VECTOR

2013

INTERIM FINANCIAL STATEMENTS

Interim Financial Statements

for the six months ended 31 December 2012 (unaudited)

CONTENTS

Independent Auditor's Review Report	3
Condensed Consolidated Income Statement	4
Condensed Consolidated Statement of Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Cash Flows	7
Condensed Consolidated Statement of Changes in Equity	10
Notes to the Condensed Consolidated Financial Statements	12

INTERIM FINANCIAL STATEMENTS

The directors are pleased to present the interim financial statements of the group for the six months ended 31 December 2012.

For and on behalf of directors

Director 21 February 2013

Director 21 February 2013

For and on behalf of management

Group Chief Executive 21 February 2013

Acting Chief Financial Officer 21 February 2013

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Independent Auditor's review report

To the shareholders of Vector Limited

We have reviewed the attached interim financial statements on pages 4 to 19 in accordance with the Review Engagement Standard RS-1 issued by the External Reporting Board and the Review Engagement Guideline RG-1 issued by the New Zealand Institute of Chartered Accountants. The financial statements provide information about the past financial performance of Vector Limited and its subsidiaries ('the Group') and its financial position as at 31 December 2012.

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 consolidated financial position of the Group as at 31 December 2012 and the consolidated results of its operations and cash flows for the six months ended on that date.

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

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the attached interim financial statements on pages 4 to 19 do not give a true and fair view of the financial position of the Group as at 31 December 2012, and the results of its operations and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting*.

Our review was completed on 21 February 2013 and our opinion is expressed as at that date.

KPMG

Auckland

Condensed Consolidated Income Statement

for the six months ended 31 December 2012 (unaudited)

	NOTE	31 DEC 2012 6 MONTHS $000	31 DEC 2011 6 MONTHS $000	30 JUN 2012 12 MONTHS $000
Operating revenue		**669,132**	637,463	1,252,244
Other income		**220**	179	316
Total income		**669,352**	637,642	1,252,560
Electricity transmission expenses		**(87,470)**	(68,509)	(147,059)
Gas purchases and production expenses		**(125,156)**	(122,750)	(240,659)
Network and asset maintenance expenses		**(42,112)**	(43,315)	(83,315)
Personnel expenses		**(35,425)**	(34,946)	(71,843)
Other expenses		**(42,860)**	(44,547)	(82,331)
Operating expenditure		**(333,023)**	(314,067)	(625,207)
Earnings before net finance costs, income tax, depreciation, amortisation, share of net profit or loss from associates and impairments(EBITDA)		**336,329**	323,575	627,353
Depreciation and amortisation		**(86,278)**	(86,089)	(173,442)
Earnings before net finance costs, income tax, share of net profit or loss from associates and impairments (EBIT)		**250,051**	237,486	453,911
Finance income		**2,305**	4,597	10,573
Finance costs		**(85,311)**	(88,719)	(176,771)
Share of net profit/(loss) from associates	2	**707**	(52)	(344)
Impairment of investment in associate	2	**(2,278)**	(3,938)	(4,071)
Profit before income tax		**165,474**	149,374	283,298
Income tax expense		**(47,491)**	(42,875)	(81,565)
Net profit for the period		**117,983**	106,499	201,733
Net profit for the period attributable to:				
Non-controlling interests in subsidiaries		**1,328**	1,177	2,966
Owners of the parent		**116,655**	105,322	198,767
Basic and diluted earnings per share (cents)	6	**11.7**	10.6	20.0

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Condensed Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2012 (unaudited)

	31 DEC 2012 6 MONTHS $000	31 DEC 2011 6 MONTHS $000	30 JUN 2012 12 MONTHS $000
Net profit for the period	**117,983**	106,499	201,733
Other comprehensive income net of tax			
Items that may be re-classified subsequently to profit or loss:			
Net change in fair value of cash flow hedges	**7,791**	(37,875)	(16,111)
Share of other comprehensive income of associates	**-**	-	19
Translation of foreign operations	**(3)**	(63)	(80)
Other comprehensive income for the period net of tax	**7,788**	(37,938)	(16,172)
Total comprehensive income for the period net of tax	**125,771**	68,561	185,561
Total comprehensive income for the period attributable to:			
Non-controlling interests in subsidiaries	**1,328**	1,177	2,966
Owners of the parent	**124,443**	67,384	182,595

