INTERIM REPORT **2009**

Vector®

→ HALF YEAR HIGHLIGHTS

STEADY OPERATING RESULT
ON A CONTINUING OPERATIONS
BASIS WITH EBITDA OF

$313.2m

NET EARNINGS ON A
CONTINUING OPERATIONS
BASIS OF

$90.8m

SOLID PERFORMANCE IN
A DIFFICULT ECONOMIC
ENVIRONMENT

FULLY IMPUTED DIVIDEND OF

6.5c

PER SHARE

STANDARD & POOR'S RATING AT

BBB+/STABLE

CONTENTS

→ OPERATIONAL STATISTICS

	31 DEC 2008	31 DEC 2007
ELECTRICITY[1]		
Customers	**520,946**	515,696
Volume distributed (GWh)[4]	**4,225**	4,267
Networks length (km)	**17,503**	17,342
GAS		
Distribution customers	**148,566**	145,162
Distribution volume (PJ)[4]	**11.5**	11.7
Distribution network length (km)	**10,057**	9,890
Transmission volume (PJ)[4]	**47.1**	55.6
Transmission system length owned (km)	**2,286**	2,286
Transmission system length operated/managed (km)	**1,219**	1,219
Natural gas sales (PJ)[2,4]	**16.8**	25.5
Gas liquids sales (tonnes)[3,4]	**113,147**	121,612
ENERGY METERING		
Electricity: simple meters	**702,893**	766,398
Electricity: prepay meters	**7,577**	8,477
Electricity: time of use meters	**10,993**	10,921
Electricity: advanced meters	**20,552**	1,000
Gas meters	**74,836**	72,138
Data management service connections – New Zealand & Australia	**15,357**	15,064

[1] Continuing operations basis, excludes Wellington operation sold July 2008.
[2] Natural gas sales volumes exclude gas sold as gas liquids, as these sales are included within the gas liquids sales tonnage.
[3] Includes LPG production and retailing, plus wholesale and tolling volumes by Liquigas Limited a subsidiary of Vector Limited.
[4] For six months ended 31 December.

→ FINANCIAL OVERVIEW

FINANCIAL PERFORMANCE

$ MILLIONS	31 DEC 2008 6 MONTHS	31 DEC 2007 6 MONTHS	CHANGE %	30 JUN 2008 12 MONTHS
Continuing operations:				
Revenue	**609.5**	611.2	-0.3	1,182.0
EBITDA	**313.2**	281.5	+11.2	547.9
Depreciation and amortisation	**(70.2)**	(68.1)	+3.1	(140.4)
EBIT[3]	**243.0**	213.4	+13.9	407.6
NPAT	**90.8**	77.4	+17.3	141.8
Discontinued operations:				
NPAT	**205.6**[1,2]	13.3	n/a	22.6
NPAT from total operations	**296.4**	90.7	+226.6	164.4

FINANCIAL POSITION

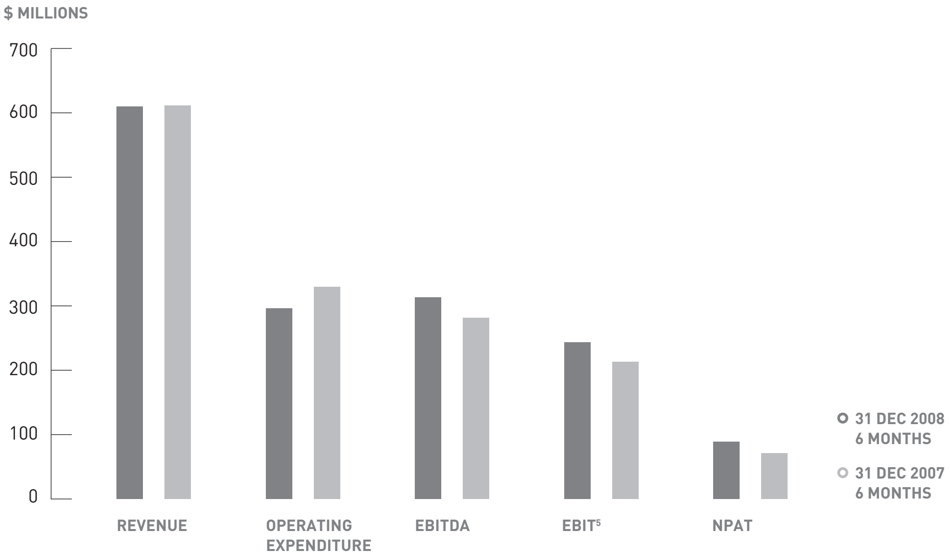
$ MILLIONS	31 DEC 2008	31 DEC 2007	CHANGE %	30 JUN 2008
Total equity	**1,991.6**	1,968.8	+1.2	1,901.3
Total assets	**5,651.8**	5,865.0	-3.6	5,979.4
Net debt	**2,516.4**	3,001.5	-16.2	3,110.0

[1] Includes the gain on sale of the Wellington network of $202.9 million.
[2] Twenty three days operating results for the Wellington operation prior to the sale on 24 July 2008.
[3] Excludes net surplus from associates and the 31 December 2008 impairment loss on investment in associate.

KEY FINANCIAL MEASURES

	31 DEC 2008 6 MONTHS	31 DEC 2007 6 MONTHS	30 JUN 2008 12 MONTHS
EBITDA[1]/revenue[1]	**51.4%**	46.1%	46.4%
EBIT[1,5]/revenue[1]	**39.9%**	34.9%	34.5%
Equity/total assets	**35.2%**	33.6%	31.8%
Gearing (net debt/net debt + equity)	**55.8%**	60.4%	62.1%
Net interest cover[1] (EBIT[5]/net finance costs)	**2.4 times**	2.1 times	2.0 times
Earnings[1] (NPAT) per share	**9.1 cents[2]**	7.8 cents[3]	14.2 cents[3]
Dividends per share[3] (fully imputed)	**6.5 cents**	6.5 cents	13.25 cents[4]

FINANCIAL REVIEW[1]



[1] Continuing operations basis, excludes Wellington operation sold July 2008.
[2] Calculated using a weighted average number of shares of 998,564,107 due to treasury shares purchased during the period.
[3] Based on 1,000,000,000 shares.
[4] Total dividends for the year ended 30 June 2008 also include a final dividend of 6.75 cents per share paid on 18 September 2008.
[5] Excludes net surplus from associates and the 31 December 2008 impairment loss on investment in associate.

