Auckland Energy Consumer Trust

ANNUAL REPORT

For the year ended 30 June 2006

Auckland Energy Consumer Trust

Review from the Chairman

I am pleased to give the following report on behalf of the Trustees of the Auckland Energy Consumer Trust (AECT) for the year ended 30 June 2006.

The major event of the year was the change from the Trust holding 100% of the shares in Vector to a majority shareholding with 75.1% of Vector's shares. The remaining 24.9% of Vector shares were made available through the process of an Initial Pubic Offering (IPO) in August 2005. The purpose of the IPO was to raise funds for Vector to acquire the energy company NGC. Vector shares are now listed on the New Zealand Stock exchange.

As part of the IPO, Trust beneficiaries were given the opportunity to purchase shares in Vector through the AECT priority offer. I am pleased to report that 34,000 beneficiaries took up that opportunity.

About Vector

Since acquiring NGC, Vector has become a more diversified business, with a portfolio of electricity, gas and telecommunication assets which are worth $5.7 billion.

That compares to the $3 billion asset value prior to the acquisition.

This is a significant increase in scale, not only for Vector but also for the Trust which owns 75.1% of this much enlarged business.

This increase in the size and scope of Vector has been reflected in the increased dividend payments which the Trust receives and distributes to beneficiaries.

Dividend

As the majority shareholder of Vector Limited, the AECT receives dividends from Vector. The payment to the AECT is then distributed to all AECT income beneficiaries as a dividend.

AECT income beneficiaries are defined as Vector customers residing in the former Auckland Electric Power Board area on the date a roll of beneficiaries is struck for dividend distribution purposes. That area covers Auckland City, Manukau City and parts of Papakura.

In September 2005 the Trust paid each beneficiary a dividend of $180.

This amounted to a total distribution by the Trust of $53.5 million.

The $180 dividend was an increase on the previous year's dividend of $170.

Higher again is the 2006 dividend of $310 which is noted here although it is outside the dates of this report. The increased dividend is due largely to the increased earnings of Vector following the NGC purchase, the related IPO and the debt restructure.

This most recent dividend was significantly higher than in previous years, and almost twice the average monthly power bill for a family of four, and for this and other reasons, it was paid by cheque rather than as a credit on beneficiaries' power account as has been the practice in the last few years. I am pleased to note that, despite an incident where 166 cheques were stolen with mail from letterboxes in the Parnell area, the payment has proceeded smoothly.

Trust structure

During the year, the Trustees became aware that talks were taking place at very high levels between government officials and local authorities, including the Auckland City Council and the Auckland Regional Council, regarding the future of the Trust.

The Trust was set up in 1993 as part of the electricity reforms and, under the terms of the trust deed, will not be wound up until 2073. At that time the Trust's assets will revert to its capital beneficiaries which are the three local authorities in the original Auckland Electric Power Board area: Auckland City, Manukau City and Papakura District.

The Trust understands that one proposal put to government was that the termination date be brought forward significantly. This would require a change of legislation.

In order to have an objective view of the best options for the future of the Trust, an independent report was commissioned from The New Zealand Institute of Economic Research (NZIER). This was published in September this year.

The report evaluated the current trust arrangements against four alternative ownership structures that had been suggested. The alternatives were:

- local council ownership of the Trust's current shareholding in Vector;
- appointment of a professional trust company to manage the trust instead of the current arrangement of five trustees directly elected by the income beneficiaries of the Trust;
- the distribution of the shares in Vector owned by the Trust to the income beneficiaries, the local authorities that are capital beneficiaries and the Auckland Regional Council; and
- the transfer of the shares owned by the Trust to a special purpose body, so it can use the income and capital of Vector to fund other infrastructure investments in Auckland, like roads, urban rail and other public transport.

The report stated that none of the alternative arrangements or options is completely free from all, or even most, of the potential criticisms and allegations that might be levelled against the current arrangements. The conclusion NZIER drew from the evaluation is that, on almost every measure and against any reasonable weighting of the various criteria, the current arrangements are superior.

The full report is available on the Trust website and has been made available to government ministers, members of parliament, local bodies and government officials.

I recommend you view the report because this is an issue that continues to be a threat to the Trust's beneficiaries. Indeed, earlier this month the Auckland City finance committee chairman Vern Walsh confirmed that the Auckland City Council is pressing for local government ownership of the Trust assets.

Trust role and rights

As mentioned earlier, the major activity of the year related to the change in the Trust's shareholding in Vector and the associated public offering of shares and listing of Vector on the New Zealand Stock Exchange.

The decision to authorise Vector to proceed with a public offering of shares was made by the Trust after careful consideration of the proposal and how it would affect the Trust and its beneficiaries.

