






**Our world
is changing
fast.**



The energy sector is facing the most significant transformation in a lifetime. The impacts of climate change are increasing the urgency to address decarbonisation.

Changing customer needs requires greater resilience, flexibility, collaboration and smarter solutions.

At Vector we're leading the way to accelerate the transformational change our sector needs, to deliver the energy solutions that meet the challenges of today and tomorrow.

We must have solutions to meet the

challenges of today



and the future

As we continue to work
towards our vision of creating

a new

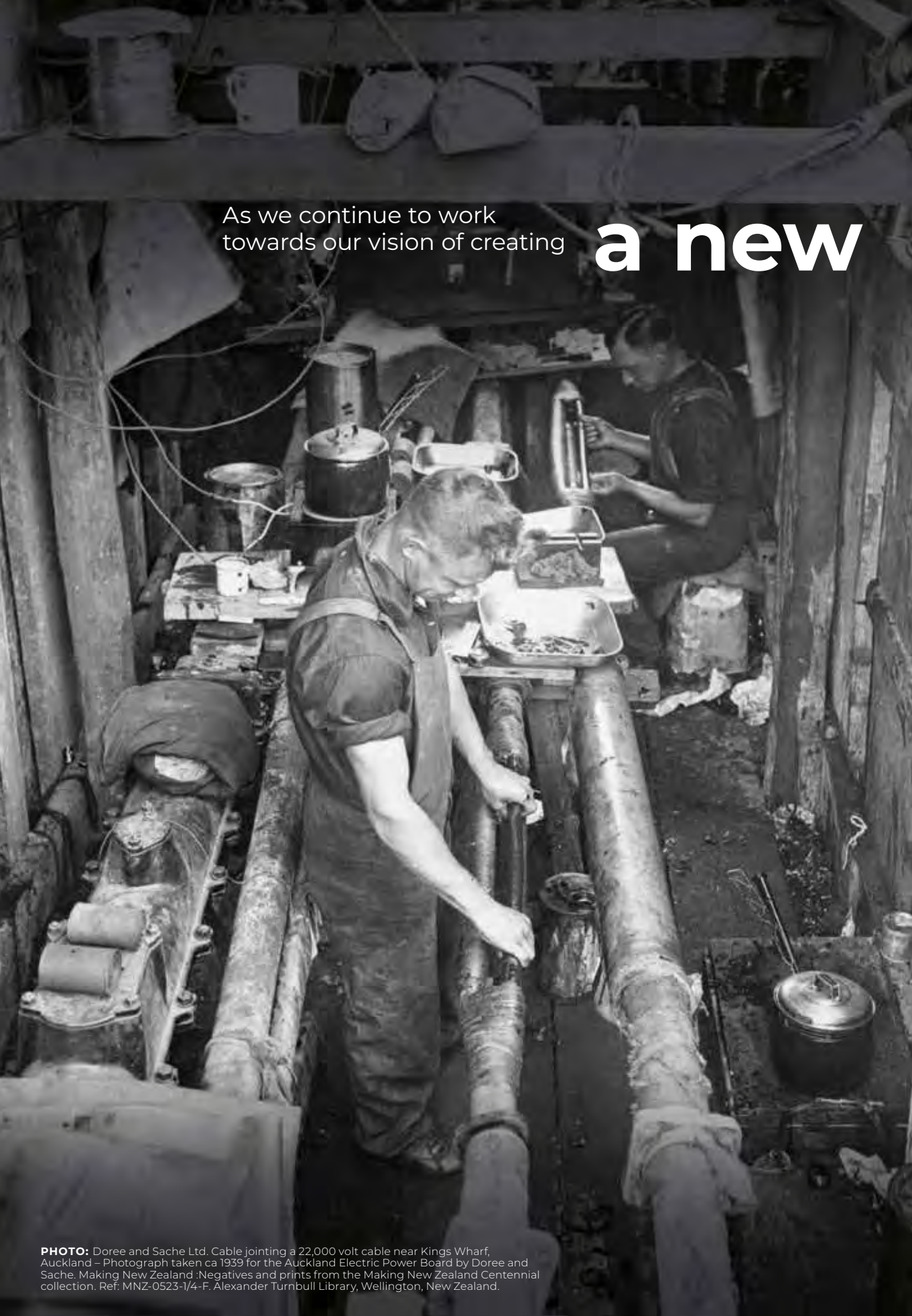


PHOTO: Doree and Sache Ltd. Cable jointing a 22,000 volt cable near Kings Wharf, Auckland – Photograph taken ca 1939 for the Auckland Electric Power Board by Doree and Sache, Making New Zealand :Negatives and prints from the Making New Zealand Centennial collection. Ref: MNZ-0523-1/4-F. Alexander Turnbull Library, Wellington, New Zealand.

An aerial night view of a city, likely Auckland, with numerous buildings and streets. The image is dominated by a series of bright green light trails that run parallel to the main roads, suggesting a focus on energy or transportation. The city lights are a mix of warm yellow and white, contrasting with the cool green of the trails.

energy future,

this year in particular we reflect on our heritage, which began 100 years ago.

In 1922 the Auckland Electric Power Board was created to manage Auckland's power assets, supplying power to 8000 customers.

Today, as the energy sector undergoes its most significant transformation in generations, Vector's Symphony strategy is enabling the innovation and customer focus needed to meet the challenges of the future.





Contents

Performance snapshot	8
Strategic reports	10
Chair and Group Chief Executive	12
Chief Financial Officer	18
Environmental, Social & Governance (ESG)	20
Our people and safety	22
Energy affordability and decarbonisation	24
Business segment reports	27
Regulated networks	28
Gas trading	32
Metering	33
Governance report	34
Who we are	44
Our Board	46
Our Management Team	48
Entrust	50
Other disclosures	51
Joint ventures and investments	52
Operating statistics	53
Five-year Financial Performance	54
Non-GAAP financial information	56
Financials	57
Financial statements	58
Notes to the financial statements	64
Independent auditor's report	102
Statutory information	107
Statutory information	108
Directory and financial calendar	120

About this report

This report, dated 25 August 2022 is a review of Vector's financial and operational performance for the year ended 30 June 2022.

The financial statements have been prepared in accordance with appropriate accounting standards and have been independently audited by KPMG.

The financial and operational information has been compiled in line with NZX Listing Rules and recommendations for investor reporting.

The report has drawn from a wide range of information sources. This includes: our stakeholders, customers, communities, sustainability framework, value drivers, risk register, Board reports, asset management plan, financial statements and our operational reports.

Performance snapshot

Financial and operational highlights

Financial

16.75 CENTS

per share full
year dividend

\$510M

ADJUSTED
EBITDA¹

\$545.9M

Capex invested across
the group

\$160.9M

Group net profit
after tax

1. EBITDA from continuing operations adjusted for fair value changes, associates, third-party contributions, and significant one-off gains, losses, revenues and/or expenses. Refer to Non-GAAP reconciliation on page 56

Operational

1.98M

Advanced meters across
New Zealand & Australia

600,112

No. of electricity connections

629,651

No. of 9kg bottle swaps

117,995

No. of gas connections



Customer

92.42

SAIDI minutes, within the
regulatory limit of 104.83

10,599

Advanced gas meters deployed,
providing gas consumers the
benefit of full visibility of gas use
before their bill arrives

Environment, social, and governance highlights

Energy affordability

346,500

Number of residents, in 2021, in the Entrust district of central, east and south Auckland eligible to receive their share of more than \$98m in dividend payments, thanks to Entrust's shareholding in Vector

1.3gw

Potential avoided peak demand in 2050 through Symphony solutions, resulting in more efficient network growth investment, according to internal modelling

\$8,000+

Conservative estimate cost per household of switching gas to electricity, including appliances and make good repairs, underscoring Vector's advocacy for a managed transition to mitigate additional consumer cost

Climate change

3

Major weather events experienced

16.5%

tCO₂e reduction across Scope 1, 2, and 3 emissions since FY20

Leadership and wellbeing

675

Number of individual wellbeing assessments provided to staff

100+

Managers accredited through internal Leadership WOF level one programme







Strategic reports

Here we offer a strategic overview of our operating environment, strategy, performance over the year, and a future outlook into how Vector is creating a new energy future which is more equitable, clean, reliable and safe.

Chair and Group Chief Executive report



SIMON MACKENZIE
GROUP CHIEF EXECUTIVE

JONATHAN MASON
CHAIR

We've seen the clearest signals yet that the new energy future Vector has been working towards for years, is becoming an imperative. Climate change, the release of New Zealand's first Emissions Reduction Plan and rapidly increasing customer expectations, together with a heightened focus on affordability from the rising cost of living, point clearly to a future energy sector that must be very different from today's. We envisioned this future a number of years ago.

Our approach, encompassed in our Symphony strategy, is to design a system that delivers to customer needs, and accommodates the extra demands on the energy system of a decarbonised future in the smartest possible way (see Symphony Solutions for a New Energy Future, page 14). This includes delivering efficient, affordable, and reliable energy to consumers and businesses, supporting the electrification of the transport sector, and other industries, and enabling a fuel transition to greener options. Our strategy will enable a future where customers have choices about how they manage their energy, including the ability to generate or sell energy back to the network, or use it in other ways, such as powering their own house during an outage, enhancing the resilience of the total system.

We've made steady progress against our Symphony goals, recognising that the energy system is facing the biggest challenge in its history. It is for us to find the solutions required to tackle climate change and decarbonisation, particularly at a time when people are grappling with the rising cost of living.

Earnings

Vector's financial performance for the year reflects a steady result with adjusted EBITDA of \$510 million. This was down \$3.5 million or 0.7% on last year's result. Group net profit after tax was \$160.9 million, which was \$33.7 million lower than the prior year due to a \$40.2 million non-cash goodwill impairment of Vector's LPG business. The impairment recognises the impact of the higher Saudi Aramco contract price of LPG, higher Emissions Trading Scheme and a weaker NZ dollar all contributing to a higher cost of gas, along with the impact of the increase in discount rates as at 30 June 2022. This was partly offset by higher capital contributions, lower interest cost, and a gain from the sale of Vector's 50% shareholding in Treescape.

Total capital expenditure for the year was \$545.9 million, an increase of \$4.4 million or 0.8% on the prior period. The increase reflected continued investment in infrastructure to support Auckland's continued growth, higher network replacement expenditure and the roll out of 4G modem upgrades across the New Zealand advanced meter base.

We announced earlier this year that we would pass on an expected credit of \$30 to Auckland electricity account holders, as payment of annual Loss Rental Rebate surpluses for the year to 30 June 2022. We're aware that any rebate such as this will be welcomed by our customers. Earlier in the year, the Electricity Authority consulted on potential changes which could see electricity distributors losing the ability to issue these payments direct to consumers. Vector's position is that consumers benefit from the status quo, when distributors have this ability, rather than the payment going to others in the energy supply chain who may or may not pass on the rebate.

Dividend

This year, shareholders will receive a final dividend of 8.50 cents per share imputed at 10.5%, taking the full-year partially imputed dividend to 16.75 cents per share. The final dividend will be paid to investors who are on the register at 12 September 2022 and distributed to them on 19 September 2022.

LOOKING BACK

We've seen several key themes having an impact on our operating environment over the year, including continued disruption from Covid-19 and an extended lockdown in Auckland, inflation pressure, the cost of living, and challenges with shortages of staff in some key roles such as drivers, installers, electricians, and some corporate roles.

Inflation flow through

This last year has also seen high and sustained inflationary pressure. This, and the war in Ukraine, has driven an increase in commodity and import prices in general with our LPG business in particular being subject to oil price shocks.

High inflation increases our costs, which has a flow-through effect on our ability to undertake projects across the group. In our non-regulated businesses we can pass on some of these higher costs to customers, however our ability to keep pace is somewhat constrained by price volatility and a higher cost of living.

Within our regulated businesses, regulatory mechanisms enable increasing costs to be passed through, within a time frame set out by the regulatory framework.

Business performance

Dedicated overviews of key business units are provided in the Business Segment section (page 27), while notable highlights and commentary on other businesses are provided here.

HRV and Vector Powersmart have both had an interrupted year as a result of Covid-19. HRV experienced a decline in profitability due to a reduction in sales and installation activity due to Covid-19 restrictions. Staff shortages are a significant challenge for HRV. Vector Powersmart has seen a change from projects in the Pacific to a large pipeline of opportunities in New Zealand as organisations look to build solar farms and install solar power within their businesses.

Vector Fibre has delivered a solid performance over the year. High-speed telecommunications services are critical to customers, and we see Vector Fibre as key to this opportunity as it leverages its fibre assets in the wholesale market, including providing fibre services to data centres.

We've been encouraged by several new customers for security services provided by Vector Technology Solutions (VTS), which was formed to take to market solutions developed internally as part of Vector's digital transformation journey. VTS continues to explore local and global opportunities for key priority solutions including those created through our strategic alliance with Amazon Web Services (AWS), and local opportunities for cyber security services. We're also continuing our strategic collaboration with X, the moonshot factory (formerly Google X), which is developing technology and tools to accelerate clean and renewable power onto the grid.

Strong electricity network performance

We're pleased to see a second year of compliance within our key regulatory SAIDI and SAIFI limits. Achieving this has been the result of a significant, sustained effort and we thank our operational teams and Field Service Providers for their support and

hard work throughout the year. We are fully committed to retaining our focus on these key measures of performance.

We've also seen a change in the way we recover overall network growth costs, with the introduction of a development contribution to all new connections on the electricity and gas networks. This change ensures that those who are driving the need to invest in network growth will cover the costs of doing so. The outcome of this change is greater equity across all our network customers as, without the development contribution, we would need to recover a greater proportion of our growth-related capital investment costs through our line charges, which are paid by all customers irrespective of whether they are contributing to overall system growth.

Covid-19

Throughout the pandemic we've taken numerous steps to keep our people safe, and protect our ability to continue serving our customers. Some of these steps are set out in

the People and Safety section on page 22. Our essential service people have continued to work through lockdowns with increased protocols to keep them safe, such as operating two fully separated electricity control rooms. With the lifting of community Covid-19 restrictions, our teams are experiencing some absences due to Covid-19 or isolation requirements, however our controls have helped us successfully maintain our service delivery standards despite the disruption. Our thanks go again to all our teams in New Zealand and Australia, and to our field service providers, for their continued resilience and commitment to our customers.

Supply chain

We've been actively managing our supply chain through the disruptions over recent years, with a particular focus on areas where we import key materials, such as electricity network components, and electricity and gas meters. Through this proactive management we've successfully retained higher levels of stock on hand,

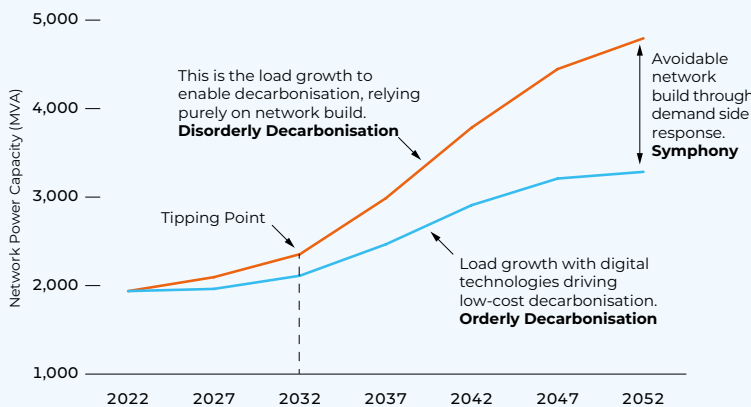
which has been helpful in continuing to meet our service delivery targets. With events like extended lockdowns in Shanghai and elsewhere in China, our view is the potential for disruption is likely to continue for some time, however we are planning ahead to ensure we can continue to mitigate impacts as much as possible.

Workforce wellbeing and pay equity

This year we have invested further in our wellbeing programme. A notable achievement has been the development of a new wellbeing strategy (see Staff Wellbeing, page 22) following employee wellbeing assessments and focus groups to identify our strengths and areas to improve. We undertake a pay equity review annually which encompasses gender, ethnicity, and age while also considering role equivalence as a critical factor in pay equity analysis and remediation.

