Auckland Energy Consumer Trust

ANNUAL REPORT

For the year ended 30 June 2005

Auckland Energy
Consumer Trust

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For the year ended 30 June 2005

Contents:

Auckland Energy Consumer Trust

Review from the Chairman

I am pleased to give the following report on behalf of the Trustees of the Auckland Energy Consumer Trust (AECT) for the year ended 30 June 2005.

It has been a significant year for the Trust which was created in 1993. At 30 June 2005 it held 100 percent shareholding in Vector Ltd, one of New Zealand's largest network infrastructure companies, and had more than 291,000 consumer beneficiaries making it the largest consumer trust in New Zealand.

This report is of great significance since it is the final report with the Trust holding all the shares in Vector. Future reports will see a much larger Vector having taken over all the shares of NGC Holdings Ltd and Vector being a publicly listed company with AECT holding 75.1% of the shares. It will see Vector being New Zealand's leading company in the transmission and distribution of gas, a significant retailer of gas and owning an important business in manufacturing metering for gas and electricity. Increased dividends for shareholders in Vector with an anticipated increase in the dividends to Auckland consumers is expected.

Committees and Meetings

During the year there were 26 full Trust meetings, being regular monthly meetings and special meetings to deal with the significant events regarding the purchase of NGC and the initial public offering of shares in Vector.

The following subcommittees were also formed:

- The Business Planning subcommittee
  Chair: Shale Chambers. Members: Warren Kyd, John Collinge
- The Deal subcommittee
  Chair: Karen Sherry. Members: Warren Kyd, Michael Buczkowski.

All Trustees may attend any meetings of the subcommittees. During the term, Karen Sherry joined the Business Planning subcommittee and Shale Chambers joined the Deal subcommittee.

The Nominations Committee comprised Warren Kyd and Shale Chambers. The Chairman of the Vector Board, Michael Stiassny, is a non-voting member of this committee. The committee deals with nominations to the Board of Vector. All appointments are finally made by the full Trust.

Warren Kyd and Shale Chambers also formed an internal executive review committee.

Attendance at the Trust meetings were:

12 months to 30 June 2005	Full Trust	Business Planning Subcommittee	Deal Subcommittee	Nominations Subcommittee
Warren Kyd	26	10	10	4
Shale Chambers	26	10	5	4
Michael Buczkowski	20	1		
John Collinge	17	3		
Karen Sherry	24	4	9	

In addition, Trustees attended a number of Vector briefings and other events on behalf of the AECT.

Dividend

For the year ended 30 June 2005 the Trust distributed a total of $48.3 million to beneficiaries. For each beneficiary, this was a dividend of $170, paid as a credit on beneficiaries' power accounts during September and October 2004.

This is a significant increase on the $155 paid the previous year, and continues the increases the beneficiaries have received year-on-year.

A comparison of dividends and payouts to beneficiaries for the past three years is as follows:

Year	Total distribution	Dividend to each income beneficiary
2002	$39.20 million	$145.00
2003	$43.05 million	$155.00
2004	$48.30 million	$170.00

Vector Limited

Vector reported another most successful year to 30 June 2005, with financial results on target and service performance ahead of targets.

Key points reported by Vector include:

- Acquisition of majority stake in NGC on 14 December 2004, with the subsequent six months of NGC operations included in Vector's financial results to 30 June 2005.
- Net profit after tax (NPAT) of $40.8 million.
- Net profit after tax and before intangible asset amortisation of $104.3 million.
- Earnings of $466.1 million before interest, tax, depreciation and amortisation (EBIDTA), an increase of 36.7%.
- Retention of Standard and Poor's BBB+ investment grade rating.

The company's industry and business leadership has been recognised with a number of awards in the year under review, including:

- The inaugural Electricity Engineering Association (EEA) Public Safety Award 2005 for Vector's innovative 'Stay Safe' school programme
- The NZ Workplace Health & Safety Award 2005 for the staff and contractor safety programme which achieved more than 2 million man hours on the Auckland network without a lost time injury.
- Vector also took top honours in the Excellence in Treasury award at the INFINZ financial awards.

The Trustees, on behalf of AECT beneficiaries, thank the management and staff of Vector for their commitment and hard work in achieving the excellent results they have delivered this past year.

Purchase of NGC shareholding

In September 2004 the AECT authorised Vector to purchase the AGL shares in NGC Holdings Ltd (66%) for $3.00 per share by borrowing. Vector entered into a contract to purchase those shares. The purchase was completed in December 2004.

After signing the purchase agreement, Vector purchased a small percentage of the remaining shares. The purchase was completed by taking up a primary debt entitlement and a pre-IPO equity security (PIPES) agreement which required the debt to be repaid by the issue of shares. The business of NGC Holdings Ltd consisted of:

- Entitlements to wholesale gas from several gas fields
- Ownership and operation of 2,200 km of high pressure gas transmission pipeline
- 2,900 km of intermediate, medium and low pressure gas distribution
- The business of energy metering services with a large share of gas and electricity markets
- The business of supplying LPG and gas liquids through Kapuni Gas Treatment Plant No. 2.

The combined businesses would become the largest multi-network infrastructure and associated services company in New Zealand.

Trust approval

Before giving Vector authorisation to proceed with the proposal to acquire NGC shares and make shares available to the public, the Trustees gave full consideration to the proposal and considered the recommendations of the Board of Directors and the advice of independent advisors.

The Trust authorised the company to proceed with the proposal subject to certain conditions that would protect the Trust and its beneficiaries.

Subsequently two subcommittees were formed to manage those conditions and other issues affecting the Trust.

The Deal Subcommittee

The Deal subcommittee, chaired by Karen Sherry, was responsible for considering in depth the proposed initial public offering (IPO) by Vector and alternatives, from the perspective of the Trust and beneficiaries.

The Trust authorised the Company to proceed with the IPO, and members of this committee then worked with Vector's IPO committee on matters regarding the IPO that needed input from the Trust.

In the IPO the company was to issue 249 million new shares.

Three priority pools were created for the IPO:

- one for AECT beneficiaries
- one for NGC shareholders whose shares needed to be purchased by Vector to gain 100% ownership;
- and one for Vector capital bondholders whose purchase of the bonds had been conditional on a share offering if shares were ever made available in the company.

The IPO and allocation of shares took place after the end of this financial year and will be covered in next year's report. However it is appropriate to acknowledge here that 34,000 beneficiaries took up the AECT priority offer and no further offer of shares needed to be made to the public.

Business Planning subcommittee

The Business Planning subcommittee, chaired by Shale Chambers, had the primary role of ensuring that the Trust had an input into Vector's ongoing business plan and to monitor performance of Vector following the IPO. It was also responsible for ensuring the Trust retained a number of important constitutional rights and that reporting arrangements with the company following the IPO would be formalised.

In particular, the Trust required the following rights to be included:

- The right to be consulted on any network price increases to Trust beneficiaries.
- The right to require the company to enhance its undergrounding programme under the new operating deed being negotiated.

The undergrounding of overhead lines is a continuing benefit for Trust beneficiaries that is carefully protected by the Trustees. A commitment to continue investing in undergrounding at the increased level of $10.5 million a year - with further increases to keep in line with the Department of Statistics Producers Price Index - was an integral item in the agreement between the Trust and the company.

These and other constitutional rights are set out in the new Deed Recording Essential Operating Requirements which was signed by the Trustees and Vector on 24 June 2005. This Deed ensures that the benefits of ownership of Vector are protected for the beneficiaries of the Trust as they were prior to the NGC and share offer proposal.

Agreement was also reached that the company continues to present its proposed business plan to the Trust each year and that the Trust has the opportunity to provide feedback. This is a significant issue that essentially means Vector cannot change direction or substantially change its business without involving the Trust.

The full terms of the new Deed Recording Essential Operating Requirements are available on our website www.aect.co.nz.

Vector subsequent to 30 June 2005

Subsequent to 30 June 2005, Vector has:

(a) increased the capital of Vector to one billion $1 shares, of which 751 million (75.1 percent) are held by the AECT

(b) completed the acquisition of all remaining shares in NGC and has begun the integration process of the two companies.

(c) issued shares as required to Vector bondholders

(d) issued all the remaining shares to those AECT beneficiaries of whom 34,000 have become shareholders

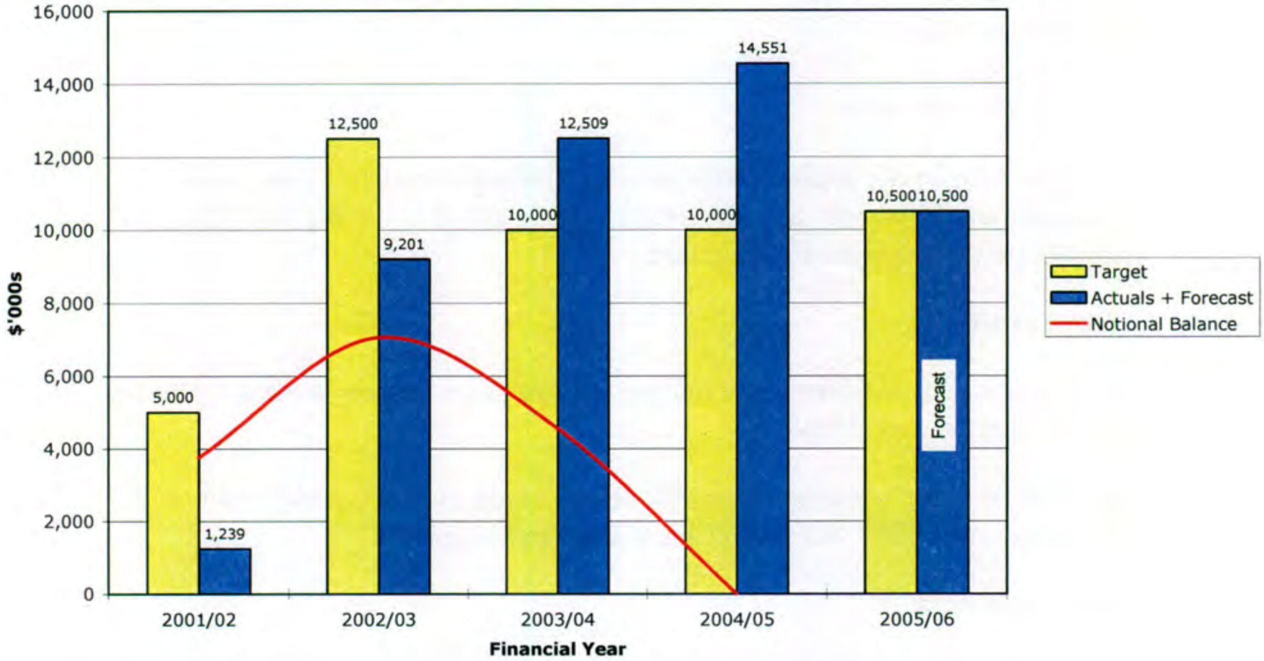
(e) listed on the New Zealand Stock Exchange.

Overhead Improvement

In the year to 30 June 2005 Vector made good progress on the overhead improvement programme and invested $14.5 million in undergrounding work. In future, as covered by the agreement with the company, the base amount of $10.5 million will be spent on undergrounding each year.

This year's investment in undergrounding has brought the overall expenditure back up to the cumulative programme budget.

Vector OIP Expenditure



This year, large scale projects were completed in the Rosebank Rd, Avondale area, Glen Innes, and Weymouth. In addition, 20 small scale projects were completed in neighbourhoods around the Trust region.

In the case of most projects Vector has successfully partnered with local councils and other utility companies to deliver a co-ordinated "dig once" approach where a total revitalisation of the project area has been achieved. This has resulted in much better outcomes for the communities than would have happened if the undergrounding work had been done in isolation.

The Trust is pleased to see the progress of undergrounding around our region and we are especially pleased that we have a formal agreement with the company for this to continue.

Board of Directors

The Trustees meet with the Chairman of the Board, Michael Stiassny, and the Chief Executive, Mark Franklin, on a regular basis and the Trust is confident that the Board is in a strong position to take the company forward.