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Condensed Consolidated Statement of Financial Position

as at 31 December 2012 (unaudited)

	NOTE	31 DEC 2012 $000	31 DEC 2011 $000	30 JUN 2012 $000
CURRENT ASSETS				
Cash and cash equivalents		**127,430**	160,819	81,593
Receivables and prepayments		**153,942**	175,244	176,111
Derivative financial instruments	8	**36**	-	13
Inventories		**4,449**	3,742	5,314
Income tax		**-**	-	11,811
Non-current asset held for sale	2	**-**	2,725	2,592
Intangible assets		**68**	1,828	492
Total current assets		**285,925**	344,358	277,926
NON-CURRENT ASSETS				
Receivables and prepayments		**1,383**	1,404	1,392
Derivative financial instruments	8	**11,894**	22,300	23,322
Deferred tax		**1,646**	2,445	1,646
Investments in associates	2	**14,318**	16,361	16,088
Intangible assets	4	**1,615,418**	1,614,430	1,616,800
Property, plant and equipment	4	**3,721,718**	3,624,168	3,679,438
Total non-current assets		**5,366,377**	5,281,108	5,338,686
Total assets		**5,652,302**	5,625,466	5,616,612
CURRENT LIABILITIES				
Payables and accruals		**186,127**	178,061	189,531
Provisions		**18,688**	18,598	18,025
Derivative financial instruments	8	**3,652**	12,452	11,555
Borrowings		**-**	326,305	18,385
Income tax		**24,234**	4,933	-
Total current liabilities		**232,701**	540,349	237,496
NON-CURRENT LIABILITIES				
Payables and accruals		**19,943**	21,430	20,721
Provisions		**7,767**	5,923	6,845
Derivative financial instruments	8	**291,988**	298,758	286,001
Borrowings		**2,413,783**	2,187,923	2,437,026
Deferred tax		**486,694**	466,467	480,181
Total non-current liabilities		**3,220,175**	2,980,501	3,230,774
Total liabilities		**3,452,876**	3,520,850	3,468,270
EQUITY				
Equity attributable to owners of the parent		**2,181,461**	2,086,179	2,131,705
Non-controlling interests in subsidiaries		**17,965**	18,437	16,637
Total equity		**2,199,426**	2,104,616	2,148,342
Total equity and liabilities		**5,652,302**	5,625,466	5,616,612

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Condensed Consolidated Statement of Cash Flows

for the six months ended 31 December 2012 (unaudited)

	NOTE	31 DEC 2012 6 MONTHS $000	31 DEC 2011 6 MONTHS $000	30 JUN 2012 12 MONTHS $000
OPERATING ACTIVITIES				
Cash provided from:				
Receipts from customers		**704,849**	652,878	1,238,748
Interest portion of repayments on finance leases		**56**	57	113
Interest received		**2,062**	3,441	9,070
Income tax refunds		**-**	-	5,237
Dividends received from associate	9	**200**	-	-
		707,167	656,376	1,253,168
Cash applied to:				
Payments to suppliers and employees		**(345,760)**	(315,924)	(620,725)
Income tax paid		**(7,964)**	(8,529)	(63,149)
Interest paid on finance leases		**(96)**	(131)	(248)
Interest paid		**(85,640)**	(89,414)	(176,754)
		(439,460)	(413,998)	(860,876)
Net cash flows from operating activities		**267,707**	242,378	392,292
INVESTING ACTIVITIES				
Cash provided from:				
Proceeds from sale of property, plant and equipment and software intangibles		**207**	140	25,764
Proceeds from liquidation of associate		**2,757**	-	-
		2,964	140	25,764
Cash applied to:				
Purchase and construction of property, plant and equipment and software intangibles		**(126,853)**	(124,156)	(259,989)
Net cash flows used in investing activities		**(123,889)**	(124,016)	(234,225)

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Condensed Consolidated Statement of Cash Flows continued

for the six months ended 31 December 2012 (unaudited)