Symphony solutions for a new energy future

Electrification of transport and industry, combined with renewable generation, will form a key approach to decarbonising New Zealand's economy. Electrification will also drive a significant increase in demand for electricity. If the extra demand is unmanaged, for example where electric vehicle charging is clustered around evening peak demand hours, this will result in substantial network investments to meet a much higher peak demand that would increase costs for our customers and exacerbate existing inequalities. However, if the growth in electricity demand occurs with all electric vehicles, batteries and other controllable loads coming under demand-side management – where their overall demand can be spread more evenly outside of the peak times – this allows for an increase in electrification with less impact on the peak, and consequently less need for expensive infrastructure build. Building digital platforms and new solutions to make physical infrastructure more efficient is key to designing an energy system that provides the right outcomes for all stakeholders, and is core to our Symphony strategy.



Strengthening coordination across Government

Our decarbonisation journey is characterised by complex interdependencies across industry and government, and requires a strongly coordinated approach across all of government with updated regulations to enable the system change that is needed. For this reason, we advocate for the establishment of a Ministry for Energy and Decarbonisation.

A clear example of where coordination is needed is in EV charging infrastructure that provides for consumer needs and preferences, and is efficiently integrated and optimised within the electricity system. This is critical to enable an affordable uptake of EVs and requires a new level of coordination where decision-makers mobilise around outcomes, not process.

In the last year, both the Emissions Reduction Plan and the Climate Change Commission's advice have sent clear signals on the need for stronger coordination to overcome the complex and siloed machinery of government. A Ministry for Energy and Decarbonisation would help achieve this, providing better coordination and resourcing of government workstreams, and supporting innovation within the private sector.

LOOKING AHEAD

The future for Auckland

While we're meeting the challenges of today and working with Auckland stakeholders to enable and support the region's growth, we're also taking steps to transform the electricity network to facilitate a future where consumers demand cleaner, more reliable, affordable energy (see Regulated Networks, page 28). The energy transition will increase the criticality of network businesses into the future as more and more reliance is placed on clean energy for transport, and other industries, in order to meet carbon reduction goals. We're working closely with policy makers and regulatory bodies to advocate for necessary changes, participating in sector forums, and collaborating with global organisations.

“We are not in a phase of incremental change. The whole industry was set up in a vastly different time and the whole system, including regulation, has to change at pace. We cannot operate in silos – either locally or globally, we must look at the energy system, and what is needed to deliver to customers, as a whole.”

– Audrey Zibelman,
Vice President, X's moonshot
for the electric grid

Through our strategic alliance with AWS we're building solutions that enable the development of new products, services and applications to deliver more affordable, reliable, and cleaner energy options to consumers, accelerating the uptake of renewables, EVs, and personalised energy management.

The work we're doing with X is contributing to their Tapestry project, which is all about accelerating the decarbonisation of electric power systems. Tapestry aims to create highly accurate visualisations and simulations of the grid that can predict how it will behave from nanoseconds to years into the future. This is a 'moonshot' project, which means there is uncertainty over final outcomes, however the challenge and potential solutions have huge relevance all over the world. We are excited to be part of the journey to create a world class distribution network that enables affordable decarbonisation.

We're also laying the foundation for smart EV charging, as the numbers of EVs continues to rise, and the electrification of the wider transport fleet begins (see Electrification of Transport, page 31). We've concluded a two-year trial to find out how EV drivers impact electricity demand patterns and how we can manage that while keeping the costs of new infrastructure to a minimum (see Insights From EV Smart Charging Trial on page 31). This trial shows the benefits of looking at how to enable the energy transition

from a number of different points of view, including customer experience, pricing, and network management and optimisation.

The next chapter for Vector Metering

Earlier this year we announced a strategic review of Vector's metering business, recognising that smart metering has become a critical part of the transformation and digitalisation of the energy sector around the world.

We've spent the past 13 years growing Vector Metering into a substantial and successful business, with our work recognised by global organisations, including AWS.

In light of these factors, we considered it the right time to assess options for the next phase of growth for our metering business, and have appointed advisors Citi and Barrenjoey to assist with this process.

CLIMATE POLICY

We've seen a number of significant policy developments announced this year that reflect the growing urgency around New Zealand's response to climate change. In this context, to help ensure decarbonisation is affordable, policy makers should target the long-term interests of consumers at the level of an overall household "energy wallet" rather than separately considering electricity, or gas, pricing. In many instances, electrification may lead to overall savings for households, the largest being the potential for EVs to reduce household spending on petrol costs by more than they increase spending on electricity, including the network investment needed to meet new demand, which consumers pay through electricity bills.

The Government intends to publish a comprehensive Energy Strategy for the country by the end of 2024. Developing such a strategy requires expansive and forward-looking policy thinking and will be critical to the future of the entire energy sector. We are already engaging with Ministers and officials on important elements of the strategy including customer-centricity, digitalisation, data insights, whole-of-energy-systems-cost thinking, financing of enabling energy infrastructure and whether existing siloed regulatory regimes remain fit for purpose.

Gas DPP

The Commerce Commission has set the next Default Price Quality Path (DPP) for gas pipeline businesses for the four years commencing 1 October 2022. The new DPP allows for a moderate acceleration of asset depreciation. This is a step in the right direction and is aligned with clear and consistent direction from government about the role of gas in New Zealand by 2050. Our view is that the gas transition must be equitable for all parties within credible emission reduction pathways.

The next DPP will result in a moderate front-loading of investment recovery in the prices customers pay, however

they are cost-neutral over the lifetime of the assets and will not increase returns for gas pipeline businesses over the life of their assets. This is important in order to avoid higher price rises for gas customers least able to afford them further down the track.

We've been working constructively with the industry, Commerce Commission, the Gas Industry Company, and the Government, both individually and as part of the Gas Infrastructure Group, to seek a transition plan that works for consumers, government and infrastructure owners, as well as recognising the option for renewable gas. We support the commitment to develop a Gas Transition Plan by 2023 in the Government's Emissions Reduction Plan. This includes a focus on the impact of the transition on households and communities, including a cost of up to \$5.3 billion for gas appliance replacement and building modifications,¹ as well as planning ahead for the impact on the electricity sector from the switch from gas to electricity. We are committed to maintaining momentum on this work to offer a clear pathway forward for residential customers and businesses, and fair outcomes for investors like Vector.

Input Methodology Review

The Commerce Commission is reviewing the Input Methodologies (IMs) or key regulatory rules that underpin the way energy networks are regulated for the first time since 2016. There are significant challenges to address in the regime given it was not designed for decarbonisation nor the level of network investment and innovation now being asked of networks in the face of electrification. Indexation continues to introduce the perennial challenge of inflation forecasting and back-ended cashflows which risk the financeability of enabling infrastructure investment. Vector is advocating the review needs to focus squarely on the implications of the Government's decarbonisation goals for the energy sector and be approached with a significantly

higher level of engagement between the Commerce Commission and industry. This is because such a review comes at a critical time to ensure these settings are fit for purpose and properly support the transition to a net-zero economy, all the while being completed ahead of the Government's 2024 Energy Strategy and 2023 Gas Transition Plan.

Emissions Reduction Plan

New Zealand's first Emissions Reduction Plan has been released, and will be a fundamental document for the energy transition. It includes statements to "explore measures to ensure EV charging is energy efficient and creates a platform for a flexible energy system" and "improve energy product regulations". These are critical elements we must enable now, as the UK has already done by requiring EV chargers to be able to be managed, so that we can smooth out electricity demand peaks. This is essential to ensure an affordable transition. We will continue to engage and innovate to facilitate the convergence of our energy and transport systems at least consumer cost. This requires coordinated and urgent action to drive our future EV charging infrastructure.

The Emissions Reduction Plan also includes work to ensure that electricity market measures support New Zealand's transition to a highly renewable system. To achieve this objective, our electricity market regulation must be aligned to accelerate the integration of enabling technologies and business models, rather than holding them back. We believe that climate change and a 21st-century technological environment demand a new market approach, and that a highly renewable and affordable system will not be delivered by regulation from the mid-1990s.

1. Under the Climate Change Commission's demonstration transition pathway, the cost to households, consumers and commercial buildings for appliance replacement and building modifications to transition away from gas could total \$5.3 billion by 2050.

Deepening our climate change knowledge and capability

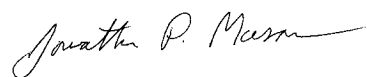
This year saw several developments in how we are deepening our understanding of climate change and our role in enabling affordable decarbonisation.

We've published our second, more comprehensive, Taskforce for Climate-Related Financial Disclosures (TCFD) report, we've taken actions that have resulted in reduced carbon emissions, and we've developed a marginal carbon cost abatement curve to identify and prioritise areas we can focus on to reach our science-aligned target, and also to provide transparency over where challenges are and the cost to abate emissions. More detail on these is set out in Energy Affordability and Decarbonisation, page 24.

FINAL WORDS

Vector is well positioned to enable decarbonisation, guided by our vision, to create a new energy future. Despite the challenges of climate change today, our Symphony strategy helps us seize the opportunities of a decarbonised future, by creating a decentralised energy system that opens possibilities, delivering decarbonisation consistent with safe, reliable and affordable energy solutions for customers.

A major theme we are experiencing is the electrification of the economy as a key part of global decarbonisation efforts. Vector is one of the leading players in the transformation of the energy sector to meet this aim, and we welcome the opportunity to share with you recent highlights of our progress in this report.



Jonathan Mason
Chair



Simon Mackenzie
Group Chief Executive



JASON HOLLINGWORTH
CHIEF FINANCIAL OFFICER

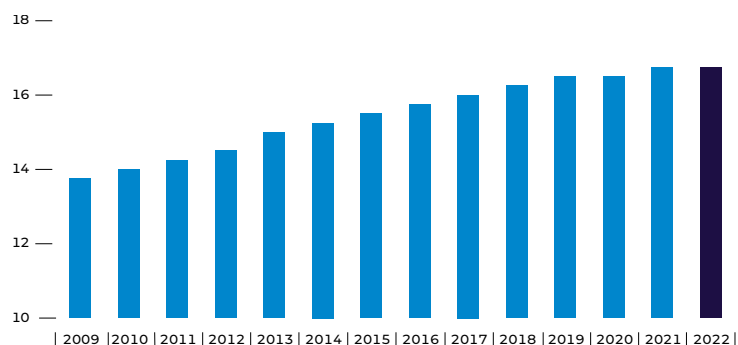


Chief Financial Officer report

Vector's financial performance for the year reflects a steady result with adjusted EBITDA of \$510 million. This was down \$3.5 million or 0.7% on last year's result. Group net profit after tax was \$160.9 million which was \$33.7 million lower than the prior year due to a \$40.2 million non-cash goodwill impairment of Vector's LPG business. This recognises the impact of the higher Saudi Aramco contract price of LPG, higher Emissions Trading Scheme and a weaker NZ dollar all contributing to a higher cost of gas, along with the impact of the increase in discount rates as at 30 June 2022. This was offset by higher capital contributions, lower interest cost and a gain from the sale of Vector's 50% shareholding in Treescape.

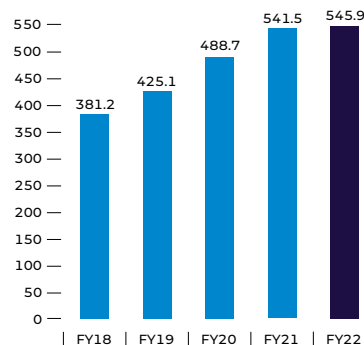
DIVIDEND DECLARED

CENTS PER SHARE



GROUP CAPITAL EXPENDITURE

\$ MILLION



Segment adjusted EBITDA¹

Adjusted EBITDA for our Regulated Networks was \$355.8 million, up \$5.1 million against the prior year. The increase was largely driven by higher electricity revenue due to the growth in connections and higher recovery of pass-through and recoverable costs. This was partially offset by lower gas distribution volumes and the prior year's release of loss rental rebates (LRRs), which had been utilised to mitigate the impact of volume reductions on electricity distribution revenue as a result of Covid-19, as well as to offset against what would otherwise have been a larger price increase from 1 April 2021.

Gas Trading's adjusted EBITDA was \$21.9 million, down \$5.5 million against the prior year's total of \$27.4 million. This result was mainly due to the impact of the higher cost of LPG product, which has only been partially recovered through higher consumer prices. The higher cost is the result of higher Saudi Aramco contract price of LPG, higher ETS and a weaker NZD. These increasing costs have reduced the profitability of the LPG business and, along with the impact of the increase in discount rates as at 30 June 2022, resulted in us recognising a non-cash impairment of \$40.2 million. This was partially offset by an improved performance from the natural gas business where margins have benefited from a tight gas market.

Adjusted EBITDA for Vector's metering segment grew \$2.1 million (1.2%) to \$173.7 million, as a result of continued growth in advanced meter deployments in New Zealand and Australia. This was offset by increased operating costs (shifted from capital expenditure) due to changes in accounting policy and additional one-off income received in the prior period.

Capital contributions

Capital contributions grew by 24% to \$151.8 million during the year, resulting from a change in policy requiring 100% customer funding for electricity and gas connections, continued connection growth and the introduction of a development contribution. From 1 December 2021, when you add a new connection to the electricity network, or upgrade an existing one, you are also required to pay a contribution towards the capital investment we make in the infrastructure that supports overall network growth.

Cash flow

Operating cash flow was 3.9% higher at \$518.8 million. This increase was largely due to the higher capital contributions received in the period.

Capital expenditure

Capital expenditure was \$545.9 million, \$4.4 million (0.8%) higher than last year. This increase reflected ongoing investment in infrastructure to support Auckland's continued growth, higher network replacement expenditure, and 2G to 4G meter modem replacement programme in New Zealand. Note that this increase in capital expenditure was partly funded by a \$29.3 million rise in capital contributions recognised as income under International Financial Reporting Standards (IFRS).

In FY22 we invested \$331.9 million of capital expenditure to improve the safety, reliability and resilience of our electricity and gas networks and to facilitate Auckland's growth. This maintains the high level of network capital expenditure invested over recent years to meet quality targets and improve reliability. Net of capital contributions, the amount invested was \$181.6 million or \$14.2 million less than the prior year.

Refinancing and balance sheet

During the year Vector successfully completed NZD \$857 million of refinancing, consisting of \$325 million three-year bank facilities, \$225 million six-year Senior Bonds, and the rollover for a further five years of \$307 million Perpetual Capital bonds. Vector continues to maintain a strong balance sheet. Our 30 June 2022 gearing, as measured by economic net debt to economic net debt plus adjusted equity was 58.2%. We remain an 'investment-grade' credit risk with a Baa1 rating from Moody's and BBB from Standard & Poor's.

Dividend

This year, shareholders will receive a final dividend of 8.50 cents per share imputed at 10.5%, taking the full-year partially imputed dividend to 16.75 cents per share. The final dividend will be paid to investors who are on the register at 12 September 2022 and distributed to them on 19 September 2022.

