ENDED
31 MARCH 1999

< notes to and forming part of the financial statements

	GROUP		PARENT	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
12. Retained Earnings				
Balance as at 1 April 1998	54,073	79,386	75,743	79,239
Net surplus (deficit) attributable to the shareholders of the parent company	49,229	(25,313)	119,388	(3,842)
Amalgamation of subsidiary	-	-	-	346
Total available for appropriation	103,302	54,073	195,131	75,743
Dividends	(43,500)	-	(43,500)	-
Balance as at 31 March 1999	59,802	54,073	151,631	75,743
13. Term Liabilities				
Repayable:				
Interest rates				
Within one year	3,154	2,948	699	686
One to two years	2,677	2,508	-	53
Two to five years	185,420	405,678	175,810	396,810
Beyond five years	40,485	43,979	-	-
Total term liabilities	231,736	455,113	176,509	397,549
Less current portion of term liabilities	3,154	2,948	699	686
Total term liabilities	228,582	452,165	175,810	396,863
<p>Debt issued prior to 1 October 1993 of \$0.053 million is secured by a right to levy pursuant to the Auckland Electric Power Board Act 1978. Convertible notes of \$0.646 million (1998: \$0.686 million) are redeemable at par value by note holders.</p> <p>Other debt issued of \$175.8 million (1998: \$396.8 million) is secured by way of negative pledge over the assets of the group. The classification of \$71 million (1998: \$292 million) of debt as term liabilities is based on the availability of a 60 month facility, which was undrawn at balance date.</p> <p>The group's share of the Southdown Cogeneration joint venture non recourse project finance facility is \$55.2 million (1998: \$57.5 million).</p>				
14. Accounts Payable and Accruals				
Trade payables	6,595	11,844	6,504	8,958
Other creditors	37,514	56,905	37,365	60,021
CBD network restoration costs	15,000	108,950	15,000	108,950
Interest payable	4,014	4,755	4,014	4,755
Employee entitlements	3,919	4,255	3,794	4,190
	67,042	186,709	66,677	186,874

notes to and forming part of the financial statements >

FOR THE YEAR ENDED
31 MARCH 1999

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	GROUP		PARENT	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
15. Fixed Assets				
Freehold land	1,348	8,091	1,348	8,091
Freehold buildings	2,971	37,902	2,971	37,902
Accumulated depreciation	(518)	(8,088)	(518)	(8,088)
Net book value	2,453	29,814	2,453	29,814
Distribution systems	-	455,031	-	455,031
Accumulated depreciation	-	(172,444)	-	(172,444)
Distribution systems at valuation	720,712	-	720,712	-
Distribution land at valuation	17,708	-	17,708	-
Distribution buildings at valuation	17,205	-	17,205	-
Net book value	755,625	282,587	755,625	282,587
Generation plant and buildings	108,288	172,671	-	10,872
Accumulated depreciation	(18,694)	(16,987)	-	(5,788)
Net book value	89,594	155,684	-	5,084
Plant and equipment				
Motor vehicles and mobile equipment	2,156	11,887	2,156	11,887
Computer and telecommunication equipment	61,936	67,727	61,936	67,727
Other plant and equipment	3,863	5,286	3,863	5,286
	67,955	84,900	67,955	84,900
Accumulated depreciation				
Motor vehicles and mobile equipment	(1,265)	(6,318)	(1,265)	(6,318)
Computer and telecommunication equipment	(29,536)	(24,998)	(29,536)	(24,998)
Other plant and equipment	(3,682)	(3,373)	(3,682)	(3,373)
	(34,483)	(34,689)	(34,483)	(34,689)
Net book value	33,472	50,211	33,472	50,211
Capital work in progress	78,370	58,572	78,264	56,120
Net book value	960,862	584,959	871,162	431,907

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

The electricity distribution system assets were revalued by \$463 million to an Optimised Deprival Value (ODV) of \$755.6 million as at 31 March 1999. The valuation was prepared in accordance with the Ministry of Commerce Handbook (April 1999) in conjunction with Worley Consultants. Revaluations are carried out at least every three years in accordance with the accounting policy.

