Entrust

Majority shareholder of Vector

(Previously known as Auckland Energy Consumer Trust)

Financial Statements
for the year ended 30 June 2016

CONTENTS

2016 FINANCIAL STATEMENTS

These financial statements for the year ended 30 June 2016 are dated 15 September 2016, and signed on behalf of the Trustees by:

Chairman

Chairman Finance and Risk Subcommittee

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.

Name Change

Entrust was previously named Auckland Energy Consumer Trust

Date Settled

27 August 1993

Trustees

W A A Cairns (Chairman)
M J Buczkowski (Deputy Chairman)
C P T Hutchison (Appointed 18 November 2015)
J A Carmichael
K A Sherry

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

D Bigio
P O Box 4338
Auckland

Banker

ANZ Bank
P O Box 6334
Auckland

ENTRUST
TRUSTEES REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The key feature of the 2016 financial year was the name change from Auckland Energy Consumer Trust (AECT) to Entrust. The new name is a simple combination of energy and trust.

The name change to Entrust was made following another highly publicised attempt to wind up the trust early and transfer its assets to Auckland Council. Trustees recognised that the time had come to reposition the trust to better reflect that it is a private trust, not a council or government department.

As a private trust, our purpose is to look after our 75.4% ownership of Vector and pay trust beneficiaries an annual dividend from the returns on our investment.

We were set up to do that until 2073 and provide long-term, strong and stable ownership for Vector, which is one of New Zealand's largest companies.

INCOME AND EXPENDITURE

For the year ended 30 June 2016, income was $119.8 million. This sum was made up of $118.3 million from Vector in dividends and $1.5 million from interest on funds. The total value of Entrust's investment in Vector was $2.48 billion.

The total expenditure incurred by the Trust for the year was $4.2 million. Expenditure increased slightly compared to last year due to costs for the 2015 election.

Our core operational costs continue to be approximately one sixth of one percent of total assets. Those of you that are in Kiwisaver or in managed funds are often charged fees in the range of half to one per cent.

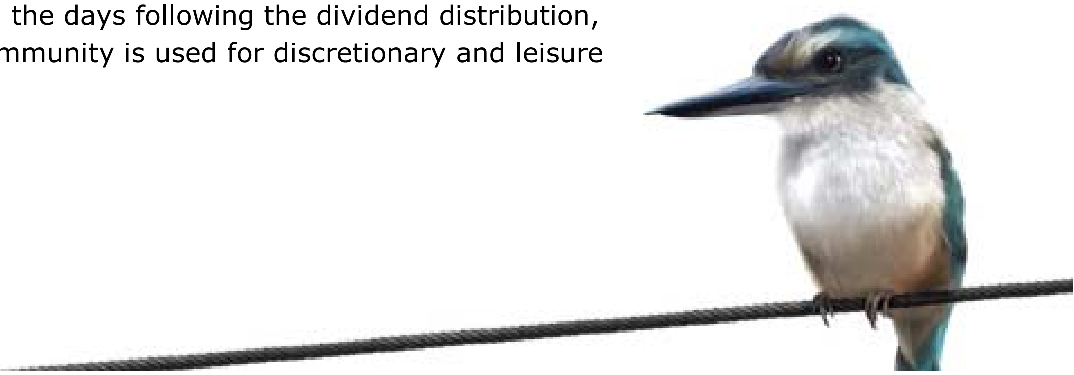
ANNUAL DIVIDEND

The most visible activity Trustees do each year is the payment of the annual dividend which is welcomed by Trust beneficiaries.

The 2016 dividend remained stable at $345 this year despite beneficiary numbers increasing by 3,300 to 322,800, the biggest dividend distribution ever.

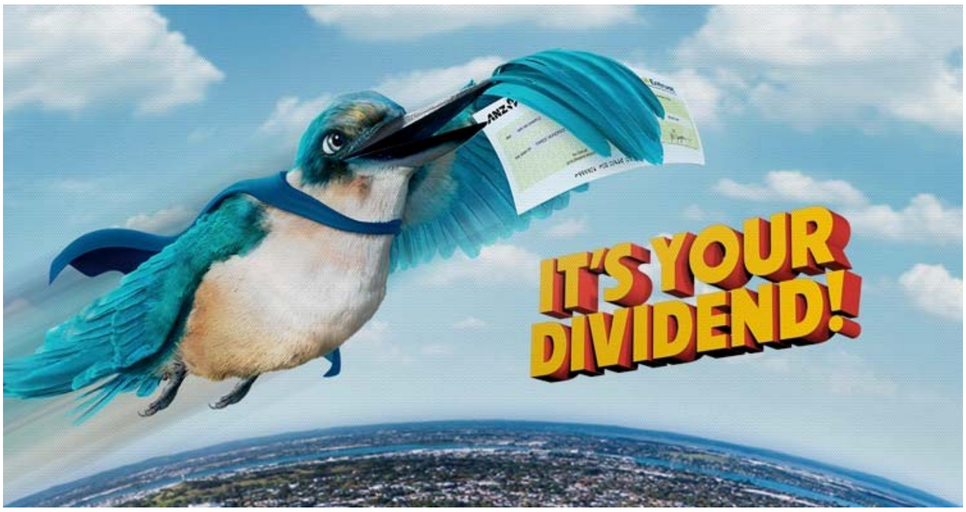
The Trust distribution goes to more people than any company or trust distribution in New Zealand. This year, through the annual dividend, Entrust has put more than $110 million into the Auckland economy.

While local retailers benefit in the days following the dividend distribution, not all of the return to the community is used for discretionary and leisure



spending. Research has shown that 63% of people receiving the dividend need it to stay on top of the rising cost of living in Auckland. This reinforces the importance and long term value of the trust to Aucklanders which will continue to grow for generations to come.

Given the importance of the dividend to our beneficiaries we communicate directly with beneficiaries about the dividend twice a year – once at dividend time to let people know the dividend is in their letterbox and a few months earlier when we send out update forms and ask people how they want their dividend paid.



Kenny delivering one of the 322,800 Entrust dividend cheques that Entrust sent out in September 2016.

KEY PRIORITIES

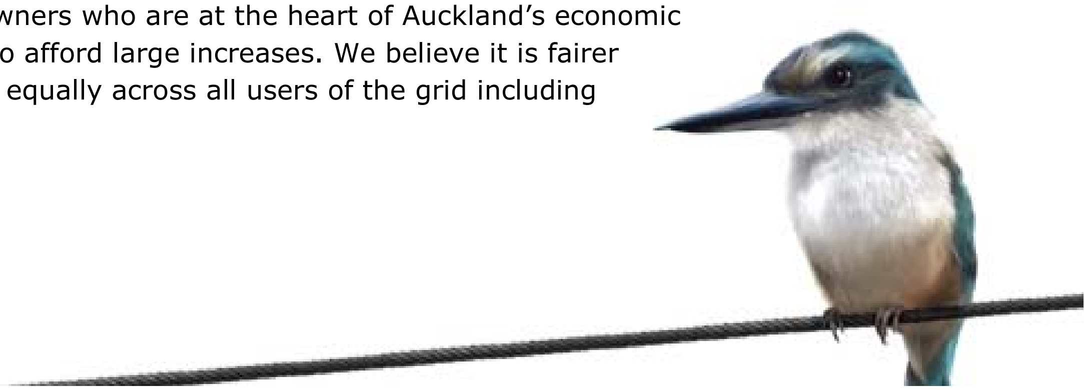
As owners of a significant investment in Vector, Entrust has many challenging issues that arise in the course of every year. Key matters arising over the past year have included:

Regulation: Transmission Pricing

Over the past year trustees have actively been challenging the Electricity Authority (EA) proposal on transmission pricing. The EA proposal would see Aucklanders paying an extra $78 million a year in transmission grid charges, while electricity generators such as Meridian and Contact, and the owners of Tiwai Smelter would financially benefit by $94 million each year.

The increase would force an average residential customer in Auckland to pay approximately $97 extra each year, while businesses would face a $148 increase each year, schools an additional $1,577 each year and large electricity users like hospitals paying up to $22,000 extra each year.

Entrust has made strong representations to the EA about these issues and expressed concern that their proposals would have an adverse impact on Auckland families, the elderly and small business owners who are at the heart of Auckland's economic engine room and least able to afford large increases. We believe it is fairer to spread transmission costs equally across all users of the grid including electricity generators.



In addition to formally submitting to the Electricity Authority, we initiated a number of communication activities to bring this issue to the attention of those impacted – our beneficiaries. The highest profile of these initiatives was development of a hip hop video made in collaboration with Waiheke Island group, "Hip-operation" which was loaded onto Facebook with 275,000 views and likes.

Screenshot from the "Hip-operation" video

Undergrounding

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.

The fund has historically been used for undergrounding projects in the Entrust district and last year was extended to include new technology initiatives such as solar and battery.

The big focus this year was on completing the large undergrounding project in Pakuranga, which commenced in January 2015 and was completed by December 2015. The project covered the areas between Pakuranga Road, Ti Rakau Drive and Gossamer Drive and is one of the biggest projects undertaken in recent years with a total of 436 power poles and 15 kilometres of overhead lines being removed.

In addition to the large scale undergrounding project in Pakuranga, we completed several smaller projects comprising of three small scale undergrounding projects in Wharua Road in Remuera, Mt St John in Epsom and Costley Street in Freemans Bay some of which were partially funded by owner contributions and also several pole substation conversions.

Taking solar to the community: 'Future of Energy' initiative

The 'Future of Energy' competition announced last year in partnership with Vector was a winning way to draw attention to Vector's solar initiatives. Some 30 schools and 100 individuals, families and community groups each won a Vector solar system featuring a Tesla Powerwall battery, free to use for 10 years. The batteries store solar electricity collected during the day for use later.

Winners of the competition included:

- **De La Salle College** which intends using their new solar panels and Tesla Powerwall battery to power the school's science block by solar energy.
- **Rongomai School** where the solar panels and Tesla Energy Powerwall battery will be used for education to monitor power rates and learn about sustainable technologies.

- **St Luke Family Centre** will use their prize to provide power for the washing and drying of all the linen used for mothers and babies who are helped by the centre when having difficulty breastfeeding their babies.

St Lukes Family Centre

Rongomai School

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 2016/2017 financial year.

REMUNERATION OF AUDITORS

The audit fees for 2015/16 were $39,000.

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 **13 October 2016**

William Cairns, Chairman
Michael Buczkowski, Deputy Chairman
James Carmichael
Paul Hutchison
Karen Sherry

Grant Thornton

Independent Auditor's Report

Audit

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To the Beneficiaries of Entrust

Report on the financial statements

We have audited the accompanying consolidated financial statements on pages 9 to 43 of Entrust which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive revenue and expenses, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The responsibility of Trustees' for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in Entrust.