1. Refer to non-GAAP reconciliation on page 56.



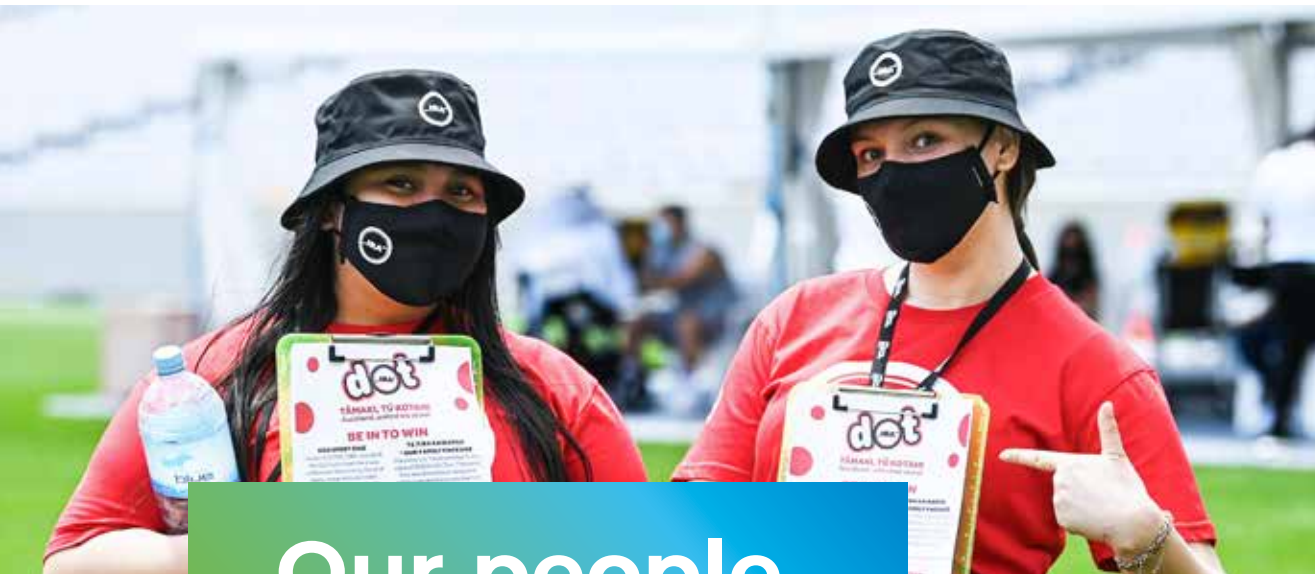
More detailed information relating to climate change and Vector's approach to decarbonisation is available in Vector's Greenhouse Gas Emissions Inventory Report, and Taskforce for Climate-related Financial Disclosure report, both available on vector.co.nz

Environmental, Social and Governance

Vector is committed to excellence in ESG policies and processes, and sees these as fundamental to ensuring an equitable transition to a low-carbon society. This section, together with the ESG highlights in our Performance Snapshot (page 8), sets out achievements from the past year in relation to our commitments to environmental and social themes. A detailed Governance section is included on page 34.

Our actions are in alignment with the following UN Sustainable Development Goals:





Our people and safety

Looking after our people through Covid-19 and more

Our ongoing response to Covid-19 has continued to evolve, focused on safeguarding our ability to continue serving our customers, and ensuring our people are safe and supported appropriately both at work and home if necessary. We have continued our proactive risk management approach, and business continuity planning, to reduce the direct impact of Covid-19 infection on our workforce. This has included promoting and facilitating access to vaccinations, splitting critical operational teams, contingency planning, Rapid

Antigen Testing protocols both on and off site, our technology-based contact tracing system, and work from home requirements. We've also maintained a flexible position on work location, factoring in the impact on individuals, team and organisational performance. We've engaged regularly with our teams for feedback, and take into account the strong desire from job candidates for flexibility and how this impacts our attractiveness as an employer in a tight labour market. However some of our roles, particularly essential workers, continue to require on-site presence, such as our electricity controllers, and front-line staff.

Diversity and inclusion remains a focus for us however the extent of the impact of Covid-19 on our teams has seen a significant focus on mental health in a hybrid working environment. We have initiated a reset of our diversity and inclusion programme for FY23.

We've continued to conduct regular pay equity reviews and take action to remediate any inequities across gender, ethnicity, and age.

Staff wellbeing

The pandemic further highlighted the role of the workplace in our employees' wellbeing with mental health coming into even

Partnering with Ngāti Whātua Ōrākei

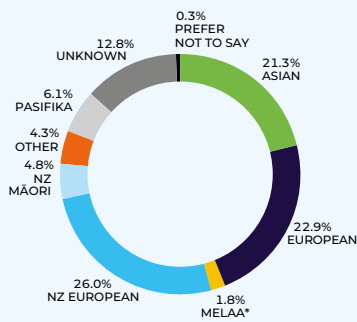
We were proud to be part of the corporate team that partnered with Ngāti Whātua Ōrākei on its Ira Dot campaign to help boost Auckland's Covid-19 vaccination rates during the national vaccination roll-out. During a weekend in November 2021, the campaign saw a fantastic turnout at Eden Park and the four kura across south and west Auckland, with more than 2,000 dots being given as a result.

This came about as a result of our long-term partnership with Ngāti Whātua Ōrākei and asking them how we could help their efforts at an early stage in their development.

Culturally, 'ira/dot' ascribes 'whakapapa' - the foundation for inherent connectedness and interdependence to all things from our tūpuna down to us. The concept of Ira Dot aligns with the national kaupapa "Protect your Whakapapa", how we can unite to protect ourselves, our whānau, and our communities against Covid-19.

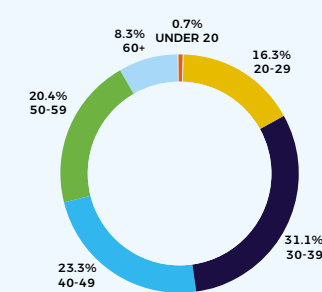
Over the summer we had a further opportunity to work closely with Ngāti Whātua Ōrākei, hosting a group of interns in a range of roles at our head office in a programme designed to provide a positive learning experience and opportunity to contribute thoughts and ideas to various projects.

EMPLOYEES BY ETHNICITY

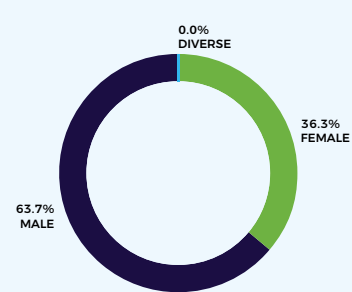


* Middle East, Latin America and Africa

EMPLOYEES BY AGE



EMPLOYEES BY GENDER



Notable changes in diversity statistics included a 0.7% increase in female representation across the Vector group, an increase in employees identifying in the 50-59 age bracket (2.6%), and a decrease in the 20-29 age bracket (-2.4%). We also noted a decrease in Pasifika (-0.4%), NZ Māori (-0.2%) and European (-1.4%) representation, and an increase in those identifying as Asian, by 1.7%.

sharper focus because of the pressures created by Covid-19 and more recently the rising cost of living. We've developed a new, comprehensive wellbeing strategy with the assistance of external workplace wellness and resilience consultants Umbrella Wellbeing. We ran a company-wide individual wellbeing assessment programme and provided a personalised report to each employee. The consolidated results have formed the basis of our strategy and work plan. Through this work we've identified areas where our people tell us we are generally meeting their needs, for example psychological safety, and areas where staff would like more information, such as education on financial wellbeing, healthy eating, and managing stress. To begin with, we developed a series of financial wellbeing seminars tailored to the differing needs of our diverse workforce. These are proving popular, with a session on the economic challenges facing New Zealand, hosted by ANZ's chief economist, Sharon Zollner having had particularly strong attendance and engagement.

“For us pay equity is about doing the right thing by our people. Achieving equity is not a project with an end date but an ongoing commitment to uncovering what is sometimes uncomfortable, and taking action to correct.”

– Sarah Williams, Chief People and Communications Officer

Recruitment, retention, and development

Like most businesses we face tight labour market conditions, particularly where roles are in high demand such as drivers, electricians, digital roles, and some other corporate roles.

We are taking a range of steps to respond to this pressure, tailored to the specifics of the role type we are recruiting for. For example, in our Gas Trading business we have expanded our candidate pool through the use of smaller trucks, where drivers are not required to hold a class 2 licence (see Service Standards, page 32).

We operate a majority in-house recruitment process, and see efficiency benefits from that approach including our recruiters developing strong relationships with sourcing channels specific to their part of the business.

We've upskilled our people managers around lifting their capabilities to lead, inspire and develop their teams, with all people managers completing a “Managers Warrant of Fitness” course. We are now underway with plans for WOF 2.0, which will include further development for people managers on their role in promoting wellbeing, managing mental health in the workplace, and creating an inclusive culture.

Health, safety and environment

To track our progress against our safety goals, Vector continues to measure safety performance across the Group, including Lost Time Injury Frequency Rate (LTIFR), Total Recordable Injury Frequency Rate (TRIFR) and High Potential Frequency Rate (HPFR). Beyond tracking progress, these measures are critical

for indicating which areas require ongoing improvement.

In the past year we experienced a 77% decrease in LTIFR and a 36% improvement in TRIFR across the Group. The severity rate, which measures the number of lost days per one million hours worked, decreased by 3%.

We've seen a sustained lift in reports of near misses from across our workforce. We consider this to be positive as it indicates our people feel comfortable and empowered to raise concerns, and we are given the opportunity to make improvements. We investigate and learn from all near-miss incidents with high potential outcomes.

We've completed a comprehensive review of our Health, Safety and Environment Management System (HSEMS), in consultation with our workforce. As a result of this review, we've implemented a number of changes to our HSEMS, focused around simplifying how this system is used and ensuring it meets the needs of our teams.

We remain focused on our critical health and safety risks, our controls, and on assuring our confidence in those controls, and have retained certification in ISO45001, ISO14001, and NZS7901, all of which are key health, safety and environmental standards relevant for our businesses. We continue to work proactively to minimise risk of harm to our people, our extended workforce, and the public. We are collaborating with other organisations and implementing a number of measures to further support lone workers in the field and those in customer-facing roles.



Energy affordability and decarbonisation

Improving resilience

Vector acknowledges the climate change science underpinning a need to plan for physical impacts to our business from a changing climate and an increase in extreme weather conditions. We prioritise climate risk as a strategic risk with Board oversight (page 42).

This year, to update our understanding of the physical risks presented to our energy networks in the Auckland region, Vector engaged with the National Institute of Water and Atmospheric Research (NIWA), and the University of Auckland. We also acquired geographic information system (GIS) maps with projected climate change impacts through to 2100 to build capability to analyse climate risk exposure. Our strategy in response to the impacts from extreme weather is set out in our TCFD report, available on our website.

Helping the transition to a low-carbon society

We advocate for solutions that give consumers choice and control over their energy use, and result in an equitable transition to a low-carbon economy. This year, the conclusion of our smart EV charging trial (see Insights From EV Smart Charging Trial page 31) demonstrated the benefit of controlled EV charging, and that it can be done without impacting the way consumers use their EVs.

We have also advocated for careful planning and industry involvement for a managed transition from fossil gas, where gas infrastructure owners, including our gas distribution business, face either a wind-down or repurposing future for their assets. A balanced transition, rather than one that fails to plan sufficiently, is most likely to meet the objectives of government, customers, and gas asset owners. Further details can be found in the NZ Gas Infrastructure Future Findings Report, which Vector was a key contributor to, and which is available on our website.

Access to affordable, clean energy

We believe it's important to decarbonise our energy system in the most efficient, resilient and cost-effective manner, and in a way that is equitable for consumers. That is why energy affordability is a core component of Vector's Symphony strategy.

For example, this drives our investment in building an electricity network that is ready for a low-carbon future (see Electrification of Transport, page 31), leveraging technology and digital solutions which can better optimise the electricity distribution network and the energy resources that are connected to it. Doing this significantly reduces the need for physical asset installation to meet increased demand for electricity, and so helps to avoid large costs to our customers.

Maturing our emissions reduction strategy

This year, we developed a carbon abatement cost curve to help achieve our emissions reduction targets (Scope 1 and 2 excluding electricity distribution losses). This includes reaching net carbon zero by 2030, as well as meeting a science-aligned reduction target of 53.5% by 2030.

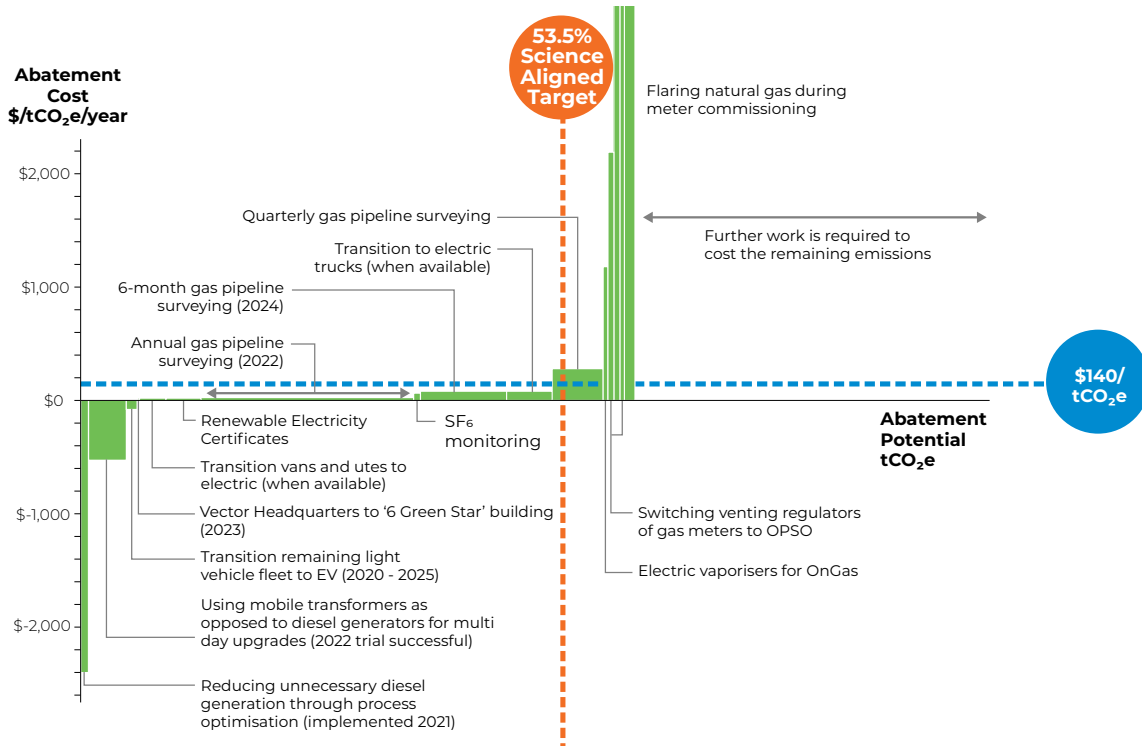
This important work identifies the financial impact of potential carbon reduction activity across Scope 1 and 2 emissions, using a carbon cost of \$140 per tCO₂e, which aligns with Climate Change Commission 2021 recommendations*, as a comparative 'do nothing' cost.

Through this work, we identified that approximately 6% of our Scope 1 and 2 emissions could be reduced while saving money for the group, another approximately 45% were close to cost neutral, with the balance assessed as being more complex to abate given the availability of current alternatives. We expect this curve to change yearly as new technologies reach the market, new business innovations are trialled, and as the costs of the abatement strategies change. This work informed our decision to survey our gas network for leaks annually instead of two-yearly, allowing us to identify and suppress gas leaks faster, reducing our Scope 1 emissions.

Reducing fugitive emissions on our gas network

6,200
tCO₂e
avoided

A cross-functional group of specialists from our Sustainability and Gas Distribution teams identified that a large cause of emissions on Vector's gas distribution network is leaks found on routine surveys. While below the New Zealand industry average, these are small leaks that go undetected in between regular survey cycles, leading to accumulated gas volume escape. Having quantified the scale of emissions attributable to these leaks, the team then worked together to find solutions to reduce them. As a result we have reduced our leakage survey cycle from two-yearly to annually. This means that any leak found can be assumed to have been leaking for an average of six months instead of twelve if surveying were done biannually. Reducing the time between surveys in this way has a significant impact on overall fugitive gas, as the leaks are found sooner, and there are also corresponding public health and safety benefits. Between FY20 and FY22, this resulted in a drop in emissions by over 6,200 tCO₂e.



Vector's marginal carbon cost abatement curve. The x-axis corresponds to Vector's total annual emissions. Each bar details a carbon abating initiative where the thickness of the bar details the carbon abated. The y-axis represents the cost, with negative values indicating cost savings. Initiatives are ordered left to right, from most cost-saving to most expensive.