During the year Vector director Brian Leyland resigned, and we thank Brian for the significant contribution he made to the Board during his time, especially the successful integration on UnitedNetworks.

The Trust made the following appointments during the year:

Mr Tony Gibbs
Mr John Goulter
Mr Greg Muir
and Mr Bob Thomson

All have extensive corporate experience as directors and/or in very senior management positions, and complement the skills of our other directors, giving us a very experienced and capable board.

Trust staff

This year saw the departure of our former executive officer. We are in the process of appointing his successor.

Joy Stevens, our administration officer, has taken over the additional role of Secretary. We thank her for her hard work and support.

Trust advisors

During the year the Trustees took professional advice on a number of matters and we extend our thanks to the following for their assistance:

- Legal advisor, David Bigio.
- Saha International, who provide advice on industry matters and who also assisted during the NGC proposal.
- First NZ Capital, and Messers Harmos Horton and Lusk, who were advisors to the Trust in regard to the NGC proposal.
- Independent analyst and advisor Jon Cimino who assisted the Trust in connection with the IPO proposal.

During the NGC acquisition and IPO process, the Trust and the Vector board were also jointly advised by Goldman Sachs JBWere.

Energy Trusts of New Zealand (ETNZ)

We are pleased to continue to support this organisation and to act as an information centre for the sharing of industry issues with the ETNZ membership. ETNZ recompenses AECT financially for providing this service.

Financial Review

The audited financial statements of the Trust for the year ended 30 June 2005 follow.

Interest of $642,812 was earned by the Trust in the 2005 year. This interest is an increase over last year due to the fact that more than $2 million in tax refunds were received during the year as a result of the binding ruling obtained in 2004, increasing the funds held and consequently interest earned.

Expenditure for the Trust for the year was $2.4 million which is a slight increase on the previous year. Given the significant consultancy and legal fees incurred during the year, the additional costs are reflective of the considerable work done by Trustees in relation to the proposal to acquire NGC and proceed with an IPO, a review of the Board, additional appointments and also a review of the Trust's operations. The fees paid to Trustees were increased in accordance with the additional responsibilities assumed by Trustees.

Annual Meeting of Beneficiaries

The fourth annual meeting of beneficiaries will be held on Wednesday 2 November 2005 at the Ellerslie Convention Centre, commencing at 7pm.

Appointment of Auditors

Grant Thornton are the current auditors of the AECT, having been appointed during the year following the resignation of Ernst & Young because of a conflict of interest. Trustees will be recommending to beneficiaries that Grant Thornton be appointed auditors of the AECT for the year ending 30 June 2006.

Acknowledgements

I would like to thank my fellow trustees for their contribution throughout the year and their support to me as Chairman since December 2003. I especially thank Karen Sherry and Shale Chambers for their intensive and time-consuming work as Chairs of the Deal Committee and Planning Committee.

It has been a significant year for the Auckland Energy Consumer Trust and I have been pleased to contribute to its work and ongoing success.

Warren Kyd
Chairman

October 2005

AUCKLAND ENERGY CONSUMER TRUST
2005

STATUTORY ACCOUNTS

The Trustees present the financial statements of the Group for the year ended 30 June 2005. These financial statements were approved for issue and are signed on the date below.

Warwick Kyd 26 - 10 - 05

W J Kyd – Chair Date

26-10-05

S Chambers – Deputy Chair Date

Contents

Directory

Date Settled

27 August 1993

Trustees

Warren James Kyd (Chair)
Shale Chambers (Deputy Chair)
Michael Joseph Buczkowski
John Gregory Collinge
Karen Annette Sherry

Termination Date

27 August 2073

Accountant

Staples Rodway Limited
P O Box 3899
Auckland

Auditor

Grant Thornton
PO Box 1961
Auckland

Legal Advisor

David Bigio
P O Box 2133
Shortland Street
Auckland

Banker

National Bank of New Zealand Limited
P O Box 788
Auckland

Statement of Financial Performance

for the year ended 30 June 2005

	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Operating revenue	2	**871,597**	573,533	**49,759**	32,708
Operating expenditure	3	**(407,264)**	(233,174)	**(2,460)**	(2,037)
Earnings before interest, income tax, depreciation and amortisation		**464,333**	340,359	**47,299**	30,671
Depreciation and amortisation	4	**(158,903)**	(111,752)	**(5)**	(3)
Operating surplus before interest and income tax		**305,430**	228,607	**47,294**	30,668
Net interest expense	5	**(193,432)**	(141,870)	**-**	-
Operating surplus before income tax		**111,998**	86,737	**47,294**	30,668
Income tax expense	6	**(58,908)**	(30,310)	**76**	597
Operating surplus		**53,090**	56,427	**47,370**	31,265
Minority interests	12	**(14,050)**	473	**-**	-
Net surplus for the year		**39,040**	56,900	**47,370**	31,265

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements.

Statement of Movements in Trustees Funds

for the year ended 30 June 2005

	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
RECOGNISED REVENUES AND EXPENSES					
Net surplus for the year:					
Group and parent		**39,040**	56,900	**47,370**	31,265
Minority interests	12	**14,050**	(473)	**-**	-
Movement in revaluation reserve	10	**(7,311)**	-	**-**	-
Total recognised revenues and expenses for the year		**45,779**	56,427	**47,370**	31,265
On acquisition of NGC Holdings Limited	12	**107,580**	-	**-**	-
DISTRIBUTIONS TO OWNERS					
Dividends	9	**(53,859)**	(42,771)	**(48,231)**	(42,771)
Movements in Trustees Funds for the year		**99,500**	13,656	**(861)**	(11,506)
Trustees Funds at beginning of the year		**951,449**	937,793	**306,238**	317,744
Trustees Funds at end of the year		**1,050,949**	951,449	**305,377**	306,238

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements.

Statement of Financial Position

as at 30 June 2005

	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
CURRENT ASSETS					
Cash	31	**1,280**	3,529	**121**	94
Short term deposits	31	**5,506**	4,413	**5,506**	4,413
Receivables and prepayments	13	**153,956**	79,812	**215**	204
Prepaid gas	14	**19,180**	-	-	-
Inventories	15	**8,800**	-	-	-
Income tax		**12,790**	11,115	**314**	2,277
Capitalised finance costs	16	**2,939**	8,011		-
Intangible assets	21	**9,500**	-	-	-
Total current assets		**213,951**	106,880	**6,156**	6,988
NON-CURRENT ASSETS					
Receivables and prepayments	13	**8,761**	1,809	-	-
Prepaid gas	14	**11,458**	-	-	-
Income tax		**48,756**	31,220	-	-
Capitalised finance costs	16	**7,671**	11,281	-	-
Investments	18	**17,776**	2,750	**300,000**	300,000
Intangible assets	21	**1,339,110**	700,086	-	-
Property, plant and equipment	22	**3,210,184**	2,224,146	**7**	10
Total non-current assets		**4,643,716**	2,971,292	**300,007**	300,010
Total assets		**4,857,667**	3,078,172	**306,163**	306,998
CURRENT LIABILITIES					
Payables and accruals	23	**170,179**	89,722	**786**	760
Borrowings	29	**1,026,665**	39,549	-	-
Total current liabilities		**1,196,844**	129,271	**786**	760
NON-CURRENT LIABILITIES					
Payables and accruals	23	**19,668**	4,127	-	-
Borrowings	29	**2,122,120**	1,747,804	-	-
Deferred tax	8	**468,086**	245,521	-	-
Total non-current liabilities		**2,609,874**	1,997,452	-	-
Total liabilities		**3,806,718**	2,126,723	**786**	760
TRUSTEES FUNDS					
Trustees accumulations	11	**387,143**	396,334	**305,377**	306,238
Asset revaluation reserve	10	**547,383**	554,694	-	-
Attributable to Trustees of the Trust		**934,526**	951,028	**305,377**	306,238
Attributable to minority shareholders of the Group	12	**116,423**	421	-	-
Total Trustees Funds		**1,050,949**	951,449	**305,377**	306,238
Total Trustees Funds and Liabilities		**4,857,667**	3,078,172	**306,163**	306,998

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements.

Statement of Cash Flows

for the year ended 30 June 2005

	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
OPERATING ACTIVITIES					
Cash provided from:					
Receipts from customers		**826,223**	565,727	**-**	-
Interest portion of repayments on finance leases		**120**	121	**-**	-
Interest received		**2,429**	1,174	**634**	458
Income tax refund received		**2,247**	1,382	**2,040**	-
Dividends received		**276**	200	**49,100**	32,200
Other income received		**16**	35	**16**	35
		831,311	568,639	**51,790**	32,693
Cash applied to:					
Payments to suppliers, trustees and employees		**360,316**	236,055	**2,450**	1,949
Income tax paid		**38,989**	11,475	**-**	275
Dividend withholding tax paid		**2**	75	**2**	75
Payments in respect to income tax loss offsets		**-**	2,573	**-**	-
Distribution to beneficiaries		**48,213**	42,980	**48,213**	42,980
Interest portion of payments under finance leases		**253**	252	**-**	-
Interest paid on subordinated debts		**46,252**	29,498	**-**	-
Interest paid on other borrowings		**145,786**	110,395	**-**	-
		639,811	433,303	**50,665**	45,279
Net cash from operating activities		**191,500**	135,336	**1,125**	(12,586)
INVESTING ACTIVITIES					
Cash provided from:					
Withdrawal of short term deposits		**-**	8,487	**-**	8,487
Proceeds from sale of property, plant and equipment		**1,781**	103	**-**	-
Proceeds from sale of property held for sale		**-**	9,525	**-**	-
Receipts from loans repaid		**11**	1,712	**-**	-
Capital portion of repayments on finance leases		**10**	9	**-**	-
Refund of security deposits		**313**	-	**-**	-
		2,115	19,836	**-**	8,487
Cash applied to:					
Acquisition of shares in NGC Holdings Limited	17	**885,090**	-	**-**	-
Bank overdraft acquired from NGC Holdings Limited	17	**8,667**	-	**-**	-
Purchase and construction of property, plant and equipment		**159,956**	9,9477	**4**	7
Purchase of investments		**723**	-	**-**	-
Payments for loans issued		**500**	-	**-**	-
Payments for security deposits		**-**	313	**-**	-
Purchase of short term deposits		**1,094**	-	**1,094**	-
		1,056,030	99,790	**1,098**	7
Net cash used in investing activities		**(1,053,915)**	(79,954)	**(1,098)**	8,480

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements.

Statement of Cash Flows (continued)

for the year ended 30 June 2005

	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
FINANCING ACTIVITIES					
Cash provided from/(applied to):					
Proceeds from borrowings		**2,048,936**	284,149	**-**	-
Repayment of borrowings		**(1,179,486)**	(341,000)	**-**	-
Debt raising costs incurred		**(3,224)**	-	**-**	-
Capital portion of payments under finance leases		**(432)**	(500)	**-**	-
Dividends paid to minority interests	9	**(5,628)**	-	**-**	-
Net cash from/(used in) financing activities		**860,166**	(57,351)	**-**	-
Net (decrease)/ increase in cash balances		**(2,249)**	(1,969)	**27**	(4,106)
Cash balances at beginning of the year		**3,529**	5,498	**94**	4,200
Cash balances at end of the year		**1,280**	3,529	**121**	94

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements.