	NOTE	31 DEC 2012 6 MONTHS $000	31 DEC 2011 6 MONTHS $000	30 JUN 2012 12 MONTHS $000
FINANCING ACTIVITIES				
Cash provided from:				
Capital portion of receipts on finance leases		**9**	8	17
		9	8	17
Cash applied to:				
Debt raising costs incurred		**(203)**	(190)	(572)
Repayment of borrowings		**(22,817)**	(210)	(44,829)
Capital portion of payments on finance leases		**(245)**	(582)	(1,246)
Acquisition of non-controlling interest in subsidiary		**-**	-	(2,500)
Purchase of treasury shares	7	**(44)**	(306)	(306)
Dividends paid to owners of the parent		**(74,681)**	(74,682)	(144,384)
Dividends paid to non-controlling interests in subsidiaries		**-**	(1,988)	(3,061)
		(97,990)	(77,958)	(196,898)
Net cash flows used in financing activities		**(97,981)**	(77,950)	(196,881)
Net increase/(decrease) in cash and cash equivalents		**45,837**	40,412	(38,814)
Cash and cash equivalents at the beginning of the period		**81,593**	120,407	120,407
Cash and cash equivalents at the end of the period		**127,430**	160,819	81,593
Cash and cash equivalents comprises:				
Bank balances and on-call deposits		**10,433**	10,819	12,593
Short term deposits maturing within three months		**116,997**	150,000	69,000
		127,430	160,819	81,593

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Condensed Consolidated Statement of Cash Flows continued

for the six months ended 31 December 2012 (unaudited)

	31 DEC 2012 6 MONTHS $000	31 DEC 2011 6 MONTHS $000	30 JUN 2012 12 MONTHS $000
RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period	**117,983**	106,499	201,733
ITEMS CLASSIFIED AS INVESTING ACTIVITIES			
Net loss on disposal of property, plant and equipment and software intangibles	**1,426**	3,734	6,880
NON-CASH ITEMS			
Depreciation and amortisation	**86,278**	86,089	173,442
Impairment of investment in associate	**2,278**	3,938	4,071
Non-cash portion of finance costs	**(605)**	(350)	(605)
Increase in deferred tax liability	**3,482**	15,184	21,234
Increase in provisions	**1,585**	1,035	1,384
Share of net (profit)/loss from associates	**(707)**	52	344
	92,311	105,948	199,870
CASH ITEMS NOT IMPACTING PROFIT			
Dividends received from associates	**200**	-	-
MOVEMENT IN WORKING CAPITAL			
Decrease in payables and accruals	**(3,295)**	(7,895)	(5,830)
Decrease/(increase) in inventories	**865**	(279)	(1,851)
Decrease/(increase) in receivables and prepayments	**22,172**	15,209	(10,928)
Decrease in net income tax assets	**36,045**	19,162	2,418
	55,787	26,197	(16,191)
Net cash flows from operating activities	**267,707**	242,378	392,292

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Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2012 (unaudited)

31 DEC 2012 6 MONTHS	NOTE	ISSUED SHARE CAPITAL $000	TREASURY SHARES $000	HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	SHARE BASED PAYMENT RESERVE $000	RETAINED EARNINGS $000	NON CONTROLLING INTERESTS $000	TOTAL EQUITY $000
Balance at the beginning of the period		874,979	(9,240)	(158,701)	84	287	1,424,296	16,637	2,148,342
Comprehensive income									
Net profit for the period		-	-	-	-	-	116,655	1,328	117,983
Other comprehensive income									
Net change in fair value of cash flow hedges		-	-	10,821	-	-	-	-	10,821
Translation of foreign operations		-	-	-	(3)	-	-	-	(3)
Income tax relating to components of other comprehensive income		-	-	(3,030)	-	-	-	-	(3,030)
Total comprehensive income		-	-	7,791	(3)	-	116,655	1,328	125,771
Transactions with owners									
Acquisition of shares for employee share purchase scheme	7	-	(44)	-	-	-	-	-	(44)
Shares issued to employee share purchase scheme	7	-	-	-	-	38	-	-	38
Dividends		-	-	-	-	-	(74,681)	-	(74,681)
Total transactions with owners		-	(44)	-	-	38	(74,681)	-	(74,687)
Balance at end of the period		874,979	(9,284)	(150,910)	81	325	1,466,270	17,965	2,199,426

