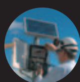
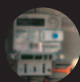
STEADY PROGRESS

SOLID RESULT

Vector®

HALF YEAR HIGHLIGHTS

- Solid operating result, with EBITDA of $332.1 million
- Steady progress with performance improvement strategy
- Net earnings of $90.7 million, in line with expectations
- Fully imputed interim dividend of 6.5 cents per share
- Higher electricity and gas transmission system throughput
- First major advanced metering services contract for newly-formed joint venture
- Strategic partnership to extend fibre optic broadband network

FINANCIAL OVERVIEW

Results for the six months ended 31 December 2007 are reported in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The results for the six months ended 31 December 2006 and for the 12 months ended 30 June 2007 (previously reported under NZ GAAP) have also been restated in accordance with NZ IFRS for comparison purposes.

FINANCIAL PERFORMANCE

$ MILLIONS	31 DEC 2007 6 MONTHS	31 DEC 2006 6 MONTHS	CHANGE %	30 JUN 2007 12 MONTHS
Operating revenue	**689.2**	690.2	-0.1	1,307.1
Operating expenditure	**(357.1)**	(358.4)	-0.4	(701.8)
EBITDA	**332.1**	331.8	+0.1	605.3
Depreciation & amortisation	**(76.7)**	(68.1)	+12.6	(146.7)
EBIT	**255.4**	263.7	-3.1	458.6
Net interest expense	**(123.2)**	(116.1)	+6.1	(230.8)
Equity earnings	**0.6**	0.5	+26.2	0.7
Taxation	**(38.9)**	(35.3)	+10.1	9.0
Minority interests	**(3.2)**	(2.2)	+44.3	(4.2)
NPAT	**90.7**	110.6	-18.0	233.3

FINANCIAL POSITION

$ MILLIONS	31 DEC 2007	31 DEC 2006	CHANGE %	30 JUN 2007
Total equity	**1,968.8**	1,829.4	+7.6	1,936.1
Total assets	**5,862.5**	5,721.1	+2.5	5,866.1
Net debt	**3,001.5**	2,918.2	+2.9	2,947.7

KEY FINANCIAL MEASURES

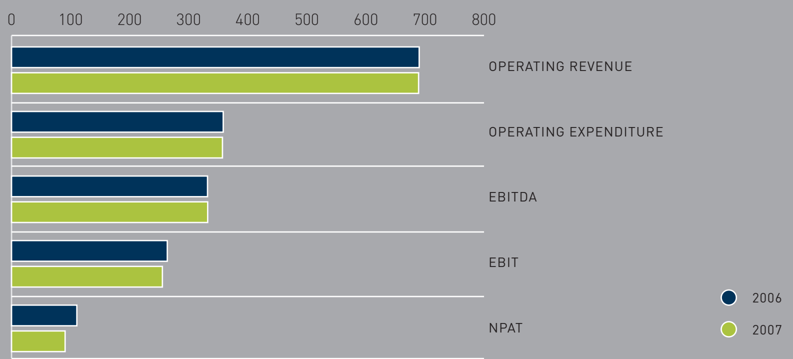
$ MILLIONS	31 DEC 2007 6 MONTHS	31 DEC 2006 6 MONTHS	CHANGE %	30 JUN 2007 12 MONTHS
NPAT per share[1] (cents)	**9.1**	11.1	-18.0	23.3
Dividend per share[1] (cents)	**6.5**	6.5	–	13.0[2]
Return (NPAT) on equity (%)	**4.6**	6.0	-23.8	12.1
Equity/total assets (%)	**33.6**	32.0	+5.0	33.0
Gearing (net debt to net debt plus equity) (%)	**60.4**	61.5	-1.8	60.4
Net interest cover (EBIT/net interest) (times)	**2.1**	2.3	-8.7	2.0
EBITDA/operating revenue (%)	**48.2**	48.1	+0.2	46.3
EBIT/operating revenue (%)	**37.1**	38.2	-0.3	35.1
NPAT/operating revenue (%)	**13.2**	16.0	-17.9	17.8

1 Based on total of one billion shares

2 Total dividends for the year ended 30 June 2007 also include a final dividend of 6.5 cents per share paid on 4 September 2007

FINANCIAL RESULT

$ MILLIONS



DIVISIONAL RESULTS

$ MILLIONS	ELECTRICITY	GAS	TECHNOLOGY	CORPORATE / OTHER	INTER-SEGMENT	TOTAL
31 DEC 2007 (6 MONTHS)						
Operating revenue	**329.9**	347.4	35.4	1.9	(25.4)	**689.2**
Operating expenditure	**(118.6)**	(219.2)	(11.8)	(32.9)	25.4	**(357.1)**
EBITDA	**211.3**	128.2	23.6	(31.0)	–	**332.1**
EBITDA/operating revenue	**64.1%**	36.9%	66.6%	n/a	n/a	**48.2%**
EBIT	**173.4**	106.9	12.3	(37.2)	–	**255.4**
31 DEC 2006 (6 MONTHS)						
Operating revenue	**324.0**	353.4	33.2	3.9	(24.3)	**690.2**
Operating expenditure	**(123.2)**	(216.8)	(10.0)	(32.7)	24.3	**(358.4)**
EBITDA	**200.8**	136.6	23.2	(28.8)	–	**331.8**
EBITDA/operating revenue	**62.0%**	38.6%	70.0%	n/a	n/a	**48.1%**
EBIT	**163.1**	116.1	17.0	(32.5)	–	**263.7**

FROM THE CHAIRMAN

The board of directors is pleased to report a solid operating result and steady progress with Vector's performance improvement strategy during the six months ended 31 December 2007.

The directors consider the results to be satisfactory and consistent with the company's expectations in a period marked by volatile weather patterns and higher interest rates. Pleasing advances in the key strategic focus areas of cost efficiency, operational excellence, regulatory and customer outcomes and disciplined growth made a positive contribution and the company will see these benefits continue into the second half of the financial year, and beyond.

Our programme of improvements includes the progressive implementation of an internal reorganisation to achieve further operational and structural efficiencies following the major business acquisitions of recent years.

Of particular note regarding regulatory outcomes, it has been encouraging for Vector and the wider industry to see the Government taking a lead in its review of the Commerce Act and clearly signalling its understanding of the need to balance consumer interests with that of ensuring ongoing investment in critical infrastructure in New Zealand.

Following the previously-reported expressions of interest in Vector's electricity network in Wellington, we continue our strategic review process. To re-iterate, our objective is to thoroughly review a range of possible options available to us on behalf of our shareholders. You may have read reports about price expectations with largely speculative conclusions regarding the options before Vector. As we stated at the beginning of the process, there is no pre-determined outcome and we remain open to a range of structures or arrangements including retaining the asset.

FINANCIAL PERFORMANCE

This is the first period for which Vector is reporting under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). To enable comparisons, the results shown in this report for the previous corresponding period ended 31 December 2006 and for the full year ended 30 June 2007 (previously reported under former NZ GAAP accounting standards) have been restated for NZ IFRS.

Net earnings for the six months ended 31 December 2007 amounted to $90.7 million, compared with $110.6 million in the previous corresponding period. The result was influenced by a variety of impacts on revenues and costs.

"The company has operated within its cash resources and, in maintaining rigorous disciplines around capital spending, continues to take a prudent approach to cash flow management."

The nature of Vector's business means we will always be subject to volatile weather patterns. The damaging, hurricane-force storm that struck the upper North Island at the start of the period in July 2007 resulted in unforeseen operating costs. Conversely, the warmer conditions, compared with those in the 2006 half year, affected customer energy usage, particularly in Wellington, and consequently the level of volume and revenue growth on our energy distribution networks.

Revenues of $689.2 million were flat against the $690.2 million reported for the 2006 half year. In addition to the reduced growth in network throughput, this includes a significant reduction in natural gas sales due to the anticipated non-renewal of several one-off, short term but high volume petrochemical supply contracts. This was offset by revenue growth in the electricity business.

However, despite non-recurring costs of approximately $6 million associated with the July storm and internal reorganisation, as well as higher gas purchase costs as we draw on dearer gas entitlements for onsale to our customers, improved efficiencies across the business resulted in an overall reduction of $1.3 million in operating expenditure to $357.1 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) consequently increased slightly from $331.8 million to $332.1 million.

Also taking account of all of these factors, operating cash flows declined by 16.1% to $193.3 million. The company, however, has operated within its cash resources and, in maintaining rigorous disciplines around capital spending, continues to take a prudent approach to cash flow management.

Our capital investment programme is active nonetheless. We continue to invest in growth across our business and although total capital expenditure was $6.3 million lower at $105.9 million, 44% was directed to growth projects in electricity, gas, telecommunications and metering.

The resulting higher asset base combined with accelerated depreciation on our metering assets as we transition to technologically advanced smart meters contributed to a 12.6% increase, to $76.7 million, in depreciation and amortisation, with a resulting 3.1% reduction in earnings before interest and tax (EBIT) to $255.4 million.

While Vector's borrowings have only marginally increased in cash terms since 30 June 2007, borrowing levels were higher than in the previous corresponding period and, with increased floating interest rates, led to 6.2% higher net financing costs of $123.2 million.

In addition, although earnings before tax were $15.3 million lower at $132.8 million, the tax charge increased by $3.6 million to $38.9 million due mainly to a higher proportion of non-taxable receipts, including a gain on the sale of Vector's 25% shareholding in Wanganui Gas Limited, in the previous corresponding period.

As the effects of increased borrowing costs and depreciation were anticipated by the company and the financial markets, the resulting lower level of net earnings of $90.7 million is in line with our expectations for the period. The board is confident that Vector's earnings for the year ended 30 June 2008 will comfortably meet or exceed current published market forecasts.

On the basis of the solid result, but also recognising the challenges of current financial market and trading conditions, the board has declared a fully imputed interim dividend of 6.5 cents per share, to be paid on 10 April 2008 to shareholders registered on 31 March 2008. The interim dividend level is the same as for the previous corresponding period and represents 71.6% of net earnings for the half-year period.

FINANCIAL POSITION AND CAPITAL STRUCTURE

Vector's assets as at 31 December 2007 totalled $5,862.5 million, up $141.4 million, or 2.5%, on the asset value a year previously.