Statement of Cash Flows (continued)

for the year ended 30 June 2005

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
RECONCILIATION OF NET SURPLUS TO NET CASH FROM OPERATING ACTIVITIES				
Net surplus for the year	**39,040**	56,900	**47,370**	31,265
Distribution to beneficiaries	**(48,232)**	(42,771)	**(48,231)**	(42,771)
Minority interests	**14,050**	(473)	**-**	-
Operating surplus	**4,858**	13,656	**(861)**	(11,506)
ITEMS CLASSIFIED AS INVESTING AND FINANCING ACTIVITIES				
Net loss on write-off of property, plant and equipment	**4,044**	3,309	**1**	2
Gain on sale of property held for sale	**-**	(1,143)	**-**	-
Capitalised costs	**(5,078)**	(4,055)	**-**	-
Other	**-**	(446)	**-**	-
	(1,034)	(2,335)	**1**	2
NON-CASH ITEMS				
Depreciation and amortisation	**158,903**	111,752	**5**	3
Amortisation of the mark to market adjustment	**(3,393)**	(4,428)	**-**	-
Amortisation of prepaid gas	**14,136**	-	**-**	-
Amortisation of capitalised finance costs	**3,862**	8,170	**-**	-
Increase in deferred tax	**25,991**	38,378	**-**	-
Increase/(Decrease) in provisions	**(3,409)**	3,302	**-**	-
Equity earnings	**(655)**	(666)	**-**	-
	195,435	156,508	**5**	3
MOVEMENT IN WORKING CAPITAL				
Increase/(Decrease) in payables and accruals	**37,846**	(2,968)	**8**	68
Increase/(Decrease) in inventory	**521**	-	**-**	-
(Increase)/Decrease in receivables and prepayments	**(42,317)**	(7,230)	**(8)**	3
(Increase)/Decrease in dividend withholding tax	**(2)**	(75)	**(2)**	(75)
(Increase)/Decrease in unclaimed dividends	**18**	(209)	**18**	(209)
(Increase)/Decrease in income tax assets	**(3,825)**	(22,011)	**1,964**	(872)
	(7,759)	(32,493)	**1,980**	(1,085)
Net cash from operating activities	**191,500**	135,336	**1,125**	(12,586)

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements.

Statement of Accounting Policies

for the year ended 30 June 2005

REPORTING ENTITIES

AUCKLAND ENERGY CONSUMER TRUST is a Discretionary Trust under the Trustee Act 1956.

Financial statements for AUCKLAND ENERGY CONSUMER TRUST (the "Parent") and consolidated financial statements are presented. The consolidated financial statements comprise the Trust and its subsidiaries (the "Group") and the Group's interest in associates, partnerships and joint ventures.

The Group financial statements for the year ended 30 June 2005 are presented for the group for the first time since the acquisition of a majority shareholding in NGC Holdings Limited in December 2004. Hence, NGC Holdings Limited is not included in the comparative year ended 30 June 2004. Further information regarding the acquisition of the shareholding in NGC Holdings Limited is disclosed in note 17 of these financial statements.

BASIS OF PREPARATION

The general accounting policies as recommended by the New Zealand Institute of Chartered Accountants for the measurement and reporting of results and financial position under the historical cost method modified by the revaluation of certain items of property, plant and equipment have been adopted in the preparation of these financial statements. This ensures compliance with the Electricity Act 1992 and Amendments that required financial statements to comply with New Zealand Generally Accepted Accounting Practice. The Trust Deed also stipulates that the financial statements of the Trust present a true and fair view.

Reliance is placed on the fact that the Trust is a going concern. These financial statements have been prepared on the basis that the Trust will be able to meet its commitments and realise the carrying value of its assets in the normal course of business.

The Group's principal activity during the period was the operation of a distribution network providing utilities in New Zealand.

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) BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are those entities controlled, directly or indirectly by the Trust. The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method of consolidation.

Associates

Associates are entities in which the Group has significant influence but not control over the operating and financial policies. The Group's share of the net surplus of associates is recognised as a component of operating revenue in the statement of financial performance after adjusting for the amortisation of goodwill arising on acquisition and differences between the accounting policies of the Group and the associates. The Group's share of other gains and losses of associates is recognised as a component of total recognised revenues and expenses in the statement of movements in equity. Dividends received from associates are credited to the carrying amount of the investment in associates.

Partnerships

Partnerships are those relationships that the Group has with other persons whereby the partners carry on a business in common with a view to generating a profit. The Group has joint and several liability in respect of all liabilities incurred by the partnerships. Where the Group has a controlling interest in a partnership, it is accounted for in the consolidated financial statements as a subsidiary. Where the Group has significant influence but not control over the operating and financial policies of the partnership, it is accounted for in the consolidated financial statements as an associate.

Acquisition or Disposal During the Period

Where an entity becomes or ceases to be a part of the Group during the period, the results of the entity are included in the consolidated results from the date that control or significant influence commenced or until the date that control or significant influence ceased. When an entity is acquired all identifiable assets and liabilities are recognised at their fair value at acquisition date. The fair value does not take into consideration any future intentions by the Group. Where an entity that is part of the Group is disposed of, the gain or loss recognised in the statement of financial performance is calculated as the difference between the sale price and the carrying amount of the entity.

Intra-group amalgamations

Where an intra-group reconstruction occurs through a subsidiary amalgamating into the parent by way of a short form amalgamation, the assets and liabilities are recognised in the financial statements of the parent at the carrying value in the subsidiary accounts at the point of amalgamation. The parent's investment in the subsidiary is reduced to zero. Goodwill previously recognised in the group financial statements on consolidation is recognised in the parent's financial statements on amalgamation. Any excess of the carrying amount of the subsidiary's net assets and the goodwill over the parent's investment in the subsidiary is recognised in the statement of movements in equity. The results of the amalgamated companies are recognised in the net surplus of the parent from the date of the amalgamation.

Joint ventures

Joint ventures are arrangements with other parties in which the group is jointly and severally liable in respect of costs and liabilities, and shares in any resulting output. The group's share in the assets, liabilities, revenues and expenses of joint ventures is incorporated in the consolidated financial statements on a line-by-line basis using the proportionate method.

Goodwill arising on acquisition

Goodwill arising on acquisition of a subsidiary or associate represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired. Goodwill is amortised to the statement of financial performance on a straight line basis over the period during which benefits are expected to be derived up to a maximum of 20 years.

Fees and other costs incurred in raising debt finance directly attributable to the acquisition of a subsidiary are recognised as part of the cost of acquisition within goodwill and amortised on a straight line basis over a period of up to 20 years.

Transactions eliminated on consolidation

The effects of intra-group transactions are eliminated in preparing the consolidated financial statements.

B) *INCOME RECOGNITION*

Income from the provision of services is recognised as services are delivered. Interest and rental income is accounted for as earned. Dividends received are recorded on an accrual basis and are shown net of imputation credits. Income from customer contributions is typically recognised on an as-invoiced or percentage of completion basis to match the conditions of the underlying contract.

C) *GOODS AND SERVICES TAX (GST)*

The Parent's principal activity is that of investment in Vector Limited, therefore it cannot register for GST. Accordingly the financial statements of the Parent have been prepared inclusive of GST.

The Group's statement of financial performance and statement of cash flows have been prepared so that all components, other than the Trust components, are stated exclusive of GST. All items in the Group's statement of financial position, other than the Trust components, are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

D) *RECEIVABLES*

Receivables are carried at estimated realisable value after providing against debts where collection is doubtful.

E) *PREPAID GAS*

Under the terms of certain gas supply contracts, the group may be required to pay for a minimum quantity of gas in each contract year whether or not delivery has been made. The group may from time to time, prepay for gas and these payments may entitle the group to delivery of gas in subsequent years without further payment. The prepayments are capitalised as an asset and are expensed to cost of goods sold in the statement of financial performance as the prepaid gas is utilised. The amortisation rate per unit of gas is based on the amount of prepaid gas which the group expects to access over the term of the contract.

The group recognises an estimated liability for future obligations to provide gas at a later date. Fees associated with gas advances are amortised to the statement of financial performance over the expected life of the contract.

F) *INVENTORIES*

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

G) *INCOME TAX*

The income tax expense recognised for the period is based on the operating surplus before taxation, 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 tax losses carried forward, is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences, or losses, will be utilised.

H) IDENTIFIABLE INTANGIBLE ASSETS

Gas entitlements

Gas entitlements are initially recognised at fair value and are amortised to the statement of financial performance as the entitlements to gas volumes are exercised.

I) INVESTMENTS

Non-current investments are stated at cost.

J) UNCLAIMED DIVIDENDS

The Trust Deed requires that any dividend forwarded to a consumer which remains unclaimed for two years after having been dispatched is to be forfeited/cancelled. Certain dividends are subject to a Court Order which effectively requires that these distributions cannot be cancelled for six years from the date of the roll for these distributions. On cancellation, dividends are accounted for as a reduction in the distribution during the year in which they are cancelled. The full amount of unclaimed dividends is provided for in the financial statements until cancelled.

K) 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. All feasibility costs are expensed as incurred.

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 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.

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and that expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time.

Distribution systems and some classes of land and buildings are revalued by independent experts. Distribution systems are valued on the basis of depreciated replacement cost, while land and buildings are valued by reference to market information. Other classes of property, plant and equipment are not revalued.

Revaluations of distribution systems and land and buildings are carried out at least every three years.

Valuations are performed based on highest and best use in accordance with Financial Reporting Standard No. 3. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of financial performance.

Estimated recoverable amount is the greater of the estimated amount from the future use of property, plant and equipment and its ultimate disposal, and its net market value. Annual impairment reviews are undertaken for all property, plant and equipment.

L) DEPRECIATION

Depreciation of property, plant and equipment, other than generation assets and freehold land, is calculated on a straight line basis so as to expense the cost of the property, plant and equipment, or revalued amount, less any expected residual value, to the statement of financial performance over it's useful economic life.

	USEFUL LIVES YEARS
Buildings	40 – 100
Distribution systems	15 – 100
Motor vehicles and mobile equipment	3 – 20
Computer and telecommunication equipment	3 – 40
Electricity and gas meters	5 – 30
Other plant and equipment	5 – 20

Generation assets are depreciated on a units of production basis over a period of 20 to 100 years.

M) LEASED ASSETS

Finance leases

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

Operating leases

Lease payments under operating leases, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment, are expensed to the statement of financial performance in equal instalments over the lease term.

Leasehold improvements

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

N) PROVISIONS

Employee entitlements

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

Onerous contracts

Where the benefits expected to be derived from a contract are lower than the unavoidable costs of meeting the group's obligation under the contract, a provision is recognised. The provision is initially stated at the present value of the future net cash outflows expected to be incurred in respect of the contract. Subsequent to initial recognition, the provision is expensed to the statement of financial performance over the life of the contract as the services are delivered.

Other provisions

A provision for claims is recognised as a liability where the group considers that a constructive or legal obligation exists to settle items in the foreseeable future. A provision for claims is recognised where the likelihood of a resultant liability is considered more probable than not. Where the likelihood of a resultant liability is more than remote but insufficient to warrant a provision, such events are disclosed as contingent liabilities.

O) FINANCIAL INSTRUMENTS

The group uses derivative financial instruments within predetermined policies and limits in order to manage its exposure to fluctuations in foreign currency exchange rates and interest rates.

Derivative financial instruments that are designated as hedges of specific items are recognised on the same basis as the underlying hedged items.

The group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

Fees and other costs incurred in raising debt finance not directly attributable to the acquisition of subsidiaries are capitalised and amortised over the term of the debt instrument or debt facility.

Interest income and expenses are recognised on an accrual basis. Where a debt instrument is issued at a discount or premium, the discount or premium is capitalised and amortised over the life of the instrument.

Fair value adjustments on derivative instruments acquired are initially recognised in the statement of financial position as a mark to market adjustment. Subsequent to initial recognition, the mark to market adjustment is amortised to the statement of financial performance over the period of the underlying derivative.

Unrealised revenues and expenses at balance date associated with residual electricity price hedging contracts retained from discontinued businesses are not recognised in the financial statements. Realised revenues and expenses are recognised in the statement of financial performance on settlement of the hedging contracts.

P) FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of the transaction. At balance date foreign monetary assets and liabilities not hedged by foreign currency derivative instruments are translated at the closing rate, and exchange variations arising from these translations are included in the statement of financial performance as operating items.

Monetary assets and liabilities in foreign currencies at balance date hedged by foreign currency derivative instruments are translated at contract rates.

Q) 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 cash on hand and is current accounts in banks, net of bank overdrafts.

