



# Financial statements

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**Wayne Brown, chairman**, is a registered engineer. He is chairman of the Auckland District Health Board, the Tairāwhiti District Health Board and the Land Transport Safety Authority, as well as a director of Festival Films Limited, Cabletalk Limited, Maori TV and a number of private companies in the property, engineering and environment fields.

**Dr Margo Buchanan-Oliver** is co-director of the University of Auckland Centre of Digital Enterprise, senior lecturer at University of Auckland Business School, deputy chair of Meteorological Service Limited and a trustee of Enterprise Waitakere.

**Doug Dell**, an electrical engineer, is a partner in an engineering consultancy. He held a number of senior positions in ECNZ and its predecessor, the NZED, and advises various New Zealand lines companies.

**Donald McLaren**, ONZM, is managing director of Bomac Laboratories Limited and related companies, chairman of NZ Thoroughbred Marketing Limited, a laureate of the New Zealand Business Hall of Fame and former president of the Auckland Racing Club.

**Brian Plimmer**, chartered secretary and accountant, is general manager and founder of Rural Couriers Society Limited, former director of Countrywide Bank, member of the Major Users Monopoly Services Group, president of the New Zealand Chartered Institute of Corporate Management and former president of the Canada-New Zealand Business Association.

**John Wells**, a merchant banker, is chairman of Bancorp Holdings Limited and the recently formed Crown entity, Sport and Recreation New Zealand. He is also a director of Baycorp Advantage Limited, Alliance Group Holdings Pty Limited, Fisher Funds Management Limited and a number of other companies, and is an advisory board member of Marsh Limited.

**\*Morris Brown** was appointed a director in March 2002 but was unable to take up his appointment and resigned in April.

Disclosures required by the Companies Act 1993:

### **PRINCIPAL ACTIVITY**

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 net surplus of \$61.7 million for the year ended 31 March 2002. The Group has changed its policies in relation to accounting for deferred tax on revalued property, plant and equipment, and for dividends. Neither change in policy has impacted the financial performance for the year. However, the change in accounting policy for deferred tax has reduced the total equity by \$65 million.

### **DIVIDENDS**

The final dividend for the year ended 31 March 2001 of \$48.0 million was paid during the year. A final dividend for the year ended 31 March 2002 of \$42.8 million was declared on 22 May 2002 but has not been provided for in these financial statements.

### **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 Director 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 were:

**Parent**

W K Brown

M J Wells

D G Dell

M J Brown

Appointed 6 March 2002

M J Brown

Retired 15 April 2002

D G McLaren ONZM

Appointed 6 March 2002

J C Lindsay

Retired 6 March 2002

B K Plimmer

Appointed 6 March 2002

P S Drummond

Retired 21 March 2002

M Buchanan-Oliver

Appointed 22 March 2002

**Subsidiaries**

W K Brown

M J Wells

P C Strange

S J Mackenzie

Appointed 11 May 2001

D G Dell

Appointed 6 March 2002

P S Drummond

Appointed 11 May 2001

P S Drummond

Retired 20 March 2002

W J Russell

**DIRECTORS' REMUNERATION VECTOR LIMITED AND SUBSIDIARIES**

|                  | Parent \$ | Subsidiaries \$ |
|------------------|-----------|-----------------|
| W K Brown        | 70,000    | 12,000          |
| D G Dell         | 34,000    | -               |
| M J Wells        | 34,000    | 10,000          |
| J C Lindsay      | 34,000    | -               |
| P S Drummond     | 34,000    | 11,000          |
| B K Plimmer      | 2,833     | -               |
| D G McLaren ONZM | 2,833     | -               |

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 Auckland District Health Board, Tairāwhiti District Health Board, Land Transport Safety Authority; Owner/Chairman of Waahi Paraone Limited, Brown Properties; Director of Festival Films Limited, Maori TV, Cabletalk Limited.

**D G Dell:**

Informal Partner of Charter Consulting, Energy Advisory Services.

**M J Wells:**

Chairman of Bancorp Holdings Limited, Bancorp New Zealand Limited, Bancorp Treasury Services Limited, Bancorp Property Fund No. 1 Limited, Taranaki Property Fund Limited, Hillary Commission, Sport and Recreation New Zealand, Greenpark Holdings Limited, New Zealand High Performance Sports Centre Trust; Director of Baycorp Advantage Limited, Alliance Group Holdings Pty Limited, Fisher Funds Management Limited; Advisory Board Member of Marsh Limited.

**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; 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).

**D G McLaren ONZM:**

Chairman of NZ Thoroughbred Marketing Limited; Director of D G & R B McLaren Limited. Trustee of McLaren Family Trust; D G McLaren No.1 & No.2 Trust, Pharmatech Laboratories Pty Limited; Managing Director of Bomac Laboratories Limited, Bomac Industries Limited, Bomac Research Limited.

**B K Plimmer:**

Director of B K Plimmer Limited, EPOC Systems Limited, Kenrae Developments Limited; General Manager of Rural Couriers Society Limited; Executive Member of Canada-New Zealand Business Association; Trustee of Kenrae Trust; Shareholder of Town & Country Textiles Limited, LANA Spinning Company Limited.

