Auckland Energy Consumer Trust

ANNUAL REPORT

For the year ended 30 June 2004

ANNUAL REPORT
For the year ended 30 June 2004

Contents:

Review from the Chair

I am pleased to give the following report on behalf of the trustees of the Auckland Energy Consumer Trust (AECT).

The AECT was created in 1993. It has 100 percent shareholding in Vector Limited, one of New Zealand's largest network infrastructure companies, and has more than 280,000 consumer beneficiaries making it the largest consumer trust in New Zealand.

The Trust comprises five trustees who are elected by the beneficiaries every three years. The trustees' duty is to distribute income earned to consumer beneficiaries and to maintain or enhance the value of the trust fund which, for the time being, is comprised of a 100% shareholding in Vector.

It is a privilege to report on this past twelve months, and I look forward to your attendance and feedback at this year's annual meeting.

Election of Trustees

On October 31 2003, consumer beneficiaries voted to elect five trustees to the AECT at the triennial elections and the following votes were recorded by the Returning Office, Independent Election Services Ltd:

Candidate		Votes Received
BUCZKOWSKI, Michael	(Citizens & Ratepayers Now)	24567 *
CHAMBERS, Shale	(Powerlynk)	20822 *
COLLINGE, John	(Citizens & Ratepayers Now)	26049 *
DEARING, Rodney	(Independent)	8237
FALEAUTO, Ted	(Citizen's Power)	8160
JOHNSTON, Malcolm	(Citizen's Power)	7302
KYD, Warren	(Citizens & Ratepayers Now)	21962 *
MONTGOMERY, Robyn	(Independent)	6515
NASH, Stuart	(Powerlynk)	18854
OVENS, Jill	(Powerlynk)	18033
PARKIN, Barry Ian	(Independent)	4796
RYAN, Paul		4742
SHERRY, Karen	(Citizens & Ratepayers Now)	22830 *
VAN CAMP, Coralie	(Powerlynk)	19840
VICKERS, Jennie	(Independent)	7597
VOYCE, Margaret	(Citizens & Ratepayers Now)	17729
WINTER, Pauline A	(Powerlynk)	20725

*- One of five highest-polling candidates

The following people were elected as trustees of the AECT:

Michael Buczkowski, Shale Chambers, John Collinge, Warren Kyd and Karen Sherry.

There were a total of 16 ordinary and special meetings of the AECT during the year ended 30 June 2004.

The following is a summary of attendances:

Warren Kyd	10	from November 2003
Shale Chambers	10	from November 2003
John Collinge	16	
Michael Buczkowski	13	
Karen Sherry	14	
Pauline Winter	6	to October 2003
Coralie van Camp	6	to October 2003

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

Vector Limited

The board of directors of Vector Limited reported a very successful year for the Company, in which it met or exceeded the majority of its performance targets.

The table attached contains Vector's performance measures against the financial and non-financial targets agreed with the Trust at the beginning of the financial year. Key points reported by Vector included:

A number of extreme weather events in all network areas resulted in the company just missing its reliability target, which was based on a previous 5 year average. However, Vector management has focused on learning from these events to improve fault response processes in all weather conditions, and is confident that it is now better positioned to handle similar future events.

The company experienced significant improvement in its customer satisfaction and complaint resolution measures.

The annual staff satisfaction survey results placed Vector in the top quartile of an international index, reflecting the successful integration of the United Networks and Vector businesses, and the focus on developing a new culture and creating an enjoyable working environment. Staff satisfaction and retention has become especially important in an increasingly tight employment market.

Trustees would like to congratulate the board, management and staff of Vector for this outstanding achievement.

Overhead Improvement

As part of the Deed Recording Essential Operating Requirements, Vector is committed to developing undergrounding projects in the Auckland network area. In the year to 30 June 2004, Vector successfully completed two large-scale projects in the Papatoetoe and Avondale areas. For each of these projects, Vector adopted a 'dig-once' approach in partnership with Councils, Telecom and the water utilities, to totally revitalise the local area.