R) DISCONTINUED OPERATIONS

Discontinued operations are clearly distinguishable activities of the group's business that have been sold or terminated before the earlier of three months after balance date and the date that the financial statements are approved. In order for the activities to be classified as discontinued, they must have a material effect on the nature and focus of the business and represent a material reduction in either operating facilities or turnover.

Statement of Accounting Policies (continued)

for the year ended 30 June 2005

CHANGES IN ACCOUNTING POLICIES

With effect from 1 July 2004, the board of directors of Vector Limited elected to change the accounting policy applied to fees and other costs incurred in raising debt finance directly attributable to the acquisition of subsidiary companies. As allowed by NZ GAAP, such fees and other costs are now recognised as part of the cost of acquisition within goodwill at the date of acquisition of the subsidiary and are amortised over a period up to a maximum of 20 years. This change is necessary to give a true and fair view of the period over which benefits are expected to be derived from these debt raising costs which exceeds the term of the debt facilities themselves.

The effect of this change in accounting policy for the year ended 30 June 2005 has been to increase intangible assets by $17.5 million and decrease capitalised finance costs by $7.5 million in the statement of financial position, and to decrease net interest expense by $10.8 million and increase amortisation of goodwill by $0.8 million in the statement of financial performance.

The cumulative impact, after adjusting for the consequent increase in tax expense of $3.3 million, is a $6.7 million increase in net surplus for the year.

With the exception of the above, all policies have been applied on a basis consistent with those applied in the annual financial statements of the group and the parent for the year ended 30 June 2004.

1. SEGMENT INFORMATION

The group operates in the following areas in the utilities sector in New Zealand:

Infrastructure

Ownership and management of electricity and gas distribution networks, gas transmission lines, telecommunications services, LPG infrastructure and electricity and gas meters.

Energy trading

Natural gas acquisition and processing, LPG and gas marketing and residual electricity trading business.

Unallocated / other

Corporate activities, investments and other energy and utility industry-related businesses.

Intersegment sales are on an arms length basis.

GROUP 2005	INFRASTRUCTURE $000	ENERGY TRADING $000	UNALLOCATED/ OTHER $000	TOTAL $000
Operating revenue				
External to group	**713,730**	**152,093**	**5,774**	**871,597**
Intersegment	**22,196**	**3,399**	**(25,595)**	**-**
Segment revenue	**735,926**	**155,492**	**(19,821)**	**871,597**
Earnings before interest, income tax, depreciation and amortisation	**459,367**	**44,446**	**(39,480)**	**464,333**
Depreciation and amortisation	**(145,859)**	**(5,361)**	**(7,683)**	**(158,903)**
Operating surplus before interest and income tax	**313,508**	**39,085**	**(47,163)**	**305,430**
Net interest expense				**(193,432)**
Operating surplus before income tax				**111,998**
Income tax expense				**(58,908)**
Operating surplus				**53,090**
Minority interests				**(14,050)**
Net surplus for the year				**39,040**
Total assets	**4,492,218**	**193,534**	**171,915**	**4,857,667**

GROUP 2004	INFRASTRUCTURE $000	ENERGY TRADING $000	UNALLOCATED/ OTHER $000	TOTAL $000
Operating revenue				
External to group	566,776	-	6,757	573,533
Intersegment	-	-	-	-
Segment revenue	566,776	-	6,757	573,533
Earnings before interest, income tax, depreciation and amortisation	379,660	-	(39,301)	340,359
Depreciation and amortisation	(106,179)	-	(5,573)	(111,752)
Operating surplus before interest and income tax	273,481	-	(44,874)	228,607
Net interest expense				(141,870)
Operating surplus before income tax				86,737
Income tax expense				(30,310)
Operating surplus				56,427
Minority interests				473
Net surplus for the year				56,900
Total assets	2,933,695	-	144,477	3,078,172

		GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
2. OPERATING REVENUE					
Trading revenue		**833,371**	544,113	**-**	-
Investment Income					
Interest Income		**643**	1,310	**643**	473
Dividend Income		**276**	-	**49,100**	32,200
Equity accounted earnings of associates		**655**	666	**-**	-
Gain on Disposal of Property Held for Sale		**-**	1,143	**-**	-
Gain on Disposal of Non-Current Assets		**260**	115	**-**	-
Customer Contributions		**31,897**	24,625	**-**	-
Miscellaneous Income		**4,495**	1,561	**16**	35
Total		**871,597**	573,553	**49,759**	32,708

		GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
3. OPERATING EXPENDITURE					
Operating expenditure includes:					
Research Costs		**-**	437	**-**	-
Bad debts written off		**185**	573	**-**	-
Increase/(Decrease) in provision for doubtful debts		**(547)**	(728)	**-**	-
Rental and operating lease costs		**3,345**	1,842	**17**	17
Loss on disposal of property, plant and equipment		**4,304**	3,424	**2**	2
Donations		**103**	10	**-**	-
Directors fees	34	**662**	554	**-**	-
Trustees remuneration	34	**294**	169	**294**	169
Auditors remuneration:					
Audit fees paid to principal auditors of Parent – Grant Thornton		**25**	-	**25**	-
Audit fees paid to principal auditors of Parent – Ernst & Young		**5**	26	**5**	26
Audit fees paid to other auditors - KPMG		**305**	275	**-**	38
Audit fees paid to other auditors - PwC		**82**	-	**-**	-
Fees paid for other assurance services provided – KPMG		**144**	180	**-**	-
Fees paid for other non-assurance services provided – KPMG		**4**	14	**-**	-
Fees paid for other non-assurance services provided – PwC		**61**	260	**-**	-

Fees paid for other non-assurance services provided include fees for advisory services on the implementation of International Financial Reporting Standards (refer note 36).

	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
4. DEPRECIATION AND AMORTISATION					
Depreciation of property, plant and equipment					
Distribution systems		**81,582**	64,482	**-**	-
Buildings and leasehold improvements		**898**	489	**-**	-
Motor vehicles and mobile equipment		**458**	20	**-**	-
Computer and telecommunications equipment		**10,378**	7,281	**-**	-
Other plant and equipment		**2,025**	660	**5**	3
		95,341	72,932	**5**	3
Amortisation of goodwill	21	**57,662**	38,820	**-**	-
Amortisation of gas entitlement intangible assets	21	**5,900**	-	**-**	-
Total		**158,903**	111,752	**5**	3

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
5. NET INTEREST EXPENSE				
Interest paid and accrued	**196,968**	139,662	**-**	-
Amortisation of capitalised finance costs	**3,862**	8,170	**-**	-
Amortisation of the mark to market adjustment	**(3,393)**	(4,428)	**-**	-
Interest revenue	**(1,915)**	-	**-**	-
Capitalised interest	**(2,090)**	(1,534)	**-**	-
Total	**193,432**	141,870	**-**	-

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
6. INCOME TAX EXPENSE				
Operating surplus before income tax	**111,998**	86,737	**47,294**	30,668
Prima facie tax at 33%	**36,959**	28,623	**15,607**	10,121
Plus/(less) tax effect of permanent differences:				
Deferred tax asset not previously recognised	**-**	(13,976)	**-**	-
Prior period adjustment	**(855)**	(2,049)	**(76)**	(597)
Other permanent differences	**22,804**	17,712	**(15,607)**	(10,121)
Income tax expense	**58,908**	30,310	**(76)**	(597)
The income tax expense is represented by:				
Current tax	**32,917**	(8,068)	**(76)**	(597)
Deferred tax	**25,991**	38,378	**-**	-
Total	**58,908**	30,310	**(76)**	(597)

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
7. IMPUTATION BALANCES				
Balance at beginning of the year	**556**	5,036	**279**	-
Imputation credits converted to losses	**(279)**	-	**(279)**	-
Prior period adjustment	**(45)**	1,104	**-**	-
Income tax payments during the year	**34,614**	11,200	**-**	-
Income tax refunds during the year	**-**	(1,597)	**-**	-
Imputation credits received	**1,086**	394	**24,183**	15,860
Imputation credits distributed	**(23,293)**	(15,634)	**(21,344)**	(15,634)
Imputation credits reversed	**35**	201	**35**	201
Imputation credits utilised on trustee income	**(2,028)**	(148)	**(2,028)**	(148)
Other	**(832)**	-	**-**	-
Excess imputation credits converted to losses	**(846)**	-	**(846)**	-
Balance at end of the year	**8,968**	556	**-**	279

	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
8. DEFERRED TAX LIABILITY					
Balance at beginning of the year		**245,521**	207,143	**-**	-
On acquisition of NGC Holdings Limited	17	**196,574**	-	**-**	-
Prior period adjustment		**(256)**	-	**-**	-
On surplus for the year		**26,247**	38,378	**-**	-
Balance at end of the year		**468,086**	245,521	**-**	-

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
9. DIVIDENDS				
Distributions to Beneficiaries	**48,231**	42,771	**48,231**	42,771
Dividends paid to minority interests of:				
NGC Holdings Limited	**4,355**	-	**-**	-
Liquigas Limited	**1,273**	-	**-**	-
Total	**53,859**	42,771	**48,231**	42,771

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
10. ASSET REVALUATION RESERVE				
Balance at beginning of the year	**554,694**	554,694	**-**	-
Reversal of revaluation of property, plant and equipment	**(7,311)**	-	**-**	-
Balance at end of the year	**547,383**	554,694	**-**	-

	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
11. TRUSTEES ACCUMULATIONS					
Balance at beginning of the year		**396,334**	382,205	**306,238**	317,744
Net surplus		**39,040**	56,900	**47,370**	31,265
Dividends	9	**(48,231)**	(42,771)	**(48,231)**	(42,771)
Balance at end of the year		**387,143**	396,334	**305,377**	306,238

	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
12. MINORITY INTEREST					
Balance at beginning of the year		**421**	894	-	-
Arising in the financial year:					
On acquisition of NGC Holdings Limited	17	**107,580**	-	-	-
Share of operating surplus in subsidiary companies		**14,014**	-	-	-
Share of operating surplus/(deficit) in partnership		**36**	(473)	-	-
Dividends paid to minority interests	9	**(5,628)**	-	-	-
Balance at end of the year		**116,423**	421	-	-

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
13. RECEIVABLES AND PREPAYMENTS				
Current				
Trade receivables	**143,026**	74,570	-	-
Provision for doubtful debts	**(2,713)**	(830)	-	-
	140,313	73,740	-	-
Prepayments	**8,331**	4,174	**77**	77
Other receivables	**5,312**	1,898	**138**	127
Total	**153,956**	79,812	**215**	204
Non-current				
Trade receivables	**6,774**	-	-	-
Other receivables	**1,987**	1,809	-	-
Total	**8,761**	1,809	-	-

Prepayments includes $2.8 million of professional fees incurred relating to the initial public offering of shares of which $0.6 million was paid to the Vectors Limited auditors, KPMG.

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
14. PREPAID GAS				
Current				
Maui and other prepaid gas	**19,180**	-	-	-
Total	**19,180**	-	-	-
Non-current				
Maui and other prepaid gas	**11,458**	-	-	-
Total	**11,458**	-	-	-

14. PREPAID GAS (continued)

As at 30 June 2005, Vector Limited held a 67.21% interest in NGC Holdings Limited.

NGC Holdings Limited and its subsidiaries ("NGC") hold the following entitlements to gas.

Maui Gas

On 1 June 2004, NGC entered into variations to its Maui gas contracts which set the total amount of gas to be delivered under the contracts at the quantity determined by the independent expert on 7 February 2003. Under the variations the redetermined amount of gas would be delivered and there would be no further redeterminations. Further, if the Maui Mining Companies do not deliver this quantity they must supply 'make up' gas for any shortfall from another supply or pay liquidated damages for any undelivered gas. At 30 June 2005, NGC has 25.3PJ of remaining Maui gas entitlements. As part of these variations to the Maui gas contracts NGC is guaranteed delivery of 23.2PJ of its remaining Maui gas from its original advance paid and prepaid gas entitlements. The advance paid and prepaid gas entitlements require no further payment to the Crown when delivery is taken except for payment of the energy resource levy. The remaining 2.1PJ can be uplifted by NGC at the previous contract prices. As part of the variations executed on 1 June 2004, NGC also has a right of first refusal at market price along with Contact Energy Limited ("Contact") over any additional gas found beyond the redetermined amount after first reserving 40PJ for Methanex New Zealand Limited ("Methanex").

