

EXPLANATORY NOTE FOR INFORMATION DISCLOSURES¹

2012 INFORMATION DISCLOSURES

Vector Limited has prepared the accompanying 2012 disclosure information in accordance with the Gas (Information Disclosure) Regulations 1997. These information disclosure requirements will be superseded by new information disclosure requirements to be determined by the Commerce Commission.

While it was expected that the new information disclosure requirements would be applied for reporting in respect of the year ended 30 June 2012, this has not happened. On 29 August 2012 the Commerce Commission made a final decision that Vector's annual disclosures for the 2012 disclosure year would be made, as in previous years, under the Gas (Information Disclosure) Regulations 1997. Annual disclosures for the 2013 disclosure year would then be made under the new information disclosure determinations administered by the Commerce Commission under the Commerce Act 1986.

BASIS OF PREPARATION

Vector has updated its basis for disclosure to align with the input methodologies, and with information already requested from it, by the Commerce Commission, where these treatments are consistent with and permissible under the Gas (Information Disclosure) Regulations 1997.

Alignment with the input methodologies notwithstanding, there are material differences between the way critical performance statistics, such as measures of financial return, will be calculated under the Commission's regime in future, compared with reporting in these disclosures. For example, in determining the accounting rate of profit in future an annual CPI-based indexation of the regulatory asset base will be treated as income each year. This will inflate the reported returns relative to those reported under these disclosure requirements. As the Commission forecasts the performance of the gas businesses on this basis, when determining the reset of prices for the start of the new regulatory period, this will also be an element of the required price resets, i.e revenues for the gas pipeline businesses will be reduced to account for the impact of the treating the annual CPI-based indexation of the regulatory asset base as income each year.

¹ Please note that this explanatory note does not form part of the audited information disclosures set out below.