	NOTE	31 DEC 2012	31 DEC 2011	30 JUN 2012
Total tangible assets per share (cents)	6	405.5	402.7	401.7
Net tangible assets per share (cents)	6	58.7	49.0	53.3

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Condensed Consolidated Statement of Changes in Equity (continued)

for the six months ended 31 December 2012 (unaudited)

31 DEC 2011 6 MONTHS	NOTE	ISSUED SHARE CAPITAL $000	TREASURY SHARES $000	HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	SHARE BASED PAYMENT RESERVE $000	RETAINED EARNINGS $000	NON CONTROLLING INTERESTS $000	TOTAL EQUITY $000
Balance at the beginning of the period		874,979	(8,934)	(142,590)	164	-	1,369,878	19,248	2,112,745
Comprehensive income									
Net profit for the period		-	-	-	-	-	105,322	1,177	106,499
Other comprehensive income									
Net change in fair value of cash flow hedges		-	-	(52,605)	-	-	-	-	(52,605)
Translation of foreign operations		-	-	-	(63)	-	-	-	(63)
Income tax relating to components of other comprehensive income		-	-	14,730	-	-	-	-	14,730
Total comprehensive income		-	-	(37,875)	(63)	-	105,322	1,177	68,561
Transactions with owners									
Acquisition of shares for employee share purchase scheme	7	-	(306)	-	-	-	-	-	(306)
Shares issued to employee share purchase scheme	7	-	-	-	-	286	-	-	286
Dividends		-	-	-	-	-	(74,682)	(1,988)	(76,670)
Total transactions with owners		-	(306)	-	-	286	(74,682)	(1,988)	(76,690)
Balance at end of the period		874,979	(9,240)	(180,465)	101	286	1,400,518	18,437	2,104,616

30 JUN 2012 12 MONTHS	NOTE	ISSUED SHARE CAPITAL $000	TREASURY SHARES $000	HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	SHARE BASED PAYMENT RESERVE $000	RETAINED EARNINGS $000	NON CONTROLLING INTERESTS $000	TOTAL EQUITY $000
Balance at the beginning of the period		874,979	(8,934)	(142,590)	164	-	1,369,878	19,248	2,112,745
Comprehensive income									
Net profit for the period		-	-	-	-	-	198,767	2,966	201,733
Other comprehensive income									
Net change in fair value of cash flow hedges		-	-	(22,379)	-	-	-	-	(22,379)
Translation of foreign operations		-	-	-	(80)	-	-	-	(80)
Share of other comprehensive income of associate		-	-	-	-	-	19	-	19
Income tax relating to components of other comprehensive income		-	-	6,268	-	-	-	-	6,268
Total comprehensive income		-	-	(16,111)	(80)	-	198,786	2,966	185,561
Transactions with owners									
Acquisition of non-controlling interest in subsidiary		-	-	-	-	-	16	(2,516)	(2,500)
Acquisition of shares for employee share purchase scheme	7	-	(306)	-	-	-	-	-	(306)
Shares issued to employee share purchase scheme	7	-	-	-	-	287	-	-	287
Dividends		-	-	-	-	-	(144,384)	(3,061)	(147,445)
Total transactions with owners		-	(306)	-	-	287	(144,368)	(5,577)	(149,964)
Balance at end of the period		874,979	(9,240)	(158,701)	84	287	1,424,296	16,637	2,148,342

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Vector Limited is a company domiciled in New Zealand and registered under the Companies Act 1993 and is listed on the New Zealand Stock Exchange (NZX). The address of Vector Limited's registered office is 101 Carlton Gore Road, Newmarket, Auckland. Vector Limited is an issuer for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The condensed consolidated financial statements of the group are for the six months ended 31 December 2012 and were authorised for issue by the directors on 21 February 2013.

Vector Limited is a profit-oriented entity involved in the infrastructure sector in New Zealand. Its primary operations include electricity distribution, gas transportation, natural gas and LPG sales, gas processing, metering and telecommunications. Vector Limited is a 75.1% owned subsidiary of the Auckland Energy Consumer Trust which is the ultimate parent entity for the group.

