

Financial Statements

for the year ended 30 June 2005

CONTENTS

Auditors Report	45
Statement of Financial Performance	46
Statement of Movements in Equity	47
Statement of Financial Position	48
Statement of Cash Flows	49
Statement of Accounting Policies	51
Notes to the Financial Statements	56

2005 FINANCIAL STATEMENTS

The directors are pleased to present the financial statements of the group for the year ended 30 June 2005.

For and on behalf of directors



Director

19 August 2005



Director

19 August 2005

For and on behalf of management



Chief Executive Officer

19 August 2005



Chief Financial Officer

19 August 2005

Auditors Report

for the year ended 30 June 2005



To the shareholders of Vector Limited

We have audited the financial statements on pages 46 to 86. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 June 2005. This information is stated in accordance with the accounting policies set out on pages 51 to 55.

Directors' responsibilities

The directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 30 June 2005 and the results of their operations 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 directors 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 directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company'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.

Our firm has also provided other services to the company and certain of its subsidiaries in relation to taxation and other audit related services. KPMG Transaction Services Limited, a related company, has performed financial advisory services for the group. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company or any of its subsidiaries.

Unqualified opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 46 to 86:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the company and group as at 30 June 2005 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 19 August 2005 and our unqualified opinion is expressed as at that date.

Auckland

Statement of Financial Performance

for the year ended 30 June 2005

	NOTE	GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Operating revenue	2	870,955	572,205	618,387	565,377
Operating expenditure	3	(404,821)	(231,154)	(254,386)	(229,092)
Earnings before interest, income tax, depreciation & amortisation		466,134	341,051	364,001	336,285
Depreciation and amortisation	4	(158,898)	(111,749)	(108,063)	(108,599)
Operating surplus before interest and income tax		307,236	229,302	255,938	227,686
Net interest expense	5	(193,432)	(141,033)	(172,737)	(140,043)
Operating surplus before income tax		113,804	88,269	83,201	87,643
Income tax expense	6	(58,984)	(30,907)	(40,488)	(31,763)
Operating surplus		54,820	57,362	42,713	55,880
Minority interests	14	(14,050)	473	–	–
Net surplus for the year		40,770	57,835	42,713	55,880

Statement of Movements in Equity

for the year ended 30 June 2005

	NOTE	GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
RECOGNISED REVENUES AND EXPENSES					
Net surplus for the year:					
Group and parent		40,770	57,835	42,713	55,880
Minority interests	14	14,050	(473)	-	-
Movement in revaluation reserve	12	(7,311)	-	(7,311)	-
Total recognised revenues and expenses for the year		47,509	57,362	35,402	55,880
On amalgamation of subsidiaries	34	-	-	-	45,839
On acquisition of NGC Holdings Limited	14	107,580	-	-	-
DISTRIBUTIONS TO OWNERS					
Dividends	11	(54,728)	(32,200)	(49,100)	(32,200)
Movements in equity for the year		100,361	25,162	(13,698)	69,519
Equity at beginning of the year		945,211	920,049	940,827	871,308
Equity at end of the year		1,045,572	945,211	927,129	940,827

Statement of Financial Position

as at 30 June 2005

	NOTE	GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
CURRENT ASSETS					
Cash		1,159	3,435	1,061	2,432
Receivables and prepayments	15	153,741	78,950	84,705	72,383
Prepaid gas	16	19,180	–	–	–
Inventories	17	8,800	–	–	–
Income tax	8	12,476	8,838	–	8,782
Capitalised finance costs	18	2,939	8,011	2,456	8,011
Intangible assets	23	9,500	–	–	–
Advances to subsidiaries		–	–	22,393	20,440
Total current assets		207,795	99,234	110,615	112,048
NON-CURRENT ASSETS					
Receivables and prepayments	15	8,761	1,809	1,737	1,809
Prepaid gas	16	11,458	–	–	–
Income tax	8	48,756	31,220	46,578	29,217
Capitalised finance costs	18	7,671	11,281	6,337	11,281
Investments	20	17,776	2,750	903,374	18,284
Intangible assets	23	1,339,110	700,086	668,518	697,082
Property, plant and equipment	24	3,210,177	2,224,136	2,265,234	2,199,828
Total non-current assets		4,643,709	2,971,282	3,891,778	2,957,501
Total assets		4,851,504	3,070,516	4,002,393	3,069,549
CURRENT LIABILITIES					
Payables and accruals	25	169,393	88,304	109,652	82,102
Borrowings	30	1,026,665	39,549	926,443	38,000
Advances from subsidiaries		–	–	13,706	13,706
Total current liabilities		1,196,058	127,853	1,049,801	133,808
NON-CURRENT LIABILITIES					
Payables and accruals	25	19,668	4,127	1,423	3,727
Borrowings	30	2,122,120	1,747,804	1,749,039	1,745,441
Deferred tax	9	468,086	245,521	275,001	245,746
Total non-current liabilities		2,609,874	1,997,452	2,025,463	1,994,914
Total liabilities		3,805,932	2,125,305	3,075,264	2,128,722
EQUITY					
Share capital	10	300,000	300,000	300,000	300,000
Asset revaluation reserve	12	547,383	554,694	545,689	553,000
Retained earnings	13	81,766	90,096	81,440	87,827
Parent shareholders equity		929,149	944,790	927,129	940,827
Minority shareholders equity	14	116,423	421	–	–
Total equity		1,045,572	945,211	927,129	940,827
Total equity and liabilities		4,851,504	3,070,516	4,002,393	3,069,549

Statement of Cash Flows

for the year ended 30 June 2005

	NOTE	GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
OPERATING ACTIVITIES					
Cash provided from:					
Receipts from customers		826,240	565,744	601,900	560,279
Interest portion of repayments on finance leases		120	121	120	121
Interest received on deposits		1,795	716	1,138	348
Income tax refund received		207	1,382	-	1,382
Dividends received		276	200	8,928	200
		828,638	568,163	612,086	562,330
Cash applied to:					
Payments to suppliers and employees		(357,883)	(234,123)	(247,596)	(228,138)
Income tax paid		(38,989)	(11,200)	(19,814)	(11,200)
Payment in respect to tax loss offset		-	(2,573)	-	(2,573)
Interest portion of payments under finance leases		(253)	(252)	-	-
Interest paid on subordinated debt		(46,252)	(29,498)	(46,252)	(29,498)
Interest paid on other debt		(145,786)	(110,395)	(129,525)	(110,395)
		(589,163)	(388,041)	(443,187)	(381,804)
Net cash from operating activities		239,475	180,122	168,899	180,526
INVESTING ACTIVITIES					
Cash provided from:					
Advances from subsidiaries		-	-	-	404
Proceeds from sale of property, plant and equipment		1,781	103	122	-
Proceeds from sale of property held for sale		-	9,525	-	9,525
Receipts from loans repaid		11	1,712	11	212
Capital portion of repayments on finance leases		10	9	10	9
Refund of security deposits		313	-	313	-
		2,115	11,349	456	10,150
Cash applied to:					
Advance to subsidiaries		-	-	(677)	-
Acquisition of shares in NGC Holdings Limited	19	(885,090)	-	(885,090)	-
Bank overdraft acquired from NGC Holdings Limited	19	(8,667)	-	-	-
Purchase and construction of property, plant and equipment		(159,952)	(99,470)	(125,043)	(97,602)
Purchase of investments		(723)	-	-	-
Payments for loans issued		(500)	-	(250)	-
Payments for security deposits		-	(313)	-	(313)
		(1,054,932)	(99,783)	(1,011,060)	(97,915)
Net cash used in investing activities		(1,052,817)	(88,434)	(1,010,604)	(87,765)

