



vector

Financial Statements

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Directors' Report

Disclosures required by the Companies Act 1993:

PRINCIPAL ACTIVITIES

The Group's principal activity during the year was the operation of a lines network providing electricity to Auckland.

FINANCIAL PERFORMANCE

The Group reported a surplus after tax of \$72.3 million for the year ended 31 March 2001. The result represented a 23 per cent drop from the prior period as a result of Generation activities surpluses having been included in the prior period. Generation activities had been fully divested by 31 March 2000 as required by the Electricity Industry Reform Act 1998.

DIVIDENDS

The final dividend for the year ended 31 March 2000 of \$75.4 million was paid during the year. The Directors have resolved to pay a final dividend for the year ended 31 March 2001 of \$48 million.

INTERESTS REGISTER

Each company in the Group is required to maintain an interests register in which the particulars of certain transactions and matters involving the Directors must be recorded. The interests registers for VECTOR Limited and its subsidiaries are available for inspection at its registered office.

Details of all matters that have been entered in the interests register by individual Directors are outlined in the Director information following.

Information used by Directors

No member of the Board of VECTOR Limited, or any subsidiary, issued a notice requesting to use information received in their capacity as Directors which would not otherwise have been available to them.

Indemnification and Insurance of Directors and Officers

The Parent indemnifies all Directors named in this report and officers of the Group against all liabilities (other than to the Parent or member of the Group) which arise out of the performance of their normal duties as Directors or Officers, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Group has indemnity insurance.

DIRECTORS

Directors holding office during the year and at the end of the year were:

Parent and Subsidiaries	Parent	Subsidiaries
W K Brown	D G Dell	P C Strange
M J Wells	J C Lindsay	W J Russell
	P S Drummond	

Directors' Remuneration and Benefits, VECTOR Limited

	Directors' Fees \$
W K Brown	70,000
D G Dell	34,000
M J Wells	34,000
J C Lindsay	34,000
P S Drummond	34,000

Directors' Remuneration and Benefits, VECTOR Limited Subsidiaries

	Directors' Fees \$
W K Brown	1,000
M J Wells	1,000

No employee of the VECTOR Limited Group appointed as a Director of a subsidiary company receives or retains any remuneration or benefits as a Director. The remuneration and benefits of such employees, received as employees, are included in the relevant bandings disclosed below, where the annual remuneration and benefits exceed \$100,000.

Matters Entered in the Interests Register by Directors

W K BROWN:

Chairman of Northland Health Limited, Tairāwhiti Health Limited, Land Transport Safety Authority; Owner/Chairman of Waahi Paraone Limited, Brown Properties; Director of Festival Films Limited, Ngāpuhi Fisheries Limited

D G DELL:

Informal Partner of Charter Consulting, Energy Advisory Services

M J WELLS:

Chairman of Bancorp Holdings Limited, Bancorp Property Fund No. 1 Limited, Taranaki Property Fund Limited, Strategic Asset Management Limited, Greenpark Holdings Limited; Director of Baycorp Holdings Limited, Alliance Group Holdings Limited, Fisher Funds Management Limited; Advisory Board Member of Marsh Limited; Governor and Executive Board Member of New Zealand Sports Foundation; Chairman of Trustees New Zealand High Performance Sports Centre Trust

J C LINDSAY:

Director of Ports of Auckland Limited, Cerebos Greggs Limited, Auckland Chamber of Commerce and Industry, Milburn New Zealand Limited, America's Cup Village Limited; Director and Shareholder of Jobal Actions Limited; Chairman of Rio Beverages Limited, MCK Holdings Pty Limited

P S DRUMMOND:

Chairman of Watercare Services Limited, Northern Disposal Systems Limited, Pikes Point Transfer Station Limited, Fish Pot New Zealand Group Limited, Enviro Waste Services Limited, Appliance Connexion Limited, DF Mainland and Company Limited; Director of Enable Limited, Mid Central Health Limited, Museum of Transport and Technology, TEI Works Limited; Board Member of Variety Club of New Zealand; Vice President of Variety Club International (New York)

The companies listed above against each Director may transact with VECTOR Limited and its subsidiaries in the normal course of business.