DIVISIONAL RESULTS

$ MILLIONS	ELECTRICITY[1]	GAS	TECHNOLOGY	CORPORATE/ OTHER	INTER-SEGMENT	TOTAL
31 DEC 2008 (6 MONTHS)						
Revenue	**273.0**	**320.4**	**35.4**	**4.8**	**(24.1)**	**609.5**
Operating expenditure	**(96.2)**	**(183.7)**	**(13.9)**	**(26.6)**	**24.1**	**(296.3)**
EBITDA	**176.8**	**136.7**	**21.5**	**(21.8)**	**–**	**313.2**
EBITDA/revenue [%]	**64.7**	**42.7**	**60.8**	**n/a**	**n/a**	**51.4**
EBIT[2]	**144.5**	**116.6**	**11.5**	**(29.6)**	**–**	**243.0**
31 DEC 2007 (6 MONTHS)						
Revenue	251.9	347.4	35.4	1.9	(25.4)	611.2
Operating expenditure	(91.2)	(219.2)	(11.8)	(32.9)	25.4	(329.7)
EBITDA	160.7	128.2	23.6	(31.0)	–	281.5
EBITDA/revenue [%]	63.8	36.9	66.6	n/a	n/a	46.1
EBIT[2]	131.4	106.9	12.3	(37.2)	–	213.4

[1] Continuing operations basis, excludes Wellington operation sold July 2008.
[2] Excludes net surplus from associates and the 31 December 2008 impairment loss on investment in associate.

→ FROM THE CHAIRMAN

THE BOARD OF DIRECTORS IS PLEASED TO REPORT A STABLE INTERIM RESULT FOR THE SIX MONTHS TO 31 DECEMBER 2008 AND BELIEVES VECTOR IS WELL POSITIONED TO COPE WITH FUTURE ECONOMIC UNCERTAINTY.

No country or company is immune to the impact of continuing global financial uncertainty, however the directors believe Vector is in good financial shape and well placed to pursue opportunities that may arise.

Actions initiated by the company some 18 months ago, and continuing since, have strengthened the company's position in the first six months of the current financial year and will continue to do so.

→ Financial performance

Net profit after tax (NPAT) from continuing operations was $90.8 million, compared to $77.4 million in the prior period. This is an increase of $13.4 million, when comparing results on a like for like basis. The continuing operations result excludes the results from the Wellington network in both periods and excludes the gain on sale.

Earnings before interest, income tax, depreciation and amortisation (EBITDA) have increased from $281.5 million to $313.2 million while revenue from continuing operations was down from $611.2 million to $609.5 million.

The company settled the $785 million sale of its Wellington network in July 2008 and as a result realised a gain on the sale of $202.9 million.

It should be noted that while total revenues from total operations fell by nearly $70 million and were largely attributable to the sale of the Wellington network, EBITDA for total operations was down just over $12 million against that reported last year.

The table on page seven, compares the 2007 interim results with 2008, with and without the Wellington contribution.

→ Financial position and capital structure

Vector's assets as at 31 December 2008 totalled $5,652 million, down $213 million, or 3.6%, on the asset value a year previously. Total liabilities reduced by $236 million (6.1%) to $3,660 million, primarily due to the reduction in borrowings, and the equity level improved by 1.2% to $1,992 million. Consequently, the company's gearing (as measured by net debt to net debt plus equity) improved from 60.4% to 55.8% and remains appropriate for a company like Vector.

In July 2008, $510 million of senior credit facilities and $50 million of working capital loans were repaid using the proceeds from the sale of the Wellington electricity network.

In August 2008, we established new NZ$125 million, two year senior credit facilities, replacing the expiring facilities. We also established a two year working capital facility of $150 million in December 2008. In February 2009, we added a further $50 million three year term loan credit facility. In the process we have retained our Standard & Poors BBB+/Stable corporate credit rating. We are therefore in a sound financial position.

On 4 March 2009, the NZ $200m, 6.81% fixed rate bonds were repaid with the surplus funds resulting from the sale of Wellington network.

Our overall debt strategy is to extend Vector's debt maturity profile to better match the long-dated nature of our assets, smooth out refinancing maturities, further diversify debt sources and seek the best market price.

→ Dividend

The results are in line with the company's expectations and the board has declared an interim dividend of 6.5 cents per share, payable on 14 April 2009, which is at the same level paid for the previous interim dividend.

Our previously announced share buy back programme of up to 25 million shares, which runs until 27 August 2009 is continuing, and at 31 December 2008 we had acquired 3.9 million shares.

→ New director

During the six months under review, Auckland Energy Consumer Trust (AECT) Trustee, James Carmichael, joined the board as a non-independent director. He replaces Shale Chambers who had been a director of Vector since 24 July 2006.

We take this opportunity to thank Mr Chambers for his valuable contribution.

→ Outlook

Uncertain times call for caution, but can also create opportunities. We will continue to evaluate new business opportunities, new endeavours, acquisitions and joint ventures that fit our investment criteria and make sound commercial sense.

→ Results from continuing and discontinued operations

	31 DEC 2008 6 MONTHS			31 DEC 2007 6 MONTHS		
$ MILLIONS	CONTINUING	DISCONTINUED[2]	TOTAL	CONTINUING	DISCONTINUED	TOTAL
Revenue	**609.5**	**10.3**	**619.8**	611.2	78.0	689.2
EBITDA	**313.2**	**6.7**	**319.9**	281.5	50.6	332.1
EBIT[3]	**243.0**	**6.7**	**249.7**	213.4	42.0	255.4
NPBT	**135.6**	**3.8**	**139.4**	113.9	18.9	132.8
NPAT	**90.8**	**205.6**[1]	**296.4**	77.4	13.3	90.7

1 Includes the gain on sale of the Wellington network of $202.9 million.
2 Twenty three days operating results for the Wellington operation prior to the sale on 24 July 2008.
3 Excludes net surplus from associates and the 31 December 2008 impairment loss on investment in associate.

Regulation will continue to be a key focus for the business, given electricity and gas distribution continue to be subject to regulation by the Commerce Commission. In the broader regulatory environment, the approval of much needed transmission investment is critical to ensure a secure supply of electricity to New Zealanders.

Our reduced operating and debt servicing costs, and strengthened balance sheet, will continue to serve us well in the second half of the financial year.

The continued uncertain business environment in New Zealand means we are all navigating uncharted waters. Despite this, the directors remain cautiously confident that Vector's full year result will be above analyst's current expectations.

Since December 2008, we have continued to see the economy decline. The impact on Vector has been a reduction in demand for electricity and gas from both commercial and residential customers as they respond to the economic conditions.

We can only speculate as to how the economic conditions will impact the business going forward, however the directors believe that the company is well configured to cope with the levels of uncertainty that can reasonably be anticipated at this time.

The board and management remain strongly focused on increasing operational efficiency, working to develop growth opportunities and ensuring the company continues to adapt to the external economic environment.

Michael Stiassny
Chairman

→ FROM THE GROUP CHIEF EXECUTIVE OFFICER

VECTOR HAS RESPONDED TO THE CONTINUED UNCERTAIN BUSINESS ENVIRONMENT BY CONTINUING TO FOCUS ON INCREASING ITS OPERATIONAL EFFICIENCY AND ADAPTING TO THE DIFFICULT ECONOMIC CONDITIONS, WHILE ALSO DEVELOPING GROWTH OPTIONS.

These proactive measures which commenced 18 months ago, have continued enhancing the company's ability to cope with uncertainty and change.

