Entrust

Majority shareholder of Vector

2019 Financial Statements

Entrust Trustees Report

FOR THE YEAR ENDED 30 JUNE 2019

The 2019 year has been focused on progressing undergrounding projects across the Entrust district as well as continuing to improve and streamline dividend processes. Entrust also welcomed a new Trustee, Alastair Bell following the October 2018 elections with James Carmichael departing as a Trustee.

INCOME AND EXPENDITURE

For the year ended 30 June 2019, income was $123.5 million. This sum was made up of $122 million from Vector in dividends and $1.5 million from interest on funds.

The total expenditure incurred by the Trust for the year was $3.9 million compared to $3.2 million last financial year. This increase in costs follows several years of steadily reducing costs. Entrust will continue to focus on reducing costs, however in the financial year being reported on, the cost of the October 2018 Entrust election which occurs every three years and higher legal fees both contributed to an increase in expenditure.

BALANCE SHEET

Entrust holds 751 million shares in Vector on behalf of beneficiaries. The value of these shares at 30 June 2019 was $2.8 billion.

ANNUAL DIVIDEND

The September 2018 dividend was $350 and though not in the period being reported on, the September 2019 dividend increased to $360, despite beneficiary numbers increasing to 336,000. This is our biggest dividend distribution to date.

We know that for many, many people the Entrust dividend is hugely important to their financial wellbeing. Comments to our Facebook page are both humbling and enlightening, as people express their thanks and tell us how urgently they needed that money. For people who are not so financially constrained, the Entrust dividend is a welcome boost, as it is for many local businesses.

The Entrust dividend put more than $120 million into the Auckland economy, largely in cash by cheque or direct credit to bank accounts. We know from feedback we receive that local hairdressers, car repair businesses, clothing and shoe stores, are high on the list of places where people spend their dividend. Cafes and restaurants also notice an increase in trade during the dividend period.

To ensure that everyone who is entitled to the dividend knows that it has been paid, a short advertising campaign is undertaken each year at dividend time, as well as mid-year when we send a letter to income beneficiaries asking them to nominate how they want their dividend to be paid.

The Trust has a legal obligation to pay everyone who is entitled to the dividend, so it is important that we let people know of their eligibility and when the dividend has been paid.

Advertising is important because several thousand new consumers move into the Trust District every year and even more people change address and switch retailers. In 2018, we had over 46% churn where there were new people or different names at an address in the Trust District. The advertising helps ensure that everyone who is eligible for a dividend can nominate how they get paid and know when to check their mail or bank account when the dividend has been paid.

Wherever possible, we pay the dividend as a direct credit to a person’s bank account. However, this is not possible when people move or switch electricity retailers and we are unable to match payment details accurately. In those cases, to ensure we pay the correct person, the dividend is paid as a cheque.

We are aware that one bank, Kiwibank, will not accept cheques from next year. We have advised them and the appropriate government ministers that this will mean around 10,000 Kiwibank customers will not be able to bank their cheques and may need to have it paid as a credit to their power account. We will continue to monitor the situation regarding cheques as many people choose to receive their dividend via this payment option.

OUR KEY PRIORITIES

As owners of a significant and important investment in Vector, Entrust gets involved in many projects and initiatives each year. Key initiatives over the past year have included:

Energy Solutions Programme:

As the majority shareholder of Vector we have an agreement that commits Vector to spend $10.5 million per year on projects in the Entrust district.

Historically this fund has been used for undergrounding projects in the Entrust district, however from 2015 the parameters around the fund were changed and extended to include new technology initiatives such as solar and battery and EV chargers. The programme is now known as the Energy Solutions Programme.

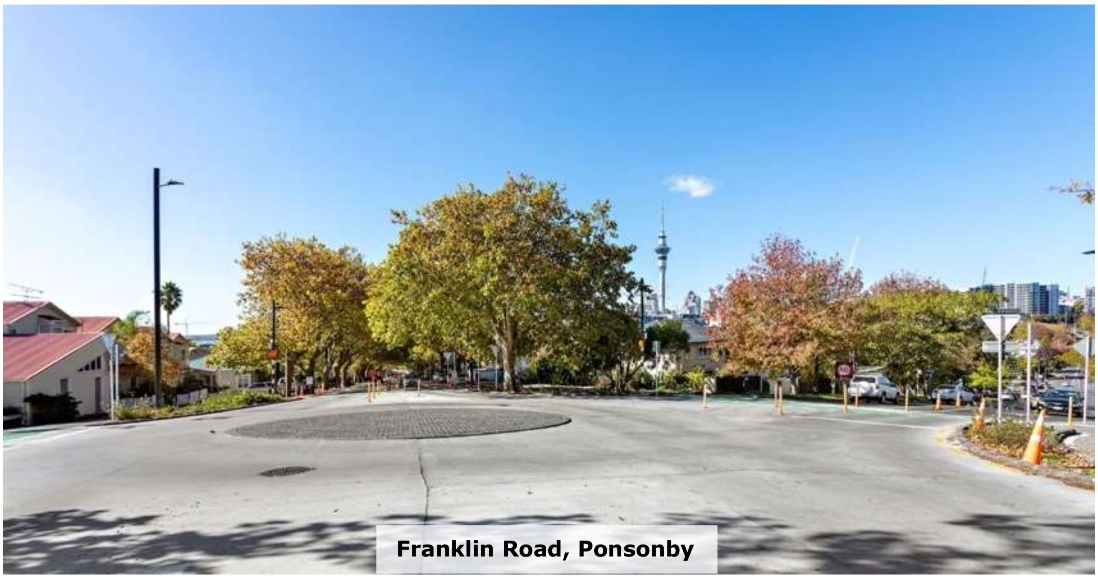
Undergrounding

We reported last year that the ability to deliver large-scale undergrounding projects had been significantly impacted, as Chorus had reduced funding to underground their telephone lines meaning there would be no visual benefit to undergrounding as telephone poles and wires would remain in place even if electricity lines were underground.

We are delighted to advise that Chorus has reviewed their decision and will continue to support undergrounding, particularly large scale, suburban undergrounding projects. We expect to be able to make an announcement regarding a new large-scale undergrounding project in the near future.

In the last year undergrounding projects were completed in Franklin Road (Freemans Bay), Station Road (Otahuhu), Alba Road (Greenlane), St. Georges Road (Avondale), Sarsfield Street (Herne Bay), Dominion Road (Mt Eden), Rahiri Road (Mt Eden), Taurarua Terrace (Parnell), Brown Street (Ponsonby), Windsor Street (Parnell) and Walmer Road (Pt. Chevalier).

Vector has completed all the projects without any injury to field staff and has again received positive customer feedback on completion of the projects.


Franklin Road, Ponsonby

Station Road, Otahuhu

Community generation

As reported last year a new initiative saw a range of mobile generator units purchased to support vulnerable and medically dependent consumers and wider community groups within the Entrust District during planned outages and extended unplanned outages such as from storms.

The sixty small generators have been used extensively to support essential appliances of vulnerable and medically dependent customers.

The six trailer and truck mounted mobile generator units that were purchased are also in service now and are being used to support wider community groups during network contingencies and planned outages through connecting directly into Vector's network.

Kawakawa Bay smart grid

Entrust and Vector have committed to developing a micro smart grid solution to improve the resilience and customer experience at Kawakawa Bay with the project being on track for completion later this year. The network to this area is exposed to significant geographical challenges and a microgrid which consists of a solar and battery system will reduce the outage times experienced by residents in Kawakawa Bay.

APPOINTMENT OF AUDITORS

At last year's Annual Meeting of Beneficiaries, Grant Thornton were appointed the Entrust auditors. Trustees recommend the retention of Grant Thornton for the 2019/2020 financial year.

REMUNERATION OF AUDITORS

The audit fees for 2018/19 were $40,500.

In accordance with section 101(3) of the Electricity Act 2010, a motion will be put to the Annual Meeting of beneficiaries authorising the Trust to fix the fees and expenses of the auditors for the ensuing year.

Entrust Trustees **8 October 2019**

William Cairns, Chairman
Michael Buczkowski, Deputy Chairman
Alastair Bell
Paul Hutchison
Karen Sherry

Financial Statements
for the year ended 30 June 2019

CONTENTS

2019 FINANCIAL STATEMENTS

These financial statements for the year ended 30 June 2019 are dated 23 August 2019, and signed for and on behalf of the Trustees by:

Chairman

Chairman of the Finance and Risk Committee

Directory

Principal Business

To act as Trustees and distribute the surplus from the Trust Fund to the income beneficiaries under its Deed of Trust. The income beneficiaries are customers on the Vector electricity network within the boundaries defined in the Trust Deed. The Trust Fund comprises primarily the Trustees' shareholding in Vector Limited.

Date Settled

27 August 1993

Trustees

W A A Cairns (Chairman)
M J Buczkowski (Deputy Chairman)
C P T Hutchison
A P Bell (appointed 1 November 2018)
K A Sherry
J Carmichael (resigned 31 October 2018)

Termination Date

27 August 2073

Accountant

Staples Rodway Limited
P O Box 3899
Auckland

Auditor

Grant Thornton New Zealand Audit Partnership
P O Box 1961
Auckland

Legal Advisor

Rachel Sussock
P O Box 5966
Auckland

Banker

ASB
P O Box 35
Auckland

Independent Auditor's Report

Grant Thornton New Zealand Audit Partnership
L4, Grant Thornton House
152 Fanshawe Street
PO Box 1961
Auckland 1140

T +64 9 308 2570
F +64 9 309 4892
www.grantthornton.co.nz

To the Beneficiaries of Entrust

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Entrust ("Group") on pages 5 to 45 which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of comprehensive revenues and expenses, consolidated statement of other comprehensive revenue and expense, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2019 and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity International Public Sector Accounting Standards (Not For Profit) issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than the provision of audit services, the firm has no other interest in the Group.

Other Information

The Trustees are responsible for the other information. The other information comprises the Trustees Report, Directory, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Grant Thornton

Trustees' Responsibilities for the Consolidated Financial Statements

The Trustees are responsible on behalf of Entrust for the preparation and fair presentation of these consolidated financial statements in accordance with the Public Benefit Entity International Public Sector Accounting Standards (Not For Profit) issued by the New Zealand Accounting Standards Board, and for such internal control as those charged with governance determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, those charged with governance are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/

Restriction on use of our report

This report is made solely to the Beneficiaries, as a collective body. Our audit work has been undertaken so that we might state to the Beneficiaries, as a collective body those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Beneficiaries, as a collective body for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Partnership

Grant Thornton

Auckland, New Zealand

23 August 2019

Comprehensive Revenue and Expense

for the year ended 30 June

		GROUP		PARENT	
	NOTE	2019 $M	2018 $M	2019 $M	2018 $M
Revenue from exchange transactions	4	**1,318.6**	1,328.4	**122.0**	122.0
Operating expenses	5	**(766.2)**	(790.0)	**(3.9)**	(3.2)
Depreciation and amortisation		**(239.5)**	(225.9)	**-**	-
Interest costs (net)	6	**(129.8)**	(129.2)	**1.5**	1.5
Fair value change on financial instruments	7	**(2.5)**	3.1	**-**	-
Associates (share of net surplus/(deficit))	11	**0.6**	(1.5)	**-**	-
Impairment		**(46.6)**	-	**-**	-
Surplus/(deficit) before income tax		**134.6**	184.9	**119.6**	120.3
Tax benefit/(expense)	8	**(52.5)**	(36.8)	**-**	-
Net surplus/(deficit) for the period		**82.1**	148.1	**119.6**	120.3
Net surplus/(deficit) for the period attributable to					
Non-controlling interests in subsidiaries		**21.0**	36.9	**-**	-
Beneficiaries of the Parent		**61.1**	111.2	**119.6**	120.3

Other Comprehensive Revenue and Expense

for the year ended 30 June

	NOTE	GROUP 2019 $M	GROUP 2018 $M	PARENT 2019 $M	PARENT 2018 $M
Net surplus/(deficit) for the period		**82.1**	148.1	**119.6**	120.3
Other comprehensive revenue and expense net of tax					
Items that may be re-classified subsequently to surplus or deficit:					
Net change in fair value of hedge reserves		**(21.0)**	8.9	-	-
Translation of foreign operations		**(2.1)**	(0.3)	-	-
Items that will not be re-classified to surplus or deficit:					
Fair value change on financial asset		**0.6**	1.1	-	-
Other comprehensive revenue and expense for the period net of tax		**(22.5)**	9.7	-	-
Total comprehensive revenue and expense for the period net of tax		**59.6**	157.8	**119.6**	120.3
Total comprehensive revenue and expense for the period attributable to					
Non-controlling interests in subsidiaries		**15.4**	39.3	-	-
Beneficiaries of the Parent		**44.2**	118.5	**119.6**	120.3

