AUCKLAND ENERGY CONSUMER TRUST

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30 JUNE 2009

Auckland Energy Consumer Trust

The year ended 30 June 2009 has been a stable and solid period for the Trust. The value of the Trust's shareholding in Vector has remained relatively steady over this past year, despite the economic turmoil. We appreciate the results Vector have achieved this year under adverse conditions.

During the year the Trust achieved a good outcome from the Royal Commission of Inquiry on Auckland Governance. Following our submissions, the Commission did not make a recommendation that control or ownership should pass to the new Auckland City or any other entity of local government.

Financial matters

During the year ended 30th June 2009 the Trust received a total of $99.5 million in dividends from Vector. The income included a slightly higher payment per share from Vector. However this was offset by a steep fall in interest rates received by the Trust during the year which caused a significant reduction in the money earned from funds held on deposit.

Total expenditure incurred by the Trust was $3.4 million, a reduction of $1.4 million compared to last year. The reduction in expenditure was largely due to the reduced requirement for project costs such as the Royal Commission on Auckland Governance. However we note that for the year ahead costs will be affected by matters outside our control with activities including the triennial election.

Annual Dividend

The dividend distribution to income beneficiaries took place on 19 September 2008. The total amount distributed was $97.56 million, paid as a $320 dividend to 304,906 eligible income beneficiaries. The number of beneficiaries increased by 2,811 compared to the previous year.

Appointment of auditors

The Trustees are recommending that Grant Thornton be again appointed as auditors for the Trust. Grant Thornton was appointed last year after a competitive tender, and their fees for this year's work were $35,809.

Remuneration of auditors

In accordance with section 158C (3) of the Electricity Act 1992, a motion will be put to the Annual Meeting of beneficiaries authorising the Trust to fix the fees and expenses of the auditors for the ensuing year.

Acknowledgements

This has been very much a steady and stable year for the Trust, with positive outcomes in all areas of our activity.

As the majority shareholder in Vector, we have a considerable responsibility to ensure the continued success of our most valuable investment in Vector, and to ensure the interests of our beneficiaries are preserved and protected for the life of the Trust

I extend thanks to everyone who has been involved with the Trust's work this past year, and especially thank my fellow Trustees for their commitment and effort throughout the year.

Warren Kyd
Chairman
Auckland Energy Consumer Trust
13 October 2009

AUCKLAND ENERGY CONSUMER TRUST
2009

FINANCIAL STATEMENTS

Financial Statements
for the year ended 30 June 2009

CONTENTS

2009 FINANCIAL STATEMENTS

The trustees are pleased to present the financial statements of the group for the year ended 30 June 2009.

For and on behalf of Trustees dated 2nd September 2009

Chairman

Chair of Finance and Risk

Directory

Principal Business

Holding shares in Vector Limited for the benefit of Vector Limited's customers as income beneficiaries and the Auckland Territorial Local Authorities as residual capital beneficiaries. The Trust's purpose with regard to income beneficiaries is to receive dividends from Vector Limited and to distribute to consumers.

Date Settled

27 August 1993

Trustees

Warren J Kyd (Chairman)
Michael J Buczkowski (Deputy Chairman)
James A Carmichael
Shale Chambers
Karen A Sherry

Executive Officer

Ian R Ward

Termination Date

27 August 2073

Accountant

Staples Rodway Limited
P O Box 3899
Auckland

Auditor

Grant Thornton
P O Box 1961
Auckland

Legal Advisor

David Bigio
P O Box 4338
Auckland

Banker

ANZ National Bank of New Zealand Limited
P O Box 6334
Auckland

Grant Thornton

Auditors report

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152 Fanshawe Street
PO Box 1961
Auckland 1140
New Zealand

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E service@gtak.co.nz
www.grantthornton.co.nz

To the beneficiaries of Auckland Energy Consumer Trust

We have audited the financial statements on pages 6 to 63. The financial statements provide information about the past financial performance and cash flows of the trust and group for the year ended 30 June 2009 and the financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 12 to 22.

Trustees' Responsibilities

The Trustees are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the trust as at 30 June 2009 and of the financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Trustees and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Trustees in the preparation of the financial statements; and
- whether the accounting policies used are appropriate to the trust's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors, we have no relationship with or interests in the trust or its subsidiary.

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept by the trust as far as appears from our examination of those records; and

- the financial statements on pages 6 to 63:

  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the trust and group as at 30 June 2009 and the financial performance and cash flows for the year ended on that date.

Our audit was completed on 2 September 2009 and our unqualified opinion is expressed as at that date.

Grant Thornton

Grant Thornton
Auckland, New Zealand

Income Statement
for the year ended 30 June 2009

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
In respect of continuing operations:					
Operating revenue	3	**1,173,947**	1,180,497	**-**	-
Other income	3	**226**	1,530	**99,523**	97,645
Total income		**1,174,173**	1,182,027	**99,523**	97,645
Electricity transmission expenses		**(118,461)**	(104,764)	**-**	-
Gas purchases and production expenses		**(262,431)**	(304,275)	**-**	-
Network and asset maintenance expenses		**(80,179)**	(82,106)	**-**	-
Other expenses		**(134,336)**	(147,740)	**(3,427)**	(4,795)
Operating expenditure	4	**(595,407)**	(638,885)	**(3,427)**	(4,795)
Earnings before interest, income tax, depreciation and amortisation (EBITDA)		**578,766**	543,142	**96,096**	92,850
Depreciation and amortisation	5	**(145,366)**	(140,369)	**(4)**	(8)
Operating surplus before interest and income tax		**433,400**	402,773	**96,092**	92,842
Finance income	6	**18,135**	6,384	**1,991**	2,716
Finance costs	6	**(205,684)**	(212,240)	**-**	-
Share of net surplus from associates	16	**1,208**	1,114	**-**	-
Impairment of investment in associate	16	**(6,519)**	-	**-**	-
Operating surplus before income tax		**240,540**	198,031	**98,083**	95,558
Income tax (expense)/benefit	7	**(68,210)**	(50,404)	**-**	-
Operating surplus attributable to continuing operations		**172,330**	147,627	**98,083**	95,558
Operating surplus attributable to discontinued operations (net of tax)	1	**205,586**	22,635	**-**	-
Operating surplus		**377,916**	170,262	**98,083**	95,558
Represented by:					
Operating surplus attributable to minority interests	11	**100,014**	48,849	**-**	-
Operating surplus attributable to the beneficiaries of the parent	11	**277,902**	121,413	**98,083**	95,558

Statement of Changes in Equity

for the year ended 30 June 2009

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Transfer to equity on change in fair value of cash flow hedges (net of tax)	11	**(76,242)**	(70,413)	**-**	-
Transfer to foreign currency translation reserve	11	**81**	129	**-**	-
Net expense recognised directly in equity		**(76,161)**	(70,284)	**-**	-
Operating surplus		**377,916**	170,262	**98,083**	95,558
Total recognised income and expenses		**301,755**	99,978	**98,083**	95,558
Distributions to equity holders:					
Distributions to beneficiaries		**(97,361)**	(96,685)	**(97,361)**	(96,685)
Dividends available for distribution – B/fwd		**47,373**	47,454	**47,373**	47,454
Dividends available for distribution – C/fwd		**(50,884)**	(47,373)	**(50,884)**	(47,373)
Supplementary dividends		**(1,045)**	(805)	**-**	-
Foreign investor tax credits		**1,045**	805	**-**	-
Treasury shares purchased		**(8,934)**	-	**-**	-
Dividends to minorities		**(37,169)**	(39,228)	**-**	-
		154,780	(35,854)	**(2,789)**	(1,046)
Equity at beginning of the reporting period		**1,904,112**	1,939,966	**302,789**	303,835
Equity at end of the reporting period		**2,058,892**	1,904,112	**300,000**	302,789

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Total recognised income and expenses attributable to:					
Trustee Funds		**220,477**	68,629	**98,083**	95,558
Minority interests		**81,278**	31,349	**-**	-
Total recognised income and expenses		**301,755**	99,978	**98,083**	95,558

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Equity at end of the reporting period represented by:					
Hedge reserve		**(58,820)**	(1,329)	**-**	-
Foreign currency translation reserve		**158**	97	**-**	-
Retained earnings		**1,598,338**	1,422,548	**300,000**	302,789
Trustees' funds		**1,539,676**	1,421,316	**300,000**	302,789
Minority interests		**519,216**	482,796	**-**	-
Equity at the end of the reporting period	11	**2,058,892**	1,904,112	**300,000**	302,789

Balance Sheet

as at 30 June 2009

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
CURRENT ASSETS					
Cash and cash equivalents		**109,355**	107,318	**54,665**	53,737
Short term deposits		**100,000**	-	**-**	-
Receivables and prepayments	12	**191,131**	182,209	**531**	1,671
Derivative financial instruments	29	**208**	1,304	**-**	-
Operations held for sale	13	**-**	634,948	**-**	-
Inventories	14	**2,208**	7,376	**-**	-
Income tax	8	**43,606**	44,694	**-**	-
Total current assets		**446,508**	977,849	**55,196**	55,408
NON-CURRENT ASSETS					
Receivables and prepayments	12	**5,890**	1,469	**-**	-
Derivative financial instruments	29	**51,345**	40,294	**-**	-
Deferred tax	10	**1,137**	1,137	**-**	-
Investments in subsidiaries	15	**-**	-	**300,000**	300,000
Investments in associates	16	**28,193**	33,504	**-**	-
Intangible assets	18	**1,588,604**	1,593,566	**-**	-
Property, plant and equipment	19	**3,472,081**	3,386,322	**3**	6
Total non-current assets		**5,147,250**	5,056,292	**300,003**	300,006
Total assets		**5,593,758**	6,034,141	**355,199**	355,414
CURRENT LIABILITIES					
Operations held for sale	13	**-**	68,931	**-**	-
Dividends received – available for distribution	20	**50,884**	47,373	**50,884**	47,373
Payables and accruals	21	**180,319**	186,328	**464**	765
Provisions	22	**21,235**	34,947	**3,851**	4,487
Derivative financial instruments	29	**2,099**	3,441	**-**	-
Borrowings	28	**575**	757,297	**-**	-
Income tax	8	**2,370**	-	**-**	-
Total current liabilities		**257,482**	1,098,317	**55,199**	52,625
NON-CURRENT LIABILITIES					
Payables and accruals	21	**27,137**	24,791	**-**	-
Derivative financial instruments	29	**103,671**	69,355	**-**	-
Provisions	22	**1,000**	-	**-**	-
Borrowings	28	**2,639,781**	2,402,846	**-**	-
Deferred tax	9	**505,795**	534,720	**-**	-
Total non-current liabilities		**3,277,384**	3,031,712	**-**	-
Total liabilities		**3,534,866**	4,130,029	**55,199**	52,625
EQUITY					
Trustees funds		**1,539,676**	1,421,316	**300,000**	302,789
Minority interests		**519,216**	482,796	**-**	-
Total equity	11	**2,058,892**	1,904,112	**300,000**	302,789
Total equity and liabilities		**5,593,758**	6,034,141	**355,199**	355,414

Cash Flow Statement

for the year ended 30 June 2009

	Note	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
OPERATING ACTIVITIES					
Cash provided from:					
Receipts from customers		**1,170,655**	1,325,858	**-**	-
Interest portion of repayments on finance leases		**117**	120	**-**	-
Interest received on deposits		**17,305**	6,209	**2,464**	2,661
Income tax refund		**19**	145	**-**	-
Dividends received		**-**	-	**99,508**	97,630
Dividend withholding tax refund		**31**	-	**31**	-
Miscellaneous income		**15**	15	**15**	15
		1,188,142	1,332,347	**102,018**	100,306
Cash applied to:					
Payments to suppliers and employees		**(582,743)**	(686,860)	**(3,076)**	(5,144)
Distribution to beneficiaries		**(98,013)**	(94,855)	**(98,013)**	(94,855)
Income tax paid		**(62,424)**	(68,082)	**-**	-
Interest paid on finance leases		**(633)**	(753)	**-**	-
Interest paid		**(212,570)**	(254,609)	**-**	-
		(956,383)	(1,105,159)	**(101,089)**	(99,999)
Net cash flows from operating activities		**231,759**	227,188	**929**	307
INVESTING ACTIVITIES					
Cash provided from:					
Proceeds from sale of property, plant and equipment and software		**557**	4,114	**-**	-
Net proceeds from sale of discontinued operations	13	**772,950**	-	**-**	-
Receipts from loans repaid		**-**	263	**-**	-
Refund of security deposits		**-**	101	**-**	-
Capital portion of repayments on finance leases		**13**	12	**-**	-
		773,520	4,490	**-**	-
Cash applied to:					
Purchase and construction of property, plant and equipment and software		**(237,108)**	(226,225)	**(1)**	-
Purchase of investments in associates		**-**	(4,131)	**-**	-
Loan to associate	31	**(4,450)**	-	**-**	-
Issue of security deposits		**-**	(40)	**-**	-
		(241,558)	(230,396)	**(1)**	-
Net cash flows from/(used in) investing activities		**531,962**	(225,906)	**(1)**	-

Cash Flow Statement (continued)
for the year ended 30 June 2009

	Note	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
FINANCING ACTIVITIES					
Cash provided from/(applied to):					
Proceeds from borrowings		**245,000**	925,610	**-**	-
Repayment of borrowings		**(855,000)**	(834,014)	**-**	-
Withdrawal of short term deposits		**200,000**	-	**-**	-
Short term deposits		**(300,000)**	-	**-**	-
Debt raising costs incurred		**(3,763)**	(4,814)	**-**	-
Capital portion of payments under finance leases		**(1,818)**	(1,956)	**-**	-
Dividends paid to minority interests	11	**(37,169)**	(39,228)	**-**	-
Purchase of treasury shares		**(8,934)**	-	**-**	-
Net cash flows used in financing activities		**(761,684)**	45,598	**-**	-
Net increase/(decrease) in cash and cash equivalents		**2,037**	46,880	**928**	307
Cash and cash equivalents at beginning of the reporting period		**107,318**	60,438	**53,737**	53,430
Cash and cash equivalents at end of the reporting period		**109,355**	107,318	**54,665**	53,737
Cash and cash equivalents comprises:					
Bank balances		**74,355**	106,698	**54,515**	53,117
Short term deposits maturing within three months		**35,000**	620	**150**	620
		109,355	107,318	**54,665**	53,737

Cash Flow Statement (continued)

for the year ended 30 June 2009

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating surplus		**377,916**	170,262	**98,083**	95,558
Distribution to beneficiaries		**(97,361)**	(96,685)	**(97,361)**	(96,685)
Dividends received – available for distribution		**(3,511)**	81	**(3,511)**	81
		277,044	73,658	**(2,789)**	(1,046)
ITEMS CLASSIFIED AS INVESTING ACTIVITIES					
Net loss on write-off of property, plant and equipment and software		**12,022**	8,707	**1**	6
Gain on sale of discontinued operations	13	**(202,902)**	-	**-**	-
		(190,880)	8,707	**1**	6
NON-CASH ITEMS					
Depreciation and amortisation		**145,366**	154,910	**4**	8
Impairment of investment in associate	16	**6,519**	-	**-**	-
Management fee income from related parties		**-**	-	**-**	-
Non-cash portion of interest expense		**1,492**	760	**-**	-
Increase in deferred tax liability		**4,801**	11,665	**-**	-
(Decrease)/increase in provisions		**(11,060)**	5,792	**-**	-
Equity earnings of associates	16	**(1,208)**	(1,114)	**-**	-
		145,910	172,013	**4**	8
MOVEMENT IN WORKING CAPITAL					
Increase/(decrease) in payables and accruals		**5,243**	(4,295)	**(286)**	276
Decrease/(increase) in inventory		**5,168**	1,686	**-**	-
Increase in receivables and prepayments		**(16,716)**	(6,939)	**1,140**	(686)
Decrease/(increase) in net income tax assets		**3,131**	(19,391)	**-**	-
Increase /(decrease) in dividends received – available for distribution		**3,511**	(81)	**3,511**	(81)
Increase/(decrease) in unclaimed dividends		**(652)**	1,830	**(652)**	1,830
		(315)	(27,190)	**3,713**	1,339
Net cash flows from operating activities		**231,759**	227,188	**929**	307

Statement of Accounting Policies

for the year ended 30 June 2009

BASIS OF PREPARATION

Auckland Energy Consumer Trust (the "Trust") was settled on 27 August 1993 and is domiciled in New Zealand. The Trust is registered under the Trustee Act 1956. The Trust is a reporting entity for the purposes of the Financial Reporting Act 1993. The financial statements of the Trust have been prepared in accordance with the Financial Reporting Act 1993.