Though Vector is well placed to face an uncertain future environment, there is no room for complacency and we will continue to focus on our core business going forward.

A significant part of the company's business, specifically electricity and gas distribution continue to be subject to regulation by the Commerce Commission and remain a key focus for the company, as does the broader regulatory environment.

An area of priority for Vector is the Commerce Commission's electricity price default reset, which is currently due to be determined by December 2009, however the critical decisions on input methologies are not due to be finalised until mid or late 2010.

The setting of the price path is fundamentally important to Vector to ensure we can continue to invest with confidence. As it currently stands there is no clarity as to the outcome of this process.

Vector believes the price reset should be deferred until after the inputs are set in 2010 as the current volatility in global capital markets and economic conditions will present significant challenges for the Commission when it determines how it will set price paths.

Entering the price setting process, Vector continues to experience cost pressures such as tight capital markets which are keeping the cost of available funding high. Capital and operating costs continue to rise due to factors such as the weakening New Zealand dollar and infrastructure service costs.

Vector continues to fulfil the requirements of the administrative settlement reached with the Commerce Commission in respect of the electricity lines business. We are also meeting the milestones for compliance with the Final Authorisation for the Auckland gas network issued by the Commerce Commission on 30 October 2008.

A concern for the company going forward is the reliability and security of the generation and transmission segments of the electricity industry.

Recent outages and generation shortages have demonstrated how important it is for much needed investment in transmission and generation to proceed so we can be confident of a secure and reliable supply of energy into our networks and to our customers.

Vector supports the Government's recent announcement on transmission investment and clearing roadblocks to enable Transpower to proceed with critical investment in its transmission network.

We also support the Government's decision to lift the previous ban on thermal powered generation plant, and the recent changes to the Resource Management Act to streamline and simplify the process, while still requiring regard for any environmental impacts of potential projects.

As a network operator, network reliability and security of supply to customers is a priority, however outages do occur for a number of reasons. Technical problems or equipment failure can cause power outages, but often problems are caused by extreme weather, vegetation touching or falling onto electricity lines, car accidents involving power poles and gas pipes being damaged by excavation or construction workers.

In these situations our priority is to isolate the fault, restore supply to customers as quickly as possible and then fix the underlying issue.

We spend in excess of $200 million a year on the upgrading and maintenance of our regulated networks – some $100 million in the six months to 31 December 2008.

The reliability of our electricity network continues to be monitored through SAIDI (system average interruption duration index).

In the first nine months of the regulatory year to 31 December 2008, SAIDI showed that during normal operations, our network outages averaged an annualised 80.3 minutes over that period, an improvement on the previous 81.1 minutes across the entire regulatory year to 31 March 2008. This is better than the current regulatory target of 104.0 minutes.

Outages resulting from defined "extreme" weather incidents are not included in this analysis. What we are measuring is the reliability of our network under normal conditions.

→ Business performance

ELECTRICITY

Financial result

Comparing the results of the continuing business year on year, i.e. excluding the results of the Wellington business now sold, EBITDA increased by 10% to $176.8 million.

Revenue was up 8.4% to $273 million as a result of the price rebalancing process agreed with the Commerce Commission and increased transmission pass through charges.

Operating expenditure increased by 5.5% overall to $96.2 million driven by increased transmission charges.

Network operations
Customer connections grew by 1% to 520,946, however electricity volume throughput reduced by 1% on the prior year comparative to 4,225 gigawatt hours. This was particularly noticeable with reduced demand from the large industrial and commercial customers throughout the period.

GAS

Financial result
Gas business revenues declined by 7.8% to $320.4 million due to the termination of large contracts with petrochemical customers in the six months to December 2007 and reduced demand for thermal generation in the last three months of 2008.

Despite the reduction in revenues, EBITDA increased 6.6% to $136.7 million through a combination of cost control and increased margin on the LPG businesses as a result of the market's move to import parity pricing.

Gas transportation
We distributed slightly lower volumes of gas, down 1.7% as compared to the previous year and transmission was also down from 55.6 petajoules in the previous period to 47.1 petajoules, following reduced demand from thermal electricity generators in the last quarter of the 2008 calender year.

Gas sales
Natural gas sales reduced 34% against the prior year from 25.5PJ to 16.8PJ due to a combination of the cessation of supply to petrochemical producers in the six months to December 2007, reduced demand from large power generators and a reduction in volumes to industrial and commercial customers due to lower demand and the loss of some customers to competitors.

Gas liquids production (LPG and natural gasolines) declined 13.8% due to a reduction in the amount of gas being delivered to the Kapuni Gas Treatment Plant for processing.

Revenue has increased however, with more imported LPG being required, which drove the market to import parity pricing and higher international prices for natural gasolines.

The trading conditions in the natural gas market remain tight with a number of suppliers attempting to place surplus gas in the market. This situation is exacerbated by customers being forced to reduce consumption as a result of the current economic conditions.

TECHNOLOGY

The technology businesses, comprising of Vector Communications and energy metering, recorded revenues in line with the prior year. A reduction in metering revenue, due to displacement by competitors was offset by growth from Vector Communications.

EBITDA was down 8.7% to $21.5 million due to the increased costs associated with the start up of the advanced metering business.

→ The Future

As noted previously, Vector is well placed to face an uncertain future environment, however there is no room for complacency.

Going forward, we will continue to strongly focus on our core business – driving costs out of our operations through greater efficiency, reviewing capital expenditure and focusing on delivering better outcomes for our customers.

We are awaiting details of the Government's broadband initiative with interest. We have already had discussions with the Government outlining how Vector can deliver an open access, cost effective, quality fibre broadband service in a short timeframe.

Vector is well placed to deliver this infrastructure if the arrangements meet the company's investment criteria.

We believe the Government must stay on track with its bold vision to deliver a first world, high speed broadband service to New Zealanders.

Potential acquisition opportunities will be reviewed as these arise and we will develop growth options such as the Government's broadband initiative and new infrastructure projects, providing these meet the company's requirements.

Finally, I would like to extend my thanks to our employees who have worked hard to deliver a satisfactory interim performance for the company. I am sure they will continue to respond positively to the challenges ahead.

Simon Mackenzie
Group Chief Executive Officer

INTERIM

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (UNAUDITED)

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INTERIM FINANCIAL STATEMENTS

The directors are pleased to present the interim financial statements of the group for the six months ended 31 December 2008.

For and on behalf of directors

Director 18 February 2009

Director 18 February 2009

For and on behalf of management

Group Chief Executive Officer 18 February 2009

Chief Financial Officer 18 February 2009

AUDITORS' REVIEW REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

TO THE SHAREHOLDERS OF VECTOR LIMITED

We have reviewed the attached (interim) financial statements in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. The financial statements provide information about the past financial performance of Vector Limited and its financial position as at 31 December 2008.