Several smaller-scaled projects were also successfully completed, the more significant of which were in Weymouth, Sandringham, Parnell, and Eastern Beach.
More than $12.5M was spent on undergrounding work in Auckland, Manukau and Papakura during the year.

2003 Vector Dividend

In August 2003, Vector announced an after tax net surplus of $49.7 million for the 15-month period to 30 June 2003. A dividend of $32.2 million was paid to the AECT on 29 August.

Included with the September 2003 distribution was the balance of the funds set aside for former customers and the unclaimed balance from the 2001 Dividend Distribution, which Trustees are obliged to keep for 2 years. These funds totalled $11.975 million and together with the Vector dividend resulted in a $44.175 million distribution to 285,000 income beneficiaries.

Our income beneficiaries received net cash distribution of $155 which appeared on consumers' power accounts from mid September 2003.

2004 Vector Dividend

Subsequent to our balance date Vector has announced an after tax net surplus of $57.8 million for the year to 30 June 2004. A dividend of $49.1 million was paid to the AECT on 31 August 2004.

After receiving the Vector dividend and retaining funds for Trust Operating Expenses, $48.62 million will be distributed to 286,000 income beneficiaries.

This will result in a net cash distribution of $170 per consumer, an increase of over 9% on last year's dividend payment. The increase in dividend reflects the success of Vector's merger with United Networks and its transformation into a high performing multi-network infrastructure company.

The dividend will appear on consumers' power accounts from mid September 2004.

Board of Directors

Trustees meet with the Chairman of the Board and the Chief Executive on an ongoing basis.

Messrs Brian Plimmer and Don McLaren retired from the Board in December 2003 in accordance with the Company's constitution and were reappointed.

The AECT received the resignation of Mr Wayne Boyd in June 2004. Mr Boyd had been a director of Vector since 11 September 2002 and while this has not been a lengthy period I have no doubt of the significant contribution he has made to the Board during that time, especially during the successful integration of United Networks.

Trustees would like to express their sincere appreciation of Wayne's past services to the Company and to wish him well for the future.

Trustee Directors

At a meeting of the AECT on 8 June 2004 it was resolved that the Trust "will not appoint any trustee as a director of Vector Limited" and Mr John Collinge ceased to be a director from June 2004.

Financial Review

The audited financial statements of the Trust for the year ended 30 June 2004 follow.

Due to the balance date change in the 2003 year the comparative figures in the financial statements of the Trust are for the 15 month period 1 April 2002 to 30 June 2003.

Interest of $470,000 was earned by the Trust in the 2004 year. This interest is significantly less than last year as the Trust was previously required to retain funds for distribution to former beneficiaries. These commitments were fulfilled during the year and the surplus funds of $11.975 million were distributed to all beneficiaries in September 2003 along with the full amount of the dividend received from Vector Limited of $32.2 million.

Expenditure for the Trust for the year was $2.04 million as against $2.32 million for the 15 months ended 30 June 2003. There was a slight increase in expenditure of $15,000 per month on average. Given the significant consultancy fees incurred during the year, the additional costs with regard to the requirement to consolidate financial statements and the fact that the Triennial Elections were held in October 2003, the Trustees are very pleased with this result.

Consolidation

We continue to argue that the government's requirement to consolidate the Trust's accounts with those of Vector only serves to confuse beneficiaries and add an unnecessary cost of approximately $52,000. Trustees believe that the attached consolidated accounts prove that there is not the 'transparency' that the Minister of Energy insists that consolidation will achieve.

Annual Meeting of Beneficiaries

The third annual meeting of beneficiaries will be held on Wednesday 3 November at the Ellerslie Convention Centre, commencing at 7pm. At that meeting the Trustees will recommend the appointment of new auditors of the Trust (see below) and it will again be an opportunity to seek your feedback on the management of the Trust.

Appointment of Auditors 2004

Ernst & Young are the current auditors of the AECT having been appointed last year. Trustees will be recommending to beneficiaries that Ernst & Young be appointed auditors of the AECT for the year ended 30 June 2005.