One of the critical considerations was that the Trust should retain its important and traditional rights including:

- The right to be consulted on any network price increases to Trust beneficiaries, and
- The right to require the company to continue its undergrounding programme.

- Net profit after tax and before intangible asset amortisation of $143.7 million, above the forecast of $134.7 million.

- Earnings of $578.8 million before interest, tax, depreciation and amortisation (EBITDA) which is in line with the prospectus forecast.

- A total dividend for the year of 12 cents per share, which is ahead of the 11.5 cents forecast in the prospectus.

The Trustees, on behalf of AECT beneficiaries, thank the management and staff of Vector for their dedication and hard work during what was a particularly challenging year.

Regulatory Intervention

Although it is outside the period for this report, it is appropriate that I comment here on the situation regarding the Commerce Commission.

In August this year, the Commerce Commission announced its intention to declare control of Vector's electricity distribution charges. The Commission cited a number of reasons for such an intention and commenced a public consultation process for those interested to outline their perspective.

I am pleased to advise that earlier this month, the Commission accepted in principle Vector's offer for an administrative settlement, and to put it out for public consultation. It was the recommendation of the Trust's industry and legal advisors that the Trust support the settlement in the awareness that rebalancing is inevitable as the Commission is requiring other lines businesses also to rebalance their prices. We will now participate in the consultative procedure and do all in our power to secure a successful outcome.

Entering into an administrative settlement also will result in the removal of the prospect that the Commission will declare control of Vector.

The proposed settlement will formalise the staged rebalancing which Vector embarked on two years ago, and which is due for completion in 2009. Regrettably, domestic customers in the Trust district are experiencing increased electricity prices as a result of the rebalancing programme.

However, for the great majority of our beneficiaries, the increase in price is presently more than offset by the increased dividends received by beneficiaries. The most recent dividend of $310 is almost double what the average annual impact per household will be from the rebalancing.

Undergrounding

The Trust is pleased to report on the progress of the Overhead Improvement Programme, more commonly known as undergrounding.

The undergrounding of overhead lines is a continuing benefit for Trust beneficiaries that is carefully protected by the Trustees.

The Trust has an agreement with the company that at least $10.5 million a year - with further increases in line with the Department of Statistics Producers Price Index – is invested in undergrounding lines in the AECT district. That is, in Auckland City, Manukau City and the northern parts of Papakura.

In the year to 30 June 2006, the actual expenditure was $10.517 million.

Key achievements of the undergrouding programme this past year were:

- The large scale projects in Glen Innes and Weymouth were both completed.

- The large scale project in Howick was started and is due to be completed in April 2007.

Acknowledgements

This has been a most significant year for the Trust, which now manages an investment where the shares alone are worth almost $2 billion. By all measures, the Trust has a most valuable role to play on behalf of its nearly 300,000 beneficiaries.

The issues facing the Trust continue to be complex and challenging. By necessity, the Trustees take – and will continue to take – the best possible independent, professional advice as we seek to do what's right for the Trust's beneficiaries. But, even with the benefit of that advice, the responsibility of our task places considerable demands on the Trustees, and I thank them all for their effort and contributions throughout the year and for their support to me as Chairman.

Warren Kyd
Chairman
October 2006

AUCKLAND ENERGY CONSUMER TRUST
2006

FINANCIAL STATEMENTS

Directory

Date Settled

27 August 1993

Trustees

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

Secretary and Executive Officer

Mark Bogle

Termination Date

27 August 2073

Accountant

Staples Rodway Limited
P O Box 3899
Auckland

Auditor

Grant Thornton
P O Box 1961
Auckland

Legal Advisor

David Bigio
P O Box 2133
Auckland

Banker

ANZ National Bank of New Zealand Limited
P O Box 788
Auckland

Statement of Financial Performance

for the year ended 30 June 2006

	NOTE	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Operating revenue	2	1,132,987	870,954	98,674	49,116
Operating expenditure	3	(556,726)	(407,264)	(2,397)	(2,460)
Earnings before interest, income tax, depreciation and amortisation		576,261	463,690	96,277	46,656
Depreciation and amortisation	4	(215,902)	(158,903)	(12)	(5)
Operating surplus before interest and income tax		360,359	304,787	96,265	46,651
Net interest expense	5	(226,882)	(192,789)	1,639	643
Operating surplus before income tax		133,477	111,998	97,904	47,294
Income tax expense	6	(81,345)	(58,908)	-	76
Operating surplus		52,132	53,090	97,904	47,370
Gain arising from issue of shares to minority interests		217,526	-	-	-
Minority interests	12	(16,219)	(14,050)	-	-
Net surplus for the year		253,439	39,040	97,904	47,370