Kapuni Gas

NGC currently has entitlement to 50% of the recoverable gas reserves of the Kapuni field as they were determined to be at 1 April 1997. As at 30 June 2005 this is estimated to be approximately 91PJ following a downward redetermination in February 2005 of 26PJ (NGC share), of which, 69PJ changed from 44PJ is at current Kapuni gas contract prices while the balance is expected to be at market prices prevailing when the gas is delivered.

NGC has reached an agreement with Shell (Petroleum Mining) Company Ltd ("Shell") to purchase Shell's share of Kapuni gas, after Shell has met its pre-existing contract commitments, for the period from 1 January 2005 to 31 December 2013. Deliveries of this Kapuni gas will be dependent on the daily production from the field, but NGC expects that some 45PJ of gas will be delivered under this contract. The maximum total quantity of gas to be delivered under the contract is 70PJ less the amounts credited to this contract from its Pohokura gas contracts discussed below.

Pohokura Gas

NGC has agreed with Shell to purchase a portion of Shell's entitlements to gas from Pohokura from 1 July 2006, once the Pohokura field is commissioned, until 30 September 2007. The rates of gas able to be purchased under this contract vary over the term of the contract and NGC may purchase a total amount of up to 35PJ of gas under this contract. The first 10PJ of gas purchased under this contract will be credited to NGC's entitlement to 70PJ of gas as described above under Kapuni Gas.

NGC has also agreed with Shell to purchase a further portion of Shell's entitlements to gas from Pohokura from 1 January 2007 until 30 June 2010. Delivery of such gas is dependent on Shell's share of Pohokura's daily production, but NGC will have up to 30TJ/day available. NGC may purchase a total amount of up to 38PJ of gas under this contract. Fifty percent of this gas will be credited to NGC's entitlement to 70PJ of Kapuni gas from Shell as described above.

IRM and Austral Pacific gas prepayments

NGC has agreed with the Kahili joint venture ("Kahili JV") to purchase all the wet gas to be produced from the Kahili field. The Kahili JV comprises Austral Pacific Energy (NZ) Limited ("Austral"), International Resource Management Corporation ("IRM") and Tap (New Zealand) Pty Limited. The volume expected is uncertain but unlikely to exceed 5PJ. The field is currently closed for the pending technical review.

At 30 June 2005, NGC has a prepayment of $1.8 million to Austral which will be utilised for purchases of Austral's share of gas from Kahili. NGC also has a prepayment of $2.4 million to IRM at 30 June 2005 which will be utilised for purchases of IRM's share of gas from Kahili and for purchase of IRM's share of any gas produced from the Cheal discovery in the future.

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
15. INVENTORIES				
Natural gas and by-products	**132**	-	-	-
Trading stock	**3,491**	-	-	-
Consumable spares	**5,177**	-	-	-
Total	**8,800**	-	-	-

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
16. CAPITALISED FINANCE COSTS				
Total capitalised costs				
Capital bonds – cost	-	10,459	-	-
Capital bonds – accumulated amortisation	-	(4,214)	-	-
Other debt – cost	**22,533**	36,311	-	-
Other debt – accumulated amortisation	**(11,923)**	(23,264)	-	-
Total	**10,610**	19,292	-	-
Current				
Capital bonds	-	2,541	-	-
Other debt	**2,939**	5,470	-	-
Total	**2,939**	8,011	-	-
Non-current				
Capital bonds	-	3,704	-	-
Other debt	**7,671**	7,577	-	-
Total	**7,671**	11,281	-	-

With effect from 1 July 2004, the board of directors of Vector Limited elected to change the accounting policy with respect to capitalised debt raising costs where the debt raised is directly attributable to the acquisition of a subsidiary company. Such fees and other costs are now recognised as part of the cost of the acquisition within goodwill as allowed by NZ GAAP.

Consequently $10.1 million of capitalised finance costs were reclassified to goodwill on 1 July 2004.

17. ACQUISITION OF SUBSIDIARY

On 14 December 2004 Vector Limited acquired a controlling 66.05% interest in NGC Holdings Limited, a company providing utility services in New Zealand. As at balance date, Vector Limited owns a 67.21% interest in NGC Holdings Limited.

The acquisition was accounted for using the purchase method with the resulting goodwill amortised in accordance with the group's accounting policy.

Due to the proximity of the acquisition date and 31 December 2004, it was not practical to establish the fair values of identifiable assets and liabilities acquired for reporting in the financial statements for the six months ended 31 December 2004. Subsequently the exercise to determine the fair values of the assets and liabilities acquired on 14 December 2004 has been completed.

The acquisition had the following effect on the consolidated statement of financial position at acquisition date.

	NOTE	GROUP 2005 $000
Fair value of assets and liabilities acquired		
Bank overdraft		(8,667)
Receivables and prepayments		39,255
Capitalised finance costs		2,057
Income tax		15,386
Inventory		9,321
Investments		13,648
Property, plant and equipment		908,519
Payables, accruals and provisions		(44,706)
Deferred tax liability		(196,574)
Prepaid gas		44,853
Gas entitlements (intangible asset)		18,000
Borrowings		(492,407)
Minority interest in Liquigas Limited	12	(9,465)
Net assets acquired		299,220
Minority interest arising on acquisition	12	(98,115)
Goodwill arising on acquisition	21	683,985
Cash consideration paid		885,090
Bank overdraft acquired with subsidiary		8,667
Net cash impact of acquisition		893,757

Cash consideration paid		
Cash paid for shares acquired		866,023
Professional fees incurred		10,884
Debt raising costs incurred		8,183
Total		885,090

Professional fees incurred during the acquisition of NGC Holdings Limited include $0.1 million paid to the Vector Limited auditors, KPMG, and $0.1 million paid to other auditors, PwC.

	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000

18. INVESTMENTS

	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Non-current					
Investments in subsidiaries		-	-	**300,000**	300,000
Investments in associates	19	**10,553**	2,750	-	-
Other investments		**7,223**	-	-	-
Total		**17,776**	2,750	**300,000**	300,000

All ordinary shares carry equal voting rights and equal rights to a surplus on winding up of the parent.

During the year, Vector Limited performed a share split to facilitate the offering of 24.9% of the total share capital of Vector Limited to persons other than the Auckland Energy Consumer Trust via its initial public offer. Subsequent to balance date, 249,000,000 additional ordinary shares were issued pursuant to that initial public offer. The Auckland Energy Consumer Trust holds 751,000,000 of the 1,000,000,000 shares of Vector Limited as at 30 June 2005.

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18. INVESTMENTS (continued)

The group's investments in subsidiaries comprise shares at cost. Significant investments in group companies comprise:

	PRINCIPAL ACTIVITY	PERCENTAGE HELD 2005	2004
Significant Subsidiary – Parent			
Vector Limited	United network provider	100%	100%
Significant Subsidiaries – Group			
NGC Holdings Limited	Investment	67%	-
Auckland Generation Limited	Holding company	100%	100%
- MEL Silverstream Limited	Investment	100%	100%
- MEL Network Limited	Holding company	100%	100%
- Mercury Geotherm Limited (in receivership)	Investment	65%	65%
- Poihipi Land Limited (in receivership)	Investment	65%	65%
Vector Communications Limited	Telecommunications network provider	100%	100%
Vector Stream Limited	Holding company	100%	100%
- Stream Information Limited	Agent for partnership	70%	70%
- Stream Information (partnership)	Metering services	70%	70%
Non-trading subsidiaries			
Vector Power Limited	Dormant	100%	100%
Auckland Network Limited	Dormant	100%	100%
Energy North Limited	Dormant	100%	100%
UnitedNetworks Limited	Dormant	100%	100%
Salamanca Holdings Limited	Investment	75%	75%
Broadband Services Limited	Telecommunications network provider	100%	100%
UnitedNetworks Employee Share Schemes Trustee Limited	Trustee company	100%	100%
Associates			
Treescape Limited	Vegetation management	50%	50%
Non-trading associates			
Pacific Energy Limited	Dormant	37%	37%

18. INVESTMENTS (continued)

	PRINCIPAL ACTIVITY	PERCENTAGE HELD 2005	2004
Acquired with NGC Holdings Limited (effective 14 December 2004):			
Subsidiaries			
NGC Limited	Investment	67%	-
NGC Management Limited	Management services	67%	-
NGC New Zealand Limited	Natural gas sales, processing and transportation	67%	-
NGC Contracts Limited	Natural gas sales	67%	-
NGC Investments Limited	Investment	67%	-
NGC Kapuni Limited	Electricity generation	67%	-
Liquigas Limited	LPG sales and distribution	40%	-
On Gas Limited	LPG sales and distribution	67%	-
NGC Metering Limited	Metering services	67%	-
NGC Australia Metering Data Services Limited	Investment	67%	-
Elect Data Services (Australia) Pty Limited	Energy metering data management	67%	-
Non-trading subsidiaries			
NGC Gas Networks Limited	Dormant	67%	-
Associates			
Energy Intellect Limited	Metering services	17%	-
Joint venture interests			
Kapuni Energy Joint Venture	Electricity generation	34%	-
Other investments			
Wanganui Gas Limited	Gas distribution and retailing	17%	-

On 31 May 2005 NGC Loans Limited and NGC Equities Limited were amalgamated into NGC Trading Limited. NGC Trading Limited was renamed NGC Investments Limited as at that date.

On 30 June 2005 NGC Metering Operations Limited and NGC Metering Services Limited were amalgamated into NGC Metering Limited.

On 1 July 2005 NGC Limited was amalgamated into NGC Holdings Limited.

Wanganui Gas Limited has a majority shareholder, Wanganui District Council Holdings Limited, which exerts the balance of voting power in policy-making decisions. Hence Vector Limited is not able to significantly influence either the financial or operating policies of Wanganui Gas Limited.

In conjunction with a purchase of farm land during the year, the group acquired 123,568 fully paid co-operative shares of Fonterra Co-Operative Group Limited for $0.7 million, representing just over 0.01% of the total fully-paid co-operative shares on issue.

All entities have a balance date of 30 June, apart from Treescape Limited, Salamanca Holdings Limited, Pacific Energy Limited, Mercury Geotherm Limited (in receivership) and Poihipi Land Limited (in receivership) which all have a balance date of 31 March.

All entities are incorporated in New Zealand except Elect Data Services (Australia) Pty Limited which is incorporated in Australia.

	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000

19. INVESTMENT IN ASSOCIATES

	Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
Carrying amount of associates				
Carrying amount at beginning of the year	**2,750**	2,284	-	-
Arising in the financial year:				
On acquisition of NGC Holdings Limited	**7,148**	-	-	-
Equity accounted earnings of associates	**655**	666	-	-
Dividends from associates	**-**	(200)	-	-
Carrying amount at end of the year	**10,553**	2,750	-	-
Equity accounted earnings of associates				
Operating surplus before income tax	**1,130**	991	-	-
Income tax expense	**(475)**	(325)	-	-
Net surplus	**655**	666	-	-
Other gains and losses	**-**	-	-	-
Total recognised revenues and expenses	**655**	666	-	-

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000

20. INTEREST IN JOINT VENTURES

Kapuni Energy Joint Venture

The group has a 34% interest in a joint venture that owns a cogeneration plant producing electricity and steam in Kapuni. The group's interest in the joint venture is included in the consolidated financial statements under the classifications shown below.

	Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
Net assets employed in the joint venture				
Property, plant and equipment	**11,310**	-	-	-
Current assets	**1,971**	-	-	-
Current liabilities	**(1,144)**	-	-	-
Total	**12,137**	-	-	-
Net contribution to operating surplus before income tax				
Revenue	**5,301**	-	-	-
Expenditure	**(6,625)**	-	-	-
Total	**(1,324)**	-	-	-

	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
21. INTANGIBLE ASSETS					
Goodwill					
Balance at beginning of the year		**700,086**	742,149	-	-
Arising in the financial year:					
On acquisition of UnitedNetworks Limited		-	(3,314)	-	-
On acquisition of NGC Holdings Limited	17	**683,985**	-	-	-
Other		-	71	-	-
Arising on change of accounting policy		**10,101**	-	-	-
Amortisation in the financial year		**(57,662)**	(38,820)	-	-
Balance at end of the year		**1,336,510**	700,086	-	-
Gas entitlements					
Balance at beginning of the year		-	-	-	-
Arising in the financial year:					
On acquisition of NGC Holdings Limited		**18,000**	-	-	-
Amortisation in the financial year		**(5,900)**	-	-	-
Balance at end of the year		**12,100**	-	-	-
Total		**1,348,610**	700,086	-	-
Current					
Gas entitlements		**9,500**	-	-	-
Total		**9,500**	-	-	-
Non-current					
Goodwill		**1,336,510**	700,086	-	-
Gas entitlements		**2,600**	-	-	-
Total		**1,339,110**	700,086	-	-

Goodwill is amortised over a period of up to 20 years in accordance with the group's accounting policy.

With effect from 1 July 2004, the board of directors of Vector Limited elected to change the accounting policy with respect to capitalised debt raising costs where the debt raised is directly attributable to the acquisition of a subsidiary company. Such fees and other costs are now recognised as part of the cost of the acquisition within goodwill as allowed by NZ GAAP.

Consequently $10.1 million of capitalised finance costs were reclassified to intangible assets on 1 July 2004.

Notes to the Financial Statements
for the year ended 30 June 2005

22. PROPERTY, PLANT AND EQUIPMENT

GROUP 2005	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Distribution systems	**2,852,973**	**(156,637)**	**2,696,336**
Distribution land	**42,822**	**-**	**42,822**
Distribution buildings	**35,086**	**(2,357)**	**32,729**
Electricity meters	**178,225**	**(6,520)**	**171,705**
Gas meters	**15,950**	**(467)**	**15,483**
Generation power stations and equipment	**11,853**	**(299)**	**11,554**
Computer and telecommunications equipment	**95,032**	**(46,159)**	**48,873**
Motor vehicles and mobile equipment	**4,060**	**(594)**	**3,466**
Other plant and equipment	**59,665**	**(3,408)**	**56,257**
Freehold land	**16,810**	**-**	**16,810**
Buildings	**10,820**	**(435)**	**10,385**
Leasehold improvements	**4,924**	**(2,714)**	**2,210**
Capital work in progress	**101,554**	**-**	**101,554**
Total	**3,429,774**	**(219,590)**	**3,210,184**

GROUP 2004	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Distribution systems	2,102,694	(65,186)	2,037,508
Distribution land	35,183	-	35,183
Distribution buildings	32,224	(1,856)	30,368
Computer and telecommunications equipment	82,231	(35,845)	46,386
Motor vehicles and mobile equipment	229	(136)	93
Other plant and equipment	11,463	(1,969)	9,494
Freehold land	11,156	-	11,156
Buildings	747	(91)	656
Leasehold improvements	4,895	(2,161)	2,734
Capital work in progress	50,568	-	50,568
Total	2,331,390	(107,244)	2,224,146

Notes to the Financial Statements

for the year ended 30 June 2005

22. PROPERTY, PLANT AND EQUIPMENT (continued)

PARENT 2005	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Other plant and equipment	**22**	**(15)**	**7**
Total	**22**	**(15)**	**7**

PARENT 2004	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Other plant and equipment	24	(14)	10
Total	24	(14)	10

The property, plant and equipment acquired in conjunction with the acquisition of the 66.05% majority shareholding in NGC Holdings Limited on 14 December 2004 included distribution systems (gas pipelines, compressors, treatment plants and gate stations), electricity and gas meters, generation power stations and equipment, computer equipment, motor vehicles, other plant and equipment, freehold land, buildings and capital work in progress. The total net book value attributable to these assets was $877.7 million at that date. Subsequently, the distribution systems assets acquired were restated (an increase in value of $40.6 million) to reflect their fair value at 14 December 2004. The group has also adjusted the fair value of property, plant and equipment associated with the Kahili field (a reduction in value of $7.0 million) as it is currently closed pending the result of a technical review. The fair value of the Kapuni Gas Treatment Plant (KGTP) has been reassessed (a reduction in value of $2.8 million) following a review of the life expectancy of the Kapuni gas field which led to a reduction in the KGTP's useful life from 30 years to 20 years.

The distribution assets held prior to the acquisition of NGC Holdings Limited, including land and buildings, were revalued to $2,090.5 million as at 31 March 2003. Subsequent additions are stated at cost.

The basis of valuation was depreciated replacement cost. This valuation was undertaken in conjunction with Meritec Limited consulting engineers.

As indicated in the accounting policies, interest and other costs are capitalised to property, plant and equipment while under construction. During the year $5.1 million (year ended 30 June 2004: $4.1 million) of interest and other costs were capitalised. Included in electricity meters are $4.7 million (30 June 2004: $3.7 million) of property, plant and equipment subject to finance lease arrangements.

	NOTE	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
23. PAYABLES AND ACCRUALS					
Current					
Trade payables and other creditors		**123,715**	63,268	**195**	187
Other provisions	26	**12,149**	2,176	**-**	-
Provision for unclaimed dividends	27	**591**	573	**591**	573
Provision for employee entitlements	24	**8,418**	2,275	**-**	-
Provision for onerous contracts	25	**1,723**	408	**-**	-
Mark to market adjustment		**2,605**	3,134	**-**	-
Interest payable		**20,978**	17,888	**-**	-
Total		**170,179**	89,722	**786**	760
Non-current					
Gas advance		**15,525**	-	**-**	-
Deferred gain		**442**	400	**-**	-
Mark to market adjustment		**3,701**	3,727	**-**	-
Total		**19,668**	4,127	**-**	-

The gas advance relates to the delivery by Contact Energy Limited of 2.5PJ of gas (sourced from Maui) under a swap arrangement to NGC during the year. In return, NGC expects to return the same amount of gas back to Contact Energy Limited in the period from 1 July 2006 to 30 September 2007.

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
24. PROVISION FOR EMPLOYEE ENTITLEMENTS				
Balance at beginning of the year	**2,275**	1,736	**-**	-
Arising in the financial year:				
On acquisition of NGC Holdings Limited	**4,775**	-	**-**	-
Net increase during the year	**1,368**	539	**-**	-
Balance at end of the year	**8,418**	2,275	**-**	-

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
25. PROVISION FOR ONEROUS CONTRACTS				
Balance at beginning of the year	**408**	-	-	-
Arising in the financial year:				
On amalgamation of subsidiaries	-	475	-	-
On acquisition of NGC Holdings Limited	**4,353**	-	-	-
Utilised	**(3,038)**	(67)	-	-
Balance at end of the year	**1,723**	408	-	-

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
26. OTHER PROVISIONS				
Balance at beginning of the year	**2,176**	15,179	-	-
Arising in the financial year:				
On acquisition of NGC Holdings Limited	**11,712**	-	-	-
Additions	**543**	1,216	-	-
Utilised	**(738)**	(10,448)	-	-
Reversed to the statement of financial performance	**(1,544)**	-	-	-
Reversed to goodwill on adjustment of fair value	-	(3,771)	-	-
Balance at end of the year	**12,149**	2,176	-	-

Other provisions include provisions for various commercial matters expected to be settled during the next two financial years but which could require settlement at any time.

27. PROVISION FOR UNCLAIMED DIVIDENDS

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Balance at Beginning of the Period	**573**	781	**573**	781
Additions	**515**	138	**515**	138
Utilised	**(497)**	(346)	**(497)**	(346)
Balance at End of the Period	**591**	573	**591**	573

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000

28. COMMITMENTS

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

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date but not provided	**39,509**	20,888	**-**	-
Operating lease commitments				
Within one year	**5,175**	2,891	**-**	-
One to two years	**4,714**	2,184	**-**	-
Two to five years	**11,918**	5,663	**-**	-
Beyond five years	**5,571**	1,405	**-**	-
Total	**27,378**	12,143	**-**	-

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.

29. BORROWINGS

GROUP 2005	WEIGHTED AVERAGE INTEREST RATE %	TOTAL $000	PAYABLE WITHIN 1 YEAR $000	PAYABLE BETWEEN 1 AND 2 YEARS $000	PAYABLE BETWEEN 2 AND 5 YEARS $000	PAYABLE AFTER 5 YEARS $000
Bank loans	**7.30**	**1,040,453**	**615,453**	**170,000**	**255,000**	**-**
Working capital loan	**6.96**	**55,040**	**55,040**	**-**	**-**	**-**
Medium term notes:						
Fixed rate NZ$	**6.50**	**199,501**	**-**	**199,501**	**-**	**-**
Floating rate A$	**6.24**	**569,018**	**-**	**-**	**319,018**	**250,000**
Capital bonds	**9.75**	**307,205**	**-**	**307,205**	**-**	**-**
Fixed interest rate bonds	**6.81**	**200,000**	**-**	**-**	**200,000**	**-**
Private placement senior notes	**5.65**	**418,315**	**-**	**-**	**-**	**418,315**
Pre-IPO equity securities	**8.51**	**354,401**	**354,401**	**-**	**-**	**-**
Other	**6.64**	**4,852**	**1,771**	**1,150**	**1,930**	**1**
		3,148,785	**1,026,665**	**677,856**	**775,948**	**668,316**

GROUP 2004	WEIGHTED AVERAGE INTEREST RATE %	TOTAL $000	PAYABLE WITHIN 1 YEAR $000	PAYABLE BETWEEN 1 AND 2 YEARS $000	PAYABLE BETWEEN 2 AND 5 YEARS $000	PAYABLE AFTER 5 YEARS $000
Bank loans	6.39	670,000	-	670,000	-	-
Working capital loan	6.10	38,000	38,000	-	-	-
Medium term notes:						
Fixed rate NZ$	6.50	199,218	-	-	199,218	-
Floating rate A$	6.05	569,018	-	-	319,018	250,000
Capital bonds	9.75	307,205	-	-	307,205	-
Other	6.15	3,912	1,549	778	1,582	3
		1,787,353	39,549	670,778	827,023	250,003

29. BORROWINGS (continued)

The Parent has no borrowings.

All borrowings are unsecured with all bank loans and medium term notes being subject to negative pledge arrangements.

Interest rates for all bank loans are floating based on the bank bill rate plus a margin. Bank loans are arranged through various facility agreements. Facilities with a total committed amount of $600 million will expire in October 2008. Other facilities comprise a $400 million revolving cash advance and standby facility due to expire in November 2006 and a $250 million commercial paper programme. The working capital facility with a total commitment of $70 million is due to expire in October 2005.

Medium term notes – fixed rate NZ$ mature April 2007 and are shown at the value of proceeds received after deducting the discount on issue of $1.7 million and adjusting for the amount amortised to 30 June 2005 of $1.2 million. The interest on NZ$ medium term notes is fixed at 6.5% per annum and is paid semi-annually.

Medium term notes – floating rate A$ mature April 2008 and April 2011. The interest on A$ medium term notes is paid quarterly, based on BBSW plus a margin.

Capital bonds are unsecured, subordinated debt and have a first election date of 15 December 2006. The interest as at 30 June 2005 is fixed at 9.75% per annum and is paid semi-annually. Upon the quotation of Vector Limited's shares on the New Zealand Stock Exchange and the issue of at least 24.9% of the total share capital of Vector Limited to persons other than the AECT, the interest rate on the capital bonds will be reset to 8.25% per annum.

Fixed interest rate bonds are unsecured, unsubordinated debt with a coupon rate of 6.81% maturing in March 2009.

Private placement senior notes of US$15 million, US$65 million and US$195 million, with maturity periods of 8, 12 and 15 years respectively were placed privately with US investors in September 2004 at a contract exchange rate of 0.6574 US$ for every NZ$.