Directors' responsibilities

The Directors of Vector Limited are responsible for the preparation of (interim) financial statements which give a true and fair view of the financial position of the company as at 31 December 2008 and the results of its operations and cash flows for the six months ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the (interim) financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our firm has also provided other services to the company in relation to general accounting services. Partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the company.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the attached (interim) financial statements do not give a true and fair view of the financial position of Vector Limited as at 31 December 2008, the results of its operations and cash flows for the six month period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting*.

Our review was completed on 18 February 2009 and our opinion is expressed as at that date.

KPMG.

Auckland

CONDENSED CONSOLIDATED

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (UNAUDITED)

	NOTE	31 DEC 2008 6 MONTHS $000	31 DEC 2007 6 MONTHS $000	30 JUN 2008 12 MONTHS $000
In respect of continuing operations:				
Operating revenue		609,443	610,198	1,180,497
Other income		90	974	1,515
Total income		609,533	611,172	1,182,012
Electricity transmission expenses		(56,325)	(51,508)	(104,764)
Gas purchases and production costs		(129,742)	(166,296)	(304,275)
Network and asset maintenance expenses		(42,370)	(42,947)	(82,106)
Indirect expenses		(67,934)	(68,906)	(142,945)
Operating expenditure		(296,371)	(329,657)	(634,090)
Earnings before interest, income tax, depreciation and amortisation (EBITDA)		313,162	281,515	547,922
Depreciation and amortisation		(70,192)	(68,103)	(140,361)
Operating surplus before interest and income tax		242,970	213,412	407,561
Finance income		10,777	2,879	3,668
Finance costs		(111,966)	(102,940)	(212,240)
Share of net surplus from associates	2	318	593	1,114
Impairment of investment in associate	2	(6,519)	–	–
Operating surplus before income tax		135,580	113,944	200,103
Income tax expense	3	(39,550)	(33,357)	(50,404)
Operating surplus attributable to continuing activities		96,030	80,587	149,699
Operating surplus attributable to discontinued activities (net of tax)	1	205,586	13,359	22,635
Operating surplus		301,616	93,946	172,334
Operating surplus attributable to minority interests		(5,247)	(3,200)	(7,907)
Operating surplus attributable to the shareholders of the parent		296,369	90,746	164,427

	31 DEC 2008 6 MONTHS	31 DEC 2007 6 MONTHS	30 JUN 2008 12 MONTHS
Number of fully paid ordinary shares on issue (000s)	1,000,000	1,000,000	1,000,000
Weighted average number of treasury shares held (000s)	(1,436)	–	–
Weighted average number of shares held by shareholders of the parent (000s)	998,564	1,000,000	1,000,000
Basic and diluted earnings per share (cents)			
Continuing operations	9.1	7.8	14.2
Discontinued operations	20.6	1.3	2.2
Total	29.7	9.1	16.4

CONDENSED CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (UNAUDITED)

	NOTE	31 DEC 2008 6 MONTHS $000	31 DEC 2007 6 MONTHS $000	30 JUN 2008 12 MONTHS $000
Transfer to equity on net change in fair value of cash flow hedges (net of tax)		(131,361)	6,744	(70,413)
Translation of overseas operations		101	–	129
Net (expense)/income recognised directly in equity		(131,260)	6,744	(70,284)
Operating surplus		301,616	93,946	172,334
Total recognised income and expenses		170,356	100,690	102,050
Distribution to equity holders:				
Dividends		(67,500)	(65,000)	(130,000)
Supplementary dividends		(551)	(383)	(805)
Foreign investor tax credits		551	383	805
Dividends to minorities		(4,472)	(2,981)	(6,857)
Treasury shares purchased		(8,112)	–	–
Equity at the beginning of the period		1,901,324	1,936,131	1,936,131
Equity at end of the period		1,991,596	1,968,840	1,901,324
Total recognised income and expenses attributable to:				
Shareholders of the parent		165,109	97,490	94,143
Minority interests		5,247	3,200	7,907
Total recognised income and expenses		170,356	100,690	102,050
Equity at the end of the period represented by:				
Issued share capital		874,979	874,979	874,979
Treasury shares		(8,112)	–	–
Hedge reserve		(133,130)	75,388	(1,769)
Foreign currency translation reserve		230	–	129
Retained earnings		1,244,382	1,006,832	1,015,513
Shareholders' funds		1,978,349	1,957,199	1,888,852
Minority interests		13,247	11,641	12,472
Equity at end of the period	5	1,991,596	1,968,840	1,901,324

	31 DEC 2008	31 DEC 2007	30 JUN 2008
Total tangible assets per share (cents)	406.9	414.8	438.6
Net tangible assets per share (cents)	40.3	25.2	30.8

CONDENSED CONSOLIDATED

BALANCE SHEET

AS AT 31 DECEMBER 2008 (UNAUDITED)

	NOTE	31 DEC 2008 $000	31 DEC 2007 $000	30 JUN 2008 $000
CURRENT ASSETS				
Cash and cash equivalents		67,632	9,203	53,581
Short term deposits		200,000	–	–
Receivables and prepayments		169,726	161,703	181,174
Derivative financial instruments		2,529	2,068	1,304
Operations held for sale		–	–	634,948
Inventories		6,426	11,529	7,376
Income tax		9,537	2,599	44,694
Intangible assets		–	1,649	–
Total current assets		455,850	188,751	923,077
NON-CURRENT ASSETS				
Receivables and prepayments		4,464	3,097	1,469
Derivative financial instruments		157,167	71,764	40,294
Deferred tax		907	1,137	1,137
Investments in associates		27,303	32,933	33,504
Intangible assets		1,589,070	1,715,415	1,593,566
Property, plant and equipment	6	3,417,014	3,851,881	3,386,316
Total non-current assets		5,195,925	5,676,227	5,056,286
Total assets		5,651,775	5,864,978	5,979,363
CURRENT LIABILITIES				
Operations held for sale		–	–	68,931
Payables and accruals		147,988	168,734	183,849
Provisions		24,058	24,426	30,460
Derivative financial instruments		162	22,480	3,441
Borrowings	7	201,685	733,600	758,578
Total current liabilities		373,893	949,240	1,045,259
NON-CURRENT LIABILITIES				
Payables and accruals		21,712	14,846	23,710
Provisions		743	565	–
Derivative financial instruments		202,358	67,986	69,355
Borrowings	7	2,582,313	2,277,133	2,404,995
Deferred tax		479,160	586,368	534,720
Total non-current liabilities		3,286,286	2,946,898	3,032,780
Total liabilities		3,660,179	3,896,138	4,078,039
EQUITY				
Shareholders' funds		1,978,349	1,957,199	1,888,852
Minority interest		13,247	11,641	12,472
Total equity	5	1,991,596	1,968,840	1,901,324
Total equity and liabilities		5,651,775	5,864,978	5,979,363

CONDENSED CONSOLIDATED

CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (UNAUDITED)