Opinion

In our opinion, the consolidated financial statements on pages 9 to 43 present fairly, in all material respects, the financial position of Entrust as at 30 June 2016, and the statement of comprehensive revenue and expenses, and cash flows, for the year then ended in accordance with Public Benefit Entity International Public Sector Accounting Standards (Not For Profit).

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

Grant Thornton New Zealand Audit Partnership
Auckland, New Zealand
27 September 2016

Comprehensive Revenue and Expense

for the year ended 30 June

	NOTE	GROUP 2016 $000	GROUP 2015 $000	PARENT 2016 $000	PARENT 2015 $000
Continuing operations					
Revenue from exchange transactions	4	**1,144,623**	1,153,430	**118,303**	114,548
Operating expenses	5	**(625,952)**	(662,734)	**(4,188)**	(4,044)
Depreciation and amortisation		**(194,620)**	(179,024)	**(40)**	(43)
Interest costs (net)	6	**(167,262)**	(178,908)	**1,543**	1,893
Fair value change on financial instruments	7	**2,344**	(11,014)	**-**	-
Associates (share of net surplus/(deficit))	13	**2,809**	812	**-**	-
Impairment	8	**(61,422)**	-	-	-
Surplus/(deficit) before income tax		**100,520**	122,562	**115,618**	112,354
Tax benefit/(expense)	9	**(44,277)**	(36,397)	**-**	-
Net surplus/(deficit) for the period from continuing operations		**56,243**	86,165	**115,618**	112,354
Net surplus/(deficit) for the period from discontinued operations (net of tax)	3	**215,494**	61,054	**-**	-
Net surplus/(deficit) for the period		**271,737**	147,219	**115,618**	112,354
Net surplus/(deficit) for the period attributable to					
Non-controlling interests in subsidiaries		**69,642**	39,198	**-**	-
Beneficiaries of the Parent - continuing operations		**39,569**	61,974	**115,618**	112,354
Beneficiaries of the Parent - discontinued operations		**162,526**	46,047	**-**	-

Other Comprehensive Revenue and Expense

for the year ended 30 June

	NOTE	GROUP 2016 $000	GROUP 2015 $000	PARENT 2016 $000	PARENT 2015 $000
Net surplus/(deficit) for the period		**271,737**	147,219	**115,618**	112,354
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		**(15,685)**	(9,499)	-	-
Share of other comprehensive revenue and expense of associate	13	**250**	(418)	-	-
Translation of foreign operations		**(42)**	25	-	-
Other comprehensive revenue and expense for the period net of tax		**(15,477)**	(9,892)	**-**	-
Total comprehensive revenue and expense for the period net of tax		**256,260**	137,327	**115,618**	112,354
Total comprehensive revenue and expense for the period attributable to					
Non-controlling interests in subsidiaries		**65,838**	36,767	-	-
Beneficiaries of the Parent - continuing operations		**27,896**	54,513	**115,618**	112,354
Beneficiaries of the Parent - discontinued operations		**162,526**	46,047	**-**	-

 The attached notes form part of and are to be read in conjunction with these financial statements.

Financial Position

as at 30 June

	NOTE	GROUP 2016 $000	GROUP 2015 $000	PARENT 2016 $000	PARENT 2015 $000
CURRENT ASSETS					
Cash and cash equivalents	11	**393,078**	79,067	**71,707**	70,845
Trade and other receivables from exchange transactions	12	**193,258**	196,444	**454**	632
Derivatives	22	**-**	186	**-**	-
Inventories		**4,285**	5,130	**-**	-
Income tax		**35,126**	22,731	**-**	-
Total current assets		**625,747**	303,558	**72,161**	71,477
NON-CURRENT ASSETS					
Receivables from exchange transactions	12	**51**	1,783	**-**	-
Derivatives	22	**82,428**	104,959	**-**	-
Deferred tax	10	**715**	-	**-**	-
Investments in subsidiaries	13	**-**	-	**300,000**	300,000
Investments in associates	13	**15,612**	11,475	**-**	-
Intangibles	14	**1,280,425**	1,642,853	**50**	70
Property, plant and equipment (PPE)	15	**3,670,195**	4,129,883	**4**	7
Total non-current assets		**5,049,426**	5,890,953	**300,054**	300,077
Total assets		**5,675,173**	6,194,512	**372,215**	371,555
CURRENT LIABILITIES					
Distributions payable	18	**65,438**	65,474	**65,438**	65,474
Trade and other payables from exchange transactions	17	**252,030**	247,350	**647**	684
Provisions	19	**6,232**	26,325	**-**	-
Provision for unclaimed distributions	20	**6,130**	5,397	**6,130**	5,397
Borrowings	21	**251,820**	249,903	**-**	-
Derivatives	22	**12,608**	6,557	**-**	-
Income tax		**829**	1,038	**-**	-
Total current liabilities		**595,087**	602,044	**72,215**	71,555
NON-CURRENT LIABILITIES					
Payables from exchange transactions	17	**15,400**	17,725	**-**	-
Provisions	19	**17,040**	14,160	**-**	-
Borrowings	21	**2,005,061**	2,585,667	**-**	-
Derivatives	22	**187,037**	113,915	**-**	-
Deferred tax	10	**457,213**	562,369	**-**	-
Total non-current liabilities		**2,681,751**	3,293,836	**-**	-
Total liabilities		**3,276,838**	3,895,880	**72,215**	71,555
NET ASSETS					
Net Assets attributable to beneficiaries of the Parent		**1,796,490**	1,721,693	**300,000**	300,000
Non-controlling interests in subsidiaries		**601,845**	576,939	**-**	-
Total net assets		**2,398,335**	2,298,632	**300,000**	300,000
Total net assets and liabilities		**5,675,173**	6,194,512	**372,215**	371,555

 The attached notes form part of and are to be read in conjunction with these financial statements.

Cash Flows

for the year ended 30 June

	NOTE	GROUP 2016 $000	GROUP 2015 $000	PARENT 2016 $000	PARENT 2015 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**1,263,179**	1,294,361	**-**	-
Interest received		**2,148**	3,100	**1,710**	1,789
Income tax refunds		**-**	-	**-**	-
Miscellaneous revenue from exchange transactions		**20**	20	**20**	20
Dividends received from associate		**1,500**	400	**118,283**	114,528
Payments to suppliers and employees		**(680,518)**	(685,419)	**(4,213)**	(3,917)
Distribution to beneficiaries		**(107,094)**	(103,315)	**(107,094)**	(103,315)
Dividend withholding tax paid		**(7,826)**	(7,577)	**(7,826)**	(7,577)
Interest paid		**(175,232)**	(185,384)	**-**	-
Income tax paid		**(61,526)**	(59,994)	**-**	-
Net cash flows from/(used in) operating activities	24	**234,651**	256,192	**880**	1,528
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of PPE and software intangibles		**223**	383	**-**	-
Purchase and construction of PPE and software intangibles		**(340,100)**	(311,917)	**(18)**	(94)
Proceeds from liquidation of associate		**-**	7	**-**	-
Acquisition of business	28	**-**	(19,906)	**-**	-
Proceeds from sale of discontinued operations	3	**960,000**	-	**-**	-
Other investing cash flows		**(750)**	(750)	**-**	-
Net cash flows from/(used in) investing activities		**619,373**	(332,183)	**(18)**	(94)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		**310,000**	320,000	**-**	-
Repayment of borrowings		**(809,000)**	(200,000)	**-**	-
Dividends paid		**(40,933)**	(40,902)	**-**	-
Other financing cash flows		**(81)**	(1,735)	**-**	-
Net cash flows from/(used in) financing activities		**(540,014)**	77,363	**-**	-
Net increase/(decrease) in cash and cash equivalents		**314,011**	1,372	**862**	1,434
Cash and cash equivalents at beginning of the period	11	**79,067**	77,695	**70,845**	69,411
Cash and cash equivalents at end of the period		**393,078**	79,067	**71,707**	70,845
Cash and cash equivalents comprise:					
Bank balances and on-call deposits	11	**3,807**	3,673	**566**	20
Short term deposits maturing within three months	11	**389,271**	75,394	**71,141**	70,825
		393,078	79,067	**71,707**	70,845

 The attached notes form part of and are to be read in conjunction with these financial statements.

Changes in Net Assets

GROUP	NOTE	HEDGE RESERVE $000	OTHER RESERVES $000	RETAINED EARNINGS $000	NON-CONTROLLING INTERESTS $000	TOTAL NET ASSETS $000
Balance at 30 June 2014		(53,237)	(877)	1,782,493	579,408	2,307,787
Impact of Vector adopting NZ IFRS 9 (2013) at 1 July 2014		4,896	-	214	1,666	6,776
Restated Balance at 1 July 2014		(48,341)	(877)	1,782,707	581,074	2,314,563
Net surplus/(deficit) for the period		-	-	108,021	39,198	147,219
Other comprehensive revenue and expense		(7,165)	(296)	-	(2,431)	(9,892)
Total comprehensive revenue and expense		(7,165)	(296)	108,021	36,767	137,327
Dividends and distributions	25	-	-	(111,679)	(40,902)	(152,581)
Distribution payable		-	-	(675)	-	(675)
Employee share purchase scheme transactions		-	-	(2)	-	(2)
Total transactions with beneficiaries		-	-	(112,356)	(40,902)	(153,258)
Balance at 30 June 2015		**(55,506)**	**(1,173)**	**1,778,372**	**576,939**	**2,298,632**
Net surplus/(deficit) for the period		**-**	**-**	**202,095**	**69,642**	**271,737**
Other comprehensive revenue and expense		**(11,830)**	**157**	**-**	**(3,804)**	**(15,477)**
Total comprehensive revenue and expense		**(11,830)**	**157**	**202,095**	**65,838**	**256,260**
Dividends and distributions	25	**-**	**-**	**(115,654)**	**(40,932)**	**(156,586)**
Distribution payable		**-**	**-**	**36**	**-**	**36**
Employee share purchase scheme transactions		**-**	**-**	**(7)**	**-**	**(7)**
Total transactions with beneficiaries		**-**	**-**	**(115,625)**	**(40,932)**	**(156,557)**
Balance at 30 June 2016		**(67,336)**	**(1,016)**	**1,864,842**	**601,845**	**2,398,335**

PARENT	NOTE	TRUSTEE FUNDS $000	RETAINED EARNINGS $000	TOTAL NET ASSETS $000
Balance at 30 June 2014		300,000	-	300,000
Net surplus/(deficit) for the period		-	112,354	112,354
Other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		-	112,354	112,354
Dividends and distributions	25	-	(111,679)	(111,679)
Distribution payable		-	(675)	(675)
Total transactions with beneficiaries		-	(112,354)	(112,354)
Balance at 30 June 2015		**300,000**	**-**	**300,000**
Net surplus/(deficit) for the period		**-**	**115,618**	**115,618**
Other comprehensive revenue and expense		**-**	**-**	**-**
Total comprehensive revenue and expense		**-**	**115,618**	**115,618**
Dividends and distributions	25	**-**	**(115,654)**	**(115,654)**
Distribution payable		**-**	**36**	**36**
Total transactions with beneficiaries		**-**	**(115,618)**	**(115,618)**
Balance at 30 June 2016		**300,000**	**-**	**300,000**

 The attached notes form part of and are to be read in conjunction with these financial statements.