Website and Logo

The website is continuing to be a vital asset of the AECT providing up to date information to the general public. This year the website was significantly upgraded with the new logo and colours. The website can be accessed at www.aect.co.nz

Electricity Trusts Association of New Zealand (ETNZ)

We are pleased to have been able to support this organisation during the year, especially with our Executive Officer's appointment as the Association's executive secretary in July 2003. Our industry faces enormous challenges and it is vital that trustees are kept in touch with industry issues on an ongoing basis. The AECT acts as a communications centre for this information which is shared with the ETNZ membership. The ETNZ recompenses the AECT financially for providing its services. Our trustees have attended the ETNZ meetings and other industry conferences as required.

Events after Balance Date

Vector director, Margo Buchanan-Oliver resigned post balance date (August) due to family reasons and the Chief Executive Officer was appointed by the Board to fill the casual vacancy. Dr Buchanan-Oliver had been a director since March 2002 and I would like to recognise the significant contribution she has made to the Board during that time, especially during the successful integration of United Networks.

On 11 October 2004, the Chairman of Vector Limited announced that the company has reached an agreement to purchase The Australian Gas Light Company's (AGL) 66.05% stake in NGC Holdings Limited.

Completion of the acquisition is subject to an exemption being granted by the Takeovers Panel, which would allow AGL to sell its New Zealand holding company (AGL NZ Limited) to Vector, rather than its NGC shares. This company holds 64.2% of NGC. AGL also directly owns a further 1.8% stake. An offer is expected to be made to NGC's other shareholders in due course on an equivalent basis.

The offer is also conditional on Commerce Commission approval and an exemption under the Electricity Industry Reform Act (EIRA) in regard to NGC's interest in electricity generation.

The acquisition by Vector of AGL's 66 percent shareholding in NGC has major benefits for AECT beneficiaries, including:

- Providing Vector greater opportunities in the energy market;
- Strong prospects of increased dividends;
- Significant strategic assets remain in the ownership of New Zealand, and most particularly AECT beneficiaries;
- Continuation of the under grounding programme, along with sound security of supply processes.

Tributes

The Trust is well served by its Executive Officer, Gary Sturgess, and his Administrator, Joy Stevens through their hard work and commitment. This team has developed a high level of knowledge about the Trust's activities and responsibilities and provides a dedicated service to the trustees.

I would like to record Pauline Winter's and Coralie van Camp's contribution to the Trust during the period they were elected trustees.

Finally, I would like to thank my fellow trustees for their contribution throughout the year and their support to me as Chairman since December 2003.

Warren Kyd
Chairman
October 2004

AUCKLAND ENERGY CONSUMER TRUST
2004

FINANCIAL STATEMENTS

The Trustees present the financial statements of the Group for the year ended 30 June 2004. These financial statements were approved for issue and are signed on the date below.

W James Kyd 20/10/04
W J Kyd – Chair Date

20/10/04
S Chambers – Deputy Chair Date

GW Sturgess 20/10/04
G W Sturgess – Secretary Date

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

Gary W Sturgess

Termination Date

27 August 2073

Accountant

Staples Rodway Limited
P O Box 3899
Auckland

Auditor

Ernst & Young
PO Box 2146
Auckland

Legal Advisor

David Bigio
P O Box 2133
Shortland Street
Auckland

Banker

National Bank of New Zealand Limited
P O Box 788
Auckland

Statement of Movements in Trustees Funds for the year ended 30 June 2004

	NOTES	GROUP 2004 12 MONTHS $000	GROUP 2003 15 MONTHS $000	PARENT 2004 12 MONTHS $000	PARENT 2003 15 MONTHS $000
RECOGNISED REVENUES AND EXPENSES					
Net Surplus for the Period:					
Group and Parent		**56,900**	47,355	**31,265**	40,469
Minority Interest	11	**(473)**	(115)	-	-
Movement in Asset Revaluation Reserve	9	-	196,581	-	-
Total Recognised Revenues and Expenses for the Period		**56,427**	243,821	**31,265**	40,469
DISTRIBUTIONS TO BENEFICIARIES					
Dividends	8	**(42,771)**	(42,918)	**(42,771)**	(42,918)
Movements in Trustees Funds for the Period		**13,656**	200,903	**(11,506)**	(2,449)
Trustees Funds at Beginning of the Period		**937,793**	736,890	**317,744**	320,193
Trustees Funds at End of the Period		**951,449**	937,793	**306,238**	317,744