Basis of Preparation

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

These condensed consolidated financial statements comply with NZ IAS 34 *Interim Financial Reporting*. As the condensed consolidated 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 2012 (2012 Annual Report).

The condensed consolidated financial statements for the six months ended 31 December 2012 and the six months ended 31 December 2011 are unaudited.

The condensed consolidated financial statements are expressed in New Zealand dollars ($) rounded to the nearest thousand, unless otherwise stated.

Significant Accounting Policies

The accounting policies set out in the 2012 Annual Report have been applied consistently to all periods presented in these condensed consolidated financial statements. There have been no changes in accounting policies from those applied in Vector's 2012 Annual Report.

Measurement Base

The condensed consolidated financial statements have been prepared on an 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
- certain financial instruments.

Seasonality of Operations in the Interim Period

Vector operates in the energy industry and its electricity and gas business activities are seasonally-affected by demand for energy which generally increases during periods of colder weather. Accordingly financial results for the first half of the financial year incorporated in these condensed consolidated financial statements are expected to be more profitable than the latter half of the year yet to be reported.

Approval of the Financial Statements

The condensed consolidated financial statements were approved by the board of directors on 21 February 2013.

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2. SHARE OF NET PROFIT/(LOSS) FROM ASSOCIATES

	31 DEC 2012 6 MONTHS $000	31 DEC 2011 6 MONTHS $000	30 JUN 2012 12 MONTHS $000
Equity accounted earnings of associates			
Profit/(loss) before income tax	982	(72)	(478)
Income tax (expense)/benefit	(275)	20	134
Share of net profit/(loss) from associates	707	(52)	(344)

	PRINCIPAL ACTIVITY	PERCENTAGE HELD		
		31 DEC 2012	31 DEC 2011	30 JUN 2012
Tree Scape Limited	Vegetation management	50%	50%	50%
- Treescape Australasia Pty Limited	Vegetation management	50%	50%	50%
Total Metering 2012 Limited (in liquidation)	Metering services	25%	25%	25%
NZ Windfarms Limited	Power generation	22%	22%	22%

The share price of NZ Windfarms Limited declined between 30 June 2012 and 31 December 2012 from $0.16 per share to $0.10 per share. The recoverable amount determined as at 31 December 2012 was estimated based on the investment's fair value less costs to sell by reference to this active market price on the New Zealand Stock Exchange. Accordingly, an impairment loss of $2.3 million has been recognised in respect of the group's investment in its associate company, NZ Windfarms Limited (six months ended 31 December 2011: nil, year ended 30 June 2012: nil). This share price supports the current carrying value of the group's investment in NZ Windfarms Limited.

During the period, the group received $2.8 million as a return of capital from Total Metering 2012 Limited (in liquidation) which is an associate of the group (six months ended December 2011: nil, year ended 30 June 2012: nil). The investment in Total Metering 2012 Limited (in liquidation) was recognised in the period ended 30 June 2012 as a non-current asset held for sale.

3. SEGMENT INFORMATION

Vector's internal reporting to the Group Chief Executive and the Board of Directors is focused on the following businesses which are the group's operating segments reported in accordance with NZ IFRS 8 *Operating Segments*.

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 cogeneration.

Technology
Telecommunications networks, electricity and gas metering.

Corporate activities comprising shared services and investments earn revenues that are only incidental to the operations of the group and do not meet the definition of an operating segment under NZ IFRS 8. The results attributable to these activities are presented under the reconciliations of segment information to the group's condensed consolidated financial statements on page 16.

The segments reported in these condensed consolidated financial statements are the same as those reported in Vector's 2012 Annual Report.

Intersegment transactions included in the operating revenues and expenditures for each segment are on an arms' length basis.

All segment information presented is prepared in accordance with Vector's accounting policies. Monthly internal reporting to the Group Chief Executive and Board of Directors is also prepared on this basis. Segment profit reported to the Group Chief Executive and the Board of Directors is earnings before interest and income tax (EBIT).