Auckland Energy Consumer Trust is a Discretionary Trust under the Trustee Act 1956.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to IFRSs (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate. The financial statements also comply with International Financial Reporting Standards. This also ensures compliance with the Electricity Act 1992 and Amendments that requires financial statements comply with NZ GAAP. The Trust is a non-profit orientated entity.

The accounting policies have been consistently applied by the Trust to all periods in these financial statements.

The financial statements for Auckland Energy Consumer Trust (the parent) and consolidated financial statements are presented. The consolidated financial statements comprise the Trust and its subsidiaries (the group) and the group's share of any interest in associates, partnerships and joint ventures.

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, explained further below; and
- financial instruments, also explained further below.

FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in New Zealand dollars ($), which is the parent's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand, unless otherwise stated.

JUDGEMENT USED IN APPLYING ACCOUNTING POLICIES AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these financial statements in compliance with NZ IFRS requires management to make judgements, estimates and apply assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors and are believed to be reasonable. These estimations and assumptions have formed the basis for making judgements on the carrying values of some assets and liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised and in the future periods affected. In particular, information about the significant areas of estimation uncertainty and critical judgements in applying accounting policies that have had a significant effect on the amounts recognised in the financial statements are described below.

Judgements used in applying accounting policies

Revenue recognition

The timing of customer payments for services does not always coincide with the timing of delivery of these services. For example customers may pay for services some time after the services are delivered. Billing of customers may be based on estimated usage and differences washed up in subsequent periods. Customers may also prepay for services. Judgement is therefore required in deciding when revenue is to be recognised. Where the relationship between the payments and multiple services delivered under the related contract is not immediately clear, management must apply judgement in unbundling elements of the contract and allocating payments to the respective services before applying the revenue recognition accounting policy.

Classification of investments

Classifying investments as either subsidiaries, associates, joint ventures or available-for-sale financial assets requires management to judge the degree of influence which the group holds over the investee. Vector Limited's management look at many factors in making these judgements, such as examining the constitutional documents that govern decision making, governance around current and future representation amongst Vector Limited's board of directors, and also other less formal arrangements which can lead to having influence on the operating and financial policies.

Substance of leasing contracts

Accounting for lease contracts requires management to assess the substance of the contract over its legal form. This includes judgement around whether, on balance, substantially all the significant risks and rewards of ownership of leased assets reside with the group or another entity in order to determine whether those assets meet the recognition criteria specified in the group's accounting policy for finance leases.

Accounting for property, plant and equipment and finite-lived intangible assets

On initial recognition of items of property, plant and equipment and finite-lived intangible assets, judgements must be made about whether costs incurred relate to bringing an asset to working condition for its intended use, and therefore are appropriate for capitalisation as part of the cost of the asset, or whether they should be expensed as incurred. Thereafter, judgement is required to assess whether subsequent expenditure increases the future economic benefits to be obtained from that asset and is therefore also appropriate for capitalisation or whether such expenditure should be treated as maintenance and expensed.

JUDGEMENT USED IN APPLYING ACCOUNTING POLICIES AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

Sources of estimation uncertainty

Accrual accounting

Management must make judgements when making estimates of accrued revenue and expenditure which relate to past transactions occurring within the current financial year but for which the actual revenue or expenditure incurred is not known at the time the financial statements are prepared. Management assesses the available information relating to the reporting period, examines past trends and other external evidence to reach an estimate of the revenue or expenditure to accrue. Where the group's accounting policies require revenue to be accrued on a percentage of completion basis, management apply judgement to assess percentage of completion.

Provision for doubtful debts

The provision for doubtful debts takes into account known commercial factors impacting specific debtors, as well as the overall profile of the group's debtors portfolio. In assessing the provision, factors such as past collection history, the age of receivable balances, the level of activity in customer accounts, as well as general macro-economic trends (including any effects due to the recent economic downturn) are taken into account. At 30 June 2009, the carrying amount of the provision for doubtful debts for the group is $5.9 million (2008: $5.4 million). As the outcomes in the next financial period may be different to the assumptions made, it is impracticable to predict the impact but it could result in a material adjustment to the carrying amount.

Valuation of goodwill

The carrying value of goodwill is assessed at least annually to ensure that it is not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by cash generating units or groups of cash generating units to which goodwill has been allocated. Estimating future cash flows entails making judgements including the expected rate of growth of revenues, margins expected to be achieved, the level of future maintenance expenditure required to support these outcomes and the appropriate discount rate to apply when discounting future cash flows. Note 18 of these financial statements provides more information surrounding the assumptions management have made in this area. At 30 June 2009, the carrying amount of goodwill is $1,553.4 million (2008: $1.553.4 million). As the outcomes in the next financial period may be different to the assumptions made, it is impracticable to predict the impact but it could result in a material adjustment to the carrying amount.

Accounting for property, plant and equipment and finite-lived intangible assets

The determination of the appropriate useful life for a particular asset requires management to make judgements about, among other factors, the expected period of service potential of the asset, the likelihood of the asset becoming obsolete as a result of technological advances, and the likelihood of the group ceasing to use the asset in its business operations.

Management reassesses the appropriateness of useful lives applied to property, plant and equipment at least annually and also considers whether any indicators of impairment have occurred which might require impairment testing.

Assessing whether individual assets or a grouping of related assets (which generate cash flows co-dependently) are impaired may involve estimating the future cash flows that those assets are expected to generate. This will in turn involve assumptions, including rates of expected revenue growth or decline, expected future margins and the selection of an appropriate discount rate for discounting future cash flows. At 30 June 2009, the carrying value of property, plant and equipment and finite-lived intangible assets is $3,507.3 million (2008: $3,426.4 million). As the outcomes in the next financial period may be different to the assumptions made, it is impracticable to predict the impact but it could result in a material adjustment to the carrying amount.

Provisions and contingencies

Preparation of the financial statements requires management to make estimates in order to provide for potential liabilities. This involves making judgements about the likelihood of an amount becoming payable, estimation of the quantum of the potential obligations based on available information and estimating when such obligations are likely to be settled. Where a variety of possible outcomes exist, management must apply judgement in assessing the probability that any given outcome may occur. At 30 June 2009, the carrying value of provisions and contingencies is $22.2 million (2008: $34.947 million). As new contingencies can arise unexpectedly or existing items be resolved at short notice, it is impracticable to predict how the carrying value may be impacted over the next financial period but changes could result in a material adjustment to the carrying amount.

Value of investments in associates

The carrying value of investments in associates comprises the initial purchase costs, equity income incurred subsequent to the acquisition date and any recognised accumulated impairment losses. Management look at many factors in assessing any potential impairment, such as the published quoted value of shares if available and projected cash flow forecasts. Estimating future cash flows entails considerable judgement (as described in 'Valuation of goodwill' above). Comparison to published share prices requires judgement as to whether the current share price will remain at similar levels for a prolonged period or whether recent events have led to a share price that is not fully representative of the fair value of the underlying investment. At 30 June 2009, the carrying amount of the value of investments in associates is $28.2 million (2008: $33.5 million). During the year the value of the investment in the associate NZ Windfarms Limited was written down by $6.5 million (2008: $Nil) associated with a significant drop in the associate's quoted share price. If within the next financial period the recoverable amount of the impaired associate investment increases or decreases further then the carrying value of that investment could increase by up to $6.5 million or decrease further.

Statement of Accounting Policies

for the year ended 30 June 2009

SIGNIFICANT ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of operating surplus, 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 the Trust. The financial statements of subsidiaries are included in the consolidated financial statements using the acquisition 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, if any, between the accounting policies of the group and the associates. The group's share of any other gains and losses of associates charged directly to equity 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 in the consolidated financial statements.

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 company which directly participates as a venturer in the jointly-controlled assets or operations. No further consolidation adjustments are then required.

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 is jointly and severally liable in respect of costs and 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 reporting period

Where an entity becomes or ceases to be a part of the group during the reporting 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 or a group of assets are accounted for in accordance with the accounting policy for financial instruments. 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 less costs to sell and the carrying amount of the entity or group of assets and related goodwill.

Goodwill arising on acquisition

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.

Intra-group advances to and from subsidiaries are recognised at amortised cost within current assets and current liabilities in the separate financial statements of the parent. Advances to subsidiaries from the parent are repayable on demand. All intra-group advances are eliminated on consolidation. Any interest income and interest expense incurred on these advances is eliminated in the income statement on consolidation.

SIGNIFICANT ACCOUNTING POLICIES (continued)

B) *DETERMINATION OF FAIR VALUES AS A RESULT OF A BUSINESS COMBINATION*

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 gas purchase contracts could be exchanged between knowledgeable, willing parties in an arms' length transaction measured by comparison of the purchase price in the contract against market purchase prices at the date of the business combination.

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 and excise and customs import duties. Revenue is recognised when the significant risks and rewards of ownership of the goods 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.

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.

Sale of services

Sales of services are recognised at fair value of the consideration received or receivable as the services are delivered or to reflect the percentage completion of the related services where delivered over time.

Customer 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.

Dividend income

Dividend income is recognised in other income 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.

Interest Revenue

Interest revenue is recognised as it accrues.

D) *GOODS AND SERVICES TAX (GST)*

Although the parent is registered for GST, the financial statements of the parent have been prepared inclusive of GST, with the exception of ETNZ Secretary Fees and the Vector reimbursements for Project Expenses. Assets and liabilities are similarly stated inclusive of GST for the parent.

The group's income statement and statement of cash flows have been prepared so that all components, other than the Trust components (with the exception of ETNZ secretariat fees and the Vector reimbursements for the Project expenses), are stated exclusive of GST. All items in the group's balance sheet, other than the Trust components (with the exception of ETNZ secretariat fees and the Vector reimbursements for the Project expenses), are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

E) *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 through a reduction in depreciation over the useful life of the items.

F) *FINANCE INCOME AND EXPENSES*

Finance income comprises interest income on funds invested. Finance income is recognised as it accrues.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, net foreign currency gains and 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) and net gains and losses on hedging instruments that are recognised in profit or loss. Borrowing costs other than those capitalised to qualifying property, plant and equipment are recognised in the income statement using the effective interest rate method.

SIGNIFICANT ACCOUNTING POLICIES (continued)

G) *INCOME TAX*

Income tax expense comprises current and deferred tax.

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

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.

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. Movements in deferred tax assets and liabilities are recognised within tax expense in the income statement unless the temporary difference initially arose in equity in which case the movement is then recognised as an adjustment in equity against the item to which the temporary difference relates. 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 at balance date.

Deferred tax assets including unutilised tax losses are 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 balance date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

H) *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 the transactions are hedged by foreign currency derivative instruments. Foreign currency differences arising on translation are recognised in the income statement. 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.

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 and are not retranslated at balance date.

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.

I) *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.

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

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.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

J) *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. The criteria are met when the operation is available for immediate sale subject only to usual sale conditions for such operations and its sale is highly probable. 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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

K) *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.

L) *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.

M) *IDENTIFIABLE INTANGIBLE ASSETS*

Goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) or groups of CGUs, being the lowest level at which the goodwill is monitored for internal management purposes. Goodwill is tested at least annually for impairment against the recoverable amount of the CGUs or groups of CGUs to which goodwill has been allocated.

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 on the basis of consumption of the gas to which they relate.

Software

Software that is not integral to the functionality of the related hardware is classified as an intangible asset. It is amortised on a straight line basis over its useful life, commencing on the date it is available for use. Software assets which are integral to the operation of the related hardware are classified as computer equipment within property, plant and equipment. Software has a useful life of between 2 and 10 years.

N) *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.

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 fair value less costs to sell.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed annually by Trustees to ensure it is not in excess of the recoverable amount from those assets.

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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

O) *DEPRECIATION*

Depreciation of property, plant and equipment, other than gas turbines and freehold land, is calculated on a straight line or diminishing value 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, or when such items become available for use.

	Estimated useful lives Years
Buildings	40 – 100
Distribution systems	10 – 100
Motor vehicles and mobile equipment	3 – 20
Computer and telecommunication equipment	3 – 40
Electricity and gas meters	5 – 30
Cogeneration assets (excluding gas turbines)	10 – 20
Other plant and equipment	5 – 20

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

P) *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 charged to the income statement in 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.

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 used by the group 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.

Q) *IMPAIRMENT*

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

Available-for-sale equity instruments held by the group 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 carrying amount of the group's receivables is compared to the recoverable amount which is amortised cost. Amortised cost is estimated 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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

Q) *IMPAIRMENT (continued)*

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 carrying amount is compared to its recoverable amount to determine the level of impairment if any. For goodwill, recoverable amount is determined at least annually and compared with the carrying value for impairment testing purposes.

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 cash-generating 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.

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 may be 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.

R) *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 discount 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 finance costs in 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.

S) *COMPARATIVE FIGURES*

Where applicable, certain comparative numbers have been restated in order to comply with the current year presentation of the financial report.

T) *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 finance costs in the income statement over the period of the borrowing using the effective interest rate method.

Borrowing costs

Borrowing costs directly attributable to qualifying 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 bank overdrafts. The investments in money market instruments are brought to account at the face value and interest is taken to the profit or loss when earned.

SIGNIFICANT ACCOUNTING POLICIES (continued)

T) *FINANCIAL INSTRUMENTS (continued)*

Derivative financial instruments

Vector and its subsidiaries (the Vector group) enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including interest rate swaps, cross currency swaps and foreign exchange contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured 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 designated hedge relationship. The Vector 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 Vector 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 Vector 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 finance costs. Changes in the fair value of the underlying hedged fixed rate borrowings attributable to interest rate risk are also recognised in the income statement within finance costs.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The fair value 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 is deferred in equity. The gain or loss relating to the ineffective portion, if any, is recognised immediately in the income statement within finance costs.

Amounts accumulated in equity are recycled in finance costs in the income statement in the reporting 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 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 within finance costs.

Embedded derivatives

Derivatives embedded in 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 consist of loans and receivables.

