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EXPLANATORY NOTE FOR INFORMATION DISCLOSURES

2010 INFORMATION DISCLOSURES

We have prepared the accompanying 2010 disclosure information in accordance with the Gas (Information Disclosure) Regulations 1997 ("the disclosure requirements").

BASIS OF PREPARATION

The 2010 disclosures are prepared in accordance with the current disclosure requirements and are consistent with previous years. Vector strongly believes that the current requirements for disclosure are flawed. Gas Wholesaling and retailing activity, which is currently included, operate in competitive markets and as such there is no policy basis for the requirement to disclose. Moreover, disclosures are based on historical cost for assets rather than an agreed valuation methodology and therefore have little relevance in assessing the real rate of return from our gas business.

The regulatory environment is undergoing a process of significant change and there is an ongoing period of uncertainty. Input methodologies are currently being developed by the Commerce Commission (Commission) and consulted on. During calendar year 2011 the Commission is expected to publish new information disclosure requirements for gas network businesses which should replace the current disclosure requirements and are expected to be similar to the requirements for electricity distribution businesses.

2010 PERFORMANCE

While the disclosures have limited relevance to assessing whether the returns Vector earns are reasonable they do indicate that Vector continues to invest in maintaining its networks and continues to drive efficiency improvements. In 2010 Vector reviewed the useful life of the gas transmission assets and as a result the useful life has been extended reducing depreciation expense relative to previous years. In May 2010 the government budget announced a reduction in the corporate tax rate to 28% from 1 July 2011. This tax rate reduction has resulted in a one off non cash benefit in income tax expense.