EMPLOYEES

The number of employees within the Group receiving remuneration and benefits above \$100,000 are included in the following table:


	Group		Parent	
	2001	2000	2001	2000
Current employees				
\$100,001 – \$110,000	3	2	3	2
\$110,001 – \$120,000	3	5	3	5
\$120,001 – \$130,000	2	4	2	4
\$130,001 – \$140,000	3	2	3	2
\$140,001 – \$150,000	1	3	–	3
\$150,001 – \$160,000	–	3	–	3
\$170,001 – \$180,000	–	1	–	1
\$180,001 – \$190,000	–	1	–	1
\$190,001 – \$200,000	1	–	1	–
\$210,001 – \$220,000	1	–	1	–
\$230,001 – \$240,000	1	1	1	1
\$260,001 – \$270,000	–	1	–	1
\$270,001 – \$280,000	–	1	–	1
\$300,001 – \$310,000	–	1	–	1
\$400,001 – \$410,000	1	–	1	–
\$420,001 – \$430,000	1	–	1	–
\$550,001 – \$560,000	–	1	–	1

Remuneration of employees no longer with the company, including any termination payments

\$100,001 – \$110,000	–	1	–	1
\$110,001 – \$120,000	–	5	–	5
\$120,001 – \$130,000	1	3	1	3
\$130,001 – \$140,000	2	2	2	2
\$140,001 – \$150,000	1	5	1	5
\$150,001 – \$160,000	–	3	–	3
\$180,001 – \$190,000	1	1	1	1
\$340,001 – \$350,000	–	1	–	1

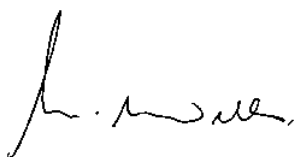
The above information for 2000 for both current employees and employees no longer with the company includes the payment of two incentive bonuses: one for the year ended 31 March 1999 and one for the year ended 31 March 2000.

For and on behalf of the board



Director

21st May 2001



Director

21st May 2001

Statement of financial performance

for the year ended 31 March 2001

	Notes	Group		Parent	
		2001	2000	2001	2000
		\$000	\$000	\$000	\$000
Operating revenue	2	228,880	312,694	228,816	245,094
Operating expenses	3	(130,515)	(200,223)	(127,480)	(226,369)
Operating surplus before income tax	4	98,365	112,471	101,336	18,725
Income tax expense	5	(26,021)	(18,228)	(25,558)	(18,804)
Operating surplus/(deficit) after income tax		72,343	94,243	75,778	(79)
Operating surplus/(deficit)		72,343	94,243	75,778	(79)
Net surplus/(deficit)		72,343	94,243	75,778	(79)
Comprising					
Net surplus from continuing activities		72,311	51,576	75,778	51,576
Net surplus/(deficit) from discontinued activities		32	42,667	-	(51,655)
		72,343	94,243	75,778	(79)


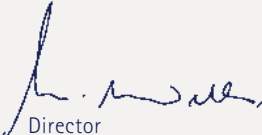
Statement of movements in equity

for the year ended 31 March 2001

	Notes	Group		Parent	
		2001	2000	2001	2000
		\$000	\$000	\$000	\$000
Equity at beginning of year		734,594	822,847	732,101	914,676
Net surplus/(deficit)		72,343	94,243	75,778	(79)
Movement in revaluation reserve	9	(28,510)	-	(28,510)	-
Total recognised revenues and expenses for the year		43,833	94,243	47,268	(79)
Distributions to owners	7	(48,000)	(182,496)	(48,000)	(182,496)
Equity at end of year		730,427	734,594	731,369	732,101

Statement of financial position

as at 31 March 2001

	Notes	Group		Parent	
		2001	2000	2001	2000
		\$000	\$000	\$000	\$000
Equity					
Share capital	8	300,000	300,000	300,000	300,000
Reserves	9	434,535	463,045	434,535	463,045
Retained earnings	10	(4,108)	(28,451)	(3,166)	(30,944)
Total equity		730,427	734,594	731,369	732,101
Non-current liabilities					
Term liabilities	11	104,810	104,810	104,810	104,810
Deferred tax	13	7,287	-	7,573	-
		112,097	104,810	112,383	104,810
Current liabilities					
Accounts payable and accruals	12	47,523	68,457	106,916	129,370
Proposed dividend	7	48,000	75,400	48,000	75,400
Income tax		10,628	1,695	10,628	6,095
Current portion of non-current liabilities	11	60,000	-	60,000	-
		166,151	145,552	225,544	210,865
Total equity and liabilities		1,008,675	984,956	1,069,296	1,047,776
Non-current assets					
Deferred tax	13	-	5,202	-	8,852
Fixed assets	14	963,622	936,026	954,019	934,026
		963,622	941,228	954,019	942,878
Current assets					
Cash		4,299	26,330	3,991	25,957
Receivables, prepayments and stores	16	40,754	17,398	36,563	12,543
Advances to subsidiaries		-	-	74,723	66,398
		45,053	43,728	115,277	104,898
Total assets		1,008,675	984,956	1,069,296	1,047,776
For and on behalf of the board					
					