Financial Position

as at 30 June

	NOTE	GROUP 2019 $M	GROUP 2018 $M	PARENT 2019 $M	PARENT 2018 $M
CURRENT ASSETS					
Cash and cash equivalents	22.3	**105.5**	105.1	**77.9**	77.2
Trade and other receivables from exchange transactions	10	**100.7**	105.1	**0.6**	0.6
Contract assets		**105.2**	105.5	**-**	-
Inventories		**8.4**	11.6	**-**	-
Intangible assets		**1.9**	1.0	**-**	-
Income tax		**52.2**	84.7	**-**	-
Total current assets		**373.9**	413.0	**78.5**	77.8
NON-CURRENT ASSETS					
Receivables from exchange transactions	10	**1.7**	0.1	**-**	-
Derivatives	20	**109.3**	56.6	**-**	-
Investments in subsidiaries	11	**-**	-	**300.0**	300.0
Investments in associate	11	**8.7**	8.1	**-**	-
Other investments	11	**15.6**	15.0	**-**	-
Intangibles	12	**1,354.9**	1,397.2	**-**	-
Property, plant and equipment (PPE)	13	**4,185.4**	3,995.7	**-**	-
Income tax		**52.3**	-	**-**	-
Deferred tax	9	**0.2**	0.1	**-**	-
Total non-current assets		**5,728.1**	5,472.8	**300.0**	300.0
Total assets		**6,102.0**	5,885.8	**378.5**	377.8

Financial Position (continued)
as at 30 June

	NOTE	GROUP 2019 $M	GROUP 2018 $M	PARENT 2019 $M	PARENT 2018 $M
CURRENT LIABILITIES					
Distributions payable	16	**67.8**	68.1	**67.8**	68.1
Trade and other payables from exchange transactions	15	**201.0**	214.7	**0.5**	0.6
Provisions	17	**17.4**	24.4	**-**	-
Provision for unclaimed distributions	18	**10.2**	9.1	**10.2**	9.1
Borrowings	19	**481.3**	224.2	**-**	-
Contract liabilities	4	**49.2**	44.4	**-**	-
Derivatives	20	**4.9**	65.8	**-**	-
Income tax		**0.8**	0.7	**-**	-
Total current liabilities		**832.6**	651.4	**78.5**	77.8
NON-CURRENT LIABILITIES					
Payables from exchange transactions	15	**2.7**	0.2	**-**	-
Provisions	17	**27.4**	22.6	**-**	-
Borrowings	19	**2,279.7**	2,171.1	**-**	-
Contract liabilities	4	**43.9**	44.7	**-**	-
Derivatives	20	**78.2**	51.2	**-**	-
Deferred tax	9	**487.6**	486.7	**-**	-
Total non-current liabilities		**2,919.5**	2,776.5	**-**	-
Total liabilities		**3,752.1**	3,427.9	**78.5**	77.8
NET ASSETS					
Net Assets attributable to beneficiaries of the Parent		**1,752.4**	1,833.7	**300.0**	300.0
Non-controlling interests in subsidiaries		**597.5**	624.2	**-**	-
Total net assets		**2,349.9**	2,457.9	**300.0**	300.0
Total net assets and liabilities		**6,102.0**	5,885.8	**378.5**	377.8

Cash Flows

for the year ended 30 June

	NOTE	GROUP 2019 $M	GROUP 2018 $M	PARENT 2019 $M	PARENT 2018 $M
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**1,316.5**	1,312.2	**-**	-
Interest received		**2.6**	3.5	**1.5**	1.5
Dividends received		**-**	0.5	**122.0**	122.0
Payments to suppliers and employees		**(769.3)**	(739.6)	**(4.0)**	(3.1)
Lease payments		**(8.2)**	-	**-**	-
Distribution to beneficiaries		**(110.8)**	(109.6)	**(110.8)**	(109.6)
Dividend withholding tax paid		**(8.0)**	(8.0)	**(8.0)**	(8.0)
Interest paid		**(140.6)**	(127.0)	**-**	-
Income tax paid		**(61.6)**	(61.3)	**-**	-
Net cash flows from/(used in) operating activities	22.1	**220.6**	270.7	**0.7**	2.8
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments		**-**	7.8	**-**	-
Proceeds from sale PPE and software intangibles		**0.6**	0.4	**-**	-
Purchase and construction of PPE and software intangibles		**(418.4)**	(386.8)	**-**	-
Acquisition of businesses		**(8.0)**	(1.7)	**-**	-
Post-completion payment for acquisition of businesses		**-**	(1.4)	**-**	-
Other investments		**(1.6)**	(14.0)	**-**	-
Net cash flows from/(used in) investing activities		**(427.4)**	(395.7)	**-**	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		**535.0**	570.8	**-**	-
Repayment of borrowings		**(285.6)**	(400.0)	**-**	-
Dividends paid		**(42.1)**	(41.9)	**-**	-
Sale of Treasury shares		**-**	14.0	**-**	-
Other financing cash flows		**(0.1)**	(2.1)	**-**	-
Net cash flows from/(used in) financing activities		**207.2**	140.8	**-**	-
Net increase/(decrease) in cash and cash equivalents		**0.4**	15.8	**0.7**	2.8
Cash and cash equivalents at beginning of the period	22.3	**105.1**	89.3	**77.2**	74.4
Cash and cash equivalents at end of the period		**105.5**	105.1	**77.9**	77.2
Cash and cash equivalents comprise:					
Bank balances and on-call deposits	22.3	**22.2**	19.6	**0.2**	0.7
Short term deposits	22.3	**83.3**	85.5	**77.7**	76.5
		105.5	105.1	**77.9**	77.2

Changes in Net Assets

for the year ended 30 June

GROUP	NOTE	HEDGE RESERVE $M	OTHER RESERVES $M	RETAINED EARNINGS $M	NON-CONTROLLING INTERESTS $M	TOTAL NET ASSETS $M
Balance at 30 June 2017		(36.9)	0.4	1,872.0	612.8	2,448.3
Net surplus/(deficit) for the period		-	-	111.2	36.9	148.1
Other comprehensive revenue and expense		6.7	0.6	-	2.4	9.7
Total comprehensive revenue and expense		6.7	0.6	111.2	39.3	157.8
Dividends and distributions	23	-	-	(121.3)	(41.9)	(163.2)
Distribution payable		-	-	1.0	-	1.0
Total transactions with beneficiaries		-	-	(120.3)	(41.9)	(162.2)
Reclassification on sale of financial asset		-	(1.4)	1.4	-	-
Sale of treasury shares		-	-	-	14.0	14.0
Balance at 30 June 2018		**(30.2)**	**(0.4)**	**1,864.3**	**624.2**	**2,457.9**
Impact of adopting NZ IFRS 15 at 1 July 2018		**-**	**-**	**(6.0)**	**-**	**(6.0)**
Adjusted balance at 1 July 2018		**(30.2)**	**(0.4)**	**1,858.3**	**624.2**	**2,451.9**
Net surplus/(deficit) for the period		**-**	**-**	**61.1**	**21.0**	**82.1**
Other comprehensive revenue and expense		**(15.8)**	**(1.1)**	**-**	**(5.6)**	**(22.5)**
Total comprehensive revenue and expense		**(15.8)**	**(1.1)**	**61.1**	**15.4**	**59.6**
Dividends and distributions	23	**-**	**-**	**(119.3)**	**(42.1)**	**(161.4)**
Employee share purchase scheme transactions		**-**	**0.1**	**-**	**-**	**0.1**
Distribution payable		**-**	**-**	**(0.3)**	**-**	**(0.3)**
Total transactions with beneficiaries		**-**	**0.1**	**(119.6)**	**(42.1)**	**(161.6)**
Balance at 30 June 2019		**(46.0)**	**(1.4)**	**1,799.8**	**597.5**	**2,349.9**

PARENT	NOTE	TRUSTEE FUNDS $M	RETAINED EARNINGS $M	TOTAL NET ASSETS $M
Balance at 30 June 2017		300.0	-	300.0
Net surplus/(deficit) for the period		-	120.3	120.3
Other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		-	120.3	120.3
Dividends and distributions	23	-	(121.3)	(121.3)
Distribution payable		-	1.0	1.0
Total transactions with beneficiaries		-	(120.3)	(120.3)
Balance at 30 June 2018		**300.0**	**-**	**300.0**
Net surplus/(deficit) for the period		**-**	**119.6**	**119.6**
Other comprehensive revenue and expense		**-**	**-**	**-**
Total comprehensive revenue and expense		**-**	**119.6**	**119.6**
Dividends and distributions	23	**-**	**(119.3)**	**(119.3)**
Distribution payable		**-**	**(0.3)**	**(0.3)**
Total transactions with beneficiaries		**-**	**(119.6)**	**(119.6)**
Balance at 30 June 2019		**300.0**	**-**	**300.0**

Notes to the Financial Statements

Notes to the Financial Statements

1. TRUST INFORMATION

Reporting entity

Entrust (the "Trust" or "Parent") was settled on 27 August 1993 and is domiciled in New Zealand. The Trust is registered under the Trustee Act 1956. The Trust is a reporting entity for the purposes of the Financial Reporting Act 2013 and is considered a Public Benefit Entity. The financial statements of the Trust have been prepared in accordance with the Financial Reporting Act 2013.

Entrust is a Discretionary Trust under the Trustee Act 1956. It is in the business of acting as Trustees and distributing the surplus from the Trust Fund to the income beneficiaries under its Deed of Trust. The income beneficiaries are customers on the Vector electricity network within the boundaries defined in the Trust Deed.

The Trust Fund comprises primarily the Trustees' shareholding in Vector Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These group financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable Financial Reporting Standards as appropriate for Tier 1 not-for-profit public benefit entities.

The subsidiary accounts have been prepared under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. We have determined that upon consolidation, subject to the early adoption of NZ IFRS 16 *Leases* by the subsidiary, which has been eliminated from these consolidated financial statements, there are no significant changes when prepared under PBE IPSAS.

The financial statements of the Trust must comply with the Financial Reporting Act 2013 and the Electricity Industry Act 2010. Pursuant to accounting standards prepared by the External Reporting Board under the Financial Reporting Act 2013 (in particular "External Reporting Board Standard A1 – Accounting Standards Framework") the Trustees have determined that the Trust falls within the definition of "Public Benefit Entity" under that standard. The designation of "Public Benefit Entity" is one which exists only under accounting standards and for the purposes of compliance with the Financial Reporting Act 2013. That designation has no effect on the substance of the Trust Deed which provides that the surplus of the Trust is to be distributed to those people defined as income beneficiaries under the Trust Deed, and who are exclusively customers of Vector within the Trust district, being the old geographical district of the now defunct Auckland Electric Power Board

Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as appropriate to Tier 1 not-for-profit entities.

They are prepared on the historical cost basis except for the following items, which are measured at fair value:

- the identifiable assets and liabilities acquired in a business combination; and
- certain financial instruments, as disclosed in the notes to the financial statements.

The presentation currency is New Zealand dollars ($). All financial information has been rounded to the nearest 100,000, unless otherwise stated.

The statements of revenue and expense, other comprehensive revenue and expense, cash flows and changes in equity are stated exclusive of GST. All items in the balance sheet are stated exclusive of GST except for trade receivables and trade payables, which include GST.

Significant accounting policies, estimates and judgements

The group's management is required to make judgements, estimates, and apply assumptions that affect the amounts reported in the financial statements. They have based these on historical experience and other factors they believe to be reasonable. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in the future periods affected.

Accounting policies, and information about judgements, estimations and assumptions that have had a significant effect on the amounts recognised in the financial statements are disclosed in the relevant notes as follows:

- Revenue recognition (Note 4)
- Consolidation basis and classification and valuation of investments (Note 11)
- Impairment and valuation of goodwill (Note 12)
- Property, plant and equipment: valuation and classification of expenses (Note 13)
- Provisions (Note 17)
- Borrowings: measurement bases (Note 19)
- Valuation of derivatives (Note 20)
- Financial risk management - impairment of financial instruments (Note 21)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards approved but not yet effective

PBE IPSAS Consolidation, accounting for associates and joint arrangements, and disclosures

The New Zealand Accounting Standards Board approved a suite of standards that will come into effect for accounting periods beginning on or after 1 January 2019.