	PERCENTAGES HELD		BALANCE DATE	
	1999	1998		
16. Shares in Subsidiaries				
Significant subsidiaries				
Auckland Generation Ltd (Formerly Mercury Generation Ltd)	100%	100%	31 March	
- MEL Silverstream Ltd	100%	100%	31 March	
- MEL Stratford Ltd	-	100%	31 March	
- MEL Southdown Ltd	100%	100%	31 March	
- MEL Network Ltd (Formerly Mercury Network Ltd)	100%	100%	31 March	
- Mercury Geotherm Ltd	65.12%	65.12%	31 March	
- Poihipi Land Ltd	65.12%	65.12%	31 March	
Caduceus Equities No 1 Ltd	100%	100%	31 March	
Camalata Ltd (Formerly Auckland Electricity Ltd)	-	100%	31 March	
Non trading subsidiaries				
VECTOR Power Ltd (Formerly Mercury Power Ltd)	100%	100%	31 March	
Auckland Network Ltd (Formerly Auckland Energy Ltd)	100%	100%	31 March	
Energy North Ltd	100%	100%	31 March	
The principal activity of the subsidiaries is the generation and/or sale of electricity.				
On 21 September 1998 the group acquired a 33.3% interest in the Taranaki Combined Cycle (TCC) Partnership through its subsidiary MEL Stratford. On 15 March 1999 the group disposed of its shareholding in MEL Stratford Limited. The resulting gain on disposal of \$4.675 million has been reflected in the statement of financial performance.				
	GROUP		PARENT	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
17. Investments				
Listed shares	30,709	35,320	30,709	35,320
	30,709	35,320	30,709	35,320
Market value of listed shares	29,890	46,275	29,890	46,275
Joint ventures				
The company has interests in the following joint ventures:				
	% INTEREST		BALANCE DATE	PRINCIPAL ACTIVITY
	1999	1998		
Rosedale/Greenmount	-	87.4%	31 March	Energy Generation
Silverstream	-	46.5%	31 March	Energy Generation
Southdown	47.5%	47.5%	31 March	Energy Generation
Taranaki Combined Cycle	-	-	31 March	Energy Generation
On 28 February 1999 the group disposed of its interest in the Rosedale/Greenmount and Silverstream joint ventures.				
On 21 September 1998 the group acquired a 33.3% interest in the Taranaki Combined Cycle (TCC) Partnership.				
On 15 March 1999 the group disposed of its interest in the Taranaki Combined Cycle partnership.				

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31 MARCH 1999

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17. Investments (continued)

The group's share of revenue and expenses, assets and liabilities of joint ventures that have been included in the financial statements are:

	ROSEDALE/ GREENMOUNT		SILVERSTREAM		SOUTHDOWN		TARANAKI CC	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Share of revenue	2,454	2,918	290	964	30,305	29,745	21,809	-
Share of expenses	1,380	1,861	398	955	28,981	29,598	20,390	-
Share of assets	-	-	-	2,349	66,353	72,563	-	-
Share of liabilities	-	-	-	2,335	57,612	62,882	-	-

The financial statements of Rosedale/Greenmount are unaudited.

	GROUP		PARENT	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
18. Investments in Associates				
At cost	-	220,532	-	220,532
Share of interest in net assets	-	15,912	-	-
	-	236,444	-	220,532
Market value of listed shares	-	294,209	-	294,209
	PERCENTAGES HELD		BALANCE DATE	
	1999	1998		
Significant associates				
Power New Zealand Limited	-	33%	31 March	
Transfield Utility Services Limited	-	50%	31 March	

On 7 October 1998 the group disposed of its shareholding in Power New Zealand Limited.

On 14 December 1998 the group disposed of its shareholding in Transfield Utility Services Limited.