Statement of Cash Flows (continued)

for the year ended 30 June 2005

	NOTE	GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
FINANCING ACTIVITIES					
Cash provided from/(applied to):					
Proceeds from borrowings		2,048,936	284,149	2,042,041	282,302
Repayment of borrowings		(1,179,486)	(341,000)	(1,150,000)	(341,000)
Debt raising costs incurred		(3,224)	–	(2,607)	–
Capital portion of payments under finance leases		(432)	(500)	–	–
Dividends paid to the AECT	11	(49,100)	(32,200)	(49,100)	(32,200)
Dividends paid to minority interests	11	(5,628)	–	–	–
Net cash from/(used in) financing activities		811,066	(89,551)	840,334	(90,898)
Net (decrease)/increase in cash balances		(2,276)	2,137	(1,371)	1,863
Cash balances at beginning of the year		3,435	1,298	2,432	984
Overdraft acquired on amalgamation		–	–	–	(415)
Cash balances at end of the year		1,159	3,435	1,061	2,432
RECONCILIATION OF NET SURPLUS TO NET CASH FROM OPERATING ACTIVITIES					
Net surplus for the year		40,770	57,835	42,713	55,880
Minority interests		14,050	(473)	–	–
Operating surplus		54,820	57,362	42,713	55,880
ITEMS CLASSIFIED AS INVESTING AND FINANCING ACTIVITIES					
Net loss on write-off of property, plant and equipment		4,042	3,307	3,782	2,907
Gain on sale of property held for sale		–	(1,143)	–	(1,143)
Capitalised costs		(5,078)	(4,055)	(4,768)	(4,055)
Other		–	(446)	–	(446)
		(1,036)	(2,337)	(986)	(2,737)
NON-CASH ITEMS					
Depreciation and amortisation		158,898	111,749	108,063	108,599
Amortisation of the mark to market adjustment		(3,393)	(4,428)	(3,134)	(4,428)
Amortisation of prepaid gas		14,136	–	–	–
Amortisation of capitalised finance costs		3,862	8,170	3,245	8,170
Increase in deferred tax		25,991	38,378	29,255	38,616
Decrease in provisions		(3,409)	(615)	(1,745)	(542)
Equity earnings		(655)	(666)	–	–
		195,430	152,588	135,684	150,415
MOVEMENT IN WORKING CAPITAL					
Increase in payables and accruals		37,837	881	13,664	4,689
Decrease in inventory		521	–	–	–
Increase in receivables and prepayments		(42,308)	(7,233)	(13,864)	(7,169)
Increase in income tax assets		(5,789)	(21,139)	(8,312)	(20,552)
		(9,739)	(27,491)	(8,512)	(23,032)
Net cash from operating activities		239,475	180,122	168,899	180,526

Statement of Accounting Policies

for the year ended 30 June 2005

ENTITIES REPORTING

Vector Limited is a company registered under the Companies Act 1993. Vector Limited is an issuer for the purpose of the Financial Reporting Act 1993 and its financial statements comply with that Act.

Financial statements for Vector Limited (the "parent") and consolidated financial statements are presented. The consolidated financial statements comprise the parent and its subsidiaries (the "group") and the group's share of any interest in associates, partnerships and joint ventures.

These 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 disclosed. Further information regarding the acquisition of the shareholding in NGC Holdings Limited is disclosed in note 19 of these financial statements.

STATUTORY BASE

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

MEASUREMENT BASE

The financial statements are prepared on the basis of historical cost modified by the revaluation of certain items of property, plant and equipment as identified in specific accounting policies below.

Where a change in the presentational format of the financial statements has been made during the period, comparative figures have been restated accordingly.

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 parent. 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 identifiable assets and liabilities and related goodwill of that 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.

Statement of Accounting Policies (continued)

for the year ended 30 June 2005

A) BASIS OF CONSOLIDATION (CONTINUED)

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

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.

Statement of Accounting Policies (continued)

for the year ended 30 June 2005

PAGE
53

J) 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.

K) 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, or revalued amount, less any expected residual value of the property, plant and equipment to the statement of financial performance over its 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.

L) 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.

Statement of Accounting Policies (continued)

for the year ended 30 June 2005

M) 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 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.

N) 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.

O) 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.

P) 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 in current accounts in banks, net of bank overdrafts.

Q) 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

PAGE
55

CHANGES IN ACCOUNTING POLICIES

With effect from 1 July 2004, the board of directors 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 report of Vector Limited for the year ended 30 June 2004.

Notes to the Financial Statements

for the year ended 30 June 2005

1. SEGMENT INFORMATION

The group operates in the following areas in the utilities sector in New Zealand. Intersegment sales are on an arms length basis.

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.

GROUP 2005	INFRASTRUCTURE \$000	ENERGY TRADING \$000	UNALLOCATED /OTHER \$000	TOTAL \$000
Operating revenue				
External to group	713,730	152,093	5,132	870,955
Intersegment	22,196	3,399	(25,595)	–
Segment revenue	735,926	155,492	(20,463)	870,955
Earnings before interest, income tax, depreciation & amortisation	459,367	44,446	(37,679)	466,134
Depreciation and amortisation	(145,859)	(5,361)	(7,678)	(158,898)
Operating surplus before interest and income tax	313,508	39,085	(45,357)	307,236
Net interest expense				(193,432)
Operating surplus before income tax				113,804
Income tax expense				(58,984)
Operating surplus				54,820
Minority interests				(14,050)
Net surplus for the year				40,770
Total assets	4,492,218	193,534	165,752	4,851,504
GROUP 2004	INFRASTRUCTURE \$000	ENERGY TRADING \$000	UNALLOCATED /OTHER \$000	TOTAL \$000
Operating revenue				
External to group	566,776	–	5,429	572,205
Intersegment	–	–	–	–
Segment revenue	566,776	–	5,429	572,205
Earnings before interest, income tax, depreciation & amortisation	379,660	–	(38,609)	341,051
Depreciation and amortisation	(106,179)	–	(5,570)	(111,749)
Operating surplus before interest and income tax	273,481	–	(44,179)	229,302
Net interest expense				(141,033)
Operating surplus before income tax				88,269
Income tax expense				(30,907)
Operating surplus				57,362
Minority interests				473
Net surplus for the year				57,835
Total assets	2,933,695	–	136,821	3,070,516

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

PAGE
57

2. OPERATING REVENUE	GROUP		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Trading revenue:				
Electricity	522,481	487,543	522,481	488,324
Gas	263,473	45,303	46,767	45,303
Metering	37,797	3,063	–	–
Other	9,620	8,204	3,748	4,067
Dividend income	276	–	8,928	200
Equity accounted earnings of associates	655	666	–	–
Gain on sale of investments	–	1,143	–	1,143
Gain on disposal of property, plant and equipment	260	115	105	90
Customer contributions	31,897	24,625	31,817	24,625
Miscellaneous income	4,496	1,543	4,541	1,625
Total	870,955	572,205	618,387	565,377
3. OPERATING EXPENDITURE				
Operating expenditure includes:				
Bad debts written-off	185	573	124	573
Decrease in provision for doubtful debts	(547)	(728)	(625)	(783)
Rental and operating lease costs	3,345	1,842	2,293	1,842
Loss on disposal of property, plant and equipment	4,302	3,422	3,887	2,997
Donations	103	10	102	10
Directors fees	662	554	454	554
Subvention payments	–	–	266	737
Auditors remuneration:				
Audit fees paid to principal auditors – KPMG	305	237	253	237
Audit fees paid to other auditors – PwC	82	–	–	–
Fees paid for other assurance services provided – KPMG	144	180	144	180
Fees paid for other non-assurance services provided – KPMG	4	14	4	14
Fees paid for other non-assurance services provided – PwC	61	260	26	260

Fees paid for other non-assurance services provided include fees for advisory services on the implementation of International Financial Reporting Standards (refer note 37).