Notes to the Financial Statements

Notes to the Financial Statements

1. TRUST INFORMATION

Reporting entity

Entrust (formally known as Auckland Energy Consumer Trust) (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 (Auckland Energy Consumer Trust) 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 financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with Public Benefit Entity ("PBE") 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 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

These financial statements have been prepared in accordance with NZ GAAP as appropriate for Tier 1 not-for-profit public benefit entities

The financial statements for the Parent and the consolidated financial statements are presented. The consolidated financial statements comprise the Trust and its subsidiaries (together the "Group") and the group's share of any interest in associates, partnerships and joint ventures.

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.

This is the first set of financial statements of the Trust that is presented in accordance with PBE standards. The Trust has previously reported in accordance with New Zealand Equivalents to International Financial Reporting Standards for public benefit entities ("NZ IFRS (PBE)").

The accounting policies adopted in these financial statements are consistent with those of the previous financial year, except for instances when the accounting or reporting requirements of a PBE standard are different to requirements under NZ IFRS (PBE) as outlined below.

The changes to accounting policies and disclosures caused by first time application of PBE accounting standards are as follows:

PBE IPSAS 1: Presentation of Financial Statements

There are minor differences between PBE IPSAS 1: Presentation of Financial Statements ("PBE IPSAS 1") and the equivalent NZ IFRS (PBE) standard. These differences have an effect on disclosure only. The main changes in disclosure resulting from the application of PBE IPSAS 1 are the following:

Receivables from exchange and non-exchange transactions:

In the financial statements of the previous financial year, receivables were presented as a single total in the financial position. However, PBE IPSAS 1 requires receivables from non-exchange transactions and receivables from exchange transactions to be presented separately in the financial position. The trust does not have any receivable from non-exchange transactions but the terminology has been updated accordingly.

NZ IFRS 8 Operating Segments

There is no equivalent PBE IPSAS standard to NZ IFRS 8. Therefore the trust is no longer required to disclose operating segments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued

The presentation currency is New Zealand dollars ($), which is also the Parent's functional currency. All financial information has been rounded to the nearest thousand, unless otherwise stated.
The statements of comprehensive revenue and expense, other comprehensive revenue and expense, cash flows and changes in net assets are stated exclusive of Good and Services Tax ("GST"). All items in the financial position are stated exclusive of GST with the exception of trade receivables from exchange transactions and trade payables from exchange transactions, 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:

- Discontinued operations (Note 3)
- Revenue recognition (Note 4)
- Consolidation basis and classification of investments (Note 13)
- Impairment and valuation of goodwill (Note 14)
- Property, plant and equipment: valuation and classification of expenditure (Note 15)
- Provisions (Note 19)
- Borrowings: measurement bases (Note 21)
- Valuation of derivatives (Note 22)

New and amended accounting standards adopted

Entrust has adopted the following accounting standards in the current period:

- ***Disclosure Initiative (Amendments to PBE IPSAS 1 (IAS 1))***

The group has early adopted the *Disclosure Initiative (Amendments to PBE IPSAS 1 (IAS 1))* issued in December 2014. The effective date is annual periods beginning on or after 1 January 2016. For the group the standard is effective for the first time from financial year ended 30 June 2017. The amendments provide the group with discretion around the inclusion of specific disclosures that would have otherwise been mandated by other standards on the basis of materiality, including 30 June 2015 comparatives.

New accounting standards and interpretat-ions not yet adopted

Entrust

There are no new recently-published PBE IPSAS standards and interpretations which are considered relevant to the Trust but not yet effective for the year ended 30 June 2016.

Vector

The following standards and interpretations which are considered relevant to Vector but not yet effective for the year ended 30 June 2016 have not been applied in preparing these group financial statements:

- **NZ IFRS 15 *Revenue from Contracts with Customers***

This standard was issued in May 2014, and will replace all existing guidance for revenue recognition, including IAS 11 *Construction Contracts* and IAS 18 *Revenue*. The effective date is annual periods beginning on or after 1 January 2018. Vector has not yet fully evaluated the impact this standard will have on the financial statements.

- **NZ IFRS 16 *Leases***

This standard was issued in January 2016, and will replace all existing guidance on leases, including IAS 17 *Leases.* The standard introduces a single, on-balance sheet accounting model for lessees that is similar to current finance lease accounting. The effective date is annual periods beginning on or after 1 January 2019. Vector has not yet fully evaluated the impact this standard will have on the financial statements.

- **NZ IFRS 9 (2014) *Financial Instruments***

Vector adopted NZ IFRS 9 (2013) on 1 July 2014. The 2014 version is the final step in the transition from IAS 39 *Financial Instruments* to IFRS 9, and was issued in September 2014. It will replace the existing guidance for expected credit exposures relating to financial assets. The effective date is annual periods beginning on or after 1 January 2018. Vector has not yet fully evaluated the impact this standard will have on the financial statements, however it is not expected to be material.

- ***Disclosure Initiative (Amendments to IAS 7)***

The amendments were issued in January 2016. The amendments introduce a reconciliation between cash flows arising from financing activities as reported in the cash flows to the corresponding liabilities in the opening and closing statements of financial position. The effective date is annual periods beginning on or after 1 January 2017.

3. DISCONTINUED OPERATIONS

In November 2015, Vector announced an agreement for the sale of 100% of the shares in its subsidiary Vector Gas Limited ("Vector Gas") to First State Funds. Vector Gas owned the gas transmission and non-Auckland gas distribution businesses. The sale was approved at a special meeting of shareholders in December 2015 and was approved under the Overseas Investment Act 2005 in April 2016. The sale was completed on 20 April 2016.

The disposal group is presented as discontinued operations as gas transmission represented a separate major line of business and the non-Auckland gas distribution business represented a separate geographical area of operations. The comparative comprehensive revenue and expense has been restated to show the discontinued operations separately from continuing operations. Vector has applied some of the sale proceeds to the repayment of group debt and most of the remaining funds have been placed on deposit, pending repayment of future debt maturities. However, Vector Gas held no debt itself, so the results presented for the discontinued operations do not include any finance costs.

Results of discontinued operations

	1 July 2015 - 20 April 2016 $000	1 July 2014 – 30 June 2016 $000
Revenue from exchange transactions	**110,735**	140,606
Operating expenses	**(31,650)**	(38,441)
Depreciation and amortisation	**(5,798)**	(16,172)
Surplus/(Deficit) before income tax	**73,287**	85,993
Tax benefit/(expense)	**(21,913)**	(24,939)
Net surplus/(deficit) for the period before gain on sale	**51,374**	61,054
Gain on sale (net of tax)	**164,120**	-
Net surplus/(deficit)) for the period attributable to owners	**215,494**	61,054

Cash flows from discontinued operations

	2016 $000	2015 $000
Net cash flows from/(used in) operating activities	**54,185**	71,214
Net cash flows from/(used in) investing activities	**937,721**	(28,056)
Net cash inflow/(outflow)	**991,906**	43,158

3. DISCONTINUED OPERATIONS (continued)

Sale of subsidiary

	2016 $000
Carrying value of net assets sold as at 20 April 2016:	
Trade and other receivables from exchange transactions	**21,574**
Inventories	**1,571**
Intangible assets (including goodwill)	**335,037**
Property, plant & equipment	**560,996**
Trade and other payables from exchange transactions	**(12,805)**
Provisions	**(228)**
Deferred tax	**(119,302)**
Net assets sold	**786,843**
Consideration received on 20 April 2016	**952,500**
Consideration received on 22 June 2016	**7,500**
Post-completion adjustment	**(59)**
Total received in cash and cash equivalents	**959,941**
Costs of sale	**(6,892)**
Carrying value of net assets sold	**(786,843)**
Gain on sale of discontinued operations	**166,206**
Tax expense	**(2,086)**
Gain on sale of discontinued operations (net of tax)	**164,120**

Policies

Where a disposal group that is either sold or is held for sale meets the following parameters, it is reported as a discontinued operation:

- The operations and cash flows can be clearly distinguished from the rest of the group
- It represents a separate major line of business or geographical area of operations.

Judgements

Where an operation within a group of cash generating units (CGUs) to which goodwill has been allocated is disposed of, goodwill attributable to the operation disposed of should be included in the disposed assets. The goodwill should be apportioned by measuring it on the basis of the relative values of the operation disposed of and the portion of the CGU retained. Management has determined that applying a relative fair value method based on regulatory asset values was the most appropriate method to allocate goodwill to the disposal group.

Consideration

Upon completion of the sale of Vector Gas, the group received $952.5 million from First State Funds on 20 April 2016. On 22 June 2016, the group received a fee of $7.5 million plus GST in relation to First State Funds' successful acquisition of the Maui pipeline. Management has concluded that for accounting purposes, this fee forms part of the total consideration for the sale.

As at 30 June 2016, the sale of Vector Gas remained subject to minor wash-ups in respect of working capital and capital expenditure. These amounts have been agreed and has resulted in a payment of $59,000 from Vector to First State Funds post balance date.

Depreciation

Vector Gas was classified as held for sale from November 2015 and its assets and liabilities were presented as a disposal group held for sale in the 2016 interim financial statements. Depreciation and amortisation on the assets of Vector Gas ceased from November 2015 due to the held for sale classification.

4. REVENUE FROM EXCHANGE TRANSACTIONS

	GROUP		PARENT	
	2016 $000	2015 $000	2016 $000	2015 $000
Sales	**1,092,648**	1,110,137	**-**	-
Third party contributions	**49,818**	42,823	**-**	-
Other	**2,157**	470	**20**	20
Dividends received	**-**	-	**118,283**	114,528
Total	**1,144,623**	1,153,430	**118,303**	114,548

Policies

Revenue from exchange transactions is measured at the fair value of consideration received, or receivable.

Revenue from exchange transactions is recognised when:

- The amount of the revenue and the costs in respect of the transaction can be measured reliably; and
- It is probable that the economic benefits of the transaction will flow to the Group.