	NOTE	31 DEC 2008 6 MONTHS $000	31 DEC 2007 6 MONTHS $000	30 JUN 2008 12 MONTHS $000
OPERATING ACTIVITIES				
Cash provided from:				
Receipts from customers		646,797	716,134	1,325,858
Interest portion of repayments on finance leases		58	60	120
Interest received on deposits		3,196	2,820	3,548
Income tax refund		19	–	145
		650,070	719,014	1,329,671
Cash applied to:				
Payments to suppliers and employees		(333,207)	(392,536)	(681,717)
Income tax paid		(4,095)	(12,098)	(68,082)
Interest paid on finance leases		(330)	(372)	(753)
Interest paid		(117,099)	(120,677)	(248,077)
		(454,731)	(525,683)	(998,629)
Net cash flows from operating activities		195,339	193,331	331,042
INVESTING ACTIVITIES				
Cash provided from:				
Proceeds from sale of property, plant and equipment and software		82	3,677	4,114
Net proceeds from sale of discontinued activities	9	772,950	–	–
Receipts from loans repaid		–	131	263
Refund of security deposits		–	103	101
Capital portion of repayments on finance leases		7	6	12
		773,039	3,917	4,490
Cash applied to:				
Purchase and construction of property, plant and equipment and software		(110,335)	(124,252)	(232,757)
Purchase of investments in associates		–	(4,061)	(4,131)
Loan to associate	11	(2,950)	–	–
Issue of security deposits		–	–	(40)
		(113,285)	(128,313)	(236,928)
Net cash flows from/(used in) investing activities		659,754	(124,396)	(232,438)

	NOTE	31 DEC 2008 6 MONTHS $000	31 DEC 2007 6 MONTHS $000	30 JUN 2008 12 MONTHS $000
FINANCING ACTIVITIES				
Cash provided from/(applied to):				
Proceeds from borrowings		51,378	324,496	925,610
Repayment of borrowings		(611,000)	(322,498)	(834,014)
Purchase of short term deposits		(200,000)	–	–
Debt raising costs incurred		(135)	–	(4,814)
Capital portion of payments under finance leases		(1,201)	(757)	(1,956)
Dividends paid to shareholders of parent		(67,500)	(65,000)	(130,000)
Dividends paid to minority interests		(4,472)	(2,981)	(6,857)
Purchase of treasury shares		(8,112)	–	–
Net cash flows used in financing activities		(841,042)	(66,740)	(52,031)
Net increase in cash and cash equivalents		14,051	2,195	46,573
Cash and cash equivalents at beginning of the period		53,581	7,008	7,008
Cash and cash equivalents at end of the period		67,632	9,203	53,581
Cash and cash equivalents are represented entirely by bank balances.				
RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating surplus		301,616	93,946	172,334
ITEMS CLASSIFIED AS INVESTING ACTIVITIES				
Net loss on write-off of property, plant and equipment and software		4,245	2,379	8,701
Gain on sale of discontinued activities	9	(202,902)	–	–
		(198,657)	2,379	8,701
NON-CASH ITEMS				
Depreciation and amortisation		70,192	76,724	154,902
Impairment of investment in associate	2	6,519	–	–
Non-cash portion of interest expense		1,792	1,091	7,292
Increase in deferred tax		2,019	5,890	11,665
(Decrease)/increase in provisions		(5,642)	285	5,792
Equity earnings of associates	2	(318)	(593)	(1,114)
		74,562	83,397	178,537
MOVEMENT IN WORKING CAPITAL				
Decrease in payables and accruals		(27,986)	(28,825)	(3,936)
Decrease/(increase) in inventory		950	(2,467)	1,686
Decrease/(increase) in receivables and prepayments		10,055	23,997	(6,889)
Decrease/(increase) in income tax assets		34,799	20,904	(19,391)
		17,818	13,609	(28,530)
Net cash flows from operating activities		195,339	193,331	331,042

BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice as applicable to interim financial statements and as appropriate to profit oriented entities.

These condensed consolidated interim financial statements comply with NZ IAS 34 *Interim Financial Reporting*. As the condensed consolidated interim financial statements do not include all of the information required for full annual financial statements they should be read in conjunction with the consolidated financial statements and related notes included in Vector's Annual Report for the year ended 30 June 2008 (2008 Annual Report). The accounting policies set out in the 2008 Annual Report have been applied consistently to all periods presented in these financial statements. There have been no changes in accounting policies from those applied in Vector's 2008 Annual Report.

The financial statements for the six months ended 31 December 2008 and the six months ended 31 December 2007 are unaudited.

The financial statements are expressed in New Zealand dollars ($).

MEASUREMENT BASE

The financial statements have been prepared on the historical cost basis except for the following items, which are measured at fair value:

- the identifiable assets, liabilities and contingent liabilities acquired in a business combination; and
- financial instruments.

OPERATIONS IN THE INTERIM PERIOD

Seasonality

As part of its operations, Vector provides infrastructure for energy distribution and consequently its operations are seasonally-affected by demand for energy which generally increases during periods of colder weather. Accordingly financial results from continuing operations for the first half of the financial year incorporated in these financial statements are expected to be more profitable than the latter half of the year yet to be reported.

Unusual items

On 24 July 2008 Vector sold 100% of its shares in its subsidiary Vector Wellington Electricity Networks Limited. Note 9 provides more details on this transaction.

During the period, an impairment loss has been recognised for Vector's investment in its associate company, NZ Windfarms Limited. Note 2 provides more details on the impairment loss.

There were no other unusual items occurring during the six months ended 31 December 2008.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 18 February 2009.

1. CONTINUING AND DISCONTINUED OPERATIONS

	31 DEC 2008 6 MONTHS		
	CONTINUING OPERATIONS $000	DISCONTINUED OPERATIONS $000	TOTAL $000
Operating revenue	609,443	10,286	619,729
Other income	90	–	90
Total income	609,533	10,286	619,819
Operating expenditure	(296,371)	(3,574)	(299,945)
EBITDA	313,162	6,712	319,874
Depreciation and amortisation	(70,192)	–	(70,192)
Operating surplus before interest and income tax	242,970	6,712	249,682
Finance income	10,777	–	10,777
Finance costs	(111,966)	(2,878)	(114,844)
Share of net surplus from associates	318	–	318
Impairment of investment in associate	(6,519)	–	(6,519)
Operating surplus before income tax	135,580	3,834	139,414
Income tax expense	(39,550)	(1,150)	(40,700)
Operating surplus after income tax and before gain on discontinued activities	96,030	2,684	98,714
Gain on sale of discontinued activities (net of tax)	–	202,902	202,902
Operating surplus	96,030	205,586	301,616
Operating surplus attributable to minority interests	(5,247)	–	(5,247)
Operating surplus attributable to the shareholders of the parent	90,783	205,586	296,369