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

Statement of Financial Position
as at 30 June 2006

	NOTE	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
CURRENT ASSETS					
Cash and bank overdraft		9,600	1,280	93	121
Short term deposits		50,426	5,506	50,426	5,506
Receivables and prepayments	13	172,476	153,956	973	215
Prepaid gas	14	7,950	19,180	-	-
Inventories	15	7,998	8,800	-	-
Income tax		22,412	12,790	151	314
Capitalised finance costs	16	5,363	2,939	-	-
Intangible assets	21	3,793	9,500	-	-
Total current assets		280,018	213,951	51,643	6,156
NON-CURRENT ASSETS					
Receivables and prepayments	13	3,253	8,761	-	-
Prepaid gas	14	4,987	11,458	-	-
Income tax		-	48,756	-	-
Capitalised finance costs	16	24,567	7,671	-	-
Investments	18	17,814	17,776	300,000	300,000
Intangible assets	21	1,672,426	1,339,110	-	-
Property, plant and equipment	22	3,767,180	3,210,184	14	7
Total non-current assets		5,490,227	4,643,716	300,014	300,007
Total assets		5,770,245	4,857,667	351,657	306,163
CURRENT LIABILITIES					
Dividends received – available for distribution	28	44,730	-	44,730	-
Payables and accruals	23	211,563	170,179	390	786
Borrowings	30	228,625	1,026,665	-	-
Total current liabilities		484,918	1,196,844	45,120	786
NON-CURRENT LIABILITIES					
Payables and accruals	23	8,770	19,668	-	-
Borrowings	30	2,861,989	2,122,120	-	-
Deferred tax	8	482,117	468,086	-	-
Total non-current liabilities		3,352,876	2,609,874	-	-
Total liabilities		3,837,794	3,806,718	45,120	786
TRUSTEES FUNDS					
Trustees accumulations	11	543,838	387,143	306,537	305,377
Asset revaluation reserve	10	900,803	547,383	-	-
Attributable to trustees of the trust		1,444,641	934,526	306,537	305,377
Attributable to minority shareholders of the group	12	487,810	116,423	-	-
Total trustees funds		1,932,451	1,050,949	306,537	305,377
Total trustees funds and liabilities		5,770,245	4,857,667	351,657	306,163

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

Statement of Cash Flows (continued)
for the year ended 30 June 2006

	NOTE	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
FINANCING ACTIVITIES					
Cash provided from/(applied to):					
Issue of ordinary shares		208,715	-	-	-
Equity raising costs incurred		(5,393)	-	-	-
Proceeds from borrowings		1,863,761	2,048,936	-	-
Repayment of borrowings		(1,921,745)	(1,179,486)	-	-
Debt raising costs incurred		(24,506)	(3,224)	-	-
Capital portion of payments under finance leases		(810)	(432)	-	-
Dividends paid to minority interests	9	(18,875)	(5,628)	-	-
Net cash from financing activities		101,147	860,166	-	-
Net increase/(decrease) in cash balances		8,320	(2,249)	(28)	27
Cash balances at beginning of the year		1,280	3,529	121	94
Cash balances at end of the year		9,600	1,280	93	121

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

Statement of Accounting Policies
for the year ended 30 June 2006

REPORTING ENTITIES

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

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

BASIS OF PREPARATION

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

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

The group's principal activity during the year was the operation of networks providing utilities in New Zealand.

SPECIFIC ACCOUNTING POLICIES

The financial statements are prepared in accordance with New Zealand Generally Accepted Accounting Practice. The following specific accounting policies that materially affect the measurement of financial performance, financial position and cash flows have been applied.

A) BASIS OF CONSOLIDATION

Subsidiaries

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

Associates

Associates are entities in which the group has significant influence but not control over the operating and financial policies. The group's share of the net surplus of associates is recognised as a component of operating revenue in the statement of financial performance after adjusting for the amortisation of goodwill arising on acquisition and differences between the accounting policies of the group and the associates. The group's share of other gains and losses of associates is recognised as a component of total recognised revenues and expenses in the statement of movements in Trustees funds. 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 Year

Where an entity becomes or ceases to be a part of the group during the year, 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 of Vector Limited amalgamating into Vector Limited by way of a short form amalgamation, the assets and liabilities are recognised in the financial statements of Vector Limited at the carrying value in the subsidiary accounts at the point of amalgamation. Vector Limited's investment in the subsidiary is reduced to zero. Goodwill previously recognised in the group financial statements on consolidation is recognised in Vector Limited's financial statements on amalgamation. Any excess of the carrying amount of the subsidiary's net assets and the goodwill over Vector Limited's investment in the subsidiary is recognised in the statement of movements in equity. The results of the amalgamated entities are recognised in the net surplus of Vector Limited from the date of the amalgamation.