Net debt, at $3,001.5 million, was 2.9% higher than in the previous corresponding period, and the equity level improved by 7.6% to $1,968.8 million. Consequently, the company's gearing – as measured by net debt to net debt plus equity – improved from 61.5% to 60.4% and remains appropriate for a company like Vector.

With $1 billion of debt facilities maturing in the 2008 calendar year, the board, management and our advisers are working diligently to review refinancing options and to establish an optimal capital structure for the company.

The maturing debt includes $320 million of AUD credit wrapped floating rate notes due in April and bank facilities of $700 million due in October. Vector had drawn only $430 million of the bank facilities as at 31 December 2007.

Although world capital markets are volatile at this time, investment grade utility debt, such as Vector's, remains attractive to investors. For the refinancing of the floating rate notes in April, we have developed a number of alternatives in the domestic and international markets and are confident of a successful outcome on acceptable terms.

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.

REGULATORY DEVELOPMENTS

The continuing evolution of the regulatory environment is an industry-wide matter of critical importance, and remains a priority for both Vector's board and management.

The outcome of the Government's review of the Commerce Act in relation to infrastructure companies is generally viewed as encouraging. However we see a timing mismatch in which the Commerce Commission has started a process of re-setting electricity network price path thresholds, to take effect from 1 April 2009, at the same time that the Government is planning legislative changes that would influence the reset process.

Vector is not alone among electricity lines businesses in believing there should be appropriate transitional arrangements, including retention of the current thresholds regime until changes to the Commerce Act are legislated. This would allow the Commission to work through the reset process under the new legislation, not the old, and would assist in delivering the regulatory confidence and certainty intended by the Government.

Vector still awaits final decisions by the Commission on the administrative settlement offer in respect of electricity network price rebalancing, and on future pricing for the Auckland gas network.

"The outcome of the Government's review of the Commerce Act in relation to infrastructure companies is generally viewed as encouraging."

"Vector has an exciting future as we work to maximise the benefits of the company's electricity, gas, communications and metering assets while also exploring demand side energy solutions such as micro-wind turbines."

OUTLOOK

Vector has an exciting future as we work to maximise the benefits of the company's electricity, gas, communications and metering assets while also exploring demand side energy solutions such as micro-wind turbines. These demand side solutions (energy generated closer to the customer to augment larger scale generation plants) will offer customers greater choices while supporting the country's climate change initiatives. The company is in good heart and we are making solid progress in our performance improvement strategies.

For the industry generally, there are challenges ahead in energy supply security and achieving regulatory outcomes that both benefit customers and satisfy commercial and investment imperatives for infrastructure owners.

We continue to work constructively with industry, Government and regulatory stakeholders in both of these critical areas.

CHIEF EXECUTIVE APPOINTMENT

The directors are pleased to report that the company will be led into this future by Simon Mackenzie, who was formally appointed by the board as chief executive officer on 13 February 2008. Simon has been with Vector since 1998 in various senior operating and strategic roles, most recently as acting chief executive. Simon has the right credentials for the position, and we believe will lead Vector to successfully deliver our agreed strategy.

Michael Stiassny
Chairman

FROM THE CHIEF EXECUTIVE

While we maintain a firm focus on the overall efficiency of the company we continue to take initiatives to further develop our business, including through strategic partnerships.

In December 2007, we established a 50:50 joint venture, Advanced Metering Services (AMS), with Siemens International to deliver advanced technology metering and operational services to customers throughout New Zealand.

This independent business builds on Vector's local market capability with the international experience and reputation of Siemens. We see it as the optimal market model for the transformation to new technology and services in a short timeframe.

AMS is working closely with other leading industry participants and has contracted its first significant tranche of advanced metering services with a major retailer, involving the deployment of smart metering services to more than 50,000 homes and businesses.

In a further strategic alliance, formed shortly after balance date, we have aligned with a cornerstone customer, Vodafone, for a 300 kilometre plus extension to Vector's fibre optic broadband network in Auckland.

This is a logical step for Vector following our previously-reported intention to accelerate our focus on our future role regarding true broadband. It is also a good example of the type of partnering that will lead to improved telecommunications services in New Zealand.

The extension, involving only a modest net capital investment with no immediate impact on the company's gearing level, will provide further ultra high-speed broadband access throughout Auckland, including the North Shore, where we also recently completed a significant fibre optic project under the Government's Broadband Challenge scheme to provide fibre links for schools, municipal facilities and other users.

The expanded network will further extend our customer reach and enable greater competition in the unbundled local loop environment connecting 41 of Telecom's exchanges. Vodafone will use part of the network to enhance its mobile phone and broadband services and, for Vector, it will connect 40 electricity substations allowing further development of state-of-the-art network management capability within the company.

ENERGY SUPPLY SECURITY

In our energy infrastructure operations, we are participating fully with the wider industry to address growing concerns over security of energy supply, particularly electricity.

These concerns arise primarily from a number of coincidental electricity generation and transmission constraints that together present supply risks for the 2008 winter period.

"In our energy infrastructure operations, we are participating fully with the wider industry to address growing concerns over security of energy supply, particularly electricity."

As an electricity distribution company, these circumstances are largely outside our control as there is little we can do directly to improve generation and transmission capacity. However, we are concerned to mitigate potential impacts on our customers and we are working closely and constructively with the wider industry to identify solutions.

Vector fully supports the Government energy strategy and its promotion of greater use of renewable energy sourcing. Realistically, however, the current generation and transmission constraints and the threat they pose to reliable supply, particularly in Auckland, require careful pacing of the transition towards renewable generation. As an industry we must keep the customer and the need for secure, reliable, safe energy supply at the core of all our decisions.

Vector therefore believes there is a strong need for a modern, energy-efficient gas-fired generation plant in the Auckland region. We continue our preparations to strengthen gas transmission system deliverability into Auckland, should such a plant be built.

We are working closely and constructively with Transpower and the Electricity Commission and support a swift resolution on proposals to strengthen the Upper North Island grid to improve transmission security of supply.

In addition to our involvement in wind farms, through a 19.99% shareholding in NZ Windfarms Limited and our trial of micro wind turbines in New Zealand urban conditions, we have recently reached agreement with an Australian company for the supply of solar-augmented hot water systems. This further illustrates Vector's commitment to finding renewable solutions to New Zealand's future energy needs, and we will continue to explore opportunities for our business and customers.

BUSINESS PERFORMANCE

Electricity

Financial result

Revenue growth and reduced costs contributed to a 5.2% increase, to $211.3 million, in the electricity business EBITDA.

New customer connections and higher consumption resulted in a revenue increase of 1.8% to $329.9 million. Higher maintenance expenditure due to storm damage in July 2007 was offset by lower transmission charges and effective cost management strategies, with overall operating costs for the business declining by 3.7% to $118.6 million.

Network operations

Electricity network throughput increased by 0.6% to 5,535 gigawatt hours. Throughput on the greater Auckland networks increased by 1.2%, but declined by 1.2% in Wellington due to warmer conditions throughout the period, compared with the 2006 half year.

Connections to our networks continued to increase steadily with total connections of 677,772 as at 31 December 2007 1.2% higher than a year previously.

Vector's undergrounding programme was maintained with support from the AECT, with a major project in Orakei, Auckland, due to be completed in March 2008.

As expected, the July 2007 storm had a significant impact on our network reliability indicator SAIDI (system average interruption duration index). Interruptions arising from normal operations in the first nine months of the regulatory year to 31 December 2007 improved from 68.4 minutes in the previous corresponding period to 58.3 minutes. However, extreme weather events, measured using our established methodology, pushed the overall figure up to 180.2 minutes compared with 91.7 minutes in 2006.

Gas

Financial result

Gas business revenues declined by 1.7% to $347.4 million as improved transportation revenue was offset by a significant reduction in natural gas sales.

With 1.1% higher operating costs of $219.2 million and tighter gross margins in gas trading as we access higher-cost gas entitlements, gas business EBITDA was 6.1% lower at $128.2 million.

Gas transportation

Gas transmission system throughput increased by 16.3% to 55.6 petajoules (PJ) due to increased demand from large users, particularly electricity generators.

Gas network connections as at 31 December 2007 totalled 145,162, an increase of 3% on connections a year previously, and our total network length increased from 6,668 kilometres to 6,774 kilometres in the same period. However distribution network throughput in the current half year declined by 3.3% to 11.7 PJ as a result of lower customer consumption related to the return to more normal weather conditions.

Gas sales

A 19% reduction in natural gas sales, from 31.5 PJ to 25.5 PJ, reflects the absence of large, one-off petrochemical supply contracts in the 2006 half year. The expected finish of these short-term supply arrangements was partially offset by new contracts with electricity generators.

Vector held entitlements to 197 PJ of gas as at 31 December 2007, compared with 269 PJ a year previously. Gas purchases in the first half of the 2006 year included a significant quantity of lower-priced legacy Maui gas which was not utilised in the current half year. We expect that all of our legacy gas entitlements will be utilised during the remaining part of this financial year.

LPG sales volumes remained steady, and revenues also benefited from the market's move to higher prices to achieve import price parity as imported product was used to augment indigenous LPG production to meet demand.

Gas processing

Production at our gas treatment plant at Kapuni, Taranaki, was affected by scheduled field maintenance of the Kapuni gas field which led to temporary minimum flow volumes.

Technology

Our technology businesses, incorporating Vector Communications and energy metering, recorded revenue growth of 6.7%, to $35.4 million, and made a 1.6% higher EBITDA contribution of $23.6 million.

"As an industry we must keep the customer and the need for secure, reliable, safe energy supply at the core of all our decisions."

"Our success with the energy metering joint venture and the fibre optic telecommunications agreement with Vodafone provides further impetus to the business and paves the way to our continuing technological competitiveness."

SUMMARY

We have completed a solid half year performance that was influenced by significant, but non-recurring events.

Our progress with the four strategic focus areas of the business – improved cost efficiency and operational effectiveness, managing regulatory outcomes, meeting customers' changing needs and undertaking disciplined growth initiatives – is pleasing and the programme we initiated last year is bearing fruit. It is expected we will achieve more than 10% savings in indirect costs by the end of the financial year, and we are well positioned to realise the full benefits in 2008/09.

Our success with the energy metering joint venture and the fibre optic telecommunications agreement with Vodafone provides further impetus to the business and paves the way to our continuing technological competitiveness.