**M Buchanan-Oliver:**

Director of Paint a Pixel Limited, Metra Information Limited, Meteorological Service of New Zealand Limited; Trustee of Partners NZ (Waitakere), Enterprise Waitakere; Board Member of Hope Foundation.

**M J Brown:**

President Elect of the New Zealand Institute of Chartered Accountants; Chairman of Kildonnan Financial Services Limited.

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 |      |
|---|-------|------|--------|------|
|   | 2002  | 2001 | 2002   | 2001 |
| <b>Current employees</b>  |       |      |        |      |
| \$100,001 - \$110,000   | 8     | 3    | 7      | 3    |
| \$110,001 - \$120,000   | 2     | 3    | 2      | 3    |
| \$120,001 - \$130,000   | 3     | 2    | 2      | 2    |
| \$130,001 - \$140,000   | 3     | 3    | 2      | 3    |
| \$140,001 - \$150,000   | 3     | 1    | 3      | -    |
| \$150,001 - \$160,000   | 2     | -    | 1      | -    |
| \$190,001 - \$200,000   | 1     | 1    | 1      | 1    |
| \$210,001 - \$220,000   | 1     | 1    | -      | 1    |
| \$230,001 - \$240,000   | -     | 1    | -      | 1    |
| \$240,001 - \$250,000   | 2     | -    | 2      | -    |
| \$260,001 - \$270,000   | 1     | -    | -      | -    |
| \$280,001 - \$290,000   | 1     | -    | 1      | -    |
| \$290,001 - \$300,000   | 1     | -    | -      | -    |
| \$400,001 - \$410,000   | -     | 1    | -      | 1    |
| \$420,001 - \$430,000   | -     | 1    | -      | 1    |
| \$470,001 - \$480,000   | 1     | -    | 1      | -    |
| <b>Remuneration of employees no longer with the company, including any termination payments</b> |       |      |        |      |
| \$120,001 - \$130,000   | -     | 1    | -      | 1    |
| \$130,001 - \$140,000   | -     | 2    | -      | 2    |
| \$140,001 - \$150,000   | -     | 1    | -      | 1    |
| \$150,001 - \$160,000   | 1     | -    | 1      | -    |
| \$170,001 - \$180,000   | 1     | -    | 1      | -    |
| \$180,001 - \$190,000   | -     | 1    | -      | 1    |
| \$480,001 - \$490,000   | 1     | -    | 1      | -    |

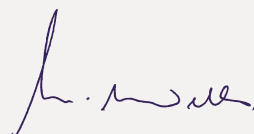
**2002 FINANCIAL STATEMENTS**

The Directors are pleased to present the Financial Statements of the VECTOR Group for the year ended 31 March 2002. These financial statements were approved for issue and are signed on the date below.



Director

22 May 2002



Director

22 May 2002

## Statement of financial performance

|  | Notes | GROUP         |               | PARENT        |               |
|--|-------|---------------|---------------|---------------|---------------|
|  |       | 2002          | 2001          | 2002          | 2001          |
|  |       | \$000         | \$000         | \$000         | \$000         |
| Operating revenue                                  | 1     | 241,251       | 228,880       | 240,805       | 228,816       |
| Operating expenses                                 | 2     | (144,929)     | (130,515)     | (151,092)     | (127,480)     |
| <b>Operating surplus before income tax</b>         | 3     | <b>96,322</b> | 98,365        | <b>89,713</b> | 101,336       |
| Income tax expense                                 | 4     | (34,959)      | (26,021)      | (34,890)      | (25,558)      |
| <b>Operating surplus after income tax</b>          |       | <b>61,363</b> | 72,343        | <b>54,823</b> | 75,778        |
| Minority interest in deficit of partnership        |       | 320           | -             | -             | -             |
| <b>Net surplus</b>                                 |       | <b>61,683</b> | 72,343        | <b>54,823</b> | 75,778        |
| <b>Comprising</b>                                  |       |               |               |               |               |
| Net surplus from continuing activities             |       | 61,948        | 72,311        | 54,823        | 75,778        |
| Net (deficit)/surplus from discontinued activities |       | (265)         | 32            | -             | -             |
|  |       | <b>61,683</b> | <b>72,343</b> | <b>54,823</b> | <b>75,778</b> |

## Statement of movements in equity

|  | Notes | GROUP           |          | PARENT          |          |
|--|-------|-----------------|----------|-----------------|----------|
|  |       | 2002            | 2001     | 2002            | 2001     |
|  |       | \$000           | \$000    | \$000           | \$000    |
| Equity at beginning of year                                |       | 730,427         | 734,594  | 731,369         | 732,101  |
| Net surplus  |       | 61,683          | 72,343   | 54,823          | 75,778   |
| Movement in revaluation reserve                            | 8     | (76,422)        | (28,510) | (76,422)        | (28,510) |
| <b>Total recognised revenues and expenses for the year</b> |       | <b>(14,739)</b> | 43,833   | <b>(21,599)</b> | 47,268   |
| Minority interest in partnership                           |       | 1,009           | -        | -               | -        |
| Distributions to owners                                    | 6     | -               | (48,000) | -               | (48,000) |
| <b>Equity at end of year</b>                               |       | <b>716,697</b>  | 730,427  | <b>709,770</b>  | 731,369  |