	GROUP		PARENT	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
19. Long Term Prepayments				
Forward energy supply contracts	-	3,501	-	3,501
	-	3,501	-	3,501

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	GROUP		PARENT	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
20. Deferred Tax				
Balance as at 1 April 1998	28,696	(430)	30,931	835
Transfer to statement of financial performance	(15,422)	29,108	(15,420)	30,057
Transfer to current tax	-	18	-	39
Balance as at 31 March 1999	13,274	28,696	15,511	30,931
21. Receivables and Prepayments				
Trade receivables	8,101	56,739	8,101	56,739
Provision for doubtful debts	(1,964)	(1,203)	(1,964)	(1,203)
Provision for discounts	-	(4,762)	-	(4,762)
	6,137	50,774	6,137	50,774
Other receivables	81,874	25,232	79,965	23,040
Prepayments	1,794	12,061	1,313	11,974
	89,805	88,067	87,415	85,788
22. Reconciliation of Surplus (Deficit) after Tax with Cash Inflow from Operating Activities				
Reported surplus (deficit) after tax	64,066	(48,653)	119,388	(3,842)
Add (less) non cash items				
Depreciation	40,430	38,371	29,412	27,914
Writedown of fixed assets	55,594	42,718	2,330	4,545
Net loss retail sale	50,798	-	49,887	-
Investment in subsidiaries	-	-	(359)	(11,000)
Movement in deferred tax	15,422	(29,126)	15,420	(30,096)
Loss (gain) on sale of fixed assets	(9,138)	1,371	(9,138)	1,058
Loss (gain) on sale of investments	(93,316)	-	(94,392)	-
Movement in long term prepayment	3,501	1,300	3,501	1,300
Movement in fixed asset accruals	33,258	-	32,058	-
Interest capitalised to investment	(1,917)	-	(1,917)	-
Interest writeback	1,520	-	-	-
Prepaid interest expensed	(2,697)	(2,144)	(2,697)	(2,144)
	93,455	52,490	24,105	(8,423)
Add (less) movement in other working capital				
Increase (decrease) in accounts payable and accruals	(115,677)	129,158	(116,029)	134,717
(Increase) decrease in receivables and prepayments	(5,728)	(43,617)	(5,794)	(43,734)
Increase (decrease) in tax refund	(8,706)	(7,787)	(8,816)	(6,770)
	(130,111)	77,754	(130,639)	84,213
Net cash inflow from operating activities	27,410	81,591	12,854	71,948

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31 MARCH 1999

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23. Financial Instruments

Credit risk

Financial instruments that potentially subject the group to credit risk principally consist of bank balances, money market deposits, accounts receivable and advances to subsidiaries.

The group performs credit evaluations on all electricity customers and requires a bond from customers who have yet to establish a suitable credit history with the group.

The group monitors the credit quality of the major financial institutions that are counterparties to its off balance sheet financial instruments and does not anticipate any non performance by the counterparties.

Maximum exposures to credit risk as at balance date are:

	GROUP		PARENT	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
Bank balances	2,854	1,312	2,852	1,312
Term deposits	1,690	-	-	-
Accounts receivable	88,011	76,006	86,102	73,814
Foreign exchange contracts	1,851	2,788	-	-
Advances to subsidiaries	-	-	117,953	123,571

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

Concentrations of credit risk

Bank balances	2,854	1,312	2,852	1,312
Term deposits	1,690	-	-	-
	4,544	1,312	2,852	1,312

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

Foreign exchange contracts

At balance date the group had entered into foreign exchange contracts maturing during 1999 to purchase the equivalent of NZ\$1.851 million (1998: NZ\$2.788 million) in foreign currency.

Interest rate risk

Interest rates on debt issued in the current year are generally fixed for periods of between one and three months at rates from 4.1% to 7.8% (1998: 7.1% to 10.3%). The interest rates are based on the BkBM rate plus a margin.

Interest rates on debt issued prior to 1 October 1993 are fixed until maturity at a rate of 6.3% (1998: 6.3%).

Interest rate swaps and forward rate agreements are used to manage the proportion of fixed rate debt to total debt. The agreements that existed as at 31 March 1999 have a principal of \$359.810 million.

