

VECTOR

2011

INTERIM FINANCIAL STATEMENTS

Interim Financial Statements
for the six months ended 31 December 2010 (unaudited)

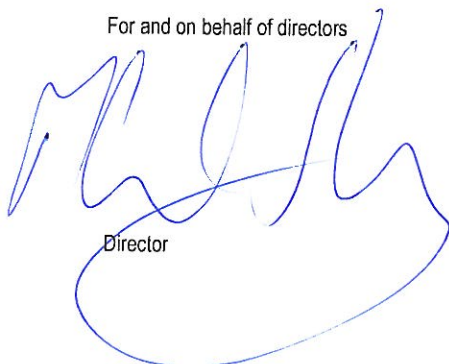
CONTENTS

Auditors' Review Report	3
Condensed Consolidated Income Statement	4
Condensed Consolidated Statement of Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Cash Flows	7
Condensed Consolidated Statement of Changes in Equity	9
Notes to the Condensed Consolidated Financial Statements	11

INTERIM FINANCIAL STATEMENTS

The directors are pleased to present the interim financial statements of the group for the six months ended 31 December 2010.

For and on behalf of directors



Director

25 February 2011

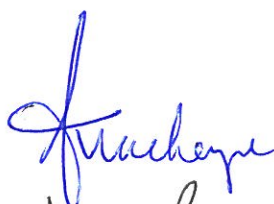


Director

25 February 2011

For and on behalf of management

Group Chief Executive Officer



25 February 2011

Chief Financial Officer



25 February 2011



Auditors' review report

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 subsidiaries ("the Group") and its financial position as at 31 December 2010.

Directors' responsibilities

The Directors of Vector Limited are responsible for the preparation of interim financial statements which give a true and fair view of the consolidated financial position of the Group as at 31 December 2010 and the consolidated 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 Group personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the attached interim financial statements do not give a true and fair view of the financial position of Vector Limited as at 31 December 2010, the results of its operations and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting*.

Our review was completed on 25 February 2011 and our opinion is expressed as at that date.

KPMG

Auckland

Condensed Consolidated Income Statement

for the six months ended 31 December 2010 (unaudited)

	NOTE	31 DEC 2010 6 MONTHS \$'000	31 DEC 2009 6 MONTHS \$'000	30 JUN 2010 12 MONTHS \$'000
Operating revenue		628,047	620,371	1,185,827
Other income		1,247	277	1,613
Total income		629,294	620,648	1,187,440
Electricity transmission expenses		(63,961)	(64,587)	(128,842)
Gas purchases and production expenses		(133,003)	(138,918)	(267,055)
Network and asset maintenance expenses		(37,083)	(37,921)	(73,716)
Personnel expenses		(34,257)	(30,324)	(62,808)
Other expenses		(43,291)	(38,812)	(76,876)
Operating expenditure		(311,595)	(310,562)	(609,297)
Earnings before interest, income tax, depreciation and amortisation (EBITDA)		317,699	310,086	578,143
Depreciation and amortisation		(83,462)	(76,005)	(156,319)
Profit before interest and income tax		234,237	234,081	421,824
Finance income		3,247	3,404	7,456
Finance costs		(93,323)	(85,134)	(174,429)
Share of net profit/(loss) from associates	2	440	(818)	(2,305)
Impairment of investment in associate	2	-	(4,136)	(4,136)
Profit before income tax		144,601	147,397	248,410
Income tax expense		(44,711)	(41,331)	(49,292)
Net profit for the period		99,890	106,066	199,118
Net profit for the period attributable to:				
Non-controlling interests in subsidiaries		1,404	4,724	5,650
Shareholders of the parent		98,486	101,342	193,468
Basic and diluted earnings per share (cents)	6	9.9	10.2	19.4



Condensed Consolidated Statement of Comprehensive Income
for the six months ended 31 December 2010 (unaudited)

	31 DEC 2010 6 MONTHS \$000	31 DEC 2009 6 MONTHS \$000	30 JUN 2010 12 MONTHS \$000
Net profit for the period	99,890	106,066	199,118
Other comprehensive income net of tax			
Change in fair value of cash flow hedges	(7,576)	2,380	(32,950)
Translation of foreign operations	(22)	(52)	38
Other comprehensive income for the period net of tax	(7,598)	2,328	(32,912)
Total comprehensive income for the period net of tax	92,292	108,394	166,206
Total comprehensive income for the period attributable to:			
Non-controlling interests in subsidiaries	1,404	4,724	5,650
Shareholders of the parent	90,888	103,670	160,556