Joint Ventures

Joint ventures are joint 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 of 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.

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. Revalued assets are valued to fair value in accordance with Financial Reporting Standard No. 3, utilising a depreciated replacement cost or a discounted cash flow methodology as appropriate. Revaluations of distribution systems and distribution land and buildings are carried out at least every three years.

Other classes of property, plant and equipment are not revalued. 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 these classes of property, plant and equipment.

K) *DEPRECIATION*

Depreciation of property, plant and equipment, other than gas turbines 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
Generation assets	10 - 20
Other plant and equipment	5 – 20

Gas turbines within generation assets are depreciated on a units of production basis over a period of 20 years. All other generation assets are depreciated on a straight line basis over their useful life.

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.

Notes to the Financial Statements

for the year ended 30 June 2006

1. SEGMENT INFORMATION

The group operates in the following areas in the infrastructure sectors in New Zealand. The areas represent the key business lines identified by management as a result of their review of operations following the acquisition of NGC Holdings Limited and its subsidiaries. Accordingly, segment information for the comparative year has been restated to reflect the structure of the group operations going forward and to enable meaningful comparisons to the segment information for the year ended 30 June 2006. Intersegment sales are on an arms length basis.

Electricity

Ownership and management of electricity distribution networks by Vector Limited management.

Gas Transportation

Ownership and management of gas transmission lines and distribution networks by Vector Limited management.

Gas Wholesale

Natural gas acquisition, processing and retailing, LPG distribution, storage and retailing, and electricity generation.

Technology

Telecommunications services, electricity and gas metering.

Corporate / Other

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

GROUP 2006	ELECTRICITY $000	GAS TRANSPORTATION $000	GAS WHOLESALE $000	TECHNOLOGY $000	CORPORATE/ OTHER $000	TOTAL $000
Segment revenue	580,148	164,393	361,066	61,213	6,488	1,173,308
Less: Intersegment	-	(34,346)	(5,057)	(918)	-	(40,321)
Operating revenue	580,148	130,047	356,009	60,295	6,488	1,132,987
Earnings before interest, income tax, depreciation and amortisation	364,522	112,504	94,562	41,876	(37,203)	576,261
Depreciation and amortisation	(94,730)	(59,497)	(25,822)	(28,948)	(6,905)	(215,902)
Operating surplus before interest and income tax	269,792	53,007	68,740	12,928	(44,108)	360,359
Net interest expense						(226,882)
Operating surplus before income tax						133,477
Income tax expense						(81,345)
Operating surplus						52,132
Gain arising from issue of shares to minority interests						217,526
Minority interests						(16,219)
Net surplus for the year						253,439
Total assets	3,215,672	1,493,231	476,754	416,179	168,409	5,770,245

Notes to the Financial Statements

for the year ended 30 June 2006

3. OPERATING EXPENDITURE

	Note	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Operating expenditure includes:					
Bad debts written-off		32	185	-	-
Decrease in provision for doubtful debts		(182)	(547)	-	-
Rental and operating lease costs		4,572	3,345	17	17
Loss on disposal of property, plant and equipment		1	4,304	1	2
Donations		31	103	-	-
Directors fees	33	764	662	-	-
Trustees remuneration	33	291	294	272	294
Subvention payments					
Auditors remuneration:					
Audit fees paid to principal auditors of parent – Grant Thornton		29	25	29	25
Audit fees paid to principal auditors of parent – Ernst & Young		-	5	-	5
Audit fees paid to other auditors – KPMG		338	305	-	-
Audit fees paid to other auditors – PwC		226	82	-	-
Fees paid for other assurance services provided – KPMG		190	144	-	-
Fees paid for other non-assurance services provided – KPMG		-	4	-	-
Fees paid for other non-assurance services provided – PwC		142	61	-	-

4. DEPRECIATION AND AMORTISATION

	NOTE	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Depreciation of property, plant and equipment					
Distribution systems		89,992	73,774	-	-
Distribution buildings		1,295	1,207	-	-
Electricity meters		7,944	5,835	-	-
Gas meters		852	467	-	-
Generation power stations and equipment		1,449	299	-	-
Buildings		290	216	-	-
Leasehold improvements		386	682	-	-
Motor vehicles and mobile equipment		779	458	-	-
Computer and telecommunications equipment		9,501	10,373	-	-
Other plant and equipment		4,764	2,030	12	5
		117,252	95,341	12	5
Amortisation of intangible assets					
Amortisation of goodwill	21	93,036	57,662	-	-
Amortisation of gas entitlement intangible assets	21	5,614	5,900	-	-
		98,650	63,562	-	-
Total		215,902	158,903	12	5