* climatecommission.govt.nz/bur-work/advice-togovernment-topic/inaia-tonu-nei-a-low-emissions-future-for-aotearoa/

vector's carbon handprint



Carbon handprint

Our innovations, such as those we're building with AWS around new data platforms, have a key role in enabling electrification. We believe the tools we are helping X to develop will have a key role in enabling much more renewable energy to be integrated with existing network infrastructure, while keeping network costs more affordable. These are part of our projects to reduce emissions outside of our operational boundaries. These are part of our external decarbonisation support, or 'carbon handprint', and are a key way we can enable an affordable decarbonisation. They are explained in more detail in our TCFD report, available on vector.co.nz.

Our carbon footprint

Vector reports on its greenhouse gas (GHG) emissions on an annual basis and has been calculating its carbon footprint since 2017. Vector's GHG inventory has been calculated in accordance with the GHG Protocol Corporate Standard and with guidance from the GHG Protocol Value Chain Standard. Our base year for emissions reporting is 1 July 2019 to 30 June 2020. This is recalculated if the inventory is affected by changes

that add up to at least 5%. These changes can be structural (e.g. acquisitions or divestments), changes in the way the inventory is calculated, or discovery of errors. The threshold can be reached through cumulative changes across multiple years. As at 30 June 2022, the threshold for changes requiring a recalculation of our base-year emissions has not been reached, however we have voluntarily restated our FY20 base-

year and FY21 emissions to account for the divestiture of Treescape, which occurred during FY22.

In the year to 30 June 2022, our GHG emissions were 1,513,447 tCO₂e. This is a reduction of 5.5% from FY21, and 16.5% from our base year in FY20.

Further details on our emissions by Scope and category can be found in Vector's GHG Emissions Inventory report, available on our website.



EMISSIONS TREND BY SCOPE IN TCO₂E

EMISSIONS CATEGORY	FY20	FY21	FY22	Change from FY20 baseline
Scope 1	23,669	19,330	20,294	-14%
Scope 2	33,439	34,520	40,069	20%
Scope 3*	1,754,974	1,547,793	1,453,084	-16.5%
Total Scope 1, 2, 3	1,812,082	1,601,643	1,513,447	-16.5%

* A recalculation of Scope 3 was undertaken for FY20 and FY21 to remove emissions from Vector's investment in Treescape

A hand is pointing at a digital financial dashboard. The dashboard features a grid of data points, some in green and some in blue, and a line chart with multiple colored lines (red, green, blue, purple) showing fluctuations. The background is a dark blue gradient.

Business segment reports

Guided by our Symphony strategy, our businesses deliver for our customers and shareholders while advancing our ambitions around decarbonisation and the transformation of the energy sector.

Regulated networks



Revenue

Revenue increased 8.3% to \$831.5 million, due to higher pass-through, recoveries and connection growth, Loss Rental Rebates received and an increase in capital contributions, up 24.1% to \$150.3 million. The increase in capital contributions reflects continued connection growth and a policy where we seek 100% contribution for electricity and gas connections. In addition, we introduced a development charge during the period, where new connections need to make a contribution towards the capital investment we make in the electricity infrastructure that supports overall network growth.

Continued electricity connection growth

We added 13,538 new electricity connections in the year, down from 14,995 in the prior year. We also added 3,146 new gas connections, down from 3,844 a year earlier.

Total electricity connections stood at 600,112, up 1.6% from 590,799 in the prior year. Total gas connections were 117,995, up 1.3% from 116,472 a year ago.

Both electricity and gas volumes have been impacted by Covid-19. Volumes transported across the electricity network increased 0.4% to 8,361 GWh from 8,325 GWh in the prior year, with higher residential volumes partially offset by lower business volumes. Auckland gas distribution volumes were down 7.1% at 13.1 PJ from 14.1 PJ a year earlier.



Total electricity connections increased to 600,112.

Trialling a cleaner way to keep the power on

Some of our maintenance projects require diesel generators to be running to ensure power can stay on for customers while we do the work. This can be disruptive for residents and contributes to our Scope 1 carbon emissions.

This year we've begun trialling the use of mobile transformers to supply power instead. This works by temporarily routing the area's power supply through the mobile transformer, rather than isolating the section from the distribution network and providing power by generation.

Our trials have shown positive results in achieving a reduction in carbon emissions and costs, and less disruption for our customers, and this technique is now set to enter our standard planning processes. This demonstrates Vector's commitment to delivering for our customers, while taking steps to reduce carbon emissions and contribute to affordability. The first two trials have saved an estimated 154 tCO₂e, calculated using load monitoring meters.

154
tCO₂e saved



Gas transition

We're continuing to engage with government and other parties on New Zealand's gas transition (see Climate Policy, page 16). It's critical that the transition away from fossil gas is smooth, and equitable for consumers, and asset owners, while achieving government objectives. There are significant costs involved, which could reach as high as \$5.3 billion to consumers and business under the Climate Change Commission's demonstration transition pathway.

Maintaining customer focus

Network performance has remained within key regulatory SAIDI and SAIFI limits, and we have delivered steady progress improving our customer connection time frames. We're proud of these achievements, especially as we, and our customers, were impacted by a number of extreme weather events during the year, including a destructive tornado in Papatoetoe, and Cyclone Dovi.

Throughout the prolonged Covid-19-related Auckland lockdown we adapted rapidly and repeatedly, as the situation evolved. Our initial focus was on minimising disruption for Aucklanders working and schooling from home. Then, as lockdown restrictions began to ease, we carefully introduced more proactive maintenance work back into our schedule in advance of an important summer trading period for the retail and hospitality sectors. During this time we also began detailed planning for an increase in workforce absences due to Covid-19 infection or isolation requirements. Like many businesses, we continue to feel the effects of Covid-19 on our workforce, however we have successfully maintained our work programmes through careful planning.

As always, and in particular through this pandemic, we thank our staff and our Field Service Providers for their dedication to serving our customers.

Input Methodology review

As mentioned in the Chair and CEO report, the Commerce Commission is reviewing the Input Methodologies (IMs) that underpin the way the energy sector is regulated. This review comes at a critical time to ensure these settings are fit for purpose and properly support the transition to a net-zero economy. Vector is advocating the review needs to focus squarely on the implications of the Government's decarbonisation goals for the energy sector and be approached with a significantly higher level of engagement between the Commerce Commission and industry.

Investing for Auckland now and in the future

Gross regulated capital expenditure increased by 4.7% to \$331.9 million compared to \$316.9 million a year earlier. Capex net of capital contributions was 7.3% lower than the prior year at \$181.6 million. However, capex continues to be at historically high levels due to investment to improve the reliability and resilience of our network as well as higher growth capex reflecting the continued growth in connections and infrastructure projects. This amount of investment equates to almost \$1 million per day, with a significant portion dedicated to building an electricity network that is ready for the demands of the future, ensures Auckland has what it needs now to continue growing, and to support major changes to our transport and energy systems driven by decarbonisation.

Over the past year that investment has included key projects to reinforce and support growth and resilience, such as switchboard extensions and upgrades in our critical CBD substations, future-proofing supply to the wider Warkworth area by laying ducting for a new cable, and projects to reinforce supply in key areas like Hauraki and Hobsonville. We're also working closely with Kāinga Ora to better understand and support future development plans for the region.

Progress has also continued on deployment of an Advanced Distribution Management System, which will enhance our ability to monitor and control our electricity distribution network, which is vitally important as the network grows and becomes more complex, and the climate continues to change. This system leverages the benefits of cloud technology for security, resilience and cost efficiencies, and will support new demands placed on the network in the future.

Cost and inflation challenges

The regulatory business has also seen the impact of high and sustained inflationary pressure partially driven by supply chain challenges. Within the regulatory framework, the higher inflation drives an increase to our costs, which has a flow-through effect on our ability to undertake projects across the group to remain within the capital and operating cost regulatory allowances. The regulatory mechanisms also allow us to increase our prices by CPI with the recent increases in CPI to be reflected with a rise in prices from 1 April 2024.

Ensuring an affordable electrification

We are working closely with Auckland Transport and other key stakeholders to enable this shift in a way that's affordable and equitable for all our customers. This means ensuring the right incentives are in place for smart charging, enabled by integrating our Distributed Energy Resources Management System with charging infrastructure, and through close analysis of existing network capacity to accommodate new charging infrastructure in optimal locations for efficient capital investment.

Opening the doors on data

This year has seen the beginnings of a step change in the availability of valuable data that we can use to accelerate the digitalisation of the electricity network, which is a foundation for advancements and innovation in planning and operational capabilities that will enable us to better serve our customers. We are leading the way for the industry, working proactively and constructively with the Electricity Authority and metering providers. We have developed a template data request that ensures appropriate data privacy protections are in place. Using this template we have successfully contracted with retailers for regular provision of smart data covering more than 90% of our network. This data complements our own network data and allows us to plan and understand overall network performance in greater detail.

Engaging with government and industry for the future

Throughout the year we've engaged proactively with government and regulators on the challenges facing our industry, from climate change, to technology and digital innovation, and cyber security. We do this because we want to work through these highly complex issues together, to realise the best outcomes for consumers, government, and shareholders.



Underpinning new layers of critical infrastructure

Data centres are fast becoming an essential layer of modern infrastructure, providing high-speed data connectivity, security, and sovereignty. Each new data centre needs a significant electricity supply, at a level roughly equivalent to a new distribution zone substation, and Vector is involved in several projects to deliver the secure, highly reliable power supply required.

We are working closely with CDC Data Centres on two new hyperscale data centres located in Auckland, both of which are now online.

These projects enable New Zealand to secure the benefits that come with having local data centres to boost business performance, and consumer connectivity speeds, and demonstrate the criticality of the infrastructure we provide in supporting important growth and development across Auckland.

Electrification of transport

The electrification of transport has begun in earnest. Consumer uptake of EVs is increasing, alongside government incentives and continued development in public charging infrastructure. Auckland Council has committed that buses purchased from 2025 will be non-carbon emitting, and multiple parties have made announcements concerning electric ferries for Auckland. All of this will drive increasing demand for electricity, and we are working at a strategic level to ensure the electrification of transport is carried out in the smartest possible way, to avoid pressure on electricity demand peaks.

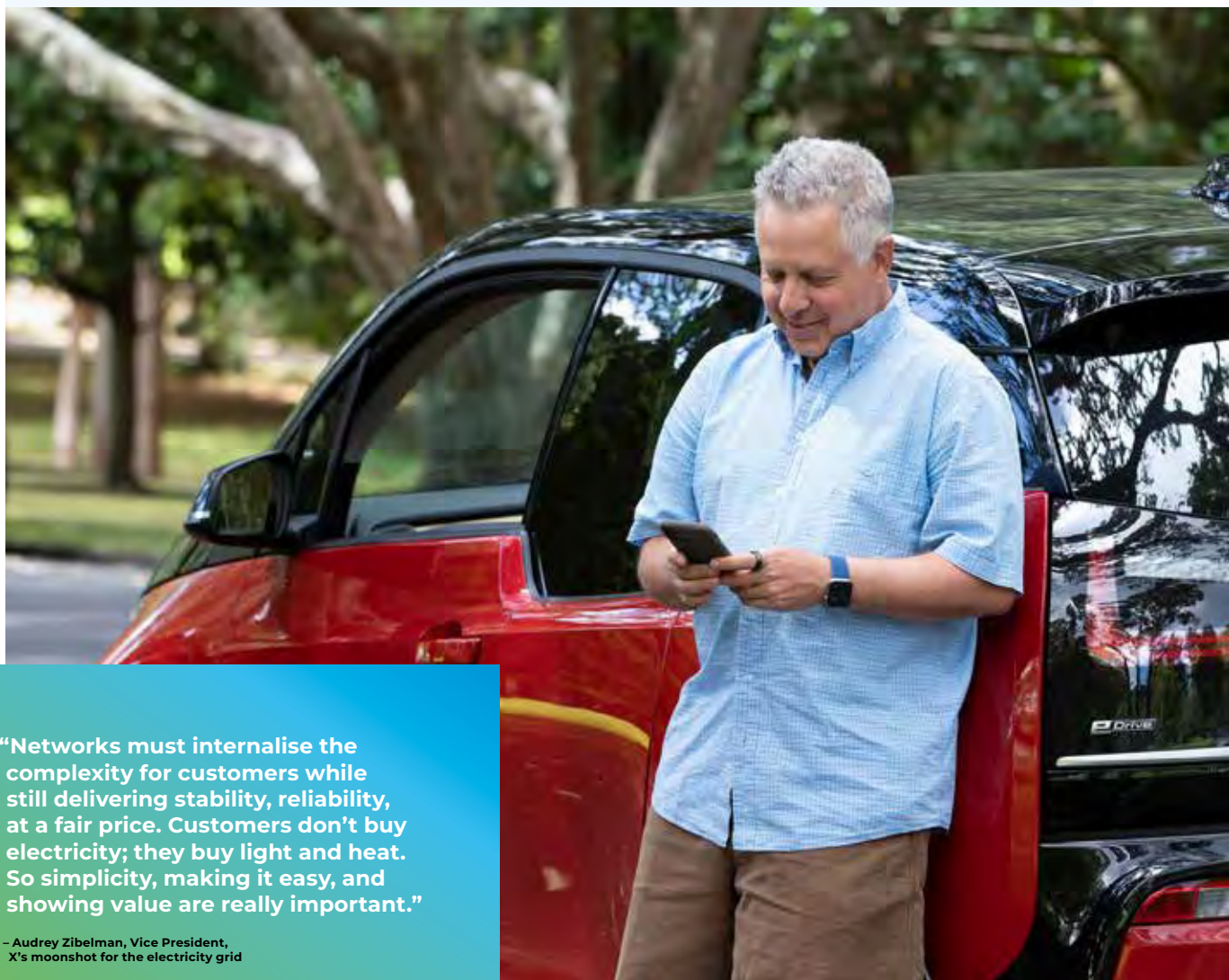
Insights from EV smart charging trial

This year, we concluded a two-year research project following nearly 200 EV drivers in the Auckland region examining how they charged their car, the impact this had on the local electricity network, and what technology could be used to lessen that impact. The successful trial showed the value of controlling EV charging on overall electricity network efficiency, as well as demonstrating clearly that this can be done without affecting the way people use their EVs. In addition triallists recognised the wider benefits from this approach,

such as more affordable future infrastructure cost for all consumers, not just those with EVs.

This comprehensive project fills some gaps in international research and we have shared our findings with key government stakeholders in New Zealand, as well as with countries around the globe, as we all grapple with the same challenges around transport electrification and decarbonisation.

The success of this trial underscores Vector's support and advocacy for smart, digital solutions like this that benefit networks and their customers, and which will ultimately lead to a more affordable electrification of transport.



“Networks must internalise the complexity for customers while still delivering stability, reliability, at a fair price. Customers don’t buy electricity; they buy light and heat. So simplicity, making it easy, and showing value are really important.”

– Audrey Zibelman, Vice President,
X’s moonshot for the electricity grid



Gas trading

Volumes

Bulk and cylinder volumes were lower compared to the prior year. Total LPG sales were down 1.6% at 44,330 tonnes.

Bottle Swap 9kg volumes were down 7.4% to 629,651 bottles from 680,099 a year earlier. This decline is partly attributable to the impact of Covid-19 as well as the loss of a major customer from December 2021.

Liquigas LPG tolling volumes were up 10.3% to 112,913 tonnes from 102,351 tonnes in FY21.

Natural gas sales volumes were down 3.3 PJ to 5.3 PJ from 8.6 PJ in the prior period mainly due to the loss of a major customer from July 2021.

Challenging international conditions

Challenges we reported on last year around local supply constraints and Covid-19 import delays have been

further compounded this year due to several factors. This included a significant rise in the price of LPG (which is linked to the international price of oil), costs associated with our obligations under the ETS, and foreign exchange pressures.

In the face of these headwinds we've been proactive in managing our internal costs while also evaluating our pricing to customers. We've mitigated some of the impact of price increases to ensure we're operating as efficiently as possible while maintaining high safety standards. It has not been feasible to pass on all costs to our customers.