PBE IPSAS 34 *Separate Financial Statements,* PBE IPSA 35 *Consolidated Financial Statements, PBE* IPSAS 36 *Investment in Associates and Joint Ventures, PBE* IPSAS 37 *Joint Arrangements* and PBE IPSAS 38 *Disclosures of Interest in Other Entities* will replicate the NZ IFRS guidance currently in place for for-profit entities in preparing their financial statements. The Vector financial statements comply with NZ IFRS.

The group do not expect any changes in respect of recognition and measurement when the suite of standards come into effect. Some additional disclosures under PBE IPSAS 38 are expected. The standards are mandatory for the group's financial year ended 30 June 2020. There are no plans to early adopt.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 comes into effect for accounting periods beginning on or after 1 January 2021.
PBE FRS 48 establishes principles and requirements for presenting service performance information that is useful for accountability and decision-making purposes. It establishes high-level disclosure requirements that provide the group with the means to report the efficiency and effectiveness of its operations.

The group have not assessed the extent of disclosures required. The standard is mandatory for the group's financial year ended 30 June 2022. There are no plans to early adopt.

PBE IFRS 9 Financial Instruments

PBE IFRS 9 replaces PBE IPSAS 29 *Financial Instruments: Recognition and Measurement* and is effective for accounting periods beginning on or after 1 January 2021. This standard is based upon NZ IAS 39 *Financial Instruments: Recognition and Measurement* which is being replaced by NZ IFRS 9 *Financial Instruments*. Key changes introduced in PBE IFRS 9 include creating new classification and measurement requirements for financial assets, new hedging requirements and new impairment requirements of financial assets.

The group is currently assessing to early adopt this standard for the year ended 30 June 2020. The group does not expect an impact from early adoption of this standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting standards adopted

On 1 July 2018, Vector adopted the accounting standard: NZ IFRS 15: *Revenue from Contracts with Customers*

NZ IFRS 15: *Revenue from Contracts with Customers*

NZ IFRS 15 *Revenue from Contracts with Customers* provides an entity with guiding principles on when, how, and how much revenue to recognise in an entity's financial statements in any given reporting period. The standard and its subsequent amendment replace all existing IFRS guidance for revenue recognition. The most relevant to Vector are: NZ IAS 18 *Revenue*, NZ IAS 11 *Construction Contracts*, NZ IFRIC 8 *Transfers of Assets from Customers.* Refer to note 4 for details of accounting policies and impact from adoption of NZ IFRS 15.

New standard effective and previously adopted

NZ IFRS 9: *Financial Instruments*

NZ IFRS 9 *Financial Instruments* is mandatory for the group effective from 1 July 2018.

Vector has previously completed the adoption of NZ IFRS 9 by electing to early adopt NZ IFRS 9 (2013) *Financial Instruments* in the year ended 30 June 2015 (initial application 1 July 2014) and NZ IFRS 9 (2014) *Financial Instruments* in the year ended 30 June 2017 (initial application 1 July 2016).

3. SIGNIFICANT TRANSACTIONS AND EVENTS

Significant transactions and events that have occurred during the year ending 30 June 2019:

The Commerce Commission

Over-recovery of electricity revenue

On 7 July 2017, Vector and the Commerce Commission ("the Commission") agreed the settlement of an over-recovery of electricity revenue by Vector during the regulatory years ended 31 March 2014 and 31 March 2015.

The settlement is effected through a $13.9 million (including accumulated interest of $3.8 million) price adjustment for the regulatory years ending 31 March 2019 and 31 March 2020, impacting the group's reported revenues and interest costs for the financial years ended 30 June 2018 (3 months), and financial years ending 30 June 2019 (12 months) and 2020 (9 months).

The impact in the current year ended 30 June 2019 is a $4.8 million (2018: $1.0 million) decrease in revenue and a $1.7 million (2018: $0.4 million) increase in interest costs.

Breaches of electricity network quality measures

Vector have breached the electricity network reliability targets, set by the Commission, for the regulatory years ended 31 March 2017, 2018 and 2019. The breaches are in large part expected results from Vector's work safety policy to perform electricity line work in a de-energised state. The policy was effective for a full year in 2018 and 2019, and a portion of 2017.

Should the Commission seek penalty charges Vector will face up to $15.0 million in liability ($5.0 million per year of breach). For similar breaches in regulatory years 2015 and 2016, the Commission brought a total penalty charge of $3.6 million.

3. SIGNIFICANT TRANSACTIONS AND EVENTS (continued)

Significant transactions and events that have occurred during the year ending 30 June 2019:

Debt programme	On 14 January 2019, Vector repaid $285.6 million (GBP $115.0 million) of medium-term notes using existing facilities. On 27 May 2019, Vector raised $250.0 million of unsubordinated fixed rate bonds with a fixed rate of 3.45% maturing on 27 May 2025. During the year ended 30 June 2019, Vector drew down a net of $285.0 million (2018: $15.0 million) from the bank facilities.
Dividends	Vector Limited's final dividend for the year ended 30 June 2018 of 8.00 cents per share was paid on 14 September 2018, with a supplementary dividend of 1.41 cents per non-resident share. The total dividend paid was $80.0 million. Vector Limited's interim dividend for the year ended 30 June 2019 of 8.25 cents per share was paid on 11 April 2019, with a supplementary dividend of 1.46 cents per non-resident share. The total dividend paid was $82.5 million. Liquigas Limited, a subsidiary of the group, paid an interim dividend in December 2018 of $0.6 million and a final dividend in June 2019 of $1.0 million to the company's non-controlling interests.

4. REVENUE FROM EXCHANGE TRANSACTIONS

4.1 Revenue from contracts with customers

	GROUP		PARENT	
	2019 $M	2018 $M	2019 $M	2018 $M
Sales	**1,230.1**	1,238.8	**-**	-
Third party contributions	**79.3**	71.5	**-**	-
Other	**9.2**	18.1	**-**	-
Dividends received	**-**	-	**122.0**	122.0
Total	**1,318.6**	1,328.4	**122.0**	122.0

Transition

Vector and the group adopted NZ IFRS 15 with a date of initial application of 1 July 2018 using the cumulative retrospective approach i.e. recognising the cumulative effect of initially applying NZ IFRS 15 as an adjustment to the opening balance of equity at 1 July 2018. Comparative information has not been restated and continue to be reported under NZ IAS 18 and NZ IAS 11.

The recognition timing of revenue from third party contributions has changed for some customer contracts from adopting NZ IFRS 15. The table below summarises the impacts on the group's consolidated financial statements for the year ended 30 June 2019.

Balance Sheet as at 30 June 2019	BALANCE BEFORE TRANSITION $M	ADJUSTMENT $M	AS REPORTED $M
Current liabilities			
Contract liabilities	**47.9**	**1.3**	**49.2**
Non-current liabilities			
Deferred tax	**489.9**	**(2.3)**	**487.6**
Contract liabilities	**38.1**	**5.8**	**43.9**
Equity			
Retained earnings	**1,793.8**	**6.0**	**1,799.8**

Profit or Loss for the year ended 30 June 2019	BALANCE BEFORE TRANSITION $M	ADJUSTMENT $M	AS REPORTED $M
Revenue from exchange transactions	**1,317.4**	**1.2**	**1,318.6**

Policies

Revenue is measured at the value of consideration received, or receivable, as specified in a contract with a customer. Amounts collected on behalf of third parties are excluded. The group recognises revenue when it transfers control over a good or service to a customer.

4. REVENUE FROM EXCHANGE TRANSACTIONS (continued)

4.1. Revenue from contracts with customers (continued)

Major sources of revenue

Regulated Networks

Electricity and gas distribution services

Revenue from electricity and gas distribution services are measured at fair value, to the extent that pricing is determined by the regulator within a defined pricing path set. Revenue is recognised over time using an output method. The right to payment corresponds directly with the customers' pattern of electricity and gas consumption.

Third party contributions

Third party contributions towards the construction of property, plant and equipment are recognised over time, reflecting the percentage completion of the underlying construction activity or the performance obligation if the activity is bundled with other goods or services.

A contract liability is presented on the balance sheet representing that portion of consideration received from the customer on acceptance of a contract but that the performance obligation associated with the contract is not yet satisfied.

Gas trading

Sale of natural gas

Vector receives revenue from customers for the provision of a continuous supply of natural gas over a time period. Revenue is recognised over time in line with a customer's consumption of natural gas and measured at the transaction price of the contract.

The transaction price for a gas supply contract includes variable considerations in the form of indexed pricing, volume pricing, and take or pay arrangements. Vector estimates the amount of variable considerations present in each contract using the expected value method, which is the sum of probability weighted amounts in a range of possible consideration amounts.

Technology

Metering revenue

Metering revenue earned from the provision of metering services is recognised over time as the customer simultaneously receives and consumes the benefits from operations of Vector's network of smart meters.

4.2. Contract balances

Policies

Contract liabilities

Of the revenue recognised this year, $29.2 million was included in the contract liability balance at the beginning of the reporting period.

Contract assets

Contract assets represent balances due from customers for performance obligations (or series of performance related milestones) completed but that have not been invoiced. Contract asset is reclassified to trade receivables at the point when it is invoiced to the customer.

5. OPERATING EXPENSES

		GROUP		PARENT	
		2019 $M	2018 $M	2019 $M	2018 $M
Electricity transmission		**209.6**	220.6	**-**	-
Gas purchases and production		**179.2**	187.1	**-**	-
Technology cost of sales		**68.3**	78.5	**-**	-
Network and asset maintenance		**88.7**	87.7	**-**	-
Other direct expenses		**55.0**	59.0	**-**	-
Employee benefit expenses		**89.6**	88.9	**0.4**	0.4
Administration expenses		**27.1**	21.0	**1.1**	1.0
Distribution expenses		**0.9**	1.1	**0.9**	1.1
Trustee Remuneration	24	**0.3**	0.3	**0.3**	0.3
Trustee election expenses		**0.4**	-	**0.4**	-
Professional fees		**13.6**	15.3	**0.6**	0.3
IT expenses		**16.0**	15.0	**-**	-
Other indirect expenses		**17.5**	15.5	**0.2**	0.1
Total		**766.2**	790.0	**3.9**	3.2

Fees paid to auditors of Entrust

Grant Thornton are the auditors of Entrust. Fees paid to Grant Thornton are as follows:

- Audit of financial statements: $47,000 (2018: $47,000);
- Other services: $nil (2018: $2,000).

Other services provided by Grant Thornton in 2018 related to non-assurance services.

Fees paid to other auditors

KPMG are the auditors of Vector Limited and group. Fees were paid to KPMG for services provided to Vector Limited as follows:

- audit or review of financial statements: $597,000 (2018: $506,000);
- regulatory assurance: $392,185 (2018: $366,000);
- other assurance fees: $74,485 (2018: $50,000);
- non-audit fees: $174,000 (2018: $nil).

Other assurance fees include fees for the audit of guaranteeing group financial statements, bond registers, and agreed upon procedures required by certain contractual arrangements. Non-audit fees include fees for IT forensics and other forensic services.

6. INTEREST COSTS (NET)

		GROUP		PARENT	
		2019 $M	2018 $M	2019 $M	2018 $M
Interest expense		**125.9**	133.0	**-**	-
Amortisation costs		**6.5**	-	**-**	-
Capitalised interest		**(5.4)**	(4.4)	**-**	-
Interest income		**(2.6)**	(3.7)	**(1.5)**	(1.5)
Decommissioning costs	17	**2.0**	-	**-**	-
Other		**3.4**	4.3	**-**	-
Total		**129.8**	129.2	**(1.5)**	(1.5)

Policies

Interest costs (net) include interest expense on borrowings and interest income on funds invested which are recognised using the effective interest rate method.

Capitalised interest

The group has capitalised interest to PPE and software intangibles while under construction at an average rate of 5.3% per annum (2018: 5.8%).