Statement of Cash Flows for the year ended 30 June 2004

	GROUP 2004 12 MONTHS $000	GROUP 2003 15 MONTHS $000	PARENT 2004 12 MONTHS $000	PARENT 2003 15 MONTHS $000
OPERATING ACTIVITIES				
Cash provided from:				
Receipts from Customers	565,727	531,872	-	-
Interest Portion of Repayments on Finance Leases	121	81	-	-
Interest Received	1,174	5,223	458	1,809
Income Tax Refund Received	1,382	-	-	-
Dividend Received	200	100	32,200	42,800
Other Income Received	35	882	35	882
	568,639	538,158	32,693	45,491
Cash applied to:				
Payments to Suppliers, Trustees and Employees	236,055	309,748	1,949	2,683
Income Tax Paid	11,475	23,718	275	2,443
Dividend Withholding Tax Paid	75	-	75	-
Payments to Acquire Income Tax Losses	2,573	-	-	-
Distributions to Beneficiaries	42,980	45,374	42,980	45,374
Interest Portion of Payments under Finance Leases	252	68	-	-
Interest Paid on Capital Bonds	29,498	16,746	-	-
Interest Paid on Other Borrowings	110,395	77,090	-	-
	433,303	472,744	45,279	50,500
Net Cash from Operating Activities	135,336	65,414	(12,586)	(5,009)
INVESTING ACTIVITIES				
Cash provided from:				
Withdrawal of Short Term Deposits	8,487	3,028	8,487	3,028
Proceeds from Sale of Eastern and Central Assets	-	998,814	-	-
Proceeds from Sale of Other Property, Plant and Equipment	103	1,706	-	-
Proceeds from Sale of Investments	9,525	1,401	-	-
Receipts from Loans Repaid	1,712	-	-	-
Capital Portion of Repayments on Finance Leases	9	5	-	-
	19,836	1,004,954	8,487	3,028
Cash applied to:				
Acquisition of UnitedNetworks Limited	-	1,513,297	-	-
Bank Overdraft Acquired on Acquisition of UnitedNetworks Limited	-	20,459	-	-
Purchase and Construction of Property, Plant and Equipment	99,477	95,414	7	4
Payments for Security Deposits	313	-	-	-
	99,790	1,629,170	7	4
Net Cash used in Investing Activities	(79,954)	(624,216)	8,480	3,024

Statement of Accounting Policies for the year ended 30 June 2004

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 and partnerships.

BASIS OF PREPARATION

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

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

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

In 2003 the Group changed its statutory reporting balance date to 30 June. Accordingly the 2003 comparative information is for a fifteen month period from 1 April 2002 to 30 June 2003.

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 Trust. The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method of consolidation.

Associates

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

Partnerships

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

Acquisition or Disposal During the Period

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

F) 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 losses carried forward that exceed the deferred tax liability, is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences, or losses, will be utilised.

G) INVENTORIES

Inventories are stated at lower of cost and net realisable value.

H) GOODS AND SERVICES TAX (GST)

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

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

I) 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

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment are included in the determination of the net surplus or deficit in equal instalments over the lease term.

Leasehold Improvements

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

J) 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.

K) INVESTMENTS

Non-current investments are stated at cost.