## Statement of cash flows

|   | GROUP           |                 | PARENT          |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2002            | 2001            | 2002            | 2001            |
|   | \$000           | \$000           | \$000           | \$000           |
| <b>Cash flows from operating activities</b>                                 |                 |                 |                 |                 |
| Cash was provided from:   |                 |                 |                 |                 |
| Receipts from customers   | 238,239         | 202,288         | 238,155         | 201,404         |
| Interest received   | 683             | 684             | 1,754           | 731             |
|   | <b>238,922</b>  | <b>202,972</b>  | <b>239,909</b>  | <b>202,135</b>  |
| Cash was disbursed to:  |                 |                 |                 |                 |
| Payments to suppliers and employees   | 98,581          | 122,608         | 92,884          | 119,753         |
| Income tax paid   | 23,525          | 4,600           | 23,525          | 4,600           |
| Interest paid   | 11,448          | 8,217           | 11,561          | 8,100           |
|   | <b>133,554</b>  | <b>135,425</b>  | <b>127,970</b>  | <b>132,453</b>  |
| Net cash inflows from operating activities                                  | <b>105,368</b>  | <b>67,547</b>   | <b>111,939</b>  | <b>69,682</b>   |
| <b>Cash flows from investing activities</b>                                 |                 |                 |                 |                 |
| Cash was provided from:   |                 |                 |                 |                 |
| Proceeds from sale of property, plant and equipment                         | 4,938           | 482             | 4,938           | 482             |
| Contributions from minority interest  | 1,329           | -               | -               | -               |
|   | <b>6,267</b>    | <b>482</b>      | <b>4,938</b>    | <b>482</b>      |
| Cash was applied to:  |                 |                 |                 |                 |
| Advance to subsidiaries*  | -               | -               | 18,694          | 8,325           |
| Purchase and construction of property, plant and equipment                  | 44,169          | 74,660          | 34,392          | 68,405          |
| Purchase of goodwill  | 3,928           | -               | -               | -               |
|   | <b>48,097</b>   | <b>74,660</b>   | <b>53,086</b>   | <b>76,730</b>   |
| Net cash outflows from investing activities                                 | <b>(41,830)</b> | <b>(74,178)</b> | <b>(48,148)</b> | <b>(76,248)</b> |
| <b>Cash flows from financing activities</b>                                 |                 |                 |                 |                 |
| Cash was (applied to)/provided from:  |                 |                 |                 |                 |
| Net loan facilities*  | (13,709)        | 60,000          | (15,000)        | 60,000          |
| Dividends paid  | (48,000)        | (75,400)        | (48,000)        | (75,400)        |
|   | <b>(61,709)</b> | <b>(15,400)</b> | <b>(63,000)</b> | <b>(15,400)</b> |
| Net cash outflows from financing activities                                 | <b>(61,709)</b> | <b>(15,400)</b> | <b>(63,000)</b> | <b>(15,400)</b> |
| Net increase/ (decrease) in cash held                                       | <b>1,829</b>    | <b>(22,031)</b> | <b>791</b>      | <b>(21,966)</b> |
| Cash at beginning of year   | <b>4,299</b>    | <b>26,330</b>   | <b>3,991</b>    | <b>25,957</b>   |
| <b>Cash at end of year</b>  | <b>6,128</b>    | <b>4,299</b>    | <b>4,782</b>    | <b>3,991</b>    |
| * Cash inflows and cash outflows have been netted for ease of presentation. |                 |                 |                 |                 |

|  | GROUP          |          | PARENT         |          |
|--|----------------|----------|----------------|----------|
|  | 2002           | 2001     | 2002           | 2001     |
|  | \$000          | \$000    | \$000          | \$000    |
| <b>Reported net surplus after tax</b>                      | <b>61,683</b>  | 72,343   | <b>54,823</b>  | 75,778   |
| Minority interest in deficit of partnership                | (320)          | –        | –              | –        |
|  | <b>61,363</b>  | 72,343   | <b>54,823</b>  | 75,778   |
| <b>Add/(less) non-cash items</b>                           |                |          |                |          |
| Depreciation and amortisation                              | 31,677         | 27,167   | 30,559         | 27,068   |
| Movement in deferred tax                                   | 17,945         | –        | 17,876         | –        |
|  | <b>49,622</b>  | 27,167   | <b>48,435</b>  | 27,068   |
| <b>Add/(less) items classified as investing activities</b> |                |          |                |          |
| Loss/(gain) on sale of property, plant and equipment       | (1,904)        | 176      | (1,917)        | 176      |
| Capitalised costs  | (1,026)        | (802)    | (1,026)        | (802)    |
|  | <b>(2,930)</b> | (626)    | <b>(2,943)</b> | (626)    |
| <b>Add/(less) movement in working capital</b>              |                |          |                |          |
| Accounts payable and accruals                              | 1,368          | (27,928) | 2,815          | (28,605) |
| Receivables and prepayments                                | 2,273          | (24,830) | 3,430          | (24,891) |
| Provision for income tax                                   | (6,328)        | 21,421   | 5,379          | 20,958   |
|  | <b>(2,687)</b> | (31,337) | <b>11,624</b>  | (32,538) |
| <b>Net cash inflow from operating activities</b>           | <b>105,368</b> | 67,547   | <b>111,939</b> | 69,682   |

### 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 property, plant and equipment 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 (including partnerships) 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) 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. The cost of self-constructed property, plant and equipment includes the cost of all materials used in construction, direct labour on the project, costs of obtaining Resource Management Act 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.