Condensed Consolidated Statement of Financial Position

as at 31 December 2010 (unaudited)

	NOTE	31 DEC 2010 \$'000	31 DEC 2009 \$'000	30 JUN 2010 \$'000
CURRENT ASSETS				
Cash and cash equivalents		171,712	57,537	114,812
Short term deposits		250,000	135,000	-
Receivables and prepayments		155,945	169,774	163,767
Derivative financial instruments	8	15,752	-	11
Inventories		4,280	1,665	4,204
Income tax		-	2,650	35,193
Intangible assets		2,600	-	-
Total current assets		600,289	366,626	317,987
NON-CURRENT ASSETS				
Receivables and prepayments		1,433	5,873	1,428
Derivative financial instruments	8	3,644	1,935	50,344
Deferred tax asset		2,700	1,137	2,700
Income tax		448	-	448
Investments in associates	2	24,989	23,039	25,525
Intangible assets	4	1,607,296	1,596,083	1,612,228
Property, plant and equipment	4	3,561,371	3,475,560	3,540,245
Total non-current assets		5,201,881	5,103,627	5,232,918
Total assets		5,802,170	5,470,253	5,550,905
CURRENT LIABILITIES				
Payables and accruals		187,680	172,673	189,131
Provisions		17,746	17,345	16,825
Derivative financial instruments	8	2,133	7,382	8,362
Borrowings		267,739	575	249,654
Income tax		2,795	2,137	1,428
Total current liabilities		478,093	200,112	465,400
NON-CURRENT LIABILITIES				
Payables and accruals		24,940	26,023	25,821
Provisions		4,000	1,500	3,000
Derivative financial instruments	8	268,498	140,210	181,815
Borrowings		2,445,188	2,507,478	2,312,644
Deferred tax liability		480,428	503,015	478,017
Total non-current liabilities		3,223,054	3,178,226	3,001,297
Total liabilities		3,701,147	3,378,338	3,466,697
EQUITY				
Equity attributable to shareholders of the parent		2,081,858	2,073,490	2,065,652
Non-controlling interests in subsidiaries		19,165	18,425	18,556
Total equity		2,101,023	2,091,915	2,084,208
Total equity and liabilities		5,802,170	5,470,253	5,550,905

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 December 2010 (unaudited)

	NOTE	31 DEC 2010 6 MONTHS \$000	31 DEC 2009 6 MONTHS \$000	30 JUN 2010 12 MONTHS \$000
OPERATING ACTIVITIES				
Cash provided from:				
Receipts from customers		646,926	656,087	1,214,575
Interest portion of repayments on finance leases		57	58	108
Interest received on deposits		1,972	2,977	7,142
Income tax refund		-	-	9
Dividends received from associate	9	976	200	200
		649,931	659,322	1,222,034
Cash applied to:				
Payments to suppliers and employees		(306,541)	(320,132)	(611,840)
Income tax paid		(2,835)	(4,117)	(61,564)
Interest paid on finance leases		(155)	(253)	(422)
Interest paid		(92,315)	(91,747)	(180,670)
		(401,846)	(416,249)	(854,496)
Net cash flows from operating activities		248,085	243,073	367,538
INVESTING ACTIVITIES				
Cash provided from:				
Proceeds from sale of property, plant and equipment and software intangibles		2,013	301	990
Bank balances acquired on acquisition of Advanced Metering Services Limited		-	-	132
		2,013	301	1,122
Cash applied to:				
Purchase and construction of property, plant and equipment and software intangibles		(115,643)	(94,933)	(220,404)
Acquisition of gas businesses		(650)	-	(1,253)
Repayment of loan from third party		-	-	(3,500)
Purchase of investment in associate		-	-	(7,103)
Loans to associate		-	(1,000)	(6,500)
Loans repaid by associate		-	-	6,500
		(116,293)	(95,933)	(232,260)
Net cash flows used in investing activities		(114,280)	(95,632)	(231,138)



Condensed Consolidated Statement of Cash Flows (continued)
for the six months ended 31 December 2010 (unaudited)