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

4. DEPRECIATION AND AMORTISATION	NOTE	GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Depreciation of property, plant and equipment					
Distribution systems		73,774	62,910	61,442	62,910
Distribution buildings		1,207	1,536	1,207	1,536
Electricity meters		5,835	360	–	–
Gas meters		467	–	–	–
Generation power stations and equipment		299	–	–	–
Buildings		216	40	40	40
Leasehold improvements		682	485	550	485
Motor vehicles and mobile equipment		458	20	17	20
Computer and telecommunications equipment		10,373	7,278	5,881	4,978
Other plant and equipment		2,025	300	261	262
		95,336	72,929	69,398	70,231
Amortisation of intangible assets					
Amortisation of goodwill	23	57,662	38,820	38,665	38,368
Amortisation of gas entitlement intangible assets	23	5,900	–	–	–
Total		158,898	111,749	108,063	108,599
5. NET INTEREST EXPENSE					
		GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Interest paid and accrued		196,968	139,662	176,994	139,410
Amortisation of capitalised finance costs		3,862	8,170	3,245	8,170
Amortisation of the mark to market adjustment		(3,393)	(4,428)	(3,134)	(4,428)
Interest revenue		(1,915)	(837)	(2,550)	(1,575)
Capitalised interest		(2,090)	(1,534)	(1,818)	(1,534)
Total		193,432	141,033	172,737	140,043

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

PAGE
59

6. INCOME TAX EXPENSE	GROUP		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Operating surplus before income tax	113,804	88,269	83,201	87,643
Prima facie tax at 33%	37,555	29,129	27,456	28,922
Plus/(less) tax effect of permanent differences:				
Deferred tax asset not previously recognised	-	(13,976)	-	(13,976)
Prior period adjustment	(779)	(1,452)	-	(1,463)
Other permanent differences	22,208	17,206	13,032	18,280
Income tax expense	58,984	30,907	40,488	31,763
The income tax expense is represented by:				
Current tax	32,993	(7,471)	11,233	(6,853)
Deferred tax	25,991	38,378	29,255	38,616
Total	58,984	30,907	40,488	31,763
7. IMPUTATION BALANCES	GROUP		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Balance at beginning of the year	277	5,036	277	3,752
Acquired on amalgamation	-	-	-	1,284
Prior period adjustment	(45)	1,104	(45)	1,104
Income tax payments during the year	34,614	11,200	19,814	11,200
Imputation credits attaching to dividends received	1,086	394	4,397	394
Income tax refunds during the year	-	(1,597)	-	(1,597)
Imputation credits attaching to dividends paid	(26,132)	(15,860)	(24,184)	(15,860)
Other	(832)	-	-	-
Balance at end of the year	8,968	277	259	277
The imputation credits are available to shareholders of the parent:				
Through direct shareholding in the parent	259	277	259	277
Through indirect shareholding in subsidiaries	8,709	-	-	-
Total	8,968	277	259	277

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

8. INCOME TAX		GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Current					
Prepaid tax		8,500	28	–	28
Future income tax benefit of losses		3,976	8,810	–	8,754
Total		12,476	8,838	–	8,782
Non-current					
Prepaid tax		46,691	29,211	46,578	29,217
Future income tax benefit of losses		2,065	2,009	–	–
Total		48,756	31,220	46,578	29,217
9. DEFERRED TAX LIABILITY					
	NOTE	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Balance at beginning of the year		245,521	207,143	245,746	104,755
On acquisition of NGC Holdings Limited	19	196,574	–	–	–
Acquired on amalgamation	34	–	–	–	102,375
Prior period adjustment		(256)	–	–	–
On surplus for the year		26,247	38,378	29,255	38,616
Balance at end of the year		468,086	245,521	275,001	245,746
10. SHARE CAPITAL				GROUP AND PARENT	
				2005 \$000	2004 \$000
Ordinary shares					
751,000,000 issued and fully paid shares (2004: 300,000,000 shares)				300,000	300,000
Total				300,000	300,000
<p>All ordinary shares carry equal voting rights and equal rights to a surplus on winding up of the parent.</p> <p>During the year, Vector Limited performed a share split to facilitate the offer of 24.9% of the total share capital of Vector Limited to persons other than the AECT via its initial public offer. Subsequent to balance date, 249,000,000 additional ordinary shares were issued pursuant to that initial public offer.</p>					
11. DIVIDENDS					
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Dividends paid to shareholders of the parent		49,100	32,200	49,100	32,200
Dividends paid to minority interests of:					
NGC Holdings Limited		4,355	–	–	–
Liquigas Limited		1,273	–	–	–
Total		54,728	32,200	49,100	32,200

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

12. ASSET REVALUATION RESERVE		GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
		554,694	554,694	553,000	553,000
		(7,311)	–	(7,311)	–
		547,383	554,694	545,689	553,000
13. RETAINED EARNINGS		GROUP		PARENT	
		NOTE	2005 \$000	2004 \$000	2005 \$000
		90,096	64,461	87,827	18,308
	34	–	–	–	45,839
		40,770	57,835	42,713	55,880
	11	(49,100)	(32,200)	(49,100)	(32,200)
		81,766	90,096	81,440	87,827
14. MINORITY INTEREST		GROUP		PARENT	
		NOTE	2005 \$000	2004 \$000	2005 \$000
		421	894	–	–
	19	107,580	–	–	–
		14,014	–	–	–
		36	(473)	–	–
	11	(5,628)	–	–	–
		116,423	421	–	–
15. RECEIVABLES AND PREPAYMENTS		GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Current					
		143,026	74,570	80,379	72,248
		(2,713)	(1,488)	(150)	(775)
		140,313	73,082	80,229	71,473
		8,254	1,259	4,440	863
		5,174	4,609	36	47
		153,741	78,950	84,705	72,383
Non-current					
		6,774	–	–	–
		1,987	1,809	1,737	1,809
		8,761	1,809	1,737	1,809

Prepayments include \$2.8 million of professional fees incurred relating to the initial public offer of shares of which \$0.6 million was paid to the group's principal auditors, KPMG.

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

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

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's share), of which, 69PJ 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 a 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.

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

PAGE
63

17. INVENTORIES	GROUP		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Natural gas and by-products	132	–	–	–
Trading stock	3,491	–	–	–
Consumable spares	5,177	–	–	–
Total	8,800	–	–	–
18. CAPITALISED FINANCE COSTS	GROUP		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Total capitalised costs				
Capital bonds – cost	–	10,459	–	10,459
Capital bonds – accumulated amortisation	–	(4,214)	–	(4,214)
Other debt – cost	22,533	36,582	19,952	36,311
Other debt – accumulated amortisation	(11,923)	(23,535)	(11,159)	(23,264)
Total	10,610	19,292	8,793	19,292
Current				
Capital bonds	–	2,541	–	2,541
Other debt	2,939	5,470	2,456	5,470
Total	2,939	8,011	2,456	8,011
Non-current				
Capital bonds	–	3,704	–	3,704
Other debt	7,671	7,577	6,337	7,577
Total	7,671	11,281	6,337	11,281

With effect from 1 July 2004, the board of directors 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.