Director					
21st May 2001					
					
Director					
21st May 2001					

Statement of cash flows

for the year ended 31 March 2001

	Notes	Group		Parent	
		2001	2000	2001	2000
		\$000	\$000	\$000	\$000
Cash flows from operating activities					
<i>Cash was provided from:</i>					
Receipts from customers		202,288	264,462	201,404	233,487
Income tax refund		-	12,589	-	12,130
Interest received		684	4,376	731	12,378
		202,972	281,427	202,135	257,995
<i>Cash was disbursed to:</i>					
Payments to suppliers and employees		122,608	152,102	119,753	130,421
Income tax paid		4,600	-	4,600	-
Interest paid		8,217	11,065	8,100	6,613
		135,425	163,167	132,453	137,034
Net cash inflows from operating activities		67,547	118,260	69,682	120,961
Cash flows from investing activities					
<i>Cash was provided from:</i>					
Proceeds from sale of investments		-	38,624	-	38,624
Proceeds from sale of retail assets		-	37,993	-	37,993
Proceeds from sale of subsidiaries		-	18,163	-	-
Proceeds from sale of fixed assets		482	82,161	482	32,751
Advances and loans from subsidiaries*		-	-	-	64,254
		482	176,941	482	173,622
<i>Cash was applied to:</i>					
Advance to subsidiaries		-	-	8,325	-
Purchase and construction of fixed assets		74,660	92,801	68,405	92,683
		74,660	92,801	76,730	92,683
Net cash inflows/(outflows) from investing activities		(74,178)	84,140	(76,248)	80,939
Cash flows from financing activities					
<i>Cash was (applied to)/provided from:</i>					
Net loan facilities*		60,000	(73,518)	60,000	(71,699)
Dividends paid		(75,400)	(107,096)	(75,400)	(107,096)
		(15,400)	(180,614)	(15,400)	(178,795)
Net cash outflows from financing activities		(15,400)	(180,614)	(15,400)	(178,795)
Net increase/(decrease) in cash held		(22,031)	21,786	(21,966)	23,105
Cash at beginning of year		26,330	4,544	25,957	2,852
Cash at end of year		4,299	26,330	3,991	25,957
* Cash inflows and cash outflows have been netted for ease of presentation					

Statement of cash flows (continued)

for the year ended 31 March 2001

	Notes	Group		Parent	
		2001	2000	2001	2000
		\$000	\$000	\$000	\$000
Reported surplus/(deficit) after tax		72,343	94,243	75,778	(79)
Add/(less) non-cash items					
Depreciation		27,167	33,905	27,068	26,304
Gain on sale of investments		-	(7,915)	-	(7,915)
Gain on sale of subsidiaries		-	(12,571)	-	-
Other non-cash items		-	1,263	-	1,263
Items classified as investing activities					
Loss/(gain) on sale of fixed assets		176	(28,175)	176	(1,148)
Capitalised costs		(802)	-	(802)	-
		26,541	(13,493)	26,442	18,504
Add/(less) movements in working capital					
Accounts payable and accruals		(27,928)	(3,057)	(28,605)	58,838
Receivables, prepayments and stores		(24,830)	9,750	(24,891)	12,764
Taxation		21,421	30,817	20,958	30,934
		(31,337)	37,510	(32,538)	102,536
Net cash inflows from operating activities		67,547	118,260	69,682	120,961

1. STATEMENT OF ACCOUNTING POLICIES

Entities Reporting

VECTOR Limited is a company registered under the Companies Act 1993. The group consists of VECTOR Limited and its subsidiaries.