The increases in the cost of LPG have adversely impacted the profitability of the business, and, along with the impact of the increase in discount rates as at 30 June 2022, these factors have led to a \$40.2 million non-cash goodwill impairment in the carrying value of investment.

Service standards

With labour market conditions remaining tight, in the second half of 2021 we deployed staff from our HRV business temporarily to help with customer deliveries during a challenging period. Since then, we've made a number of changes to better enable us to meet our service standards, and have been successful in doing so. One of the ways we achieved this was through redeveloping some of our delivery schedules around the use of smaller trucks, where drivers are not required to hold a class 2 licence. This means a wider pool of drivers is available, while delivery efficiencies can be maintained, particularly in densely populated markets such as Auckland and other metropolitan areas.



Metering

Revenue

Metering revenue increased 3.8% to \$235.6 million from \$227 million a year earlier driven by the growth in deployment of advanced meters.

Fleet

Our advanced metering business continues to lead from the front, helping retailers to better manage their businesses and respond to customers' needs. We continue to see the Australian market as offering significant opportunity, particularly in the context of regulatory changes that support wide deployment of advanced meters. In the year to 30 June 2022 we have installed and billed 18,053 additional advanced meters in New Zealand and 93,334 additional advanced meters in Australia. The level of deployment in New Zealand and Australia has been disrupted by Covid-19 and some extreme weather events in NSW and Queensland. Our advanced electricity meter base grew 6.5% to 1.98 million from 1.86 million the year before. We have now deployed nearly 490,000 advanced meters in Australia. Throughout these deployments our health and safety record has continued to be strong, an achievement we are very proud of.

Progress against multi-year work plans

Across our New Zealand and Australian markets we're continuing to focus on providing innovative smart meter data services from 2.3 million electricity and gas meters.

Our programme to upgrade 1.1 million meters with 4G modems continued this year across New Zealand. We are meeting our programme targets with almost 200,000 modems replaced to date, ahead of the anticipated shut down of the current 2G mobile network in New Zealand. This programme enables us to continue providing our customers with the data services they need over a modern network, and to further develop our product and service offerings with new and innovative solutions, leveraging the faster connectivity speeds and greater capacity to work with large quantities of data.

We've accelerated the roll-out of advanced gas meters on behalf of Genesis. This will provide Genesis' customers with the benefit of full visibility across their gas use at home, giving them more freedom to make decisions about their energy usage long before their bill arrives. In the last year we deployed 10,599 advanced gas meters.

Capital investment

Total metering capex invested was 3.9% lower than for FY21 at \$156.7m, due to the lower level of advanced meter deployment in the period partially offset by increased expenditure for the 4G modem replacement programme.

Innovation in data services

The energy sector is increasingly looking to innovative smart meter data services as a critical part of its transformation and digitalisation journeys. Vector Metering has been actively involved in helping unlock this data for key parts of the sector.

We're providing key energy consumption data to several electricity distribution businesses in New Zealand, and are investigating the provision of other relevant data collected by smart meters, such as power quality data. This type of data has traditionally not been used but can be extremely valuable to distribution businesses seeking more granular data for network planning purposes, and who are looking to enable innovation at the customer level. We are actively investigating the provision of this data in New Zealand and Australia, tailoring our offering to the requirements of each market.

Enabling customer innovation

Our metering technology can enable smart hot water load control at a household level, rather than at a network level which has been the traditional approach in New Zealand. This provides our customers with a solution that opens up consumer access to the potential for multiple service offerings, ranging from traditional network control over hot water load management, to Virtual Power Plant aggregation.

Looking ahead

As we detailed earlier, we are conducting a strategic review of Vector Metering to assess options for the next phase of growth for this successful business (see The Next Chapter for Vector Metering, page 15).



Governance report

This section of the annual report is an overview of Vector's corporate governance framework, approved by the Board, for the financial year ended 30 June 2022.

Vector's Board is committed to maintaining high standards of corporate governance, ensuring transparency and fairness, and recognising the interests of our shareholders and other stakeholders.

The Board has an established set of guiding principles that state that the company will:

- Be a leading commercial enterprise with a reputation for delivering results through sound strategy;
- Have entrepreneurial agility, being the first to identify opportunities and bring them to market;
- Be a great employer which values knowledge and talent;
- Strive to ensure that everyone who does work for Vector, goes home healthy and safe;
- Deal fairly and honestly with its customers; and
- Be a good corporate citizen.

Vector's governance practices are informed by the NZX Listing Rules (NZX Rules), the NZX Corporate Governance Code (2020) (NZX Code), the Financial Markets Conduct Act 2013 and the Companies Act 1993. Vector's governance practices are consistent with the principles in the NZX Code, except that Vector has not adopted a formal protocol for responding to takeovers (NZX Code Recommendation 3.6). Because Entrust holds 75.1% of Vector's shares, it is not practically possible for a takeover offer of Vector to be made by a party other than Entrust.

Vector's key corporate governance documents, including board and committee charters and policies, can be found at www.vector.co.nz/investors/governance.

Roles and responsibilities of the Board and management

The primary objective of the Board is to protect and enhance the value of Vector in the interests of Vector and its shareholders.

The Board has overall responsibility for all decision making within Vector.

Vector's governance practices are designed to:

- enable the Board to provide strategic guidance for Vector and effective oversight of management;
- clarify the roles and responsibilities of Vector's directors and senior executives in order to facilitate Board and management accountability to both Vector and our shareholders; and
- ensure a balance of authority so that no single individual has unfettered powers.

To ensure that Vector's business objectives and strategies are achieved and to deliver value to the company and its shareholders, the Board strives to understand, meet and appropriately balance the expectations of all its stakeholders, including its employees, customers and the wider community.

In carrying out its responsibilities and powers, the Board at all times recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law. The Board works to promote and maintain an environment within Vector that establishes these principles as basic guidelines for all of its employees and representatives.

Vector achieves board and management accountability principally through its Board charter, which sets out (amongst other things) matters reserved for the Board and responsibilities delegated to the Group Chief Executive, and a formal delegation of authority framework. The effect of this framework is that, whilst the Board has statutory responsibility for the activities of the company, this is exercised through the delegation to the Group Chief Executive, who is accountable for the day-to-day leadership and management of the company. The framework also reserves certain matters for the decision of the Board.

The Board charter sets out the expectation that all directors continuously educate themselves to ensure that they may appropriately and effectively perform their duties.

The main functions of the Board include:

- Reviewing and approving the strategic, business and financial plans prepared by management;
- Monitoring performance against the strategic, business and financial plans;
- Appointing, delegating to and reviewing the performance of the Group Chief Executive;

- Approving major investments and divestments;
- Ensuring ethical behaviour by the company, Board, management and employees; and
- Assessing its own effectiveness in carrying out its functions.

A committee or individual director may engage separate independent professional advice in certain situations, at the expense of the company, subject to first obtaining the approval of the chair of the board. The Board also has access to Executives within the Vector Group as a means of receiving assurance information.

Each director has a duty to act in the best interests of the company and the directors are aware of their collective and individual responsibilities to stakeholders for the manner in which Vector's affairs are managed, controlled and operated.

The Board ensures that there is appropriate training available to all directors to enable them to remain current on how best to discharge their responsibilities and keep up to date on changes and trends in areas relevant to their work.

The Board regularly assesses its effectiveness in carrying out its functions and responsibilities. The Board Chair leads the review and evaluation of the Board as a whole, and of the Board Committees, against their respective charters. The Board Chair also engages with individual directors to evaluate and discuss performance and professional development. An externally facilitated review of the Board's performance was conducted this year and the next review is scheduled for FY24.

The Group Chief Executive is supported by the Vector executive team. Details of the members of the executive team are set out on pages 48 and 49 of this annual report and in the About Us section of Vector's website (www.vector.co.nz/about-us/board-executive-team). Members of the Vector executive team have access to the Board from time to time.

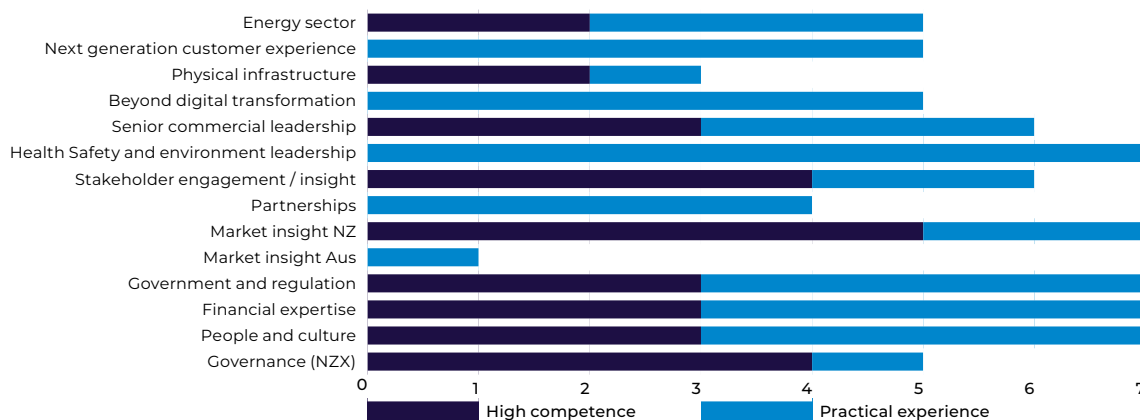
Board membership

Vector's Board comprises experienced directors from diverse backgrounds and who govern the company on behalf of its shareholders and other stakeholders. The directors are committed to maintaining high standards of corporate governance, ensuring transparency and fairness and recognising the interests of our stakeholders.

Vector's Constitution and the NZX Rules set certain requirements in relation to the Board structure. The Board must have a minimum of three and a maximum of nine directors, with at least two being ordinarily resident in New Zealand.

The Board comprises seven directors, all of whom are non-executive. Biographies are set out on pages 46 and 47 of this report and include information on the year of appointment, skills, experience and background of each director. The current directors possess an appropriate mix of skills, expertise and diversity to enable the Board to discharge its responsibilities and deliver the company's strategic priorities. The Board looks to strengthen its oversight of issues in all disciplines, as required, via expert advice.

Board skills and experience



Director independence

The Nominations Committee has responsibility on behalf of the Board for making determinations as to the independence status of all directors. The committee's assessment of independence is guided by the NZX Listing Rules and NZX Code Recommendation 2.4.

The Board has reviewed the position and relationships of all directors in office and considers that five of the non-executive directors are independent. Those directors are Jonathan Mason who is Vector's Chair, Dame Paula Rebstock who is Deputy Chair, Tony Carter, Bruce Turner and Anne Urlwin. Dr Paul Hutchison and Alastair Bell represent Vector's majority shareholder Entrust, and are therefore not independent directors. Directors are required to inform the Board of all relevant information which may affect their independence.

The Nominations Committee is responsible for assessing director independence on an ongoing basis.

Only independent directors are eligible to be the Board Chair. The roles of Board Chair, Audit Committee Chair, Risk and Assurance Committee Chair and Group Chief Executive are each held by different people.

Ownership of Vector shares by directors is encouraged but is not a requirement. Directors' ownership interests are listed on page 119 of this annual report.

The Board recognises that a regular refreshment programme leads to the introduction of new perspectives, skills, attributes and experience.

Director period of appointment

	0-3 years	3-9 years	9 years +
Number of directors	3	3	1

Board committees

There are currently four Board committees: an Audit Committee, a Nominations Committee, a People and Remuneration Committee and a Risk and Assurance Committee.

Members of each committee are appointed by the Board. Each committee has a written charter that is approved by the Board and sets out its mandate. The charters are reviewed at least every two years, with any proposed changes recommended to the Board for approval. All charters are available on Vector's website.

The Company Secretary has unfettered access to the Chairs of the Board, the Audit Committee, and Risk and Assurance Committee.

The members and chairs of each committee are:

COMMITTEE	MEMBERS
Audit Committee	Anne Urlwin (Chair) Paula Rebstock Alastair Bell Tony Carter Jonathan Mason Bruce Turner
Nominations Committee	Tony Carter (Chair) Alastair Bell Paul Hutchison Jonathan Mason Paula Rebstock Anne Urlwin Bruce Turner
People and Remuneration Committee	Paula Rebstock (Chair) Tony Carter Alastair Bell Paul Hutchison Jonathan Mason
Risk and Assurance Committee	Bruce Turner (Chair) Paul Hutchison Jonathan Mason Paula Rebstock Anne Urlwin

Attendance at meetings

Attendance records of Board and committee meetings are provided in the table below.

COMMITTEE	FULL BOARD	AUDIT COMMITTEE	RISK AND ASSURANCE COMMITTEE	PEOPLE AND REMUNERATION COMMITTEE	NOMINATIONS COMMITTEE	AGM
TOTAL MEETINGS	14	8	5	3	1	1
A Bell	14	8	1†	3	1	1
M Buczkowski*	1		1		1	
A Carter	14	7	1†	3	1	1
P Hutchison**	9	3†	2	2		
J Mason (Chair)	14	8	5	3	1	1
P Rebstock	14	8	5	3		1
B Turner	14	8	5	1†	1	1
A Urlwin***	13	7	4	1†		1

* Michael Buczkowski ceased to be a director on 29 September 2021.

† Director attending the committee meeting who is not a member of the committee.

** Appointed on 8 December 2021.

*** Appointed on 1 September 2021.

Audit Committee

The purpose of the Audit Committee is to assist the Board in its oversight of the quality and integrity of Vector's external financial reporting, the independence and performance of the external auditors, and effectiveness of internal control system for financial reporting and accounting records.

The Audit Committee provides a formal forum for communication between the Board and the external auditors, ensures the independence of the external auditors, has oversight of audit planning, reviews and recommends audit fees, considers audit opinions and evaluates the performance of the external auditors. Oversight of the company's external audit arrangements to safeguard the integrity of financial reporting is the responsibility of the Audit Committee. Included within the Audit Committee's responsibilities set out in its charter is the requirement to ensure that audit independence is maintained, both in fact and appearance.

The NZX Rules and the Audit Committee's charter require that the Audit Committee must comprise not less than three members, being directors of Vector, at least one of whom must have an adequate accounting or financial background and the majority of whom are acknowledged as independent by the Board pursuant to its charter. The chair shall be an independent Director and shall not be the Chair of the Board.

All members of the Audit Committee have specialist financial skills and experience.

The Group Chief Executive and the Chief Financial Officer have a standing invitation to attend Audit Committee meetings.

Risk and Assurance Committee

The purpose of the Risk and Assurance Committee is to assist the Board in fulfilling its responsibilities to protect the interests of shareholders, customers, employees and the communities in which Vector operates through overseeing Vector's risk management framework and processes for internal control.

The Risk and Assurance Committee Charter requires this committee to comprise not less than three members, being directors of Vector. Only committee members attend meetings unless an invitation is extended to other directors, the Group Chief Executive, management and/or other guests.

People and Remuneration Committee

The purpose of the People and Remuneration Committee is to assist the Board in overseeing the appointment, performance and remuneration of the Group Chief Executive and members of the executive team (including succession planning) and reviewing and monitoring the Remuneration Policy. Evaluations are based on criteria that include the performance of Vector and the accomplishment of strategic objectives. In addition, this committee oversees Vector's people and culture strategy including attraction, retention, wellbeing, succession planning and talent development.

The People and Remuneration Committee's charter requires this committee to comprise not less than three members, being directors of Vector, a majority of whom shall be independent directors.

The Group Chief Executive may be invited to attend meetings by the People and Remuneration Committee Chair from time to time.

Nominations Committee

The Board is responsible for appointing directors. The Board seeks diversity in the skills, attributes, perspectives and experience of its members across a broad range of criteria. The Board has a Nominations Committee, the purpose of which is to assist the Board in fulfilling its responsibility to have an efficient mechanism for examination of the selection and appointment practices of the company.

The Nominations Committee's responsibilities broadly include management of the appointment process for new directors and the re-election of existing directors and is also responsible for coordinating director appointments with Entrust, consistent with Entrust's rights under the Vector Constitution.