	NOTE	31 DEC 2010 6 MONTHS \$000	31 DEC 2009 6 MONTHS \$000	30 JUN 2010 12 MONTHS \$000
FINANCING ACTIVITIES				
Cash provided from/(applied to):				
Proceeds from borrowings		250,516	54,000	54,000
Repayment of borrowings		-	(87,402)	(87,402)
Withdrawal of short term deposits		-	48,000	100,000
Short term deposits		(250,000)	(83,000)	-
Debt raising costs incurred		(1,332)	-	-
Capital portion of payments under finance leases		(620)	(827)	(1,995)
Capital portion of receipts under finance leases		8	7	10
Dividends paid to shareholders of the parent		(74,682)	(72,192)	(136,916)
Dividends paid to non-controlling interests in subsidiaries		(795)	(3,180)	(3,975)
Net cash flows used in financing activities		(76,905)	(144,594)	(76,278)
Net increase in cash and cash equivalents		56,900	2,847	60,122
Cash and cash equivalents at beginning of the period		114,812	54,690	54,690
Cash and cash equivalents at end of the period		171,712	57,537	114,812
Cash and cash equivalents comprises:				
Bank balances		25,112	20,537	54,812
Short term deposits maturing within three months		146,600	37,000	60,000
		171,712	57,537	114,812
RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the period		99,890	106,066	199,118
ITEMS CLASSIFIED AS INVESTING ACTIVITIES				
Net loss on disposal of property, plant and equipment and software intangibles		1,879	2,728	4,676
		1,879	2,728	4,676
NON-CASH ITEMS				
Depreciation and amortisation		83,462	76,005	156,319
Impairment of investment in associate		-	4,136	4,136
Non-cash portion of finance costs		(484)	(8,337)	(7,828)
Increase/(decrease) in deferred tax liability		5,333	(2,780)	(20,882)
Increase/(decrease) in provisions		1,921	461	(962)
Share of net (profit) /loss from associates		(440)	818	2,305
		89,792	70,303	133,088
CASH ITEMS NOT IMPACTING PROFIT				
Dividend received from associates		976	200	200
MOVEMENT IN WORKING CAPITAL				
Increase/(decrease) in payables and accruals		11,255	770	(3,268)
(Increase)/decrease in inventories		(76)	543	(1,996)
Decrease in receivables and prepayments		7,809	21,740	27,102
Decrease in net income tax assets		36,560	40,723	8,618
		55,548	63,776	30,456
Net cash flows from operating activities		248,085	243,073	367,538

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2010 (unaudited)

31 DEC 2010 6 MONTHS	ISSUED SHARE CAPITAL \$000	TREASURY SHARES \$000	HEDGE RESERVE \$000	FOREIGN CURRENCY TRANSLATION RESERVE \$000	RETAINED EARNINGS \$000	NON- CONTROLLING INTERESTS \$000	TOTAL EQUITY \$000
Balance at beginning of the period	874,979	(8,934)	(110,961)	248	1,310,320	18,556	2,084,208
Comprehensive income							
Net profit for the period	-	-	-	-	98,486	1,404	99,890
Other comprehensive income							
Change in fair value of cash flow hedges	-	-	(10,498)	-	-	-	(10,498)
Translation of foreign operations	-	-	-	(22)	-	-	(22)
Income tax relating to components of other comprehensive income	-	-	2,922	-	-	-	2,922
Total comprehensive income	-	-	(7,576)	(22)	98,486	1,404	92,292
Transactions with owners							
Dividends	-	-	-	-	(74,682)	(795)	(75,477)
Total transactions with owners	-	-	-	-	(74,682)	(795)	(75,477)
Balance at end of the period	874,979	(8,934)	(118,537)	226	1,334,124	19,165	2,101,023