Sales of goods are recognised when the risks and rewards of the goods have been transferred to the buyer.

Sales of services are recognised as the services are delivered, or if applicable on a percentage of completion basis.

Third party contributions towards the construction of property, plant and equipment are recognised to reflect the percentage completion of the underlying construction activity.

The Parent receives dividends from its investment in Vector Limited. Dividend revenue is recognised in other revenue on the date that the right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

The group has no revenue from non-exchange transactions.

Judgements

Vector's Management must apply judgement where:

- The timing of customer payments for services does not coincide with the timing of delivery of those services; and/or
- Multiple services are delivered under one contract.

5. OPERATING EXPENSES

		GROUP		PARENT	
		2016 $000	2015 $000	2016 $000	2015 $000
Electricity transmission		**209,740**	217,039	**-**	-
Gas purchases and production		**154,969**	185,284	**-**	-
Network and asset maintenance		**80,649**	79,709	**-**	-
Other direct expenses		**42,357**	38,888	**-**	-
Employee benefit expenses		**76,806**	74,811	**373**	351
Administration expenses		**15,971**	15,711	**919**	1,185
Distribution expenses		**1,181**	1,149	**1,181**	1,149
Trustee Remuneration	26	**342**	343	**342**	343
Professional fees		**11,821**	16,356	**597**	387
IT expenses		**14,767**	14,103	**-**	-
Loss/(gain) on disposal of PPE and software intangibles		**4,309**	5,187	**-**	**-**
Other indirect expenses		**13,040**	14,154	**776**	629
Total		**625,952**	662,734	**4,188**	4,044

		GROUP		PARENT	
		2016 $000	2015 $000	2016 $000	2015 $000
Fees paid to auditors	Audit or review of financial statements – Grant Thornton	**43**	48	**43**	48
	Audit or review of financial statements – KPMG	**539**	541	**-**	-
	Regulatory assurance – KPMG	**547**	536	**-**	-
	Other audit fees - KPMG	**24**	19	**-**	-
	Other services - KPMG	**4**	185	**-**	-
		1,157	1,329	**36**	48

Other audit fees Other audit fees are for the audit of guaranteeing group financial statements, share registry, bond registers and agreed upon procedures required by certain contractual arrangements.

Other services Other services in the current and prior period comprised advisory services in relation to the strategic review of Vector's gas transmission and non-Auckland gas distribution businesses.

6. INTEREST COSTS (NET)

	GROUP		PARENT	
	2016 $000	2015 $000	2016 $000	2015 $000
Interest expense	**169,036**	184,646	**-**	-
Capitalised interest	**(4,901)**	(6,277)	**-**	-
Interest revenue	**(3,864)**	(3,204)	**(1,543)**	(1,893)
Other	**6,991**	3,743	**-**	-
Total	**167,262**	178,908	**(1,543)**	(1,893)

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

Capitalised interest Vector has capitalised interest to PPE and software intangibles while under construction at an average rate of 6.3% per annum (2015: 6.8%).

Notes to the Financial Statements

7. FAIR VALUE CHANGE ON FINANCIAL INSTRUMENTS

	GROUP 2016 $000	GROUP 2015 $000
Fair value movement on hedging instruments	**(27,579)**	199,906
Fair value movement on hedged items	**29,923**	(210,920)
Total gains/(losses)	**2,344**	(11,014)

8. IMPAIRMENT

	NOTE	GROUP 2016 $000	GROUP 2015 $000
Impairment of goodwill	14	**64,000**	-
Reversal of impairment of investment in associate	13	**(2,578)**	-
Total		**61,422**	-

9. INCOME TAX EXPENSE/(BENEFIT)

Reconciliation of income tax expense/(benefit)	GROUP 2016 $000	GROUP 2015 $000	PARENT 2016 $000	PARENT 2015 $000
Surplus/(deficit)before income tax	**100,520**	122,562	**115,618**	112,354
Tax at current rate	**28,013**	34,209	**38,154**	37,077
Current tax adjustments				
Non-deductible expenses	**2,034**	935	**517**	678
Impairment	**17,198**	-	**-**	-
Relating to prior periods	**1,836**	2,149	-	-
Other	**(1,979)**	235	**(38,671)**	(37,755)
Deferred tax adjustments				
Relating to prior periods	**(2,114)**	(1,870)	-	-
Other	**(711)**	739	-	-
Income tax expense/(benefit)	**44,277**	36,397	**-**	-
Comprising				
Current tax	**21,702**	28,723	**-**	-
Deferred tax	**22,575**	7,674	**-**	-

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 comprehensive and expense unless the tax relates to items in other comprehensive revenue and expense, in which case the tax is recognised as an adjustment in other comprehensive revenue and expense against the item to which it relates.

Imputation credits

Vector Limited has no imputation credits available for use as at 30 June 2016 (2015: 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.

10. DEFERRED TAX

Deferred tax

GROUP	PPE $000	PROVISIONS AND ACCRUALS $000	HEDGE RESERVES $000	OTHER $000	TOTAL $000
Balance at 30 June 2014	554,873	(7,893)	(27,452)	32,409	551,937
Recognised in comprehensive revenue and expense	32,320	(6,607)	-	(13,658)	12,055
Recognised in other comprehensive revenue and expense	-	-	(357)	-	(357)
Recognised from business combinations	(1,266)	-	-	-	(1,266)
Balance at 30 June 2015	**585,927**	**(14,500)**	**(27,809)**	**18,751**	**562,369**
Recognised in comprehensive revenue and expense	**26,055**	**4,830**	**-**	**(10,543)**	**20,342**
Recognised in other comprehensive revenue and expense	**-**	**-**	**(6,911)**	**-**	**(6,911)**
Recognised from business combinations	**(118,791)**	**(511)**	**-**	**-**	**(119,302)**
Balance at 30 June 2016	**493,191**	**(10,181)**	**(34,720)**	**8,208**	**456,498**

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

	2016 $000	2015 $000
Deferred tax asset	**(715)**	-
Deferred tax liability	**457,213**	562,369
Total	**456,498**	562,369

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 the tax rates that are expected to be applied to the temporary differences when they reverse.

11. CASH AND CASH EQUIVALENTS

	MATURITY DATE	GROUP 2016 $000	GROUP 2015 $000	PARENT 2016 $000	PARENT 2015 $000
Cash and bank balances		**3,807**	3,673	**566**	20
Short-term deposits	July 2016- Oct 2016	**389,271**	75,394	**71,141**	70,825
		393,078	79,067	**71,707**	70,845

Policies

Cash and cash equivalents includes deposits that are subject to insignificant risk of changes in their fair value.

Cash and cash equivalents are carried at amortised cost in the financial position.

12. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables from exchange transactions	GROUP 2016 $000	GROUP 2015 $000	PARENT 2016 $000	PARENT 2015 $000
Current				
Trade receivables from exchange transactions	**168,919**	170,383	**-**	-
Less provision for doubtful debts	**(3,067)**	(2,528)	**-**	-
Balance at 30 June	**165,852**	167,855	**-**	-
Ageing of trade receivables from exchange transactions				
Not past due	**152,356**	157,521	**-**	-
Past due 1-30 days	**8,441**	5,392	**-**	-
Past due 31-120 days	**2,558**	1,603	**-**	-
Past due more than 120 days	**5,564**	5,867	**-**	-
Balance at 30 June	**168,919**	170,383	**-**	-

Other receivables from exchange transactions

	GROUP 2016 $000	GROUP 2015 $000	PARENT 2016 $000	PARENT 2015 $000
Current				
Interest receivable	**17,549**	18,053	**449**	617
Prepayments	**7,993**	9,223	**5**	15
Other	**1,864**	1,313	**-**	-
Balance at 30 June	**27,406**	28,589	**454**	632
Non-current				
Finance lease	**-**	1,308	**-**	-
Other	**51**	475	**-**	-
Balance at 30 June	**51**	1,783	**-**	-

Policies

Receivables from exchange transactions are initially recognised at fair value. They are subsequently adjusted for impairment losses.

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

The group does not have receivables from non- exchange transactions.

Impairment

Trade receivables from exchange transactions past due by up to 120 days include allowances for impairment of $0.1 million (2015: nil).

Trade receivables from exchange transactions past due by more than 120 days include allowances for impairment of $3.0 million (2015: $2.5 million).

A provision for impairment is recognised when there is objective evidence that the Group will be unable to collect amounts due. The amount provided is the difference between the receivable’s carrying and expected recoverable amount.

13. INVESTMENTS

Judgements

Classifying investments as either subsidiaries, associates, 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.

13.1 Investments in subsidiaries

Trading subsidiaries	PRINCIPAL ACTIVITY	PERCENTAGE HELD 2016	2015
Vector Limited	Utility Network Provider	**75.4%**	75.4%
- NGC Holdings Limited	Holding company	**75.4%**	75.4%
- Vector Gas Limited	Gas transportation	**-**	75.4%
- NGC Limited	Holding company	**75.4%**	75.4%
- Vector Gas Trading Limited	Natural gas trading and processing	**75.4%**	75.4%
- Vector Gas Investments Limited	Holding company	**75.4%**	75.4%
- Vector Kapuni Limited	Joint operator – cogeneration plant	**75.4%**	75.4%
- Liquigas Limited	Bulk LPG storage, distribution and management	**45.2%**	45.2%
- On Gas Limited	LPG sales and distribution	**75.4%**	75.4%
- Advanced Metering Assets Limited	Electricity and gas metering	**75.4%**	75.4%
- Vector Advanced Metering Assets(Australia) Limited	Metering	**75.4%**	-
- Vector Metering Data Services Limited	Holding company	**75.4%**	75.4%
- Vector Advanced Metering Services (Australia) Pty Limited	Metering	**75.4%**	75.4%
Vector Contracting Services Limited	Contracting services	**75.4%**	75.4%
Vector Communications Limited	Telecommunications	**75.4%**	75.4%
Advanced Metering Services Limited	Metering services	**75.4%**	75.4%
Vector Solar Limited	Solar sales	**75.4%**	75.4%
Arc Innovations Limited	Metering	**75.4%**	75.4%
Non-trading subsidiaries			
Auckland Generation Limited	Holding company	**75.4%**	75.4%
- MEL Network Limited	Holding company	**75.4%**	75.4%
- Mercury Geotherm Limited	Dormant	**75.4%**	75.4%
- Poihipi Land Limited	Dormant	**75.4%**	75.4%
UnitedNetworks Limited	Dormant	**75.4%**	75.4%
Vector Management Services Limited	Dormant	**75.4%**	75.4%
Vector ESPS Trustee Limited	Holding company	**75.4%**	75.4%

Policies

Subsidiaries are entities controlled directly or indirectly by the Parent or Vector. 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. Vector Gas Limited was a wholly owned subsidiary of the group until its sale to First State Funds on 20 April 2016.