In regards to our executive team, recruitment processes are well underway for the position of Chief Financial Officer and have been initiated to complete the full executive team.

Vector is fully and actively involved with the wider industry to meet energy supply security challenges. Through this and our own initiatives in renewable energy, we are helping to meet customers' rightful expectations for reliable and sustainable energy services.

Simon Mackenzie
Group Chief Executive Officer

INTERIM
FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

CONTENTS

INTERIM FINANCIAL STATEMENTS

The directors are pleased to present the interim financial statements of the group for the six months ended 31 December 2007.

For and on behalf of directors

Director 14 February 2008

Director 14 February 2008

For and on behalf of management

Group Chief Executive Officer 14 February 2008

Acting Chief Financial Officer 14 February 2008

AUDITORS' REVIEW REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

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 2007.

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 group as at 31 December 2007 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 and certain of its subsidiaries 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 group. These matters have not impaired our independence as auditors of the company. 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 do not give a true and fair view of the financial position of Vector Limited as at 31 December 2007, 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* and NZ IFRS 1: *First-time adoption of New Zealand equivalents to International Financial Reporting Standards*.

Our review was completed on 14 February 2008 and our opinion is expressed as at that date.

KPMG

Auckland

CONDENSED CONSOLIDATED

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2007 (UNAUDITED)

	NOTE	31 DEC 2007 6 MONTHS $000	31 DEC 2006 6 MONTHS $000	30 JUN 2007 12 MONTHS $000
Trading revenue		**672,897**	673,598	1,272,176
Other revenue		**16,289**	16,623	34,965
Operating revenue		**689,186**	690,221	1,307,141
Electricity transmission expenses		**(70,344)**	(75,809)	(130,782)
Gas purchases and production costs		**(166,296)**	(163,666)	(320,173)
Network and asset maintenance expenses		**(49,056)**	(46,120)	(95,838)
Indirect expenses		**(71,394)**	(72,856)	(155,080)
Operating expenditure		**(357,090)**	(358,451)	(701,873)
Earnings before financing costs, income tax, depreciation and amortisation (EBITDA)		**332,096**	331,770	605,268
Depreciation and amortisation		**(76,724)**	(68,117)	(146,625)
Operating surplus before interest and income tax		**255,372**	263,653	458,643
Net financing costs	2	**(123,128)**	(115,942)	(230,776)
Share of profit from associates	3	**593**	470	656
Operating surplus before income tax		**132,837**	148,181	228,523
Income tax (expense)/benefit	4	**(38,891)**	(35,324)	8,985
Operating surplus		**93,946**	112,857	237,508
Operating surplus attributable to minority interests		**(3,200)**	(2,218)	(4,203)
Operating surplus attributable to the shareholders		**90,746**	110,639	233,305

	31 DEC 2007 6 MONTHS	31 DEC 2006 6 MONTHS	30 JUN 2007 12 MONTHS
Number of fully paid ordinary shares on issue (000s)	**1,000,000**	1,000,000	1,000,000
Earnings per share (cents)	**9.1**	11.1	23.3
Total tangible assets per share (cents)	**414.5**	400.7	415.1
Net tangible assets per share (cents)	**25.2**	11.5	22.1

CONDENSED CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2007 (UNAUDITED)

	NOTE	31 DEC 2007 6 MONTHS $000	31 DEC 2006 6 MONTHS $000	30 JUN 2007 12 MONTHS $000
Transfer to equity on net change in fair value of cash flow and fair value hedges		**6,744**	15,535	63,796
Net income recognised directly in equity		**6,744**	15,535	63,796
Operating surplus for the period		**93,946**	112,857	237,508
Total recognised revenue and expenses		**100,690**	128,392	301,304
Distributions to equity holders:				
Dividends		**(65,000)**	(60,000)	(125,000)
Supplementary dividends		**(383)**	(380)	(662)
Foreign investor tax credits		**383**	380	662
Dividends to minorities		**(2,981)**	(2,588)	(3,776)
		32,709	65,804	172,528
Equity at beginning of the period		**1,936,131**	1,763,603	1,763,603
Equity at end of the period	6	**1,968,840**	1,829,407	1,936,131
Total recognised revenue and expenses attributable to:				
Equity holders of the group		**97,490**	126,174	297,101
Minority interests		**3,200**	2,218	4,203
Total recognised revenue and expenses		**100,690**	128,392	301,304
Equity at end of the period represented by:				
Issued share capital		**874,979**	874,979	874,979
Hedge reserve		**75,388**	21,223	68,644
Retained earnings		**1,006,832**	922,580	981,086
Shareholders' funds		**1,957,199**	1,818,782	1,924,709
Minority interests		**11,641**	10,625	11,422
Equity at end of the period		**1,968,840**	1,829,407	1,936,131

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007 (UNAUDITED)

	NOTE	31 DEC 2007 $000	31 DEC 2006 $000	30 JUN 2007 $000
CURRENT ASSETS				
Cash and cash equivalents		**9,203**	5,247	7,008
Receivables and prepayments		**161,703**	170,821	184,321
Inventories		**11,529**	7,435	9,062
Income tax		**2,599**	–	23,503
Intangible assets		**1,649**	639	2,639
Total current assets		**186,683**	184,142	226,533
NON-CURRENT ASSETS				
Receivables and prepayments		**3,097**	3,440	4,716
Derivative financial instruments		**71,372**	18,570	66,813
Inventories		**–**	2,881	–
Income tax		**1,137**	1,251	1,137
Investments in associates		**32,933**	11,051	28,259
Other investments		**–**	729	–
Intangible assets		**1,715,415**	1,713,920	1,712,546
Property, plant and equipment	7	**3,851,881**	3,785,155	3,826,127
Total non-current assets		**5,675,835**	5,536,997	5,639,598
Total assets		**5,862,518**	5,721,139	5,866,131
CURRENT LIABILITIES				
Income tax		**–**	17,788	–
Payables and accruals		**195,664**	213,472	238,872
Borrowings	8	**733,600**	204,908	361,025
Total current liabilities		**929,264**	436,168	599,897
NON-CURRENT LIABILITIES				
Payables and accruals		**12,907**	12,190	12,502
Derivative financial instruments		**88,006**	92,451	143,420
Borrowings	8	**2,277,133**	2,718,582	2,593,703
Deferred tax		**586,368**	632,341	580,478
Total non-current liabilities		**2,964,414**	3,455,564	3,330,103
Total liabilities		**3,893,678**	3,891,732	3,930,000
EQUITY				
Shareholders' funds		**1,957,199**	1,818,782	1,924,709
Minority interests		**11,641**	10,625	11,422
Total equity	6	**1,968,840**	1,829,407	1,936,131
Total equity and liabilities		**5,862,518**	5,721,139	5,866,131

CONDENSED CONSOLIDATED

CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2007 (UNAUDITED)

	31 DEC 2007 6 MONTHS $000	31 DEC 2006 6 MONTHS $000	30 JUN 2007 12 MONTHS $000
OPERATING ACTIVITIES			
Cash provided from:			
Receipts from customers	**716,134**	705,985	1,310,651
Interest portion of repayments on finance leases	**60**	60	120
Interest received on deposits	**2,820**	2,766	3,824
Dividends received	**–**	226	263
	719,014	709,037	1,314,858
Cash applied to:			
Payments to suppliers and employees	**(392,536)**	(358,142)	(671,419)
Income tax paid	**(12,098)**	(10,851)	(59,183)
Interest paid on finance leases	**(372)**	(249)	(682)
Interest paid	**(120,677)**	(109,368)	(225,605)
	(525,683)	(478,610)	(956,889)
Net cash flows from operating activities	**193,331**	230,427	357,969
INVESTING ACTIVITIES			
Cash provided from:			
Proceeds from sale of investments	**–**	8,000	8,000
Proceeds from sale of property, plant and equipment	**3,677**	1,267	4,381
Receipts from loans repaid	**131**	131	135
Refund of security deposits	**103**	–	–
Capital portion of repayments on finance leases	**6**	6	11
	3,917	9,404	12,527
Cash applied to:			
Purchase and construction of property, plant and equipment	**(115,037)**	(130,926)	(251,645)
Purchase and development of software intangibles	**(9,215)**	(3,946)	(10,951)
Purchase of investments	**(4,061)**	–	(17,015)
Issue of security deposits	**–**	–	(101)
	(128,313)	(134,872)	(279,712)
Net cash flows used in investing activities	**(124,396)**	(125,468)	(267,185)

	NOTE	31 DEC 2007 6 MONTHS $000	31 DEC 2006 6 MONTHS $000	30 JUN 2007 12 MONTHS $000
FINANCING ACTIVITIES				
Cash provided from/(applied to):				
Proceeds from borrowings		**324,496**	226,411	660,172
Repayment of borrowings		**(322,498)**	(269,647)	(615,000)
Debt raising costs incurred		**–**	(3,208)	(7,595)
Capital portion of payments under finance leases		**(757)**	(187)	(2,084)
Dividends paid to shareholders of Vector Limited		**(65,000)**	(60,000)	(125,000)
Dividends paid to minority interests		**(2,981)**	(2,588)	(3,776)
Net cash flows used in financing activities		**(66,740)**	(109,219)	(93,283)
Net increase/(decrease) in cash and cash equivalents		**2,195**	(4,260)	(2,499)
Cash and cash equivalents at beginning of the period		**7,008**	9,507	9,507
Cash and cash equivalents at end of the period		**9,203**	5,247	7,008

Cash and cash equivalents is represented entirely by bank balances.