31 DEC 2009 6 MONTHS	ISSUED SHARE CAPITAL \$000	TREASURY SHARES \$000	HEDGE RESERVE \$000	FOREIGN CURRENCY TRANSLATION RESERVE \$000	RETAINED EARNINGS \$000	NON- CONTROLLING INTERESTS \$000	TOTAL EQUITY \$000
Balance at beginning of the period	874,979	(8,934)	(78,011)	210	1,253,768	16,881	2,058,893
Comprehensive income							
Net profit for the period	-	-	-	-	101,342	4,724	106,066
Other comprehensive income							
Change in fair value of cash flow hedges	-	-	3,400	-	-	-	3,400
Translation of foreign operations	-	-	-	(52)	-	-	(52)
Income tax relating to components of other comprehensive income	-	-	(1,020)	-	-	-	(1,020)
Total comprehensive income	-	-	2,380	(52)	101,342	4,724	108,394
Transactions with owners							
Dividends	-	-	-	-	(72,192)	(3,180)	(75,372)
Total transactions with owners	-	-	-	-	(72,192)	(3,180)	(75,372)
Balance at end of the period	874,979	(8,934)	(75,631)	158	1,282,918	18,425	2,091,915



Condensed Consolidated Statement of Changes in Equity (continued)
for the six months ended 31 December 2010 (unaudited)

30 JUN 2010 12 MONTHS	ISSUED SHARE CAPITAL \$000	TREASURY SHARES \$000	HEDGE RESERVE \$000	FOREIGN CURRENCY TRANSLATION RESERVE \$000	RETAINED EARNINGS \$000	NON- CONTROLLING INTERESTS \$000	TOTAL EQUITY \$000
Balance at beginning of the period	874,979	(8,934)	(78,011)	210	1,253,768	16,881	2,058,893
Comprehensive income							
Net profit for the period	-	-	-	-	193,468	5,650	199,118
Other comprehensive income							
Change in fair value of cash flow hedges	-	-	(42,669)	-	-	-	(42,669)
Translation of foreign operations	-	-	-	38	-	-	38
Income tax relating to components of other comprehensive income	-	-	9,719	-	-	-	9,719
Total comprehensive income	-	-	(32,950)	38	193,468	5,650	166,206
Transactions with owners							
Dividends	-	-	-	-	(136,916)	(3,975)	(140,891)
Total transactions with owners	-	-	-	-	(136,916)	(3,975)	(140,891)
Balance at end of the period	874,979	(8,934)	(110,961)	248	1,310,320	18,556	2,084,208

	NOTE	31 DEC 2010	31 DEC 2009	30 JUN 2010
Total tangible assets per share (cents)	6	421.0	389.1	395.5
Net tangible assets per share (cents)	6	49.3	49.8	47.4



Notes to the Condensed Consolidated Financial Statements

for the six months ended 31 December 2010 (unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

These condensed consolidated interim financial statements comply with NZ IAS 34 *Interim Financial Reporting*. As the condensed consolidated interim financial statements do not include all of the information required for full annual financial statements they should be read in conjunction with the consolidated financial statements and related notes included in Vector's Annual Report for the year ended 30 June 2010 (2010 Annual Report).

The financial statements for the six months ended 31 December 2010 and the six months ended 31 December 2009 are unaudited.

The financial statements are expressed in New Zealand dollars (\$) rounded to thousands.

Significant Accounting Policies

The accounting policies set out in the 2010 Annual Report have been applied consistently to all periods presented in these financial statements. There have been no changes in accounting policies from those applied in Vector's 2010 Annual Report except for the addition of an accounting policy in relation to the accounting for Emission Trading Scheme units as stated below:

Emissions Trading Scheme Units

Emissions Trading Scheme (ETS) units held are classified as intangible assets. Units received from customers are initially recognised at the current market price on the date of sale. Units purchased are recognised at cost. Units received are expected to be used within one year and are classified as current assets. No amortisation of units is recognised.

Where the recoverable amount of the units held is less than their carrying amount, they are re-measured to their recoverable amount and an impairment loss recognised. The recoverable amount is determined by reference to the market for emission units. Impairment losses are reported in the income statement.

If subsequent to recognising an impairment loss, the market price increases, the units are re-measured and the impairment loss or a portion of that impairment loss is reversed through the income statement. The impairment loss is only reversed to the extent that it does not increase the carrying value of the units above their value at initial measurement.

Units payable

Units are only held to meet ETS obligations to suppliers. The liability to suppliers is measured at the carrying value of units held. In the event of a shortfall of units to satisfy the liability, the shortfall is measured at the market value for units at balance date, and re-measured at the market rate for each subsequent reporting period while the obligation remains unpaid. Any change in value due to re-measurement is reported in the income statement.