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

19. 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 owned 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	14	(9,465)
Net assets acquired		299,220
Minority interest arising on acquisition	14	(98,115)
Goodwill arising on acquisition	23	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 group's principal auditors, KPMG, and \$0.1 million paid to other auditors, PwC.

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

PAGE
65

20. INVESTMENTS	NOTE	GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Non-current					
Investments in subsidiaries		–	–	901,090	16,000
Investments in associates	21	10,553	2,750	2,284	2,284
Other investments		7,223	–	–	–
Total		17,776	2,750	903,374	18,284

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

	PRINCIPAL ACTIVITY	PERCENTAGE HELD	
		2005	2004
Subsidiaries			
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%

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

20. 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 & 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.

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

PAGE
67

21. INVESTMENT IN ASSOCIATES	NOTE	GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Carrying amount of associates					
Carrying amount at beginning of the year		2,750	2,284	2,284	–
Arising in the financial year:					
On amalgamation of subsidiaries	34	–	–	–	2,284
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	2,284	2,284
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	–	–
22. 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, Taranaki. The group's interest in the joint venture is included in the consolidated financial statements under the classifications shown below.					
		GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	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)	–	–	–

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

23. INTANGIBLE ASSETS	NOTE	GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Goodwill					
Balance at beginning of the year		700,086	742,149	697,082	-
Arising in the financial year:					
On amalgamation of subsidiaries	34	-	-	-	738,764
On acquisition of UnitedNetworks Limited		-	(3,314)	-	(3,314)
On acquisition of NGC Holdings Limited	19	683,985	-	-	-
Other		-	71	-	-
Arising on change of accounting policy		10,101	-	10,101	-
Amortisation in the financial year		(57,662)	(38,820)	(38,665)	(38,368)
Balance at end of the year		1,336,510	700,086	668,518	697,082
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	668,518	697,082
Current					
Gas entitlements		9,500	-	-	-
Total		9,500	-	-	-
Non-current					
Goodwill		1,336,510	700,086	668,518	697,082
Gas entitlements		2,600	-	-	-
Total		1,339,110	700,086	668,518	697,082

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 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 (continued)

for the year ended 30 June 2005

PAGE
69

24. 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	59,643	(3,393)	56,250
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	3,429,752	(219,575)	3,210,177
GROUP 2004	COST / VALUATION \$000	ACCUMULATED DEPRECIATION \$000	NET BOOK VALUE \$000
Distribution systems	2,103,887	(65,217)	2,038,670
Distribution land	35,183	–	35,183
Distribution buildings	31,031	(1,825)	29,206
Electricity meters	4,284	(612)	3,672
Computer and telecommunications equipment	82,207	(35,831)	46,376
Motor vehicles and mobile equipment	229	(136)	93
Other plant and equipment	7,179	(1,357)	5,822
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	2,331,366	(107,230)	2,224,136

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

24. PROPERTY, PLANT AND EQUIPMENT (continued)			
PARENT 2005	COST / VALUATION \$000	ACCUMULATED DEPRECIATION \$000	NET BOOK VALUE \$000
Distribution systems	2,213,026	(144,286)	2,068,740
Distribution land	42,822	–	42,822
Distribution buildings	35,086	(2,357)	32,729
Computer and telecommunications equipment	62,305	(37,034)	25,271
Motor vehicles and mobile equipment	229	(153)	76
Other plant and equipment	8,585	(1,482)	7,103
Freehold land	9,862	–	9,862
Buildings	747	(127)	620
Leasehold improvements	4,924	(2,714)	2,210
Capital work in progress	75,801	–	75,801
Total	2,453,387	(188,153)	2,265,234
PARENT 2004	COST / VALUATION \$000	ACCUMULATED DEPRECIATION \$000	NET BOOK VALUE \$000
Distribution systems	2,103,887	(65,217)	2,038,670
Distribution land	35,183	–	35,183
Distribution buildings	31,031	(1,825)	29,206
Computer and telecommunications equipment	60,737	(31,198)	29,539
Motor vehicles and mobile equipment	229	(136)	93
Other plant and equipment	5,903	(1,221)	4,682
Freehold land	9,156	–	9,156
Buildings	747	(91)	656
Leasehold improvements	4,895	(2,161)	2,734
Capital work in progress	49,909	–	49,909
Total	2,301,677	(101,849)	2,199,828

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.

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

PAGE
71

25. PAYABLES AND ACCRUALS	NOTE	GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Current					
Trade payables and other creditors		123,520	62,423	85,258	56,350
Provision for employee entitlements	26	8,418	2,275	2,520	2,146
Provision for onerous contracts	27	1,723	408	-	408
Other provisions	28	12,149	2,176	465	2,176
Mark to market adjustment		2,605	3,134	2,304	3,134
Interest payable		20,978	17,888	19,105	17,888
Total		169,393	88,304	109,652	82,102
Non-current					
Gas advance		15,525	-	-	-
Deferred gain		442	400	-	-
Mark to market adjustment		3,701	3,727	1,423	3,727
Total		19,668	4,127	1,423	3,727

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.

26. PROVISION FOR EMPLOYEE ENTITLEMENTS		GROUP		PARENT	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Balance at beginning of the year		2,275	1,736	2,146	1,634
Arising in the financial year:					
On acquisition of NGC Holdings Limited		4,775	-	-	-
Net increase during the year		1,368	539	374	512
Balance at end of the year		8,418	2,275	2,520	2,146

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

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

28. OTHER PROVISIONS	GROUP		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Balance at beginning of the year	2,176	15,179	2,176	10,079
Arising in the financial year:				
On amalgamation of subsidiaries	-	-	-	5,000
On acquisition of NGC Holdings Limited	11,712	-	-	-
Additions	543	1,216	-	1,316
Utilised	(738)	(10,448)	(167)	(10,448)
Reversed to the statement of financial performance	(1,544)	-	(1,544)	-
Reversed to goodwill on adjustment of fair value	-	(3,771)	-	(3,771)
Balance at end of the year	12,149	2,176	465	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.

29. COMMITMENTS

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

	GROUP		PARENT	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date but not provided	39,509	20,888	35,224	20,561
Operating lease commitments				
Within one year	5,175	2,891	2,434	2,619
One to two years	4,714	2,184	2,377	1,969
Two to five years	11,918	5,663	6,781	5,312
Beyond five years	5,571	1,405	2,278	1,332
Total	27,378	12,143	13,870	11,232

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.

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

30. BORROWINGS						
GROUP 2005	WEIGHTED AVERAGE INTEREST RATE %	TOTAL \$000	PAYABLE WITHIN 1 YEAR \$000	PAYABLE BETWEEN 1 & 2 YEARS \$000	PAYABLE BETWEEN 2 & 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 & 2 YEARS \$000	PAYABLE BETWEEN 2 & 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

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

30. BORROWINGS (continued)						
PARENT 2005	WEIGHTED AVERAGE INTEREST RATE %	TOTAL \$000	PAYABLE WITHIN 1 YEAR \$000	PAYABLE BETWEEN 1 & 2 YEARS \$000	PAYABLE BETWEEN 2 & 5 YEARS \$000	PAYABLE AFTER 5 YEARS \$000
Bank loans	7.31	781,042	526,042	–	255,000	–
Working capital loan	6.95	46,000	46,000	–	–	–
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	–	–
Private placement senior notes	5.65	418,315	–	–	–	418,315
Pre-IPO equity securities	8.51	354,401	354,401	–	–	–
		2,675,482	926,443	506,706	574,018	668,315
PARENT 2004	WEIGHTED AVERAGE INTEREST RATE %	TOTAL \$000	PAYABLE WITHIN 1 YEAR \$000	PAYABLE BETWEEN 1 & 2 YEARS \$000	PAYABLE BETWEEN 2 & 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	–
		1,783,441	38,000	670,000	825,441	250,000

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

30. BORROWINGS (continued)

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.