Borrowings are classified between current and non-current dependent on repayment dates.

Bank loans are subject to covenants. These have all been met for the years ended 30 June 2005 and 30 June 2004.

NGC Holdings Limited acquisition borrowings

Vector Limited acquired a 66.05% interest in NGC Holdings Limited on 14 December 2004. To fund this acquisition, two bank loan facilities with a total committed amount of $800 million were raised. These will expire in December 2005.

In addition, pre-IPO equity securities were issued. Pre-IPO equity securities are subordinated debt with a total committed facility amount of $354.4 million. Vector Limited has repaid the pre-IPO equity securities subsequent to balance date.

30. CAPITAL BONDS

On 5 November 2002 Vector Limited issued 307,205,000 capital bonds for $307,205,000. The capital bonds have an initial term of four years from the date of issue. The capital bonds are convertible into Vector Limited ordinary shares in limited circumstances and have a principal amount of $1.00 each.

The capital bonds are unsecured debt obligations of Vector Limited, which are subordinated to all other creditors of Vector Limited, except the pre-IPO equity securities which rank below them, and are constituted by a trust deed entered into by Vector Limited and The New Zealand Guardian Trust Company Limited as trustee, dated 25 September 2002.

31. FINANCIAL INSTRUMENTS

The group has a comprehensive treasury policy approved by the board of directors of Vector Limited to manage the risks of financial instruments. The policy outlines the objectives and approach that the group will adopt in its treasury management processes. The policy covers, among other things, management of credit risk, interest rate risk, funding risk, liquidity risk, currency risk and operational risk.

ELECTRICITY PRICING RISK

NGC Holdings Limited and its subsidiaries ("NGC") have exposure to electricity market price risk due to the manner in which electricity is generated and on-sold to other parties via the Kapuni Energy Joint Venture. To reduce its exposure to electricity market price risk, NGC has entered into sale agreements (contracts for differences) in respect of its remaining electricity generation plant.

In the year ended 30 June 2003, NGC sold the majority of its electricity generation plant, and entered into back-to-back arrangements for almost all of its remaining hedging contracts. During the year ended 30 June 2005, NGC sold its remaining back-to-back electricity price hedging contracts for net proceeds of $2 million.

The Parent has no electricity pricing risk.

INTEREST RATE RISK

The group actively manages interest rate exposures in accordance with treasury policy. In this respect, at least forty percent of all debt must be at fixed interest rates or effectively fixed using interest rate swaps, forward rate agreements, options and other derivative instruments.

The weighted average interest rates of borrowings are as follows.

	GROUP 2005 WEIGHTED AVERAGE INTEREST RATE %	FACE VALUE $000	GROUP 2004 WEIGHTED AVERAGE INTEREST RATE %	FACE VALUE $000
Bank loans	**7.30**	**1,040,453**	6.39	670,000
Working capital loan	**6.96**	**55,040**	6.10	38,000
Medium term notes:				
Fixed rate NZ$	**6.50**	**200,000**	6.50	200,000
Floating rate A$	**6.24**	**569,018**	6.05	569,018
Capital bonds	**9.75**	**307,205**	9.75	307,205
Fixed interest rate bonds	**6.81**	**200,000**	-	-
Private placement senior notes	**5.65**	**418,315**	-	-
Pre-IPO equity securities	**8.51**	**354,401**	-	-
Other	**6.64**	**4,852**	6.15	3,912
		3,149,284		1,788,135

The parent has no borrowings.

31. FINANCIAL INSTRUMENTS (continued)

INTEREST RATE RISK (continued)

The weighted average interest rates of interest rate swaps and cross currency swaps are as follows (continued).

	GROUP 2005 WEIGHTED AVERAGE INTEREST RATE %	NOTIONAL AMOUNT $000	GROUP 2004 WEIGHTED AVERAGE INTEREST RATE %	NOTIONAL AMOUNT $000
Interest rate swaps (floating to fixed)				
Maturing in less than 1 year	**6.93**	**215,000**	6.97	135,000
Maturing between 1 and 2 years	**7.22**	**100,000**	7.20	175,000
Maturing between 2 and 5 years	**6.68**	**400,000**	6.79	460,000
Maturing after 5 years	**6.68**	**365,000**	6.69	80,000
		1,080,000		850,000
Interest rate swaps (fixed to floating)				
Maturing between 1 and 2 years	**6.50**	**200,000**	-	-
Maturing between 2 and 5 years	**7.46**	**200,000**	-	-
		400,000		-
Forward starting interest rate swaps				
Floating to fixed maturing between 2 and 5 years	**6.62**	**250,000**	-	-
Floating to fixed maturing after 5 years	**6.60**	**260,000**	6.70	200,000
Fixed to floating maturing between 2 and 5 years	-	-	6.50	200,000
		510,000		400,000
Cross currency swaps (pay leg) – floating	**7.65**	**987,333**	6.38	569,018
Cross currency swaps (receive leg) – floating	**5.99**	**987,333**	6.05	569,018

31. FINANCIAL INSTRUMENTS (continued)

Bank loans, working capital loans, A$ medium term notes and pre-IPO equity securities are based on floating rates. A portion of the bank loans are hedged through interest rate swaps which convert the floating rate into a fixed rate.

The A$ medium term notes are hedged through cross currency swaps (eliminating the foreign currency risk) and interest rate swaps (floating to fixed).

The NZ$ medium term notes are fixed interest rate notes. These notes are hedged by the interest rate swaps (fixed to floating).

Fixed interest rate bonds are at fixed interest rates.

The US$ privately placed senior notes are hedged through cross currency swaps (eliminating the foreign currency risk).

The forward starting interest rate swaps (fixed to floating) are to convert the fixed interest rate borrowings to floating rates.

The forward starting interest rate swaps (floating to fixed) are to hedge forecasted future floating rate debt.

FOREIGN EXCHANGE RISK

During the year, the group privately placed US$ senior notes with US investors. The group has hedged these notes with cross currency swaps thereby eliminating the foreign exchange currency risk.

The group has also, in this reporting period, conducted transactions in foreign currencies for the purpose of protecting the NZ$ value of capital expenditure.

At balance date the group has no significant exposure to foreign currency risk.

The Parent has no foreign exchange risk.

CREDIT RISK

In the normal course of business, the group is exposed to credit risks from energy retailers, financial institutions and trade debtors. The group has credit policies, which are used to manage the exposure to credit risks.

As part of these policies, the group can only have exposures to financial institutions having at least a credit rating of A- long term from Standard & Poor's (or equivalent rating). In addition, limits on exposures to financial institutions have been set by the board of directors and are monitored on a regular basis. In this respect, the group minimises its credit risk by spreading such exposures across a range of institutions. The group does not anticipate non-performance by any of these financial institutions.

The group, through the Kapuni Energy Joint Venture, has credit risk on any difference between the electricity spot price and the contract price where, on settlement of the electricity price hedge contracts, the spot price is greater than the contract price. Again, the group does not anticipate any non-performance of any obligations that may exist on maturity of these contracts.

The group has some concentration of credit exposures with a few large energy retailers and large energy customers. To minimise this risk, the group performs credit evaluations on all energy retailers and large energy customers and requires a bond or other form of security where deemed necessary.

The group places its cash deposits with a small number of banking institutions and limits the amount deposited with each institution.

The maximum exposure to credit risk is represented by the carrying value of each financial asset.

	GROUP		PARENT	
	2005 CARRYING AMOUNT $000	2004 CARRYING AMOUNT $000	2005 CARRYING AMOUNT $000	2004 CARRYING AMOUNT $000
Cash and bank overdraft	**1,280**	3,529	**121**	94
Short Term Deposits	**5,506**	4,413	**5,506**	4,413
Trade Receivables	**140,313**	73,740	**-**	-
Cross currency swaps	**8,573**	3,612	**-**	-

Notes to the Financial Statements
for the year ended 30 June 2005

31. FINANCIAL INSTRUMENTS (continued)

FAIR VALUES

	GROUP 2005 CARRYING AMOUNT $000	FAIR VALUE $000	GROUP 2004 CARRYING AMOUNT $000	FAIR VALUE $000
Financial assets				
Cash and bank overdraft	**1,280**	**1,159**	3,529	3,529
Short Term Deposits	**5,506**	**5,506**	4,413	4,413
Trade receivables	**140,313**	**140,313**	73,740	73,740
Financial liabilities				
Trade payables and other creditors	**123,715**	**123,715**	63,268	63,268
Bank loans	**1,045,128**	**1,045,128**	675,075	675,075
Working capital loan	**55,050**	**55,050**	38,167	38,167
Medium term notes:				
Fixed rate NZ$	**202,627**	**202,058**	202,343	202,254
Floating rate A$	**576,954**	**512,108**	576,714	514,641
Capital bonds	**308,536**	**318,656**	308,436	326,419
Fixed interest rate bonds	**200,908**	**201,292**	-	-
Private placement senior notes	**425,192**	**399,373**	-	-
Pre-IPO equity securities	**355,723**	**355,723**	-	-
Other	**4,879**	**3,760**	3,932	3,145
Financial derivative liabilities/(assets)				
Interest rate swaps	**3,992**	**15,499**	7,991	5,570
Cross currency swaps	**(8,573)**	**76,751**	(3,612)	55,104

	PARENT 2005 CARRYING AMOUNT $000	FAIR VALUE $000	PARENT 2004 CARRYING AMOUNT $000	FAIR VALUE $000
Financial assets				
Cash and bank overdraft	**121**	**121**	94	94
Short Term Deposits	**5,506**	**5,506**	4,413	4,413
Financial liabilities				
Trade payables and other creditors	**195**	**195**	187	187

31. FINANCIAL INSTRUMENTS (continued)

FAIR VALUES (continued)

The following methods and assumptions were used to estimate the carrying amount and fair value of each class of financial instrument where it is practical to estimate that value:

Trade receivables and payables, cash and short term deposits, loans and working capital

The carrying amount of these items is equivalent to their fair value and includes the principal and interest accrued. Bank overdrafts are set-off against cash balances pursuant to right of set off. Trade receivables are net of doubtful debts provided.

Medium term notes and floating rate notes

The fair value of NZ$ medium term notes is based on quoted market prices.

The carrying amount for the NZ$ medium term notes is based on face value less discount plus accruals.

The fair value of A$ medium term notes is based on face value plus accruals converted at the exchange rate prevailing at balance date.

The carrying amount for the A$ medium term notes includes the principal and interest accrued, converted at the contract rates.

Capital bonds

The fair value of capital bonds is based on quoted market prices.

The carrying amount includes the principal and interest accrued.

Fixed interest rate bonds

The fair value of fixed interest rate bonds is based on quoted market prices.

The carrying amount includes the principal and interest accrued.

Private placement senior notes

The fair value of US$ privately placed senior notes is based on face value plus accruals converted at the exchange rate prevailing at balance date.

The carrying amount for the US$ privately placed senior notes includes the principal and interest accrued, converted at the contract rates.

Pre-IPO equity securities

The carrying amount of the pre-IPO equity securities is equivalent to their fair value and includes the principal and interest accrued

Derivative instruments

The fair value of interest rate swaps, cross currency swaps, forward rate agreements and other derivative instruments is estimated based on the quoted market prices for these instruments.

The carrying amount includes the mark-to-market adjustments (net of amortisation) on derivative transactions acquired and interest accrued.

LIQUIDITY RISK

Liquidity risk is the risk that the group and the parent may encounter difficulty in raising funds at short notice to meet its financial commitments as they fall due.

In order to reduce the exposure to liquidity risk, the group and the parent have access to undrawn committed lines of credit.

Notes to the Financial Statements

for the year ended 30 June 2005

32. CONTINGENT LIABILITIES

The Trustees are aware of claims that have been made against the group and, where appropriate, have recognised provisions for these within the financial statements. No other material contingencies requiring disclosure have been identified (30 June 2004: nil).

The Parent has no material contingent liabilities.