	31 DEC 2007 6 MONTHS			30 JUN 2008 12 MONTHS	
CONTINUING OPERATIONS $000	DISCONTINUED OPERATIONS $000	TOTAL $000	CONTINUING OPERATIONS $000	DISCONTINUED OPERATIONS $000	TOTAL $000
610,198	78,014	688,212	1,180,497	147,255	1,327,752
974	–	974	1,515	–	1,515
611,172	78,014	689,186	1,182,012	147,255	1,329,267
(329,657)	(27,433)	(357,090)	(634,090)	(55,166)	(689,256)
281,515	50,581	332,096	547,922	92,089	640,011
(68,103)	(8,621)	(76,724)	(140,361)	(14,541)	(154,902)
213,412	41,960	255,372	407,561	77,548	485,109
2,879	–	2,879	3,668	–	3,668
(102,940)	(23,067)	(126,007)	(212,240)	(46,137)	(258,377)
593	–	593	1,114	–	1,114
–	–	–	–	–	–
113,944	18,893	132,837	200,103	31,411	231,514
(33,357)	(5,534)	(38,891)	(50,404)	(8,776)	(59,180)
80,587	13,359	93,946	149,699	22,635	172,334
–	–	–	–	–	–
80,587	13,359	93,946	149,699	22,635	172,334
(3,200)	–	(3,200)	(7,907)	–	(7,907)
77,387	13,359	90,746	141,792	22,635	164,427

1. CONTINUING AND DISCONTINUED OPERATIONS (continued)

	31 DEC 2008 6 MONTHS $000	31 DEC 2007 6 MONTHS $000	30 JUN 2008 12 MONTHS $000
Cash flows from discontinued operations (excluding disposal proceeds)			
Net cash from operating activities	4,246	26,341	42,315
Net cash used in investing activities	(1,849)	(15,387)	(32,510)
Net cash from/(used in) financing activities	9,653	(10,954)	(9,805)
Net cash inflow	12,050	–	–

2. SHARE OF PROFIT FROM ASSOCIATES

	31 DEC 2008 6 MONTHS $000	31 DEC 2007 6 MONTHS $000	30 JUN 2008 12 MONTHS $000
Equity accounted earnings of associates			
Operating surplus before income tax	454	885	1,719
Income tax expense	(136)	(292)	(605)
Share of net surplus from associates	318	593	1,114

	PRINCIPAL ACTIVITY	PERCENTAGE HELD 31 DEC 2008	31 DEC 2007	30 JUN 2008
Treescape Limited	Vegetation management	50%	50%	50%
– Treescape Australasia Pty Limited	Vegetation management	50%	50%	50%
Energy Intellect Limited	Metering services	25%	25%	25%
NZ Windfarms Limited	Power generation	20%	20%	20%
Advanced Metering Services Limited	Metering services	50%	50%	50%

During the period, an impairment loss of $6.5 million has been recognised in respect of Vector's investment in its associate company, NZ Windfarms Limited. The investment is included in the Corporate/Other segment disclosed in note 4.

The share price of NZ Windfarms Limited has further declined since 30 June 2008 from $0.93 per share to $0.70 per share as at 31 December 2008. The board of directors considered this as an indicator of potential impairment of the investment. The recoverable amount has been determined at the investment's fair value less costs to sell by reference to this active market price on the New Zealand Stock Exchange. Costs to sell are estimated to be negligible.

3. INCOME TAX EXPENSE

Interim period income tax expense is accrued based on the estimated average annual effective income tax rate of 29.2 per cent (six months ended 31 December 2007: 29.3 per cent).

4. SEGMENT INFORMATION

The group has adopted NZ IFRS 8: *Operating Segments* in advance of its effective date, with effect from 1 July 2006. NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Vector comprises Electricity, Gas Wholesale, Gas Transportation and Technology business lines supported by shared services such as human resources, information technology, finance and legal services which together are presented under Corporate/Other. Vector's internal reporting to the Board and the Group CEO is focused on these business lines which are the segments reported below in accordance with NZ IFRS 8.

Electricity

Ownership and management of electricity distribution networks.

Gas Transportation

Ownership and management of gas transmission and distribution networks.

Gas Wholesale

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

Technology

Telecommunications services and electricity and gas metering.

Corporate / other

Corporate activities, comprising shared services, investments and other energy and utility industry-related businesses.

The above segments reported in these financial statements are the same as those reported in Vector's Annual Report for the year ended 30 June 2008 and Vector's Interim Report for the six months ended 31 December 2007.

Intersegment transactions are on an arms' length basis.

All segment information presented is prepared in accordance with Vector's accounting policies.

The segment information excludes discontinued activities relating to the sale of the Wellington electricity network which was completed on 24 July 2008. The portion of operating surplus attributable to those discontinued activities is $205.6 million (six months ended 31 December 2007: $13.4 million, year ended 30 June 2008: $22.6 million) and is disclosed in note 1 of these financial statements.

4. SEGMENT INFORMATION (continued)

31 DEC 2008 6 MONTHS	ELECTRICITY $000	GAS TRANS-PORTATION $000	GAS WHOLESALE $000	TECHNOLOGY $000	CORPORATE /OTHER $000	INTER-SEGMENT $000	TOTAL $000
External revenue:							
Operating revenue	272,990	76,983	220,918	33,860	4,692	–	609,443
Other income	7	–	–	31	52	–	90
Intersegment revenue	11	20,243	2,281	1,523	35	(24,093)	–
	273,008	97,226	223,199	35,414	4,779	(24,093)	609,533
External operating expenditure:							
Electricity transmission expenses	(56,325)	–	–	–	–	–	(56,325)
Gas purchases and production costs	–	(224)	(129,518)	–	–	–	(129,742)
Network and asset maintenance expenses	(24,240)	(7,940)	(7,448)	(2,742)	–	–	(42,370)
Indirect expenses	(14,918)	(5,495)	(10,188)	(11,101)	(26,232)	–	(67,934)
Intersegment expenditure	(754)	(2,281)	(20,656)	(46)	(356)	24,093	–
	(96,237)	(15,940)	(167,810)	(13,889)	(26,588)	24,093	(296,371)
EBITDA	176,771	81,286	55,389	21,525	(21,809)	–	313,162
Depreciation and amortisation	(32,270)	(14,495)	(5,548)	(10,075)	(7,804)	–	(70,192)
Operating surplus/(deficit) before interest and income tax	144,501	66,791	49,841	11,450	(29,613)	–	242,970
Finance income	–	–	–	–	10,777	–	10,777
Finance costs	–	–	–	–	(111,966)	–	(111,966)
Share of net surplus from associates	–	–	–	–	318	–	318
Impairment of investment in associate	–	–	–	–	(6,519)	–	(6,519)
Operating surplus/(deficit) before income tax	144,501	66,791	49,841	11,450	(137,003)	–	135,580
Income tax expense							(39,550)
Operating surplus							96,030
Operating surplus attributable to minority interests							(5,247)
Operating surplus attributable to the shareholders of the parent							90,783
Total assets	3,100,042	1,336,869	406,138	252,644	556,082	–	5,651,775

During the period, an impairment loss of $6.5 million has been recognised in respect of Vector's investment in its associate company, NZ Windfarms Limited. This impairment loss has been recognised within the operating segment Corporate/Other as disclosed above.