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3. SEGMENT INFORMATION (continued)

31 DEC 2012 6 MONTHS	ELECTRICITY $000	GAS TRANS-PORTATION $000	GAS WHOLESALE $000	TECHNOLOGY $000	INTERSEGMENT $000	TOTAL $000
External revenue:						
Operating revenue	333,774	94,563	191,943	48,674	-	668,954
Other income	2	1	-	28	-	31
Intersegment revenue	980	19,789	3,608	4,133	(28,510)	-
Segment revenue	334,756	114,353	195,551	52,835	(28,510)	668,985
External operating expenditure:						
Electricity transmission expenses	(87,470)	-	-	-	-	(87,470)
Gas purchases and production expenses	-	(5,555)	(119,601)	-	-	(125,156)
Network and asset maintenance expenses	(22,479)	(8,584)	(8,820)	(2,229)	-	(42,112)
Personnel expenses	(5,756)	(2,707)	(8,129)	(4,356)	-	(20,948)
Other expenses	(13,361)	(5,225)	(4,782)	(8,564)	-	(31,932)
Intersegment expenditure	(3,724)	(3,623)	(20,183)	(980)	28,510	-
Operating expenditure	(132,790)	(25,694)	(161,515)	(16,129)	28,510	(307,618)
Segment EBITDA	201,966	88,659	34,036	36,706	-	361,367
Depreciation and amortisation	(40,239)	(12,074)	(8,099)	(18,768)	-	(79,180)
Segment EBIT	161,727	76,585	25,937	17,938	-	282,187
Segment capital expenditure	61,427	15,984	3,529	43,750	-	124,690

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3. SEGMENT INFORMATION (continued)

31 DEC 2011 6 MONTHS	ELECTRICITY $000	GAS TRANS-PORTATION $000	GAS WHOLESALE $000	TECHNOLOGY $000	INTERSEGMENT $000	TOTAL $000
External revenue:						
Operating revenue	308,401	91,513	190,632	46,416	-	636,962
Other income	31	-	40	108	-	179
Intersegment revenue	52	18,884	4,691	1,573	(25,200)	-
Segment revenue	308,484	110,397	195,363	48,097	(25,200)	637,141
External operating expenditure:						
Electricity transmission expenses	(68,509)	-	-	-	-	(68,509)
Gas purchases and production expenses	-	(3,826)	(118,924)	-	-	(122,750)
Network and asset maintenance expenses	(21,681)	(10,522)	(8,711)	(2,401)	-	(43,315)
Personnel expenses	(5,763)	(2,769)	(7,755)	(5,177)	-	(21,464)
Other expenses	(13,703)	(7,021)	(4,313)	(5,905)	-	(30,942)
Intersegment expenditure	(1,228)	(4,690)	(19,230)	(52)	25,200	-
Operating expenditure	(110,884)	(28,828)	(158,933)	(13,535)	25,200	(286,980)
Segment EBITDA	197,600	81,569	36,430	34,562	-	350,161
Depreciation and amortisation	(40,697)	(10,636)	(7,798)	(21,437)	-	(80,568)
Segment EBIT	156,903	70,933	28,632	13,125	-	269,593
Segment capital expenditure	55,976	15,377	5,626	30,310	-	107,289

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3. SEGMENT INFORMATION (continued)

30 JUN 2012 12 MONTHS	ELECTRICITY $000	GAS TRANS-PORTATION $000	GAS WHOLESALE $000	TECHNOLOGY $000	INTERSEGMENT $000	TOTAL $000
External revenue:						
Operating revenue	608,913	177,082	371,397	93,689	-	1,251,081
Other income	61	24	79	128	-	292
Intersegment revenue	84	37,506	9,533	3,262	(50,385)	-
Segment revenue	609,058	214,612	381,009	97,079	(50,385)	1,251,373
External operating expenditure:						
Electricity transmission expenses	(147,059)	-	-	-	-	(147,059)
Gas purchases and production expenses	-	(7,334)	(233,325)	-	-	(240,659)
Network and asset maintenance expenses	(42,229)	(19,096)	(17,264)	(4,726)	-	(83,315)
Personnel expenses	(11,416)	(5,770)	(15,791)	(10,749)	-	(43,726)
Other expenses	(21,759)	(12,379)	(10,526)	(13,986)	-	(58,650)
Intersegment expenditure	(2,463)	(9,552)	(38,286)	(84)	50,385	-
Operating expenditure	(224,926)	(54,131)	(315,192)	(29,545)	50,385	(573,409)
EBITDA	384,132	160,481	65,817	67,534	-	677,964
Depreciation and amortisation	(80,512)	(21,711)	(15,568)	(43,809)	-	(161,600)
Segment EBIT	303,620	138,770	50,249	23,725	-	516,364
Segment capital expenditure	134,173	35,473	10,843	68,600	-	249,089