7. FAIR VALUE CHANGE ON FINANCIAL INSTRUMENTS

	GROUP 2019 $M	GROUP 2018 $M
Fair value movement on hedging instruments	**54.7**	32.2
Fair value movement on hedged items	**(57.2)**	(29.1)
Total gains/(losses)	**(2.5)**	3.1

8. INCOME TAX EXPENSE/(BENEFIT)

Reconciliation of income tax expense/(benefit)	GROUP 2019 $M	GROUP 2018 $M	PARENT 2019 $M	PARENT 2018 $M
Surplus/(deficit)before income tax	**134.6**	184.9	**119.6**	120.3
Tax at current rate	**37.7**	51.8	**39.5**	39.7
Current tax adjustments				
Non-deductible expenses	**3.7**	3.7	**0.4**	0.4
Relating to prior periods - others	**0.1**	1.9	-	-
Relating to MEL Network Limited removal	-	(16.7)	-	-
Impairment	**13.0**	-	-	-
Other	**(0.2)**	(1.3)	**(39.9)**	(40.1)
Deferred tax adjustments				
Relating to prior periods - others	**(1.8)**	(2.6)	-	-
Income tax expense/(benefit)	**52.5**	36.8	-	-
Comprising				
Current tax	**41.2**	28.1	-	-
Deferred tax	**11.3**	8.7	-	-

Current tax rates

The Parent is a discretionary trust and its undistributed profit (if any) is taxed at a rate of 33%.

Vector Limited is a 75.1% owned subsidiary of the Parent. Its profit is taxed at the current corporate tax rate for profit-oriented entities of 28%.

Other adjustments

MEL Network Limited removal

MEL Network Limited (MEL), a wholly owned subsidiary of Vector, was removed from the Companies Office register on 27 March 2018. Following the removal, the related party advance between MEL and Vector Limited was written off, resulting in an income tax benefit of $16.7m to the group in the year ended 30 June 2018. A private binding ruling was obtained to confirm the tax benefit.

Policies

Income tax expense/(benefit) comprises current and deferred tax and is calculated using rates enacted or substantively enacted at balance date.

Current and deferred tax is recognised in profit or loss unless the tax relates to items in other comprehensive income, in which case the tax is recognised as an adjustment in other comprehensive income against the item to which it relates.

Income tax asset

Vector's current policy is to fully impute its dividend payments to shareholders. This has driven the recognition of a current income tax asset at 30 June 2019 of $52.4 million (2018: $84.7 million) and a non-current income tax asset of $52.3 million (2018: nil).

Vector intends to review its dividend and imputation policy during the year ended 30 June 2020 following confirmation of the Commerce Commission's Default Price Path (DPP3) due on 28 November.

Imputation credits

There are no imputation credits available for use as at 30 June 2019 (2018: nil), as the imputation account has a debit balance as of that date.

The Parent is not required to maintain an imputation credit account because it is a trust.

9. DEFERRED TAX

Deferred tax liability/ (asset)

GROUP	NOTE	PPE AND INTANGIBLES $M	PROVISIONS AND ACCRUALS $M	HEDGE RESERVES $M	OTHER $M	TOTAL $M
Balance at 1 July 2017		492.4	(8.3)	(19.0)	10.4	475.5
Recognised in profit or loss		23.5	(11.3)	-	(3.5)	8.7
Recognised in other comprehensive income		-	-	3.5	-	3.5
Recognised from business combinations		(1.1)	-	-	-	(1.1)
Balance at 30 June 2018		514.8	(19.6)	(15.5)	6.9	486.6
Recognised in profit or loss		**20.5**	**(5.9)**	**-**	**(3.3)**	**11.3**
Recognised in other comprehensive income		**-**	**-**	**(8.2)**	**-**	**(8.2)**
Recognised from adoption of NZ IFRS 15	4	**-**	**-**	**-**	**(2.3)**	**(2.3)**
Balance at 30 June 2019		**535.3**	**(25.5)**	**(23.7)**	**1.3**	**487.4**

The group's deferred tax position is presented in the balance sheet as follows:

GROUP	2019 $M	2018 $M
Deferred tax asset	**(0.2)**	(0.1)
Deferred tax liability	**487.6**	486.7
Total	**487.4**	486.6

Policies

Deferred tax is:

- Recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
- Not recognised for the initial recognition of goodwill.
- Measured at tax rates that are expected to be applied to the temporary differences when they reverse.

10. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	GROUP		PARENT	
Current	2019 $M	2018 $M	2019 $M	2018 $M
Trade receivables from exchange transactions	**76.3**	71.6	**-**	-
Interest receivable	**10.0**	17.9	**0.6**	0.6
Prepayments	**11.1**	11.7	**-**	-
Other	**3.3**	3.9	**-**	-
Balance at 30 June	**100.7**	105.1	**0.6**	0.6
Non-current				
Other	**1.7**	0.1	**-**	-
Balance at 30 June	**1.7**	0.1	**-**	-

At 30 June, the exposure to credit risk for trade and other receivables by type of counterparty was as follows.

	2019 $M		2018 $M	
GROUP	Not credit impaired	Credit impaired	Not credit impaired	Credit impaired
Business customers	**62.4**	**2.8**	60.1	0.7
Mass market customers	**6.6**	**-**	4.4	-
Third party asset damages	**0.3**	**5.2**	0.4	3.9
Residential and other	**4.2**	**0.9**	5.2	-
Total gross carrying amount	**73.5**	**8.9**	70.1	4.6
Loss allowance	**(0.2)**	**(4.2)**	(0.1)	(3.0)
	73.3	**4.7**	70.0	1.6

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 30 June.

	2019 $M		2018 $M	
GROUP	Carrying amount	Loss allowance	Carrying amount	Loss allowance
Not past due	**65.9**	**-**	56.5	-
Past due 1-30 days	**7.1**	**-**	7.2	-
Past due 31-120 days	**2.9**	**0.2**	4.1	0.1
Past due more than 120 days	**2.1**	**4.2**	3.8	3.0
Balance at 30 June	**78.0**	**4.4**	71.6	3.1

Policies

Receivables are initially recognised at fair value. They are subsequently adjusted for credit impairment losses.

Discounting is not applied to receivables where collection is expected to occur within the next twelve months.

Credit risk

In assessing credit losses for trade receivables, the group applies the simplified approach and records lifetime expected credit losses ("ECLs") on trade receivables.

Lifetime ECLs result from all possible default events over the expected life of a trade receivable. The group considers the probability of default upon initial recognition of the trade receivable, based on reasonable and available information on the group's customers and groups of customers. The group's trade receivables are monitored in two groups: business customers, and mass market residential customers.

In assessing ECLs on trade receivables the group considers both quantitative and qualitative inputs. Quantitative data includes past collection rates, industry statistics, ageing of receivables, and trading outlook. Qualitative inputs include past trading history with the group.

The group's customer acceptance process includes a check on credit history, profitability, and the customer's external credit rating if available. Different levels of sale limits are also imposed on customer accounts by nature.

The Parent's exposure to credit risk is deemed not material by the board of trustees for the purpose of these financial statements.

11. INVESTMENTS

Judgements Classifying investments as either subsidiaries, associates, financial assets or joint operations requires management to judge the degree of influence which the group holds over the investee.

These judgements impact upon the basis of consolidation accounting which is used to recognise the group's investments in the consolidated financial statements.

11.1 Investments in subsidiaries

Trading subsidiaries

Significant trading entities and holding companies in the group are listed below.

	Principal Activity	PERCENTAGE HELD 2019	2018
Vector Gas Trading Limited	Natural gas trading and processing	**75.1%**	75.1%
Vector Kapuni Limited	Joint operator – cogeneration plant	**75.1%**	75.1%
Liquigas Limited	Bulk LPG storage, distribution, and management	**45.1%**	45.1%
On Gas Limited	LPG sales and distribution	**75.1%**	75.1%
Vector Metering Data Services Limited	Holding company	**75.1%**	75.1%
Advanced Metering Assets Limited	Metering services	**75.1%**	75.1%
Advanced Metering Services Limited	Metering services	**75.1%**	75.1%
Arc Innovations Limited	Metering services	**75.1%**	75.1%
Vector Communications Limited	Telecommunications	**75.1%**	75.1%
Vector Energy Solutions Limited	Holding company	**75.1%**	75.1%
PowerSmart NZ Limited	Energy solutions services	**75.1%**	75.1%
Vector ESPS Trustee Limited	Trustee company	**75.1%**	75.1%
E-Co Products Group Limited	Holding company	**75.1%**	75.1%
Cristal Air International Limited	Ventilation, heating and water systems sales and assembler.	**75.1%**	75.1%
Ventilation Australia Pty Limited	Holding company	**75.1%**	75.1%
HRV Australia Pty Limited	Ventilation system and parts sales	**75.1%**	75.1%
Vector Advanced Metering Services (Australia) Pty Limited	Metering services	**75.1%**	75.1%
Vector Advanced Metering Assets (Australia) Limited	Metering services	**75.1%**	75.1%
Vector Energy Solutions (Australia) Pty Limited	Energy solutions services	**75.1%**	75.1%

11. INVESTMENTS (continued)

11.1 Investments in subsidiaries (continued)

Policies

Subsidiaries are entities controlled directly or indirectly by the parent. The group holds over 50% of the voting rights in all entities reported as subsidiaries. There are currently no indicators that the group does not have control consistent with these voting rights.

The financial statements of subsidiaries are reported in the financial statements using the acquisition method of consolidation.

Intra-group balances and transactions between group companies are eliminated on consolidation.

Geography

All subsidiaries are incorporated in New Zealand, except for the following which are incorporated in Australia:

- Vector Advanced Metering Services (Australia) Pty Limited;
- Vector Energy Solutions (Australia) Pty Limited;
- Ventilation Australia Pty Limited;
- HRV Australia Pty Limited.

11.2 Investment in associate

Associate	PRINCIPAL ACTIVITY	BALANCE DATE	COUNTRY OF INCORPORATION	PERCENTAGE HELD 2019	PERCENTAGE HELD 2018
Tree Scape Limited	Vegetation management	31 March	New Zealand	**37.6%**	37.6%

	2019 $M	2018 $M
Carrying amount of associates		
Balance at 1 July	**8.1**	9.6
Share of net profit/(loss) of associate	**0.6**	(1.5)
Balance at 30 June	**8.7**	8.1
Equity accounted earnings of associate		
Profit/(loss) before income tax	**0.8**	(2.1)
Income tax benefit/(expense)	**(0.2)**	0.6
Share of net profit/(loss) of associate	**0.6**	(1.5)
Total recognised revenues and expenses	**0.6**	(1.5)

Policies

Associates are entities in which the group has significant influence, but not control or joint control, over the operating and financial policies. The group holds over 20%, but not more than half, of the voting rights in all entities reported as associates and has assessed that there are currently no indicators that the group does not have significant influence consistent with these voting rights. Where the group has 50% voting rights in an entity reported as an associate, we have determined that this does not constitute joint control as there is more than one combination of parties that can achieve majority voting rights and control through board voting.

Investments in associates are reported in the financial statements using the equity method.

11. INVESTMENTS (continued)

11.3 Interest in joint operation

Joint operation	PRINCIPAL ACTIVITY	BALANCE DATE	INTEREST HELD 2019	2018
Kapuni Energy Joint Venture	Cogeneration plant operator	30 June	**37.6%**	37.6%

Policies

A joint operation is where Vector is a party to a joint arrangement and has rights to the assets and obligations for the liabilities relating to the arrangement.

The group has assessed that the contractual arrangement governing the Kapuni Energy Joint Venture, of which Vector Kapuni Limited is a party, meets the criteria of a joint arrangement, and that the rights and obligations conferred by that contract meet the classification of a joint operation.

The interest in the joint operation is reported in the financial statements using the proportionate method of consolidation.

11.4 Other investments

mPrest Systems (2003) Limited

On 4 October 2017, Vector invested $14.0 million (US $10.0 million) into mPrest Systems (2003) Limited ("mPrest"). The investment is accounted for as a financial asset at fair value through other comprehensive income ("OCI") on the Balance Sheet.

At 30 June 2019, via Vector, the group holds 8.1% (2018: 7.8%) of the issued shares in mPrest. The group has determined the fair value of the asset as $15.6 million at 30 June 2019, with the upward movement of $0.6 million recognised in OCI.

For fair value measurement purposes, the financial asset is classified as level 3 on the fair value hierarchy (see Note 20 for explanations of various levels in the hierarchy). The table below provides information on how the fair value of the asset is determined.

The discount rate used is a post-tax, risk-adjusted rate that reflects the risks specific to the different segments of operations in mPrest.