Loans and receivables

Trade receivables, loans, and other receivables including interest accrued are recorded at fair value which is amortised cost using the effective interest method and less impairment. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at 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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

T) *FINANCIAL INSTRUMENTS (continued)*

Financial instruments issued by the parent

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. If there is no contractual obligation to deliver cash or another financial asset, then the instrument is classified as equity. All other instruments are classified as liabilities.

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.

Equity instruments repurchased and held as treasury shares

Any equity instruments issued by the company and subsequently repurchased are classified separately as treasury shares and are disclosed as a deduction within equity. The carrying value includes the consideration paid to repurchase the shares plus any related transaction costs.

Interest and dividends

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

U) *FINANCIAL GUARANTEES*

The Vector group provides financial guarantees that are accounted for in accordance with NZ IFRS 4, *Insurance Contracts*, wherein a liability is recognised at the present value of expected future payments for claims incurred.

V) *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 re-measurement of the assets or disposal group to fair value less cost to sell are recognised in the income statement. Subsequent gains on any re-measurement 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.

W) *STATEMENT OF CASH FLOWS*

The following are the definitions of the terms used in the statement of cash flows:

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and other investments not included in cash equivalents.

Financing activities are those activities that result in changes in the size and composition of the capital structure. Dividends paid in relation to the capital structure are included in financing activities.

Cash and cash equivalents are cash on hand and in current accounts in banks, net of bank overdrafts and highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of change in value.

NEW STANDARDS EARLY-ADOPTED

NZ IFRS 7, *Financial Instruments: Disclosures – Amendments*

The group has chosen to early adopt the amendments to NZ IFRS 7, *Financial Instruments: Disclosures.* The amendments enhance disclosures over fair value measurements relating to financial instruments, specifically in relation to disclosures over the inputs used in valuations techniques and the uncertainty associated with such valuations. These amendments also improve disclosures over liquidity risk to address current diversity in practice in how such disclosure requirements are being interpreted and applied, proposing quantitative disclosures based on how liquidity risk is managed and strengthening the relationship.

NZ IFRS 8, *Operating Segments* and *Improvements to IFRSs (amendment to NZ IFRS 8)*

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 makers 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.

The group has also chosen to early adopt the amendment to NZ IFRS 8 which was issued in *Improvements to IFRSs.* This requires that segment total assets need only be disclosed in the financial statements if such amounts are regularly reviewed by the chief operating decision makers.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following recently-published standards and interpretations which are considered relevant to the group but not yet effective for the year ended 30 June 2009, 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 financial statements for the year ended 30 June 2010, is not expected to have any significant impact on either the separate financial statements of the Parent or the consolidated financial statements.

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 financial statements for the year ended 30 June 2010, are not expected to have any impact on either the separate financial statements of the Parent 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 financial statements for the year ended 30 June 2010, is not expected to have any impact on either the separate financial statements of the Parent or the consolidated financial statements.

NZ IAS 32, *Financial Instruments: Presentation – Amendments (revised)*

The revised amendments to NZ IAS 32 require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The amendments also revised the definitions of a financial asset and a financial liability and added the definition of a puttable instrument. These amendments to NZ IAS 32, which become mandatory for the financial statements for the year ended 30 June 2010, are not expected to have any impact on either the separate financial statements of the Parent or the consolidated financial statements.

NZ IFRIC 18, *Transfers of Assets from Customers*

NZ IFRIC 18 provides guidance on the accounting for transfers of assets by a customer to a supplier who then provides subsequent ongoing services to that customer using either the contributed asset or assets constructed from contributed cash. NZ IFRIC 18, which becomes mandatory for the financial statements for the year ended 30 June 2010, is not expected to have any significant impact on either the separate financial statements of the Parent or the consolidated financial statements.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the trustees on 2 September 2009.

1. CONTINUING AND DISCONTINUED OPERATIONS

	GROUP 2009			GROUP 2008			PARENT 2009			PARENT 2008		
	CONTINUING OPERATIONS $000	DISCONTINUED OPERATIONS $000	TOTAL $000	CONTINUING OPERATIONS $000	DISCONTINUED OPERATIONS $000	TOTAL $000	CONTINUING OPERATIONS $000	DISCONTINUED OPERATIONS $000	TOTAL $000	CONTINUING OPERATIONS $000	DISCONTINUED OPERATIONS $000	TOTAL $000
Operating revenue	**1,173,947**	**10,286**	**1,184,233**	1,180,497	147,255	1,327,752	**-**	**-**	**-**	-	-	-
Other income	**226**	**-**	**226**	1,530	-	1,530	**99,523**	**-**	**99,523**	97,645	-	97,645
Total income	**1,174,173**	**10,286**	**1,184,459**	1,182,027	147,255	1,329,282	**99,523**	**-**	**99,523**	97,645	-	97,645
Operating expenditure	**(595,407)**	**(3,574)**	**(598,981)**	(638,885)	(55,166)	(694,051)	**(3,427)**	**-**	**(3,427)**	(4,795)	-	(4,795)
Earnings before interest, income tax, depreciation and amortisation (EBITDA)	**578,766**	**6,712**	**585,478**	543,142	92,089	635,231	**96,096**	**-**	**96,096**	92,850	-	92,850
Depreciation and amortisation	**(145,366)**	**-**	**(145,366)**	(140,369)	(14,541)	(154,910)	**(4)**	**-**	**(4)**	(8)	-	(8)
Operating surplus before interest and income tax	**433,400**	**6,712**	**440,112**	402,773	77,548	480,321	**96,092**	**-**	**96,092**	92,842	-	92,842
Finance income	**18,135**	**-**	**18,135**	6,384	-	6,384	**1,991**	**-**	**1,991**	2,716	-	2,716
Finance costs	**(205,684)**	**(2,878)**	**(208,562)**	(212,240)	(46,137)	(258,377)	**-**	**-**	**-**	-	-	-
Share of net surplus from associates	**1,208**	**-**	**1,208**	1,114	-	1,114	**-**	**-**	**-**	-	-	-
Impairment of investment in associate	**(6,519)**	**-**	**(6,519)**	-	-	-	**-**	**-**	**-**	-	-	-
Operating surplus/(deficit) before income tax	**240,540**	**3,834**	**244,374**	198,031	31,411	229,442	**98,083**	**-**	**98,083**	95,558	-	95,558
Income tax (expense)/ benefit	**(68,210)**	**(1,150)**	**(69,360)**	(50,404)	(8,776)	(59,180)	**-**	**-**	**-**	-	-	-
Operating surplus/(deficit) after income tax and before gain on discontinued operations	**172,330**	**2,684**	**175,014**	147,627	22,635	170,262	**98,083**	**-**	**98,083**	95,558	-	95,558
Gain on sale of discontinued operations (net of tax of $nil)	**-**	**202,902**	**202,902**	-	-	-	**-**	**-**		-	-	-
Operating surplus/(deficit)	**172,330**	**205,586**	**377,916**	147,627	22,635	170,262	**98,083**	**-**	**98,083**	95,558	-	95,558

2. SEGMENT INFORMATION

The group has adopted NZ IFRS 8: *Operating Segments* in advance of its effective date, with effect from 1 July 2006. NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segment and to assess its performance. The Vector Group's internal reporting to the Vector Group CEO and Board is focused on the following business lines which are therefore the Vector group's operating segments reported below in accordance with NZ IFRS 8:

Electricity
Ownership and management of electricity distribution networks.

Gas Transportation
Ownership and management of gas transmission and distribution networks.

Gas Wholesale
Natural gas acquisition, processing and retailing, LPG (distribution, storage and retailing) and 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 consolidated financial statements on page 27.

The above segments reported in these financial statements except for the absence of Corporate/Other as explained above are identical to those reported in Vector's Annual Report for the year ended 30 June 2008.

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 the accounting policies. Monthly internal reporting to Vector Limited's CEO and Board is also prepared on this basis. Segment profit reported to Vector Limited's CEO and the Board is operating surplus before interest and income tax and excludes impairment losses, finance income, finance costs, income tax and net surplus from associates.

The segment information also excludes discontinued operations relating to the sale of the Wellington electricity network which was completed on 24 July 2008. The portion of operating surplus attributable to those discontinued operations is $2.7 million (2008: $22.6 million) and is disclosed in note 1 of these financial statements.

The Vector group engages with one major customer which contributes individually greater than ten percent of its total revenue. The customer contributed $142.2 million (2008: $162.1 million) which is reported in the Electricity and Gas Transportation segments.

2. SEGMENT INFORMATION (continued)

GROUP 2009	ELECTRICITY $000	GAS TRANSPORTATION $000	GAS WHOLESALE $000	TECHNOLOGY $000	INTERSEGMENT $000	TOTAL $000
External revenue:						
Operating revenue	533,431	151,357	408,852	68,460	-	1,162,100
Other income	67	-	33	50	-	150
Intersegment revenue	94	38,677	4,398	2,526	(45,695)	-
Segment revenue	533,592	190,034	413,283	71,036	(45,695)	1,162,250
External operating expenditure:						
Electricity transmission expenses	(118,461)	-	-	-	-	(118,461)
Gas purchases and production costs	-	(6,017)	(256,414)	-	-	(262,431)
Network and asset maintenance expenses	(44,993)	(15,354)	(14,932)	(4,880)	-	(80,159)
Other expenses	(33,619)	(11,874)	(21,989)	(14,012)	-	(81,494)
Intersegment expenditure	(1,933)	(4,398)	(39,270)	(94)	45,695	-
	(199,006)	(37,643)	(332,605)	(18,986)	45,695	(542,545)
EBITDA	334,586	152,391	80,678	52,050	-	619,705
Depreciation and amortisation	(65,589)	(29,928)	(10,448)	(22,298)	-	(128,263)
Segment profit before interest and income tax	268,997	122,463	70,230	29,752	-	491,442
Segment capital expenditure	127,743	21,068	11,680	65,439	-	225,930

2. SEGMENT INFORMATION (continued)

GROUP 2008	ELECTRICITY $000	GAS TRANSPORTATION $000	GAS WHOLESALE $000	TECHNOLOGY $000	INTERSEGMENT $000	TOTAL $000
External revenue:						
Operating revenue	490,260	143,974	475,565	65,494	-	1,175,293
Other income	-	-	73	795	-	868
Intersegment revenue	-	42,123	4,119	2,958	(49,200)	-
Segment revenue	490,260	186,097	479,757	69,247	(49,200)	1,176,161
External operating expenditure:						
Electricity transmission expenses	(104,764)	-	-	-	-	(104,764)
Gas purchases and production costs	-	(8,488)	(295,787)	-	-	(304,275)
Network and asset maintenance expenses	(47,255)	(13,643)	(16,489)	(4,719)	-	(82,106)
Other expenses	(25,929)	(12,693)	(18,987)	(21,487)	-	(79,096)
Intersegment expenditure	(1,381)	(4,119)	(43,700)	-	49,200	-
	(179,329)	(38,943)	(374,963)	(26,206)	49,200	(570,241)
EBITDA	310,931	147,154	104,794	43,041	-	605,920
Depreciation and amortisation	(61,333)	(29,921)	(13,930)	(21,323)	-	(126,507)
Segment profit before interest and income tax	249,598	117,233	90,864	21,718	-	479,413
Segment capital expenditure	128,483	24,841	13,138	28,435	-	194,897

2. SEGMENT INFORMATION (continued)

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

	GROUP 2009			GROUP 2008		
	TOTAL INCOME $000	OPERATING SURPLUS BEFORE INCOME TAX $000	CAPITAL EXPENDITURE $000	TOTAL INCOME $000	OPERATING SURPLUS BEFORE INCOME TAX $000	CAPITAL EXPENDITURE $000
Reported in segment information	**1,162,250**	**491,442**	**225,930**	1,176,161	479,413	194,897
Amounts not allocated to segments:						
Revenues from other utility-related activities	**11,923**	**11,923**	**-**	5,866	5,866	-
Operating expenditures attributable to corporate activities	**-**	**(52,862)**	**-**	-	(68,644)	-
Depreciation and amortisation of corporate assets	**-**	**(17,103)**	**-**	-	(13,862)	-
Finance income	**-**	**18,135**	**-**	-	6,384	-
Finance costs	**-**	**(205,684)**	**-**	-	(212,240)	-
Share of net surplus from associates	**-**	**1,208**	**-**	-	1,114	-
Impairment of investment in associate	**-**	**(6,519)**	**-**	-	-	-
Additions to corporate assets	**-**	**-**	**12,790**	-	-	9,068
Reported in consolidated financial statements	**1,174,173**	**240,540**	**238,720**	1,182,027	198,031	203,965

3. OPERATING REVENUE AND OTHER INCOME

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Operating revenue					
Trading revenue:					
Energy sales		**408,852**	475,565	**-**	-
Provision of utility services		**742,242**	677,881	**-**	-
Customer contributions		**22,853**	27,051	**-**	-
		1,173,947	1,180,497	**-**	-
Other income					
Gain on disposal of property, plant and equipment and software intangibles		**211**	1,515	**-**	-
Miscellaneous Income		**15**	15	**15**	15
Dividends received		**-**	-	**99,508**	97,630
		226	1,530	**99,523**	97,645
Total		**1,174,173**	1,182,027	**99,523**	97,645

4. OPERATING EXPENDITURE

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Operating expenditure includes:					
Bad debts written-off		**258**	137	**-**	-
Increase in provision for doubtful debts		**448**	1,788	**-**	-
Rental and operating lease costs		**4,240**	4,575	**17**	17
Other administration expenses		**17,281**	23,747	**1,595**	1,728
Distribution Expenses		**1,069**	1,089	**1,069**	1,089
Project Expenses		**301**	1,446	**301**	1,446
Loss on disposal of property, plant and equipment and software intangibles		**12,213**	8,591	1	6
Donations		**30**	-		-
Directors fees	32	**900**	886	**-**	-
Trustee Remuneration	32	**330**	308	**330**	308
Employee benefits		**72,007**	80,506	**78**	165
Contributions to KiwiSaver		**478**	309	**-**	-
Release of provision for contractual indemnity	25	**(8,877)**	-	**-**	-
Auditors remuneration:					
Audit fees paid to principal auditors – Grant Thornton		**36**	32	**36**	32
Audit fees paid to auditors – KPMG		**816**	816	**-**	-
Fees paid for other assurance services provided – KPMG		**422**	295	**-**	-

Fees for other assurance services paid to auditors primarily relate to the special purpose audits of regulatory disclosures such as the electricity threshold compliance statements and fees for completion statements for the sale of the Wellington electricity network (note 13).