Units receivable

Units receivable from customers are recognised at the market value as at the date of sale. Units receivable are not re-valued but are tested for impairment as outlined above.

Measurement base

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

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

Seasonality of operations in the interim period

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

Approval of financial statements

The financial statements were approved by the board of directors on 25 February 2011.



Notes to the Condensed Consolidated Financial Statements

for the six months ended 31 December 2010 (unaudited)

2. SHARE OF NET PROFIT FROM ASSOCIATES

	31 DEC 2010 6 MONTHS \$000	31 DEC 2009 6 MONTHS \$000	30 JUN 2010 12 MONTHS \$000
Equity accounted earnings of associates			
Profit/(loss) before income tax	629	(1,168)	(2,824)
Income tax (expense)/benefit	(189)	350	519
Share of net profit/(loss) from associates	440	(818)	(2,305)

	PRINCIPAL ACTIVITY	PERCENTAGE HELD		
		31 DEC 2010	31 DEC 2009	30 JUN 2010
Tree Scape 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	22%	20%	22%

Advanced Metering Services Limited an associate company as at 31 December 2009 was fully acquired by the group in January 2010.

The share price of NZ Windfarms Limited declined between 30 June 2010 and 31 December 2010 from \$0.21 per share to \$0.18 per share. The recoverable amount as at 31 December 2010 was determined on the investment's fair value less costs to sell by reference to the price on the New Zealand Stock Exchange on that date. This share price supports the current carrying value of the group's investment in NZ Windfarms Limited. Accordingly, no impairment loss has been recognised in respect of the group's investment in its associate company, NZ Windfarms Limited (six months ended 31 December 2009: \$4.1 million, year ended 30 June 2010: \$4.1 million).

3. SEGMENT INFORMATION

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

Electricity

Ownership and management of electricity distribution networks.

Gas Transportation

Ownership and management of gas transmission and distribution networks.

Gas Wholesale

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

Technology

Telecommunications networks, electricity and gas metering.

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

The segments reported in these financial statements are the same as those reported in Vector's Annual Report for the year ended 30 June 2010.

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

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



Notes to the Condensed Consolidated Financial Statements
for the six months ended 31 December 2010 (unaudited)

3. SEGMENT INFORMATION (continued)

31 DEC 2010 6 MONTHS	ELECTRICITY	GAS TRANS- PORTATION	GAS WHOLESALE	TECHNOLOGY	INTERSEGMENT	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000
External revenue:						
Operating revenue	296,258	93,047	196,812	40,723	-	626,840
Other income	103	51	-	22	-	176
Intersegment revenue	52	18,381	2,515	1,485	(22,433)	-
Segment revenue	296,413	111,479	199,327	42,230	(22,433)	627,016
External operating expenditure:						
Electricity transmission expenses	(63,961)	-	-	-	-	(63,961)
Gas purchases and production expenses	-	(4,098)	(128,905)	-	-	(133,003)
Network and asset maintenance expenses	(18,559)	(8,068)	(8,001)	(2,437)	-	(37,065)
Personnel expenses	(5,588)	(2,634)	(7,102)	(5,542)	-	(20,866)
Other expenses	(11,810)	(7,208)	(4,942)	(6,081)	-	(30,041)
Intersegment expenditure	(1,210)	(2,517)	(18,654)	(52)	22,433	-
Operating expenditure	(101,128)	(24,525)	(167,604)	(14,112)	22,433	(284,936)
EBITDA	195,285	86,954	31,723	28,118	-	342,080
Depreciation and amortisation	(38,198)	(11,158)	(5,894)	(21,076)	-	(76,326)
Segment profit before interest and income tax	157,087	75,796	25,829	7,042	-	265,754
Segment capital expenditure	53,156	12,981	5,041	26,056	-	97,234



Notes to the Condensed Consolidated Financial Statements
for the six months ended 31 December 2010 (unaudited)