The terminal growth rate represents an estimated long-term sustainable growth rate for the free cash flows of the business.

DESCRIPTION	FAIR VALUE $M 2019	FAIR VALUE $M 2018	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUT	RANGE	SENSITIVITY OF FAIR VALUE TO CHANGES IN INPUT
Offshore private equity investment	15.6	15.0	Discounted cashflow	Discount rate	Discount rate 10%	A 1% increase in discount rate used will result in an $2.2 million decrease in the fair value. A 1% decrease in discount rate will result in an $2.9 million increase in fair value.
				Terminal growth rate	Terminal growth rate 2%	A 1% increase in the terminal growth rate used will result in an $1.6 million increase in the fair value. A 1% decrease in the terminal growth rate used will result in an $1.2 million decrease in the fair value.

Vector's team of valuation specialists are responsible for establishing the appropriate valuation techniques and inputs into the valuation models, including an assessment of any inputs obtained from third party or market sources.

The valuation team report to Vector's chief financial officer, and any significant valuation issues are reported to Vector's audit committee.

12. INTANGIBLE ASSETS

GROUP	NOTE	CUSTOMER INTANGIBLES $M	EASEMENTS $M	SOFTWARE $M	TRADE NAMES $M	GOODWILL $M	TOTAL $M
Carrying amount 30 June 2017		38.4	16.3	59.9	16.6	1,266.0	1,397.2
Cost		49.9	16.3	252.5	16.8	1,330.0	1,665.5
Accumulated amortisation		(11.5)	-	(192.6)	(0.2)	-	(204.3)
Accumulated impairment		-	-	-	-	(64.0)	(64.0)
Transfers from PPE		-	0.5	24.4	-	-	24.9
Acquisition of business		-	-	-	-	3.6	3.6
Disposals		-	-	(0.1)	-	-	(0.1)
Amortisation for the period		(4.5)	-	(23.1)	(0.8)	-	(28.4)
Carrying amount 30 June 2018		**33.9**	**16.8**	**61.1**	**15.8**	**1,269.6**	**1,397.2**
Cost		49.9	16.8	276.6	16.8	1,333.6	1,693.7
Accumulated amortisation		(16.0)	-	(215.5)	(1.0)	-	(232.5)
Accumulated impairment		-	-	-	-	(64.0)	(64.0)
Transfers from PPE		**-**	**0.5**	**30.6**	**-**	**-**	**31.1**
Acquisition of business		**-**	**-**	**0.1**	**-**	**7.4**	**7.5**
Impairment	12.1	**(3.9)**	**-**	**-**	**-**	**(42.7)**	**(46.6)**
Amortisation for the period		**(5.9)**	**-**	**(26.6)**	**(1.8)**	**-**	**(34.3)**
Carrying amount 30 June 2019		**24.1**	**17.3**	**65.2**	**14.0**	**1,234.3**	**1,354.9**
Cost		**49.9**	**17.3**	**299.0**	**16.8**	**1,341.0**	**1,724.0**
Accumulated amortisation		**(21.9)**	**-**	**(233.8)**	**(2.8)**	**-**	**(258.5)**
Accumulated impairment		**(3.9)**	**-**	**-**	**-**	**(106.7)**	**(110.6)**

12. INTANGIBLE ASSETS (continued)

12.1 Goodwill

Goodwill by reportable segment	GROUP 2019 $M	2018 $M
Regulated Networks	**1,050.2**	1,050.2
Gas Trading	**156.8**	156.8
Technology	**27.3**	62.6
Total	**1,234.3**	1,269.6

Policies

Goodwill represents the excess of the consideration transferred over the fair value of the group's share of the net identifiable assets of an acquired subsidiary.

Goodwill is carried at cost less accumulated impairment losses.

Allocation

Goodwill is monitored internally at a group level. It is allocated to operating segments, which are also reflective of group's cash generating units ("CGU"), for impairment testing purposes. This is the highest level permissible under NZ IFRS. The CGUs within the group are: electricity, gas distribution, metering, gas trading, communications and commercial energy solutions.

Goodwill is tested at least annually for impairment against the recoverable amount of the CGU to which it has been allocated.

Judgements

To assess impairment, Vector management must estimate the future cash flows of operating segments including the CGUs that make up those segments. This entails making judgements including:

- the expected rate of growth of revenues;
- margins expected to be achieved;
- the level of future maintenance expenditure required to support these outcomes; and

the appropriate discount rate to apply when discounting future cash flows.

Impairment

As at 30 June 2019, the group has recognised an impairment loss of $46.6 million in respect of goodwill and intangible assets allocated to the E-Co Products ("E-Co") cash generating unit ("CGU") within the technology segment. The impairment reflects various factors including the post-acquisition performance of E-Co's heat pumps and filters businesses falling below expectations, the closure of E-Co's retrofit windows business and the significant investment in establishing the HRV solar business. Following the appointment of new management in September 2018, E-Co has commenced a detailed review of its operations with a focus on reorganisation and simplification. The business is expected to return to profitability in 2020.

The recoverable amount of the E-Co cash generating unit has been determined based on value in use. Post-tax discount rates of between 7.6% and 8.3% (2018: 8.3% and 9.0%) have been applied in determining the recoverable amount for the E-Co cash generating unit.

Assumptions

The recoverable amounts attributed to the electricity, gas distribution, metering, gas trading and communications CGUs are calculated on the basis of value-in-use using discounted cash flow models. On the basis that the recoverable amounts of these CGUs to which goodwill is allocated exceeds the net assets plus goodwill allocated, the group has determined that no impairment to goodwill has occurred during the period.

Future cash flows are forecast based on actual results and business plans.

For the electricity, gas distribution and metering CGUs, a ten-year period has been used due to the long-term nature of the group's capital investment in these businesses and the predictable nature of their cash flows. A five-year period has been used for the gas trading, E-Co and communications CGUs.

Terminal growth rates in a range of 1.0% to 2.0% (2018: 1.0% to 2.0%) and post-tax discount rates between 4.7% to 8.9% (2018: 4.8% and 9.0%) are applied. Rates vary for the specific segment being valued.

Projected cash flows for regulated businesses are sensitive to regulatory uncertainty. Estimated future regulated network revenues and the related supportable levels of capital expenditure are based on default price-quality path determinations issued by the Commerce Commission and are in line with estimates published in the asset management plans.

12. INTANGIBLE ASSETS (continued)

12.2 Other intangible assets

Policies

Other intangible assets are initially measured at cost, and subsequently stated at cost less any accumulated amortisation and impairment losses.

Software, customer intangibles, and trade names have been assessed as having a finite life greater than 12 months, and are amortised from the date the asset is ready for use on a straight-line basis over its estimated useful life. The estimated useful lives (years) are as follows:

Software	3 - 36
Customer intangibles	3 - 20
Trade names	20

Easements are not amortised, but are tested for impairment at least annually as part of the assessment of the carrying values of assets against the recoverable amounts of the operating segments to which they have been allocated.

13. PROPERTY, PLANT AND EQUIPMENT (PPE)

GROUP	DISTRIBUTION SYSTEMS $M	ELECTRICITY AND GAS METERS $M	LAND, BUILDINGS AND IMPROVEMENTS $M	COMPUTER AND TELCO EQUIPMENT $M	OTHER PLANT AND EQUIPMENT $M	CAPITAL WORK IN PROGRESS $M	TOTAL $M
Carrying amount 1 July 2017	2,861.9	448.9	172.5	107.9	135.0	111.3	3,837.5
Cost	3,818.4	756.0	204.7	208.9	229.0	111.3	5,328.3
Accumulated depreciation	(956.5)	(307.1)	(32.2)	(101.0)	(94.0)	-	(1,490.8)
Additions	-	-	-	-	2.5	381.2	383.7
Acquisition of business	0.6	-	-	-	-	-	0.6
Transfers - Intangible assets	-	-	-	-	-	(24.9)	(24.9)
Transfers - Other	223.8	73.8	1.9	6.3	34.1	(339.9)	-
Disposals	(3.7)	-	-	-	-	-	(3.7)
Depreciation for the period	(120.3)	(44.1)	(3.7)	(14.3)	(15.1)	-	(197.5)
Carrying amount 30 June 2018	2,962.3	478.6	170.7	99.9	156.5	127.7	3,995.7
Cost	4,028.1	829.2	206.6	206.6	265.6	127.7	5,663.8
Accumulated depreciation	(1,065.8)	(350.6)	(35.9)	(106.7)	(109.1)	-	(1,668.1)
Additions	**-**	**-**	**-**	**-**	**1.3**	**424.6**	**425.9**
Acquisition of business	**-**	**-**	**-**	**0.1**	**0.3**	**-**	**0.4**
Transfers - Intangible assets	**-**	**-**	**-**	**-**	**-**	**(31.1)**	**(31.1)**
Transfers - Other	**269.8**	**102.0**	**13.0**	**6.1**	**20.2**	**(411.1)**	**-**
Disposals	**(1.9)**	**(1.7)**	**(0.1)**	**-**	**(0.1)**	**-**	**(3.8)**
Depreciation for the period	**(120.0)**	**(53.4)**	**(3.4)**	**(11.7)**	**(13.2)**	**-**	**(201.7)**
Carrying amount 30 June 2019	**3,110.2**	**525.5**	**180.2**	**94.4**	**165.0**	**110.1**	**4,185.4**
Cost	**4,280.4**	**926.7**	**219.4**	**198.4**	**287.3**	**110.1**	**6,022.3**
Accumulated depreciation	**(1,170.2)**	**(401.2)**	**(39.2)**	**(104.0)**	**(122.3)**	**-**	**(1,836.9)**

13. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

Policies

PPE is initially measured at cost, and subsequently stated at cost less depreciation and any impairment losses. Cost may include:

- Consideration paid on acquisition
- Costs to bring the asset to working condition
- Materials used in construction
- Direct labour attributable to the item
- Interest costs attributable to the item
- A proportion of directly attributable overheads incurred
- If there is a future obligation to dismantle and/or remove the item, the costs of doing so

Capitalisation of costs stops when the asset is ready for use.

Subsequent expenditure that increases the economic benefits derived from the asset is capitalised.

Uninstalled assets are stated at the lower of cost and estimated recoverable amount.

Depreciation commences when an asset becomes available for use.

Depreciation of PPE, other than freehold land and capital work in progress, is calculated on a straight-line basis and expensed over the useful life of the asset. Useful lives are reviewed regularly and adjusted as appropriate for the revised expectations.

Estimated useful lives (years) are as follows:

Buildings	40 – 100	Meters and meter inspections	2 – 40
Distribution systems	5 – 100	Other plant and equipment	3 – 55
Leasehold improvements	5 – 20		

Judgements

Management must apply judgement when evaluating:

- Whether costs relate to bringing the items to working condition
- The amount of overhead costs which can be reasonably directly attributed to the construction or acquisition of an asset
- Whether subsequent expenditure on the asset increases the future economic benefits to be obtained from that asset
- Whether any indicators of impairment have occurred which might require impairment testing of the current carrying values

Capital commitments

The estimated capital expenditure for PPE and software intangibles contracted for at balance date but not provided is $83.4 million for the group (2018: $68.0 million).

14. OPERATING LEASES

Aggregate minimum lease payments under non-cancellable operating leases where the Group is the lessee	GROUP 2019 $M	GROUP 2018 $M
Within one year	**8.4**	9.1
One to five years	**22.2**	16.6
Beyond five years	**19.7**	14.5
Total	**50.3**	40.2

Policies

Payments made under operating leases, where the lessors effectively retain the risks and benefits of ownership, are recognised in profit or loss on a straight-line basis over the lease term.

Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Lease of premises

The majority of the operating lease commitments relate to the group's leases of premises. These, in the main, give the group the right to renew the lease at the end of the current lease term.

The Parent has no operating leases.

15. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	GROUP		PARENT	
	2019 $M	2018 $M	2019 $M	2018 $M
Current				
Trade payables from exchange transactions	**155.1**	159.2	**0.5**	0.6
Employee benefits	**18.0**	15.6	-	-
Finance leases	**0.4**	0.3	-	-
Interest payable	**27.5**	39.6	-	-
Balance at 30 June	**201.0**	214.7	**0.5**	0.6
Non-current				
Finance leases	**0.9**	0.2	-	-
Other non-current payables	**1.8**	-	-	-
Balance at 30 June	**2.7**	0.2	-	-

Other payables The group accrues employee benefits which remain unused at balance date, and amounts expected to be paid under short-term cash bonus plans.