4. SEGMENT INFORMATION (continued)

31 DEC 2007 6 MONTHS	ELECTRICITY $000	GAS TRANS-PORTATION $000	GAS WHOLESALE $000	TECHNOLOGY $000	CORPORATE /OTHER $000	INTER-SEGMENT $000	TOTAL $000
External revenue:							
Operating revenue	251,854	75,884	247,430	33,194	1,836	–	610,198
Other income	26	–	223	725	–	–	974
Intersegment revenue	–	21,636	2,223	1,476	35	(25,370)	–
	251,880	97,520	249,876	35,395	1,871	(25,370)	611,172
External operating expenditure:							
Electricity transmission expenses	(51,508)	–	–	–	–	–	(51,508)
Gas purchases and production costs	–	(2,494)	(163,802)	–	–	–	(166,296)
Network and asset maintenance expenses	(26,145)	(6,100)	(8,188)	(2,514)	–	–	(42,947)
Indirect expenses	(12,325)	(5,581)	(8,801)	(9,281)	(32,918)	–	(68,906)
Intersegment expenditure	(1,159)	(2,223)	(21,953)	(35)	–	25,370	–
	(91,137)	(16,398)	(202,744)	(11,830)	(32,918)	25,370	(329,657)
EBITDA	160,743	81,122	47,132	23,565	(31,047)	–	281,515
Depreciation and amortisation	(29,260)	(14,874)	(6,526)	(11,262)	(6,181)	–	(68,103)
Operating surplus/(deficit) before interest and income tax	131,483	66,248	40,606	12,303	(37,228)	–	213,412
Finance income	–	–	–	–	2,879	–	2,879
Finance costs	–	–	–	–	(102,940)	–	(102,940)
Share of net surplus from associates	–	–	–	–	593	–	593
Operating surplus/(deficit) before income tax	131,483	66,248	40,606	12,303	(136,696)	–	113,944
Income tax expense							(33,357)
Operating surplus							80,587
Operating surplus attributable to minority interests							(3,200)
Operating surplus attributable to the shareholders of the parent							77,387
Total assets	3,673,989	1,340,953	417,033	239,506	193,497	–	5,864,978

The total assets above are stated inclusive of the Wellington electricity network because as at 31 December 2007, the Wellington electricity network was not classified as held for sale.

All other items above have been restated to exclude the Wellington electricity network, which is now a discontinued operation, in order to achieve consistency with the presentation of the six months ended 31 December 2008.

4. SEGMENT INFORMATION (continued)

30 JUN 2008 12 MONTHS	ELECTRICITY $000	GAS TRANS-PORTATION $000	GAS WHOLESALE $000	TECHNOLOGY $000	CORPORATE /OTHER $000	INTER-SEGMENT $000	TOTAL $000
External revenue:							
Operating revenue	490,260	143,974	475,565	65,494	5,204	–	1,180,497
Other income	–	–	73	795	647	–	1,515
Intersegment revenue	–	42,123	4,119	2,958	70	(49,270)	–
	490,260	186,097	479,757	69,247	5,921	(49,270)	1,182,012
External operating expenditure:							
Electricity transmission expenses	(104,764)	–	–	–	–	–	(104,764)
Gas purchases and production costs	–	(8,488)	(295,787)	–	–	–	(304,275)
Network and asset maintenance expenses	(47,255)	(13,643)	(16,489)	(4,719)	–	–	(82,106)
Indirect expenses	(25,929)	(12,693)	(18,987)	(21,417)	(63,919)	–	(142,945)
Intersegment expenditure	(1,381)	(4,119)	(43,700)	(70)	–	49,270	–
	(179,329)	(38,943)	(374,963)	(26,206)	(63,919)	49,270	(634,090)
EBITDA	310,931	147,154	104,794	43,041	(57,998)	–	547,922
Depreciation and amortisation	(61,333)	(29,921)	(13,930)	(21,323)	(13,854)	–	(140,361)
Operating surplus/(deficit) before interest and income tax	249,598	117,233	90,864	21,718	(71,852)	–	407,561
Finance income	–	–	–	–	3,668	–	3,668
Finance costs	–	–	–	–	(212,240)	–	(212,240)
Share of net surplus from associates	–	–	–	–	1,114	–	1,114
Operating surplus/(deficit) before income tax	249,598	117,233	90,864	21,718	(279,310)	–	200,103
Income tax expense							(50,404)
Operating surplus							149,699
Operating surplus attributable to minority interests							(7,907)
Operating surplus attributable to the shareholders of the parent							141,792
Total assets (excluding operations held for sale)	3,098,057	1,344,935	403,851	247,169	250,403	–	5,344,415

5. EQUITY

31 DEC 2008 6 MONTHS	ISSUED SHARE CAPITAL $000	TREASURY SHARES $000	HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	RETAINED EARNINGS $000	MINORITY INTERESTS $000	TOTAL EQUITY $000
Balance at beginning of the period	874,979	–	(1,769)	129	1,015,513	12,472	1,901,324
Operating surplus for the period	–	–	–	–	296,369	5,247	301,616
Net change in fair value of cash flow hedges	–	–	(131,361)	–	–	–	(131,361)
Translation of overseas operations	–	–	–	101	–	–	101
Treasury shares purchased	–	(8,112)	–	–	–	–	(8,112)
Dividends	–	–	–	–	(67,500)	(4,472)	(71,972)
Balance at end of the period	874,979	(8,112)	(133,130)	230	1,244,382	13,247	1,991,596

31 DEC 2007 6 MONTHS	ISSUED SHARE CAPITAL $000	TREASURY SHARES $000	HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	RETAINED EARNINGS $000	MINORITY INTERESTS $000	TOTAL EQUITY $000
Balance at beginning of the period	874,979	–	68,644	–	981,086	11,422	1,936,131
Operating surplus for the period	–	–	–	–	90,746	3,200	93,946
Net change in fair value of cash flow hedges	–	–	6,744	–	–	–	6,744
Dividends	–	–	–	–	(65,000)	(2,981)	(67,981)
Balance at end of the period	874,979	–	75,388	–	1,006,832	11,641	1,968,840

30 JUN 2008 12 MONTHS	ISSUED SHARE CAPITAL $000	TREASURY SHARES $000	HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	RETAINED EARNINGS $000	MINORITY INTERESTS $000	TOTAL EQUITY $000
Balance at beginning of the period	874,979	–	68,644	–	981,086	11,422	1,936,131
Operating surplus for the period	–	–	–	–	164,427	7,907	172,334
Net change in fair value of cash flow hedges	–	–	(70,413)	–	–	–	(70,413)
Translation of overseas operations	–	–	–	129	–	–	129
Dividends	–	–	–	–	(130,000)	(6,857)	(136,857)
Balance at end of the period	874,979	–	(1,769)	129	1,015,513	12,472	1,901,324

During the interim period, a final dividend of 6.75 cents per share in respect of the year ended 30 June 2008 was paid to the shareholders on 18 September 2008 (six months ended 31 December 2007: 6.5 cents per share in respect of the year ended 30 June 2007, paid on 4 September 2007).