Distribution systems and some land and freehold 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.

The carrying values of property, plant and equipment not subject to revaluations are subject to annual impairment reviews.

**d) Depreciation**

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

|  |                                       |
|--|---------------------------------------|
| Freehold Buildings                       | 50 years                              |
| Distribution Systems                     | 15 - 100 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  |

The useful lives of the property, plant and equipment are reviewed annually to ensure they remain appropriate.

**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. During the year the Group and Parent changed their accounting policy for income tax in relation to the recognition of timing differences to include timing differences arising as a result of the revaluation of property, plant and equipment. This is the comprehensive basis for the calculation of deferred tax under the liability method. Previously the timing differences arising from the revaluation of distribution systems and buildings that were not expected to crystallise in the foreseeable future were not recognised.

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.

The deferred tax arising from timing differences resulting from revaluation of property, plant and equipment is recognised directly against the asset revaluation reserve.

**g) 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.

**h) Leased assets**

Finance leases

Assets under finance leases are recognised as non-current assets in the statement of financial position. Leased assets 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 assets are depreciated on the same basis as equivalent property, plant and equipment.

#### Operating leases

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

#### i) 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.

#### j) 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 rate swaps is recognised as a component of interest expense over the period of the agreement.

#### k) Investments

Investments in subsidiaries are stated at lower of cost or estimated recoverable amount in the statement of financial position of the Parent.

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

#### l) 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.

**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 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.

**n) Goodwill**

The excess of cost over the fair value of the net assets purchased by the Group is recognised as goodwill and is amortised to the statement of financial performance over 10 years.

The carrying value of the goodwill is subject to an annual impairment review.

**o) Dividends**

Dividends are brought to account in the period in which they are declared. In previous years dividends have been recognised as liabilities in the period to which they were deemed to relate provided they were proposed or declared before the financial report was authorised for issue.

**Changes in Accounting Policies**

During the year the Group and Parent changed their accounting policy in respect of accounting for dividends. Under the new policy, dividends are only brought to account in the period in which they are declared. The Board of Directors has adopted this change in accounting policy to conform with the requirements of Financial Reporting Standard No. 5 – Events Occurring After Balance Date.

In addition, the Group and Parent changed their accounting policy in respect of accounting for income tax. Under the new policy they recognise all timing differences in respect to property, plant and equipment, including those arising from revaluations. Previously timing differences in relation to revaluations of property, plant and equipment not expected to crystallise in the foreseeable future were not recognised. The change in policy has resulted in an increase of \$65 million to the deferred tax liability and a decrease of the same amount to the asset revaluation reserve. Because the revaluation has previously been recognised directly in the revaluation reserve the tax effect has also followed this treatment and been taken directly to the revaluation reserve.

There have been no other changes in accounting policies.

|   | GROUP          |                | PARENT         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2002           | 2001           | 2002           | 2001           |
|   | \$000          | \$000          | \$000          | \$000          |
| <b>1. OPERATING REVENUE</b>                                 |                |                |                |                |
| <b>Trading revenue</b>                                      |                |                |                |                |
| Sales   | 230,511        | 220,106        | 228,977        | 219,995        |
| <b>Investment revenue</b>                                   |                |                |                |                |
| Interest revenue  | 683            | 684            | 1,753          | 731            |
| <b>Other revenue</b>  |                |                |                |                |
| Miscellaneous income  | 10,057         | 8,090          | 10,075         | 8,090          |
|   | <b>241,251</b> | <b>228,880</b> | <b>240,805</b> | <b>228,816</b> |
| <b>2. OPERATING EXPENSES</b>                                |                |                |                |                |
| Operating expenses include:                                 |                |                |                |                |
| <b>Operating expenses</b>                                   |                |                |                |                |
| Depreciation of property, plant and equipment               |                |                |                |                |
| Distribution systems  | 24,391         | 21,227         | 24,391         | 21,227         |
| Freehold buildings  | 466            | 257            | 466            | 257            |
| Motor vehicles  | 36             | 49             | 36             | 49             |
| Computer and telecommunication equipment                    | 6,098          | 5,419          | 5,439          | 5,334          |
| Other plant and equipment                                   | 325            | 215            | 227            | 201            |
| Total depreciation  | <b>31,316</b>  | <b>27,167</b>  | <b>30,559</b>  | <b>27,068</b>  |
| Amortisation of goodwill                                    | 361            | -              | -              | -              |
| Rental and operating lease costs                            | 1,418          | 1,508          | 1,415          | 1,508          |
| Loss on sale of property, plant and equipment               | -              | 176            | -              | 176            |
| <b>Other expenses</b>                                       |                |                |                |                |
| Charge for use of tax losses of subsidiaries                | -              | -              | 13,906         | -              |
| <b>Cost of borrowings</b>                                   |                |                |                |                |
| Interest  | 11,554         | 7,668          | 11,550         | 7,668          |
| <b>Costs of offering credit</b>                             |                |                |                |                |
| Bad debts written off                                       | 869            | 674            | 869            | 674            |
| Movement in provision for doubtful debts                    | (120)          | (152)          | (120)          | (152)          |
| <b>Governance expenses</b>                                  |                |                |                |                |
| Directors fees  | 245            | 208            | 245            | 206            |
| <b>Auditors fees</b>  |                |                |                |                |
| Audit fees paid to principal auditors                       | 115            | 59             | 115            | 59             |
| Fees paid for other services provided by principal auditors | 385            | 199            | 385            | 199            |