31. 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.

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

32. FINANCIAL INSTRUMENTS

The group has a comprehensive treasury policy approved by the board of directors 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.

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		GROUP 2004	
	WEIGHTED AVERAGE INTEREST RATE %	FACE VALUE \$000	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
	PARENT 2005		PARENT 2004	
	WEIGHTED AVERAGE INTEREST RATE %	FACE VALUE \$000	WEIGHTED AVERAGE INTEREST RATE %	FACE VALUE \$000
Bank loans	7.31	781,042	6.39	670,000
Working capital loan	6.95	46,000	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
Private placement senior notes	5.65	418,315	–	–
Pre-IPO equity securities	8.51	354,401	–	–
		2,675,981		1,784,223

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

PAGE
77

32. FINANCIAL INSTRUMENTS (continued)

INTEREST RATE RISK (continued)

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

	GROUP 2005		GROUP 2004	
	WEIGHTED AVERAGE INTEREST RATE %	NOTIONAL AMOUNT \$000	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

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

32. FINANCIAL INSTRUMENTS (continued)**INTEREST RATE RISK (continued)**

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

	PARENT 2005		PARENT 2004	
	WEIGHTED AVERAGE INTEREST RATE %	NOTIONAL AMOUNT \$000	WEIGHTED AVERAGE INTEREST RATE %	NOTIONAL AMOUNT \$000
Interest rate swaps (floating to fixed)				
Maturing in less than 1 year	7.30	155,000	6.97	135,000
Maturing between 1 and 2 years	7.22	100,000	7.20	175,000
Maturing between 2 and 5 years	6.73	300,000	6.79	460,000
Maturing after 5 years	6.56	265,000	6.69	80,000
		820,000		850,000
Interest rate swaps (fixed to floating)				
Maturing between 1 and 2 years	6.50	200,000	–	–
		200,000		–
Forward starting interest rate swaps				
Floating to fixed maturing between 2 and 5 years	6.70	200,000	–	–
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
		460,000		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

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.

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

PAGE
79

32. FINANCIAL INSTRUMENTS (continued)

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.

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	1,159	3,435	1,061	2,432
Trade receivables	147,087	73,082	80,229	71,473
Interest rate swaps	-	-	-	-
Cross currency swaps	8,573	3,612	8,573	3,612

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

32. FINANCIAL INSTRUMENTS (continued) FAIR VALUES	GROUP 2005		GROUP 2004	
	CARRYING AMOUNT \$000	FAIR VALUE \$000	CARRYING AMOUNT \$000	FAIR VALUE \$000
Financial assets				
Cash and bank overdraft	1,159	1,159	3,435	3,435
Trade receivables	147,087	147,087	73,082	73,082
Financial liabilities				
Trade payables and other creditors	123,520	123,520	62,423	62,423
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)	62,799
	PARENT 2005		PARENT 2004	
	CARRYING AMOUNT \$000	FAIR VALUE \$000	CARRYING AMOUNT \$000	FAIR VALUE \$000
Financial assets				
Cash and bank overdraft	1,061	1,061	2,432	2,432
Trade receivables	80,229	80,229	71,473	71,473
Financial liabilities				
Trade payables and other creditors	85,258	85,258	56,350	56,350
Bank loans	784,840	784,840	675,075	675,075
Working capital loan	46,009	46,009	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
Private placement senior notes	425,192	399,373	–	–
Pre-IPO equity securities	355,723	355,723	–	–
Financial derivative liabilities/(assets)				
Interest rate swaps	3,996	12,766	7,991	5,570
Cross currency swaps	(8,573)	76,751	(3,612)	62,799

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

PAGE
81

32. 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 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 has access to undrawn committed lines of credit.

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

33. CONTINGENT LIABILITIES

The directors 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).

34. AMALGAMATIONS

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

	PARENT 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

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

35. TRANSACTIONS WITH RELATED PARTIES

During the year the parent engaged in the following transactions with the Auckland Energy Consumer Trust (AECT) which as at balance date was the sole shareholder of the parent.

	PARENT	
	2005 \$000	2004 \$000
Payment of dividend to the AECT	49,100	32,200
Consultancy fees incurred by the parent in respect of advice received by the AECT regarding the acquisition of NGC	1,000	–
Legal fees incurred by the parent in respect of advice received by the AECT regarding Vector's initial public offer and listing on the NZX	151	–

Note 20 identifies all group entities including associates, partnerships and joint ventures 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.

During the year, the parent entered into the following transactions with subsidiaries.

	PARENT	
	2005 \$000	2004 \$000
Cash advances (to)/from subsidiaries	(677)	404
Gross interest receivable on intercompany debt due to the parent	1,291	1,106
Financial services income	70	70
Income from secondment of staff to subsidiaries	239	–
Purchase of gas distribution services	2,289	–
Purchase of telecommunications services	697	328

A provision of \$68.1 million (2004: \$68.0 million) has been provided against advances to subsidiaries. No related party debts have been written-off or forgiven during the period. All transactions for subsidiary company Mercury Geotherm Limited, which is in receivership, are funded by the parent. Advances to subsidiaries are at arms length and subject to compounding interest at various rates.

The group transacts on an arms length basis with companies in which directors have a disclosed interest.

36. 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 offer (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.

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

37. 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.

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

PAGE
85

38. PROSPECTIVE FINANCIAL INFORMATION

Vector Limited has issued a Prospectus pursuant to its initial public offer 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

	GROUP		
	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

	GROUP		
	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.

Notes to the Financial Statements (continued)

for the year ended 30 June 2005

38. PROSPECTIVE FINANCIAL INFORMATION (continued)**Summary Statement of Cash Flows**

for the year ended 30 June 2005

	GROUP		
	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.

Statutory Information

INTERESTS REGISTER

Each company in the group is required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests registers for Vector Limited and its subsidiaries are available for inspection at their registered offices. Details of all matters that have been entered in the interests register by individual directors during the year ended 30 June 2005 are outlined in this Statutory Information section.

INFORMATION USED BY DIRECTORS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

All directors of the parent named in this report and officers of the group (excluding those of NGC Holdings Limited and its subsidiaries) are indemnified by the parent against all liabilities (other than to the parent or another member of the group) which arise out of performance of their normal duties as directors or officers, unless the liability relates to conduct involving lack of good faith.

NGC Holdings Limited and its subsidiaries separately indemnify their officers and the directors of NGC Holdings Limited named in this report against liabilities which arise legitimately out of performance of their normal duties as directors or officers.

To manage this risk, the group has indemnity insurance.

DONATIONS

Vector Limited made a donation of \$100,000 to the Tsunami Relief Fund following events in South East Asia in December 2004. Subsidiaries made donations of \$1,000 during the year ended 30 June 2005.

CREDIT RATING

As at 30 June 2005 Vector Limited had a Standard & Poor's credit rating of BBB+ with negative implications.

WAIVERS AND NON-STANDARD DESIGNATION

NZX has granted Vector Limited waivers from certain listing rules of NZSX which were still applicable as at 30 June 2005.

Listing rules 3.1.1(a), 3.1.1(c), 3.1.1(d), 3.1.1(e), 3.1.2, 7.3.3 to 7.3.8 and 9.1.1: Vector Limited has been granted waivers from the requirements of various listing rules to allow its constitution to contain certain provisions which are not ordinarily contained in the constitution of a company listed on the NZSX, including, in particular, provisions giving certain rights to the Auckland Energy Consumer Trust (AECT). Vector has been given a non-standard designation by NZX due to the inclusion of these provisions in its constitution.