	NOTE	31 DEC 2007 6 MONTHS $000	31 DEC 2006 6 MONTHS $000	30 JUN 2007 12 MONTHS $000
RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating surplus attributable to the shareholders		**90,746**	110,639	233,305
Operating surplus attributable to minority interests		**3,200**	2,218	4,203
Operating surplus		**93,946**	112,857	237,508
ITEMS CLASSIFIED AS INVESTING AND FINANCING ACTIVITIES				
Net loss on write-off of property, plant and equipment		**2,379**	1,238	9,208
		2,379	1,238	9,208
NON-CASH ITEMS				
Depreciation and amortisation		**76,724**	68,117	146,625
Amortisation of interest rate cap premium		**486**	–	2,263
Amortisation of costs relating to financial instruments	2	**2,519**	5,493	6,978
Increase/(decrease) in deferred tax		**5,890**	3,322	(48,541)
Increase/(decrease) in provisions		**285**	(11,280)	(18,823)
Net gain on remeasurement of fair value of financial instruments	2	**(1,914)**	(1,349)	(5,072)
Equity earnings	3	**(593)**	(470)	(656)
		83,397	63,833	82,774
MOVEMENT IN WORKING CAPITAL				
(Decrease)/increase in payables and accruals		**(28,825)**	3,095	33,682
(Increase)/decrease in inventory		**(2,467)**	5,905	7,159
Decrease in receivables and prepayments		**23,997**	15,353	668
Decrease/(increase) in income tax assets		**20,904**	28,146	(13,030)
		13,609	52,499	28,479
Net cash flows from operating activities		**193,331**	230,427	357,969

1. 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*. These are the group's first NZ IFRS condensed consolidated interim financial statements for part of the period covered by the first NZ IFRS annual financial statements and NZ IFRS 1: *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* has been applied. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and 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 2007.

The financial statements for the six months ended 31 December 2007 and the six months ended 31 December 2006 are unaudited.

An explanation of how the transition to NZ IFRS has affected the reported financial position, financial performance and cash flows of the group is provided in note 14. This note includes reconciliations of equity and operating surplus for comparative periods reported under previous NZ GAAP to those reported for those periods under NZ IFRS.

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

SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

To comply with NZ IFRS 1: *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* the group changed its accounting policies on 1 July 2006 to achieve consistency with NZ IFRS. The transition to NZ IFRS has required restatement of previously-reported financial statements prepared consistently with NZ GAAP for comparative periods. Note 14 provides further explanation of these changes in accounting policies and reconciles the information presented in these accounts to that previously-reported for those comparative periods.

The following specific accounting policies that materially affect the measurement of profit or loss, balance sheet items and cash flows have been applied consistently to all periods presented in the financial statements and consistently by group entities.

A) BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities controlled, directly or indirectly by Vector Limited. The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method of consolidation.

Associates

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

Joint ventures

Joint ventures are contractual arrangements with other parties which establish joint control for each of the parties over the related operations, assets or entity. The group is jointly and severally liable in respect of costs and liabilities, and shares in any resulting output. Where the joint venture is not itself a separate legal entity, the group's share of its assets, liabilities, revenues and expenses is incorporated in the separate financial statements of the subsidiary company which directly participates as a venturer in the jointly-controlled assets or operations. No further consolidation adjustments are then required. Where the joint venture is a separate legal entity, the group's share of its assets, liabilities, revenues and expenses is incorporated in the consolidated financial statements on a line-by-line basis using the proportionate method.

SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

A) BASIS OF CONSOLIDATION / CONTINUED

Partnerships

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

Acquisition or disposal during the period

Where an entity becomes or ceases to be a part of the group during the period, the results of the entity are included in the consolidated results from the date that control or significant influence commenced or until the date that control or significant influence ceased. When an entity is acquired all identifiable assets, liabilities and contingent liabilities are recognised at their fair value at acquisition date. The fair value does not take into consideration any future intentions by the group. All equity and debt raising costs incurred in relation to the acquisition of a subsidiary are accounted for in accordance with the accounting policy for financial instruments below. Where an entity or a group of assets within an entity is held for sale, that entity or group of assets is recognised at the lower of their current carrying amount and fair value less costs to sell, and when subsequently disposed of, the gain or loss recognised in the income statement is calculated as the difference between the sale price and the carrying amount of the entity or group of assets and related goodwill.

Intra-group amalgamations

Where an intra-group reconstruction occurs through a subsidiary amalgamating into its parent by way of a short form amalgamation, the assets and liabilities are recognised in the financial statements of the amalgamated entity at the carrying value in the subsidiary accounts at the point of amalgamation. The investment in the subsidiary is reduced to zero. Goodwill previously recognised in the group financial statements on consolidation is recognised in the amalgamated entity financial statements on amalgamation. Any excess of the carrying amount of the subsidiary's net assets and the goodwill over the investment in the subsidiary is recognised in the statement of changes in equity. The results of the subsidiary amalgamated are recognised in the net surplus of the amalgamated entity from the date of the amalgamation.

Goodwill arising on acquisition

As part of its transition to NZ IFRS, the group elected not to restate any business combinations that occurred prior to 1 July 2006. Accordingly, goodwill in respect of acquisitions prior to 1 July 2006 represents the amount recognised previously under NZ GAAP.

For acquisitions on or after 1 July 2006, goodwill arising on acquisition of a subsidiary or associate represents the excess of the purchase consideration over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

Transactions eliminated on consolidation

The effects of intra-group transactions are eliminated in preparing the consolidated financial statements. In the separate financial statements of Vector Limited, where dividends are received from subsidiaries or associates that exceed Vector Limited's share of that investee's post-acquisition earnings on consolidation, that excess is netted off Vector Limited's investment in that subsidiary or associate. This adjustment is eliminated on consolidation.

Intra-group advances to and from subsidiaries are recognised at fair value within current assets and current liabilities in the separate financial statements of Vector Limited. Advances to subsidiaries from Vector Limited are repayable on demand. All intra-group advances are eliminated on consolidation. Where applicable, interest income and interest expense levied on these advances are calculated at market interest rates and subsequently eliminated in the income statement on consolidation.

SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

B) DETERMINATION OF FAIR VALUES

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is established for distribution systems on the basis of depreciated replacement cost and for other property, plant and equipment on the basis of market value.

Gas entitlements

The fair value of gas entitlements recognised as a result of a business combination is based on the amount that favourable gas purchase contracts could be exchanged between knowledgeable, willing parties in an arm's length transaction measured by comparison of the contracts purchase price against the market purchase prices at the date of the business combination.

Investments in equity and debt securities

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the balance date.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance date. A provision for doubtful debts is recognised to allow for the reduction in fair value attributable to expected doubtful or delayed collection of receivables.

Derivatives

The fair value of forward exchange contracts is based on their listed market price.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at balance date.

C) REVENUE

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, excise and customs import duties, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Sale of services

Sales of services are recognised as the services are rendered to reflect the percentage completion of the related services.

Commission sales

When the group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the group.

SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

C) REVENUE / CONTINUED

Capital contributions

Third party contributions towards the construction of property, plant and equipment are recognised in the income statement to reflect the percentage completion of construction of those related items of property, plant and equipment. Contributions received in excess of those recognised in the income statement are recognised as deferred income in the balance sheet.

Government grants

Government grants are recognised initially as deferred income when there are reasonable assurances that they will be received and that the group will comply with the conditions associated with the grant. Grants that compensate the group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the group for the cost of items of property, plant and equipment are recognised in the income statement on a systematic basis over the useful life of the items.

D) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets (except for trade receivables), losses on the disposal of available-for-sale financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in the income statement using the effective interest rate method.

E) INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years. During the financial period, the current tax liability is estimated based on the forecast effective tax rate for that entire financial period.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that the group is able to control the timing of reversal of the temporary differences and they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each balance date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

F) FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates at the dates of the transactions unless transactions are hedged by foreign currency derivative instruments, which is explained in (R) below. Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in equity. At balance date foreign monetary assets and liabilities are translated at the functional currency closing rate, and exchange variations arising from these translations are included in the income statement as operating items.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historic cost are not retranslated at balance date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to New Zealand dollars at exchange rates at the balance date with the difference taken to the foreign currency translation reserve. The income and expenses of foreign operations are translated to New Zealand dollars either at exchange rates at the dates of the transactions or at a period average exchange rate which approximates to the actual exchange rates during that period.

G) EMPLOYEE BENEFITS

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

Termination benefits

Termination benefits are recognised as an expense when the group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

An accrual is recognised for accumulating benefits which remain unused at balance date.

H) DISCONTINUED OPERATIONS

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

I) EARNINGS PER SHARE

The group presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares on issue during the period.

SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

J) SEGMENT REPORTING

An operating segment is a distinguishable component of the group whose operating results are regularly reviewed by the group's chief operating decision makers in order to assess performance and make decisions about resources to be allocated to the segment.

K) INVENTORIES

Inventories are assets held for sale in the ordinary course of business.

Inventories are measured at lower of cost and net realisable value. The cost of inventories is determined on a first-in-first-out or weighted average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price less the estimated costs of completion and selling expenses.

Gas contracts and prepaid gas

The group may from time to time, prepay for gas and these prepayments may entitle the group to delivery of gas in subsequent periods without further payment. Gas prepayments are capitalised as an asset and are expensed to cost of goods sold in the income statement as the prepaid gas is utilised. The amortisation rate per unit of gas is based on the amount of prepaid gas which the group expects to access over the term of the contract.

Where volumes of gas are advanced under a swap agreement, the group recognises an estimated liability for the future obligation to return gas at a later date. Fees associated with gas advances are amortised to the income statement over the expected life of the contract.

L) IDENTIFIABLE INTANGIBLE ASSETS

Gas entitlements

Gas entitlements acquired as a result of a business combination are initially recognised at fair value and are amortised to the income statement as the entitlements to gas volumes are exercised.

Software

Software that is not integral to the functionality of the related hardware is treated as an intangible asset. It is amortised on a straight line basis over its useful life, commencing on the date it is brought into use. Software assets which are integral to the operation of the related hardware are classified as computer equipment within property, plant and equipment.

M) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets expected to be used during more than one financial period and include spares held for the servicing of other property, plant and equipment owned by the group.

The initial cost of purchased property, plant and equipment is the value of the consideration given to acquire the property, plant and equipment and the value of other directly attributable costs, which have been incurred in bringing the property, plant and equipment to the location and condition necessary for the intended service.

The initial cost of self-constructed property, plant and equipment includes the cost of all materials used in construction, direct labour on the project, financing costs that are attributable to the project, costs of ultimately dismantling and removing the items and restoring the site on which they are located (where an obligation exists to do so) and an appropriate proportion of the other directly attributable overheads incurred in bringing the items to working condition for their intended use. Financing costs that would have been avoided if the expenditure on qualifying assets had not been made are capitalised while the construction activities are in progress. Costs cease to be capitalised as soon as the property, plant and equipment is ready for productive use and do not include any costs of abnormal waste.

SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

M) PROPERTY, PLANT AND EQUIPMENT / CONTINUED

Uninstalled property, plant and equipment are stated at the lower of cost and estimated recoverable amount. Estimated recoverable amount is the greater of the estimated amount from the future use of the property, plant and equipment and its ultimate disposal, and its net market value.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses. The cost of distribution systems, distribution land and distribution buildings forming part of property, plant and equipment at 1 July 2006, the date of transition to NZ IFRS, are measured on the basis of deemed historic cost.

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure can be measured reliably and either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and that expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time. The costs of day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

N) DEPRECIATION

Depreciation of property, plant and equipment, other than gas turbines and freehold land is calculated on a straight line basis so as to expense the cost of the property, plant and equipment, less any expected residual value, to the income statement over its useful economic life.

Depreciation commences when the item of property, plant and equipment is brought into productive use, except where items prior to being brought into use are subject to wear and tear or technological obsolescence, in which case depreciation commences when such items become available for use.

	ESTIMATED USEFUL LIVES YEARS
Buildings	40 – 100
Distribution systems	15 – 100
Motor vehicles and mobile equipment	3 – 20
Computer and telecommunication equipment	3 – 40
Electricity and gas meters	5 – 30
Generation assets (excluding gas turbines)	10 – 20
Other plant and equipment	5 – 20

Gas turbines disclosed within generation assets are depreciated on a units of production basis over a period of 20 years. All other generation assets are depreciated on a straight line basis over their useful life.

O) LEASED ASSETS

Finance leases

Property, plant and equipment under finance leases, where the group as lessee assumes substantially all the risks and rewards of ownership, are recognised as non-current assets in the balance sheet. Leased property, plant and equipment are recognised initially at the lower of the present value of the minimum lease payments or their fair value. A corresponding liability is established and each lease payment apportioned between the reduction of the outstanding liability and the finance expense. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased property, plant and equipment are depreciated over the shorter of the lease term and the useful life of equivalent owned property, plant and equipment.

SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

O) LEASED ASSETS / CONTINUED

Operating leases

Payments made under operating leases, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment are recognised in the income statement 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. Property, plant and equipment under operating leases are not recognised in the group's balance sheet.

Leasehold improvements

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

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

P) IMPAIRMENT

Where assets are deemed to be impaired, the impairment loss is the amount that the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

Impairment of equity instruments

Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price.

Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the income statement.

Impairment of receivables

The recoverable amount of the group's receivables carried at fair value is calculated as the present value of estimated future cash flows. Long term receivables are discounted to reflect the time value of money. An impairment loss is recognised if the carrying amount of a receivable or grouping of similar receivables exceeds its recoverable amount. Receivables with a short duration are not discounted.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account previous experience of doubtful or delayed collection of debts on portfolios with a similar amount of days overdue.

Impairment of non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill, recoverable amount is tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

P) IMPAIRMENT / CONTINUED

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each balance date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed to the income statement only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Q) PROVISIONS

Provisions are liabilities which arise where the group considers, as a result of a past event, that a constructive or legal obligation exists to settle items in the foreseeable future. A provision is recognised where the likelihood of a resultant liability is considered more probable than not and the amount required to settle the liability can be reliably estimated. Where the likelihood of a resultant liability is more than remote but insufficient to warrant a provision, such events are disclosed as contingent liabilities.

Provisions are estimated by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where a provision is currently expected to be utilised within one year, or where the future actions of a third party could cause the liability to be settled within one year, the provision is not discounted.

The amortisation or unwinding of any discount applied in establishing the net present value of provisions is charged to the income statement as the period of discounting diminishes.

Decommissioning of property, plant and equipment

A provision for decommissioning costs is recognised where on construction of certain items of property, plant and equipment, the group becomes committed to an unavoidable obligation to ultimately dismantle and remove those items and to restore the site on which they are located at the end of the items' productive life.

Onerous contracts

Where the benefits expected to be derived from a contract are lower than the unavoidable costs of meeting the group's obligation under the contract, a provision is recognised. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before the provision is established, the group recognises any impairment loss on the assets associated with that contract. Subsequent to initial recognition, the provision is amortised to the income statement over the life of the contract as the services are delivered.

R) FINANCIAL INSTRUMENTS

Borrowings

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 the income statement over the period of the borrowing using the effective interest rate method.

Borrowing costs

Borrowing costs directly attributable to property, plant and equipment under construction are capitalised as part of the cost of those assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

R) FINANCIAL INSTRUMENTS / CONTINUED

Derivative financial instruments

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including interest rate swaps and cross currency swaps. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the income statement depends on the nature of the hedge relationship. The group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions (cash flow hedges). At the inception of the transaction the group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. The gain or loss relating to both the effective and the ineffective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within net finance costs. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the income statement within net finance costs.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised through the income statement from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within net finance costs.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item is recognised in profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within net finance costs, when the underlying transaction affects earnings.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

R) FINANCIAL INSTRUMENTS / CONTINUED

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the income statement.

Financial assets

Investments are initially measured at fair value, net of transaction costs.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

The group has currently not classified any financial assets at fair value through profit or loss.

Held-to-maturity investments

The group has currently not classified any financial assets as held-to-maturity investments. If the group acquires any financial assets that are held to maturity, they would be recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that would discount estimated future cash receipts to nil over the expected life of the financial asset, or where appropriate, a shorter period.

Available-for-sale financial assets

Certain shares held by the group are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at fair value which is amortised cost less impairment.

Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

S) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Thereafter, the assets or disposal group are measured at the lower of their carrying amount and fair value less cost to sell. Any resulting impairment loss on the assets or disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets which continue to be measured in accordance with the group's accounting policies. Impairment losses on initial classification as held for sale and subsequent losses on any remeasurement of the assets or disposal group to fair value less cost to sell are recognised in full in the income statement. Subsequent gains on any remeasurement of the assets or disposal group are only recognised in the income statement up to the value of any previous cumulative impairment losses incurred on the assets or disposal group.

CHANGES IN ACCOUNTING POLICIES

Transition to International Financial Reporting Standards

On 1 July 2006, the group transitioned to the requirements of NZ IFRS in accordance with NZ IFRS 1: *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*. Note 34 of the annual report for Vector Limited for the year ended 30 June 2007 explains the changes in accounting policy that resulted from the adoption of these standards.

There have been no other changes in accounting policy during the six months ended 31 December 2007, however certain comparatives were restated to conform with the current period's presentation or the disclosure requirements of NZ IFRS.

NEW STANDARDS EARLY-ADOPTED

NZ IFRS 8: *Operating Segments*

The group has chosen to early adopt NZ IFRS 8: *Operating Segments*. This requires identification of operating segments for which separate financial information is available and is evaluated regularly by the chief operating decision maker in assessing performance and allocating resources. Individual operating segments or groupings of operating segments are then applied as the basis of reporting segment information in these financial statements. This standard also requires additional disclosure requirements for the reporting of segment information.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following recently-published standards and interpretations, which are not yet effective for the six months ended 31 December 2007, have not been applied in preparing these consolidated financial statements.

NZ IAS 1: *Presentation of Financial Statements (revised)*

The revised NZ IAS 1 supersedes the 2003 version as amended in 2005. The revised standard introduces the term 'total comprehensive income' which equates to changes in equity during a period, other than those resulting from transactions with owners in their capacity as owners, with a corresponding statement of comprehensive income. The revised standard requires all non-owner changes in equity to be presented in either one statement of comprehensive income, or an income statement and a statement of comprehensive income. The revised standard also prohibits presenting components of comprehensive income in the statement of changes in equity. The revised NZ IAS 1, which becomes mandatory for the group's consolidated financial statements for the year ended 30 June 2010, will not impact the consolidated financial statements apart from the differing disclosure requirements.

SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED / CONTINUED

NZ IFRS 4: *Insurance Contracts – Amendments*

The amendment to NZ IFRS 4 removes the partial exemption for qualifying entities. The scope of NZ IFRS 4 has also changed slightly from 'an entity which undertakes insurance or reinsurance activities' to 'an entity which issues insurance contracts'. These amendments to NZ IFRS 4, which become mandatory for the group's consolidated financial statements for the year ended 30 June 2010, are not expected to have any impact on either the separate financial statements of Vector Limited or the consolidated financial statements.

NZ IAS 23: *Borrowing Costs (revised)*

NZ IAS 23 prescribes the accounting treatment for borrowing costs and removes the option to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The revised standard, which becomes mandatory for the group's consolidated financial statements for the year ended 30 June 2010, is not expected to have any impact on either the separate financial statements of Vector Limited or the consolidated financial statements.

NZ IFRIC 12: *Service Concession Arrangements*

NZ IFRIC 12 provides guidance on the accounting by operators for public-to-private concession arrangements, whereby a public sector entity grants a service arrangement to an operator to maintain infrastructure for public services for a contracted period of time. The scope of the interpretation applies only to service arrangements where at the end of the arrangement, the operator is obliged to hand back the infrastructure to the public sector entity for little or no consideration. NZ IFRIC 12, which becomes mandatory for the group's consolidated financial statements for the year ended 30 June 2009, is not expected to have any impact on either the separate financial statements of Vector Limited or the consolidated financial statements.

NZ IFRIC 13: *Customer Loyalty Programmes*

NZ IFRIC 13 provides guidance on the accounting for customer loyalty award credits that an entity grants to its customers as part of a sales transaction, allowing the customer to redeem the credits in the future for free or discounted goods or services. NZ IFRIC 13, which becomes mandatory for the group's consolidated financial statements for the year ended 30 June 2009, is not expected to have any impact on either the separate financial statements of Vector Limited or the consolidated financial statements.

NZ IFRIC 14: *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

NZ IFRIC 14 provides guidance on the accounting for post-employment defined benefits and other long-term employee defined benefits. NZ IFRIC 14, which becomes mandatory for the group's consolidated financial statements for the year ended 30 June 2009, is not expected to have any impact on either the separate financial statements of Vector Limited or the consolidated financial statements.

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 normal operations for the first six months of the financial year incorporated in these financial statements are expected to be more profitable than the second six months yet to be reported.

Abnormal items

There were no abnormal items occurring during the six months ended 31 December 2007.

APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the board of directors on 14 February 2008.