Interest rate swaps and forward rate agreements open as at 31 March 1999 have a principal of \$209.810 million (1998: \$279 million) with a cash benefit of \$7.883 million (1998: \$18.586 million). The company pays a weighted average interest rate on open interest rate swaps and forward rate agreements of 7.3% (1998: 7.3%).

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

Subsequent to balance date, the company has closed out of interest rate swaps with a principal of \$100 million for a cash benefit of \$1.085 million.

23. Financial Instruments (continued)**Fair values**

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Accounts receivable, bank balances, money market deposits, advances to subsidiaries, accounts payable, short term liabilities, long term liabilities, investments (except listed equities).

The carrying amount is the fair value for each of these classes of financial instrument and accordingly they are excluded from the table below.

Listed equity investments

The fair value of this class of financial instrument is equal to the quoted market price.

Foreign currency forward exchange contracts

The fair value of this class of financial instrument is based on the quoted market price of comparable instruments.

	GROUP		PARENT	
	FAIR VALUE	FAIR VALUE	FAIR VALUE	FAIR VALUE
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
Forward exchange contracts				
- Amounts payable	2,327	2,788	-	-
Electricity price hedging contracts				
VECTOR Limited still holds a contract for differences (CFD) with Stratford Power Limited and a power purchase agreement (PPA) with Southdown Cogeneration Limited.				
VECTOR Limited has put in place back to back contracts with Energy Auckland Limited (a fully owned subsidiary of Mighty River Power Limited) in respect of the CFD and PPA.				
The undertakings by Energy Auckland Limited in respect of the back to back agreements are guaranteed by ECNZ.				
The effect of these back to back contracts is to remove any exposure the company has in respect of electricity price or quantity contracts. These arrangements were undertaken in order to comply with the requirements of the Electricity Industry Reform Act 1998.				
	GROUP		GROUP	
	1999	1998	1999	1998
	\$000	\$000	GWh	GWh
Hedging contracts				
Within one year	-	178,265	-	3,408
One to two years	-	161,286	-	3,011
Two to five years	-	489,702	-	9,010
Beyond five years	-	1,532,150	-	25,439
	-	2,361,403	-	40,868

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	GROUP		PARENT	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
24. Commitments				
Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date but not provided for:				
Stratford power station	-	120,000	-	120,000
CBD reinforcement tunnel	65,600	86,880	65,600	86,880
Other commitments	9,578	4,271	9,472	4,011
	75,178	211,151	75,072	210,891
Operating lease commitments				
Within one year	441	800	441	800
One to two years	1,550	790	1,550	790
Two to five years	1,936	1,602	1,936	1,602
Beyond five years	5,482	209	5,482	209
	9,409	3,401	9,409	3,401
25. Contingent Liabilities				
CBD Power outage				
Following the CBD power outages VECTOR has been threatened with claims for compensation. As at the date of completion of these financial statements no legal claims for compensation resulting from the power outages have been filed against the company. Adequate provision has been made in these financial statements for further costs relating to restoring the CBD network and for compensation offered by VECTOR to its CBD customers affected by the outages.				
Instantaneous Reserve Charge				
A claim has been made against the company by Stratford Power Limited for the reimbursement of instantaneous reserve charges paid to Transpower. The company does not accept any liability in respect of these charges.				
Transpower				
The company is currently negotiating with Transpower with respect to the level and basis of transmission charges. The charges Transpower are claiming from the company are in excess of the charges set out in a deed negotiated between the parties. The company does not accept any liability in respect of these charges.				