7. IMPUTATION BALANCES

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Balance at beginning of the year	8,968	556	-	279
Imputation credits converted to losses	-	(279)	-	(279)
Prior period adjustment	1,888	(45)	-	-
Income tax payments during the year	19,396	34,614	-	-
Imputation credits attaching to dividends received	284	1,086	48,594	24,183
Imputation credits attaching to dividends and distributions paid	(55,647)	(23,293)	(48,610)	(21,344)
Imputation credits attaching to distributions reversed	43	35	43	35
Imputation credits utilised on trustee income	-	(2,028)	-	(2,028)
Excess imputation credits converted to losses	(27)	(846)	(27)	(846)
Other	1,533	(832)	-	-
Balance at end of the year	(23,562)	8,968	-	-
The imputation credits are available to the parent:				
Through direct shareholding in Vector Limited	(25,233)	259	-	-
Through indirect shareholding in subsidiaries of Vector Limited	1,671	8,709	-	-
Total	(23,562)	8,968	-	-

8. DEFERRED TAX

	NOTE	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Balance at beginning of the year		468,086	245,521	-	-
On acquisition of NGC Holdings Limited	17	(39,287)	196,574	-	-
Increase on revaluation of property, plant and equipment		30,973	-	-	-
Prior period adjustment		2,096	(256)	-	-
Transfer to current tax		(965)	-	-	-
On surplus for the year		21,214	26,247	-	-
Balance at end of the year		482,117	468,086	-	-

9. DIVIDENDS

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Distribution to beneficiaries	52,014	48,231	52,014	48,231
Dividends paid to minority interests of:				
NGC Holdings Limited	-	4,355	-	-
Liquigas Limited	3,935	1,273	-	-
Vector Limited	14,940	-	-	-
Supplementary dividends	321	-	-	-
Foreign investor tax credits	(321)	-	-	-
Total	70,889	53,859	52,014	48,231

13. RECEIVABLES AND PREPAYMENTS

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Current				
Trade receivables	168,959	143,026	-	-
Provision for doubtful debts	(2,531)	(2,713)	-	-
	166,428	140,313	-	-
Prepayments	5,129	8,331	78	77
Other receivables	919	5,312	895	138
Total	172,476	153,956	973	215
Non-current				
Trade receivables	1,400	6,774	-	-
Other receivables	1,853	1,987	-	-
Total	3,253	8,761	-	-

14. PREPAID GAS

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Current				
Maui prepaid gas	7,950	19,180	-	-
Total	7,950	19,180	-	-
Non-current				
Maui prepaid gas	4,987	11,458	-	-
Total	4,987	11,458	-	-

15. INVENTORIES

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Natural gas and by-products	149	132	-	-
Trading stock	3,066	3,491	-	-
Consumable spares	4,783	5,177	-	-
Total	7,998	8,800	-	-

16. CAPITALISED FINANCE COSTS

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Total capitalised costs				
Cost	45,973	22,533	-	-
Accumulated amortisation	(16,043)	(11,923)	-	-
Total	29,930	10,610	-	-
Current				
Capitalised finance costs	5,363	2,939	-	-
Total	5,363	2,939	-	-
Non-current				
Capitalised finance costs	24,567	7,671	-	-
Total	24,567	7,671	-	-

18. INVESTMENTS

	NOTE	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Non-current					
Investments in subsidiaries		-	-	300,000	300,000
Investments in associates	19	10,588	10,553	-	-
Other investments		7,226	7,223	-	-
Total		17,814	17,776	300,000	300,000

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

	PRINCIPAL ACTIVITY	*PERCENTAGE HELD* 2006	2005
Significant subsidiary - parent			
Vector Limited	Utility network provider	75.1%	100%
Significant subsidiaries - group			
NGC Holdings Limited	Investment	75.1%	67%
- Vector Management Services Limited	Management services	75.1%	67%
- Vector Gas Limited	Natural gas sales, processing and transportation	75.1%	67%
- Vector Gas Contracts Limited	Natural gas sales	75.1%	67%
- Vector Gas Investments Limited	Investment	75.1%	67%
- Vector Kapuni Limited	Investment	75.1%	67%
- Liquigas Limited	LPG sales and distribution	45.1%	40%
- On Gas Limited	LPG purchases and sales	75.1%	67%
- NGC Metering Limited	Metering services	75.1%	67%
- Vector Metering Data Services Limited	Investment and contracting metering data services	75.1%	67%
- Vector Metering Data Services (Australia) Limited	Investment	75.1%	67%
- Elect Data Services (Australia) Pty Limited	Energy metering data management	75.1%	67%
Vector Communications Limited	Telecommunications network provider	75.1%	100%
Vector Stream Limited	Investment	75.1%	100%
- Stream Information Limited	Agent for partnership	52.6%	70%
- Stream Information (partnership)	Metering services	52.6 %	70%