2. NET FINANCING COSTS

	31 DEC 2007 6 MONTHS $000	31 DEC 2006 6 MONTHS $000	30 JUN 2007 12 MONTHS $000
Interest paid and accrued	128,981	116,965	237,847
Amortisation of costs relating to financial instruments	2,519	5,493	6,978
Net gain on remeasurement of fair value of financial instruments	(1,914)	(1,349)	(5,072)
Total financing costs	129,586	121,109	239,753
Interest revenue	(2,880)	(2,826)	(3,944)
Capitalised interest	(3,578)	(2,341)	(5,033)
Net financing costs	123,128	115,942	230,776

3. SHARE OF PROFIT FROM ASSOCIATES

	31 DEC 2007 6 MONTHS $000	31 DEC 2006 6 MONTHS $000	30 JUN 2007 12 MONTHS $000
Equity accounted earnings of associates			
Operating surplus before income tax	885	701	979
Income tax expense	(292)	(231)	(323)
Share of profit from associates	593	470	656

	PRINCIPAL ACTIVITY	PERCENTAGE HELD 31 DEC 2007	31 DEC 2006	30 JUN 2007
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%
Advanced Metering Services Limited	Metering services	50%	–	–

4. INCOME TAX EXPENSE

Interim period income tax expense is accrued based on the estimated average annual effective income tax rate of 29.3 per cent (6 months ended 31 December 2006: 23.9 per cent).

The income statement for the year ended 30 June 2007 shows a tax benefit of $9.0 million. In May 2007 the Government changed the corporate tax rate to 30%, applicable to Vector from 1 July 2008. This resulted in a one-off restatement of the group deferred tax liability as at 30 June 2007, and a corresponding credit to tax expense of $52.9 million.

5. SEGMENT INFORMATION

The group has adopted NZ IFRS 8: *Operating Segments* in advance of its effective date, with effect from 1 July 2007. 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 is presently organised on a business line basis with Electricity, Gas Wholesale, Gas Transportation and Technology business lines supported by shared services such as human resources, information technology, finance and legal services. Vector's internal reporting to the Group CEO and his Executive Team 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 lines and distribution networks.

Gas Wholesale

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

Technology

Telecommunications services, 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 identical to those reported in Vector's Annual Report for the year ended 30 June 2007.

Intersegment transactions are included in the operating revenues and expenditures reported for each segment and are on an arms length basis. Amounts reported for comparative periods are restated, where necessary, to conform with the current basis of segment reporting.

All segment information presented is prepared in accordance with Vector's accounting policies. Monthly internal reporting to Vector's Executive Team is also prepared on this basis.

5. SEGMENT INFORMATION / CONTINUED

GROUP 31 DEC 2007 6 MONTHS	ELECTRICITY $000	GAS TRANS-PORTATION $000	GAS WHOLESALE $000	TECHNOLOGY $000	CORPORATE /OTHER $000	INTER-SEGMENT	TOTAL $000
External operating revenue:							
Trading revenue	316,826	74,064	247,416	33,098	1,493	–	672,897
Other revenue	13,068	1,820	237	821	343	–	16,289
Intersegment revenue	–	21,636	2,223	1,476	35	(25,370)	–
	329,894	97,520	249,876	35,395	1,871	(25,370)	689,186
External operating expenditure:							
Electricity transmission expenses	(70,344)	–	–	–	–	–	(70,344)
Gas purchases and production costs	–	(2,494)	(163,802)	–	–	–	(166,296)
Network and asset maintenance expenses	(32,254)	(6,100)	(8,188)	(2,514)	–	–	(49,056)
Indirect expenses	(14,813)	(5,581)	(8,801)	(9,281)	(32,918)	–	(71,394)
Intersegment expenditure	(1,159)	(2,223)	(21,953)	(35)	–	25,370	–
	(118,570)	(16,398)	(202,744)	(11,830)	(32,918)	25,370	(357,090)
EBITDA	211,324	81,122	47,132	23,565	(31,047)	–	332,096
Depreciation and amortisation	(37,881)	(14,874)	(6,526)	(11,262)	(6,181)	–	(76,724)
Operating surplus before interest and income tax	173,443	66,248	40,606	12,303	(37,228)	–	255,372
Net financing costs	–	–	–	–	(123,128)	–	(123,128)
Share of profit from associates	–	–	–	–	593	–	593
Operating surplus before income tax	173,443	66,248	40,606	12,303	(159,763)	–	132,837
Income tax expense							(38,891)
Operating surplus							93,946
Operating surplus attributable to minority interests							(3,200)
Operating surplus attributable to the shareholders							90,746
Investments in equity-accounted associates	–	–	–	10,702	22,231	–	32,933
Additions to property, plant and equipment and software intangibles	74,303	12,033	2,913	10,244	6,446	–	105,939
Total assets	3,673,989	1,340,953	417,033	239,506	191,037	–	5,862,518

5. SEGMENT INFORMATION / CONTINUED

GROUP 31 DEC 2006 6 MONTHS	ELECTRICITY $000	GAS TRANS-PORTATION $000	GAS WHOLESALE $000	TECHNOLOGY $000	CORPORATE /OTHER $000	INTER-SEGMENT	TOTAL $000
External operating revenue:							
Trading revenue	310,963	70,315	259,558	31,310	1,452	–	673,598
Other revenue	13,014	1,048	31	49	2,481	–	16,623
Intersegment revenue	–	19,892	2,524	1,803	35	(24,254)	–
	323,977	91,255	262,113	33,162	3,968	(24,254)	690,221
External operating expenditure:							
Electricity transmission expenses	(75,809)	–	–	–	–	–	(75,809)
Gas purchases and production costs	–	(4,834)	(158,832)	–	–	–	(163,666)
Network and asset maintenance expenses	(30,941)	(6,167)	(6,940)	(2,072)	–	–	(46,120)
Indirect expenses	(15,446)	(6,356)	(10,422)	(7,853)	(32,779)	–	(72,856)
Intersegment expenditure	(975)	(2,524)	(20,720)	(35)	–	24,254	–
	(123,171)	(19,881)	(196,914)	(9,960)	(32,779)	24,254	(358,451)
EBITDA	200,806	71,374	65,199	23,202	(28,811)	–	331,770
Depreciation and amortisation	(37,689)	(11,829)	(8,670)	(6,232)	(3,697)	–	(68,117)
Operating surplus before interest and income tax	163,117	59,545	56,529	16,970	(32,508)	–	263,653
Net financing costs	–	–	–	–	(115,942)	–	(115,942)
Share of profit from associates	–	–	–	34	436	–	470
Operating surplus before income tax	163,117	59,545	56,529	17,004	(148,014)	–	148,181
Income tax expense							(35,324)
Operating surplus							112,857
Operating surplus attributable to minority interests							(2,218)
Operating surplus attributable to the shareholders							110,639
Investments in equity-accounted associates	–	–	–	6,751	4,300	–	11,051
Additions to property, plant and equipment and software intangibles	72,209	12,321	3,600	13,802	10,340	–	112,272
Total assets	3,614,830	1,347,973	420,662	228,509	109,165	–	5,721,139

6. EQUITY

GROUP 31 DEC 2007 6 MONTHS	ISSUED SHARE CAPITAL $000	HEDGE 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 and fair value 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

GROUP 31 DEC 2006 6 MONTHS	ISSUED SHARE CAPITAL $000	HEDGE RESERVE $000	RETAINED EARNINGS $000	MINORITY INTERESTS $000	TOTAL EQUITY $000
Balance at beginning of the period	874,979	4,848	872,781	10,995	1,763,603
Operating surplus for the period	–	-	110,639	2,218	112,857
Net change in fair value of cash flow and fair value hedges	-	16,375	(840)	-	15,535
Dividends	-	-	(60,000)	(2,588)	(62,588)
Balance at end of the period	874,979	21,223	922,580	10,625	1,829,407

GROUP 30 JUN 2007 12 MONTHS	ISSUED SHARE CAPITAL $000	HEDGE RESERVE $000	RETAINED EARNINGS $000	MINORITY INTERESTS $000	TOTAL EQUITY $000
Balance at beginning of the period	874,979	4,848	872,781	10,995	1,763,603
Operating surplus for the period	-	-	233,305	4,203	237,508
Net change in fair value of cash flow and fair value hedges	-	63,796	-	-	63,796
Dividends	-	-	(125,000)	(3,776)	(128,776)
Balance at end of the period	874,979	68,644	981,086	11,422	1,936,131

During the interim period, a final dividend of 6.5 cents per share in respect of the year ended 30 June 2007 was paid to the shareholders on 4 September 2007 (2006: 6.0 cents per share, paid on 31 August 2006).

7. PROPERTY, PLANT AND EQUIPMENT

Vector has taken the exemption available under NZ IFRS 1 on transition to NZ IFRS to deem the historic cost of its distribution systems, distribution land and distribution buildings which were previously-revalued under NZ GAAP to equal their most recent valuation prior to the transition date of 30 June 2006 plus any subsequent additions between the valuation and the transition date. The aggregate deemed historic cost of these items of property plant and equipment at 30 June 2006 was $3,268.2 million, $74.8 million and $39.4 million for distribution systems, distribution land and distribution buildings respectively.

During the interim period, Vector invested $105.9 million of new capital expenditure and disposed of $6.8 million of property, plant and equipment. Capital expenditure is analysed further in the segment note 5 above.

The group's capital commitments are in line with its expected capital expenditure programme for the year.