33. AMALGAMATIONS

On 1 July 2003, UnitedNetworks Limited and Caduceus Equities No. 1 Limited were amalgamated into the group. The amalgamations had the following effect on the Group's financial position.

	GROUP 2004 $000
CURRENT ASSETS	
Receivables and prepayments	30,831
Capitalised finance costs	2,479
Investments	8,220
Advance to parent	656,346
Total current assets	697,876
NON-CURRENT ASSETS	
Receivables and prepayments	1,506
Income tax	7,810
Capitalised finance costs	9,198
Investments	2,284
Intangible assets	738,764
Property, plant and equipment	1,024,946
Total non-current assets	1,784,508
CURRENT LIABILITIES	
Bank overdraft	415
Payables and accruals	45,645
Total current liabilities	46,060
NON-CURRENT LIABILITIES	
Payables and accruals	6,862
Borrowings	767,951
Deferred tax	102,375
Total non-current liabilities	877,188
Net assets acquired on amalgamation	1,559,136
Cost of investment	(1,513,297)
Recognised in statement of movements in equity	45,839

34. TRANSACTIONS WITH RELATED PARTIES

During the year the Parent engaged in the following transactions with Vector Limited. The Parent is the sole shareholder of Vector Limited.

Receipt of dividend from Vector Limited	$49.10 million (2004: $32.20 million)
Payments made to Vector Limited	$0.02 million (2004: $0.02 million)

Note 18 identifies all group entities including associates, partnerships and joint venture in which the group has an interest. All of these entities are related parties of the parent. Other than the directors themselves, there are no additional related parties with whom material transactions have taken place.

The Group has paid the following remuneration to the Trustees and to the Directors of Vector Limited during the period as follows:

	NOTES	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Trustees Remuneration					
W Kyd		**81**	33	**81**	33
S Chambers		**65**	22	**65**	22
M Buczkowski		**47**	30	**47**	30
J Collinge		**45**	132	**45**	34
K Sherry		**56**	34	**56**	34
C Van Camp		**-**	8	**-**	8
P Winter		**-**	8	**-**	8
Other Directors Fees (paid to directors of Vector Limited)		**662**	456	**-**	-
Total		**956**	723	**294**	169

35. EVENTS AFTER BALANCE DATE

On 11 July 2005, Vector Limited made a full takeover offer to purchase all of the NGC shares on issue not already held by Vector Limited. The takeover offer was partially funded by the launch of an initial public offering (IPO) of 24.9% of the existing share capital of Vector Limited. Vector Limited issued its Prospectus on 27 June 2005.

On 10 August 2005, a sufficient number of acceptances of the takeover offer had been received in order for Vector Limited to obtain an aggregate shareholding in NGC Holdings Limited exceeding the 90 percent limit required to move to compulsory acquisition of the remaining shares not held. Hence the takeover offer was closed on that date. As the other offers pursuant to the IPO to AECT beneficiaries and capital bondholders were significantly over-subscribed, Vector Limited also elected to close those offers on 10 August 2005.

Also, on 10 August 2005, the board of directors of Vector Limited approved a final dividend for the year ended 30 June 2005 of $53.6 million. This dividend was paid to the AECT as sole shareholder at that date.

On 15 August 2005, Vector Limited commenced trading on the NZSX and repaid the pre-IPO equity securities.

No adjustments are required to these financial statements in respect of these events.

36. INTERNATIONAL FINANCIAL REPORTING STANDARDS

In December 2002 the New Zealand Accounting Standards Review Board ("ASRB") announced that International Financial Reporting Standards ("IFRS") will apply to all New Zealand entities for financial periods commencing on or after 1 January 2007. In adopting IFRS for issue as New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") certain adaptations have been made to reflect New Zealand circumstances. Entities will also have the option of voluntarily early adopting NZ IFRS for periods beginning on or after 1 January 2005.

On 24 November 2004 the ASRB approved the stable platform of New Zealand equivalents to International Accounting Standards. In complying with NZ IFRS, the group will also be in compliance with IFRS.

Upon adoption of NZ IFRS, entities are required to restate comparative financial statements to reflect the application of NZ IFRS to that comparable period. In addition an opening position for the comparative period must also be determined as if NZ IFRS had always been in place, subject to some exemptions provided under NZ IFRS 1: First Time Adoption of New Zealand Equivalents to International Financial Reporting Standards that recognise the practical difficulties of retrospective application.

The group has commenced reviewing its accounting policies and financial reporting to comply with NZ IFRS. The group has allocated internal resources and engaged external consultants to conduct impact assessments to isolate key areas that will be impacted by the transition to NZ IFRS and to oversee adoption of NZ IFRS across the group. The group has yet to determine its transition date to NZ IFRS, however the group must publish its first set of annual financial statements prepared under NZ IFRS for the year ending 30 June 2008 at the latest.

The group has yet to finalise its accounting policies under NZ IFRS and as a consequence is yet to quantify with any degree of certainty the adjustments that will be required in the consolidated statement of financial position on adoption of NZ IFRS and the impact on the statement of financial performance thereafter. The actual impact of adopting NZ IFRS may vary from the information presented below, and that variation may be material.

An overview of the key areas where accounting policies are expected to change and have an impact on future financial statements of the group is set out below:

Financial instruments

The group uses derivative financial instruments within predetermined policies and limits in order to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. Derivative financial instruments that are designated as hedges of specific items are recognised on the same basis as the underlying hedged item. Fair value adjustments on derivative transactions acquired are capitalised and the mark to market adjustment is amortised over the period of the underlying derivative. The fair values of other derivative financial instruments are disclosed in the notes to the financial statements.

Under NZ IFRS there is a requirement to recognise all derivative financial instruments in the statement of financial position at fair value. On the date of transition, the group will have to value all outstanding derivative financial instruments and recognise them in the statement of financial position.

Thereafter, if the derivative financial instrument does not meet the requirements for hedge accounting, then any mark to market revaluation will be recognised in the statement of financial performance. If, however, a derivative financial instrument meets the criteria set out in the standard to qualify for hedge accounting then depending upon the type of hedging relationship, either of the following shall apply:

- The gain or loss from remeasuring the hedging instrument shall be recognised in the statement of financial performance along with the gain or loss on the hedged item attributable to the hedged risk; or
- The portion of the gain or loss on the hedging instrument that is effective shall be recognised directly in equity and the ineffective portion shall be recognised in the statement of financial performance

Income taxes

Under NZ IFRS, deferred tax will be calculated using the balance sheet liability approach rather than the tax effect income statement approach currently used. This new approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. This is likely to impact the levels of deferred tax assets and liabilities recorded by the group.

Goodwill and other intangible assets

The group currently amortises goodwill arising on acquisition of subsidiary companies over a period not exceeding 20 years. Under NZ IFRS, on acquisition of such companies giving rise to a business combination, the group is required, where possible, to separate the components of goodwill into separately identifiable intangible assets. Any identifiable intangible assets will be recognised on the group's balance sheet and amortised over their assessed useful economic life. The remaining balance of goodwill will not be subject to amortisation under NZ IFRS, but will be subjected to an annual impairment test, which may give rise to an impairment expense if the assessment of the fair value of the goodwill is lower than its carrying value. Any acquisitions falling into the transitional year before NZ IFRS is adopted would be subject to the fair value requirements of NZ IFRS and consequently identifiable intangible assets would need to be accounted for separately.

37. PROSPECTIVE FINANCIAL INFORMATION

Vector Limited issued its Prospectus pursuant to its initial public offering on 27 June 2005. In accordance with Financial Reporting Standard No. 9: Information to be Disclosed in Financial Statements, a comparison of actual and forecast financial information from the Prospectus is presented below.

Summary Statement of Financial Performance
for the year ended 30 June 2005

	ACTUAL 2005 $000	FORECAST 2005 $000	VARIANCE 2005 $000
Operating revenue	**870,955**	865,605	5,350
Earnings before interest, income tax, depreciation and intangible asset amortisation (EBITDA)	**466,134**	465,012	1,122
Net surplus for the year	**40,770**	40,732	38

Operating revenue was higher than forecast due to the recovery of prior year revenue not forecast and increased revenue from NGC's gas tolling sales business, Liquigas Limited.

EBITDA was above forecast due to operating revenue exceeding forecast (explained above) offset by higher than forecast maintenance expenditure and property, plant and equipment removals.

Summary Statement of Financial Position
as at 30 June 2005

	ACTUAL 2005 $000	FORECAST 2005 $000	VARIANCE 2005 $000
ASSETS			
Current assets	**207,795**	195,307	12,488
Non-current assets	**4,643,709**	4,634,084	9,625
Total assets	**4,851,504**	4,829,391	22,113
LIABILITIES			
Borrowings	**3,148,785**	3,148,003	(782)
Other current liabilities	**169,393**	146,973	(22,420)
Other non-current liabilities	**487,754**	484,374	(3,380)
Total liabilities	**3,805,932**	3,779,350	(26,582)
EQUITY			
Share capital	**300,000**	300,000	-
Reserves attributable to shareholders	**629,149**	632,897	3,748
Minority shareholders equity	**116,423**	117,144	721
Total equity	**1,045,572**	1,050,041	4,469
Total equity and liabilities	**4,851,504**	4,829,391	(22,113)

Forecasted gas entitlements of $9,500,000 originally disclosed in the Prospectus as non-current assets (within intangible assets) have been reclassified to current assets to facilitate comparison with the consolidated statement of financial position as at 30 June 2005.

Current assets were higher than forecast due to the additional operating revenue recorded in June 2005 and higher customer receivables.

Non-current assets exceeded forecast primarily as a result of a higher level of capital expenditure than forecast.

Other current liabilities were greater than forecast due to higher than forecast levels of accruals including accrued capital expenditure.

37. PROSPECTIVE FINANCIAL INFORMATION (continued)

Summary Statement of Cash Flows
for the year ended 30 June 2005

	ACTUAL 2005 $000	FORECAST 2005 $000	VARIANCE 2005 $000
Net cash from operating activities	**239,475**	240,116	(641)
Net cash used in investing activities	**(1,052,817)**	(1,051,816)	(1,001)
Net cash from financing activities	**811,066**	811,765	(699)
Net (decrease) / increase in cash balances	**(2,276)**	65	(2,341)
Cash balances at beginning of the year	**3,435**	3,435	-
Cash balances at end of the year	**1,159**	3,500	(2,341)

Forecasted debt raising costs incurred of $2,366,000 which were disclosed in the Prospectus as operating cash outflows have been reclassified as financing cash flows to facilitate comparison with the consolidated statement of cash flows for the year ended 30 June 2005.

Net cash used in investing activities was higher than forecast due to the timing of actual payments to professional advisors for due diligence in relation to the takeover offer for NGC Holdings Limited. This was partially offset by lower than forecast cash payments to contractors for capital expenditure which also resulted in higher accrued capital expenditure in other current liabilities in the statement of financial position.

Net cash from financing activities was lower than forecast due to a dividend paid to minority interests of Liquigas Limited which was not forecast.

Grant Thornton

Chartered Accountants
& Business Advisers

AUDITORS REPORT

TO THE TRUSTEES OF AUCKLAND ENERGY CONSUMER TRUST

We have audited the financial statements on pages 4 to 44. The financial statements provide information about the past financial performance and cash flows of the trust and group for the year ended 30 June 2005 and the financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 10 to 14.

Trustees' Responsibilities
The Trustees are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the trust and group as at 30 June 2005 and of the financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities
It is our responsibility to express an independent opinion on the financial statements presented by the Trustees and report our opinion to you.

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

- the significant estimates and judgements made by the Trustees in the preparation of the financial statements; and
- whether the accounting policies used are appropriate to the trust's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain 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.

Other than in our capacity as auditors, we have no relationship with or interests in the trust or its subsidiary.

Unqualified Opinion
We have obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept by the trust as far as appears from our examination of those records; and
- the financial statements on pages 4 to 44:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the trust and group as at 30 June 2005 and the financial performance and cash flows for the year ended on that date.

Our audit was completed on 26 October 2005 and our unqualified opinion is expressed as at that date.

Grant Thornton

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