The Nominations Committee also has responsibility for reviewing the Board's composition and succession plans; recommending procedures for the regular review of the performance of the Board and committees; making determinations as to the independence status of all directors; and ensuring there is an appropriate induction and education programme.

All new directors enter into a written agreement with Vector, which sets out the terms of their appointment.

The Nominations Committee's charter requires that the Nominations Committee shall comprise not less than three members, being directors of Vector, a majority of whom shall be independent directors.

An invitation may be extended to non-committee member directors, the Group Chief Executive and/or management to attend meetings of this committee.

External auditor

The role of the external auditor is to audit the financial statements of the company in accordance with applicable auditing standards in New Zealand and to report on its findings to the Board and shareholders of the company.

The effectiveness, performance and independence of the external auditor is reviewed annually by the Audit Committee. The Board, after considering the recommendations of the Audit Committee, considers and reviews the appointment of external auditors. The Board requires the rotation of the audit partner for the statutory audit after no more than five years. The company's external auditor is KPMG. Graeme Edwards has been the Audit Partner since 2019 and Laura Youdan has been the Assurance Partner since 2018. All services provided by KPMG are considered on a case-by-case basis by the Audit Committee to ensure there is no actual or perceived threat to independence in accordance with the policy. The Audit Partner and Assurance Partner have provided the Audit Committee with written confirmation that, in their view, they were able to operate independently during the year.

KPMG has provided the Board with the required independence declaration for the financial year ended 30 June 2022.

The Audit Committee has determined that there are no matters that have affected the auditor's independence.

It is the Board's policy that all non-audit services proposed to be undertaken by the external auditor must be pre-approved by the Audit Committee. The Audit Committee considered and gave its approval for the auditor to undertake certain non-audit-related matters. Fees paid to KPMG are included in Note 7 of the notes to the financial statements contained on page 73 of this annual report.

KPMG was paid \$1.3m for services in the financial year to 30 June 2022. Of this sum, \$1.1m was for audit-related services and \$0.2m was for non-audit-related services. Non-audit work did not exceed 25% of the amount paid for audit work. Further detail is provided on page 73 of this annual report.

The auditor is regularly invited to meet with the Audit Committee including without management present.

The auditor has been invited to attend the Annual Shareholders' Meeting and will be available to answer questions about the audit process and the independence of the auditor.

Risk management

Vector recognises that rigorous risk and opportunity management is essential for corporate stability, high performance and ultimately the success of our strategic objectives and vision. To drive sustainable growth and ensure operational resilience, it is important to anticipate risks to our business while capitalising on opportunities as they arise.

Vector's enterprise risk management (ERM) framework provides a flexible and purpose-built approach to the application of risk management across Vector and is consistent with the International Standard "AS/NZS ISO 31000:2018 Risk Management Guidelines". Vector's risk management processes and tools are embedded within its business operations to drive consistent, effective and accountable decision-making.

Consistent with the "Three Lines Model", all Vector people are responsible for applying Vector's ERM framework within their individual roles to proactively identify, analyse, evaluate and treat risks. This risk mindset has been implemented through:

- Awareness of risk management's value at operational, executive team and Board level;
- Embedding of risk assessments and discussions within key decision making processes;
- Integration of specialised risk partners throughout the business; and
- Continuous development through both internal and external reviews.

Vector continues to review and mature its ERM framework to reflect the evolving context within which we work. We engage external advisors to assist in incorporating the latest developments in risk management and to reflect the current operating environment.

The Board is responsible for ensuring that key strategic, operational, and financial risks are identified, and that appropriate controls and procedures are in place to effectively manage those risks. The Risk and Assurance Committee has overall responsibility for ensuring that the company's

risk management framework and processes are fit for purpose and effective, such that risks are appropriately identified, considered, and managed against Vector's objectives and strategic vision.

Spanning across Vector's portfolio of businesses, Vector's Group Risk function is tasked with the ongoing development and implementation of the ERM framework and risk processes. In addition to monitoring the changing business landscape and macro-economic trends, this function integrates and works with all Vector business units to facilitate smart risk based decision making as well as consistent risk analysis and the evaluation of risk against Vector's risk appetite. These perspectives inform the development of the Group Key Risk Profile which provides both the Board and executive team with a consolidated view of:

1. the strategically focused risks which could have a significant impact on the long term value and sustainability of Vector's business; and
2. the material operational risks facing Vector as part of its business as usual activities which require significant oversight and control.

Health and Safety

Vector is committed to conducting its business activities in such a way as to protect the health and safety of all workers of Vector and its related companies, the public and visitors in its work environment. Vector is committed to continual and progressive improvement in its health and safety performance. Page 23 of this annual report contains Vector's performance in these areas, including its Total Recordable Injury Frequency Rate (TRIFR) and Lost Time Injury Frequency Rate (LTIFR). The Board has delegated day-to-day responsibility for the implementation of health and safety standards and practices to management.

The Board is committed to providing effective resources and systems at all levels of the organisation to fulfil its commitment to employees, customers, shareholders and stakeholders.

Vector's commitments and requirements for health and safety are set out in the Health and Safety Policy.

Internal audit

Vector's internal audit function is overseen by the Risk and Assurance Committee, and the Audit Committee, and provides independent and objective assurance on the effectiveness of governance, risk management and internal controls across business operations. The team follows a co-sourced model, drawing on both in-house and external expertise, and has unrestricted access to all Vector staff, records and third parties. The team liaises closely with KPMG, as Vector's external auditor, to share the outcomes of the internal audit programme to the extent that they are relevant to the financial statements.

Ethical and responsible behaviour

Directors and employees are expected to act legally, ethically, responsibly and with integrity in a manner consistent with Vector's policies, procedures and values.

The Code of Conduct and Ethics covers a wide range of areas and provides guidance regarding personal integrity, business integrity, customers and society, people, and assets and information and outlines the responsibilities of Vector's people and explains the standards of conduct and ethics.

The Group Chief Executive gives these opening remarks in the Code:

The message in this Code of Conduct & Ethics is a simple one – the highest standards of ethics, integrity and safety are fundamental to the way we work with one another and how we do business. Despite the simplicity of this message, a lot of effort has gone into formulating this code. We publish it for a reason and I can't emphasise strongly enough how important it is as a document and expression of our values. It is the touchstone for what we feel most strongly about at Vector, and what we expect of those who work for and with us, for the benefit of our customers, stakeholders, and the communities in which we do business.

Please take the time to read and understand our code and, as you go about your work for Vector, use it to guide your actions and decisions. If you are ever in doubt about how the code might apply to a situation, you should contact your manager, HR or a member of the Legal team for advice.

On behalf of the senior leadership team, as a Vector employee you can rely on our support should you ever feel the need to speak up against behaviour inconsistent with this code or Vector's values. This is what we stand for.

The procedure for advising the company of a suspected breach is set out in the Whistleblower Policy. People at Vector have a range of options to speak up if they notice something that's not right, including raising a concern with a relevant manager. These options include in person, by phone, email, post, online form and all options can be done anonymously.

A comprehensive set of policies has been put in place to assist directors, staff and contractors to act and make decisions in an ethical and responsible manner.

The Board has implemented formal procedures to handle trading in Vector's securities by directors and employees of Vector in the Securities Trading Policy, with approval from the Company Secretary (on behalf of the company) being required before trading can occur. The fundamental rule in the policy is that trading with insider information is prohibited at all times. The requirements of the policy are separate from, and in addition to, the legal prohibitions on insider trading in New Zealand.

The policy provides that shares may not be traded at any time by any individual holding "material information" (as defined in the NZX Rules). A blackout period is imposed for all directors, senior officers and certain other people between the day before the end of the half year and full year balance dates and the day after the release to NZX of the result for that period.

Diversity and inclusion

The Board's commitment to creating and maintaining both a diverse workforce and an inclusive workplace for all employees is reflected in its Diversity and Inclusion Policy. A Diversity and Inclusion Council, made up of senior management representatives, provides governance over the implementation of the Policy. The Board is satisfied with the initiatives being implemented by the Vector Group and its performance with respect to the Diversity and Inclusion policy.

Vector is committed to:

- Finding, encouraging and enabling people to bring their whole and best selves to work, so that Vector can benefit from their thinking, skills and experience;
- Recruiting people based on merit from a diverse pool of talented candidates that represents the diversity of Vector's stakeholders, communities and markets;
- Supporting under-represented groups to find employment opportunities with Vector (initially focused on women, Maori, Pasifika);
- Normalising flexible employment models to remove barriers to people entering or remaining in our workforce;

- Continuing to provide support and education to employees and managers to promote mental health awareness and wellbeing;
- Ensuring that people, culture and management policies, processes and systems are inclusive, and accommodate the diversity and inclusion needs of all Vector people;
- Providing an accessible working environment which supports people with physical and neurological disabilities;
- Developing inclusive behaviour as a core responsibility and capability for all, and especially for our leaders;
- Demonstrating zero tolerance for discriminating language or behaviour and;
- Delivering equity for workers in terms of career opportunities, remuneration and reward.

"Diversity" refers to the characteristics that make us similar to, or different from, one another. At Vector, diversity encompasses gender, race, ethnicity, national origin, disability, age, sexual orientation, physical capability, political opinion, family responsibilities, marital status, education, employment status, cultural background and more.

Diversity also encompasses a broad spread of experience, culture perspective and lifestyle of those who live in New Zealand, Australia and other countries where Vector does business or has strategic partners.

"Inclusion" at Vector is the deliberate act of welcoming diversity and creating an environment that is encouraging of difference, free from harassment and discrimination and allows our people to be themselves, to thrive and succeed. Inclusion is closely linked to wellbeing and without creating an inclusive workplace, we cannot expect diversity to thrive. We recognise that diverse backgrounds, experiences and perspectives lead to a better experience of work for our people, improve engagement, make teams stronger, lead to greater innovation and performance and contribute to more meaningful relationships with customers.

Responsibility for workplace diversity and the setting of measurable objectives for approval by the Board is held by management on behalf of the Board.

Gender statistics

Vector's gender statistics are as follows:

Position	AS AT 30 JUNE 2022			AS AT 30 JUNE 2021		
	Female	Male	Diverse	Female	Male	Diverse
Directors	2 (28.6%)	5 (71.4%)		1 (17%)	5 (83%)	
Executive team	1 (12.5%)	7 (87.5%)		2 (25%)	6 (75%)	
Direct reports to the executive team	15 (30.0%)	35 (70.0%)		19 (34%)	37 (66%)	
Across the Vector group	466 (36.35%)	816 (63.65%)		451 (35.6%)	816 (64.3%)	1 (0.1%)

Remuneration

Vector's goal is to provide fair, reasonable and competitive remuneration for its directors to ensure that it is able to attract and retain high calibre directors who have the skills, experience and knowledge to increase entity value, to the benefit of all shareholders.

Vector's directors do not participate in an incentive scheme or share scheme. Directors do not receive any options, bonus payments or incentive-based remuneration. The company does not have a scheme for retirement benefits to be given to directors.

The People and Remuneration Committee is responsible for reviewing or the review of directors' remuneration and, from time to time, making recommendations in relation to the level of fees in accordance with the Remuneration Policy.

Directors fees were last approved by shareholders at the 2013 annual shareholders' meeting. Directors receive a single fee for membership of the Board and committees. All Directors are also entitled to be reimbursed for costs associated with carrying out their duties. Fees payable to Vector's directors for the 2022 financial year were as follows:

DIRECTOR	FEE (\$)
J Mason	201,300
A Bell	100,650
M Buczkowski	25,162
A Carter	100,650
P Hutchison	57,188
P Rebstock	100,650
B Turner	100,650
A Urlwin	83,875

Remuneration framework

Vector's remuneration framework is designed to attract and retain high performing individuals, to support the delivery of the company's strategy and vision, and reward our people appropriately and competitively. The People and Remuneration Committee assists the Board in overseeing Vector's Remuneration Policy.

Vector's Remuneration Policy is that of a total remuneration framework which comprises fixed remuneration, plus an at-risk component in the form of a Short-Term Incentive (STI). STI is a variable element of remuneration and is only paid, at the Board's discretion, if financial and health and safety gates are met, and company performance goals have been achieved. Commencing in FY22, the STI only applies to Executives and their direct reports and for FY21, Vector cashed up the STI for all other employees. The rationale for this change was to focus the STI on those who can influence company strategy and performance.

Fixed remuneration

Fixed remuneration is reviewed periodically based on data from independent remuneration specialists. Employees' fixed remuneration is based on a matrix of their own performance and their current position in their salary band when compared to Vector's internal role bands and the market.

Short-Term Incentive

Prior to any STI payment being available to eligible employees the conditional gateway goals (Health and Safety – no fatalities; Financial – achieving at least 95% of budget) must be met.

The STI Scheme for FY22 recognises Group and business unit-level achievement of financial, Symphony, customer, health and safety and decarbonisation performance outcomes within the at-risk component of employees' remuneration. The STI Scheme does not reward individual performance.

The at-risk percentage of fixed remuneration for the FY22 STI Scheme ranges from 20% to 50% of base salary depending on the role.

Company performance goals are set and reviewed annually by the Board to align with business and financial objectives.

Customer goals include measures of customer satisfaction, as well as operational performance such as electricity network standards as set by the Commerce Commission (SAIDI/SAIFI), gas response to emergency and the achievement of customer service level agreements.

STI payments are determined following a review of company performance and paid out at between 0% and 100% for all eligible employees. Performance against the at-risk STI element is capped at 100%.

As an example of how STI is calculated, an employee with fixed remuneration of \$150,000 and an STI element of 20% may receive between \$0 and \$30,000 (0% to 100% their STI) depending, at the Board's discretion, on the level of company performance once the gateways have been achieved.

STI Scheme payments relating to the financial year ended 30 June 2022 are delivered as a taxable cash payment and are payable on completion of the annual audited financial statements. Payments relating to the 2022 financial year are therefore paid in the 2023 financial year.

Company performance goals

For this financial year, Vector's goals were:

AREA OF FOCUS	CORPORATE BUs	ELECTRICITY & GAS	METERING & GAS TRADING	FIBRE	HRV	POWERSMART
Financial	45%	15%	45%	45%	65%	65%
Symphony	20%	20%	20%	20%	0%	0%
Customer	20%	50%	20%	20%	20%	20%
Health and Safety	10%	10%	10%	10%	10%	10%
Decarbonisation	5%	5%	5%	5%	5%	5%
TOTAL	100%	100%	100%	100%	100%	100%

Group Chief Executive remuneration

The Board rewards the Group Chief Executive with fixed remuneration and an at-risk component in the form of a Short-Term Incentive. There are no long-term incentive or share option schemes available at Vector.

The Group Chief Executive's fixed remuneration is reviewed periodically by the Board, by external remuneration specialists using relevant market peer benchmarks, as is the case with the executive leadership team and all senior leadership roles.

The Group Chief Executive's STI and fixed remuneration are set out below.

GROUP CHIEF EXECUTIVE REMUNERATION

	FIXED REMUNERATION			AT-RISK REMUNERATION		TOTAL REMUNERATION
	SALARY	BENEFITS	SUBTOTAL	STI	SUBTOTAL	
FY22	\$1,430,550.00	–	\$1,430,550.00	*	\$1,430,550.00	
FY21	\$1,402,500.00	–	\$1,402,500.00	\$661,980.00		\$2,064,480.00

* STI will be paid September 2022 for FY22.

DESCRIPTION OF THE GROUP CHIEF EXECUTIVE STI SCHEME FOR PERFORMANCE PERIOD ENDING 30 JUNE 2022

Scheme	Description	Performance Measures	Percentage of Maximum Awarded
STI	Set to a maximum of 50% of fixed remuneration for FY22 on-plan performance where the highest levels of company performance measures are achieved.	Company performance goals 45% Financial 20% Symphony 20% Customer 10% Health and Safety 5% Decarbonisation	If met, will be paid in September 2022.