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.

The Trust holds 751,000,000 ordinary shares in Vector Limited. At 30 June 2016, the market value of these shares was $2,470,790,000 (2015: $2,470,790,000). The cost of investment in Vector Limited is $300,000,000.

Balance dates

All subsidiaries have a reporting date of 30 June, apart from Mercury Geotherm Limited and Poihipi Land Limited which have a reporting date of 31 March.

Geography

All subsidiaries are incorporated in New Zealand, except Vector Advanced Metering Services (Australia) Pty Limited which is incorporated in Australia.

Removal

Mercury Geotherm Limited and Poihipi Land Limited are in the process of being removed from the Register of Companies.

13. INVESTMENTS (continued)

13.2 Investment in associates

Associates	PRINCIPAL ACTIVITY	REPORTING DATE	COUNTRY OF INCORPORATION	PERCENTAGE HELD 2016	PERCENTAGE HELD 2015
Tree Scape Limited	Vegetation management	31 March	New Zealand	**37.7%**	37.7%
Total Metering 2012 Limited (in liquidation)	Non-trading	30 June	New Zealand	**-**	18.9%
NZ Windfarms Limited	Power generation	30 June	New Zealand	**16.6%**	16.6%

Total Metering 2012 Limited was removed from the Register of Companies on 17 July 2015.

	GROUP 2016 $000	GROUP 2015 $000
Carrying amount of associates		
Balance at 1 July	**11,475**	11,481
Share of net surplus/(deficit) of associates	**2,809**	812
Share of other comprehensive revenue and expense of associate	**250**	(418)
Dividends received	**(1,500)**	(400)
Reversal of impairment of investment in associate	**2,578**	-
Balance at 30 June	**15,612**	11,475
Equity accounted earnings of associates		
Surplus/(deficit)before income tax	**3,901**	1,128
Income tax benefit/(expense)	**(1,092)**	(316)
Share of net surplus/(deficit) of associates	**2,809**	812
Total recognised revenues and expenses	**2,809**	812

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 a 50% shareholding 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

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

Impairment

The Group has recognised an impairment reversal of $2.6 million in respect of the investment in its associate company, NZ Windfarms Limited (2015: $nil).

The recoverable amount as at 30 June 2016 was estimated based on the investment's fair value less costs to sell by reference to its weighted average share price on the New Zealand Stock Exchange.

The share price of NZ Windfarms Limited increased from $0.06 per share at 30 June 2015 to $0.10 per share at 30 June 2016. The impairment reversal has been recognised to the extent of the recoverable value of the investment.

13.3 Interest in joint operation

Joint operation	PRINCIPAL ACTIVITY	REPORTING DATE	INTEREST HELD 2016	INTEREST HELD 2015
Kapuni Energy Joint Venture	Cogeneration plant operator	30 June	**37.7%**	37.7%

Policies

A joint operation is where the subsidiary, Vector Limited 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 Group financial statements using the proportionate method.

14. INTANGIBLE ASSETS

GROUP	CUSTOMER CONTRACTS $000	EASEMENTS $000	SOFTWARE $000	GOODWILL $000	TOTAL $000
Opening carrying amount 1 July 2014	**11,966**	**14,289**	**46,679**	**1,559,516**	**1,632,450**
Cost	16,464	14,289	189,420	1,559,516	1,779,689
Accumulated amortisation	(4,498)	-	(142,741)	-	(147,239)
Acquisition of business	5,278	-	717	1,444	7,439
Additions	-	-	90	-	90
Transfers from PPE	-	462	27,902	-	28,364
Amortisation for the period	(1,945)	-	(23,545)	-	(25,490)
Closing carrying amount 30 June 2015	**15,299**	**14,751**	**51,843**	**1,560,960**	**1,642,853**
Cost	21,742	14,751	218,128	1,560,960	1,815,582
Accumulated amortisation	(6,443)	-	(166,285)	-	(172,729)
Additions	**-**	**-**	**17**	**-**	**17**
Transfers from PPE	**-**	**34,817**	**29,528**	**-**	**64,345**
Sale of discontinued operations	**-**	**(35,025)**	**(1,189)**	**(298,823)**	**(335,037)**
Impairment	**-**	**-**	**-**	**(64,000)**	**(64,000)**
Amortisation for the period	**(2,271)**	**-**	**(25,482)**	**-**	**(27,753)**
Closing carrying amount 30 June 2016	**13,028**	**14,543**	**54,717**	**1,198,137**	**1,280,425**
Cost	**21,742**	**14,543**	**229,205**	**1,198,137**	**1,463,627**
Accumulated amortisation	**(8,714)**	**-**	**(174,488)**	**-**	**(183,202)**

PARENT	SOFTWARE $000	TOTAL $000
Closing carrying amount 1 July 2014	**20**	**20**
Cost	57	57
Accumulated amortisation	(37)	(37)
Additions	90	90
Amortisation for the period	(40)	(40)
Closing carrying amount 30 June 2015	**70**	**70**
Cost	147	147
Accumulated amortisation	(77)	(77)
Additions	**17**	**17**
Amortisation for the period	**(37)**	**(37)**
Closing carrying amount 30 June 2016	**50**	**50**
Cost	**164**	**164**
Accumulated amortisation	**(114)**	**(114)**

14.1 Goodwill

	GROUP	
Goodwill by reportable segment	2016 $000	2015 $000
Regulated Networks	**1,021,458**	-
Electricity	**-**	852,219
Gas transportation	**-**	468,062
Gas wholesale	**156,826**	220,826
Technology	**19,853**	19,853
Total	**1,198,137**	1,560,960

14. INTANGIBLE ASSETS (continued)

14.1 Goodwill (continued)

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 the Vector level. However, is allocated to Vector's operating segments for impairment testing purposes.

Impairment testing

Goodwill is tested at least annually for impairment against the recoverable amount of Vector's operating segments to which it has been allocated.

As at 30 June 2016, the Vector group has recognised an impairment loss of $64.0 million in respect of goodwill allocated to its gas trading segment. The gas trading segment comprises the group's natural gas, LPG, gas storage and processing, and cogeneration businesses. The impairment reflects various factors including the steady decline in the output from the Kapuni field, the diminishing prospects of further field development due to ongoing disputes , and weak international hydrocarbon prices.

The recoverable amount of Vector's gas trading segment has been determined based on value in use. Post-tax discount rates of between 6.4% and 6.7% (2015: 6.8% and 7.1%) have been applied in determining the recoverable amount for the gas trading segment.

For Vector's regulated networks and technology segments the recoverable amount of each segment to which goodwill is allocated exceeds the net assets plus goodwill allocated. The Vector group has determined that no impairment to goodwill for those segments has occurred during the period.

Judgements

To assess impairment, management must estimate the future cash flows of operating segments including the cash generating units (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.

Assumptions

The recoverable amounts attributed to Vector's electricity, gas distribution and technology CGUs are calculated on the basis of value-in-use using discounted cash flow models. For the gas trading CGU, both value in use and fair value less costs to sell were considered. Future cash flows are forecast based on actual results and business plans.

For Vector 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 all other CGUs.

Terminal growth rates in a range of 1.0% to 2.0% (2015: 1.0% to 2.0%) and post-tax discount rates between 5.3% and 8.1% (2015: 5.4% and 8.2%) 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.

14.2 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 and customer contracts 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 are: software 2 – 36 years; customer contracts 3 - 10 years.

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.

15. PROPERTY, PLANT AND EQUIPMENT (PPE)

GROUP	DISTRIBUTION SYSTEMS $000	ELECTRICITY AND GAS METERS $000	LAND, BUILDINGS AND IMPROVEMENTS $000	COMPUTER AND TELCO EQUIPMENT $000	OTHER PLANT AND EQUIPMENT $000	CAPITAL WORK IN PROGRESS $000	TOTAL $000
Carrying amount 1 July 2014	**3,170,517**	**348,984**	**156,554**	**98,868**	**112,665**	**111,995**	**3,999,583**
Cost	3,968,590	543,624	178,432	170,310	181,245	111,995	5,154,196
Accumulated depreciation	(798,073)	(194,640)	(21,878)	(71,442)	(68,580)	-	(1,154,613)
Additions	-	-	-	-	4	323,278	323,282
Acquisition of business	-	5,489	-	441	3,784	720	10,434
Transfers - Intangible assets	-	-	-	-	-	(28,364)	(28,364)
Transfers - Other	203,626	72,295	10,322	14,951	(848)	(300,346)	-
Disposals	(4,972)	(306)	(49)	-	(19)	-	(5,346)
Depreciation for the period	(111,231)	(32,779)	(3,237)	(13,029)	(9,430)	-	(169,706)
Carrying amount 30 June 2015	**3,257,940**	**393,683**	**163,590**	**101,231**	**106,156**	**107,283**	**4,129,883**
Cost	4,167,244	621,102	188,705	185,702	184,166	107,283	5,454,202
Accumulated depreciation	(909,304)	(227,419)	(25,115)	(84,471)	(78,010)	-	(1,324,319)
Additions	**-**	**-**	**-**	**-**	**-**	**342,272**	**342,272**
Transfers - Intangible assets	**(34,292)**	**-**	**-**	**-**	**-**	**(30,053)**	**(64,345)**
Transfers - Other	**185,267**	**66,685**	**7,455**	**12,818**	**22,138**	**(294,363)**	**-**
Disposals	**(3,475)**	**(43)**	**-**	**(31)**	**(405)**	**-**	**(3,954)**
Sale of discontinued operations	**(543,603)**	**(199)**	**(431)**	**(111)**	**(6,568)**	**(10,084)**	**(560,996)**
Depreciation for the period	**(109,690)**	**(40,637)**	**(3,455)**	**(12,195)**	**(6,688)**	**-**	**(172,665)**
Carrying amount 30 June 2016	**2,752,147**	**419,489**	**167,159**	**101,712**	**114,633**	**115,055**	**3,670,195**
Cost	**3,609,898**	**684,310**	**195,249**	**196,854**	**200,744**	**115,055**	**5,002,110**
Accumulated depreciation	**(857,751)**	**(264,821)**	**(28,090)**	**(95,142)**	**(86,111)**	**-**	**(1,331,915)**

PARENT	OTHER PPE $000	TOTAL $000
Carrying amount 1 July 2014	**6**	**6**
Cost	63	63
Accumulated depreciation	(57)	(57)
Additions	4	4
Disposals	-	-
Depreciation for the period	(3)	(3)
Carrying amount 30 June 2015	**7**	**7**
Cost	67	67
Accumulated depreciation	(60)	(60)
Additions	**-**	**-**
Disposals	-	-
Depreciation for the period	**(3)**	**(3)**
Carrying amount 30 June 2016	**4**	**4**
Cost	**62**	**62**
Accumulated depreciation	**(58)**	**(58)**

15. 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
- Finance 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, is calculated on a straight line basis and expensed over the useful life of the asset.