Listing rule 5.2.3: Vector Limited has been granted a waiver from the requirement for persons other than the AECT to hold at least 25% of the number of shares. This waiver was necessary as the maximum percentage of the shares available under Vector Limited's initial public offer was 24.9%.

EXERCISE OF NZX POWERS

The NZX did not exercise any of its powers set out in Listing Rule 5.4.2 (relating to powers to cancel, suspend or censure an issuer) with respect to Vector Limited.

Statutory Information (continued)

DIRECTORS

The following directors of Vector Limited and current group companies held office as at 30 June 2005 or resigned (R) as a director during the year ended 30 June 2005. Directors marked (A) were appointed during the year.

PARENT

DIRECTORS

Vector Limited
M Buchanan-Oliver (R), M Franklin (A) (R), A Gibbs (A), J Goulter (A), B Leyland (R),
D McLaren, G Muir (A), B Plimmer, M Stiasny, R Thomson (A)

All of the above directors in office at 30 June 2005 are independent directors.

SUBSIDIARIES

DIRECTORS

Auckland Generation Limited	M Franklin, K Nickels
Auckland Network Limited	M Franklin, K Nickels
Broadband Services Limited	M Stiasny
Elect Data Services (Australia) Pty Limited	B Crawford (A), P James (R), O Coppage
Energy North Limited	M Franklin, K Nickels
Liquigas Limited	K Baker, T Barstead, S Bielby, I Bulmer, O Coppage, J Cumming, I Lindsay, C Mulvena, R Pechtold (R), O Poole, M Vulinovich
MEL Silverstream Limited	M Franklin, K Nickels
MEL Network Limited	M Franklin, K Nickels
Mercury Geotherm Limited (in receivership)	M Franklin, A McLachlan, D Ross
NGC Holdings Limited	R Bentley, R Bettie, M Franklin (A), M Harper (R), G Hayes (R), G Martin (R), G Muir (A), B Plimmer (A), M Stiasny (A), F Wilde
NGC Limited	K Baker, S Bielby (A), B Crawford (A), P James (R)
NGC Australia Metering Data Services Limited	S Bielby, O Coppage
NGC Contracts Limited	K Baker, O Coppage, B Crawford (A), P James (R)
NGC Gas Networks Limited	K Baker, B Crawford (A), P James (R)
NGC Investments Limited	S Bielby, O Coppage, B Crawford (A), P James (R)
NGC Kapuni Limited	K Baker, B Crawford (A), C Hazledine (A), A Knight (R), P James (R)
NGC Management Limited	K Baker, B Crawford (A), P James (R)
NGC Metering Limited	K Baker, O Coppage, B Crawford (A), P James (R)
NGC Metering Data Services Limited	S Bielby, O Coppage
NGC New Zealand Limited	K Baker, M Cummings, B Crawford (A), P James (R)
On Gas Limited	B Crawford (A), C Hazledine, P James (R), A Knight (R)
Poihipi Land Limited (in receivership)	M Franklin, A McLachlan, D Ross
Salamanca Holdings Limited	M Franklin, M Underhill
Stream Information Limited	W Falconer, M Franklin, D Houldsworth, S Mackenzie
UnitedNetworks Limited	M Franklin, K Nickels
UnitedNetworks Employee Share Schemes Trustee Limited	M Franklin, K Nickels
Vector Communications Limited	M Buchanan-Oliver (R), A Gibbs (A), J Goulter (A), B Leyland (R), D McLaren, G Muir (A), B Plimmer, M Stiasny, R Thomson (A)
Vector Power Limited	M Franklin, K Nickels
Vector Stream Limited	M Franklin, K Nickels

Statutory Information (continued)

DIRECTORS (continued)	
ASSOCIATES	DIRECTORS
Energy Intellect Limited	R Bettle, B Crawford (A), P James (R)
Pacific Energy Limited	S Bielby, B Dodds, M Franklin, M Underhill
Treescape Limited	E Chignell, M Franklin (R), P Fredricson (A), R Stoddard, D Tompkins, B Whiddett
JOINT VENTURE INTERESTS	DIRECTORS
Kapuni Energy Joint Venture	S Bullock, L Daniels, C Hazledine (A), A Knight (R)

Directors' remuneration and value of other benefits from Vector Limited and current group companies for the year ended 30 June 2005:

DIRECTORS OF VECTOR LIMITED	PAID BY PARENT \$	PAID BY SUBSIDIARIES \$
M Buchanan-Oliver	13,750	–
A Gibbs	41,250	–
J Goulter	41,250	–
B Leyland	41,250	–
G Muir	41,250	27,419
D McLaren	55,000	–
B Plimmer	55,000	32,688
M Stiassny	110,000	49,355
R Thomson	1,959	–
DIRECTORS OF SUBSIDIARIES	PAID BY PARENT \$	PAID BY SUBSIDIARIES \$
K Baker	–	6,630
T Barstead	–	5,000
R Bentley	–	70,000
R Bettle	–	60,000
S Bielby	–	5,000
O Coppage	–	5,000
J Cumming	–	5,000
M Franklin	–	27,419
M Harper	–	22,581
G Hayes	–	27,097
I Lindsay	–	30,520
G Martin	–	40,645
C Mulvena	–	5,000
R Pechtold	–	3,750
O Poole	–	5,863
M Vulinovich	–	1,250
F Wilde	–	62,292

Directors' fees relating to M Franklin were paid to his employing company, Vector Limited. Directors' fees relating to K Baker, S Bielby, O Coppage and J Cumming (who are also officers of NGC Holdings Limited or its subsidiaries) were paid to their employing company. All directors fees paid by subsidiaries are shown for the entire year ended 30 June 2005 (including those paid by subsidiaries acquired by the group during the year).

Statutory Information (continued)

DIRECTORS (continued)

DIRECTORS OF VECTOR LIMITED

Entries in the interests register of Vector Limited up to 30 June 2005 that are not set out elsewhere in this annual report:

DIRECTOR	ENTITY	POSITION	
M Buchanan-Oliver (resigned as a director on 24 August 2004)	Enterprise Waitakere	Trustee	
	Hope Foundation	Trustee	
	Metra Information Limited	Director	
	Meteorological Service of New Zealand Limited	Deputy chair	
	Partners NZ (Waitakere)	Trustee	
	A Gibbs	Aeneid Seventeen Limited	Director
		Coats Limited	Director
		Coats Holdings plc	Director
		Ezypeel Mandarins Limited	Director
		Guinness Peat Group plc	Director
Guinness Peat Group New Zealand Limited		Director	
GPG Forests Limited		Director	
Ithaca Custodians Limited		Director	
Rubicon Limited		Director	
Staveley Inc		Chairman	
Tenon Limited	Chairman		
Tower Limited	Director		
Turners & Growers Limited	Chairman		
Turners & Growers Fresh Limited	Director		
J Goulter	ABN AMRO New Zealand Limited	External advisor	
	Auckland International Airport Limited	Consultant	
	NZ Business & Parliament Trust	Board member and trustee	
	New Zealand Lotteries Commission	Chairman	
	Packard House Limited	Director	
	Television New Zealand Limited	Director	
	United Carriers Group Limited	Director	
	Reserve Bank of New Zealand	Director	
	B Leyland (resigned as a director on 18 March 2005)	Arapito Family Trust	Trustee
		Heathcote Limited	Director
LCL Limited (trading as Bryan Leyland Consulting Engineer)		Director	
Onekaka Energy Limited		Director and shareholder	
D McLaren	Sinclair Knight Merz Limited	Principal (on contract)	
	BOMAC Industries Limited	Chairman	
	BOMAC Laboratories Limited	Chairman	
	BOMAC Research Limited	Chairman	
	D G & R B McLaren Limited	Director	
	D G McLaren No.1 & No.2 Trust	Trustee	
	McLaren Family Trust	Trustee	