3. SEGMENT INFORMATION (continued)

Reconciliation of segment revenue, segment EBIT and segment capital expenditure to total income, profit before income tax and capital expenditure reported in the condensed consolidated financial statements:

	31 DEC 2012 6 MONTHS			31 DEC 2011 6 MONTHS			30 JUN 2012 12 MONTHS		
	TOTAL INCOME $000	PROFIT BEFORE INCOME TAX $000	CAPITAL EXPENDITURE $000	TOTAL INCOME $000	PROFIT BEFORE INCOME TAX $000	CAPITAL EXPENDITURE $000	TOTAL INCOME $000	PROFIT BEFORE INCOME TAX $000	CAPITAL EXPENDITURE $000
Reported in segment information	**668,985**	**282,187**	**124,690**	637,141	269,593	107,289	1,251,373	516,364	249,089
Amounts not allocated to segments:									
Revenues from corporate activities	**367**	**367**	**-**	501	501	-	1,187	1,187	-
Corporate activities operating expenditure	**-**	**(25,405)**	**-**	-	(27,087)	-	-	(51,798)	-
Depreciation and amortisation of corporate property, plant and equipment and software intangibles	**-**	**(7,098)**	**-**	-	(5,521)	-	-	(11,842)	-
Finance income	**-**	**2,305**	**-**	-	4,597	-	-	10,573	-
Finance costs	**-**	**(85,311)**	**-**	-	(88,719)	-	-	(176,771)	-
Share of net profit/(loss) from associates	**-**	**707**	**-**	-	(52)	-	-	(344)	-
Impairment of investment in associate	**-**	**(2,278)**	**-**	-	(3,938)	-	-	(4,071)	-
Additions to corporate property, plant and equipment and software intangibles	**-**	**-**	**4,098**	-	-	4,300	-	-	12,756
Reported in the condensed consolidated financial statements	**669,352**	**165,474**	**128,788**	637,642	149,374	111,589	1,252,560	283,298	261,845

4. PROPERTY, PLANT AND EQUIPMENT AND SOFTWARE INTANGIBLE ASSETS

During the period, Vector invested $128.8 million (six months ended 31 December 2011: $111.6 million, year ended 30 June 2012: $261.8 million) in new capital expenditure and retired $3.0 million (six months ended 31 December 2011: $3.7 million, year ended 30 June 2012: $9.9 million) of property, plant and equipment and software intangible assets.

5. CAPITAL COMMITMENTS

	31 DEC 2012 $000	31 DEC 2011 $000	30 JUN 2012 $000
Estimated capital expenditure contracted for at balance date but not yet incurred	**81,165**	139,440	118,592

6. FINANCIAL RATIOS

Earnings per share
The calculation of basic earnings per share for the six months ended 31 December 2012 is based on the net profit attributable to owners of the parent of $116.7 million (six months ended 31 December 2011: $105.3 million, year ended 30 June 2012: $198.8 million) and the weighted average number of ordinary shares outstanding during the period of 995,632,109 (six months ended 31 December 2011: 995,705,242, year ended 30 June 2012: 995,670,358).

Total and net tangible assets per share
The calculations of the total and net tangible assets per share for the period ended 31 December 2012 are based on the carrying amounts of the total assets of $5,652.3 million (31 December 2011: $5,625.5 million, 30 June 2012: $5,616.6 million) and net assets of $2,199.4 million (31 December 2011: $2,104.6 million, 30 June 2012: $2,148.3 million) less total intangible assets of $1,615.5 million (31 December 2011: $1,616.3 million, 30 June 2012: $1,617.3 million) and the number of ordinary shares of 995,619,181 outstanding as at 31 December 2012 (31 December 2011: 995,705,242, 30 June 2012: 995,635,474).