|  | GROUP         |               | PARENT        |                |
|--|---------------|---------------|---------------|----------------|
|  | 2002          | 2001          | 2002          | 2001           |
|  | \$000         | \$000         | \$000         | \$000          |
| <b>3. CONTINUING AND DISCONTINUED ACTIVITIES</b> |               |               |               |                |
| <b>Continuing activities</b>                     |               |               |               |                |
| Revenue  | 240,983       | 228,738       | 240,805       | 228,816        |
| Operating surplus before tax                     | 96,587        | 98,333        | 89,713        | 101,336        |
| <b>Discontinued activities</b>                   |               |               |               |                |
| Revenue  | 268           | 142           | -             | -              |
| Operating (deficit)/surplus before tax           | (265)         | 32            | -             | -              |
| Gain on sale of property, plant and equipment    | 12            | -             | -             | -              |
| <b>Totals</b>                                    |               |               |               |                |
| Revenue  | 241,251       | 228,880       | 240,805       | 228,816        |
| Operating surplus before tax                     | 96,322        | 98,365        | 89,713        | 101,336        |
| <b>4. INCOME TAX</b>                             |               |               |               |                |
| <b>Operating surplus before tax</b>              | <b>96,322</b> | <b>98,365</b> | <b>89,713</b> | <b>101,336</b> |
| Prima facie tax @ 33%                            | 31,787        | 32,460        | 29,605        | 33,441         |
| Plus/(less) tax effect of permanent differences: |               |               |               |                |
| Non-deductible entertainment                     | 30            | 20            | 28            | 19             |
| Non-deductible legal and consulting              | 121           | 238           | 82            | 173            |
| Other permanent differences                      | 6,303         | 6,319         | 8,489         | 5,655          |
| Deferred tax asset not previously utilised       | (3,494)       | (14,012)      | (3,494)       | (13,976)       |
| Prior period adjustment                          | 212           | 996           | 180           | 246            |
| <b>Tax expense</b>                               | <b>34,959</b> | <b>26,021</b> | <b>34,890</b> | <b>25,558</b>  |
| The tax charge is represented by:                |               |               |               |                |
| Current tax                                      | 17,014        | 13,532        | 17,014        | 9,133          |
| Deferred tax                                     | 17,945        | 12,489        | 17,876        | 16,425         |
|  | <b>34,959</b> | <b>26,021</b> | <b>34,890</b> | <b>25,558</b>  |

A deferred tax asset of \$18.3 million (2001: \$21.8 million) has not been recognised as at 31 March 2002.

**5. IMPUTATION BALANCES**

|  | <b>GROUP &amp; PARENT</b> |              |
|--|---------------------------|--------------|
|  | <b>2002</b>               | <b>2001</b>  |
|  | <b>\$000</b>              | <b>\$000</b> |
| Balance at beginning of year                   | 4,582                     | 768          |
| Income tax payments during year                | 23,525                    | 4,200        |
| Imputation credits attaching to dividends paid | (10,420)                  | (386)        |
| <b>Balance at end of year</b>                  | <b>17,687</b>             | <b>4,582</b> |

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

|   |        |       |
|---|--------|-------|
| Through direct shareholding in the parent company | 17,687 | 4,582 |
|---|--------|-------|

**6. DIVIDENDS****Distributions relating to previous year:**

|                                   |        |        |
|-----------------------------------|--------|--------|
| Dividends paid on ordinary shares | 48,000 | 75,400 |
|-----------------------------------|--------|--------|

**Proposed distributions:**

|                                       |   |        |
|---------------------------------------|---|--------|
| Proposed dividends on ordinary shares | - | 48,000 |
|---------------------------------------|---|--------|

**Total distributions paid or payable in cash**

|  |        |         |
|--|--------|---------|
|  | 48,000 | 123,400 |
|--|--------|---------|

Less proposed dividend in previous year

|  |        |        |
|--|--------|--------|
|  | 48,000 | 75,400 |
|--|--------|--------|

**Total**

|  |   |        |
|--|---|--------|
|  | - | 48,000 |
|--|---|--------|

The dividend proposed in 2001 and paid in 2002 was partially imputed. The dividend paid in 2001 was partially imputed.

Subsequent to balance date, on 22 May 2002, a final dividend of \$42.8 million was declared for the year ended 31 March 2002.