5. DEPRECIATION AND AMORTISATION

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Depreciation of property, plant and equipment				
Distribution systems	**94,688**	89,357	**-**	-
Distribution buildings	**1,258**	1,238	**-**	-
Electricity and gas meters	**16,950**	15,837	**-**	-
Cogeneration plant	**1,624**	1,522	**-**	-
Computer and telecommunications equipment	**7,575**	5,817	**-**	-
Motor vehicles and mobile equipment	**1,181**	1,437	**-**	-
Other plant and equipment	**3,542**	4,603	**4**	8
Buildings	**219**	262	**-**	-
Leasehold improvements	**1,643**	371	**-**	-
	128,680	120,444	**4**	8
Amortisation of intangible assets				
Gas entitlement intangible assets	**-**	2,639	**-**	-
Software intangibles	**16,686**	17,286	**-**	-
	16,686	19,925	**-**	-
Total	**145,366**	140,369	**4**	8

6. NET FINANCE COSTS

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Finance costs				
Interest expense	**207,618**	215,426	**-**	-
Loss/(profit) on ineffective portion of cash flow hedges	**13**	(47)	**-**	-
Profit on fair value movement on hedging instruments	**(88,949)**	(118,162)	**-**	-
Loss on fair value movement on hedged items	**89,286**	117,756	**-**	-
Loss on financial instruments at fair value through profit or loss	**1,004**	1,752	**-**	-
Capitalised interest	**(6,025)**	(6,532)	**-**	-
Other net finance expenses/gains	**2,737**	2,047	**-**	-
	205,684	212,240	**-**	-
Finance income				
Interest income	**(18,135)**	(6,384)	**(1,991)**	(2,716)
	(18,135)	(6,384)	**(1,991)**	(2,716)
Net finance costs	**187,549**	205,856	**(1,991)**	(2,716)

Interest is capitalised on property, plant and equipment while under construction at a rate of largely 8% per annum (2008: 8%).

The loss on financial instruments at fair value through profit or loss mostly relates to interest rate caps. These have not been designated as a hedging instrument in any hedge relationship.

7. INCOME TAX EXPENSE

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Current income tax				
Current income tax expense/(benefit)	**60,622**	46,512	**-**	-
Prior period adjustments recognised in the current period	**3,934**	(6,980)	**-**	-
Deferred income tax				
Relating to property, plant and equipment	**3,584**	9,784	**-**	-
Relating to other balance sheet items	**3,218**	494	**-**	-
Reduction in tax rate	**-**	(4,856)	**-**	-
Prior period adjustments recognised in the current period	**(3,148)**	5,450	**-**	-
Income tax expense/(benefit)	**68,210**	50,404	**-**	-
Reconciliation of income tax expense				
Operating surplus/(deficit) before income tax	**240,540**	198,031	**98,083**	95,558
Tax at current rate	**72,119**	65,350	**32,367**	31,534
Reduction in tax rate impacting deferred tax	**-**	(4,856)	**-**	-
Non-taxable items:				
Customer contributions	**(6,856)**	(8,927)	**-**	-
Impairment of investment in associate	**1,956**	-	**-**	-
Other	**991**	(1,163)	**(32,367)**	(31,534)
Income tax expense/(benefit)	**68,210**	50,404	**-**	-

8. INCOME TAX

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Current tax asset				
Prepaid tax	**43,606**	44,694	**-**	-
Total	**43,606**	44,694	**-**	-
Current tax liability				
Income tax payable	**2,370**	-	**-**	-
Total	**2,370**	-	**-**	-
Imputation balances				
Balance at beginning of the reporting period	**(27,726)**	(27,520)	**-**	-
Income tax payments during the reporting period	**59,444**	63,223	**-**	-
Imputation credits attached to dividends received	**-**	-	**42,646**	48,086
Imputation credits attached to dividends and distribution paid	**(58,521)**	(61,700)	**(44,505)**	(46,357)
Imputation credits attached to distribution provision	**3,191**	-	**3,191**	-
Imputation credits utilised on trustee income	**(493)**	(798)	**(493)**	(798)
Excess imputation credits converted to losses	**(839)**	(931)	**(839)**	(931)
Balance at end of the reporting period	**(24,944)**	(27,726)	**-**	-

8. INCOME TAX (continued)

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
The imputation credits are available to beneficiaries of the parent:				
Through direct shareholding in Vector Limited	**(26,519)**	(29,042)	-	-
Through indirect shareholding in subsidiaries in Vector Limited	**1,575**	1,316	-	-
Total	**(24,944)**	(27,726)	-	-

9. DEFERRED TAX LIABILITY

GROUP 2009	PROPERTY, PLANT & EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TAX LOSSES $000	HEDGE RESERVE $000	OTHER $000	TOTAL $000
Balance at beginning of the reporting period	**538,320**	**(5,520)**	**(266)**	-	**2,186**	**534,720**
Transfer to current tax	-	-	**266**	-	**588**	**854**
Amounts recognised in the income statement:						
Relating to current period	**3,584**	**4,441**	**(1,063)**	-	**(160)**	**6,802**
Prior period adjustment recognised in the current period	**(2,824)**	**(324)**	-	-	-	**(3,148)**
Amounts recognised directly in equity	-	-	-	**(33,433)**	-	**(33,433)**
Balance at end of the reporting period	**539,080**	**(1,403)**	**(1,063)**	**(33,433)**	**2,614**	**505,795**
Deferred tax assets	-	**(1,403)**	**(1,063)**	**(33,433)**	-	**(35,899)**
Deferred tax liabilities	**539,080**	-	-	-	**2,614**	**541,694**
Net deferred tax liability	**539,080**	**(1,403)**	**(1,063)**	**(33,433)**	**2,614**	**505,795**

GROUP 2008	PROPERTY, PLANT & EQUIPMENT $000	PROVISIONS AND ACCRUALS $000	TAX LOSSES $000	OTHER $000	TOTAL $000
Balance at beginning of the reporting period	596,417	(20,031)	(793)	4,885	580,478
Transfer to current tax	-	-	793	-	793
Transferred to operations held for sale	(57,172)	(251)	-	-	(57,423)
Amounts recognised in the income statement:					
Relating to current period	9,784	760	(266)	(4,856)	5,422
Prior period adjustment recognised in the current period	(10,709)	14,002	-	2,157	5,450
Balance at end of the reporting period	538,320	(5,520)	(266)	2,186	534,720
Deferred tax assets	-	(5,520)	(266)	-	(5,786)
Deferred tax liabilities	538,320	-	-	2,186	540,506
Net deferred tax liability	538,320	(5,520)	(266)	2,186	534,720

Tax losses which are available to be utilised by the group are disclosed as deferred tax assets and are offset against deferred tax liabilities.

The parent has no deferred tax.

There is an unrecognised deferred tax asset of $839,360 (2008: $931,242) for the parent and group.

10. DEFERRED TAX ASSET

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Balance at beginning of the reporting period	**1,137**	1,137	**-**	-
Balance at end of the reporting period	**1,137**	1,137	**-**	-

The future income tax benefit of these tax losses are only available to Vector Communications and Vector Stream, subsidiaries of the parent and therefore are recognised in the balance sheet as deferred tax assets.

11. EQUITY

GROUP 2009	HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	RETAINED EARNINGS $000	MINORITY INTERESTS $000	TOTAL EQUITY $000
Balance at beginning of the reporting period	**(1,329)**	**97**	**1,422,548**	**482,796**	**1,904,112**
Operating surplus for the reporting period	**-**	**-**	**277,902**	**100,014**	**377,916**
Change in fair value of cash flow hedges (net of tax)	**(57,486)**	**-**	**-**	**(18,756)**	**(76,242)**
Treasury shares purchased	**(5)**	**-**	**(1,240)**	**(7,689)**	**(8,934)**
Transfer to foreign currency translation reserve	**-**	**61**	**-**	**20**	**81**
Dividends and distributions	**-**	**-**	**(97,361)**	**(37,169)**	**(134,530)**
Dividends received – available for distribution	**-**	**-**	**(3,511)**	**-**	**(3,511)**
Balance at end of the reporting period	**(58,820)**	**158**	**1,598,338**	**519,216**	**2,058,892**

GROUP 2008	HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	RETAINED EARNINGS $000	MINORITY INTERESTS $000	TOTAL EQUITY $000
Balance at beginning of the reporting period	51,552	-	1,397,739	490,675	1,939,966
Operating surplus for the reporting period	-	-	121,413	48,849	170,262
Change in fair value of cash flow hedges (net of tax)	(52,881)	-	-	(17,532)	(70,413)
Transfer to foreign currency translation reserve	-	97	-	32	129
Dividends and distributions	-	-	(96,685)	(39,228)	(135,913)
Dividends received – available for distribution			81	-	81
Balance at end of the reporting period	(1,329)	97	1,422,548	482,796	1,904,112

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

11. **TRUSTEES FUNDS (continued)**

PARENT 2009	RETAINED EARNINGS $000	TOTAL EQUITY $000
Balance at beginning of the reporting period	**302,789**	**302,789**
Operating surplus for the reporting period	**98,083**	**98,083**
Dividends and distributions	**(97,361)**	**(97,361)**
Dividends received – available for distribution	**(3,511)**	**(3,511)**
Balance at end of the reporting period	**300,000**	**300,000**

PARENT 2008	RETAINED EARNINGS $000	TOTAL EQUITY $000
Balance at beginning of the reporting period	303,835	303,835
Operating surplus for the reporting period	95,558	95,558
Dividends and distributions	(96,685)	(96,685)
Dividends received – available for distribution	81	81
Balance at end of the reporting period	302,789	302,789

The Vector board authorised an on-market buy back of Vector Limited's shares in August 2008. The maximum number of shares to be acquired is 25,000,000 and purchases have occurred from 1 September 2008 and can continue up until 27 August 2009. At balance date 4,244,923 shares had been purchased and are held as treasury shares.

12. RECEIVABLES AND PREPAYMENTS

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Current					
Trade receivables		**170,229**	157,508	**-**	-
Provision for doubtful debts		**(5,896)**	(5,448)	**-**	-
		164,333	152,060	**-**	-
Prepayments		**6,463**	13,147	**-**	-
Interest receivable		**20,312**	16,915	**515**	989
Other receivables		**23**	87	**16**	682
Total		**191,131**	182,209	**531**	1,671
Non-current					
Trade receivables		**-**	15	**-**	-
Loan to associate	31	**4,450**	-	**-**	-
Other receivables		**1,440**	1,454	**-**	-
Total		**5,890**	1,469	**-**	-

As at 30 June 2008, prepayments included $0.4 million paid to the Vector group's auditors, KPMG, in respect of the sale of the Wellington electricity network.

13. DISCONTINUED OPERATIONS

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Current assets				
Receivables and prepayments	**-**	12,943	**-**	-
Intangible assets	**-**	114,773	**-**	-
Property, plant and equipment	**-**	507,232	**-**	-
	-	634,948	**-**	-
Current liabilities				
Income tax	**-**	(1,800)	**-**	-
Payables and accruals	**-**	(9,620)	**-**	-
Provisions	**-**	(88)	**-**	-
Deferred tax	**-**	(57,423)	**-**	-
	-	(68,931)	**-**	-
Net assets of operations held for sale	**-**	566,017	**-**	-

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Cash flows from discontinued operations				
Net cash flows from operating activities	**4,246**	42,315	**-**	-
Net cash flows used in investing activities	**(1,849)**	(32,510)	**-**	-
Net cash flows from financing activities	**9,653**	(9,805)	**-**	-
Net cash inflow	**12,050**	-	**-**	-

13. DISCONTINUED OPERATIONS (continued)

Disposal of subsidiaries

On 24 July 2008, Vector Limited disposed of 100% of shares in its subsidiaries Vector Wellington Electricity Networks Limited and Vector Wellington Electricity Management Limited to Cheung Kong Infrastructure Holdings Limited. Details of the disposal are as follows:

	GROUP 2009 $000
Book value of net assets sold:	
Current assets	
Cash and cash equivalents	12,050
Receivables and prepayments	14,027
Non-current assets	
Property, plant and equipment	507,669
Intangible assets	114,743
Current liabilities	
Payables and accruals	(14,281)
Provisions	(104)
Income tax	(1,441)
Non-current liabilities	
Deferred tax	(57,423)
Net assets disposed	575,240
Costs of disposal	8,158
Gain on disposal of discontinued operations	202,902
Total consideration received or accrued	786,300
Accrual for consideration receivable pending final completion	(1,300)
Consideration received in cash and cash equivalents	785,000

	GROUP 2009 $000
Consideration received in cash and cash equivalents	785,000
Less: cash and cash equivalent balances disposed	(12,050)
Net cash and cash equivalents on disposal	772,950

14. INVENTORIES

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Natural gas and by-products	1,552	1,516	-	-
Trading stock	598	5,846	-	-
Consumable spares	58	14	-	-
Total	2,208	7,376	-	-

15. INVESTMENTS

Investments in group companies comprise:

	RESIDENCE	*PRINCIPAL ACTIVITY*	*PERCENTAGE HELD **	
			2009	2008
Subsidiaries				
Vector Limited	NZ	Utility Network Provider	**75.4%**	75.1%
NGC Holdings Limited	NZ	Investment	**75.4%**	75.1%
- Vector Management Services Limited	NZ	Management services	**75.4%**	75.1%
- Vector Gas Limited	NZ	Natural gas sales, processing and transportation	**75.4%**	75.1%
- Vector Gas Contracts Limited	NZ	Natural gas sales	**75.4%**	75.1%
- Vector Gas Investments Limited	NZ	Investment	**75.4%**	75.1%
- Vector Kapuni Limited	NZ	Investment	**75.4%**	75.1%
- Liquigas Limited	NZ	LPG bulk sales	**45.2%**	45.1%
- On Gas Limited	NZ	LPG sales and distribution	**75.4%**	75.1%
- NGC Metering Limited	NZ	Electricity and gas metering	**75.4%**	75.1%
- Vector Metering Data Services Limited	NZ	Investment and metering data services	75.4%	75.1%
- Elect Data Services (Australia) Pty Limited	AUS	Energy metering data management	**75.4%**	75.1%
- Vector Wellington Electricity Networks Limited	NZ	Electricity distribution	**-**	75.1%
- Vector Wellington Electricity Management Limited	NZ	Management services	**-**	75.1%
Vector Communications Limited	NZ	Telecommunications	**75.4%**	75.1%
Vector Stream Limited	NZ	Investment	**75.4%**	75.1%
- Stream Information Limited	NZ	Agent for partnership	**52.8%**	52.6%
- Stream Information (partnership)	NZ	Metering services	**52.8%**	52.6%

During the year ended 30 June 2008, Vector Metering Data Services (Australia) Limited changed its name to Vector Wellington Electricity Networks Limited.

During the year ended 30 June 2009, the Vector group purchased treasury stock from minority interest shareholders. The treatment of the purchase of the treasury stock has increased the Parent's interest in Vector Limited and related subsidiaries from 75.1% to 75.4%.

* "Percentage Held" refers to the proportion of ownership interest held in the net assets of the reporting entity.