L) UNCLAIMED DIVIDENDS

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

Notes to the Financial Statements for the year ended 30 June 2004

Notes to the Financial Statements (CONTINUED) for the year ended 30 June 2004

	NOTES	GROUP 2004 12 MONTHS $000	GROUP 2003 15 MONTHS $000	PARENT 2004 12 MONTHS $000	PARENT 2003 15 MONTHS $000
3. DEPRECIATION AND AMORTISATION					
Depreciation of Property, Plant and Equipment					
Distribution Systems		**64,482**	60,787	-	-
Buildings and Leasehold Improvements		**489**	1,156	-	-
Motor Vehicles and Mobile Equipment		**20**	59	-	-
Computer and Telecommunications Equipment		**7,281**	10,915	**3**	5
Other Plant and Equipment		**660**	1,656	-	-
		72,932	74,573	**3**	5
Amortisation of Goodwill		**38,820**	28,708	-	-
Total		**111,752**	103,281	**3**	5

	NOTES	GROUP 2004 12 MONTHS $000	GROUP 2003 15 MONTHS $000	PARENT 2004 12 MONTHS $000	PARENT 2003 15 MONTHS $000
4. INTEREST EXPENSE					
Interest Paid and Accrued		**139,662**	109,514	-	(15)
Amortisation of Capitalised Finance Costs		**8,170**	18,744	-	-
Amortisation of the Mark to Market Adjustment		**(4,428)**	(3,090)	-	-
Capitalised Interest		**(1,534)**	(731)	-	-
Total		**141,870**	124,437	-	(15)

Notes to the Financial Statements (CONTINUED) for the year ended 30 June 2004

	NOTES	GROUP 2004 12 MONTHS $000	GROUP 2003 15 MONTHS $000	PARENT 2004 12 MONTHS $000	PARENT 2003 15 MONTHS $000
7. DEFERRED TAX LIABILITY					
Balance at Beginning of the Period		(207,143)	(90,232)	-	-
On Surplus for the Period	5	(38,378)	3,814	-	-
Fair Value of Deferred Tax Liability Acquired	14	-	(120,725)	-	-
Balance at End of the Period		(245,521)	(207,143)	-	-
8. DIVIDENDS					
Distributions During the Period					
Distributions to Beneficiaries		42,771	42,918	42,771	42,918
Total		42,771	42,918	42,771	42,918
9. RESERVES					
Asset Revaluation					
Balance at Beginning of the Period		554,694	358,113	-	-
Increase Arising From:					
Revaluation of Distribution System Property, Plant and Equipment		-	194,887	-	-
Revaluation of Telecommunications Property, Plant and Equipment		-	1,694	-	-
Balance at End of the Period		554,694	554,694	-	-

	NOTES	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
13. CAPITALISED FINANCE COSTS					
Total Capitalised Costs					
Capital Bonds – Cost		**10,459**	10,459	-	-
Capital Bonds – Amortisation		**(4,214)**	(1,706)	-	-
Other Debt – Cost		**36,311**	36,311	-	-
Other Debt – Amortisation		**(23,264)**	(17,602)	-	-
Total		**19,292**	27,462	-	-
Current					
Capital Bonds		**2,541**	2,541	-	-
Other Debt		**5,470**	5,647	-	-
Total		**8,011**	8,188	-	-
Non-Current					
Capital Bonds		**3,704**	6,212	-	-
Other Debt		**7,577**	13,062	-	-
Total		**11,281**	19,274	-	-

Notes to the Financial Statements (CONTINUED) for the year ended 30 June 2004

	NOTES	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
15. INVESTMENTS					
Current					
Surplus Property Held for Sale		-	8,220	-	-
Total		-	8,220	-	-
Non-Current					
Investments in Subsidiaries		-	-	**300,000**	300,000
Investments in Associates	16	**2,750**	2,284	-	-
Total		**2,750**	2,284	**300,000**	300,000