**7. SHARE CAPITAL****Ordinary class A shares**

|  |         |         |
|--|---------|---------|
| 300,000,000 issued and fully paid shares | 300,000 | 300,000 |
|--|---------|---------|

**Ordinary class C shares**

|                                       |   |   |
|---------------------------------------|---|---|
| 6 issued and deemed fully paid shares | - | - |
|---------------------------------------|---|---|

|  |         |         |
|--|---------|---------|
|  | 300,000 | 300,000 |
|--|---------|---------|

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

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

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

|   | Notes          | GROUP          |                | PARENT         |                |
|---|----------------|----------------|----------------|----------------|----------------|
|   |                | 2002           | 2001           | 2002           | 2001           |
|   |                | \$000          | \$000          | \$000          | \$000          |
| <b>8. RESERVES</b>  |                |                |                |                |                |
| <b>Asset revaluation</b>  |                |                |                |                |                |
| Balance at beginning of year  |                | 434,535        | 463,045        | 434,535        | 463,045        |
| Decrease arising from adjustment to valuation of distribution systems   | 15             | (11,422)       | (28,510)       | (11,422)       | (28,510)       |
| Deferred tax adjustment on revalued assets  | 14             | (65,000)       | -              | (65,000)       | -              |
| <b>Balance at end of year</b>   |                | <b>358,113</b> | <b>434,535</b> | <b>358,113</b> | <b>434,535</b> |
| <b>9. RETAINED EARNINGS</b>   |                |                |                |                |                |
| Balance at beginning of year  |                | (4,108)        | (28,451)       | (3,166)        | (30,944)       |
| Net surplus attributable to the shareholders of the parent company  |                | 61,683         | 72,343         | 54,823         | 75,778         |
| Dividends   |                | -              | (48,000)       | -              | (48,000)       |
| <b>Balance at end of year</b>   |                | <b>57,575</b>  | <b>(4,108)</b> | <b>51,657</b>  | <b>(3,166)</b> |
| <b>10. MINORITY INTEREST</b>  |                |                |                |                |                |
| Balance at beginning of year  |                | -              | -              | -              | -              |
| Acquisition of interest in partnership  |                | 1,329          | -              | -              | -              |
| Share of deficit in partnership   |                | (320)          | -              | -              | -              |
| <b>Balance at end of year</b>   |                | <b>1,009</b>   | <b>-</b>       | <b>-</b>       | <b>-</b>       |
| <b>11. TERM LIABILITIES</b>   |                |                |                |                |                |
| Repayable:  | Interest rates |                |                |                |                |
| Within one year   | 6.4% to 7.1%   | 150,763        | 60,000         | 149,810        | 60,000         |
| One to two years  | 6.8% to 7.9%   | 88             | 104,810        | -              | 104,810        |
| Two to five years   | 6.8% to 7.9%   | 250            | -              | -              | -              |
| <b>Total</b>  |                | <b>151,101</b> | <b>164,810</b> | <b>149,810</b> | <b>164,810</b> |
| Less current portion  |                | 150,763        | 60,000         | 149,810        | 60,000         |
| <b>Total term liabilities</b>   |                | <b>338</b>     | <b>104,810</b> | <b>-</b>       | <b>104,810</b> |
| Debt issued of \$151.1 million (2001: \$164.8 million) is secured by way of negative pledge over the assets of the Group. |                |                |                |                |                |
| The Group's main financing arrangement, a loan of CHF100 million, is repayable on 15 October 2002.                        |                |                |                |                |                |
| The Group is in the process of arranging new financing facilities.  |                |                |                |                |                |

**12. ACCOUNTS PAYABLE AND ACCRUALS**

Trade payables, other creditors  
Provisions for claims  
Interest payable  
Employee entitlements

| Notes | GROUP         |               | PARENT         |                |
|-------|---------------|---------------|----------------|----------------|
|       | 2002          | 2001          | 2002           | 2001           |
|       | \$000         | \$000         | \$000          | \$000          |
|       | 41,705        | 37,290        | 102,514        | 96,594         |
| 13    | 2,020         | 5,591         | 2,020          | 5,591          |
|       | 3,404         | 3,299         | 3,404          | 3,416          |
|       | 1,323         | 1,343         | 1,243          | 1,315          |
|       | <b>48,452</b> | <b>47,523</b> | <b>109,181</b> | <b>106,916</b> |

**13. PROVISION FOR CLAIMS**

Balance at beginning of year  
Additions  
Used  
Reversals  
**Balance at end of year**

| GROUP & PARENT |              |
|----------------|--------------|
| 2002           | 2001         |
| \$000          | \$000        |
| 5,591          | 31,619       |
| 1,300          | -            |
| (2,500)        | (13,733)     |
| (2,371)        | (12,295)     |
| <b>2,020</b>   | <b>5,591</b> |

Timing of the outflows of the above provisions are uncertain pending settlement of various matters.