15. INVESTMENTS (continued)

	RESIDENCE	*PRINCIPAL ACTIVITY*	*PERCENTAGE HELD* 2009	2008
Non-trading subsidiaries				
Auckland Generation Limited	NZ	Holding company	**75.4%**	75.1%
- MEL Silverstream Limited	NZ	Dormant	**75.4%**	75.1%
- MEL Network Limited	NZ	Holding company	**75.4%**	75.1%
- Mercury Geotherm Limited (in receivership)	NZ	Investment	**75.4%**	75.1%
- Poihipi Land Limited (in receivership)	NZ	Investment	**75.4%**	75.1%
Vector Power Limited	NZ	Dormant	**75.4%**	75.1%
Auckland Network Limited	NZ	Dormant	**75.4%**	75.1%
Energy North Limited	NZ	Dormant	**75.4%**	75.1%
UnitedNetworks Limited	NZ	Dormant	**75.4%**	75.1%
Salamanca Holdings Limited	NZ	Investment	**56.6%**	56.3%
Broadband Services Limited	NZ	Dormant	**75.4%**	75.1%
UnitedNetworks Employee Share Schemes Trustee Limited	NZ	Trustee company	**75.4%**	75.1%
NGC Limited	NZ	Dormant	**75.4%**	75.1%
Associates				
Tree Scape Limited	NZ	Vegetation management	**37.7%**	37.6%
- Treescape Australasia Pty Limited	AUS	Vegetation management	**37.7%**	37.6%
Energy Intellect Limited	NZ	Metering services	**18.9%**	18.8%
NZ Windfarms Limited	NZ	Power generation	**15.1%**	15.0%
Advanced Metering Services Limited	NZ	Metering services	**37.7%**	37.6%
Joint venture interests				
Kapuni Energy Joint Venture	NZ	Cogeneration	**37.7%**	37.6%

The Trust now holds 751,000,000 ordinary shares in Vector Limited. At 30 June 2009, the market value of these shares was $1,532,040,000 (2008: $1,441,920,000).

The cost of investment in Vector Limited is $300,000,000.

In December 2007, Vector Limited acquired a 50% stake in Advanced Metering Services Limited for $4.1 million, including $0.6 million of fees paid to professional advisors.

All entities have a balance date of 30 June, apart from Tree Scape Limited, Treescape Australasia Pty Limited, Salamanca Holdings Limited, Mercury Geotherm Limited (in receivership) and Poihipi Land Limited (in receivership) which all have a balance date of 31 March and Advanced Metering Services Limited which has a balance date of 30 September.

All entities are incorporated in New Zealand except Elect Data Services (Australia) Pty Limited and Treescape Australasia Pty Limited which are incorporated in Australia.

During the reporting period, an impairment loss of $6.5 million has been recognised in respect of the group's investment in its associate company, NZ Windfarms Limited.

16. INVESTMENT IN ASSOCIATES

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Carrying amount of associates				
Balance at beginning of the reporting period	**33,504**	28,259	-	-
Purchase of investment in NZ Windfarms Limited	-	27	-	-
Purchase of investment in Advanced Metering Services Limited	-	4,104	-	-
Impairment of investment in NZ Windfarms Limited	**(6,519)**	-	-	-
Equity accounted earnings of associates	**1,208**	1,114	-	-
Balance at end of the reporting period	**28,193**	33,504	-	-
Equity accounted earnings of associates				
Operating surplus before income tax	**1,757**	1,719	-	-
Income tax expense	**(549)**	(605)	-	-
Net surplus	**1,208**	1,114	-	-
Total recognised revenues and expenses	**1,208**	1,114	-	-

The amount of goodwill included in the carrying amount of investments in associates is $15.8 million (2008: $15.8 million).

As at 31 December 2008, an impairment loss of $6.5 million was recognised in respect of the Vector group's investment in its associate company, NZ Windfarms Limited. The share price of NZ Windfarms Limited had declined from Vector Limited's purchase price of $1.10 on 30 May 2007 to $0.70 per share as at 31 December 2008. The Vector board of directors considered this as an indicator of potential impairment of the investment. The recoverable amount was determined at that time at the investment's fair value less costs to sell by reference to the active market price on the New Zealand Stock Exchange. Costs to sell were estimated to be negligible.

As at 30 June 2009, the current share price supports the carrying value of the Vector group's investment in NZ Windfarms.

The investment in NZ Windfarms Limited at 30 June 2009, after the impairment of $6.5 million (2008: $Nil) is $11.5 million (2008: $18 million).

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Summarised financial information of associates (100%):				
Total assets	**144,829**	122,113	-	-
Total liabilities	**41,164**	21,711	-	-
Total revenue	**56,358**	45,037	-	-
Total operating surplus after tax	**3,263**	3,151	-	-

17. INTEREST IN JOINT VENTURES

Kapuni Energy Joint Venture

The Vector group has a 50% interest in an unincorporated joint venture that operates a cogeneration plant situated at the Kapuni gas treatment plant producing electricity and steam for the gas treatment plant and other customers. The Vector group's 50% interest in the joint venture is included in the consolidated financial statements under the classifications shown below.

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Share of net assets employed in the joint venture				
Property, plant and equipment	**3,717**	5,157	**-**	-
Current assets	**4,438**	1,734	**-**	-
Current liabilities	**(2,124)**	(1,132)	**-**	-
Total	**6,031**	5,759	**-**	-
Share of net contribution to operating surplus before income tax				
Revenue	**12,873**	11,253	**-**	-
Expenditure	**(11,495)**	(8,275)	**-**	-
Total	**1,378**	2,978	**-**	-

18. INTANGIBLE ASSETS

GROUP 2009	NOTE	GOODWILL $000	SOFTWARE $000	TOTAL $000
Cost				
Balance at beginning of the reporting period		**1,553,391**	**101,741**	**1,655,132**
Additions		**-**	**11,724**	**11,724**
Disposals		**-**	**(2,804)**	**(2,804)**
Transfers from property, plant and equipment		**-**	**5,302**	**5,302**
Balance at end of the reporting period		**1,553,391**	**115,963**	**1,669,354**
Accumulated amortisation				
Balance at beginning of the reporting period		**-**	**(61,566)**	**(61,566)**
Amortisation for the reporting period	5	**-**	**(16,686)**	**(16,686)**
Disposals		**-**	**2,804**	**2,804**
Transfers from property, plant and equipment		**-**	**(5,302)**	**(5,302)**
Balance at end of the reporting period		**-**	**(80,750)**	**(80,750)**
Carrying amount at 30 June 2009		1,553,391	35,213	1,588,604

18. INTANGIBLE ASSETS (continued)

GROUP 2008	NOTE	GOODWILL $000	SOFTWARE $000	GAS ENTITLEMENTS $000	TOTAL $000
Cost					
Balance at beginning of the reporting period		1,668,134	90,830	18,000	1,776,964
Additions		-	16,158	-	16,158
Disposals		-	(5,014)	-	(5,014)
Transfers to operations held for sale		(114,743)	(233)	-	(114,976)
Balance at end of the reporting period		1,553,391	101,741	18,000	1,673,132
Accumulated amortisation					
Balance at beginning of the reporting period		-	(46,418)	(15,361)	(61,779)
Amortisation for the reporting period	5	-	(17,286)	(2,639)	(19,925)
Disposals		-	1,935	-	1,935
Transfers to operations held for sale		-	203	-	203
Balance at end of the reporting period		-	(61,566)	(18,000)	(79,566)
Carrying amount at 30 June 2008		1,553,391	40,175	-	1,593,566

The parent has no intangible assets.

Amortisation charge
Software intangibles are amortised on a straight line basis over their useful life. Gas entitlements are amortised as the entitlements to the gas volumes are exercised. Both have finite useful lives.

Allocation of goodwill to cash-generating units
Goodwill is allocated to groups of cash-generating units (CGUs), being the lowest level at which the goodwill is monitored for internal management purposes which is the same level at which the group's segment information is presented in note 2. The aggregate carrying amounts of goodwill allocated to each unit are $852.2 million for Electricity, $468.1 million for Gas Transportation, $218.3 million for Gas Wholesale, and $14.8 million for Technology.

Impairment testing
The recoverable amounts of the CGUs are calculated on the basis of value-in-use using discounted cash flow models. Future cash flows are projected out ten years, based on actual results and board-approved business plans with key assumptions determining future EBITDA and levels of maintenance expenditure for each CGU. Vector Limited's Management believes that the ten year forecast period is justified due to the long-term nature of the electricity, gas and technology businesses. Terminal growth rates of 0.0% - 3.5% are applied. Pre-tax discount rates of between 9.3% and 18.9% are utilised. The specific rates applied vary for the specific CGUs being valued. Projected cash flows for regulated businesses are sensitive to assumptions made on future regulatory outcomes.

The recoverable amount of each group of CGUs to which goodwill is allocated exceeds the net assets plus goodwill allocated. Therefore the Vector group has determined that no impairment to goodwill has occurred during the reporting period.

Accordingly, there are no accumulated impairment losses at 30 June 2009 or 30 June 2008.

19. PROPERTY, PLANT AND EQUIPMENT

GROUP 2009	DISTRIBUTION SYSTEMS $000	DISTRIBUTION LAND $000	DISTRIBUTION BUILDINGS $000	ELECTRICITY AND GAS METERS $000	COGEN PLANT $000	COMPUTER AND TELECO EQUIPMENT $000	MOTOR VEHICLES AND MOBILE EQUIPMENT $000	OTHER PLANT AND EQUIPMENT $000	FREEHOLD LAND $000	BUILDINGS $000	LEASEHOLD IMPROVE-MENTS $000	CAPITAL WORK IN PROGRESS $000	TOTAL $000
Cost													
Balance at beginning of the reporting period	3,053,869	65,518	42,581	177,531	11,525	73,084	6,286	93,431	18,218	7,681	10,165	142,314	3,702,203
Additions	1,089	1,432	-	1,258	-	572	932	14,474	12	-	-	207,228	226,997
Transfers to:													
Software intangibles	-	-	-	-	-	(5,302)	-	-	-	-	-	-	(5,302)
Other classes	187,061	2,491	2,793	31,789	(413)	36,309	438	(8,145)	524	974	(237)	(253,584)	-
Disposals	(9,899)	-	-	(1,197)	-	(4,897)	(194)	(464)	-	(40)	(3)	(2,731)	(19,425)
Balance at end of the reporting period	3,232,120	69,441	45,374	209,381	11,112	99,766	7,462	99,296	18,754	8,615	9,925	93,227	3,904,473
Accumulated depreciation													
Balance at beginning of the reporting period	(220,435)	-	(2,585)	(33,217)	(7,227)	(29,906)	(2,055)	(15,613)	-	(1,377)	(3,466)	-	(315,881)
Depreciation	(94,688)	-	(1,258)	(16,950)	(1,624)	(7,575)	(1,181)	(3,542)	-	(219)	(1,643)	-	(128,680)
Transfers to:													
Software intangibles	-	-	-	-	-	5,302	-	-	-	-	-	-	5,302
Other classes	8,008	-	49	(8,615)	1,393	(4,351)	(31)	4,841	-	(143)	(1,151)	-	-
Disposals	937	-	-	721	-	4,894	30	243	-	40	2	-	6,867
Balance at end of the reporting period	(306,178)	-	(3,794)	(58,061)	(7,458)	(31,636)	(3,237)	(14,071)	-	(1,699)	(6,258)	-	(432,392)
Carrying amount at 30 June 2009	2,925,942	69,441	41,580	151,320	3,654	68,130	4,225	85,225	18,754	6,916	3,667	93,227	3,472,081

19. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP 2008	DISTRIBUTION SYSTEMS $000	DISTRIBUTION LAND $000	DISTRIBUTION BUILDINGS $000	ELECTRICITY AND GAS METERS $000	COGEN PLANT $000	COMPUTER AND TELECO EQUIPMENT $000	MOTOR VEHICLES AND MOBILE EQUIPMENT $000	OTHER PLANT AND EQUIPMENT $000	FREEHOLD LAND $000	BUILDINGS $000	LEASEHOLD IMPROVE-MENTS $000	CAPITAL WORK IN PROGRESS $000	TOTAL $000
Cost													
Balance at beginning of the reporting period	3,391,992	76,656	46,110	168,353	11,292	72,650	5,170	82,149	15,394	6,939	11,393	159,927	4,048,025
Additions	1,338	-	-	12,236	233	95	1,240	7,883	2,118	43	4	188,825	214,015
Transfers to:													
Operations held for sale	(506,444)	(13,954)	(7,872)	-	-	-	-	(550)	(386)	-	(21)	(14,712)	(543,939)
Other classes	175,388	2,816	4,343	(135)	-	2,326	30	4,872	1,092	699	295	(191,726)	-
Disposals	(8,405)	-	-	(2,923)	-	(1,951)	(154)	(957)	-	-	(1,506)	-	(15,896)
Balance at end of the reporting period	3,053,869	65,518	42,581	177,531	11,525	73,120	6,286	93,397	18,218	7,681	10,165	142,314	3,702,205
Accumulated depreciation													
Balance at beginning of the reporting period	(153,980)	-	(1,995)	(18,152)	(5,705)	(25,336)	(677)	(11,464)	-	(995)	(3,574)	-	(221,878)
Depreciation	(103,670)	-	(1,466)	(15,837)	(1,522)	(5,825)	(1,437)	(4,595)	-	(262)	(371)	-	(134,985)
Transfers to:													
Operations held for sale	35,901	-	756	-	-	-	-	40	-	-	10	-	36,707
Other classes	-	-	120	-	-	-	-	-	-	(120)	-	-	-
Disposals	1,314	-	-	772	-	1,225	59	434	-	-	469	-	4,273
Balance at end of the reporting period	(220,435)	-	(2,585)	(33,217)	(7,227)	(29,936)	(2,055)	(15,585)	-	(1,377)	(3,466)	-	(315,883)
Carrying amount at 30 June 2008	2,833,434	65,518	39,996	144,314	4,298	43,184	4,231	77,812	18,218	6,304	6,699	142,314	3,386,322

19. PROPERTY, PLANT AND EQUIPMENT (continued)

PARENT 2009	COMPUTER AND TELECO EQUIPMENT $000	OTHER PLANT AND EQUIPMENT $000	TOTAL $000
Cost			
Balance at beginning of the reporting period	-	36	36
Additions	-	1	1
Disposals	-	-	-
Balance at end of the reporting period	-	37	37
Accumulated depreciation			
Balance at beginning of the reporting period	-	(30)	(30)
Depreciation	-	(4)	(4)
Disposals	-	-	-
Balance at end of the reporting period	-	(34)	(34)
Carrying amount at 30 June 2009	-	3	3

PARENT 2008	COMPUTER AND TELECO EQUIPMENT $000	OTHER PLANT AND EQUIPMENT $000	TOTAL $000
Cost			
Balance at beginning of the reporting period	2	42	44
Additions	-	-	-
Disposals	-	(6)	(6)
Balance at end of the reporting period	2	36	38
Accumulated depreciation			
Balance at beginning of the reporting period	(2)	(22)	(24)
Depreciation	-	(8)	(8)
Disposals	-	-	-
Balance at end of the reporting period	(2)	(30)	(32)
Carrying amount at 30 June 2008	-	6	6

19. PROPERTY, PLANT AND EQUIPMENT (continued)

Distribution systems assets acquired as a result of the acquisition of NGC Holdings Limited on 14 December 2004 were restated to reflect their fair value at that date. Distribution systems, distribution land and distribution buildings of Vector Limited were revalued to fair value in March 2006 to a total of $2,772.8 million in accordance with the Vector group's accounting policies at that time, before transition to NZ IFRS. These fair values plus subsequent additions and disposals up to 30 June 2006 have been deemed the historic cost of those assets on transition to NZ IFRS on 1 July 2006. At that date, the total deemed cost for distribution systems, distribution land and distribution buildings was $3,262.3 million, $76.3 million and $42.3 million respectively. There were no changes to the total carrying amounts of those classes of property, plant and equipment from that reported under previous NZ GAAP on adoption of these deemed costs.