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

	PERCENTAGES HELD 2004	PERCENTAGES HELD 2003	PRINCIPAL ACTIVITY
Significant Subsidiary – Parent			
Vector Limited	**100%**	100%	Utilities Network Provider
Significant Subsidiaries – Group			
UnitedNetworks Limited	-	100%	Utilities Network Provider
Auckland Generation Limited	**100%**	100%	Holding Company
- MEL Silverstream Limited	**100%**	100%	Investment Company
- MEL Network Limited	**100%**	100%	Holding Company
- Mercury Geotherm Limited (in Receivership)	**65%**	65%	Investment Company
- Poihipi Land Limited (in Receivership)	**65%**	65%	Investment Company
Caduceus Equities No. 1 Limited	-	100%	Investment Company
Vector Communications Limited (formerly Tangent Limited)	**100%**	100%	Telecommunication Network Provider
Vector Stream Limited	**100%**	100%	Holding Company
- Stream Information Limited	**70%**	70%	Agent for Partnership
- Stream Information	**70%**	70%	Partnership – Meter Services
Non-Trading Subsidiaries			
Vector Power Limited	**100%**	100%	Dormant
Auckland Network Limited	**100%**	100%	Dormant
Energy North Limited	**100%**	100%	Dormant
UnitedNetworks Limited	**100%**	-	Dormant
Salamanca Holdings Limited	**75%**	75%	Investment Company
Broadband Services Limited	**100%**	100%	Telecommunication Network Provider
UnitedNetworks Employee Share Schemes Trustee Limited	**100%**	100%	Trustee Company

Notes to the Financial Statements (CONTINUED) for the year ended 30 June 2004

	GROUP 2004 $000	GROUP 2003 $000	PARENT 2004 $000	PARENT 2003 $000
17. PROPERTY, PLANT AND EQUIPMENT				
Freehold Land at Valuation	11,156	10,818	-	-
Freehold Building at Valuation	747	747	-	-
Accumulated Depreciation	(91)	(54)	-	-
Net Book Value	656	693	-	-
Leasehold Improvements at Cost	4,895	3,477	-	-
Accumulated Depreciation	(2,161)	(1,672)	-	-
Net Book Value	2,734	1,805	-	-
Distribution Systems at Valuation	2,102,694	2,040,832	-	-
Distribution Land at Valuation	35,183	35,033	-	-
Distribution Buildings at Valuation	32,224	31,891	-	-
	2,170,101	2,107,756	-	-
Accumulated Depreciation:				
Distribution Systems	(65,186)	(15,911)	-	-
Distribution Buildings	(1,856)	(320)	-	-
	(67,042)	(16,231)	-	-
Net Book Value	2,103,059	2,091,525	-	-
Plant and Equipment:				
Motor Vehicles and Mobile Equipment at Cost	229	454	-	-
Computer and Telecommunications Equipment at Cost	81,050	76,487	24	21
Computer and Telecommunications Equipment at Valuation	1,181	1,181	-	-
Other Plant and Equipment at Cost	11,463	7,674	-	-
	93,923	85,796	24	21
Accumulated Depreciation:				
Motor Vehicles and Mobile Equipment	(136)	(275)	-	-
Computer and Telecommunications Equipment	(35,845)	(28,055)	(14)	(13)
Other Plant and Equipment	(1,969)	(1,393)	-	-
	(37,950)	(29,723)	(14)	(13)
Net Book Value	55,973	56,073	10	8
Capital Work in Progress	50,568	36,754	-	-
Total	2,224,146	2,197,668	10	8

	GROUP 2004 12 MONTHS $000	GROUP 2003 15 MONTHS $000	PARENT 2004 12 MONTHS $000	PARENT 2003 15 MONTHS $000
20. PROVISION FOR CLAIMS				
Balance at Beginning of the Period	**15,179**	2,020	-	-
Additions	**1,216**	13,555	-	-
Utilised	**(10,448)**	(396)	-	-
Reversed	**(3,771)**	-	-	-
Balance at End of the Period	**2,176**	15,179	-	-
21. PROVISION FOR UNCLAIMED DIVIDENDS				
Balance at Beginning of the Period	**781**	2,791	**781**	2,791
Additions	**138**	1,875	**138**	1,875
Utilised	**(346)**	(3,885)	**(346)**	(3,885)
Balance at End of the Period	**573**	781	**573**	781
22. PROVISION FOR EMPLOYEE ENTITLEMENTS				
Balance at Beginning of the Period	**1,736**	1,323	-	-
Additions	**539**	413	-	-
Balance at End of the Period	**2,275**	1,736	-	-
23. PROVISION FOR ONEROUS CONTRACTS				
Balance at Beginning of the Period	-	-	-	-
Additions	**475**	-	-	-
Utilised	**(67)**	-	-	-
Balance at End of the Period	**408**	-	-	-