Subsequent to balance date, the following subsidiaries changed their name:

	FORMER NAME
Subsidiaries	
Vector Management Services Limited	NGC Management Limited
Vector Gas Limited	NGC New Zealand Limited
Vector Gas Contracts Limited	NGC Contracts Limited
Vector Gas Investments Limited	NGC Investments Limited
Vector Kapuni Limited	NGC Kapuni Limited
Vector Metering Data Services Limited	NGC Metering Data Services Limited
Vector Metering Data Services (Australia) Limited	NGC Australia Metering Data Services Limited

19. INVESTMENT IN ASSOCIATES

	NOTE	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Carrying amount of associates					
Carrying amount at beginning of the year		10,553	2,750	-	-
Arising in the financial year:					
On further investment in existing associate		600	-	-	-
On acquisition of NGC Holdings Limited		-	7,148	-	-
Equity accounted earnings of associates		(365)	655	-	-
Dividends received from associates		(200)	-	-	-
Carrying amount at end of the year	18	10,588	10,553	-	-
Equity accounted earnings of associates					
Operating (loss)/surplus before income tax		(415)	1,130	-	-
Income tax benefit/(expense)		50	(475)	-	-
Net surplus		(365)	655	-	-
Total recognised revenues and expenses		(365)	655	-	-

20. INTEREST IN JOINT VENTURES

Kapuni Energy Joint Venture

The group has a 38% (30 June 2005: 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 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Net assets employed in the joint venture				
Property, plant and equipment	7,196	11,310	-	-
Current assets	2,771	1,971	-	-
Current liabilities	(1,737)	(1,144)	-	-
Total	8,230	12,137	-	-
Net contribution to operating surplus before income tax				
Revenue	10,321	5,301	-	-
Expenditure	(9,123)	(6,625)	-	-
Total	1,198	(1,324)	-	-

Notes to the Financial Statements
for the year ended 30 June 2006

22. PROPERTY, PLANT AND EQUIPMENT

GROUP 2006	COST / VALUATION $000	ACCUMULATED DEPRECIATION $000	NET BOOK VALUE $000
Distribution systems	3,268,219	(56,345)	3,211,874
Distribution land	74,755	-	74,755
Distribution buildings	39,415	(444)	38,971
Electricity meters	141,929	(14,719)	127,210
Gas meters	17,796	(1,319)	16,477
Generation power station and equipment	8,950	(1,748)	7,202
Computer and telecommunications equipment	107,259	(55,645)	51,614
Motor vehicles and mobile equipment	4,954	(1,373)	3,581
Other plant and equipment	67,786	(8,167)	59,619
Freehold land	16,169	-	16,169
Buildings	11,650	(828)	10,822
Leasehold improvements	5,182	(3,099)	2,083
Capital work in progress	146,803	-	146,803
Total	3,910,867	(143,687)	3,767,180

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 station and equipment	11,853	(299)	11,554
Computer and telecommunications equipment	95,032	(46,159)	48,873
Motor vehicles and mobile equipment	4,060	(594)	3,466
Other plant and equipment	59,665	(3,408)	56,257
Freehold land	16,810	-	16,810
Buildings	10,820	(435)	10,385
Leasehold improvements	4,924	(2,714)	2,210
Capital work in progress	101,554	-	101,554
Total	3,429,774	(219,590)	3,210,184

23. PAYABLES AND ACCRUALS

	NOTE	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Current					
Trade payables and other creditors		132,000	123,715	244	195
Gas advance		17,075	-	-	-
Deferred consideration payable		967	-	-	-
Provision for employee entitlements	24	8,371	8,418	-	-
Provision for onerous contracts	25	1,200	1,723	-	-
Other provisions	26	19,189	12,149	-	-
Mark to market adjustment		1,659	2,605	-	-
Interest payable		30,956	20,978	-	-
Provision for unclaimed distributions	27	146	591	146	591
Total		211,563	170,179	390	786
Non-current					
Gas advance		-	15,525	-	-
Deferred consideration payable		4,166	-	-	-
Mark to market adjustment		2,042	3,701	-	-
Other non-current payables		2,562	442	-	-
Total		8,770	19,668	-	-

The gas advance relates to the delivery by Contact Energy Limited of 2.5PJ of gas (sourced from Maui) under a swap arrangement during the year ended 30 June 2005. It is expected that the same amount of gas will be returned to Contact Energy Limited before 30 June 2007.