8. BORROWINGS

GROUP 31 DEC 2007	PRINCIPAL $000	AMORTISED COST ADJUSTMENTS $000	FAIR VALUE ADJUSTMENTS $000	CARRYING VALUE $000
Bank loans	430,000	(173)	–	429,827
Working capital loan	4,000	–	–	4,000
Medium term notes – floating rate A$	569,018	(1,999)	(39,333)	527,686
Capital bonds	307,205	(2,714)	–	304,491
Fixed interest rate bonds	200,000	(647)	(5,160)	194,193
Private placement senior notes	418,315	(1,516)	(53,852)	362,947
NZ 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

GROUP 31 DEC 2006	PRINCIPAL $000	AMORTISED COST ADJUSTMENTS $000	FAIR VALUE ADJUSTMENTS $000	CARRYING VALUE $000
Bank loans	345,000	(263)	–	344,737
Working capital loan	3,000	–	–	3,000
Medium term notes – fixed rate NZ$	199,928	72	(695)	199,305
Medium term notes – floating rate A$	569,018	(4,237)	(49,408)	515,373
Capital bonds	307,205	(3,169)	–	304,036
Fixed interest rate bonds	200,000	(706)	(4,522)	194,772
Private placement senior notes	418,315	(1,620)	(38,617)	378,078
NZ floating rate notes	1,000,000	(20,867)	–	979,133
Other	5,056	–	–	5,056
	3,047,522	(30,790)	(93,242)	2,923,490

GROUP 30 JUN 2007	PRINCIPAL $000	AMORTISED COST ADJUSTMENTS $000	FAIR VALUE ADJUSTMENTS $000	CARRYING VALUE $000
Bank loans	395,000	(219)	–	394,781
Working capital loan	40,000	–	–	40,000
Medium term notes – floating rate A$	569,018	(2,723)	(58,928)	507,367
Capital bonds	307,205	(2,968)	–	304,237
Fixed interest rate bonds	200,000	(961)	(6,137)	192,902
Private placement senior notes	418,315	(1,568)	(84,798)	331,949
NZ floating rate notes	1,200,000	(21,563)	–	1,178,437
Other	5,055	–	–	5,055
	3,134,593	(30,002)	(149,863)	2,954,728

9. FUNDING OF OPERATIONS

Issued capital

Issued capital as at 31 December 2007 amounted to $875.0 million. There were no movements in issued capital in either the current or the comparative interim reporting periods.

Borrowing

There has been no significant restructuring of debt facilities during the period.

10. COMPOSITION OF OPERATIONS

On 14 December 2007, the group acquired a fifty per cent interest in Advanced Metering Services Limited, a company incorporated in New Zealand and engaged in energy metering services. The consideration for the acquisition was $3.5 million. The investment has been accounted for as an associate within these financial statements.

11. 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 Dec 2006: nil, 30 Jun 2007: nil).
There have been no significant settlements of litigation arising during the period.

12. TRANSACTIONS WITH RELATED PARTIES

	31 DEC 2007 6 MONTHS $000	31 DEC 2006 6 MONTHS $000	30 JUN 2007 12 MONTHS $000
Purchase of vegetation management services from Treescape Limited	**4,316**	4,835	8,226
Purchase of electricity meters and metering services from Energy Intellect Limited	**1,016**	2,097	2,761
Income from sale of natural gas to Wanganui Gas Limited (to 30 October 2006)	**–**	4,526	4,526

13. EVENTS AFTER BALANCE DATE

On 14 February 2008, the board of directors declared an interim dividend for the year ended 30 June 2008 of 6.5 cents per share. No adjustments are required to these financial statements in respect of this event.

14. EXPLANATION OF TRANSITION TO NZ IFRS

In December 2002 the New Zealand Accounting Standards Review Board announced that New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) will apply to all New Zealand reporting entities for financial periods commencing on or after 1 January 2007.

In preparing these financial statements on a basis consistent with NZ IFRS for the first time, Vector has restated amounts previously-reported under New Zealand accounting standards (NZ GAAP) applying accounting policies consistent with NZ IFRS. This required a restatement of opening balances as at 1 July 2006, with initial transitional adjustments recognised retrospectively against retained earnings within total equity at that date. Transactions occurring during the six months ended 31 December 2006 and the year ended 30 June 2007 are also restated in these financial statements. Detailed reconciliations of the income statements and balance sheets for these comparative periods as reported under NZ IFRS and NZ GAAP are presented below. There were no impacts other than minor presentation changes on the consolidated cash flow statement in relation to adopting NZ IFRS.

EXEMPTIONS TAKEN ON TRANSITION TO NZ IFRS

NZ IFRS 1: *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* permits companies adopting NZ IFRS for the first time to take some exemptions to assist in the initial transition to reporting under NZ IFRS. The explanatory comments below include details of the NZ IFRS 1 exemptions which Vector has adopted.

Property, plant and equipment

As permitted by NZ IFRS 1, Vector has deemed the previous revalued amount of revalued items of property, plant and equipment as their cost at the date of that revaluation. As a direct result of this decision, the asset revaluation reserve of $1,018.0 million has been transferred to retained earnings on transition. There has been no immediate impact to equity, asset values or profits from taking this exemption.

Remeasurement of business combinations

Under the transitional arrangements of NZ IFRS 1, Vector has elected not to apply NZ IFRS to all business combinations that have occurred prior to the transition date of 1 July 2006. This election preserves the previous NZ GAAP assessments of the fair value of the assets and liabilities acquired in previous business combinations avoiding unnecessary complexities in revisiting the accounting for those acquisitions. Accordingly, the carrying value of goodwill on transition to NZ IFRS at 1 July 2006 is equal to the carrying value under NZ GAAP at that date.

Designation of financial instruments

Vector has taken the exemption to designate financial instruments initially recognised before the transition date of 1 July 2006 into the classifications required under NZ IFRS. Normally under NZ IFRS this designation must be made on initial recognition and cannot be made retrospectively.

RESTATEMENT OF COMPARATIVE PERIOD FINANCIAL INFORMATION

The following notes explain the adjustments between the comparative financial information previously reported under NZ GAAP and that now reported in these financial statements consistent with NZ IFRS. The notes are cross-referenced to the detailed reconciliations that immediately follow them.

Presentational differences

(a) Vector obtains revenue from the temporary storage of imported LPG through its 60.25%-owned subsidiary Liquigas Limited. It has been determined that Vector acts as an agent in these transactions and therefore the revenue and related costs of sales previously reported gross under NZ GAAP are now reported only at the net margin in operating revenue representing Vector's commission for the service provided.

(b) Under NZ IFRS, Vector's share of profits from investments in associates is no longer included within operating revenue but is instead separately disclosed above operating surplus before income tax in the income statement.

(c) Certain interest receivable and interest payable amounts on cross currency interest rate swaps which were previously offset under NZ GAAP are presented gross on the balance sheet under NZ IFRS.

14. EXPLANATION OF TRANSITION TO NZ IFRS / CONTINUED

RESTATEMENT OF COMPARATIVE PERIOD FINANCIAL INFORMATION / CONTINUED

(d) Prepaid gas classified separately on the NZ GAAP balance sheet is classified within inventory on the NZ IFRS balance sheet.

(e) Consumable spares used internally for servicing equipment which were classified as inventory under NZ GAAP are classified as property, plant and equipment under NZ IFRS. These spares are only depreciated when they are brought into use unless they are becoming technologically obsolete during the period that they are in storage.

(f) Software assets which are not integral to the operation of related hardware are classified as intangible assets under NZ IFRS. Under NZ GAAP, such software assets were classified as property, plant and equipment.

Impacts on reported operating surplus

(g) Goodwill is no longer amortised under NZ IFRS leading to a reduction in the amortisation charge and increase in operating surplus. Goodwill is instead subjected to an annual impairment test, which could give rise to a future impairment expense if the assessment of the fair value of the goodwill is lower than its carrying value. Vector's carrying value of goodwill has been tested for impairment at 1 July 2006. No impairment was identified at 1 July 2006 and hence the carrying value of goodwill is unaltered on transition to NZ IFRS at that date.

(h) Debt raising costs previously capitalised in capitalised finance costs in the balance sheet under NZ GAAP are netted off borrowings under NZ IFRS. Also under NZ IFRS, the net financing costs recognised in the income statement are based on the amortised cost of each financial instrument calculated under the effective interest method. This method establishes the effective interest rate that exactly discounts expected future cash payments or receipts through the expected life of the financial instrument or, where appropriate a shorter period, to the net carrying amount of the financial asset or liability. Under NZ GAAP, net financing costs were calculated on a straight line or yield-to-maturity basis. The differing basis for calculating net financing costs gives rise to adjustments to carrying values of borrowings and interest accruals in the balance sheet and marginally increases net financing costs leading to a small decrease in net surplus.

(i) Under NZ IFRS, deferred tax is calculated using the balance sheet approach rather than the tax effect income statement approach applied under NZ GAAP. This new approach recognises deferred tax balances when there is a temporary difference between the carrying value of an asset or liability and its tax base. NZ IFRS recognises a deferred tax liability on revaluations of property, plant and equipment above tax cost whereas NZ GAAP does not. This is the primary reason for the significant increase in Vector's deferred tax liability. The differing basis for calculating deferred tax under NZ GAAP and NZ IFRS gives rise to differing movements in deferred tax balances, a consequent reduction in tax expense and increase in operating surplus.

(j) Vector uses derivative financial instruments within predetermined policies and limits in order to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. Under NZ GAAP, the fair values of such derivative financial instruments were only required to be disclosed in the notes to the financial statements. Under NZ IFRS, Vector must value all outstanding derivative financial instruments and recognised them at their fair value in the balance sheet. Thereafter, if the derivative financial instrument does not meet the requirements for hedge accounting, any mark to market revaluation is recognised in the income statement. If, however, a derivative financial instrument meets the criteria to qualify for hedge accounting then depending upon the type of hedging relationship, either of the following is applied:

- The gain or loss from remeasuring the hedging instrument is recognised in the income statement along with the gain or loss on the hedged item attributable to the hedged risk; or
- The portion of the gain or loss on the hedging instrument that is effective is recognised directly in equity and the ineffective portion shall be recognised in the income statement.

(k) Government grants that are for the specific purpose of constructing property, plant and equipment are netted off against the initial cost of that related property, plant and equipment when the conditions attached to that grant are met. Under NZ GAAP such grants could be recognised immediately as revenue when the conditions attached to that grant are met. This has resulted in a reduction in operating revenue and decrease in operating surplus.