3. SEGMENT INFORMATION (continued)

31 DEC 2009 6 MONTHS	ELECTRICITY	GAS TRANS- PORTATION	GAS WHOLESALE	TECHNOLOGY	INTERSEGMENT	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000
External revenue:						
Operating revenue	285,838	82,179	213,451	36,954	-	618,422
Other income	107	105	48	17	-	277
Intersegment revenue	64	20,240	2,247	1,608	(24,159)	-
Segment revenue	286,009	102,524	215,746	38,579	(24,159)	618,699
External operating expenditure:						
Electricity transmission expenses	(64,587)	-	-	-	-	(64,587)
Gas purchases and production expenses	-	(2,711)	(136,207)	-	-	(138,918)
Network and asset maintenance expenses	(21,381)	(7,151)	(7,306)	(2,072)	-	(37,910)
Personnel expenses	(5,032)	(1,693)	(5,296)	(3,419)	-	(15,440)
Other expenses	(10,194)	(3,103)	(4,810)	(6,678)	-	(24,785)
Intersegment expenditure	(1,292)	(2,254)	(20,549)	(64)	24,159	-
Operating expenditure	(102,486)	(16,912)	(174,168)	(12,233)	24,159	(281,640)
EBITDA	183,523	85,612	41,578	26,346	-	337,059
Depreciation and amortisation	(35,485)	(13,117)	(5,535)	(13,979)	-	(68,116)
Segment profit before interest and income tax	148,038	72,495	36,043	12,367	-	268,943
Segment capital expenditure	42,219	10,136	3,823	27,952	-	84,130



Notes to the Condensed Consolidated Financial Statements
for the six months ended 31 December 2010 (unaudited)

3. SEGMENT INFORMATION (continued)

30 JUN 2010 12 MONTHS	ELECTRICITY	GAS TRANS- PORTATION	GAS WHOLESALE	TECHNOLOGY	INTERSEGMENT	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000
External revenue:						
Operating revenue	552,942	154,590	398,230	77,056	-	1,182,818
Other income	801	283	494	33	-	1,611
Intersegment revenue	123	39,328	4,054	2,726	(46,231)	-
Segment revenue	553,866	194,201	402,778	79,815	(46,231)	1,184,429
External operating expenditure:						
Electricity transmission expenses	(128,842)	-	-	-	-	(128,842)
Gas purchases and production expenses	-	(5,234)	(261,821)	-	-	(267,055)
Network and asset maintenance expenses	(37,623)	(15,129)	(13,503)	(7,449)	-	(73,704)
Personnel expenses	(10,778)	(4,352)	(11,717)	(9,746)	-	(36,593)
Other expenses	(18,731)	(5,699)	(11,677)	(10,423)	-	(46,530)
Intersegment expenditure	(2,119)	(4,062)	(39,927)	(123)	46,231	-
Operating expenditure	(198,093)	(34,476)	(338,645)	(27,741)	46,231	(552,724)
EBITDA	355,773	159,725	64,133	52,074	-	631,705
Depreciation and amortisation	(74,615)	(24,543)	(11,699)	(29,856)	-	(140,713)
Segment profit before interest and income tax	281,158	135,182	52,434	22,218	-	490,992
Segment capital expenditure	126,238	22,838	12,751	63,451	-	225,278



Notes to the Condensed Consolidated Financial Statements

for the six months ended 31 December 2010 (unaudited)

3. SEGMENT INFORMATION (continued)

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

	31 DEC 2010 6 MONTHS			31 DEC 2009 6 MONTHS			30 JUN 2010 12 MONTHS		
	TOTAL INCOME \$'000	PROFIT BEFORE INCOME TAX \$'000	CAPITAL EXPENDITURE \$'000	TOTAL INCOME \$'000	PROFIT BEFORE INCOME TAX \$'000	CAPITAL EXPENDITURE \$'000	TOTAL INCOME \$'000	PROFIT BEFORE INCOME TAX \$'000	CAPITAL EXPENDITURE \$'000
Reported in segment information	627,016	265,754	97,234	618,699	268,943	84,130	1,184,429	490,992	225,278
Amounts not allocated to segments:									
Revenue from corporate activities		2,278	-	1,949	1,949	-	3,011	3,011	-
Corporate activities operating expenditure		-	-	-	(28,922)	-	-	(56,573)	-
Depreciation and amortisation of corporate property, plant and equipment and software intangibles		-	-	-	(7,889)	-	-	(15,606)	-
Finance income		-	-	-	3,404	-	-	7,456	-
Finance costs		-	-	-	(85,134)	-	-	(174,429)	-
Share of net profit/(loss) from associate		-	-	-	(818)	-	-	(2,305)	-
Impairment of investment in associate		-	-	-	(4,136)	-	-	(4,136)	-
Additions to corporate assets		-	3,622	-	-	2,910	-	-	11,866
Reported in condensed consolidated financial statements	629,294	144,601	100,856	620,648	147,397	87,040	1,187,440	248,410	237,144