Statutory Base

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

Measurement Base

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

Specific Accounting Policies

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

a) Group Financial Statements

The group financial statements consolidate the financial statements of subsidiaries, using the purchase method. Subsidiaries are entities that are controlled, either directly or indirectly, by the parent. All material transactions between subsidiaries or between the parent and subsidiaries are eliminated on consolidation. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of financial performance from the date of acquisition or up to the date of disposal.

b) Income Recognition

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

c) Fixed Assets

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

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

Distribution systems and some land and buildings are revalued by independent experts on the basis of depreciated replacement cost. Revaluation of distribution systems, distribution land and buildings are carried out at least every three years.

d) Depreciation

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

Buildings	50 years
Distribution Systems	15 – 70 years
Generation Plant and Buildings	13 – 20 years
Motor Vehicles and Mobile Equipment	20% – 33% per annum diminishing value
Computer and Telecommunication Equipment	3 – 40 years
Other Plant and Equipment	4% – 60% per annum diminishing value

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 accounting surplus, adjusted for permanent differences between accounting and tax rules.

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

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

g) Inventories

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

h) 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.

i) Leased Assets

Operating leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased assets, are included in the determination of the surplus/(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 denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction, except when forward currency contracts have been taken out to cover short-term forward currency commitments.

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

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

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

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

l) Investments

Investments in subsidiaries are stated at the lower of cost or net assets backing in the statement of financial position of the parent.

Other investments are stated at the lower of cost or net realisable value.

m) Employee Entitlements

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

The liability for employee entitlements is carried at the present value of the estimated future cash outflows.

n) 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.

Notes to the financial statements (continued)

- Financing activities are those that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

Changes in Accounting Policies

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

2. OPERATING REVENUE

Trading revenue

Sales

Generation revenue

Other trading revenue

Investment revenue

Interest revenue

Other revenue

Miscellaneous income

Non-recurring revenue

Gain on sale of fixed assets

Gain on sale of subsidiaries

Gain on sale of investments

	Group		Parent	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Trading revenue				
Sales	219,995	211,324	219,995	211,324
Generation revenue	-	35,725	-	-
Other trading revenue	111	-	-	-
Investment revenue				
Interest revenue	684	4,376	731	12,378
Other revenue				
Miscellaneous income	8,090	10,650	8,090	10,372
	228,880	262,075	228,816	234,074
Non-recurring revenue				
Gain on sale of fixed assets	-	30,133	-	3,105
Gain on sale of subsidiaries	-	12,571	-	-
Gain on sale of investments	-	7,915	-	7,915
	-	50,619	-	11,020
	228,880	312,694	228,816	245,094

3. OPERATING EXPENSES

Operating expenses include:

	Group		Parent	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Operating expenses				
Depreciation	27,167	33,905	27,068	26,304
Rental and operating lease costs	1,508	635	1,508	635
Loss on sale of fixed assets	176	1,958	176	1,958
Cost of borrowings				
Interest	7,668	14,913	7,668	10,460
Costs of offering credit				
Bad debts written off	674	1,358	674	1,358
Movement in provision for doubtful debts	(152)	(387)	(152)	(387)
Governance expenses				
Directors' fees	208	253	206	253
Retiring allowances	-	195	-	195
Auditors' fees				
Audit fees paid to principal auditors	59	57	59	57
Fees paid for other services provided by principal auditors	199	185	199	185
Audit fees paid to other auditors	-	15	-	15
Fees paid for other services provided by other auditors	-	216	-	216
Non-recurring expenses				
Reversal of CBD provision	(7,500)	-	(7,500)	-
Asset write downs	-	-	-	65,037

4. CONTINUING AND DISCONTINUED ACTIVITIES

	Group		Parent	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Continuing activities				
Revenue	228,738	229,019	228,816	229,019
Operating surplus before tax	98,333	67,688	101,336	67,688
Discontinued activities				
Revenue	142	83,675	-	16,075
Operating surplus before tax	32	(2,730)	-	(56,877)
Gain on sale	-	47,513	-	7,915
Totals				
Revenue	228,880	312,694	228,816	245,094
Operating surplus before tax	98,365	112,471	101,336	18,725

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 and then divest one or other. In addition significant investments in other electricity companies could not be held.