Estimated useful lives (years) are as follows:

Buildings	40 – 100	Meters and meter inspections	2 – 40
Distribution systems	10 – 100	Other plant and equipment	3 – 55
Leasehold improvements	5 – 20		

Judgements

The Parent and Group’s 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 $57.9 million for the group (2015: $56.4 million).

16. OPERATING LEASES

Aggregate minimum lease payments under non-cancellable operating leases where the Group is the lessee	GROUP 2016 $000	GROUP 2015 $000
Within one year	**5,018**	4,768
One to five years	**14,126**	15,931
Beyond five years	**5,219**	5,898
Total	**24,363**	26,597

Policies

Payments made under operating leases, where the lessors effectively retain the risks and benefits of ownership, are recognised in comprehensive revenue and expense 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 subsidiary Vector Limited the right to renew the lease at the end of the current lease term.

The parent has no operating leases.

17. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	GROUP		PARENT	
	2016 $000	2015 $000	2016 $000	2015 $000
Current				
Trade payables from exchange transactions	**175,726**	184,242	**629**	678
Deferred consideration payable	**-**	750	**-**	-
Employee benefits	**14,506**	8,710	**18**	6
Deferred revenue	**22,618**	7,787	**-**	-
Finance leases	**237**	623	-	-
Interest payable	**38,943**	45,238	**-**	-
Balance at 30 June	**252,030**	247,350	**647**	684
Non-current				
Deferred revenue	**12,188**	13,828	-	-
Finance leases	**414**	1,099	-	-
Other non-current payables	**2,798**	2,798	**-**	-
Balance at 30 June	**15,400**	17,725	**-**	-

Other payables

Employee benefits which remain unused at balance date, and amounts expected to be paid under short-term cash bonus plans are accrued for.

Deferred revenue includes third party contributions received in excess of those recognised in comprehensive revenue and expense.

The group does not have payables from non-exchange transactions.

18. DISTRIBUTIONS PAYABLE

	GROUP		PARENT	
	2016 $000	2015 $000	2016 $000	2015 $000
Current				
Distributions payable	**65,438**	65,474	**65,438**	65,474

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 20).

As at 30 June 2016 no distribution roll had been struck to determine the allocation of this surplus to the beneficiaries, therefore the funds are held as distributions payable.

19. PROVISIONS

	NOTE	DECOMMISSIONING PROVISIONS $000	PROVISION FOR CONTRACTUAL DISPUTES $000	OTHER $000	TOTAL $000
Balance 1 July 2015		**14,160**	**13,165**	**13,160**	**40,485**
Additions		**3,687**	**991**	**-**	**4,678**
Reversed to comprehensive revenue and expense		**(2,630)**	**(1,361)**	**(6,164)**	**(10,155)**
Payments		**-**	**(12,795)**	**(536)**	**(13,331)**
Unwinding of discount		**1,823**	**-**	**-**	**1,823**
Associated with sale of discontinued operations	3	**-**	**-**	**(228)**	**(228)**
Balance at 30 June 2016		**17,040**	**-**	**6,232**	**23,272**
Current		**-**	**-**	**6,232**	**6,232**
Non-current		**17,040**	**-**	**-**	**17,040**
Total		**17,040**	**-**	**6,232**	**23,272**

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.

Decommission-ing The decommissioning provision represents 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.

Contractual disputes The contractual disputes provision related to matters which were the subject of arbitration proceedings completed in the current financial year.

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.

20. PROVISION FOR UNCLAIMED DISTRIBUTIONS

	GROUP		PARENT	
	2016 $000	2015 $000	2016 $000	2015 $000
Balance at beginning of the reporting period	**5,397**	4,608	**5,397**	4,608
Additions	**22,432**	22,365	**22,432**	22,365
Claimed	**(19,347)**	(19,533)	**(19,347)**	(19,533)
Cancelled	**(2,352)**	(2,043)	**(2,352)**	(2,043)
Balance at end of the reporting period	**6,130**	5,397	**6,130**	5,397

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.

21. BORROWINGS

2016	CURRENCY	MATURITY DATE	FACE VALUE $000	UNAMORTISED COSTS $000	FAIR VALUE ADJUSTMENT ON HEDGED RISK $000	CARRYING VALUE $000	FAIR VALUE $000
Bank facilities – variable rate (undrawn)	NZD	Feb 2018	**-**	**(229)**	**-**	**(229)**	**(229)**
Capital bonds – 7% fixed rate	NZD	-	**262,651**	**(116)**	**-**	**262,535**	**270,026**
Senior notes – fixed rate	USD	Sep 2016-Sep 2022	**796,014**	**(1,683)**	**79,783**	**874,114**	**834,256**
Floating rate notes – variable rate	NZD	Apr 2017-Oct 2020	**910,000**	**(2,647)**	**-**	**907,353**	**872,269**
Medium term notes - 7.625% fixed rate	GBP	Jan 2019	**285,614**	**(1,464)**	**(71,042)**	**213,108**	**241,074**
Balance at 30 June			**2,254,279**	**(6,139)**	**8,741**	**2,256,881**	**2,217,396**

2015	CURRENCY	MATURITY DATE	FACE VALUE $000	UNAMORTISED COSTS $000	FAIR VALUE ADJUSTMENT ON HEDGED RISK $000	CARRYING VALUE $000	FAIR VALUE $000
Bank facilities – variable rate	NZD	Dec 2016-Feb 2018	249,000	(752)	-	248,248	248,248
Capital bonds – 7% fixed rate	NZD	-	262,651	(229)	-	262,422	272,539
Senior notes – fixed rate	USD	Sep 2016-Sep 2022	796,014	(2,022)	109,706	903,698	872,763
Floating rate notes – variable rate	NZD	Oct 2015-Oct 2020	1,160,000	(3,920)	-	1,156,080	1,116,230
Medium term notes - 7.625% fixed rate	GBP	Jan 2019	285,614	(1,978)	(18,514)	265,122	304,127
Balance at 30 June			2,753,279	(8,901)	91,192	2,835,570	2,813,907

Policies

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in finance costs in comprehensive revenue and expense over the period of the borrowing using the effective interest rate method.

The carrying value of borrowings includes the principle 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 22.

The Trust has no borrowings.

Capital bonds

Capital bonds of $307.2 million are unsecured, subordinated bonds with the next election date set as 15 June 2017. The interest rate was fixed at 7% at the last election date. In June 2012, Vector repurchased $44.6 million of its capital bonds at face value as part of the capital bonds election process and the repurchased bonds were derecognised from borrowings, leaving an outstanding balance of $262.7 million.

Floating rate notes

The $910.0 million floating rate notes are credit wrapped by MBIA Insurance Corporation and Ambac Assurance Corporation. In October 2015, $250.0 million of floating rate notes matured and were repaid.

Bank facilities

Following the sale of Vector Gas Limited (see Note 3), the facilities were repaid in full and remain undrawn at 30 June 2016. The unamortised establishment fees will continue to unwind over the life of the remaining 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 2016 and 30 June 2015.

22. DERIVATIVES AND HEDGE ACCOUNTING

	CASH FLOW HEDGES		FAIR VALUE HEDGES		COST OF HEDGING		TOTAL	
	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000
Derivative assets								
Cross currency swaps	**-**	-	**84,758**	105,403	**(2,330)**	(1,221)	**82,428**	104,182
Interest rate swaps	**-**	777	**-**	-	**-**	-	**-**	777
Forward exchange contracts	**-**	186	**-**	-	**-**	-	**-**	186
Total	**-**	963	**84,758**	105,403	**(2,330)**	(1,221)	**82,428**	105,145
Derivative liabilities								
Cross currency swaps	**(87,964)**	(31,558)	**(6,933)**	-	**1,781**	1,876	**(93,116)**	(29,682)
Interest rate swaps	**(106,380)**	(90,790)	**-**	-	**-**	-	**(106,380)**	(90,790)
Forward exchange contracts	**(149)**	-	**-**	-	**-**	-	**(149)**	-
Total	**(194,493)**	(122,348)	**(6,933)**	-	**1,781**	1,876	**(199,645)**	(120,472)

The fair value of the derivative assets has decreased as at 30 June 2016 largely due to the strengthening of the New Zealand dollar against foreign currencies. The fair value of derivative liabilities has decreased as at 30 June 2016 largely due to the strengthening of the New Zealand dollar against foreign currencies, and the decrease in New Zealand floating rates.

Key observable market data for fair value measurement	2016	2015
Foreign currency exchange (FX) rates as at 30 June		
NZD-GBP FX rate	**0.5360**	0.4306
NZD-USD FX rate	**0.7134**	0.6764
Interest rate swap rates		
NZD	**2.24% to 2.67%**	3.09% to 3.91%
USD	**0.47% to 1.73%**	0.28% to 2.96%
GBP	**0.38% to 1.24%**	0.58% to 2.27%
Credit margins		
Vector	**1.59% to 2.69%**	1.24% to 2.31%
Counterparties	**0.40% to 2.32%**	0.09% to 1.52%

Sensitivity to changes in market rates

Impact on comprehensive revenue and expense: Sensitivity to change in interest rates	2016 $000	2015 $000
-1% change in interest rates	**(48,695)**	(43,231)
+1% change in interest rates	**42,798**	41,230
Sensitivity to change in foreign exchange rates		
-10% change in foreign exchange rates	**(6,082)**	(3,392)
+10% change in foreign exchange rates	**6,341**	4,811
Sensitivity to change in credit margins		
-0.50% change in credit margins	**(1,845)**	(910)
+0.50% change in credit margins	**1,803**	891
Impact on surplus or deficit:		
Sensitivity to change in interest rates		
-1% change in interest rates	**(2,418)**	(2,411)
+1% change in interest rates	**2,392**	2,296
Sensitivity to change in foreign exchange rates		
-10% change in foreign exchange rates	**4,452**	2,843
+10% change in foreign exchange rates	**(3,843)**	(2,755)
Sensitivity to change in credit margins		
-0.50% change in credit margins	**2,008**	3,083
+0.50% change in credit margins	**(1,949)**	(3,014)

22. DERIVATIVES AND HEDGE ACCOUNTING (continued)

Policies

The subsidiary, Vector Limited ("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 below.

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 comprehensive revenue and expense immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in comprehensive revenue and expense 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 comprehensive revenue and expense:

- 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 comprehensive revenue and expense 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, GBP medium term notes, and USD senior notes.