25. BORROWINGS

GROUP 2004	WEIGHTED AVERAGE INTEREST RATE	TOTAL	PAYABLE WITHIN 1 YEAR	PAYABLE BETWEEN 1 AND 2 YEARS	PAYABLE BETWEEN 2 AND 5 YEARS	PAYABLE AFTER 5 YEARS
	%	$000	$000	$000	$000	$000
Bank Loans	6.39	670,000	-	670,000	-	-
Working Capital Loan	6.10	38,000	38,000	-	-	-
Medium Term Notes:						
Fixed Rate NZ$	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
	6.86	1,787,353	39,549	670,778	827,023	250,003

GROUP 2003	WEIGHTED AVERAGE INTEREST RATE	TOTAL	PAYABLE WITHIN 1 YEAR	PAYABLE BETWEEN 1 AND 2 YEARS	PAYABLE BETWEEN 2 AND 5 YEARS	PAYABLE AFTER 5 YEARS
	%	$000	$000	$000	$000	$000
Bank Loans	5.95	760,000	-	-	760,000	-
Working Capital Loan	5.75	7,000	7,000	-	-	-
Medium Term Notes:						
Fixed Rate NZ$	6.50	198,933	-	-	198,933	-
Floating Rate A$	5.30	569,018	-	-	319,018	250,000
Capital Bonds	9.75	307,205	-	-	307,205	-
Other	5.49	2,563	830	-	1,678	55
	6.44	1,844,719	7,830	-	1,586,834	250,055

The Parent has no borrowings.

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

Interest rates for all bank loans are floating based on the bank bill rate plus a margin. The bank loans are arranged through a syndicated facility. The facility expires in September 2005. The working capital facility expired in September 2004 and is being renewed.

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 adjusted for the amount amortised to 30 June 2004 of $0.9 million. The interest on NZ$ 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 subordinated debt and have a first election date of 15 December 2006. The interest is currently fixed at 9.75% per annum and is paid semi-annually.

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 year ended 30 June 2004 and for the 15-month period ended 30 June 2003.

27. FINANCIAL INSTRUMENTS (CONTINUED)

Bank loans, working capital loans and A$ medium term notes 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.

The NZ$ medium term notes are fixed notes.

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

FOREIGN EXCHANGE RISK

The Group has, 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 of Vector Limited 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 has some concentration of credit exposures with a few large energy retailers. 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 maximum exposure to credit risk is represented by the carrying value of each financial asset.

	GROUP		PARENT	
	2004 CARRYING AMOUNT $000	2003 CARRYING AMOUNT $000	2004 CARRYING AMOUNT $000	2003 CARRYING AMOUNT $000
Cash and Bank Overdraft	**3,529**	5,498	**94**	4,200
Short Term Deposits	**4,413**	12,900	**4,413**	12,900
Trade Receivables	**73,740**	66,160	-	-
Cross Currency Swaps	**3,612**	2,828	-	-

27. FINANCIAL INSTRUMENTS (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

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.

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 fair value 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.

28. 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 (2003: nil).

Auditor's Report

To the Trustees of Auckland Energy Consumer Trust

We have audited the financial statements on pages 3 to 31. The financial statements provide information about the past financial performance of the trust and group and their financial position as at 30 June 2004. This information is stated in accordance with the accounting policies set out on pages 8 to 11.

Trustees' Responsibilities

The Trustees are responsible for the preparation of financial statements which 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 2004 and of their financial performance and cash flows for the year ended on that date.

Auditor's 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 are appropriate to the circumstances of the trust and group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. 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 give 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.

Partners and employees of the firm may deal with the trust and group as consumers of Vector Limited and beneficiaries of the trust. The firm has no other relationship with, or interest in, the trust or any of its subsidiaries.