**14. DEFERRED TAX ASSET/(LIABILITY)**

Balance at beginning of year  
On surplus for year  
Deferred tax adjustment on revalued assets  
**Balance at end of year**

|  | GROUP           |                | PARENT          |                |
|--|-----------------|----------------|-----------------|----------------|
|  | 2002            | 2001           | 2002            | 2001           |
|  | \$000           | \$000          | \$000           | \$000          |
|  | (7,287)         | 5,202          | (7,573)         | 8,852          |
|  | (17,945)        | (12,489)       | (17,876)        | (16,425)       |
|  | (65,000)        | -              | (65,000)        | -              |
|  | <b>(90,232)</b> | <b>(7,287)</b> | <b>(90,449)</b> | <b>(7,573)</b> |

During the year the Group has recognised a deferred tax liability of \$65 million which relates to changes in accounting policy in relation to a previous revaluation of network property, plant and equipment. The revaluation reserve has been reduced accordingly.

|  | GROUP          |                | PARENT         |                |
|--|----------------|----------------|----------------|----------------|
|  | 2002           | 2001           | 2002           | 2001           |
|  | \$000          | \$000          | \$000          | \$000          |
| <b>15. PROPERTY, PLANT AND EQUIPMENT</b> |                |                |                |                |
| Freehold land at cost                    | 2,212          | 2,597          | 212            | 597            |
| Freehold buildings at cost               | 3,250          | 5,306          | 3,250          | 5,306          |
| Accumulated depreciation                 | (710)          | (631)          | (710)          | (631)          |
| <b>Net book value</b>                    | <b>2,540</b>   | <b>4,675</b>   | <b>2,540</b>   | <b>4,675</b>   |
| Distribution systems at valuation        | 879,684        | 840,629        | 879,684        | 840,629        |
| Distribution land at valuation           | 22,351         | 22,160         | 22,351         | 22,160         |
| Distribution buildings at valuation      | 17,780         | 17,780         | 17,780         | 17,780         |
|  | 919,815        | 880,569        | 919,815        | 880,569        |
| Accumulated depreciation                 |                |                |                |                |
| Distribution systems                     | (23,452)       | -              | (23,452)       | -              |
| Distribution buildings                   | (937)          | -              | (937)          | -              |
|  | (24,389)       | -              | (24,389)       | -              |
| <b>Net book value</b>                    | <b>895,426</b> | <b>880,569</b> | <b>895,426</b> | <b>880,569</b> |
| Plant and equipment at cost              |                |                |                |                |
| Motor vehicles and mobile equipment      | 371            | 729            | 371            | 729            |
| Computer and telecommunication equipment | 73,148         | 59,728         | 59,153         | 56,212         |
| Other plant and equipment                | 9,237          | 8,065          | 7,204          | 7,471          |
|  | 82,756         | 68,522         | 66,728         | 64,412         |
| Accumulated depreciation                 |                |                |                |                |
| Motor vehicles and mobile equipment      | (227)          | (550)          | (227)          | (550)          |
| Computer and telecommunication equipment | (29,628)       | (23,538)       | (28,883)       | (23,453)       |
| Other plant and equipment                | (4,269)        | (4,157)        | (4,156)        | (4,143)        |
|  | (34,124)       | (28,245)       | (33,266)       | (28,146)       |
| <b>Net book value</b>                    | <b>48,632</b>  | <b>40,277</b>  | <b>33,462</b>  | <b>36,266</b>  |
| Capital work in progress at cost         | 12,600         | 36,727         | 11,611         | 33,028         |
| <b>Total net book value</b>              | <b>961,410</b> | <b>964,845</b> | <b>943,251</b> | <b>955,135</b> |

Comparatives have been adjusted to reclassify \$1.2 million of stores as property, plant and equipment.

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

The distribution assets were originally revalued to depreciated replacement cost (DRC) of \$880.6 million as at 31 March 2001. Subsequent to the revaluation performed as at 31 March 2001, further information has become available. This has resulted in a reduction in the valuation of \$11.4 million. This difference is reflected in the accounts for the current year. The valuation was undertaken in conjunction with Meritec Limited consulting engineers. These assets are revalued at least every three years.

**15. PROPERTY, PLANT AND EQUIPMENT (cont)**

As stated in the accounting policies interest is capitalised to fixed assets while under construction. During the year \$0.3 million (2001: \$4.6 million) of interest was capitalised.

The Group has tangible property, plant and equipment with cost of \$0.4 million (2001:Nil) and net book value of \$0.4 million (2001:Nil) financed via hire purchase arrangements. Title to these items of property, plant and equipment passes to the Group on expiry of the agreements.

**16. INVESTMENTS IN SUBSIDIARIES**

The Parent's investment in subsidiaries comprises uncalled shares. Significant subsidiaries comprise:

|  | PERCENTAGES HELD |       | PRINCIPAL ACTIVITY                 |
|--|------------------|-------|------------------------------------|
|  | 2002             | 2001  |                                    |
| <b>Significant subsidiaries</b>              |                  |       |                                    |
| 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) | 65.1%            | 65.1% | Holding Company                    |
| - Poihipi Land Limited (in receivership)     | 65.1%            | 65.1% | Holding Company                    |
| Caduceus Equities No. 1 Limited              | 100%             | 100%  | Holding Company                    |
| Tangent Limited                              | 100%             | 100%  | Telecommunication Network Provider |
| VECTOR Stream Limited                        | 100%             | -     | Holding Company                    |
| - Stream Information Limited                 | 70%              | -     | Agent for Partnership              |
| - Stream Information                         | 70%              | -     | Partnership - Meter Services       |
| <b>Non-trading subsidiaries</b>              |                  |       |                                    |
| 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. On 25 May 2001 VECTOR Stream Limited, a wholly owned subsidiary of VECTOR Limited, purchased a 70% share in Stream Information Limited and acquired a 70% interest in a partnership, Stream Information. These entities had no other assets or liabilities at the date of acquisition.