Our key risks

Strategic Risks	
1	Adverse impacts, government responses, and unrealised opportunities from climate change
2	Uncertain, adverse or underutilised legislative, policy or regulatory settings in all operating jurisdictions
3	Reputational damage / loss of trust & confidence with key stakeholders
4	Electricity network fails to adapt and transition to changing demand, affordability & regulatory policy causing inefficient capital spend and reliability challenges
5	Rapid digitalisation and technology change
6	Funding, liquidity, cash flow and credit risk due to uncertain economic conditions and market risks
7	Gas businesses adversely impacted by changing climate change policy and regulation
Operational Risks	
8	Serious harm or fatality event, including mental health and wellbeing
9	Major/repeated disruption of critical services due to non-performance of internal processes
10	Cyber security compromise
11	External shock event, including natural disaster
12	Breach of SAIDI and SAIFI
13	Failure or poor performance of critical third parties (including service providers, suppliers and partnerships)
14	Failure to collect, protect or create value from information
15	Inability to develop, retain and recruit talent
16	Covid 19 pandemic disrupts delivery of critical business services and impacts the health and wellbeing of staff and contractors

Investor engagement

Vector recognises the rights of shareholders as the owners of the company and encourages their ongoing active interest in the company's affairs by:

- communicating with them effectively;
- ensuring they have full access to information about the company, including through the Vector website;
- conducting shareholder meetings in locations and at times convenient to the majority of shareholders, where possible; and
- providing shareholders with adequate opportunity to ask questions about, and comment upon, relevant matters, and to question directly the external auditors at shareholder meetings.

Vector's Board is committed to maintaining open and transparent communications with investors and other stakeholders and it supports a programme for two-way engagement with shareholders, debt investors, the media and the broader investment community.

Annual and interim reports, NZX releases, quarterly reports on operational performance, governance policies and charters and a wide variety of corporate information are posted on Vector's website. Vector conducts detailed market briefings in conjunction with the release of the annual and interim financial results. Transcripts of the briefings are available at the annual reports page of the Investor section of our website.

Each shareholder is entitled to receive a hard copy of each annual and interim report.

We have a Shareholder Meetings page in the Investors section on our website where documents relating to meetings are available.

Vector's Constitution includes provisions relating to Entrust, Vector's majority shareholder. In addition, Vector and Entrust are parties to a Deed Recording Essential Operating Requirements, which includes certain policy, consultation, pricing reporting and the energy solutions programme obligations.

The Board is committed to reporting Vector's financial and non-financial information in an objective, balanced, and clear manner. The Board takes an active role in overseeing financial and non-financial reporting. The annual report is an important document for communicating financial reporting and also reports on strategic progress and operational performance. It contains the financial statements that are prepared to comply with generally accepted accounting practice. The Board contributes to and reviews the annual report.

A series of key performance indicators is used to link results to strategy. Vector is committed to transparent reporting of non-financial objectives, such as environmental, social, and governance factors.

Shareholders may raise relevant matters for discussion at the Annual Shareholders' Meeting either in person or by emailing the company with a question to be asked. Shareholders can also contact the company to ask questions, or express views, about matters affecting Vector. A dedicated email address is available for shareholder/investor queries, which is: investor@vector.co.nz. Contact details for Vector's head office are available on the website and at page 120 of this annual report.

Vector is committed to complying with its obligations under the NZX Rules and the Companies Act 1993, both of which contain specific requirements to obtain shareholder approval for certain significant matters affecting Vector. Where voting on a matter is required, the Board encourages investors to attend the meeting or to send in a proxy vote. Notices of meeting are usually available at least 20 working days prior to the meeting on the Shareholder Meetings page in the Investors section of our website.

Continuous disclosure

The Board is committed to the provision of accurate, timely, orderly, consistent and credible disclosure and compliance with the continuous disclosure requirements of the Financial Markets Conduct Act 2013 and the NZX Rules. The Board supports the principle that high standards of reporting and disclosure are essential for proper accountability between the company and its investors, employees and stakeholders.

Vector achieves these commitments, and the promotion of investor confidence, by ensuring that trading in its shares takes place in an efficient, competitive and informed market. Vector's Continuous Disclosure Policy, Shareholder Relations Policy and Stakeholder Relations Policy set out protocols to facilitate effective and compliant disclosure.

The accountabilities of individual directors and employees are documented in the Continuous Disclosure Policy. Vector has also established procedures to follow if potential material information is raised by an employee or a director and a management disclosure committee which meets regularly to discuss continuous disclosure matters.

Significant market announcements, including the preliminary announcement of the half year and full year results, the financial statements for those periods, and any advice of a change in earnings forecast are approved by the Board. The Chair will consult with directors on any other matters for which the issue or form of the disclosure is determined by the Chair to be a matter for the Board.





**Who
we
are**

Our Board



Jonathan Mason

MBA, MA, BA

INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIR

Appointed on 10 May 2013

Jonathan Mason has extensive commercial experience. He has worked in financial management positions in the oil and gas, chemicals, forest products and dairy industries in New Zealand and the USA for International Paper, ExxonMobil Corporation, Cabot Corporation and Fonterra. Jonathan also has experience as a non-executive director on boards in both New Zealand and the USA and his current directorships include Air New Zealand Limited, Westpac New Zealand Limited and Zespri Group Limited. He is also an Adjunct Professor of Management at the University of Auckland, focusing on finance.



Alastair Bell

BCom, CA, CMInstD, PMP, JP

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed on 23 September 2019

Alastair Bell is a chartered accountant, chartered director and qualified member of the Project Management Institute. He has more than 30 years' experience in the corporate, public and not-for-profit sectors. Alastair balances his professional life between board roles and leading a consultancy specialising in business and infrastructure projects. He is an elected Trustee of Entrust, chairing the Entrust board's Regulation and Policy Committee. Formerly, he was Deputy Chair of Foundation North. Alastair is also Chair of the Orakei Community Association and a trustee of the Motutapu Restoration Trust.



Tony Carter

BE (Hons), ME, MPhil

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed on 1 May 2019

Tony Carter was Managing Director of Foodstuffs New Zealand Ltd for 10 years until he retired in 2010. Tony is currently Chair of Datacom, My Food Bag Group, The Interiors Group, Skin Institute Holding Company and TR Group. He was previously Chair of Air New Zealand until 2019 and Chair of Fisher & Paykel Healthcare until August 2020. He was made a Companion of the New Zealand Order of Merit in 2020.



Dr Paul Hutchison

MB, ChB, FRCOG, FACOG, Dip Com Health, Member of Institute of Directors

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed on 8 December 2021

Paul was elected to the AECT (now Entrust) in 2015. He is a clinician at East Tamaki Health Care, a former member of the New Zealand Medical Council as well as Director of a number of companies and a member of the Institute of Directors. Paul was the MP for Port Waikato, then Hunua from 1999 – 2014. He chaired the Health Select Committee from 2008-2014 and was awarded the NZ Medical Association's award for outstanding contribution to health services in 2014. His other interests include science and innovation, sport, music and fishing and he enjoys spending time with his family.



Dame Paula Rebstock

BSc (Econ), Dip & MSc (Econ)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed on 16 April 2019

Dame Paula Rebstock is a leading Auckland-based economist and company director, who was made a Dame Companion of the New Zealand Order of Merit in 2015. She is Chair of NZ Healthcare Investments (Asia Pacific Healthcare Group), Kiwi Group Holdings, National Hauora Coalition, Ngāti Whātua Ōrākei Whai Maia and the New Zealand Defence Force Board and a director of SeaLink Group, Auckland One Rail and AIA. Dame Paula is the former Chair of the New Zealand Commerce Commission.



Bruce Turner

BE (Hons), ME, BCom

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed on 16 April 2019

Bruce Turner is a highly experienced senior executive with deep experience across the dairy and energy sectors, both in New Zealand and internationally. Working in the energy industry for more than 30 years, Bruce was extensively involved in the development of the energy industries in New Zealand, Singapore and Europe as a member of the dispatch rules working group, the NZEM Rules Committee, the MARIA governance board and the development of industry common quality standards. He was a member of the Electricity Authority's Security and Reliability Council and heavily involved in sector reforms. As well as the Vector board, Bruce's governance experience includes joint venture boards for both Mercury and Fonterra. Bruce is an advisory board member at the University of Colorado's JP Morgan Center for Commodities.



Anne Urlwin

BCom, FCA, CFInstD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed on 1 September 2021

Anne is a professional director with experience in a diverse range of sectors including construction, health, infrastructure, telecommunications, renewable energy, regulation and financial services. Her current governance roles include directorships of Precinct Properties New Zealand, Summerset Group Holdings, Queenstown Airport Corporation, Ventia Services Group and City Rail Link. Anne is a former director of Tilt Renewables, Chorus, and Meridian Energy, and a former Chair of national commercial construction group Naylor Love Enterprises and the New Zealand Blood Service. Anne is a Chartered Accountant with experience in senior finance management roles. She was made an Officer of the New Zealand Order of Merit in 2022.

Our Management team



Simon Mackenzie

Grad DipBS (Dist), DipFin, NZCE
GROUP CHIEF EXECUTIVE

Simon Mackenzie is passionate about the power of technology to transform the energy industry and consumers' lives. As Group Chief Executive, he has expanded and driven Vector's portfolio of businesses to embrace innovative technologies and strategies to deliver efficient, sustainable energy solutions to consumers. Simon was appointed Vector's Group Chief Executive in 2008. His tertiary qualifications include engineering, finance and business studies, and the Advanced Management Programme at the Wharton School, University of Pennsylvania.



Jason Hollingworth

MCom (Hons), FCA, CMIInstD
CHIEF FINANCIAL OFFICER

Jason Hollingworth joined Vector as Chief Financial Officer in May 2019. He has over 30 years' experience in a range of senior corporate finance roles including being CFO of public listed pay television company Sky TV, CFO of telecommunications company TelstraClear, Investment Manager for the diversified investment company Ngai Tahu Holdings, Executive Director at Asian private power development company AsiaPower and a director of corporate advisory firm Southpac Corporation. Jason has a Master of Commerce degree, is a Fellow of the Institute of Chartered Accountants ANZ and a member of the Institute of Directors.



Shailesh Manga

BTech, Optoelectronics (Hons)
CHIEF DIGITAL OFFICER

Shailesh Manga leads Vector's digital team and is responsible for managing the company's digital and IT functions. He is charged with harnessing the performance of both existing and emerging disruptive digital technologies to ensure Vector is able to provide reliable, relevant and innovative services, and compete in the modern customer driven energy marketplace. Additionally, Shailesh is responsible for leading Vector Technology Solutions (VTS) to take digital solutions focused on the energy sector to both local and global markets. His experience is unique and vast, having worked both locally and globally in the fields of physics, telecommunications, user experience and innovation. In his last role, Shailesh worked with some of the world's best known brands including Google, Microsoft, Samsung and LG, helping them deliver innovative experiences. Shailesh has been an owner/founder in a User Experience consulting business as well as a SaaS Product company (Optimal Workshop) that employs more than 60 people in Wellington and services around half of the Fortune 500 companies. He remains a Board member for Optimal Workshop and also publicly listed company Geo.



John Rodger

LLB, BA

CHIEF LEGAL AND ASSURANCE OFFICER AND COMPANY SECRETARY

John Rodger is Vector's Chief Legal and Assurance Officer and Company Secretary. John is responsible for Vector's legal, corporate governance, health and safety, business performance, internal audit, risk, compliance, privacy, government relations, and property functions. John joined Vector in 2006 and has extensive experience of Vector's businesses and operations. He has worked across a range of sectors including energy, telecommunications and financial services and previously held legal roles in major corporates and professional services firms in London, the Cayman Islands and New Zealand.



Peter Ryan

BE

CHIEF OPERATING OFFICER ELECTRICITY, GAS AND FIBRE

Peter Ryan is responsible for the strategic operations of the electricity, gas and fibre network businesses. He has 20 years' international experience within the telecommunications industry, leading engineering, field and operational teams in the deployment, operations, and maintenance of mobile and fixed networks. Most recently, Peter was the Chief Network Engineering Officer – Network & Service Operations at NBNCo Australia, where he oversaw the highly successful implementation and operation of the broadband network. He brings a wealth of experience in operations management, performance transformation as well as a proven ability working across technical, operational, and commercial strategy to optimise business objectives.



Mark Toner

LLB (Hons), BCom

CHIEF PUBLIC POLICY AND REGULATORY OFFICER

With over 25 years' experience across a range of sectors including energy, telecommunications, aviation and technology, Mark Toner has consistently navigated market, regulatory and policy changes across industries in disruption. Responsible for leading the Group's regulatory, public policy, decarbonisation and data insights functions, he combines strong stakeholder engagement and reputation management expertise with his commercial and legal background to drive Vector's vision of creating a new energy future. Mark is a past recipient of the New Zealand Prime Minister's Business Scholarship and in 2018 completed an Advanced Management Programme at MIT in Boston.



Neil Williams

BA (Economics), PMD Harvard Business School

CHIEF OPERATING OFFICER, METERING AND ONGAS

Neil Williams is Vector's Chief Operating Officer, Metering and OnGas, responsible for leading Vector Metering in New Zealand and Australia and OnGas (LPG and Natural Gas). Over the last three decades Neil has had a range of executive roles and experience in the energy sector. This includes the development of the New Zealand Electricity Market, trading and risk management, advanced metering development, energy retailing and market regulation. Neil has also been involved in New Zealand and international generation and market development in Asia, USA, Chile and Germany. Prior to joining the Group's executive team, Neil has most recently held the role of General Manager OnGas LPG and Vector Metering Commercial.



Sarah Williams

BA, Cert. Journalism

CHIEF PEOPLE AND COMMUNICATIONS OFFICER

Sarah leads Vector Group's people, marketing and communications business units. Along with her teams, she is responsible for planning and delivering strategies across these three disciplines. She is a seasoned executive with 30 years' experience in communication-related roles at an executive and board level, with broad experience in both corporate and agency environments. Sarah joined Vector from Porter Novelli, a public relations and marketing agency where she held the position of Managing Director. Her experience ranges from crisis management, stakeholder engagement, reputation management, to consumer PR, internal communications, brand management, digital and social. In 2019, Sarah was inducted into the College of Fellows of the Public Relations Institute of New Zealand in recognition of her significant contribution to the industry and high levels of competence.

Entrust, majority shareholder of Vector

Energy consumer trust Entrust was formed more than 25 years ago to ensure that stewardship over Auckland's electricity network remains in the hands of Aucklanders. Entrust acts in the interests of its 351,000 (as at 2022 roll date) families and businesses in central, east and south Auckland. Entrust protects the \$3.1 billion investment in Vector through its role in the appointment of directors to Vector's Board and requiring regular audit of the state of the network.

Here for the community

Entrust is proud of the work it has undertaken for its beneficiaries and all Aucklanders.

Passing on a share of Vector's profits to beneficiaries

Vector's growth and operating performance enables Entrust to distribute an annual dividend to beneficiaries through its 75.1% stake in Vector.

Advocacy on behalf of energy consumers

Entrust regularly advocates on behalf of energy consumers on important matters. Submissions from the previous year are available on Entrust's website, entrustnz.co.nz.

Enabling projects with direct benefit

Entrust has an agreement with Vector that requires an average of \$10.5 million to be invested in projects in the Entrust district of central, east and south Auckland every year.

In the year to 30 June 2022, key undergrounding projects have been undertaken in Mt Albert, Brookfield Street (St. Heliers), Crayford Street (Avondale) and Shelly Beach Road (St. Marys Bay), and others started in St. Heliers, and Upton Street/Galatea Terrace (Herne Bay).

In September 2021, each of Entrust's 346,500 beneficiaries was eligible to receive a \$283 dividend, plus an additional \$20 Loss Rental Rebate payment on behalf of Vector – that's more than \$98 million going straight into the Auckland economy.

More than 233 undergrounding projects have been completed since the programme began, in central, east and south Auckland.



WILLIAM CAIRNS (CHAIR)



MICHAEL BUCZKOWSKI (DEPUTY CHAIR)



ALASTAIR BELL



PAUL HUTCHISON



DENISE LEE



Other disclosures

Joint ventures and investments

Vector has investments in a number of businesses that complement our network businesses and strengthen our capabilities in the energy services field.