29. COMMITMENTS

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

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date but not provided	49,443	39,509	-	-
Operating lease commitments			-	-
Within one year	4,528	5,175	-	-
One to two years	4,021	4,714	-	-
Two to five years	9,326	11,918	-	-
Beyond five years	3,578	5,571	-	-
Total	21,453	27,378	-	-

The majority of the operating lease commitments relate to premises leases. These, in the main, give the group the right to renew the lease.

30. BORROWINGS

GROUP 2006	WEIGHTED AVERAGE INTEREST RATE %	TOTAL $000	PAYABLE WITHIN 1 YEAR $000	PAYABLE BETWEEN 1 AND 2 YEARS $000	PAYABLE BETWEEN 2 AND 5 YEARS $000	PAYABLE AFTER 5 YEARS $000
Bank loans	7.77	365,000	-	-	365,000	-
Working capital loan	7.50	27,000	27,000	-	-	-
Medium term notes:						
Fixed rate NZ$	6.50	199,785	199,785	-	-	-
Floating rate A$	6.15	569,018	-	319,018	250,000	-
Capital bonds	8.25	307,205	-	307,205	-	-
Fixed interest rate bonds	6.81	200,000	-	-	200,000	-
Private placement senior notes	5.65	418,315	-	-	-	418,315
NZ floating rate notes	7.86	1,000,000	-	-	-	1,000,000
Other	6.74	4,291	1,840	1,057	1,393	1
		3,090,614	228,625	627,280	816,393	1,418,316

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

31. FINANCIAL INSTRUMENTS

The Vector group of companies 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 the treasury management process. The policy covers, among other things, management of credit risk, interest rate risk, funding risk, liquidity risk, currency risk and operational risk.

INTEREST RATE RISK

The Vector group of companies 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 2006 WEIGHTED AVERAGE INTEREST RATE %	GROUP 2006 FACE VALUE $000	GROUP 2005 WEIGHTED AVERAGE INTEREST RATE %	GROUP 2005 FACE VALUE $000
Bank loans	7.77	365,000	7.30	1,040,453
Working capital loan	7.50	27,000	6.96	55,040
Medium term notes:				
Fixed rate NZ$	6.50	200,000	6.50	200,000
Floating rate A$	6.15	569,018	6.24	569,018
Capital bonds	8.25	307,205	9.75	307,205
Fixed interest rate bonds	6.81	200,000	6.81	200,000
Private placement senior notes	5.65	418,315	5.65	418,315
Pre-IPO equity securities	-	-	8.51	354,401
NZ floating rate notes	7.86	1,000,000	-	-
Other	6.74	4,291	6.64	4,852
		3,090,829		3,149,284

The parent has no borrowings.

31. FINANCIAL INSTRUMENTS (CONTINUED)

INTEREST RATE RISK (CONTINUED)

Bank loans, working capital loans, A$ medium term notes and pre-IPO equity securities are at 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. These notes are hedged by the interest rate swaps (fixed to floating).

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

NZ floating rate notes are hedged through interest rate swaps which convert the floating rate into a fixed rate.

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

FOREIGN EXCHANGE RISK

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

At balance date the group and parent have no significant exposure to foreign currency risk.

CREDIT RISK

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

As part of these policies, the Vector group of companies 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 of Vector Limited and are monitored on a regular basis. In this respect, the Vector group of companies minimises its credit risk by spreading such exposures across a range of institutions. The Vector group of companies does not anticipate non-performance by any of these financial institutions.

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

The Vector group of companies 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	
	2006 CARRYING AMOUNT $000	2005 CARRYING AMOUNT $000	2006 CARRYING AMOUNT $000	2005 CARRYING AMOUNT $000
Cash and bank overdraft	9,600	1,280	93	121
Trade receivables	167,828	140,313	-	-
Interest rate swaps	643	-	-	-
Cross currency swaps	7,895	8,573	-	-
Short term deposits	50,426	5,506	50,426	5,506

31. FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUES (CONTINUED)

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

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

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 quoted market prices.

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 quoted market prices.

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.

NZ floating rate notes

The carrying amount of these notes is equivalent to their fair value and includes the principal and interest accrued.

Derivative instruments

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

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

LIQUIDITY RISK

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

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

32. CONTINGENT LIABILITIES

The trustees are aware of claims that have been made against the group and where appropriate have recognised provisions for these within the financial statements. No other material contingencies requiring disclosure have been identified (30 June 2005: nil).