Statutory Information (continued)

DIRECTORS (continued)**DIRECTORS OF VECTOR LIMITED (continued)**

Entries in the interests register of Vector Limited up to 30 June 2005 that are not set out elsewhere in this annual report (continued):

DIRECTOR	ENTITY	POSITION
G Muir	Auckland Rugby Union Incorporated	Director
	Eden Park Trust Board of Control	Member
	Patch Kids Limited	Director
	Pumpkin Patch Limited	Chairman
	Pumpkin Patch Originals Limited	Director
	Ronaki Investments Limited	Director
	Torquay Enterprises Limited	Director
B Plimmer	B K Plimmer Limited	Director
	Canada-NZ Business Association	Executive member
	EPOC Systems Limited	Director
	Kenrae Developments Limited	Director
	Kenrae Trust	Trustee
	Rural Couriers Society Limited	General manager
M Stiasny	Ashley Holdings Limited	Director
	Atapo Corporation Limited	Director and shareholder
	Community Relocations Limited	Director and shareholder
	Ferrier Hodgson and Company	Partner
	Ferrier Hodgson & Co Limited	Director and shareholder
	Gadol Corporation Limited	Director and shareholder
	Glenogle Trust Limited	Director and shareholder
	Grafton Investments Limited	Director
	Metlifecare Limited	Director
	Metro Water Limited	Chairman
	Poukawa Estate Limited	Director and shareholder
	Sasha Properties Limited	Director and shareholder
	Spectrum Resources Limited	Shareholder
	The Horticulture & Food Research Institute of New Zealand Limited	Director
	Triceps Holdings Limited	Director and shareholder
	Wanganui Gas Limited	Director
R Thomson	Calnan Holdings Limited	Director and shareholder
	R & M Thomson Holdings Limited	Director and shareholder

The entities listed above against each director may transact with Vector Limited and its subsidiaries in the normal course of business.

Statutory Information (continued)

DIRECTORS (continued)

DIRECTORS OF SUBSIDIARIES

Entries in the interests registers of subsidiaries up to 30 June 2005 that are not set out elsewhere in this annual report:

DIRECTOR	ENTITY	POSITION	
R Bentley	Advisory Board, Degree of Applied Sciences, Otago University	Member	
	Advisory Committee on Learning and Qualifications in Secondary Schools, New Zealand Qualifications Authority	Chairman	
	Carter Observatory	Chairman	
	Crop and Food Research Limited	Chairman	
	Institution of Professional Engineers New Zealand (IPENZ)	Distinguished fellow	
	Karori Wildlife Sanctuary Trust	Chairman	
	Keratec Limited	Chairman	
	Medialab South Pacific	Chairman	
	Otago University School of Business	Advisor	
	Rissington Breedline Company Limited	Chairman	
	The Open Polytechnic of New Zealand	Councillor	
	Tolls Advisory Board, Transit New Zealand	Member	
	TSC Papanui	Chairman	
	Wool Equities Limited	Chairman	
	R Bettle	Dominion Finance Group	Chairman
		Eastern HiFi Limited	Chairman
		HdS Limited	Director
Macquarie Goodman New Zealand Limited		Director	
National Council, New Zealand Institute of Directors		President	
Southport NZ Limited		Director	
Synergy International		Director	
M Franklin	Wood Quality Initiative	Director	
	Gas Industry Company Limited	Director	
M Harper (resigned as a director on 14 December 2004)	AGL Superannuation and Benefits Pty Limited	Director	
	Australian Pipeline Industry Association	Director	
	The Australian Gas Light Company group	Officer	
G Hayes (resigned as a director on 14 December 2004)	Great Energy Alliance Corporation Pty Limited	Chairman	
	The Australian Gas Light Company group	Officer	

Statutory Information (continued)

DIRECTORS (continued)**DIRECTORS OF SUBSIDIARIES (continued)**

Entries in the interests registers of subsidiaries up to 30 June 2005 that are not set out elsewhere in this annual report (continued):

DIRECTOR	ENTITY	POSITION	
G Martin (resigned as a director on 14 December 2004)	AGL Chile Operations S.A.	Director	
	AGL International	Director	
	AGL Share Plan Pty Limited	Director	
	Australian Gas Association	Deputy chairman	
	Australian Institute of Company Directors	Member	
	Australian Institute of Management	Fellow	
	Committee for the Economic Development of Australia	Trustee	
	Empresa de Gas de la V Quinta Region S.A. (Chile)	Director	
	Energy Supply Association of Australia	Chairman	
	Inversiones AGL Chile Limitada	Director	
	New Zealand Institute of Directors	Member	
	The Australian Gas Light Company	Director	
	The Australian Gas Light Company group	Officer	
	F Wilde	Greater Wellington Regional Council	Councillor
		Humanware Limited	Director
		New Zealand Food Safety Advisory Board	Chair
New Zealand International Arts Festival		Chair	
Project Koro, Life Education		Trustee	
Wellington Waterfront Limited	Chair		

Statutory Information (continued)

EMPLOYEES

The numbers of employees of the parent and subsidiaries receiving remuneration and benefits above \$100,000 in the year ended 30 June 2005 are set out in the following tables:

CURRENT EMPLOYEES	PARENT	SUBSIDIARIES
\$100,001 – \$110,000	15	7
\$110,001 – \$120,000	17	9
\$120,001 – \$130,000	6	6
\$130,001 – \$140,000	11	5
\$140,001 – \$150,000	6	2
\$150,001 – \$160,000	3	5
\$160,001 – \$170,000	7	10
\$170,001 – \$180,000	2	6
\$180,001 – \$190,000	4	4
\$190,001 – \$200,000	–	3
\$200,001 – \$210,000	1	3
\$210,001 – \$220,000	1	–
\$220,001 – \$230,000	1	2
\$230,001 – \$240,000	–	1
\$240,001 – \$250,000	–	3
\$260,001 – \$270,000	–	1
\$280,001 – \$290,000	–	1
\$290,001 – \$300,000	–	1
\$310,001 – \$320,000	1	–
\$350,001 – \$360,000	1	–
\$360,001 – \$370,000	–	1
\$380,001 – \$390,000	1	–
\$390,001 – \$400,000	1	–
\$510,001 – \$520,000	1	–
\$930,001 – \$940,000	1	–
FORMER EMPLOYEES (INCLUDING ANY TERMINATION PAYMENTS)	PARENT	SUBSIDIARIES
\$100,001 – \$110,000	–	3
\$110,001 – \$120,000	–	7
\$120,001 – \$130,000	–	1
\$130,001 – \$140,000	–	2
\$140,001 – \$150,000	–	2
\$170,001 – \$180,000	–	1
\$190,001 – \$200,000	–	1
\$200,001 – \$210,000	–	1
\$310,001 – \$320,000	–	1
\$480,001 – \$490,000	–	1

No employee of the group appointed as a director of a subsidiary or associate company receives or retains any remuneration or benefits as a director. The remuneration and benefits of such employees, received as employees, are included in the relevant bandings disclosed above, where the annual remuneration and benefits exceed \$100,000.