In 1999 the directors, in agreement with the shareholders, divested the Company's retail business and some of its generation assets in accordance with the Electricity Industry Reform Act 1998. The remaining generation assets were fully divested as at 31 March 2000.

Notes to the financial statements (continued)

5. INCOME TAX

	Group		Parent	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Operating surplus before tax	98,365	112,471	101,336	18,725
Prima facie tax at 33%	32,460	37,115	33,441	6,179
Plus/(less) tax effect of permanent differences:				
Non-deductible entertainment	20	15	19	15
Non-deductible legal and consulting	238	838	173	838
Capital gains and losses on divestment	-	(15,073)	-	(2,612)
Other permanent differences	6,319	3,447	5,655	3,907
Deferred tax asset not previously utilised	(14,012)	(3,785)	(13,976)	(3,785)
Provision for diminution in investments	-	-	-	21,462
Prior period adjustment	996	(7,200)	246	(7,200)
Losses unable to be utilised	-	2,871	-	-
Tax expense	26,021	18,228	25,558	18,804
The tax charge is represented by:				
Current tax	13,532	10,156	9,133	12,145
Deferred tax	12,489	8,072	16,425	6,659
	26,021	18,228	25,558	18,804

A deferred tax asset of \$21.8 million (2000: \$35.8 million) has not been recognised as at 31 March 2001 as there is not virtual certainty of the utilisation by the group.

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6. IMPUTATION BALANCES

	Group & Parent	
	2001 \$000	2000 \$000
Balance at beginning of year	768	65,015
Income tax payments during year	4,200	(12,029)
Imputation credits attaching to dividends received	-	531
Imputation credits attaching to dividends paid	(386)	(52,749)
Balance at end of year	4,582	768

At balance date the imputation credits available to the shareholders of the parent company were:

Through direct shareholding in the parent company	4,582	768
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7. DIVIDENDS

Distributions relating to previous year:

Dividends paid on ordinary shares

Special distributions:

Dividends paid on ordinary shares

Proposed distributions:

Proposed dividends on ordinary shares

Total distributions paid or payable in cash

Less proposed dividend in previous year

Total

Group & Parent	
2001	2000
\$000	\$000
75,400	25,500
–	81,596
48,000	75,400
123,400	182,496
75,400	–
48,000	182,496

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

8. SHARE CAPITAL

Ordinary class A shares

300,000,000 issued and fully paid shares

Ordinary class C shares

6 issued and deemed fully paid shares

Group & Parent	
2001	2000
\$000	\$000
300,000	300,000
–	–
300,000	300,000

The ordinary class A shares can only be held by the Auckland Energy Consumer Trust and may only be dealt with pursuant to the Trust Deed.

The ordinary class A shares and the ordinary class C shares are voting securities.

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

9. RESERVES

Asset revaluation

Balance at beginning of year

Decrease arising from revaluation of distribution fixed assets

Balance at end of year

Group		Parent	
2001	2000	2001	2000
\$000	\$000	\$000	\$000
463,045	463,045	463,045	463,045
(28,510)	–	(28,510)	–
434,535	463,045	434,535	463,045

Notes to the financial statements (continued)

10. RETAINED EARNINGS

	Group		Parent	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Balance at beginning of year	(28,451)	59,802	(30,944)	151,631
Net surplus/(deficit) attributable to the shareholders of the parent company	72,343	94,243	75,778	(79)
Dividends	(48,000)	(182,496)	(48,000)	(182,496)
Balance at end of year	(4,108)	(28,451)	(3,166)	(30,944)

11. TERM LIABILITIES

		Group		Parent	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
Repayable:	Interest rates				
Within one year	6.4% to 6.5%	60,000	-	60,000	-
One to two years	7.1%	104,810	-	104,810	-
Two to five years	7.1%	-	104,810	-	104,810
Total term liabilities		164,810	104,810	164,810	104,810
Less current portion of term liabilities		60,000	-	60,000	-
Total term liabilities		104,810	104,810	104,810	104,810

Debt issued of \$164.8 million (2000: \$104.8 million) is secured by way of negative pledge over the assets of the group.