34. EVENTS AFTER BALANCE DATE

On 9 August 2006 the Commerce Commission published its intention to declare price control of Vector's electricity distribution business. At the date these financial statements are authorised for issue, the group cannot make an estimate of the future financial effect, if any, of this event.

On 14 August 2006, the board of directors of Vector Limited declared a final dividend for the year ended 30 June 2006 of 6.0 cents per share.

As of 25 July 2006, Vector has appointed two new directors to fill casual vacancies on the board. They are Karen Sherry and Shale Chambers, who are trustees of Auckland Energy Consumer Trust.

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

35. 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.

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. Under current accounting policies, 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 interest rate derivatives 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, on the date of transition the group will value all outstanding derivative financial instruments and recognise them at their fair value 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.

Public benefit entity

Auckland Energy Consumer Trust is currently undertaking an analysis as to whether it is a public benefit entity as defined by New Zealand International Financial Reporting Standards.

36. PROSPECTIVE FINANCIAL INFORMATION (CONTINUED)

Summary Statement of Cash Flows for the year ended 30 June 2006	VECTOR AND ITS SUBSIDIARIES ACTUAL 2006 $000	PROJECTION 2006 $000	VARIANCE 2006 $000
Net cash from operating activities	353,149	358,407	(5,258)
Net cash used in investing activities	(347,288)	(365,100)	17,812
Net cash from financing activities	2,487	5,693	(3,206)
Net increase / (decrease) in cash balances	8,348	(1,000)	9,348
Cash balances at beginning of the year	1,159	3,500	(2,341)
Cash balances at end of the year	9,507	2,500	7,007

Projected interest payments and project overheads directly attributable to the construction of property, plant and equipment of $7,639,000 which were disclosed in the Prospectus as operating cash outflows have been reclassified as investing cash outflows to facilitate comparison with the consolidated statement of cash flows for the year ended 30 June 2006.

Cash flow from operating activities is marginally lower than projected due to higher than projected operating cashflows arising in June 2006 which are not fully received at 30 June 2006. The projection was based on less seasonal changes in temperature.

This is more than offset by reduced cash outflows for capital expenditure resulting in a net increase in cash balances for the year when compared to the projection.

37. FINANCIAL RATIOS

The following financial ratios are required to be disclosed as part of Vector Limited's Results for Announcement to the Market under the New Zealand Stock Exchange Listing Rules.

	VECTOR AND ITS SUBSIDIARIES 2006	2005
Ordinary shares (000s)		
Fully paid shares on issue up to 10 August 2005	751,000	751,000
Fully paid shares on issue from 10 August 2005	1,000,000	-
Weighted average for the year (basic)	972,030	751,000
Shares if capital bonds converted	126,539	132,387
Weighted average for the year (diluted)	1,098,569	883,387
Earnings per share (cents)		
Basic	4.6	5.4
Diluted	4.6	5.4
Total tangible assets per share (cents)		
Basic	415.9	466.4
Diluted	368.0	396.5
Net tangible assets per share (cents)		
Basic	25.7	(40.4)
Diluted	25.7	(40.4)

Capital bonds with a principal amount of $307,205,000 are convertible into Vector Limited ordinary shares if the group elects to convert on an election date. If the option to convert is exercised by the group, capital bondholders will receive a number of Vector Limited ordinary shares equivalent to the principal amount of the capital bonds held divided by 97.5% of the volume weighted average sale prices of those shares during the 20 business days prior to the conversion date.

Converting the capital bonds into Vector ordinary shares would have a positive (antidilutionary) impact on earnings per share and net tangible assets per share. Hence these ratios are not restated for potential dilution effects and the reported diluted ratios equal their equivalent basic ratio.

Grant Thornton

Chartered Accountants
& Business Advisers

AUDITORS REPORT

TO THE TRUSTEES OF AUCKLAND ENERGY CONSUMER TRUST

We have audited the financial statements on pages 5 to 44. The financial statements provide information about the past financial performance and cash flows of the trust and group for the year ended 30 June 2006 and the financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 11 to 14.

Trustees' Responsibilities
The Trustees are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the trust and group as at 30 June 2006 and of the financial performance and cash flows for the year ended on that date.

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

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

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

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

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

In our opinion:

- proper accounting records have been kept by the trust as far as appears from our examination of those records; and
- the financial statements on pages 5 to 44
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the trust and group as at 30 June 2006 and the financial performance and cash flows for the year ended on that date.

Our audit was completed on 13 September 2006 and our unqualified opinion is expressed as at that date.

Grant Thornton

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