Interest and other internal costs are capitalised to property, plant and equipment while under construction. Interest is capitalised against property, plant and equipment at a capitalisation rate of largely 8% per annum. During the year $17.9 million (2008: $18.3 million) of interest and other costs were capitalised. Property, plant and equipment subject to finance lease arrangements are included in electricity and gas meters, motor vehicles and mobile equipment and other plant and equipment at net book values of $5.2 million, $2.4 million and $1.5 million (2008: $5.4 million, $2.4 million and $1.6 million) respectively.

Property, plant and equipment includes $5.2 million (2008: $5.4 million) of electricity meters which have been pledged as security for a sale and leaseback loan funding Stream Information Partnership, a subsidiary of Vector Limited and $2.4 million (2008: $2.4 million) of motor vehicles and mobile equipment for which ownership passes to the lessor in the event of default on the finance lease arrangement.

20. DIVIDEND RECEIVED – AVAILABLE FOR DISTRIBUTION

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Current				
Provision for dividends available for distribution	**50,884**	47,373	**50,884**	47,373

In accordance with the Trust Deed of the parent, dividends received from Vector Limited are to be distributed to beneficiaries after allowing for the costs of administrating the parent. The distribution of this income can only be determined when the distribution roll is prepared, and it is this roll which identifies the beneficiaries to whom the income of the trust is to be distributed. As at the 30 June 2009 no distribution roll had been struck to determine the allocation of this income to the beneficiaries.

21. PAYABLES AND ACCRUALS

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Current				
Trade payables and other creditors	**126,399**	129,135	**464**	765
Finance leases	**2,356**	2,349	**-**	-
Deferred consideration payable	**1,026**	1,006	**-**	-
Interest payable	**50,538**	53,838	**-**	-
Total	**180,319**	186,328	**464**	765
Non-current				
Trade payables and other creditors	**20,422**	16,123	**-**	-
Deferred consideration payable	**2,393**	3,052	**-**	-
Finance leases	**3,695**	4,901	**-**	-
Other non-current payables	**627**	715	**-**	-
Total	**27,137**	24,791	**-**	-

The deferred consideration payable is in respect of Energy Intellect Limited, which is an associate company of the Vector group.

22. PROVISIONS

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Current					
Provision for unclaimed distributions	23	**3,829**	4,480	**3,829**	4,480
Provision for employee entitlements	24	**5,847**	5,552	**22**	7
Other provisions	25	**11,559**	24,915	**-**	-
Total		**21,235**	34,947	**3,851**	4,487
Non-current					
Decommissioning provision	26	**1,000**	-	**-**	-
Total		**1,000**	-	**-**	-

The decommissioning provision is in respect of future expected costs for dismantling the Vector group's gas treatment plant situated at Kapuni, Taranaki.

23. PROVISION FOR UNCLAIMED DISTRIBUTIONS

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Balance at beginning of the reporting period		**4,480**	2,651	**4,480**	2,651
Additions		**10,069**	18,740	**10,069**	18,740
Reversed		**(10,720)**	(16,911)	**(10,720)**	(16,911)
Balance at end of the reporting period	22	**3,829**	4,480	**3,829**	4,480

Unclaimed distributions represent distributions made to beneficiaries that has not been claimed for payment. The amounts payable will remain a distribution payable up to two years after the distribution, whereafter it will be cancelled and written back to Retained Surplus in accordance with the Trust Deed

24. PROVISION FOR EMPLOYEE ENTITLEMENTS

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Balance at beginning of the reporting period		**5,552**	7,186	**7**	-
Additions/(utilised)		**295**	(1,634)	**15**	7
Balance at end of the reporting period	22	**5,847**	5,552	**22**	7

25. OTHER PROVISIONS

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Balance at beginning of the reporting period		**24,915**	17,570	**-**	-
Additions		**2,665**	7,938	**-**	-
Utilised		**(4,058)**	(24)	**-**	-
Reversed to the income statement		**(11,963)**	(569)	**-**	-
Balance at end of the reporting period	22	**11,559**	24,915	**-**	-

These provisions may be required to be utilised within one year or a longer period dependent on ongoing negotiations with the third parties involved. There are currently no foreseeable uncertainties which would be reasonably expected to lead to material changes in the amounts provided.

The group's provision for a contractual indemnity amounting to $8.9 million (2008: $Nil) was reversed to the income statement during the year ended 30 June 2009.

26. DECOMMISSIONING PROVISION

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Balance at beginning of the reporting period		-	-	-	-
Additions		**1,000**	-	-	-
Balance at end of the reporting period	22	**1,000**	-	-	-

27. COMMITMENTS

(a) Capital commitments for the acquisition and construction of property, plant and equipment and software intangibles

Capital expenditure contracted for at balance date but not yet incurred is as follows:

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Estimated capital expenditure contracted for at balance date but not provided	**34,531**	53,295	-	-

(b) Operating lease commitments

The majority of the operating lease commitments relate to premises leases. These, in the main, give the Vector group the right to renew the lease.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Within one year	**4,436**	3,541	-	-
One to five years	**5,322**	7,072	-	-
Beyond five years	**621**	530	-	-
Total	**10,379**	11,143	-	-

(c) Finance lease commitments

Finance leases relate to electricity meters and motor vehicles and other plant and equipment with varying lease terms. The following finance lease commitments are recorded in the financial statements:

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Minimum lease payments for finance lease liabilities				
Within one year	**2,794**	2,916	-	-
One to five years	**4,009**	5,338	-	-
Total	**6,803**	8,254	-	-
Less: future finance charges	**(752)**	(1,004)	-	-
Present value of minimum lease payments	**6,051**	7,250	-	-

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Present value of finance lease liabilities				
Within one year	**2,356**	2,349	-	-
One to five years	**3,695**	4,901	-	-
Present value of minimum lease payments	**6,051**	7,250	-	-

28. BORROWINGS

GROUP 2009	PAYABLE WITHIN 1 YEAR $000	PAYABLE BETWEEN 1 AND 2 YEARS $000	PAYABLE BETWEEN 2 AND 5 YEARS $000	PAYABLE AFTER 5 YEARS $000	FACE VALUE $000	UNAMORTISED COSTS $000	FAIR VALUE ADJUSTMENT ON HEDGED RISK $000	CARRYING VALUE $000
Bank loans	-	-	-	-	-	(383)	-	(383)
Working capital loan	-	-	-	-	-	(361)	-	(361)
Medium term notes – AUD floating rate	-	250,000	-	-	250,000	(922)	4,433	253,511
Capital bonds – fixed rate	-	-	307,205	-	307,205	(1,898)	-	305,307
Senior bonds – fixed rate	-	-	-	150,000	150,000	(3,022)	(2,400)	144,578
Senior notes – USD fixed rate	-	-	22,817	395,498	418,315	(1,346)	47,580	464,549
Floating rate notes	-	-	-	1,200,000	1,200,000	(16,207)	-	1,183,793
Medium term notes – GBP fixed rate	-	-	-	285,614	285,614	(4,393)	7,566	288,787
Other	575	-	-	-	575	-	-	575
Total	575	250,000	330,022	2,031,112	2,611,709	(28,532)	57,179	2,640,356
Current borrowings	575	-	-	-	575	-	-	575
Non-current borrowings	-	250,000	330,022	2,031,112	2,611,134	(28,532)	57,179	2,639,781
Total	575	250,000	330,022	2,031,112	2,611,709	(28,532)	57,179	2,640,356

28. BORROWINGS (continued)

GROUP 2008	PAYABLE WITHIN 1 YEAR $000	PAYABLE BETWEEN 1 AND 2 YEARS $000	PAYABLE BETWEEN 2 AND 5 YEARS $000	PAYABLE AFTER 5 YEARS $000	FACE VALUE $000	UNAMORTISED COSTS $000	FAIR VALUE ADJUSTMENT ON HEDGED RISK $000	CARRYING VALUE $000
Bank loans	510,000	-	-	-	510,000	(127)	-	509,873
Working capital loan	50,000	-	-	-	50,000	(9)	-	49,991
Medium term notes – AUD floating rate	-	-	250,000	-	250,000	(1,493)	6,243	254,750
Capital bonds – fixed rate	-	-	307,205	-	307,205	(2,453)	-	304,752
Fixed interest rate bonds	200,000	-	-	-	200,000	(377)	(2,765)	196,858
Senior notes – USD fixed rate	-	-	22,817	395,498	418,315	(1,460)	(50,861)	365,994
Floating rate notes	-	-	-	1,200,000	1,200,000	(18,791)	-	1,181,209
Medium term notes – GBP fixed rate	-	-	-	285,614	285,614	(4,749)	15,276	296,141
Other	575	-	-	-	575	-	-	575
Total	760,575	-	580,022	1,881,112	3,221,709	(29,459)	(32,107)	3,160,143
Current borrowings	760,575	-	-	-	760,575	(513)	(2,765)	757,297
Non-current borrowings	-	-	580,022	1,881,112	2,461,134	(28,946)	(29,342)	2,402,846
Total	760,575	-	580,022	1,881,112	3,221,709	(29,459)	(32,107)	3,160,143

28. BORROWINGS (continued)

The parent has no borrowings. All Vector group companies' borrowings are unsecured and are subject to negative pledge arrangements.

Interest rates for all bank loans are floating based on the bank bill rate plus a margin. Bank loans are arranged through various facility agreements. On 25 July 2008, Vector Limited's board authorised the reduction of the $700 million senior credit facility by $500 million effective 4 August 2008. The remaining facility was cancelled on 2 September 2008.

A total of $560 million of bank loans and working capital loans were repaid during the reporting period.

On 26 August 2008, the board authorised a new senior credit facility of $125 million and on 12 December 2008 authorised the raising of a new working capital facility of $150 million. On 4 February 2009, Vector Limited's board authorised the raising of an additional senior credit facility of $50 million.

Medium term notes – floating rate AUD 204 million mature April 2011. The interest on AUD medium term notes is paid quarterly, based on BBSW plus a margin.

Capital bonds are unsecured, subordinated bonds with the next election date set as 15 June 2012. The interest rate is currently fixed at 8.00% per annum and is paid semi-annually.

Fixed interest rate bonds NZ$ 200 million have an interest rate of 6.81% and were repaid on maturity in March 2009.

On 27 May 2009, the Vector group issued NZ$ 150 million of senior bonds that are unsecured, unsubordinated debt. The senior bonds mature in October 2014 and are at an interest rate of 7.80% per annum, payable semi-annually.

Senior notes of USD 15 million, USD 65 million and USD 195 million, with original maturity periods of 8, 12 and 15 years respectively were placed privately with US investors in September 2004 at a contract exchange rate of USD 0.6574 for every NZD. Interest is paid semi-annually.

The floating rate notes totalling $1.2 billion were issued in three tranches in October 2005 ($250 million 10 year, $400 million 12 year, and $350 million 15 year) and in one tranche in April 2007 ($200 million 10 year). The $1.2 billion floating rate notes are credit wrapped by MBIA Insurance Corporation (10 year and 15 year tranches issued in October 2005) and Ambac Assurance Corporation (12 year tranche issued in October 2005 and 10 year tranche issued in April 2007). Interest is paid quarterly based on BKBM plus a margin.

GBP 115 million fixed rate notes due to mature in January 2019 were placed at a contract exchange rate of GBP 0.4026 for every NZD. The interest rate of 7.625% per annum is fixed. Interest is paid annually.

All borrowings are measured at amortised cost adjusted for fair value movements in respect of the hedged risk on borrowings designated in fair value hedge relationships and are classified between current and non-current dependent on contractual obligations. Borrowings are subject to various lending covenants. These have all been met for the years ended 30 June 2009 and 30 June 2008.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Vector group has a comprehensive treasury policy approved by Vector Limited's board of directors to manage the risks of financial instruments. The policy outlines the objectives and approach that the Vector group will adopt in the treasury management processes. The policy covers, among other things, management of credit risk, interest rate risk, funding risk, liquidity risk, currency risk and operational risk. Non-derivative financial assets are categorised as 'loans and receivables'. Non-derivative financial liabilities are categorised as 'amortised cost'. Derivative financial instruments are categorised as 'fair value through profit or loss' unless hedge accounting is applied. Hedge accounting is applied for all derivative financial instruments except interest rate caps.

The parent has a treasury policy approved by the trustees.

FAIR VALUES	GROUP 2009				GROUP 2008			
	CARRYING AMOUNT (EXCLUDING ACCRUALS) $000	CARRYING AMOUNT ACCRUALS $000	TOTAL CARRYING AMOUNT $000	FAIR VALUE $000	CARRYING AMOUNT (EXCLUDING ACCRUALS) $000	CARRYING AMOUNT ACCRUALS $000	TOTAL CARRYING AMOUNT $000	FAIR VALUE $000
Financial assets								
Cash and cash equivalents	**109,355**	**-**	**109,355**	**109,355**	107,318	-	107,318	107,318
Short term deposits	**100,000**	**348**	**100,348**	**100,348**	-	-	-	-
Loans and receivables	**170,760**	**85**	**170,845**	**170,845**	199,298	-	199,298	199,298
Financial liabilities								
Trade payables and other creditors	**156,939**	**-**	**156,939**	**156,939**	150,031	-	150,031	150,031
Bank loans	**(383)**	**-**	**(383)**	**-**	509,873	4,208	514,081	514,081
Working capital loan	**(361)**	**-**	**(361)**	**-**	49,991	12	50,003	50,012
Medium term notes – AUD floating rate	**253,511**	**2,208**	**255,719**	**256,274**	254,750	4,892	259,642	264,870
Capital bonds – fixed rate	**305,307**	**3,321**	**308,628**	**329,667**	304,752	3,165	307,917	276,149
Senior bonds – fixed rate	**144,578**	**1,105**	**145,683**	**148,303**	-	-	-	-
Fixed interest rate bonds	**-**	**-**	**-**	**-**	196,858	1,362	198,220	198,792
Senior notes – USD fixed rate	**464,549**	**6,998**	**471,547**	**471,903**	365,994	6,850	372,844	395,899
Floating rate notes	**1,183,793**	**7,648**	**1,191,441**	**1,206,851**	1,181,209	20,568	1,201,777	1,220,569
Medium term notes – GBP fixed rate	**288,787**	**10,289**	**299,076**	**304,940**	296,141	4,833	300,974	349,894
Other	**575**	**-**	**575**	**575**	575	-	575	575
Derivative financial instruments – assets								
Interest rate swaps	**-**	**-**	**-**	**-**	32,341	5,411	37,752	37,752
Interest rate caps	**-**	**-**	**-**	**-**	2,880	116	2,996	2,996
Cross currency swaps	**50,952**	**6,380**	**57,332**	**57,332**	6,377	(459)	5,918	5,918
Forward exchange contracts	**601**	**-**	**601**	**601**	-	-	-	-
Derivative financial instruments – liabilities								
Interest rate swaps	**93,547**	**9,651**	**103,198**	**103,198**	5,498	257	5,755	5,755
Cross currency swaps	**12,223**	**(3,687)**	**8,536**	**8,536**	67,099	(2,613)	64,486	64,486
Forward exchange contracts	**-**	**-**	**-**	**-**	199	-	199	199

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

FAIR VALUES (continued)	PARENT 2009				PARENT 2008			
	CARRYING AMOUNT (EXCLUDING ACCRUALS) $000	CARRYING AMOUNT ACCRUALS $000	TOTAL CARRYING AMOUNT $000	FAIR VALUE $000	CARRYING AMOUNT (EXCLUDING ACCRUALS) $000	CARRYING AMOUNT ACCRUALS $000	TOTAL CARRYING AMOUNT $000	FAIR VALUE $000
Financial assets								
Cash and cash equivalents	**54,665**	-	**54,665**	**54,665**	53,737	-	53,737	53,737
Short term deposits	-	-	-	-	-	-	-	-
Loans and receivables	**531**	-	**531**	**531**	1,671	-	1,671	1,671
Financial liabilities								
Trade payables and other creditors	**464**	-	**464**	**464**	765	-	765	765

The following methods and assumptions were used to estimate the carrying amount and fair value of each class of financial instrument. The fair value measurements are disclosed using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; or
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); or
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of all financial instruments held by the group were based on the level 2 fair value hierarchy, and were calculated using valuation models applying observable market data.