The effective portion of changes in the fair value of the hedging instruments are recognised in other comprehensive revenue and expense.
The following are recognised in comprehensive revenue and expense:

- 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 revenue and expense, in the periods when the hedged item is recognised in comprehensive revenue and expense.

Once hedging is discontinued, any cumulative gain or loss previously recognised in other comprehensive revenue and expense is recognised in comprehensive revenue and expense either:

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

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).

Market rate sensitivity

All derivatives are measured at fair value. A change in the market date used to determine fair value will have an impact on the Groups financial statements.

The table above shows the sensitivity of the financial statements to the reasonably possible changes in the market data at reporting date.

22. DERIVATIVES AND HEDGE ACCOUNTING (continued)

Rights to offset

The subsidiary, Vector Limited 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. 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

	2016 $000		2015 $000	
	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	**82,428**	**7,986**	105,145	42,497
Derivative liabilities	**(199,645)**	**(125,203)**	(120,472)	(57,824)
Net amount	**(117,217)**	**(117,217)**	(15,327)	(15,327)

22.1 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:

Cash flow hedges **2016**	FACE VALUE $000	WEIGHTED AVERAGE RATE	CARRYING AMOUNT ASSETS/(LIABILITIES) $000	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS $000	HEDGING (GAIN) OR LOSS RECOGNISED IN CASH FLOW HEDGE RESERVE $000	HEDGE INEFFECTIVENESS RECOGNISED IN REVENUE AND EXPESNE $000	(GAIN) OR LOSS RECOGNISED IN COST OF HEDGING $000
Interest risk							
Hedged item: NZD floating rate exposure on borrowings	**(1,160,000)**		**-**	**(110,817)**	**-**	**-**	**-**
Hedging instrument: Interest rate swaps	**(1,430,000)**	**5.5%**	**(106,380)**	**(106,380)**	**106,380**	**-**	**-**
Interest and exchange risk							
Hedged item: GBP fixed rate exposure on borrowings	**(285,614)**		**-**	**(92,161)**	**-**	**-**	**-**
Hedging instrument: Cross currency swaps	**(285,614)**	**10.8%**	**(86,198)**	**(87,964)**	**16,923**	**-**	**(1,766)**
					Total	**-**	

22. DERIVATIVES AND HEDGE ACCOUNTING (continued)

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

Cash flow hedges 2015	FACE VALUE $000	WEIGHTED AVERAGE RATE	CARRYING AMOUNT ASSETS/(LIABILITIES) $000	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS $000	HEDGING (GAIN) OR LOSS RECOGNISED IN CASH FLOW HEDGE RESERVE $000	HEDGE INEFFECTIVENESS RECOGNISED IN COMPREHENSIVE REVENUE AND EXPENSE $000	(GAIN) OR LOSS RECOGNISED IN COST OF HEDGING $000
Interest risk							
Hedged item: NZD floating rate exposure on borrowings	(1,160,000)		-	(92,554)	-	-	-
Hedging instrument: Interest rate swaps	(1,810,000)	6.2%	(90,013)	(90,013)	90,013	-	-
Interest and exchange risk							
Hedged item: GBP fixed rate exposure on borrowings	(285,614)		-	(32,722)	-	-	**-**
Hedging instrument: Cross currency swaps	(285,614)	10.8%	(29,682)	(31,558)	13,044	-	(1,876)
					Total	-	

The NZD floating rate exposure includes $910.0 million from the floating rate notes (2015: $1,160.0 million) and $250.0 million arising from hedging the USD senior bonds (2015: nil).

The interest rate swaps include $270.0 million of forward starting swaps (2015: $650.0 million).

Fair value hedges 2016	FACE VALUE $000	WEIGHTED AVERAGE RATE	ACCUMULATED FAIR VALUE HEDGE ADJUSTMENTS $000	CARRYING AMOUNT ASSETS/(LIABILITIES) $000	CHANGE IN FAIR VALUE OF THE HEDGED ITEM $000	CHANGE IN FAIR VALUE OF THE HEDGING INSTRUMENT $000	CHANGE IN VALUE IN COST OF HEDGING $000
Interest and exchange risk							
Hedged item: USD fixed rate exposure on borrowings	**(796,014)**		**(79,783)**	**(874,114)**	**29,923**	**-**	**-**
Hedging instrument: Cross currency swaps	**(796,014)**	**floating**	**-**	**75,511**	**-**	**(27,579)**	**(1,094)**
				Total	**29,923**	**(27,579)**	

Fair value hedges 2015	FACE VALUE $000	WEIGHTED AVERAGE RATE	ACCUMULATED FAIR VALUE HEDGE ADJUSTMENTS $000	CARRYING AMOUNT ASSETS/(LIABILITIES) $000	CHANGE IN FAIR VALUE OF THE HEDGED ITEM $000	CHANGE IN FAIR VALUE OF THE HEDGING INSTRUMENT $000	CHANGE IN VALUE IN COST OF HEDGING $000
Interest and exchange risk							
Hedged item: USD fixed rate exposure on borrowings	(796,014)		(109,706)	(903,698)	(211,500)	-	-
Hedging instrument: Cross currency swaps	(796,014)	floating	-	104,182	-	200,504	1,769
				Total	(211,500)	200,504	

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 comprehensive revenue and expense.

22. DERIVATIVES AND HEDGE ACCOUNTING (continued)

22.2 Reconciliation of changes in hedge reserves

Hedge reserves **2016**	CASHFLOW HEDGE RESERVE $000	COST OF HEDGING $000	TOTAL $000
Opening balance	**74,065**	**(472)**	**73,593**
Hedging gains or losses recognised in OCI	**71,708**	**1,204**	**72,912**
Transferred to comprehensive revenue and expense	**(50,194)**	**-**	**(50,194)**
Recognised as basis adjustment to non-financial assets	**(934)**	**-**	**(934)**
Deferred tax on change in reserves	**(5,762)**	**(337)**	**(6,099)**
Closing balance	**88,883**	**395**	**89,278**

Hedge reserves **2015**	CASH FLOW HEDGE RESERVE $000	COST OF HEDGING $000	TOTAL $000
Opening balance	63,038	1,056	64,094
Hedging gains or losses recognised in OCI	71,120	(2,122)	68,998
Transferred to comprehensive revenue and expense	(51,241)	-	(51,241)
Recognised as basis adjustment to non-financial assets	(4,565)	-	(4,565)
Deferred tax on change in reserves	(4,287)	594	(3,693)
Closing balance	74,065	(472)	73,593

23. FINANCIAL RISK MANAGEMENT

Policies

The subsidiary, Vector Limited 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 Vector Limited 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 has a treasury policy approved by the trustees to manage the risks of financial instruments. The policy outlines the objectives and approach that the Trust will adopt in the treasury management processes. The policy outlines the objective and approach that the Trust applies to manage:

- Credit risk;
- Liquidity; and
- Operational risk;

23.1 Interest rate risk

Interest rate exposure **2016**	< 1 YEAR $000	1 - 2 YEARS $000	2 - 5 YEARS $000	> 5 YEARS $000	TOTAL $000
Interest rate exposure: borrowings	**1,271,526**	**-**	**582,237**	**400,516**	**2,254,279**
Derivative contracts:					
Interest rate swaps	**(1,000,000)**	**210,000**	**520,000**	**270,000**	**-**
Cross currency swaps	**697,139**	**-**	**(296,623)**	**(400,516)**	**-**
Net interest rate exposure	**968,665**	**210,000**	**805,614**	**270,000**	**2,254,279**

Interest rate exposure **2015**	< 1 YEAR $000	1 - 2 YEARS $000	2 - 5 YEARS $000	> 5 YEARS $000	TOTAL $000
Interest rate exposure: borrowings	1,409,000	361,526	582,237	400,516	2,753,279
Derivative contracts:					
Interest rate swaps	(1,160,000)	160,000	350,000	650,000	-
Cross currency swaps	796,014	(98,874)	(296,624)	(400,516)	-
Net interest rate exposure	1,045,014	422,652	635,613	650,000	2,753,279

23.1 Interest rate risk

Policies

The Group is exposed to interest rate risk through its subsidiary Vector Limited's borrowing activities. The Parent has no borrowings.

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

23. FINANCIAL RISK MANAGEMENT (continued)

23.2 Credit risk

	GROUP		PARENT	
Maximum exposure to credit risk – fair value	2016 $000	2015 $000	2016 $000	2015 $000
Cash and cash equivalents	**393,078**	79,067	**71,707**	70,845
Trade receivables from exchange transactions	**166,306**	168,487	**454**	632
Interest rate swaps	**-**	777	**-**	-
Cross currency swaps	**82,428**	104,182	**-**	-
Forward exchange contracts	**-**	186	**-**	-
Total credit risk exposure	**641,812**	352,699	**72,161**	71,477

Policies

The Group and Parent is exposed to credit risk, in the normal course of business, from financial institutions, energy retailers, and customers. The main objective is to minimise financial loss as a result of counterparty default.

The credit policies to manage this exposure include:

- The Group must approve exposure to financial institutions with a credit rating less than AA- for the Parent and A+ for the Vector Group;
- The Group sets limits and monitors exposure to financial institutions; and
- Exposure is spread across a range of financial institutions. Where there is credit exposure to large energy retailers and customers, the Group minimise its risk by performing credit evaluations and/or requiring a bond or other form of security.

Concentrations of Credit Risk

Vector monitors concentrations of credit risk by type and geographic location. All cash and cash equivalents are held by banks in Australia and New Zealand, while trade and other receivables are with both retail and commercial customers in both Australia and New Zealand.