12. ACCOUNTS PAYABLE AND ACCRUALS

	Group		Parent	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Trade payables, other creditors and provisions	38,654	49,955	97,958	110,971
CBD network restoration costs	4,227	13,039	4,227	13,039
Interest payable	3,299	3,847	3,416	3,848
Employee entitlements	1,343	1,616	1,315	1,512
	47,523	68,457	106,916	129,370

13. DEFERRED TAX ASSET (LIABILITY)

	Group		Parent	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Balance at beginning of year	5,202	13,274	8,852	15,511
On surplus for year	(12,489)	(8,072)	(16,425)	(6,659)
Balance at end of year	(7,287)	5,202	(7,573)	8,852

14. FIXED ASSETS

	Group		Parent	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Freehold land at cost	2,597	2,597	597	597
Freehold buildings at cost	5,306	3,253	5,306	3,253
Accumulated depreciation	(631)	(524)	(631)	(524)
Net book value	4,675	2,729	4,675	2,729
Distribution systems at valuation	840,629	737,087	840,629	737,087
Distribution land at valuation	22,160	17,589	22,160	17,589
Distribution buildings at valuation	17,780	17,734	17,780	17,734
	880,569	772,410	880,569	772,410
Accumulated depreciation				
Distribution systems	-	(18,692)	-	(18,692)
Distribution buildings	-	(942)	-	(942)
	-	(19,634)	-	(19,634)
Net book value	880,569	752,776	880,569	752,776
Plant and equipment at cost				
Motor vehicles and mobile equipment	729	957	729	957
Computer and telecommunication equipment	59,728	54,164	56,212	54,164
Other plant and equipment	6,842	4,498	6,355	4,498
	67,299	59,619	63,296	59,619
Accumulated depreciation				
Motor vehicles and mobile equipment	(550)	(635)	(550)	(635)
Computer and telecommunication equipment	(23,538)	(20,907)	(23,453)	(20,907)
Other plant and equipment	(4,157)	(3,943)	(4,143)	(3,943)
	(28,245)	(25,485)	(28,146)	(25,485)
Net book value	39,054	34,134	35,150	34,134
Capital work in progress at cost	36,727	143,790	33,028	143,790
Total net book value	963,622	936,026	954,019	934,026

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

The distribution assets were revalued to depreciated replacement cost (DRC) of \$880.6 million as at 31 March 2001. The revaluation resulted in a decrease in the asset value of \$28.5 million. This valuation was undertaken in conjunction with Meritec Limited consulting engineers. The prior valuation as at 31 March 1999 was carried out using optimised deprival value. As indicated in the accounting policies interest is capitalised to fixed assets while under construction. During the year \$4.6 million (2000: \$2.9 million) of interest was capitalised.

Notes to the financial statements (continued)

15. INVESTMENTS IN SUBSIDIARIES

The parent's investment in subsidiaries comprises shares at cost. Significant subsidiaries comprise:

	Percentages Held		Principal Activities
	2001	2000	
Significant subsidiaries			
Auckland Generation Limited	100%	100%	Holding Company
– MEL Silverstream Limited	100%	100%	Holding Company
– MEL Network Limited	100%	100%	Holding Company
– Mercury Geotherm Limited (in receivership)	65.12%	65.12%	Holding Company
– Poihipi Land Limited (in receivership)	65.12%	65.12%	Holding Company
Caduceus Equities No 1 Limited	100%	100%	Holding Company
Tangent Limited	100%	–	Telecommunication Network Provider
Non-trading subsidiaries			
VECTOR Power Limited	100%	100%	N/A
Auckland Network Limited	100%	100%	N/A
Energy North Limited	100%	100%	N/A

All entities have a balance date of 31 March. Tangent Limited was incorporated in July 2000.

16. RECEIVABLES, PREPAYMENTS AND STORES

	Group		Parent	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Trade receivables	33,792	9,808	33,792	9,808
Provision for doubtful debts	(120)	(273)	(120)	(273)
	33,672	9,535	33,672	9,535
Other receivables	4,087	5,172	–	317
Prepayments	1,772	1,653	1,775	1,653
Stores	1,223	1,038	1,116	1,038
	40,754	17,398	36,563	12,543

17. FINANCIAL INSTRUMENTS

The group is subject to financial risk as a result of its debt portfolio.

To manage and limit the effects of those financial risks, the Board of Directors has approved policy guidelines and authorised the use of various financial instruments. The policies approved, and financial instruments being utilised at balance date, are outlined below.