The board authorised an on-market buy back of Vector Limited's shares in August 2008. The maximum number of shares to be acquired is 25,000,000 and purchases have occurred from 1 September 2008 and will continue up until 27 August 2009. At balance date 3,875,884 shares had been purchased and are held as treasury shares.

The hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The foreign currency translation reserve arises on the translation of Vector Limited's subsidiary, Elect Data Services (Australia) Pty Limited, to NZ dollars which is the presentation currency for these condensed consolidated financial statements.

6. PROPERTY, PLANT AND EQUIPMENT

During the interim period, Vector invested $98.5 million (six months ended 31 December 2007: $105.9 million) in new capital expenditure and retired $4.4 million (six months ended 31 December 2007: $6.8 million) of property, plant and equipment in relation to continuing operations.

7. BORROWINGS

31 DEC 2008	FACE VALUE $000	AMORTISED COST ADJUSTMENTS $000	FAIR VALUE ADJUSTMENT ON HEDGED RISK $000	CARRYING VALUE $000
Medium term notes – AUD floating rate	250,000	(1,203)	(3,051)	245,746
Capital bonds – fixed rate	307,205	(2,181)	–	305,024
Fixed interest rate bonds	200,000	(94)	466	200,372
Senior notes – USD fixed rate	418,315	(1,404)	146,981	563,892
Floating rate notes	1,200,000	(17,477)	–	1,182,523
Medium term notes – GBP fixed rate	285,614	(4,556)	2,282	283,340
Other	3,691	(590)	–	3,101
	2,664,825	(27,505)	146,678	2,783,998

31 DEC 2007	FACE VALUE $000	AMORTISED COST ADJUSTMENTS $000	FAIR VALUE ADJUSTMENT ON HEDGED RISK $000	CARRYING VALUE $000
Bank loans	430,000	(173)	–	429,827
Working capital loan	4,000	–	–	4,000
Medium term notes – AUD floating rate	569,018	(1,999)	(39,333)	527,686
Capital bonds – fixed rate	307,205	(2,714)	–	304,491
Fixed interest rate bonds	200,000	(647)	(5,160)	194,193
Senior notes – USD fixed rate	418,315	(1,516)	(53,852)	362,947
Floating rate notes	1,200,000	(20,153)	–	1,179,847
Other	7,742	–	–	7,742
	3,136,280	(27,202)	(98,345)	3,010,733

30 JUN 2008	FACE VALUE $000	AMORTISED COST ADJUSTMENTS $000	FAIR VALUE ADJUSTMENT ON HEDGED RISK $000	CARRYING VALUE $000
Bank loans	510,000	(127)	–	509,873
Working capital loan	50,000	(9)	–	49,991
Medium term notes – AUD floating rate	250,000	(1,493)	6,243	254,750
Capital bonds – fixed rate	307,205	(2,453)	–	304,752
Fixed interest rate bonds	200,000	(378)	(2,765)	196,857
Senior notes – USD fixed rate	418,315	(1,460)	(50,861)	365,994
Floating rate notes	1,200,000	(18,791)	–	1,181,209
Medium term notes – GBP fixed rate	285,614	(4,748)	15,276	296,142
Other	4,005	–	–	4,005
	3,225,139	(29,459)	(32,107)	3,163,573

8. FUNDING OF OPERATIONS

Issued capital

Issued capital as at 31 December 2008 was $875.0 million (31 December 2007: $875.0 million, 30 June 2008: $875.0 million). During the period, $8.1 million of shares (six months ended 31 December 2007: $nil, year ended 30 June 2008: $nil) were purchased by the company and held as treasury shares.

Borrowings

A total of $560 million of bank loans were repaid during the period following completion of the sale of the Wellington Electricity network on 24 July 2008.

On 25 July 2008, the board authorised the reduction of the $700 million senior credit facility by $500 million effective 4 August 2008. The remaining facility was cancelled on 2 September 2008.

On 26 August 2008, the board authorised a new senior credit facility of $125 million and also on 12 December 2008 authorised the raising of a new working capital facility of $150 million.

9. COMPOSITION OF OPERATIONS

Disposal of subsidiaries

During the period, Vector disposed of 100% of shares in its subsidiary Vector Wellington Electricity Networks Limited to Cheung Kong Infrastructure Holdings Limited. Details of the disposal are as follows:

	31 DEC 2008 $000
Book value of net assets sold:	
Current assets	
Cash and cash equivalents	12,050
Receivables and prepayments	14,027
Non-current assets	
Property, plant and equipment	507,669
Intangible assets	114,743
Current liabilities	
Payables and accruals	(14,385)
Income tax	(1,441)
Non-current liabilities	
Deferred tax liability	(57,423)
Net assets disposed of	575,240
Associated costs of disposal	8,158
Gain on disposal of discontinued activities	202,902
Total consideration received or accrued	786,300
Accrual for further consideration receivable pending final completion	(1,300)
Consideration received in cash and cash equivalents	785,000

	31 DEC 2008 $000
Consideration received in cash and cash equivalents	785,000
Less: cash and cash equivalent balances disposed of	(12,050)
Net cash and cash equivalents received on disposal	772,950

10. CONTINGENCIES

The directors are aware of claims that have been made against the group and where appropriate have recognised provisions for these within the financial statements. No other material contingencies requiring disclosure have been identified (31 December 2007: nil, 30 June 2008: nil).

There have been no significant settlements of litigation during the period.

11. TRANSACTIONS WITH RELATED PARTIES

During the period, the group entered into the following transactions with associates and other related companies.

	31 DEC 2008 6 MONTHS $000	31 DEC 2007 6 MONTHS $000	30 JUN 2008 12 MONTHS $000
Purchase of vegetation management services from Treescape Limited	1,973	4,316	8,451
Purchase of electricity meters and metering services from Energy Intellect Limited	730	1,016	1,346
Purchase of management services from Advanced Metering Services Limited	4,975	428	5,365
Sale of administrative and other services to Advanced Metering Services Limited	692	–	1,323

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

During the period, Vector advanced $2.95 million to Advanced Metering Services Limited, an associate company. Interest is charged at 12.0% per annum and is payable quarterly.

12. EVENTS AFTER BALANCE DATE

On 4 February 2009, the board of directors authorised an additional three year senior credit facility for $50 million.

On 18 February 2009, the board of directors declared an interim dividend for the year ended 30 June 2009 of 6.5 cents per share.

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

→ DIRECTORY

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Peter Bird
James Carmichael
Tony Carter
Hugh Fletcher
Alison Paterson
Karen Sherry
Bob Thomson

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Simon Mackenzie, Group Chief Executive Officer
Alex Ball, Chief Financial Officer
Allan Carvell, Group General Manager Regulation and Pricing
Sylvia Hunt, Group Manager Organisational Development
Daniel McCarthy, Group General Manager Commercial
David Tompkins, Group General Manager Asset Investment
Andries van der Westhuizen, General Manager, IT
David Worsnop, Group General Manager Service Delivery

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