Notes to the Condensed Consolidated Financial Statements

for the six months ended 31 December 2010 (unaudited)

4. PROPERTY, PLANT AND EQUIPMENT AND SOFTWARE INTANGIBLE ASSETS

During the period, Vector invested \$100.9 million (six months ended 31 December 2009: \$87 million, year ended 30 June 2010: \$237.1 million) in new capital expenditure and retired \$3.9 million (six months ended 31 December 2009: \$3.0 million, year ended 30 June 2010: \$7.5 million) of property, plant and equipment and software intangible assets.

5. CAPITAL COMMITMENTS

	31 DEC 2010 \$000	31 DEC 2009 \$000	30 JUN 2010 \$000
Estimated capital expenditure contracted for at balance date but not yet incurred	110,951	128,351	117,489

6. FINANCIAL RATIOS

The calculation of basic earnings per share for the six months ended 31 December 2010 is based on the profit attributable to shareholders of the parent of \$98.5 million (six months ended 31 December 2009: \$101.3 million, year ended 30 June 2010: \$193.5 million) and ordinary shares outstanding during the period of 995,755,077 (six months ended 31 December 2009: 995,755,077, year ended 30 June 2010: 995,755,077).

The calculations of the total and net tangible assets per share at 31 December 2010 are based on the carrying amounts of the total assets of \$5,802.2 million (31 December 2009: \$5,470.3 million, 30 June 2010: \$5,550.9 million) and net assets of \$2,101.0 million (31 December 2009: \$2,091.9 million, 30 June 2010: \$2,084.2 million) less total intangible assets of \$1,609.9 million (31 December 2009: \$1,596.1 million, 30 June 2010: \$1,612.2 million) and 995,755,077 ordinary shares outstanding as at 31 December 2010 (31 December 2009: 995,755,077, 30 June 2010: 995,755,077).

7. FUNDING OF OPERATIONS

Owners' equity

Issued capital as at 31 December 2010 was \$875 million (31 December 2009: \$875 million, 30 June 2010: \$875 million). During the period, a final dividend of 7.5 cents per share in respect of the year ended 30 June 2010 was paid to the shareholders on 13 September 2010 (six months ended 31 December 2009: 7.25 cents per share in respect of the year ended 30 June 2009, paid on 15 September 2009).

Borrowings

In December 2010, the group issued USD 182 million (NZD 250.5 million) of unsecured senior notes in a private placement to US institutional investors. The notes will mature in December 2022. The proceeds from the issue will be used to repay the AUD 204 million (NZD 250 million) credit wrapped medium term notes that mature in April 2011.

All borrowings are measured at amortised cost adjusted for fair value movements in respect of the hedged risk on those borrowings as designated in their fair value hedge relationships. Borrowings are classified between current and non-current depending on contractual obligations. The net increase in borrowings since 30 June 2010 of \$150.6 million is the result of the \$250.5 million notes issue referred to above and \$0.9 million of movement in unamortised costs offset by \$100.8 million of fair value movements.

8. DERIVATIVE FINANCIAL INSTRUMENTS

The net amount of derivative financial instruments disclosed on the statement of financial position at 31 December 2010 is a liability of \$251.2 million (31 December 2009: \$145.7 million, 30 June 2010: \$139.8 million). The increase in the net liability since 30 June 2010 of \$111.4 million reflects the net increase in the aggregate mark to market losses during the period. This increase is mainly caused by a stronger New Zealand dollar at 31 December 2010 in contrast to comparative periods.

9. RELATED PARTIES

During the period, a \$0.8 million (six months ended 31 December 2009: \$0.2 million) dividend was received from Tree Scape Limited and a \$0.2 million (six months ended 31 December 2009: nil) dividend was received from Energy Intellect Limited which are associate companies of the group.

10. EVENTS AFTER BALANCE DATE

On 25 February 2011, the board of directors declared an interim dividend for the year ended 30 June 2011 of 6.75 cents per share.

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