Loans and receivables, trade payables and other creditors, cash and cash equivalents, short term deposits

The total carrying amount of these items is equivalent to their fair value. Loans include the principal and interest accrued. Bank overdrafts are set-off against cash balances pursuant to right of set off. Receivables are net of doubtful debts provided.

Bank loans, working capital loans and floating rate notes

The total carrying amount includes the principal, interest accrued and unamortised costs. Interest accruals are included in the balance sheet within payables and accruals.

Medium term notes

The total carrying amount for the AUD and the GBP medium term notes includes the principal converted at contract rates, interest accrued, unamortised costs and a fair value adjustment for the component of the risk that is hedged. Interest accruals are included in the balance sheet within payables and accruals.

Capital bonds – fixed rate

The total carrying amount includes the principal, interest accrued and unamortised costs. Interest accruals are included in the balance sheet within payables and accruals.

Fixed interest rate bonds

The total carrying amount includes the principal, interest accrued, unamortised finance costs and a fair value adjustment for the component of the risk that is hedged. Interest accruals are included in the balance sheet within payables and accruals. The fixed interest rate bonds were repaid on maturity in March 2009.

Senior bonds – fixed rate

The total carrying amount includes the principal, interest accrued, unamortised costs and a fair value adjustment for the component of the risk that is hedged. Interest accruals are included in the balance sheet within payables and accruals.

Senior notes – USD fixed rate

The total carrying amount for the senior notes – USD fixed rate includes the principal converted at contract rates, interest accrued, unamortised costs and a fair value adjustment for the component of the risk that is hedged. Interest accruals are included in the balance sheet within payables and accruals.

Derivative instruments

The total carrying amount of these derivative instruments is the same as the fair value and includes interest accrued. Interest accruals are included in the balance sheet within payables and accruals.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

INTEREST RATE RISK

The group actively manages interest rate exposures in accordance with treasury policy. In this respect, at least forty percent of all debt must be at fixed interest rates or effectively fixed using interest rate swaps, forward rate agreements, options and other derivative instruments. The main objectives are to minimise the cost of total debt, control variations in the interest expense of the debt portfolio from year to year and to match where practicable the interest rate risk profile of debt with the risk profile of the group's assets. The treasury policy sets parameters for managing the interest rate maturity profile. The parameters depend upon the Standard and Poor's credit rating and the Reserve Bank of New Zealand continuing to implement monetary policy through adjustments to the official cash rate.

The weighted average interest rates of borrowings were as follows.

	NOTE	GROUP 2009 WEIGHTED AVERAGE INTEREST RATE %	GROUP 2009 FACE VALUE $000	GROUP 2008 WEIGHTED AVERAGE INTEREST RATE %	GROUP 2008 FACE VALUE $000
Bank loans		**-**	**-**	9.01	510,000
Working capital loan		**-**	**-**	8.65	50,000
Medium term notes – AUD floating rate		**3.68**	**250,000**	8.40	250,000
Capital bonds – fixed rate		**8.00**	**307,205**	8.00	307,205
Senior bonds – fixed rate		**7.80**	**150,000**	-	-
Fixed interest rate bonds		**-**	**-**	6.81	200,000
Senior notes – USD fixed rate		**5.65**	**418,315**	5.65	418,315
Floating rate notes		**3.39**	**1,200,000**	9.21	1,200,000
Medium term notes – GBP fixed rate		**7.63**	**285,614**	7.63	285,614
Other		**-**	**575**	-	575
	28		**2,611,709**		3,221,709

The parent has no borrowings.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

The weighted average interest rates of interest rate swaps were as follows.

	GROUP 2009			GROUP 2008		
	WEIGHTED AVERAGE INTEREST RATE RECEIVE LEG %	WEIGHTED AVERAGE INTEREST RATE PAY LEG %	NOTIONAL AMOUNT $000	WEIGHTED AVERAGE INTEREST RATE RECEIVE LEG %	WEIGHTED AVERAGE INTEREST RATE PAY LEG %	NOTIONAL AMOUNT $000
Interest rate swaps (floating to fixed)						
Maturing in less than 1 year	**3.01**	**7.08**	**100,000**	8.91	6.66	70,000
Maturing between 1 and 2 years	**3.10**	**6.86**	**475,000**	8.86	7.46	420,000
Maturing between 2 and 5 years	**3.07**	**6.81**	**365,000**	8.85	6.83	860,000
Maturing after 5 years	**3.01**	**7.12**	**400,000**	8.86	7.12	400,000
			1,340,000			1,750,000
Interest rate swaps (fixed to floating)						
Maturing in less than 1 year	**-**	**-**	**-**	6.81	9.10	200,000
Maturing after 5 years	**7.80**	**5.47**	**150,000**	-	-	-
			150,000			200,000
Forward starting interest rate swaps (floating to fixed)						
Maturing after 5 years	**N/A**	**6.71**	**760,000**	N/A	6.73	800,000
			760,000			800,000
Interest rate cap						
Maturing in less than 1 year	**N/A**	**N/A**	**400,000**	-	-	-
Maturing between 1 and 2 years	**-**	**-**	**-**	8.65	7.95	400,000
			400,000			400,000

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

The weighted average interest rates of cross currency swaps were as follows.

	GROUP 2009				GROUP 2008			
	WEIGHTED AVERAGE INTEREST RATE RECEIVE LEG %	AUD/USD/GBP PRINCIPAL AMOUNT '000	WEIGHTED AVERAGE INTEREST RATE PAY LEG %	NZD $000	WEIGHTED AVERAGE INTEREST RATE RECEIVE LEG %	AUD/USD/GBP PRINCIPAL AMOUNT '000	WEIGHTED AVERAGE INTEREST RATE PAY LEG %	NZD $000
Cross currency swaps								
AUD : NZD								
Maturing between 1 and 2 years	**3.68**	**203,750**	**3.76**	**250,000**	-	-	-	-
Maturing between 2 and 5 years	**-**	**-**	**-**	**-**	8.40	203,750	9.40	250,000
		203,750		**250,000**		203,750		250,000
USD : NZD								
Maturing between 2 and 5 years	**5.04**	**15,000**	**3.37**	**22,817**	5.04	15,000	9.23	22,817
Maturing after 5 years	**5.69**	**260,000**	**3.58**	**395,498**	5.69	260,000	9.43	395,498
		275,000		**418,315**		275,000		418,315
GBP : NZD								
Maturing after 5 years	**7.63**	**115,000**	**10.84**	**285,614**	7.63	115,000	10.84	285,614
		115,000		**285,614**		115,000		285,614

Bank loans, working capital loans, AUD medium term notes and floating rate notes are at floating rates.

A portion of the floating rate notes are hedged through interest rate swaps which convert the floating rate into a fixed rate.

The AUD medium term notes are fully hedged through cross currency swaps (eliminating the foreign currency risk). The majority of the ensuing floating exposure is hedged through interest rate swaps (floating to fixed).

Fixed interest rate bonds were at fixed interest rates and were repaid on maturity in March 2009. These bonds were hedged by interest rate swaps (fixed to floating).

Senior bonds were issued at fixed interest rates. These bonds are hedged by interest rate swaps (fixed to floating).

The senior notes – USD fixed rate are hedged through cross currency swaps (eliminating the foreign currency risk) and converting the interest rate to NZD floating. The ensuing floating interest rate exposure is not hedged.

The GBP medium term notes are at fixed interest rates and are hedged by cross currency swaps (eliminating the foreign currency risk). The pay leg of the cross currency swaps is in NZD and is fixing the interest rate.

The forward starting interest rate swaps (floating to fixed) are used to hedge forecasted future floating rate debt.

The interest rate caps were set at 7.95% and therefore no exchange of cash will take place if the interest rate on the receive leg is below the set rate.

Capital bonds were issued at a fixed interest rate and are not hedged.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

CREDIT RISK

In the normal course of business, the group is exposed to credit risks from energy retailers, financial institutions, customers, cash and cash equivalents as well as credit exposures with respect to outstanding receivables. The Vector group has credit policies, which are used to manage the exposure to credit risks. As part of these policies, the Vector group can only have exposures to financial institutions having at least a credit rating of A+ long term from Standard & Poor's (or equivalent rating). In addition, limits on exposures to financial institutions have been set by Vector's board of directors and are monitored on a regular basis. In this respect, the Vector group minimises its credit risk by spreading such exposures across a range of institutions. The Vector group does not anticipate non-performance by any of these financial institutions.

The Vector group has some concentration of credit exposures with a few large energy retailers and large energy customers. To minimise this risk, the Vector group performs credit evaluations on all energy retailers and large energy customers and requires a bond or other form of security where deemed necessary. The Vector group places its cash deposits with a small number of banking institutions and limits the amount deposited with each institution. The maximum exposure to credit risk is represented by the fair value of each financial instrument.

	GROUP		PARENT	
	2009 FAIR VALUE $000	2008 FAIR VALUE $000	2009 FAIR VALUE $000	2008 FAIR VALUE $000
Cash and cash equivalents	**109,355**	107,318	**54,665**	53,737
Short term deposits	**100,348**	-	-	-
Loans and receivables	**170,845**	199,298	**531**	1,671
Interest rate swaps	-	37,752	-	-
Cross currency swaps	**57,332**	5,918	-	-
Interest rate caps	-	2,996	-	-
Forward exchange contracts	**601**	-	-	-

The aging of trade receivables at the balance date was:

	GROUP		PARENT	
	2009 CARRYING AMOUNT $000	2008 CARRYING AMOUNT $000	2009 CARRYING AMOUNT $000	2008 CARRYING AMOUNT $000
Not past due	**138,900**	133,093	-	-
Past due 1-30 days	**15,915**	7,818	-	-
Past due 31-120 days	**5,561**	7,107	-	-
Past due more than 120 days	**9,853**	9,490	-	-
Total	**170,229**	157,508	-	-

The Vector group holds a provision for doubtful debts against the amounts disclosed above of $5.9 million (2008: $5.4 million).

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

LIQUIDITY RISK

Liquidity risk is the risk that the Vector group may encounter difficulty in raising funds at short notice to meet its financial commitments as they fall due. In order to reduce the exposure to liquidity risk, the group has access to undrawn committed lines of credit. Cash flow reporting systems are maintained to monitor the forecast liquidity position over an outlook of five years.

The day-to-day liquidity exposure is managed by ensuring that sufficient levels of liquid assets and committed facilities are maintained for the next four to five weeks based on daily rolling operational cash flow forecasts. Short term liquidity crisis management is monitored by ensuring sufficient borrowing capacity and liquid assets are available as determined from a monthly rolling 18 month cash flow forecast.

The long term liquidity exposure is managed by ensuring estimated deficits in net cash flow are able to be met as determined by the yearly rolling five year cash flow forecast. Undrawn committed facilities of $325 million (30 June 2008: $240 million) were available.

GROUP 2009	PAYABLE WITHIN 1 YEAR $000	PAYABLE BETWEEN 1 AND 2 YEARS $000	PAYABLE BETWEEN 2 AND 5 YEARS $000	PAYABLE AFTER 5 YEARS $000	TOTAL CONTRACTUAL CASH FLOWS $000
Non derivative financial liabilities					
Trade payables	**126,399**	**20,422**	**-**	**-**	**146,821**
Finance leases	**2,794**	**2,313**	**1,696**	**-**	**6,803**
Medium term notes – AUD floating rate	**12,064**	**267,474**	**-**	**-**	**279,538**
Capital bonds – fixed rate	**24,576**	**24,576**	**331,849**	**-**	**381,001**
Senior bonds – fixed rate	**10,335**	**11,700**	**35,100**	**155,850**	**212,985**
Senior notes – USD fixed rate	**24,069**	**24,069**	**93,671**	**511,760**	**653,569**
Floating rate notes	**85,236**	**54,261**	**251,115**	**1,502,695**	**1,893,307**
Medium term notes – GBP fixed rate	**22,355**	**22,355**	**67,065**	**404,955**	**516,730**
Other	**575**	**-**	**-**	**-**	**575**
Derivative financial (assets) / liabilities					
Cross currency swaps USD : NZD					
Inflow	**(24,069)**	**(24,069)**	**(93,671)**	**(511,760)**	**(653,569)**
Outflow	**15,736**	**22,280**	**111,452**	**533,263**	**682,731**
Cross currency swaps AUD : NZD					
Inflow	**(12,064)**	**(267,474)**	**-**	**-**	**(279,538)**
Outflow	**10,814**	**262,274**	**-**	**-**	**273,088**
Cross currency swaps GBP : NZD					
Inflow	**(22,355)**	**(22,355)**	**(67,065)**	**(404,955)**	**(516,730)**
Outflow	**30,973**	**30,972**	**93,005**	**432,929**	**587,879**
Forward exchange contracts					
Inflow	**(4,244)**	**-**	**(21,882)**	**-**	**(26,126)**
Outflow	**4,244**	**-**	**21,882**	**-**	**26,126**
Net settled derivatives					
Interest rate swaps and interest rate caps	**48,345**	**38,179**	**18,387**	**3,812**	**108,723**
	355,783	**466,977**	**842,604**	**2,628,549**	**4,293,913**

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

GROUP 2008	PAYABLE WITHIN 1 YEAR $000	PAYABLE BETWEEN 1 AND 2 YEARS $000	PAYABLE BETWEEN 2 AND 5 YEARS $000	PAYABLE AFTER 5 YEARS $000	TOTAL CONTRACTUAL CASH FLOWS $000
Non derivative financial liabilities					
Trade payables	129,135	16,123	-	-	145,258
Finance leases	2,916	2,537	2,801	-	8,254
Bank loans	520,942	-	-	-	520,942
Working capital loan	50,024	-	-	-	50,024
Medium term notes – AUD floating rate	23,133	23,424	278,655	-	325,212
Capital bonds – fixed rate	24,576	24,576	356,358	-	405,510
Fixed interest rate bonds	210,215	-	-	-	210,215
Senior notes – USD fixed rate	23,191	23,191	88,712	468,930	604,024
Floating rate notes	109,044	94,234	267,050	1,592,226	2,062,554
Medium term notes – GBP fixed rate	17,429	22,943	68,828	438,547	547,747
Other	575	-	-	-	575
Derivative financial (assets) / liabilities					
Cross currency swaps USD : NZD					
Inflow	(23,191)	(23,191)	(88,712)	(468,930)	(604,024)
Outflow	40,377	36,970	130,591	582,404	790,342
Cross currency swaps AUD : NZD					
Inflow	(23,133)	(23,424)	(278,655)	-	(325,212)
Outflow	24,080	20,847	270,954	-	315,881
Cross currency swaps GBP : NZD					
Inflow	(17,429)	(22,943)	(68,828)	(438,547)	(547,747)
Outflow	31,227	30,972	93,001	463,894	619,094
Forward exchange contracts					
Inflow	(25,394)	-	-	-	(25,394)
Outflow	25,394	-	-	-	25,394
Net settled derivatives					
Interest rate swaps and interest rate caps	(20,439)	(3,367)	(11,042)	(2,088)	(36,936)
	1,122,672	222,892	1,109,713	2,636,436	5,091,713

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

PARENT 2009	PAYABLE WITHIN 1 YEAR $000	PAYABLE BETWEEN 1 AND 2 YEARS $000	PAYABLE BETWEEN 2 AND 5 YEARS $000	PAYABLE AFTER 5 YEARS $000	TOTAL CONTRACTUAL CASH FLOWS $000
Non derivative financial liabilities					
Trade payables	**464**	**-**	**-**	**-**	**464**

PARENT 2008	PAYABLE WITHIN 1 YEAR $000	PAYABLE BETWEEN 1 AND 2 YEARS $000	PAYABLE BETWEEN 2 AND 5 YEARS $000	PAYABLE AFTER 5 YEARS $000	TOTAL CONTRACTUAL CASH FLOWS $000
Non derivative financial liabilities					
Trade payables	765	-	-	-	765

FOREIGN EXCHANGE RISK

The Vector group has conducted transactions in foreign currencies for the purpose of protecting the NZD value of capital expenditure. The Vector group has outstanding forward exchange contracts. These are used to hedge forecasted foreign currency exposure arising out of the capital expenditure program. Hence at balance date there is no significant exposure to foreign currency risk. The spot rates shown in the table below are as at the balance date for each period disclosed.