Statutory Information (continued)

BONDHOLDER STATISTICS

NZDX debt securities distribution as at 19 September 2005:

RANGE	NUMBER OF BONDHOLDERS	PERCENTAGE OF BONDHOLDERS	NUMBER OF SECURITIES HELD	PERCENTAGE OF SECURITIES HELD
1 – 4,999	6	0.07%	18,000	0.01%
5,000 – 9,999	2,295	26.49%	12,045,034	3.92%
10,000 – 49,999	5,110	58.99%	96,606,132	31.44%
50,000 – 99,999	810	9.35%	45,551,500	14.83%
100,000 – 499,999	398	4.59%	58,061,500	18.90%
500,000 – 999,999	21	0.24%	12,503,000	4.07%
1,000,000 plus	23	0.27%	82,419,834	26.83%
	8,663	100.00%	307,205,000	100.00%

The following current directors of the parent are holders (either beneficially or non-beneficially) of Vector Limited capital bonds as at 19 September 2005:

DIRECTOR	NUMBER OF BONDS
B Plimmer	10,000
D McLaren	100,000
M Stiasny	150,000

SHAREHOLDER STATISTICS

Twenty largest registered shareholders as at 19 September 2005:

SHAREHOLDER	ORDINARY SHARES HELD	PERCENTAGE OF ORDINARY SHARES HELD
Auckland Energy Consumer Trust	751,000,000	75.10%
New Zealand Central Securities Depository Limited	69,270,383	6.93%
First NZ Capital Custodians Limited	5,529,484	0.55%
Custodial Services Limited (A/C 3)	3,878,929	0.39%
NGC Holdings Limited shareholders (yet to accept offer)	2,980,801	0.30%
Custodial Services Limited (A/C 2)	1,783,828	0.18%
Investment Custodial Services Limited (A/C C)	1,638,581	0.16%
Masfen Holdings Limited	1,419,714	0.14%
Custodial Services Limited (A/C 1)	1,376,965	0.14%
Private Nominees Limited (Residents A/C)	1,137,341	0.11%
Asset Custodian Nominees Limited	1,058,883	0.11%
Forbar Custodians Limited (Ppm Medium A/C)	984,490	0.10%
Portfolio Custodian Limited (022188 A/C)	798,109	0.08%
Portfolio Custodian Limited (022578 A/C)	760,504	0.08%
James Kirkpatrick (James A/C)	680,334	0.07%
Forbar Custodians Limited (Ppm Low A/C)	638,647	0.06%
Custodial Services Limited (A/C 9 – MDZ)	623,376	0.06%
Hubbard Churcher Trust Management Limited	590,974	0.06%
ASB Nominees Limited (677680 A/C)	517,557	0.05%
Lane Capital Group Limited	431,034	0.04%
	847,099,934	84.71%

Statutory Information (continued)

SHAREHOLDER STATISTICS (continued)

Substantial security holders as at 19 September 2005:

SHAREHOLDER	NUMBER OF RELEVANT INTEREST VOTING SECURITIES HELD	PERCENTAGE OF VOTING SECURITIES HELD
Auckland Energy Consumer Trust	751,000,000	75.10%
New Zealand Central Securities Depository Limited	69,270,383	6.93%

As at 19 September 2005, voting securities issued by Vector Limited totalled 1,000,000,000 ordinary shares.

Ordinary shares distribution as at 19 September 2005:

RANGE	NUMBER OF SHAREHOLDERS	PERCENTAGE OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF SHARES HELD
1 – 499	8,964	18.68%	2,837,526	0.28%
500 – 999	4,848	10.10%	3,845,547	0.39%
1,000 – 4,999	27,614	57.56%	46,522,353	4.65%
5,000 – 9,999	3,374	7.03%	22,745,999	2.28%
10,000 – 49,999	2,867	5.98%	50,828,829	5.08%
50,000 – 99,999	174	0.36%	11,629,228	1.16%
100,000 plus	137	0.29%	861,590,518	86.16%
	47,978	100.00%	1,000,000,000	100.00%

Analysis of shareholders as at 19 September 2005:

SHAREHOLDER TYPE	NUMBER OF SHAREHOLDERS	PERCENTAGE OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF SHARES HELD
Auckland Energy Consumer Trust	1	0.00%	751,000,000	75.10%
Companies	1,987	4.14%	15,479,180	1.55%
Individual holders	29,586	61.66%	69,531,551	6.95%
Joint holders	14,306	29.82%	50,114,070	5.01%
Nominee companies	1,121	2.34%	105,588,664	10.56%
Other	977	2.04%	8,286,535	0.83%
	47,978	100.00%	1,000,000,000	100.00%

The following current directors of the parent are holders (either beneficially or non-beneficially) of Vector Limited ordinary shares as at 19 September 2005:

DIRECTOR	NUMBER OF SHARES
A Gibbs	252,460
J Goulter	5,000
D McLaren	21,551
G Muir	1,260
B Plimmer	2,154
M Stiasny	44,971

No director of the parent or its subsidiaries had any relevant interest in the equity securities of Vector Limited as at 30 June 2005.

M Stiasny, who is a current director of NGC Holdings Limited and Vector Limited, held a relevant interest (beneficial) in 10,285 NGC Holdings Limited ordinary shares as at 30 June 2005.

A Gibbs, who is a current director of Vector Limited, held a relevant interest (non-beneficial) in 228,571 NGC Holdings Limited ordinary shares as at 30 June 2005.

On 12 August 2005, M Stiasny and A Gibbs disposed of all their NGC Holdings Limited ordinary shares pursuant to Vector Limited's takeover offer in exchange for per share consideration of Vector Limited ordinary shares having an aggregate value of \$2.62 and a cash payment of \$0.78.

SHAREHOLDER STATISTICS (continued)

The following disclosures are made pursuant to section 148 of the Companies Act 1993, in relation to dealings during the year ended 30 June 2005 by directors of NGC Holdings Limited (a listed subsidiary of Vector Limited) in the ordinary shares of NGC Holdings Limited.

DISPOSAL OF RELEVANT INTERESTS

DIRECTOR	DATE OF DISPOSAL	CONSIDERATION RECEIVED (PER SHARE)	NUMBER OF SHARES IN WHICH RELEVANT INTEREST DISPOSED
R Bentley	18 December 2004	\$2.91	12,218
R Bettle	17 December 2004	\$2.91	5,143
G Hayes	16 December 2004	\$2.91	5,714
G Martin	16 December 2004	\$2.91	5,714

The nature of all of the above relevant interests are as described under section 146(1)(a) of the Companies Act 1993 except for the relevant interest held by G Martin which is as described under section 146(1)(f) of the Companies Act 1993.

G Martin was also a director of AGL NZ Investments Pty Limited, which was the beneficial owner of 8,000,000 NGC Holdings Limited ordinary shares prior to their sale to Vector Limited on 14 December 2004 for consideration of \$2.91 per share.

All of the above disposals of shares were acceptances by the holder of the initial takeover offer to all NGC shareholders by Vector Limited (which opened on 7 December 2004 and closed on 4 February 2005).

Directory

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New Zealand

SOLICITORS

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Vero Centre
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New Zealand

Chapman Tripp Sheffield Young
23-29 Albert Street
Auckland
New Zealand



Investor information

Ordinary shares in Vector Limited are listed and quoted on the New Zealand Stock Exchange (NZSX) under the company code VCT. Vector also has fixed interest rate capital bonds listed and trading on the NZDX. Current information about Vector's trading performance for its shares and bonds can be obtained on the NZX website on www.nzx.com.

Further information about Vector is available on our website:

www.vectornetworks.co.nz

FINANCIAL CALENDAR	
September quarterly results	November 2005
Half year interim results	February 2006
March quarterly results	May 2006
Interim dividend	April 2006