16. DISTRIBUTION PAYABLES

	GROUP		PARENT	
	2019 $M	2018 $M	2019 $M	2018 $M
Current				
Distributions payable	**67.8**	68.1	**67.8**	68.1

Distribution payables Distributions payable at reporting date is made up of the following:

Net surplus from the current year.

In accordance with the Trust Deed, the Trustees shall distribute the Trust's net surplus to beneficiaries listed on the distribution roll at the time the roll is prepared.

Trustee accumulations available for distribution.

In accordance with the Trust Deed, accumulations not distributed to beneficiaries at reporting date is held by the Trust for no more than one year. This includes unclaimed distributions that remain unclaimed after two years (per note 18).

As at 30 June 2019 no distribution roll had been struck to determine the allocation of this surplus to the beneficiaries, therefore the funds are held as distributions payable.

17. PROVISIONS

GROUP	PROVISION FOR DISTRIBUTION TO CUSTOMERS $M	DECOMMISSIONING PROVISIONS $M	OTHER $M	TOTAL $M
Balance 1 July 2018	16.6	22.6	7.8	47.0
Additions	**8.8**	**2.8**	**6.5**	**18.1**
Unwinding of discount	-	**2.0**	-	**2.0**
Payments	**(16.6)**	-	**(4.3)**	**(20.9)**
Reversed to profit or loss	-	-	**(1.4)**	**(1.4)**
Balance at 30 June 2019	**8.8**	**27.4**	**8.6**	**44.8**
Comprising:				
Current	**8.8**	-	**8.6**	**17.4**
Non-current	-	**27.4**	-	**27.4**

Policies A provision is recognised where the likelihood of a resultant liability is more probable than not, and the amount required to settle the liability can be reliably estimated.

Decommissioning The decommissioning provisions represent the present value of the future expected costs for dismantling the group's gas treatment and cogeneration plants situated at Kapuni and depot assets situated at various regions in New Zealand. Timing of economic outflows represents management's best estimate of the end of the useful life of the plant and associated assets.

Other provisions These provisions comprise amounts that may be required to be utilised within one year or a longer period dependent on ongoing negotiations with third parties involved. There are currently no foreseeable uncertainties which would be reasonably expected to lead to material changes in the amounts provided.

18. PROVISION FOR UNCLAIMED DISTRIBUTIONS

	GROUP		PARENT	
	2019 $M	2018 $M	2019 $M	2018 $M
Balance at beginning of the reporting period	**9.1**	7.4	**9.1**	7.4
Additions	**5.5**	5.1	**5.5**	5.1
Claimed and paid	**(0.5)**	(0.3)	**(0.5)**	(0.3)
Cancelled	**(3.9)**	(3.1)	**(3.9)**	(3.1)
Balance at end of the reporting period	**10.2**	9.1	**10.2**	9.1

Policies

Unclaimed distributions represent distributions made to beneficiaries that have not been claimed for payment. The amounts payable will remain a distribution payable up to two years after the distribution, where after it will be cancelled and written back to Accumulations in accordance with the Trust Deed.

19. BORROWINGS

2019 GROUP	CURRENCY	MATURITY DATE	FACE VALUE $M	UNAMORT-ISED COSTS $M	FAIR VALUE ADJUSTMENT ON HEDGED RISK $M	CARRYING VALUE $M	FAIR VALUE $M
Bank facilities – variable rate	NZD	Mar 2020 – Jul 2021	**395.0**	**(1.2)**	-	**393.8**	**393.8**
Capital bonds – 5.7% fixed rate	NZD	-	**307.2**	**(1.0)**	-	**306.2**	**345.7**
Wholesale bonds - 4.996% fixed rate	NZD	Mar 2024	**240.0**	**3.9**	-	**243.9**	**278.7**
Senior notes – fixed rate	USD	Sep 2019 – Sep 2029	**1,112.9**	**(2.1)**	**109.7**	**1,220.5**	**1,291.6**
Floating rate notes – variable rate	NZD	Oct 2020	**350.0**	**(0.5)**	-	**349.5**	**351.8**
Unsubordinated fixed rate bonds – 3.45% fixed rate bonds	NZD	May 2025	**250.0**	**(2.9)**	-	**247.1**	**277.3**
Balance at 30 June			**2,655.1**	**(3.8)**	**109.7**	**2,761.0**	**2,938.9**

2018 GROUP	CURRENCY	MATURITY DATE	FACE VALUE $M	UNAMORT-ISED COSTS $M	FAIR VALUE ADJUSTMENT ON HEDGED RISK $M	CARRYING VALUE $M	FAIR VALUE $M
Bank facilities – variable rate	NZD	Mar 2020 – Feb 2021	110.0	(1.1)	-	108.9	108.9
Capital bonds – 5.7% fixed rate	NZD	-	307.2	(1.3)	-	305.9	324.9
Wholesale bonds - 4.996% fixed rate	NZD	Mar 2024	240.0	4.4	-	244.4	244.1
Senior notes – fixed rate	USD	Sep 2019 – Sep 2029	1,112.9	(2.6)	52.6	1,162.9	1,150.7
Floating rate notes – variable rate	NZD	Oct 2020	350.0	(1.0)	-	349.0	342.4
Medium term notes - 7.625% fixed rate	GBP	Jan 2019	285.6	(0.3)	(61.1)	224.2	231.4
Balance at 30 June			2,405.7	(1.9)	(8.5)	2,395.3	2,402.4

Policies

The Parent has no borrowings. All borrowings are held by Vector, a subsidiary of the Group. Borrowings are initially recorded at fair value, net of transaction costs. After initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in interest costs in profit or loss over the period of the borrowing using the effective interest rate method.

The carrying value of borrowings includes the principal converted at contract rates (face value), unamortised costs and a fair value adjustment for the component of the risk that is hedged. The fair value is calculated by discounting the future contractual cash flows at current market interest rates that are available for similar financial instruments. The fair value of all borrowings, calculated for disclosure purposes, are classified as level 2 on the fair value hierarchy, explained further in Note 21.

19. BORROWINGS (continued)

Bank facilities	New floating rate bank facilities were added with a maturity date in July 2021.
Capital bonds	Capital bonds of $307.2 million are unsecured, subordinated bonds with the next election date set as 15 June 2022. The interest rate was fixed at 5.7% at the previous election date of 15 June 2017.
Wholesale bonds	In June 2018, Vector issued a further $140.0 million of fixed rate wholesale bonds to the existing $100.0 million wholesale bonds. The bonds have a fixed rate of 4.996% and mature in March 2024.
Senior notes	In October 2017, a total of $415.8 million (USD $300.0 million) of USD senior notes were issued. $277.2 million (USD $200 million) matures in October 2027 and $138.6 million (USD $100.0 million) matures in October 2029. In October 2014, $150.0 million (USD $130.0 million) of USD senior notes were issued and matures in October 2021. In December 2010, $250.5 million (USD $182.0 million) of USD senior notes were issued and matures in December 2022. $296.6 million (USD $195 million) of USD senior notes are due to be repaid in September 2019. Vector has bank facilities to provide liquidity cover for the repayment.
Floating rate notes	The $350.0 million floating rate notes are credit wrapped by MBIA Insurance Corporation.
Unsubordinated fixed rate bonds	On 27 May 2019, the group raised $250.0 million of unsubordinated fixed rate bonds with a fixed rate of 3.45% maturing on 27 May 2025.
Medium term notes	The $285.6 million medium term notes were repaid in January 2019 using existing facilities.
Covenants	All borrowings are unsecured and are subject to negative pledge arrangements and various lending covenants. These have all been met for the years ended 30 June 2019 and 30 June 2018.

20. DERIVATIVES AND HEDGE ACCOUNTING

GROUP	CASH FLOW HEDGES 2019 $M	CASH FLOW HEDGES 2018 $M	FAIR VALUE HEDGES 2019 $M	FAIR VALUE HEDGES 2018 $M	COST OF HEDGING 2019 $M	COST OF HEDGING 2018 $M	TOTAL 2019 $M	TOTAL 2018 $M
Derivative assets								
Cross currency swaps	**-**	-	**116.0**	56.8	**(6.7)**	(1.7)	**109.3**	55.1
Interest rate swaps	**-**	1.4	**-**	-		-	**-**	1.4
Forward exchange contracts	**-**	0.1	**-**	-		-	**-**	0.1
Total	**-**	1.5	**116.0**	56.8	**(6.7)**	(1.7)	**109.3**	56.6
Derivative liabilities								
Cross currency swaps	**-**	(65.9)	**(4.9)**	(0.4)	**0.1**	0.5	**(4.8)**	(65.8)
Interest rate swaps	**(78.2)**	(51.0)	**-**	-	**-**	-	**(78.2)**	(51.0)
Forward exchange contracts	**(0.1)**	(0.2)	**-**	-	**-**	-	**(0.1)**	(0.2)
Total	**(78.3)**	(117.1)	**(4.9)**	(0.4)	**0.1**	0.5	**(83.1)**	(117.0)

Key observable market data for fair value measurement	GROUP 2019	GROUP 2018
Foreign currency exchange (FX) rates as at 30 June		
NZD-GBP FX rate	**Not applicable**	0.5123
NZD-USD FX rate	**0.6719**	0.6766
Interest rate swap rates		
NZD	**1.36% to 1.80%**	1.89% to 3.03%
USD	**1.74% to 2.40%**	2.09% to 2.97%
GBP	**Not applicable**	0.50% to 1.64%

Sensitivity to changes in market rates

Impact on comprehensive income: Sensitivity to change in interest rates	GROUP 2019 $M	GROUP 2018 $M
-1% change in interest rates	**(44.9)**	(35.3)
+1% change in interest rates	**42.5**	33.9
Sensitivity to change in foreign exchange rates		
-10% change in foreign exchange rates	**1.0**	(8.0)
+10% change in foreign exchange rates	**(1.0)**	7.9
Impact on profit or loss: Sensitivity to change in interest rates		
-1% change in interest rates	**(1.1)**	(0.4)
+1% change in interest rates	**1.3**	0.3
Sensitivity to change in foreign exchange rates		
-10% change in foreign exchange rates	**(3.6)**	-
+10% change in foreign exchange rates	**5.1**	0.1

20. DERIVATIVES AND HEDGE ACCOUNTING (continued)

Policies

The Parent does not hold any derivatives. All derivatives are held by Vector, a subsidiary of the group.

Vector initially recognises derivatives at fair value on the date the derivative contract is entered into, and subsequently they are re-measured to their fair value at each balance date. All derivatives are classified as level 2 on the fair value hierarchy explained in Note 21.

Fair value is calculated as the present value of the estimated future cash flows based on observable interest yield curves and/or foreign exchange market prices. The carrying values of the financial instruments are the fair values excluding any interest receivable or payable, which is separately presented in the balance sheet in other receivables or other payables.

The resulting gain or loss on re-measurement is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in profit or loss depends on the nature of the designated hedge relationship.

Vector designates certain derivatives as either:

- Fair value hedges (of the fair value of recognised assets or liabilities or firm commitments); or
- Cash flow hedges (of highly probable forecast transactions).

At inception each transaction is documented, detailing:

- The economic relationship and the hedge ratio between hedging instruments and hedged items;
- The risk management objectives and strategy for undertaking the hedge transaction; and
- The assessment (initially and on an ongoing basis) of whether the derivatives that are used in the hedging transaction are highly effective in offsetting changes in fair values or cash flows of hedged items.

The underlying risk of the derivative contracts is identical to the hedged risk component (i.e. the interest rate risk and the foreign exchange risk) therefore the group has established a one-to-one hedge ratio.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting.

Fair value hedges

Vector has entered into cross currency interest rate swaps (the hedging instruments) to hedge the interest rate risk and foreign currency risk (the hedged risk) arising in relation to its USD senior notes (the hedged items). These transactions have been designated into fair value hedges.

The following are recognised in profit or loss:

- The change in fair value of the hedging instruments; and
- The change in fair value of the underlying hedged items attributable to the hedged risk.

Once hedging is discontinued, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised through profit or loss from that date through to maturity of the hedged item.

Cash flow hedges

Vector has entered into interest rate swaps and cross currency interest rate swaps (the hedging instruments) to hedge the variability in cash flows arising from interest rate and foreign currency exchange rate movements in relation to its NZD floating rate notes.