	GROUP 2009				GROUP 2008			
CURRENCY	BUY '000	SPOT RATE	WEIGHTED AVERAGE EXCHANGE RATE	MARK TO MARKET GAIN NZD $000	BUY '000	SPOT RATE	WEIGHTED AVERAGE EXCHANGE RATE	MARK TO MARKET GAIN/(LOSS) NZD $000
EUR	**465**	**0.46**	**0.49**	**71**	3,593	0.48	0.50	321
USD	**15,431**	**0.65**	**0.61**	**524**	13,194	0.76	0.72	(520)
AUD	**78**	**0.80**	**0.85**	**6**	-	-	-	-
Total				**601**				(199)

FINANCIAL GUARANTEES

Vector Limited has provided guarantees on behalf of Vector Gas Limited for the sale and purchase of gas. These guarantees are regarded as insurance contracts. No claims have been made against the guarantees hence there is no impact on the balance sheet of the group.

HEDGE ACCOUNTING AND SENSITIVITY ANALYSIS

The sensitivity analysis has been determined based on the exposure to interest rates and foreign exchange rates for both derivatives and non-derivative instruments at the balance date. It is assumed that the amount of the liability at the balance date was outstanding for the whole year. A ten percent and a one percent increase or decrease is used for foreign exchange rates and interest rates respectively and these changes represent management's assessment of the reasonably possible change over a year.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

HEDGE ACCOUNTING AND SENSITIVITY ANALYSIS (continued)

CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

Interest rate swaps hedging the floating rate debt are hedge accounted and treated as cash flow hedges and hence any changes in interest rate would have no material impact on profits as changes in the fair value of these swaps are taken through equity where the hedge is an effective hedge. The fair value of these interest rate swaps is $94.4 million loss (2008: $26.8 million gain). A fall of 1% in interest rate would lower equity by $42.9 million (2008: $52.8 million) whereas an increase of 1% in interest rate would increase equity by $40.7 million (2008: $50.1 million).

Forward starting interest rate swaps hedging the forecasted floating rate debt are also hedge accounted and treated as cash flow hedges and hence any changes in interest rate would have no material impact on profits as changes in the fair value of these swaps are taken through equity where the hedge is an effective hedge. The fair value of these interest rate swaps is $6.7 million loss (2008: $8.1 million gain). The fall of 1% in interest rate would lower equity by $32.8 million (2008: $27.8 million) whereas an increase of 1% in interest rate would increase equity by $29.9 million (2008: $24.9 million).

Floating rate notes of $85 million (2008: $85 million) and bank loans formerly held (2008: $100 million) have not been hedged and hence a fall in interest rate by 1% would increase profit by $0.9 million (2008: $1.3 million) whereas an increase in interest rate by 1% would decrease profit by $0.9 million (2008: $1.3 million). The interest expense movement is calculated for one year and proportionally allocated over the number of days, if maturity occurs within the reporting period.

FAIR VALUE SENSITIVITY ANALYSIS FOR FIXED RATE INSTRUMENTS

Interest rate swaps hedging the fixed interest rate bonds are hedge accounted and treated as fair value hedges and hence any changes in interest rates would have no material impact on profits arising from changes in fair value as the changes in fair value of the swaps would be offset by changes in the fair value of the underlying exposure for the NZ$150 million senior bonds (2008: NZ$200 million fixed interest rate bonds) as the hedge is an effective hedge. The fair value of these interest rate swaps is $2.1 million loss (2008: $2.9 million loss). However, since the interest rate is converted to floating, a fall in interest rate of 1% would increase profit by $1.5 million (2008: $2.0 million) and an increase in interest rate of 1% would decrease profit by $1.5 million (2008: $2.0 million). The interest expense movement is calculated for one year and proportionally allocated over the number of days, if maturity occurs within the reporting period.

FAIR VALUE SENSITIVITY ANALYSIS FOR UNHEDGED DERIVATIVES (FAIR VALUE THROUGH PROFIT OR LOSS)

Interest rate caps have not been designated as part of a hedge accounting relationship. Hence changes in fair values are realised in the income statement. The fair value of these interest rate caps is $nil (2008: $3.0 million). A fall in interest rate by 1% would reduce profit by $nil (2008: $0.9 million) whereas an increase in interest rate by 1% would increase profit by $nil (2008: $2.7 million). The interest expense movement is calculated for one year and proportionally allocated over the number of days, if maturity occurs within the reporting period.

FAIR VALUE SENSITIVITY ANALYSIS FOR CROSS CURRENCY SWAPS (CASH FLOW HEDGE / FAIR VALUE HEDGE)

Cross currency swaps hedging the foreign currency denominated debt are hedge accounted and treated either as a cash flow hedge or a fair value hedge depending upon the risk being hedged. Any changes in fair value arising out of foreign exchange movements would have no impact on profit as the receive leg of the cross currency swap exactly offsets the interest payments of the underlying exposure. The fair value of these cross currency swaps is $48.8 million gain (2008: $58.6 million loss). However, changes in the interest rate would impact profit as shown in the table below. The impact on profit is calculated for one year and proportionally allocated over the number of days, if maturity occurs within the reporting period. The changes in the interest rate would have no impact on profit or loss in relation to GBP: NZD cross currency swaps as the payment leg (NZD) is fixed.

	GROUP 2009		GROUP 2008	
	-1% CHANGE IN INTEREST RATE $000	+1% CHANGE IN INTEREST RATE $000	-1% CHANGE IN INTEREST RATE $000	+1% CHANGE IN INTEREST RATE $000
Cross currency swaps				
AUD : NZD	**250**	**(250)**	250	(250)
USD : NZD	**4,183**	**(4,183)**	4,183	(4,183)
Total impact on profit increase / (decrease)	**4,433**	**(4,433)**	4,433	(4,433)

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

HEDGE ACCOUNTING AND SENSITIVITY ANALYSIS (continued)

FAIR VALUE SENSITIVITY ANALYSIS FOR FORWARD EXCHANGE CONTRACTS (CASH FLOW HEDGES)

Forward exchange contracts hedging the forecasted foreign currency exposure arising out of the capital expenditure program are treated as cash flow hedges and hence any changes in foreign exchange rates would have no material impact on profits as changes in the fair value of these contracts are taken through equity where the hedge is an effective hedge. The fair value of these forward exchange contracts is $0.6 million gain (2008: $0.2 million loss).

	GROUP 2009		GROUP 2008	
	-10% CHANGE IN FX RATE $000	+10% CHANGE IN FX RATE $000	-10% CHANGE IN FX RATE $000	+10% CHANGE IN FX RATE $000
Forward exchange contracts				
EUR	**112**	**(92)**	812	(490)
USD	**2,469**	**(2,020)**	1,902	(1,556)
AUD	**11**	**(9)**	-	-
Total impact on equity increase/(decrease)	**2,592**	**(2,121)**	2,714	(2,046)

CAPITAL MANAGEMENT

The capital management policies are formulated and applied to the group as a whole. The group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The group monitors capital on the basis of the net debt to net debt plus equity ratio. This ratio is calculated as net debt divided by net debt plus equity, where net debt is calculated as total debt less cash and cash equivalents and short term deposits.

The net debt to net debt plus equity ratios at 30 June 2009 and 30 June 2008 were as follows:

	GROUP 2009 $000	2008 $000
Current borrowings	**575**	757,297
Non-current borrowings	**2,639,781**	2,402,846
Total borrowings	**2,640,356**	3,160,143
Less: cash and cash equivalents	**(109,355)**	(107,318)
Less: short term deposits	**(100,000)**	-
Net debt	**2,431,001**	3,052,825
Total equity	**2,058,893**	1,904,112
Net debt plus equity	**4,489,894**	4,956,937
Net debt to net debt plus equity ratio	**54%**	62%

30. CONTINGENT LIABILITIES

The Board of Directors of Vector Limited are aware of claims that have been made against Vector and, where appropriate, have recognised provisions for these within note 22 of these financial statements. No material contingent liabilities requiring disclosure have been identified.

31. TRANSACTIONS WITH RELATED PARTIES

During the year the parent engaged in the following transactions with Vector Limited. The parent is the majority shareholder of Vector Limited.

		PARENT	
	NOTE	2009 $000	2008 $000
Receipt of dividend from Vector Limited	3	**99,508**	97,630
Reimbursement of Wellington expenses from Vector Limited		**-**	636
Payment of office rent to Vector Limited	4	**17**	17

Note 15 identifies all entities including associates, partnerships and joint ventures in which the group has an interest. All of these entities are related parties of Vector Limited. Other than Vector's directors themselves, there are no additional related parties with whom material transactions have taken place.

The group and parent entered into the following transactions with subsidiaries, associates and other related companies.

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Purchase of vegetation management services from Tree Scape Limited	**3,545**	8,451	**-**	-
Purchase of electricity meters and metering services from Energy Intellect Limited	**1,474**	1,346	**-**	-
Loan to and interest receivable from Advanced Metering Services Limited	**4,535**	-	**-**	-
Purchase of management services from Advanced Metering Services Limited	**10,311**	5,365	**-**	-
Administrative and other services provided to Advanced Metering Services Limited	**1,320**	1,323	**-**	-
Sales to Kapuni Energy Joint Venture	**-**	6,997	**-**	-
Purchases from Kapuni Energy Joint Venture	**11,330**	13,345	**-**	-

In May 2008, Vector Limited transferred $628.6 million of assets and $68.7 million of liabilities attributable to its Wellington electricity network to Vector Metering Data Services Limited and its subsidiary, Vector Wellington Electricity Networks Limited. Consideration for the transfer was exactly equal to the carrying values of the net assets transferred such that no gain or loss was recognised in the income statement of Vector Limited for the year ended 30 June 2008.

Sales to Kapuni Energy Joint Venture in the year ended 30 June 2008 are now transacted directly with Vector Kapuni Limited, a subsidiary of the Vector group which is the 50% joint venture partner in Kapuni Energy Joint Venture. Accordingly, such sales are now fully eliminated on consolidation in the consolidated financial statements.

At 30 June 2009, there are no material outstanding balances (other than the loan to Advanced Metering Services Limited disclosed above) due to or from associates and joint ventures which are related parties of the group. Interest on the loan to Advanced Metering Services Limited is charged at 12% per annum and is payable quarterly.

31. TRANSACTIONS WITH RELATED PARTIES (continued)

The above advances to or from subsidiaries are non-interest bearing and repayable on demand, with the exception of the receivable balance from Vector Communications Limited for which interest is accrued at the BKBM rate plus 2% per annum. Advances to subsidiaries are at arms' length.

A provision of $67.2 million (2008: $67.2 million) is held against Vector Limited's receivable from MEL Network Limited. No related party debts have been written off or forgiven during the reporting period. Vector Limited has provided guarantees on behalf of Vector Gas Limited for the sale and purchase of gas. These guarantees are regarded as insurance contracts.

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

32. KEY MANAGEMENT PERSONNEL

This table includes Vector Limited directors fees and remuneration of Vector Limited's Group CEO and the members of the Vector Limited Executive Team during the reporting periods presented.

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Directors fees	**900**	886	**-**	-
Trustees Remuneration	**330**	308	**330**	308
Salary and other short-term employee benefits	**3,336**	4,659	**-**	-
Post employment benefits	**49**	4	**-**	-
Redundancy and termination benefits	**374**	1,932	**-**	-
Other long term benefits	**-**	86	**-**	-
Total	**4,989**	7,875	**330**	308

The group has paid the following remuneration to the trustees and to the directors of Vector Limited during the reporting period as follows:

		GROUP		PARENT	
	NOTE	2009 $000	2008 $000	2009 $000	2008 $000
Trustees and Directors Remuneration					
W J Kyd (Chairman)		**90**	91	**90**	91
M J Buczkowski (Deputy Chairman)		**65**	66	**65**	66
J A Carmichael		**125**	63	**63**	63
S Chambers *		**83**	129	**53**	39
K A Sherry *		**149**	139	**59**	49
Directors fees paid to non-trustee directors of Vector Limited		**718**	706	**-**	-
Total	4	**1,230**	1,194	**330**	308

* Prior to 2009, under the terms of the Trust protocol of the appointment and conduct of Trustee Directors, S Chambers and K Sherry received Directors fees from Vector Limited and returned to the Trust an amount equal to 10% of their annual Directors fee. While it is reflected in the financial statements as a reduction in Trustees Remuneration, it is actually a return of the Directors fee.

33. EVENTS AFTER BALANCE DATE

On 25 August 2009, the Board of Directors of Vector Limited declared a final dividend for the year ended 30 June 2009 of 7.25 cents per share to be paid on 15 September 2009.

On 1 July 2009, the Vector group repurchased $40 million of its floating rate notes.

On 31 July 2009, four subsidiaries of the Vector group were removed from the Companies Register. These companies are Auckland Network Limited, Energy North Limited, MEL Silverstream Limited and Vector Power Limited.

On 2 September 2009, the trustees resolved to make a net distribution to beneficiaries to be paid on 18 September 2009 of $320 each (2008: $320).

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

34. GUIDELINES OF ACCESS TO INFORMATION

We wish to advise that, pursuant to paragraph 10.2 of the Guidelines of Access to Information by Beneficiaries of Electricity Community and Consumer Trusts, no requests for information were received by the trust office during the reporting period.

No. of Requests Received	Costs incurred to process those requests and any recoveries made (includes external costs incurred and an allocation of internal costs based on Official Information Act guidelines)	No. of Trust decisions which were subject to review	Summary of outcome of those reviews and costs incurred in reviews
Nil	Nil	Nil	N/A