7. FUNDING OF OPERATIONS

Transactions with owners
Issued capital as at 31 December 2012 was $875 million (31 December 2011: $875 million, 30 June 2012: $875 million). During the period, a final dividend of 7.5 cents per share in respect of the year ended 30 June 2012 was paid to the shareholders on 17 September 2012 (six months ended 31 December 2011: 7.5 cents per share in respect of the year ended 30 June 2011, paid on 19 September 2011).

During the period, the group granted rights to 27,249 shares at $2.65 each to employees participating in the employee share purchase scheme (six months ended 31 December 2011: 119,603 shares at $2.52 each; year ended 30 June 2012: 119,603 shares at $2.52 each). In granting the rights to these shares the group acquired 16,293 shares on market at a cost of $2.65 each (six months ended 31 December 2011: 119,603 shares at $2.56 each; year ended 30 June 2012: 119,603 shares at $2.56 each). Shares allocated to the employee share purchase scheme are held as treasury shares until the end of the scheme's vesting period.

Borrowings
All borrowings are measured at amortised cost adjusted for fair value movements in respect of the hedged risk on those borrowings designated in their fair value hedge relationships. Borrowings are classified as current and non-current depending on contractual obligations. The net decrease in borrowings since 30 June 2012 of $41.6 million is the result of $20.7 million of fair value movements and the $22.8 million repayment of the senior USD fixed rate notes in September 2012 offset by a $1.9 million reduction in unamortised costs.

8. DERIVATIVE FINANCIAL INSTRUMENTS

The net amount of derivative financial instruments disclosed in the statement of financial position at 31 December 2012 is a liability of $283.7 million (31 December 2011: $288.9 million, 30 June 2012: $274.2 million). The increase in the net liability since 30 June 2012 of $9.5 million reflects the increase in the aggregate mark to market loss during the period. This increase was caused by the appreciation of the New Zealand dollar, resulting in an increase in the mark to market loss of the cross currency interest rate swaps, offset by a favourable movement in the fair value of New Zealand dollar interest rate swaps due to cash payments made during the period.

9. RELATED PARTIES

Majority shareholder
The group has paid the Auckland Energy Consumer Trust (AECT) dividends of $56.3 million during the period (six months ended December 2011: $56.3 million, year ended 30 June 2012: $108.9 million). The AECT is the majority shareholder of Vector Limited.

Associates
During the period, a $0.2 million dividend was received from Tree Scape Limited which is an associate of the group (six months ended December 2011: nil, year ended 30 June 2012: nil).

At 31 December 2012, there are no material outstanding balances due to or from associates and joint ventures which are related parties of the Vector group.

10. ELECTRICITY REGULATORY CLAW BACK

On 30 November 2012, the Commerce Commission announced the reset of the default price-quality paths for 16 electricity distributors, one of which is the Vector electricity distribution business. The Commerce Commission's announcement was made after electricity distributors had set their electricity prices for the period 1 April 2012 to 31 March 2013 and therefore Vector can only apply the electricity price reduction from 1 April 2013. As a result the Commerce Commission has stated it will apply claw back for any under or over recovery of electricity revenue by Vector in the electricity regulatory year to 31 March 2013. Subject to the outcome of the merits review of the Commerce Commission's input methodologies currently before the High Court, the claw back will be effected through a price adjustment in the electricity regulatory year to 31 March 2015. Therefore if claw back is applied it will impact Vector's electricity revenues from 1 April 2014 to 31 March 2015. The claw back has no impact on the reported electricity revenues in these interim financial statements or in Vector's annual financial statements for 2012 and 2013.

11. CONTINGENT LIABILITY

Subsequent to the period, the supplier of Kapuni gas to Vector's gas wholesale business has filed an appeal of an award granted in favour of Vector during the period concerning Vector's entitlements to Kapuni gas at the legacy price under a pre-existing contract. Vector is of the opinion that the appeal is unlikely to be successful and therefore has included purchases of 3.8 petajoules of Kapuni gas at the legacy price in these interim financial statements. No further disclosure is being made in regard to this matter as it is Vector's view that further disclosure would prejudice its commercial position.

12. EVENTS AFTER BALANCE DATE

On 21 February 2013, the board of directors declared an interim dividend for the year ended 30 June 2013 of 7.25 cents per share.

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