The effective portion of changes in the fair value of the hedging instruments are recognised in other comprehensive income.
The following are recognised in profit or loss:

- any gain or loss relating to the ineffective portion of the hedging instrument; and
- fair value changes in the hedging instrument previously accumulated in other comprehensive income, in the periods when the hedged item is recognised in profit or loss.

Once hedging is discontinued, any cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss either:

- at the same time as the forecast transaction; or
- immediately if the transaction is no longer expected to occur.

Market rate sensitivity

All derivatives are measured at fair value. A change in the market data used to determine fair value will have an impact on Vector's financial statements.

The table on the previous page shows the sensitivity of the financial statements to a range of possible changes in the market data at balance date.

20. DERIVATIVES AND HEDGE ACCOUNTING (continued)

Rights to offset

Vector enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the balance sheet for accounting purposes. This is because Vector does not have any currently legally enforceable right to offset recognised amounts. Under the ISDA agreements the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. The potential net impact of this offsetting is disclosed in column 'amount after applying rights of offset under ISDA agreements.' Vector does not hold and is not required to post collateral against its derivative positions.

	2019 $M		2018 $M	
GROUP	DERIVATIVES POSITION AS PER BALANCE SHEET	AMOUNT AFTER APPLYING RIGHTS OF OFFSET UNDER ISDA AGREEMENTS	DERIVATIVES POSITION AS PER BALANCE SHEET	AMOUNT AFTER APPLYING RIGHTS OF OFFSET UNDER ISDA AGREEMENTS
Derivative assets	**109.3**	**60.0**	56.6	10.6
Derivative liabilities	**(83.1)**	**(33.8)**	(117.0)	(71.0)
Net amount	**26.2**	**26.2**	(60.4)	(60.4)

20. DERIVATIVES AND HEDGE ACCOUNTING (continued)

20.1 Effects of hedge accounting on the financial position and performance

The tables below demonstrate the impact of hedged items and the hedging instruments designated in hedging relationships:

GROUP Cash flow hedges 2019	FACE VALUE $M	WEIGHTED AVERAGE RATE	CARRYING AMOUNT ASSETS/(LIABILITIES) $M	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS $M	HEDGING (GAIN) OR LOSS RECOGNISED IN CASH FLOW HEDGE RESERVE $M	HEDGE INEFFECTIVENESS RECOGNISED IN PROFIT OR LOSS $M	(GAIN) OR LOSS RECOGNISED IN COST OF HEDGING $M
Interest risk							
Hedged item: NZD floating rate exposure on borrowings	**(1,070.0)**			**(80.1)**			
Hedging instrument: Interest rate swaps	**(1,450.0)**	**3.8%**	**(78.2)**	**(78.2)**	**78.2**	**-**	**-**
					Total	**-**	

GROUP Cash flow hedges 2018	FACE VALUE $M	WEIGHTED AVERAGE RATE	CARRYING AMOUNT ASSETS/(LIABILITIES) $M	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS $M	HEDGING (GAIN) OR LOSS RECOGNISED IN CASH FLOW HEDGE RESERVE $M	HEDGE INEFFECTIVENESS RECOGNISED IN PROFIT OR LOSS $M	(GAIN) OR LOSS RECOGNISED IN COST OF HEDGING $M
Interest risk							
Hedged item: NZD floating rate exposure on borrowings	(790.0)			(49.0)			
Hedging instrument: Interest rate swaps	(1,100.0)	4.2%	(49.6)	(49.6)	49.6	-	-
Interest and exchange risk							
Hedged item: GBP fixed rate exposure on borrowings	(285.6)			(66.2)			
Hedging instrument: Cross currency swaps	(285.6)	10.8%	(65.6)	(65.9)	4.8	-	(0.3)
					Total	**-**	

The NZD floating rate exposure includes $350.0 million from the floating rate notes (2018: $350.0 million) and $720.0 million arising from hedging the USD senior bonds (2018: $440.0 million), as allowable under NZ IFRS 9.

The interest rate swaps include $380.0 million of forward starting swaps (2018: $310.0 million).

20. DERIVATIVES AND HEDGE ACCOUNTING (continued)

20.1 Effects of hedge accounting on the financial position and performance (continued)

GROUP Fair value hedges 2019	FACE VALUE $M	WEIGHTED AVERAGE RATE $M	ACCUMULATED FAIR VALUE HEDGE ADJUSTMENTS $M	CARRYING AMOUNT ASSETS/(LIABILITIES) $M	CHANGE IN FAIR VALUE OF THE HEDGED ITEM $M	CHANGE IN FAIR VALUE OF THE HEDGING INSTRUMENT $M	CHANGE IN VALUE IN COST OF HEDGING $M
Interest and exchange risk							
Hedged item: USD fixed rate exposure on borrowings	**(1,112.9)**		**(109.7)**	**(1,220.5)**	**(57.2)**		
Hedging instrument: Cross currency swaps	**(1,112.9)**	**floating**		**104.5**		**54.7**	**(5.1)**
				Total	**(57.2)**	**54.7**	

GROUP Fair value hedges 2018	FACE VALUE $M	WEIGHTED AVERAGE RATE $M	ACCUMULATED FAIR VALUE HEDGE ADJUSTMENTS $M	CARRYING AMOUNT ASSETS/(LIABILITIES) $M	CHANGE IN FAIR VALUE OF THE HEDGED ITEM $M	CHANGE IN FAIR VALUE OF THE HEDGING INSTRUMENT $M	CHANGE IN VALUE IN COST OF HEDGING $M
Interest and exchange risk							
Hedged item: USD fixed rate exposure on borrowings	(1,112.9)		(52.6)	(1,162.9)	(29.1)		
Hedging instrument: Cross currency swaps	(1,112.9)	floating		55.0		32.2	1.8
				Total	(29.1)	32.2	

Hedging instruments and hedged items are included in the line items "Derivatives" and "Borrowings" respectively in the balance sheet. Ineffectiveness is the sum of the change in fair value of the hedged item and the change in fair value of the hedging instrument. The source of ineffectiveness is largely due to counterparty credit risk on the derivative instruments. Hedge ineffectiveness is included in the "Fair value change on financial instruments" in the profit or loss.

20. DERIVATIVES AND HEDGE ACCOUNTING (continued)

20.2 Reconciliation of changes in hedge reserves

GROUP

Hedge reserves **2019**	CASHFLOW HEDGE RESERVE $M	COST OF HEDGING $M	TOTAL $M
Opening balance	**39.3**	**0.8**	**40.1**
Hedging gains or losses recognised in OCI	**52.2**	**5.4**	**121.3**
Transferred to profit or loss	**(28.4)**	**-**	**(92.1)**
Recognised as basis adjustment to non-financial assets	**-**	**-**	**-**
Deferred tax on change in reserves	**(6.7)**	**(1.5)**	**(8.2)**
Closing balance	**56.4**	**4.7**	**61.1**

GROUP

Hedge reserves **2018**	CASH FLOW HEDGE RESERVE $M	COST OF HEDGING $M	TOTAL $M
Opening balance	47.2	1.8	49.0
Hedging gains or losses recognised in OCI	33.2	(1.4)	31.8
Transferred to profit or loss	(44.4)	-	(44.4)
Recognised as basis adjustment to non-financial assets	0.2	-	0.2
Deferred tax on change in reserves	3.1	0.4	3.5
Closing balance	39.3	0.8	40.1

21. FINANCIAL RISK MANAGEMENT

Policies

Fair value measurement hierarchy

Financial instruments measured at fair value are classified according to the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; or

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); or

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Risk management framework

Vector has a comprehensive treasury policy, approved by the board of directors, to manage financial risks arising from business activity. The policy outlines the objectives and approach that the group applies to manage:

- Interest rate risk;
- Credit risk;
- Liquidity risk;
- Foreign exchange risk; and
- Funding risk.

For each risk type, any position outside the policy limits requires the prior approval of the board of directors. Each risk is monitored on a regular basis and reported to the board.

The Parent is exposed to credit risk and liquidity risk that are managed by the board of trustees.

21.1 Interest rate risk

GROUP

Interest rate exposure **2019**	< 1 YEAR $M	1 - 2 YEARS $M	2 - 5 YEARS $M	> 5 YEARS $M	TOTAL $M
Interest rate exposure: borrowings	**1,041.6**	**-**	**947.7**	**665.8**	**2,655.1**
Derivative contracts:					
Interest rate swaps	**(1,150.0)**	**450.0**	**320.0**	**380.0**	**-**
Cross currency swaps	**816.3**	**-**	**(400.5)**	**(415.8)**	**-**
Net interest rate exposure	**707.9**	**450.0**	**867.2**	**630.0**	**2,655.1**

GROUP

Interest rate exposure **2018**	< 1 YEAR $M	1 - 2 YEARS $M	2 - 5 YEARS $M	> 5 YEARS $M	TOTAL $M
Interest rate exposure: borrowings	745.6	296.6	707.7	655.8	2,405.7
Derivative contracts:					
Interest rate swaps	(1,070.0)	(30.0)	790.0	310.0	-
Cross currency swaps	1,112.9	(296.6)	(400.5)	(415.8)	-
Net interest rate exposure	788.5	(30.0)	1,097.2	550.0	2,405.7

Policies

The group and Vector are exposed to interest rate risk through its borrowing activities.

Interest rate exposures are managed primarily by entering into derivative contracts. The main objectives are to minimise the cost of total borrowings, control variations in the interest expense of the borrowings from year to year, and where practicable to match the interest rate risk profile of the borrowings with the risk profile of the group's assets.

Vector's board of directors has set and actively monitors maximum and minimum limits for the net interest rate exposure profile.

21. FINANCIAL RISK MANAGEMENT (continued)

21.2 Credit risk

Policies

Credit risk represents the risk of cash flow losses arising from counterparty defaults. The group and Vector are exposed to credit risk in the normal course of business from:

- Trade receivable transactions with business and mass market residential customers; and
- Financial instruments transactions with financial institutions.

The carrying amounts of financial assets represent the group's maximum exposure to credit risk.

The group has credit policies in place to minimise the impact of exposure to credit risk and associated financial losses:

- Vector's board of directors must approve placement of cash, short-term cash deposits or derivatives with financial institutions whose credit rating is less than A+. As at 30 June 2019, all financial instruments are held with financial institutions with credit rating above A+;
- Vector's board of directors sets limits and monitors exposure to financial institutions; and
- Exposure is spread across a range of financial institutions. Where we deem there is credit exposure to energy retailers and customers, the group minimises its risk by performing credit evaluations and/or requiring a bond or other form of security.

21.3 Liquidity risk

GROUP

Contractual cash flows maturity profile 2019	PAYABLE <1 YEAR $M	PAYABLE 1-2 YEARS $M	PAYABLE 2-5 YEARS $M	PAYABLE >5 YEARS $M	TOTAL CONTRACTUAL CASH FLOWS $M
Non-derivative financial liabilities					
Distributions payable	67.8	-	-	-	67.8
Trade payables from exchange transactions and deferred payables	155.1	-	-	-	155.1
Unclaimed distributions	4.7	5.5	-	-	10.2
Contract liabilities	9.7	9.6	19.0	2.2	40.5
Borrowings: interest	89.4	74.8	147.0	74.4	385.6
Borrowings: principal	685.2	350.0	1,011.6	696.5	2,743.3
Derivative financial (assets)/liabilities					
Cross currency swaps: inflow	(332.3)	(33.8)	(532.0)	(512.2)	(1,410.3)
Cross currency swaps: outflow	326.1	25.8	458.1	484.2	1,294.2
Forward exchange contracts: inflow	(13.0)	-	-	-	(13.0)
Forward exchange contracts: outflow	13.1	-	-	-	13.1
Net settled derivatives					
Interest rate swaps	29.7	22.6	28.8	6.2	87.3
Group contractual cash flows	1,035.5	454.5	1,132.5	751.3	3,373.8

21. FINANCIAL RISK MANAGEMENT (continued)

21.3 Liquidity risk (continued)

GROUP Contractual cash flows maturity profile 2018	PAYABLE <1 YEAR $M	PAYABLE 1-2 YEARS $M	PAYABLE 2-5 YEARS $M	PAYABLE >5 YEARS $M	TOTAL CONTRACTUAL CASH FLOWS $M
Non-derivative financial liabilities					
Distributions payable	68.1	-	-	-	68.1
Trade payables from exchange transactions and deferred payables	160.9	-	-	-	160.9
Unclaimed distributions	9.1	-	-	-	9.1
Contract liabilities	8.5	10.7	22.4	2.6	44.2
Borrowings: interest	109.1	82.6	161.8	91.2	444.7
Borrowings: principal	334.5	288.2	1,118.3	683.4	2,424.4
Derivative financial (assets)/liabilities					
Cross currency swaps: inflow	(291.7)	(330.0)	(546.2)	(524.3)	(1,692.2)
Cross currency swaps: outflow	349.7	332.2	498.3	530.9	1,711.1
Forward exchange contracts: inflow	(8.4)	-	-	-	(8.4)
Forward exchange contracts: outflow	8.5	-	-	-	8.5
Net settled derivatives					
Interest rate swaps	21.0	22.1	13.3	(0.8)	55.6
Group contractual cash flows	769.3	405.8	1,267.9	783.0	3,226.0

The above table shows the timing of non-discounted cash flows for all financial instrument liabilities and derivatives.