23.3 Liquidity risk

	GROUP				
Contractual cash flows maturity profile **2016**	PAYABLE <1 YEAR $000	PAYABLE 1-2 YEARS $000	PAYABLE 2-5 YEARS $000	PAYABLE >5 YEARS $000	TOTAL CONTRACTUAL CASH FLOWS $000
Non-derivative financial liabilities					
Distributions payable	**65,438**	**-**	**-**	**-**	**65,438**
Trade payables from exchange transactions	**175,726**	**-**	**-**	**-**	**175,726**
Unclaimed distributions	**2,791**	**3,339**	**-**	**-**	**6,130**
Borrowings: interest	**95,285**	**63,246**	**114,794**	**19,285**	**292,610**
Borrowings: principal	**513,764**	**400,000**	**837,911**	**437,342**	**2,189,017**
Derivative financial assets/(liabilities)					
Cross currency swaps: inflow	**(142,688)**	**(49,065)**	**(578,809)**	**(456,627)**	**(1,227,189)**
Cross currency swaps: outflow	**157,016**	**56,198**	**668,730**	**422,476**	**1,304,420**
Forward exchange contracts: inflow	**(3,301)**	**-**	**-**	**-**	**(3,301)**
Forward exchange contracts: outflow	**3,460**	**-**	**-**	**-**	**3,460**
Net settled derivatives					
Interest rate swaps	**42,348**	**28,305**	**49,247**	**4,279**	**124,179**
Group contractual cash flows	**909,839**	**502,023**	**1,091,873**	**426,755**	**2,930,490**

	PARENT				
Contractual cash flows maturity profile **2016**	PAYABLE <1 YEAR $000	PAYABLE 1-2 YEARS $000	PAYABLE 2-5 YEARS $000	PAYABLE >5 YEARS $000	TOTAL CONTRACTUAL CASH FLOWS $000
Non-derivative financial liabilities					
Distributions payables	**65,438**	**-**	**-**	**-**	**65,438**
Trade payables from exchange transactions	**629**	**-**	**-**	**-**	**629**
Unclaimed distributions	**2,791**	**3,339**	**-**	**-**	**6,130**
Parent contractual cash flows	**68,858**	**3,339**	**-**	**-**	**72,197**

23. FINANCIAL RISK MANAGEMENT (continued)

Contractual cash flows maturity profile 2015	GROUP PAYABLE <1 YEAR $000	PAYABLE 1-2 YEARS $000	PAYABLE 2-5 YEARS $000	PAYABLE >5 YEARS $000	TOTAL CONTRACTUAL CASH FLOWS $000
Non-derivative financial liabilities					
Distributions payable	65,474	-	-	-	65,474
Trade payables from exchange transactions	172,899	-	-	-	172,899
Unclaimed distributions	2,371	3,026	-	-	5,397
Deferred consideration payable	750	-	-	-	750
Borrowings: interest	138,066	96,988	185,765	46,208	467,027
Borrowings: principal	250,000	597,748	1,125,391	811,266	2,784,405
Derivative financial assets/(liabilities)					
Cross currency swaps: inflow	(60,154)	(153,604)	(691,315)	(499,522)	(1,404,595)
Cross currency swaps: outflow	66,767	162,967	732,355	454,480	1,416,569
Forward exchange contracts: inflow	(2,948)	-	-	-	(2,948)
Forward exchange contracts: outflow	2,770	-	-	-	2,770
Net settled derivatives					
Interest rate swaps	36,875	33,598	32,450	1,505	104,428
Group contractual cash flows	672,870	740,723	1,384,646	813,937	3,612,176

Contractual cash flows maturity profile 2015	PARENT PAYABLE <1 YEAR $000	PAYABLE 1-2 YEARS $000	PAYABLE 2-5 YEARS $000	PAYABLE >5 YEARS $000	TOTAL CONTRACTUAL CASH FLOWS $000
Non-derivative financial liabilities					
Distributions payables	65,474	-	-	-	65,474
Trade payables from exchange transactions	678	-	-	-	678
Unclaimed distributions	2,371	3,026	-	-	5,397
Parent contractual cash flows	68,523	3,026	-	-	71,549

The above tables show 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 between 2 and 5 years as the next election date set for the capital bonds is 15 June 2017. The bonds have no contractual maturity date.

Policies

The Group and Parent 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. Vector's board has set a minimum headroom requirement for committed facilities over the subsidiary Vector Limited's anticipated 18 month peak borrowing requirement.

At balance date, in addition to short-term deposits, Vector has access to undrawn funds of $315.0 million (2015: $396.0 million).

23.4 Foreign exchange risk

Policies

The subsidiary, Vector is exposed to exchange risk through its offshore borrowing activities.

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

23.5 Funding risk

Policies

Funding risk is the risk that the subsidiary, Vector will have difficulty refinancing or raising new debt on comparable terms as 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 21.

The board of directors has set the amount of debt that may mature in any one financial year.

24. CASH FLOWS

Reconciliation of net surplus/(deficit) to net cash flows from/(used in) operating activities	NOTE	GROUP 2016 $000	GROUP 2015 $000	PARENT 2016 $000	PARENT 2015 $000
Net surplus/(deficit)for the period		**271,737**	147,219	**115,618**	112,354
Distribution to beneficiaries		**(115,654)**	(111,679)	**(115,654)**	(111,679)
Distributions payable		**36**	(675)	**36**	(675)
		156,119	34,865	**-**	-
Items associated with sale of discontinued operations					
Gain on sale of discontinued operations classified as investing activities		**(166,206)**	-	**-**	-
Costs of sale of discontinued operations classified as operating activities		**(6,892)**	-	**-**	-
Items classified as investing activities					
Net loss/(gain) on disposal of PPE and software intangibles	5	**4,312**	5,123	**-**	-
Non-cash items					
Depreciation and amortisation		**200,418**	195,196	**40**	43
Non-cash portion of interest costs (net)		**(1,102)**	(2,952)	**-**	-
Fair value change on financial instruments		**(2,344)**	11,014	**-**	-
Associates (share of net surplus/(deficit))	13	**(2,809)**	(812)	**-**	-
Impairment	8	**61,422**	-	**-**	-
Increase/(decrease) in deferred tax		**20,529**	12,484	**-**	-
Increase/(decrease) in provisions		**(4,505)**	13,303	**-**	-
		271,609	228,233	**40**	43
Cash items not impacting net surplus/(deficit)					
Payments of amounts in provisions		**(13,331)**	-	**-**	-
Dividends received from associate		**1,500**	400	**-**	-
Changes in assets and liabilities					
Trade and other payables from exchange transactions		**24,527**	20,332	**(37)**	136
Inventories		**845**	(780)	**-**	-
Trade and other receivables from exchange transactions		**(24,931)**	(22,306)	**178**	(115)
Income tax		**(13,600)**	(11,139)	**-**	-
Distributions payable		**(36)**	675	**(36)**	675
Unclaimed distributions		**735**	789	**735**	789
		(12,460)	(12,429)	**840**	1,485
Net cash flows from/(used in) operating activities		**234,651**	256,192	**880**	1,528

25. EQUITY

25.1 Transactions with beneficiaries

Trust Distributions

The Trust's net distribution of $345 per beneficiary will be paid in September 2016 (2015: $345).

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 (2015: 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 the balance date, 4,340,052 shares (2015: 4,371,524) are held as treasury shares of which 95,129 (2015: 126,601) are allocated to the employee share purchase scheme.

25. EQUITY (continued)

25.2 Capital Management

Policies

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

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 Limited 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.

25.3 Reserves

Hedge reserve

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 interest rate swaps that are designated as cash flow hedges.

The gain or loss relating to the ineffective portion is recorded in comprehensive revenue and expense within interest costs (net).

During the year, $50.2 million (2015: $51.2 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.

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 related reserve is transferred to retained earnings.
- A foreign currency translation reserve to record exchange differences arising from the translation of group's foreign subsidiaries.
- A reserve recording the Group's share of its associates other comprehensive revenue and expense.

26. RELATED PARTY TRANSACTIONS

	PARENT 2016 $000	PARENT 2015 $000
Transactions with Vector Limited		
Receipt of dividend	**118,283**	114,528
Office rental paid	**15**	16
Telecommunication services paid	**3**	-

Transactions with associates and other joint operations.	GROUP 2016 $000	GROUP 2015 $000	PARENT 2016 $000	PARENT 2015 $000
Capital distribution received from Total Metering 2012 Limited (in liquidation)	**-**	7	**-**	-
Purchase of vegetation management services from Tree Scape Limited	**5,655**	3,702	**-**	-
Sales of operations and maintenance services to Kapuni Energy Joint Venture	**2,081**	1,602	**-**	-
Sales of gas to Kapuni Energy Joint Venture	**8,987**	11,788	**-**	-
Purchases of electricity and steam from Kapuni Energy Joint Venture	**9,070**	12,819	**-**	-
Administrative and other services provided to Kapuni Energy Joint Venture	**87**	71	**-**	-
Dividends received from Tree Scape Limited	**1,500**	400	**-**	-
Electricity services provided to NZ Windfarms Limited	**120**	120	**-**	-
Directors' fees from NZ Windfarms Limited	**30**	30	**-**	-
Directors' fees from Tree Scape Limited	**94**	94	**-**	-
Transactions with key management personnel				
Directors' fees paid to Entrust trustees.	**202**	202	**-**	-
Directors' fees paid to non-trustee directors of Vector Limited	**801**	799	**-**	-
Trustees remuneration	**342**	343	**342**	343
Salary and other short-term employee benefits (Entrust)	**266**	263	**266**	263
Salary and other short-term employee benefits (Vector Limited)	**4,795**	5,495	**-**	-
Redundancy and termination benefits	**-**	250	**-**	-

Related parties

The Trust is the majority shareholder of the subsidiary Vector Limited. Note 13 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 includes Vector Limited directors' fees and 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.

The Group has paid remuneration to the trustees and to the directors of the subsidiary, Vector Limited during the reporting period as disclosed above.

Other

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

Other receivables/ (payables)

	2016 $000	2015 $000
Vector Limited	**-**	(1)
NZ Windfarms Limited	**3**	12
Tree Scape Limited	**-**	7
KEJV	**141**	212

27. CONTINGENT LIABILITIES

Disclosures

The subsidiary, Vector Limited's directors are aware of claims that have been made against entities of the Group and, where appropriate, have recognised provisions for these within note 19 of these financial statements.

No material contingent liabilities have been identified.

28. BUSINESS COMBINATIONS

Metering acquisition

In the prior period, Vector Limited purchased Arc Innovations Limited, the electricity metering subsidiary of Meridian Energy Limited for $19.9 million.

The fair value of assets and liabilities acquired are unchanged from those reported in Vector's Annual Report for the year ended 30 June 2015.

29. SUBSEQUENT EVENTS

Approval

The financial statements were approved by the trustees on 15 September 2016.

Final dividend

On 23 August 2016, the Vector board declared a final dividend for the year ended 30 June 2016 of 8.00 cents per share (2015: 8.00 cents per share).

On 24 August 2016, the trustees resolved to make a net distribution to beneficiaries of $345 (2015: $345) per beneficiary.

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

Tunnel tax dispute

On 12 August 2016 the Court of Appeal released their judgment in respect of a tax dispute between Vector and the Inland Revenue Department. The dispute related to the tax treatment of monies received from Transpower for various rights including access to Vector's tunnel from Penrose to Hobson and the transmission corridor on the North Shore. The Court found in favour of Vector. Through the course of the dispute, Vector had taken a prudent approach and paid taxes in relation to the underlying transaction. As a result of the judgment, Vector will recognise a $15m tax benefit in the financial year ended 30 June 2017.

30. 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
2016	Nil	$Nil	Nil	N/A
2015	Nil	$Nil	Nil	N/A