**17. RECEIVABLES AND PREPAYMENTS**

Trade receivables  
Provision for doubtful debts

Other receivables  
Prepayments

|                              | GROUP  |        | PARENT |        |
|------------------------------|--------|--------|--------|--------|
|                              | 2002   | 2001   | 2002   | 2001   |
|                              | \$000  | \$000  | \$000  | \$000  |
| Trade receivables            | 32,431 | 33,792 | 31,904 | 33,792 |
| Provision for doubtful debts | -      | (120)  | -      | (120)  |
|                              | 32,431 | 33,672 | 31,904 | 33,672 |
| Other receivables            | 4,006  | 4,087  | -      | -      |
| Prepayments                  | 2,239  | 1,772  | 1,861  | 1,775  |
|                              | 38,676 | 39,531 | 33,765 | 35,447 |

**18. 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, trade receivables 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 |        |
|--|--------|--------|--------|--------|
|  | 2002   | 2001   | 2002   | 2001   |
|  | \$000  | \$000  | \$000  | \$000  |
| Bank balances  | 6,128  | 4,299  | 4,782  | 3,991  |
| Trade receivables  | 32,431 | 37,759 | 31,904 | 33,672 |
| Advances to subsidiaries   | –      | –      | 81,712 | 74,723 |
| The above maximum exposures are net of any recognised provision for losses on these financial instruments. |        |        |        |        |
|  | 6,128  | 4,299  | 4,782  | 3,991  |

**Concentrations of credit risk**

Bank balances

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 4.9% to 6.5% (2001: 6.4% to 6.9%). 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 2002 have a principal of \$174 million (2001: \$194 million) with a cash benefit of \$28.5 million (2001: \$33.3 million). The company pays a weighted average interest rate on open interest rate swaps and forward rate agreements of 7.1% (2001: 7.1%).

The Group values interest rate swaps by determining the net present value of future cash flows using current interest rates. The Group 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 (2001: \$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.

**19. COMMITMENTS**

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

**Capital expenditure commitments**

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

**Operating lease commitments**

Within one year

One to two years

Two to five years

Beyond five years

|  | GROUP  |       | PARENT |       |
|--|--------|-------|--------|-------|
|  | 2002   | 2001  | 2002   | 2001  |
|  | \$000  | \$000 | \$000  | \$000 |
| Capital expenditure commitments  |        |       |        |       |
| Estimated capital expenditure contracted for at balance date but not provided for: |        |       |        |       |
| Operating lease commitments  |        |       |        |       |
| Within one year  | 10,775 | 7,413 | 9,983  | 7,413 |
| One to two years   | 1,172  | 1,445 | 1,172  | 1,445 |
| Two to five years  | 1,172  | 1,316 | 1,172  | 1,316 |
| Beyond five years  | 2,302  | 3,598 | 2,302  | 3,598 |
|  | 113    | 180   | 113    | 180   |
|  | 4,759  | 6,539 | 4,759  | 6,539 |

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.

**20. CONTINGENT LIABILITIES**

Downer Construction has filed a claim against VECTOR Limited in respect of variances to the contract for the construction of the Penrose to Auckland CBD tunnel. The directors believe this claim to be significantly inflated. VECTOR Limited has lodged a counter claim. A provision has been made to cover the anticipated costs; however, details of this provision are not disclosed as the Board believe that this would prejudice seriously the position of VECTOR Limited.

**21. 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: | \$48.0 million (2001: \$75.4 million) |
| Payments to AECT:     | \$0.1 million (2001: Nil)             |

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

- Gross interest received \$1.4 million (2001: \$0.2 million)
- Advances to and from subsidiaries \$7.0 million (2001: \$8.3 million)
- Finance services income \$0.1 million (2001: Nil)
- Purchase of metering equipment \$0.1 million (2001: Nil)

A provision of \$65.0 million (2001: \$65.0 million) has been provided against investments in 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 arm's length and subject to compounding interest at various rates.

**22. SEGMENT INFORMATION**

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

# Auditors' report



## TO THE SHAREHOLDERS OF VECTOR LIMITED

We have audited the financial statements on pages 19 to 36. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2002 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 24 to 27.

## 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 2002 and their financial performance and cash flows for the year ended on that date.

## AUDITORS' 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 and taxation 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 19 to 36:
  - (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 2002 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 22 May 2002 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](http://www.vector-network.co.nz)

### Postal Address

PO Box 99882  
Newmarket  
Auckland  
New Zealand

### Shareholder

Auckland Energy Consumer Trust  
PO Box 109626  
Newmarket  
Auckland  
New Zealand  
Telephone: (64 9) 978 7674  
Facsimile: (64 9) 978 7516  
[www.aect.co.nz](http://www.aect.co.nz)

### Auditors

PricewaterhouseCoopers  
188 Quay Street  
Auckland  
New Zealand

### Solicitors

Buddle Findlay  
The Shortland Centre  
51-53 Shortland Street  
Auckland  
New Zealand

Russell McVeagh  
Royal & SunAlliance Centre  
48 Shortland Street  
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New Zealand





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[www.vector-network.co.nz](http://www.vector-network.co.nz)