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31 MARCH 1999

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	GROUP		PARENT	
	1999	1998	1999	1998
26. Remuneration of Employees (\$)				
Current employees				
100,001 - 110,000	5	1	5	1
110,001 - 120,000	2	4	2	4
120,001 - 130,000	3	2	3	2
130,001 - 140,000	2	3	2	3
140,001 - 150,000	1	4	1	4
150,001 - 160,000	2	-	2	-
170,001 - 180,000	1	-	1	-
210,001 - 220,000	-	1	-	1
230,001 - 240,000	-	2	-	2
250,001 - 260,000	-	3	-	3
280,001 - 290,000	1	-	1	-
320,001 - 330,000	1	-	1	-
570,001 - 580,000	-	1	-	1
Remuneration of employees no longer with the company, including any termination payments.				
100,001 - 110,000	2	1	2	1
110,001 - 120,000	3	-	3	-
120,001 - 130,000	1	2	1	2
130,001 - 140,000	1	1	1	1
150,001 - 160,000	2	1	2	1
160,001 - 170,000	3	-	3	-
200,001 - 210,000	1	-	1	-
220,001 - 230,000	1	1	1	1
240,001 - 250,000	1	-	1	-
290,001 - 300,000	-	1	-	1
300,001 - 310,000	2	-	2	-
330,001 - 340,000	1	-	1	-
350,001 - 360,000	1	-	1	-
440,001 - 450,000	1	-	1	-
450,001 - 460,000	1	-	1	-

notes to and forming part of the financial statements >

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31 MARCH 1999

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27. Transactions with Related Parties

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

Payment of Dividends	\$43.5 million	(1998: \$nil)
Advance to AECT	\$nil	(1998: \$1.0 million)

During the year the VECTOR Group entered into the following transactions with Power New Zealand Limited:

Sale of electricity	\$0.7 million	(1998: \$1.1 million)
Payments for goods and services	\$1.4 million	(1998: \$1.3 million)
Gross dividends received	\$34.5 million	(1998: \$15.7 million)

During the year VECTOR Limited entered into the following transactions with subsidiaries:

Purchase of electricity	\$48.3 million	(1998: \$38.5 million)
Gross interest received	\$12.8 million	(1998: \$7.0 million)
Management fees	\$0.1 million	(1998: \$0.1 million)
Advances to subsidiaries	\$122.7 million	(1998: \$125.3 million)
Advances from subsidiaries	\$4.7 million	(1998: \$1.7 million)

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

All transactions for subsidiary company Mercury Geotherm Limited are funded by VECTOR Limited.

Advances to subsidiaries are at arms length and subject to compounding interest at market rates.

28. Segment Information

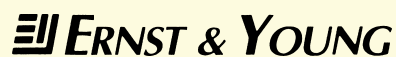
The company operates in the electricity supply, generation and distribution business.

All operations are carried out within New Zealand.

29. Company Name

The company changed its name on 1 April 1999 from Mercury Energy Limited to VECTOR Limited.

< auditor's report



To the Shareholders of VECTOR Limited.

We have audited the financial statements on pages 18 to 37. The financial statements provide information about the past financial performance of the company and its financial position as at 31 March 1999. This information is stated in accordance with the accounting policies as set out on pages 22 to 23.

Directors' Responsibilities

The directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice and give a true and fair view of the financial position of the company as at 31 March 1999 and of its financial performance and cash flows for the year ended on that date.

Auditor's Responsibilities

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

Basis of Opinion

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

- the significant estimates and judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the company'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 in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Ernst & Young provides taxation advice and undertakes consulting projects for the company and group.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 18 to 37
 - comply with generally accepted accounting practice; and
 - give a true and fair view of the financial position of the company as at 31 March 1999 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 17 June 1999 and our unqualified opinion is expressed as at that date.

Auckland

Directory

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Shortland St, Auckland

Bankers

Bank of New Zealand
80 Queen St
Auckland

Solicitors

Phillips Fox
Phillips Fox Tower
209 Queen St, Auckland
Russell McVeagh McKenzie Bartleet & Co
The Shortland Centre
51-53 Shortland St, Auckland

Auckland Energy Consumer Trust

The Auckland Energy Consumer Trust holds all of VECTOR's existing shares. Governed by its own trust deed, it is responsible for the distribution of the dividend among VECTOR's customers.

The current trustees are:

Mr M F Barnett CHAIRMAN
Mr S A Lawson, MBE
Mr C Little
Mr M J Brown
Miss K A Sherry

Financial Calendar

Annual general meeting	September, 1999
Half-yearly profit announcement	November, 1999
Annual profit announcement	July, 2000