Credit risk

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

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	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Bank balances	4,299	4,330	3,991	3,957
Term deposits	–	22,000	–	22,000
Accounts receivable	37,759	14,707	33,672	9,852
Advances to subsidiaries	–	–	74,723	66,398
The above maximum exposures are net of any recognised provision for losses on these financial instruments.				
Concentrations of credit risk				
Bank balances	4,299	4,330	3,991	3,957
Term deposits	–	22,000	–	22,000
	4,299	26,330	3,991	25,957

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

Interest rate risk

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

Interest rate swaps are used to manage the proportion of fixed rate debt to total debt. Interest rate swaps and forward rate agreements open as at 31 March 2001 have a principal of \$194.0 million (2000: \$209.8 million) with a cash benefit of \$33.3 million (2000: \$27.4 million). The company pays a weighted average interest rate on open interest rate swaps and forward rate agreements of 7.1% (2000: 7.2%).

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.

Currency risk

In 1997 the group issued a bond in Swiss Francs. As a result of this transaction exposures to fluctuations in foreign currency exchange rates arise.

The group has hedged all these borrowings in foreign currency by currency swap. Currency swaps open at balance date have a principal of \$104.8 million (2000: \$104.8 million). The cash benefit of the currency swaps is incorporated in the interest rate swaps. The currency swap was taken with an interest rate swap as one transaction. Valuation cannot be obtained to distinguish the two components.

Notes to the financial statements (continued)

18. COMMITMENTS

The following amounts have been committed to by the group or parent, but not recognised in the financial statements.

	Group		Parent	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date but not provided for:				
CBD reinforcement tunnel	100	36,500	100	36,500
Other commitments	7,313	8,239	7,313	8,239
	7,413	44,739	7,413	44,739
Operating lease commitments				
Within one year	1,445	2,792	1,445	2,792
One to two years	1,316	1,284	1,316	1,284
Two to five years	3,598	3,765	3,598	3,765
Beyond five years	180	1,256	180	1,256
	6,539	9,097	6,539	9,097

The majority of the operating lease commitments relate to premises leases. Operating leases held over properties give the group the right to renew the lease.

19. CONTINGENT LIABILITIES

No significant contingent liabilities exist as at 31 March 2001.

20. 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	\$75.4 million	(2000: \$107.1 million)
Payments to AECT	Nil	(2000: \$0.6 million)

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

Purchase of electricity	Nil	(2000: \$29.9 million)
Gross interest received	\$0.2 million	(2000: \$8.2 million)
Advances to and from subsidiaries	\$8.3 million	(2000: \$53.7 million)

A provision of \$65.0 million (2000: \$65.0 million) has been provided against advances to subsidiaries. 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 various rates.

21. SEGMENT INFORMATION

The company operates largely within the electricity sector. All operations are carried out within New Zealand.

Auditor's Report to the Shareholders of **VECTOR Limited**

We have audited the financial statements on pages 15 to 30. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2001 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 20 to 22.

DIRECTORS' RESPONSIBILITIES

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2001 and their financial performance and cash flows for the year ended on that date.

AUDITOR'S RESPONSIBILITIES

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting 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:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

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

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as auditors, consultants and tax advisors.

UNQUALIFIED OPINION

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

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 15 to 30:
 - (i) comply with generally accepted accounting practice in New Zealand; and
 - (ii) give a true and fair view of the financial position of the Company and Group as at 31 March 2001 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 21 May 2001 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Auckland

DIRECTORY

Registered Office

VECTOR Limited
101 Carlton Gore Road
Newmarket
Auckland
New Zealand
Telephone (64 9) 978 7788
Facsimile (64 9) 978 7799
www.vector-network.co.nz

Postal Address

PO Box 99882
Newmarket
Auckland
New Zealand

Auditors

PricewaterhouseCoopers
23-29 Albert Street
Auckland

Solicitors

Buddle Findlay
The Shortland Centre
51-53 Shortland Street
Auckland

Russell McVeagh
Royal & SunAlliance Centre
48 Shortland Street
Auckland

Shareholder

Auckland Energy Consumer Trust
PO Box 109626
Newmarket
Auckland
Telephone: (64 9) 978 7674
Facsimile: (64 9) 978 7516
www.aect.co.nz



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www.vector-network.co.nz