14. EXPLANATION OF TRANSITION TO NZ IFRS / CONTINUED

RESTATEMENT OF COMPARATIVE PERIOD FINANCIAL INFORMATION / CONTINUED

GROUP 31 DEC 2006 6 MONTHS	NOTE	AS REPORTED UNDER PREVIOUS NZ GAAP $000	NZ IFRS ADJUSTMENTS $000	AS REPORTED UNDER NZ IFRS $000
Operating revenue	(a)(b)	723,011	(32,790)	690,221
Operating expenditure	(a)	(390,771)	32,320	(358,451)
Earnings before financing costs, income tax, depreciation and amortisation (EBITDA)		332,240	(470)	331,770
Depreciation and amortisation	(g)	(115,779)	47,662	(68,117)
Operating surplus before interest and income tax		216,461	47,192	263,653
Net financing costs	(h)(j)	(113,167)	(2,775)	(115,942)
Share of profit from associates	(b)	–	470	470
Operating surplus before income tax		103,294	44,887	148,181
Income tax (expense)/benefit	(i)	(55,422)	20,098	(35,324)
Operating surplus		47,872	64,985	112,857
Operating surplus attributable to minority interests		(2,218)	–	(2,218)
Operating surplus attributable to the shareholders		45,654	64,985	110,639

GROUP 30 JUN 2007 12 MONTHS	NOTE	AS REPORTED UNDER PREVIOUS NZ GAAP $000	NZ IFRS ADJUSTMENTS $000	AS REPORTED UNDER NZ IFRS $000
Operating revenue	(a)(b)(k)	1,352,923	(45,782)	1,307,141
Operating expenditure	(a)	(742,944)	41,071	(701,873)
Earnings before financing costs, income tax, depreciation and amortisation (EBITDA)		609,979	(4,711)	605,268
Depreciation and amortisation	(g)	(241,007)	94,382	(146,625)
Operating surplus before interest and income tax		368,972	89,671	458,643
Net financing costs	(h)(j)	(230,348)	(428)	(230,776)
Share of profit from associates	(b)	–	656	656
Operating surplus before income tax		138,624	89,899	228,523
Income tax (expense)/benefit	(i)	(32,721)	41,706	8,985
Operating surplus		105,903	131,605	237,508
Operating surplus attributable to minority interests		(4,203)	–	(4,203)
Operating surplus attributable to the shareholders		101,700	131,605	233,305

	NOTE	31 DEC 2006 6 MONTHS $000	30 JUN 2007 12 MONTHS $000
Operating surplus under previous NZ GAAP		47,872	105,903
Cessation of amortisation of goodwill	(g)	47,662	94,382
Restate financial instruments to amortised cost	(h)	(2,409)	(2,330)
Balance sheet basis for deferred tax	(i)	20,098	41,706
Changes in fair value of financial instruments	(j)	1,349	5,072
Reverse mark to market adjustment of the swap book	(j)	(1,715)	(3,170)
Offset government grant income against qualifying assets	(k)	–	(4,055)
Operating surplus under NZ IFRS		112,857	237,508

14. EXPLANATION OF TRANSITION TO NZ IFRS / CONTINUED

RESTATEMENT OF COMPARATIVE PERIOD FINANCIAL INFORMATION / CONTINUED

GROUP 31 DEC 2006	NOTE	AS REPORTED UNDER PREVIOUS NZ GAAP $000	NZ IFRS ADJUSTMENTS $000	AS REPORTED UNDER NZ IFRS $000
CURRENT ASSETS				
Cash and cash equivalents		5,247	–	5,247
Receivables and prepayments	(c)	156,972	13,849	170,821
Prepaid gas	(d)	2,383	(2,383)	–
Inventories	(d)(e)	9,849	(2,414)	7,435
Capitalised finance costs	(h)	5,854	(5,854)	–
Intangible assets		639	–	639
Total current assets		180,944	3,198	184,142
NON-CURRENT ASSETS				
Receivables and prepayments		3,440	–	3,440
Derivative financial instruments	(j)	–	18,570	18,570
Prepaid gas	(d)	2,881	(2,881)	–
Inventories	(d)	–	2,881	2,881
Income tax	(i)	–	1,251	1,251
Capitalised finance costs	(h)	24,487	(24,487)	–
Investments		11,780	–	11,780
Intangible assets	(f)(g)	1,624,548	89,372	1,713,920
Property, plant and equipment	(e)(f)	3,824,067	(38,912)	3,785,155
Total non-current assets		5,491,203	45,794	5,536,997
Total assets		5,672,147	48,992	5,721,139
CURRENT LIABILITIES				
Income tax	(i)	13,314	4,474	17,788
Payables and accruals	(c)(j)	202,109	11,363	213,472
Borrowings		204,908	–	204,908
Total current liabilities		420,331	15,837	436,168
NON-CURRENT LIABILITIES				
Payables and accruals	(j)	8,591	3,599	12,190
Derivative financial instruments	(j)	–	92,451	92,451
Borrowings	(h)(j)	2,842,614	(124,032)	2,718,582
Deferred tax	(i)	489,413	142,928	632,341
Total non-current liabilities		3,340,618	114,946	3,455,564
Total liabilities		3,760,949	130,783	3,891,732
EQUITY				
Shareholders' funds		1,900,573	(81,791)	1,818,782
Minority interest		10,625	–	10,625
Total equity		1,911,198	(81,791)	1,829,407
Total equity and liabilities		5,672,147	48,992	5,721,139

14. EXPLANATION OF TRANSITION TO NZ IFRS / CONTINUED

RESTATEMENT OF COMPARATIVE PERIOD FINANCIAL INFORMATION / CONTINUED

GROUP 30 JUN 2007	NOTE	AS REPORTED UNDER PREVIOUS NZ GAAP $000	NZ IFRS ADJUSTMENTS $000	AS REPORTED UNDER NZ IFRS $000
CURRENT ASSETS				
Cash and cash equivalents		7,008	–	7,008
Receivables and prepayments	(c)	170,857	13,464	184,321
Prepaid gas	(d)	4,210	(4,210)	–
Inventories	(d)(e)	10,019	(957)	9,062
Income tax	(i)	25,102	(1,599)	23,503
Capitalised finance costs	(h)	5,413	(5,413)	–
Intangible assets		2,639	–	2,639
Total current assets		225,248	1,285	226,533
NON-CURRENT ASSETS				
Receivables and prepayments		4,716	–	4,716
Derivative financial instruments	(j)	–	66,813	66,813
Income tax		1,137	–	1,137
Capitalised finance costs	(h)	26,322	(26,322)	–
Investments		28,259	–	28,259
Intangible assets	(f)(g)	1,573,751	138,795	1,712,546
Property, plant and equipment	(e)(f)(k)	3,869,427	(43,300)	3,826,127
Total non-current assets		5,503,612	135,986	5,639,598
Total assets		5,728,860	137,271	5,866,131
CURRENT LIABILITIES				
Payables and accruals	(c)(j)	225,902	12,970	238,872
Borrowings		361,025	–	361,025
Total current liabilities		586,927	12,970	599,897
NON-CURRENT LIABILITIES				
Payables and accruals	(j)	7,790	4,712	12,502
Derivative financial instruments	(j)	–	143,420	143,420
Borrowings	(h)(j)	2,773,568	(179,865)	2,593,703
Deferred tax	(i)	457,534	122,944	580,478
Total non-current liabilities		3,238,892	91,211	3,330,103
Total liabilities		3,825,819	104,181	3,930,000
EQUITY				
Shareholders' funds		1,891,619	33,090	1,924,709
Minority interest		11,422	–	11,422
Total equity		1,903,041	33,090	1,936,131
Total equity and liabilities		5,728,860	137,271	5,866,131

14. EXPLANATION OF TRANSITION TO NZ IFRS / CONTINUED

RESTATEMENT OF COMPARATIVE PERIOD FINANCIAL INFORMATION / CONTINUED

GROUP 30 JUN 2006	NOTE	AS REPORTED UNDER PREVIOUS NZ GAAP $000	NZ IFRS ADJUSTMENTS $000	AS REPORTED UNDER NZ IFRS $000
CURRENT ASSETS				
Cash and cash equivalents		9,507	–	9,507
Receivables and prepayments	(c)	171,503	14,994	186,497
Prepaid gas	(d)	7,950	(7,950)	–
Inventories	(d)(e)	7,998	3,236	11,234
Income tax	(i)	21,010	(10,652)	10,358
Capitalised finance costs	(h)	5,363	(5,363)	–
Intangible assets		3,793	–	3,793
Total current assets		227,124	(5,735)	221,389
NON-CURRENT ASSETS				
Receivables and prepayments		3,253	–	3,253
Derivative financial instruments	(j)	–	9,201	9,201
Prepaid gas	(d)	4,987	(4,987)	–
Inventories	(d)	–	4,987	4,987
Income tax		1,251	–	1,251
Capitalised finance costs	(h)	24,567	(24,567)	–
Investments		17,814	–	17,814
Intangible assets	(f)	1,672,426	41,326	1,713,752
Property, plant and equipment	(e)(f)	3,767,166	(36,611)	3,730,555
Total non-current assets		5,491,464	(10,651)	5,480,813
Total assets		5,718,588	(16,386)	5,702,202
CURRENT LIABILITIES				
Payables and accruals	(c)(j)	211,173	13,437	224,610
Borrowings		535,830	–	535,830
Total current liabilities		747,003	13,437	760,440
NON-CURRENT LIABILITIES				
Payables and accruals	(j)	8,770	11,654	20,424
Derivative financial instruments	(j)	–	13,132	13,132
Borrowings	(h)(j)	2,554,784	(39,200)	2,515,584
Deferred tax	(i)	482,117	146,902	629,019
Total non-current liabilities		3,045,671	132,488	3,178,159
Total liabilities		3,792,674	145,925	3,938,599
EQUITY				
Shareholders' funds		1,914,919	(162,311)	1,752,608
Minority interest		10,995	–	10,995
Total equity		1,925,914	(162,311)	1,763,603
Total equity and liabilities		5,718,588	(16,386)	5,702,202

14. EXPLANATION OF TRANSITION TO NZ IFRS / CONTINUED

RESTATEMENT OF COMPARATIVE PERIOD FINANCIAL INFORMATION / CONTINUED

	NOTE	31 DEC 2006 $000	30 JUN 2007 $000	30 JUN 2006 $000
Equity under previous NZ GAAP		1,911,198	1,903,041	1,925,914
Cessation of amortisation of goodwill	(g)	47,662	94,382	–
Restate financial instruments to amortised cost	(h)	349	429	2,759
Balance sheet basis for deferred tax	(i)	(151,149)	(129,544)	(171,250)
Changes in fair value of financial instruments	(j)	19,361	71,347	2,478
Reverse mark to market adjustment of the swap book	(j)	1,986	531	3,702
Offset government grant income against qualifying assets	(k)	–	(4,055)	–
Equity under NZ IFRS		1,829,407	1,936,131	1,763,603

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