The cash flows for capital bonds, included in borrowings, are disclosed as payable within 2 – 5 years as the next election date set for the capital bonds is 15 June 2022 and the bonds have no contractual maturity date.

Policies

The group and Vector are exposed to liquidity risk where there is a risk that the group may encounter difficulty in meeting its day to day obligations due to the timing of cash receipts and payments.

The objective is to ensure that adequate liquid assets and funding sources are available at all times to meet both short term and long term commitments. The board has set a minimum headroom requirement for committed facilities over Vector's anticipated 18 month peak borrowing requirement.

At balance date, in addition to short-term deposits, Vector has access to undrawn funds of $585.0 million (2018: $545.0 million).

21.4 Foreign exchange risk

Policies

The group and Vector are exposed to foreign exchange risk through its borrowing activities, foreign currency denominated expenditure, and through our Australian subsidiaries.

Foreign exchange exposure is primarily managed through entering into derivative contracts. Vector's board of directors requires that all significant foreign currency borrowings and expenditure are hedged into NZD at the time of commitment to drawdown or when the exposure is highly probable. Hence, at balance date there is no significant exposure to foreign currency risk.

21.5 Funding risk

Policies

Funding risk is the risk that Vector will have difficulty refinancing or raising new debt on comparable terms to existing facilities. The objective is to spread the concentration of risk so that if an event occurs the overall cost of funding is not unnecessarily increased. Details of borrowings are shown in Note 19.

Vector's board of directors has set the maximum amount of debt that may mature in any one financial year.

22. CASH FLOWS

22.1 Reconciliation of net surplus/(deficit) to net cash flows from/(used in) operating activities

Reconciliation of net surplus/(deficit) to net cash flows from/(used in) operating activities	NOTE	GROUP 2019 $M	GROUP 2018 $M	PARENT 2019 $M	PARENT 2018 $M
Net surplus/(deficit)for the period		**82.1**	148.1	**119.6**	120.3
Transactions with beneficiaries					
Distribution to beneficiaries		**(119.3)**	(121.3)	**(119.3)**	(121.3)
Distributions payable		**(0.3)**	1.0	**(0.3)**	1.0
		(119.6)	(120.3)	**(119.6)**	(120.3)
Items classified as investing activities					
Non-cash items classified as investing activities		**(3.4)**	12.8	-	-
Other items classified as investing activities		**1.6**	(0.1)	-	-
Net loss/(gain) on sale of investments		-	(1.1)	-	-
		(1.8)	11.6	-	-
Items classified as financing activities					
Non-cash items					
Depreciation and amortisation		**239.5**	225.9	-	-
Non-cash portion of interest costs (net)		**(5.5)**	1.7	-	-
Fair value change on financial instruments		**2.5**	(3.1)	-	-
Associates (share of net surplus/(deficit))		**(0.6)**	1.5	-	-
Impairment		**46.6**	-	-	-
Increase/(decrease) in deferred tax		**11.4**	8.6	-	-
Increase/(decrease) in provisions		**(4.2)**	21.4	-	-
Other non-cash items		**(1.6)**	(2.4)	-	-
		288.1	253.6	-	-
Changes in assets and liabilities					
Trade and other payables from exchange transactions		**(11.2)**	1.0	**(0.1)**	0.1
Contract liabilities		**(4.4)**	11.2	-	-
Contract assets		**0.3**	(3.6)	-	-
Inventories		**3.2**	(0.3)	-	-
Trade and other receivables from exchange transactions		**2.8**	(0.2)	-	(0.1)
Income tax		**(19.7)**	(33.2)	-	-
Distributions payable		**(0.3)**	1.1	**(0.3)**	1.1
Provision for unclaimed distributions		**1.1**	1.7	**1.1**	1.7
		(28.2)	(22.3)	**0.7**	2.8
Net cash flows from/(used in) operating activities		**220.6**	270.7	**0.7**	2.8

22. CASH FLOWS (continued)

22.2 Reconciliation of movement of liabilities to cash flows arising from financing activities

Reconciliation of movement of liabilities to cash flows arising from financing activities	GROUP		
	BORROWINGS	DERIVATIVES	TOTAL
As at 1 July 2018	2,395.3	60.4	2,455.7
Net draw downs	**249.4**	-	**249.4**
Other financing cash flows	-	-	
Financing cash flows	**249.4**	-	**249.4**
Cost of debt raising	**(3.3)**	-	**(3.3)**
Fair value changes	**118.2**	**(86.6)**	**31.6**
Borrowing fees paid	**(4.4)**	-	**(4.4)**
Amortisation of debt raising costs	**6.5**	-	**6.5**
Premium released	**(0.7)**	-	**(0.7)**
As at 30 June 2019	**2,761.0**	**(26.2)**	**2,734.8**

22.3 Cash and cash equivalents

Policies

Cash and cash equivalents are carried at amortised cost less an allowance for expected credit losses.

Cash and cash equivalents includes deposits that are on call.

23. EQUITY

23.1 Share Capital

Trust Distributions

The Trust's net distribution of $360 per beneficiary will be paid in September 2019 (2018: $350).

The Group recognises distributions as a payable in the financial statements on the date the dividend is declared.

Shares

Vector Limited's total number of authorised and issued shares is 1,000,000,000 (2018: 1,000,000,000).

All ordinary issued shares are fully paid, have no par value and carry equal voting rights and equal rights to a surplus on winding up of the parent.

At balance date 132,035 shares (2018: 86,148) are allocated to Vector's employee share purchase scheme.

23.2 Capital Management

Policies

The Parent's objectives in managing capital are:

- To safeguard the ability of the Trust to continue as a going concern; and
- To provide an adequate level of distribution to the Trust's income beneficiaries commensurate with the level of risk.

The Parent has taken Trustee's liability insurance as part of the Trust's risk management policy.

The Group's objectives in managing capital are:

- To safeguard the ability of entities within the group to continue as a going concern;
- To provide an adequate return to shareholders by pricing products and services commensurate with the level of risk; and
- Maintain an investment grade credit rating.

The subsidiary, Vector Limited, manages and may adjust its capital structure in light of changes in economic conditions and for the risk characteristics of the underlying assets. To achieve this Vector may:

- Adjust its dividend policy;
- Return capital to shareholders;
- Issue new shares; or
- Sell assets to reduce debt.

The subsidiary, Vector Limited, primarily monitors capital on the basis of the gearing ratio.

23. EQUITY (continued)

23.3 Reserves

Hedge reserves

Hedge reserves comprise the cash flow hedge reserve and cost of hedging.

The cash flow hedge reserve records the effective portion of changes in the fair value of derivatives that are designated as cash flow hedges.

The gain or loss relating to the ineffective portion is recorded in profit or loss within interest costs (net).

During the year, $28.4 million (2018: $44.4 million) was transferred from the cash flow hedge reserve to interest expense.

Cost of hedging records the change in the fair value of the cost to convert foreign currency into New Zealand dollars as required under NZ IFRS 9.

Other reserves

Other reserves comprise:

- A share-based payment reserve relating to the employee share purchase scheme. When shares are vested to the employee, the reserve is offset with a reduction in treasury shares.
- A foreign currency translation reserve to record exchange differences arising from the translation of the group's foreign operations.
- A reserve recording the group's share of its associate's other comprehensive income.
- A reserve to record the fair value movements in the group's investments in financial assets.

24. RELATED PARTY TRANSACTIONS

	2019 $M	2018 $M
Transactions with Vector Limited		
Receipt of dividend	**122.0**	122.0

	GROUP		PARENT	
Transactions with associates and other joint operations.	2019 $M	2018 $M	2019 $M	2018 $M
Purchases of electricity and steam from Kapuni Energy Joint Venture (KEJV)	**8.0**	8.9	-	-
Purchase of vegetation management services from Tree Scape Limited	**9.3**	7.4	-	-
Sale of gas to KEJV	**9.8**	9.4	-	-
Sales of operations and maintenance services to KEJV	**1.9**	1.7	-	-
Sale of administration and other services provided to KEJV	**0.1**	0.1	-	-
Directors' fees from NZ Windfarms Limited	-	0.1	-	-
Directors' fees from Tree Scape Limited	**0.1**	0.1	-	-
Transactions with directors of Vector Limited				
Directors' fees paid to Entrust trustees directors of Vector Limited	**0.2**	0.2	-	-
Directors' fees paid to non-trustee directors of Vector Limited	**0.7**	0.7	-	-
Transactions with key management personnel				
Salary and other short-term employee benefits (Entrust)	**0.4**	0.4	**0.4**	0.4
Salary and other short-term employee benefits (Vector Limited)	**5.1**	5.4	-	-

Trustees' remuneration:

Trustees	2019 $	2018 $
W Cairns	**90,000**	90,000
M Buczkowski	**65,000**	65,000
C Hutchison	**62,500**	62,500
A Bell (appointed 01 November 2018)	**41,667**	-
K Sherry	**58,750**	62,500
J Carmichael (resigned 31 October 2018)	**20,833**	62,500
	338,750	342,500

Trustees' fees are paid by the Parent.

Payments were made in proceedings brought by Mr Carmichael against Dr Hutchison and Entrust to settle Mr Carmichael's claim for indemnity under the Trust Deed and to reimburse Dr Hutchison for legal costs.

24. RELATED PARTY TRANSACTIONS (continued)

Related parties

The Parent is the majority shareholder of the subsidiary Vector Limited. Note 11 identifies all entities including associates, partnerships and joint ventures in which the group has an interest. All of these entities are related parties of the subsidiary Vector Limited. Other than Vector Limited's directors themselves, there are no additional related parties with whom material transactions have taken place.

Key management personnel include remuneration of Vector Limited's Group CEO and the members of his Executive Team during the periods presented as well as the remuneration of the Parent's trustees and executive officer.

Other

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

		2019 $M	2018 $M
Receivables/ (Payables)	Tree Scape Limited	**(0.4)**	-
	KEJV	**0.3**	0.3

25. CONTINGENT LIABILITIES

Disclosures

The subsidiary, Vector Limited's directors are aware of other claims that have been made against Vector and entities within the Vector group and, where appropriate, have recognised provisions for these within Note 17.

The board of trustees is not aware of claims that have been made against the Parent.

Except for the liability associated with Vector's breaches of electricity network quality measures described in note 3, no other material contingent liabilities have been identified.

26. EVENTS AFTER BALANCE DATE

Approval

The financial statements were approved by the trustees on 23 August 2019.

Final dividend

On 22 August 2019, the Vector board declared a final and fully imputed dividend for the year ended 30 June 2019 of 8.25 cents per share.

On 23 August 2019, the trustees resolved to make a net distribution to beneficiaries of $360 (2018: $350) per beneficiary.

No adjustment is required to these financial statements in respect of this event.

27. GUIDELINES OF ACCESS TO INFORMATION

Disclosure

We wish to advise that, pursuant to paragraph 10.2 of the Guidelines of Access to Information by Beneficiaries of Electricity Community and Consumer Trusts, no requests for information were received by the trust office during the reporting period.

Year	No. of Requests Received	Costs incurred to process those requests and any recoveries made (includes external costs incurred and an allocation of internal costs based on Official Information Act guidelines)	No. of Trust decisions which were subject to review	Summary of outcome of those reviews and costs incurred in reviews
2019	Nil	$Nil	Nil	N/A
2018	Nil	$Nil	Nil	N/A