Liquigas

60.25%

LIQUIGAS

NGC Holdings Limited (a wholly owned subsidiary of Vector) holds a 60.25% shareholding in Liquigas Limited, New Zealand's leading company for tolling, storage and distribution of bulk LPG. Liquigas has staff and depots in Auckland, New Plymouth, Christchurch and Dunedin.

www.liquigas.co.nz

mPrest

8.1%

mPREST

Vector holds a 8.1% shareholding in mPrest Systems (2003) Limited. The mPrest technology allows companies to better monitor, analyse, and control energy networks and connect traditional infrastructure like electricity lines and substations with new technology like solar and battery energy solutions.

www.mprest.com

Operating statistics

YEAR ENDED 30 JUNE	2022	2021
ELECTRICITY		
Customers ^{1,4}	600,112	590,799
New connections	13,538	14,995
Net movement in customers ²	9,313	10,739
Volume distributed (GWh)	8,361	8,325
Network length (km) ¹	19,331	19,168
SAIDI (minutes) ³		
Normal operations- planned	40.5	46.5
Normal operations- unplanned	92.4	86.3
Major network events	59.7	0.0
Total	192.6	132.8
GAS DISTRIBUTION		
Customers ^{1,4}	117,995	116,472
New connections	3,146	3,844
Net movement in customers ²	1,523	2,512
Volume distributed (PJ)	13.1	14.1
GAS TRADING		
Natural gas sales (PJ) ⁵	5.3	8.6
Gas liquid sales (tonnes)	44,330	45,043
9kg LPG bottles swapped ⁶	629,651	680,099
Liquigas LPG tolling (tonnes)	112,913	102,351
METERING		
Electricity: advanced meters ^{1,7}	1,976,111	1,864,724
Electricity: legacy meters ¹	57,143	61,831
Electricity: prepay meters ¹	10	15
Electricity: time-of-use meters ¹	12,782	12,671
Gas: advanced meters ¹	11,195	596
Gas: legacy meters ¹	226,575	234,279
Data Management and service connections ¹	8,411	8,359

1. As at 30 June.

2. Net number of customers added during the period, includes disconnected, reconnected and decommissioned ICPs.

3. SAIDI minutes for the regulatory year- 12 months ended 31 March (audited).

4. Billable ICPs.

5. Excludes gas sold as gas liquids.

6. Number of 9kg LPG bottles swapped and sold during the year.

7. The number of advanced meters as at 30 June 2022 includes 182,895 meters managed but not owned by Vector (30 June 2021: 177,397).

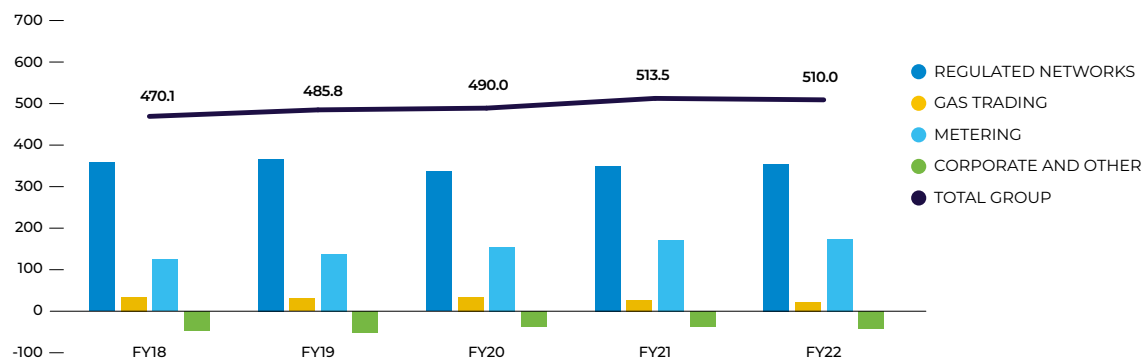
Five-year financial performance

YEAR ENDED 30 JUNE (\$ MILLION)	2022	2021	2020	2019	2018
PROFIT OR LOSS					
Total revenue	1,339.0	1,279.3	1,294.0	1,318.6	1,328.4
Adjusted EBITDA	510.0	513.5	490.0	485.8	470.1
Depreciation and amortisation	(289.8)	(270.1)	(262.8)	(246.8)	(225.9)
Adjusted EBIT	220.2	243.4	227.2	239.0	244.2
Net profit	160.9	194.6	97.3	84.0	149.8
BALANCE SHEET					
Total equity	2,430.1	2,335.4	2,259.7	2,349.4	2,457.9
Total assets	6,812.2	6,519.5	6,380.9	6,061.0	5,808.0
Economic net debt (borrowings and lease liabilities net of cash and cash equivalents) ¹	3,296.8	3,110.6	2,918.1	2,665.6	2,417.9
CASH FLOW					
Operating cash flow	518.8	499.1	397.3	348.1	389.9
Capital expenditure	(558.8)	(516.2)	(476.4)	(418.4)	(386.8)
Dividends paid	(169.1)	(165.8)	(167.0)	(164.1)	(163.9)
KEY FINANCIAL MEASURES					
Adjusted EBITDA/total revenue	38.1%	40.1%	37.9%	36.8%	35.4%
Adjusted EBIT/total revenue	16.4%	19.0%	17.6%	18.1%	18.4%
Equity/total assets	35.7%	35.8%	35.4%	38.8%	42.3%
Return on assets (adjusted EBITDA/assets)	7.5%	7.9%	7.7%	8.0%	8.1%
Gearing ²	58.2%	56.8%	55.5%	52.5%	49.2%
Net interest cover (adjusted EBIT/net interest costs) (times)	2.1	2.2	1.8	1.8	1.8
Earnings (NPAT) per share (cents)	15.9	19.3	9.5	8.3	14.8
Dividends declared, cents per share	16.75	16.75	16.50	16.50	16.25

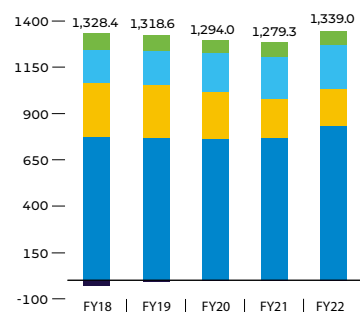
1. Economic net debt now includes lease liabilities. Prior year comparatives have been restated accordingly.

2. Gearing is defined as economic net debt to economic net debt plus adjusted equity. Adjusted equity means total equity adjusted for hedge reserves. Prior year comparatives have been restated to reflect the restated economic net debt comparatives.

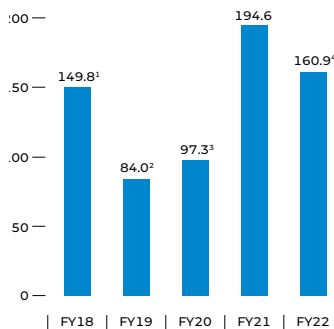
ADJUSTED EBITDA
\$ MILLION



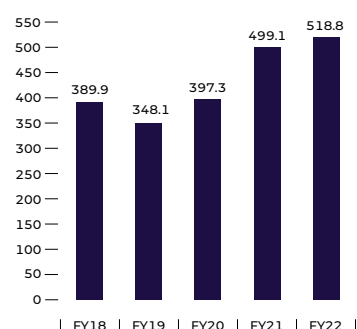
REVENUE
\$ MILLION



NET PROFIT
\$ MILLION



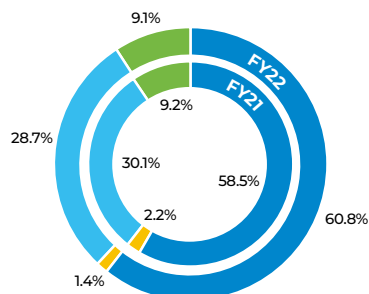
OPERATING CASH FLOWS
\$ MILLION



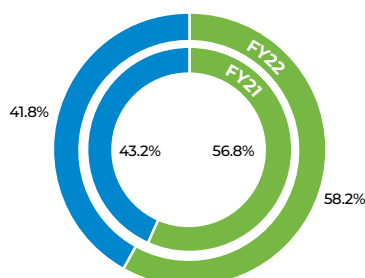
- REGULATED NETWORKS
- GAS TRADING
- METERING
- CORPORATE AND OTHER
- INTER-SEGMENT

1. FY18 includes a \$16.7 million one-off tax gain.
2. FY19 includes a \$46.6 million non-cash impairment.
3. FY20 includes a \$32.0 million non-cash impairment.
4. FY22 includes a \$40.2 million non-cash impairment.

CAPITAL EXPENDITURE



SOURCE OF FUNDING – GEARING
AS AT 30 JUNE



- REGULATED NETWORKS
- GAS TRADING
- METERING
- CORPORATE AND OTHER
- ECONOMIC NET DEBT
- ADJUSTED EQUITY

Non-GAAP financial information

Vector's standard profit measure prepared under New Zealand Generally Accepted Accounting Practice (GAAP) is net profit. Vector has used non-GAAP profit measures when discussing financial performance in this document. The directors and management believe that these measures provide useful information as they are used internally to evaluate the performance of business units, to establish operational goals and to allocate resources. For a more comprehensive discussion on the use of non-GAAP profit measures,

please refer to the policy 'Reporting non-GAAP profit measures' available on our website (vector.co.nz).

Non-GAAP profit measures are not prepared in accordance with New Zealand International Reporting Standards (NZ IFRS) and are not uniformly defined; therefore, the non-GAAP profit measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation from or considered as a substitute for measures reported by Vector in accordance with NZ IFRS.

Definitions:

EBITDA

Earnings before interest, taxation, depreciation, amortisation and impairments from continuing operations

Adjusted EBITDA

EBITDA adjusted for fair value changes, associates, third-party contributions, and significant one-off gains, losses, revenues and/or expenses.

GAAP to Non-GAAP Reconciliation

YEAR ENDED 30 JUNE (\$ MILLION)			
Group EBITDA and adjusted EBITDA		2022	2021
Reported net profit for the period (GAAP)		160.9	194.6
Add back: net interest costs		104.7	108.6
Add back: tax (benefit)/expense		76.9	61.0
Add back: depreciation and amortisation		289.8	270.1
Add back: impairment		40.2	-
EBITDA		672.5	634.3
<i>Adjusted for:</i>			
Associates (share of net (profit)/loss)		-	(1.8)
Capital contributions		(151.8)	(122.5)
Fair value change on financial instruments		(3.6)	3.5
Gain on sale of investment in associate		(7.1)	-
Adjusted EBITDA		510.0	513.5

YEAR ENDED 30 JUNE (\$ MILLION)	2022			2021		
	REPORTED SEGMENT EBITDA	LESS CAPITAL CONTRIBUTIONS AND OTHER MOVEMENTS	SEGMENT ADJUSTED EBITDA	REPORTED SEGMENT EBITDA	LESS CAPITAL CONTRIBUTIONS AND OTHER MOVEMENTS	SEGMENT ADJUSTED EBITDA
Segment adjusted EBITDA						
Metering	173.7	-	173.7	171.6	-	171.6
Gas Trading	21.9	-	21.9	27.4	-	27.4
Unregulated segments	195.6	-	195.6	199.0	-	199.0
Regulated segment	506.1	(150.3)	355.8	471.8	(121.1)	350.7
Corporate and other	(29.2)	(12.2)	(41.4)	(36.5)	0.3	(36.2)
TOTAL	672.5	(162.5)	510.0	634.3	(120.8)	513.5



Financials

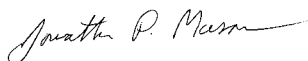
Financial Statements

CONTENTS

Financial Statements	
Profit or Loss	59
Other Comprehensive Income	60
Balance Sheet	61
Cash Flows	62
Changes in Equity	63
Notes to the Financial Statements	64
Independent Auditor's Report	102

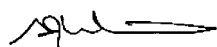
2022 FINANCIAL STATEMENTS

These financial statements for the year ended 30 June 2022 are dated 25 August 2022, and signed for and on behalf of Vector Limited by:



Director

25 August 2022



Director

25 August 2022

And management of Vector Limited by:



Group Chief Executive

25 August 2022



Chief Financial Officer

25 August 2022

Profit or Loss

for the year ended 30 June

	NOTE	2022 \$M	2021 \$M
Revenue	7	1,339.0	1,279.3
Operating expenses	8	(677.2)	(643.3)
Depreciation and amortisation		(289.8)	(270.1)
Interest costs (net)	9	(104.7)	(108.6)
Impairment	11	(40.2)	-
Gain on sale of investment in associate	6	7.1	-
Associates (share of net profit/(loss))		-	1.8
Fair value change on financial instruments	21.2	3.6	(3.5)
Profit/(loss) before income tax		237.8	255.6
Income tax benefit/(expense)	15	(76.9)	(61.0)
Net profit/(loss) for the period		160.9	194.6
Net profit/(loss) for the period attributable to			
Non-controlling interests		2.0	1.4
Owners of the parent		158.9	193.2
Basic and diluted earnings per share (cents)	24.3	15.9	19.3

Other Comprehensive Income

for the year ended 30 June

	NOTE	2022 \$M	2021 \$M
Net profit/(loss) for the period		160.9	194.6
Other comprehensive income net of tax			
<i>Items that may be re-classified subsequently to profit or loss:</i>			
Net change in fair value of hedge reserves	21.3	93.5	46.9
Translation of foreign operations		9.5	0.8
Share of other comprehensive income of associate		-	0.1
<i>Items that will not be re-classified to profit or loss:</i>			
Fair value change on investment	14.1	(0.1)	(0.5)
Other comprehensive income for the period net of tax		102.9	47.3
Total comprehensive income for the period net of tax		263.8	241.9
Total comprehensive income for the period attributable to			
Non-controlling interests		2.0	1.4
Owners of the parent		261.8	240.5

Balance Sheet

as at 30 June

	NOTE	2022 \$M	2021 \$M
CURRENT ASSETS			
Cash and cash equivalents		22.5	17.4
Trade and other receivables	10	89.4	83.2
Contract assets		107.8	105.5
Derivatives	21	44.6	38.0
Inventories		24.2	12.4
Contingent consideration	5	15.0	8.2
Intangible assets		4.4	2.0
Income tax	15	24.6	28.7
Investment classified as held for sale		-	12.2
Total current assets		332.5	307.6
NON-CURRENT ASSETS			
Receivables	10	4.5	1.7
Derivatives	21	119.7	65.3
Contingent consideration	5	64.8	73.5
Investment in private equity	14.1	12.2	12.3
Intangible assets	11	1,262.1	1,292.3
Property, plant and equipment (PPE)	12	4,882.1	4,625.8
Right of use assets (ROU)	13.1	26.6	36.1
Income tax	15	105.3	102.8
Deferred tax	16	2.4	2.1
Total non-current assets		6,479.7	6,211.9
Total assets		6,812.2	6,519.5
CURRENT LIABILITIES			
Trade and other payables	17	199.6	221.7
Provisions	18	21.9	21.3
Borrowings	20	371.0	232.3
Derivatives	21	0.4	0.9
Contract liabilities		97.5	65.0
Lease liabilities	13.2	9.3	8.4
Income tax		0.4	1.8
Total current liabilities		700.1	551.4
NON-CURRENT LIABILITIES			
Provisions	18	5.2	8.7
Borrowings	20	2,858.4	2,838.3
Derivatives	21	130.5	164.7
Contract liabilities		17.9	30.2
Lease liabilities	13.2	18.4	29.0
Deferred tax	16	651.6	561.8
Total non-current liabilities		3,682.0	3,632.7
Total liabilities		4,382.1	4,184.1
EQUITY			
Equity attributable to owners of the parent		2,414.0	2,319.7
Non-controlling interests in subsidiaries		16.1	15.7
Total equity		2,430.1	2,335.4
Total equity and liabilities		6,812.2	6,519.5
Net tangible assets per share (cents)	24.3	114.8	102.5
Gearing ratio (%)	24.3	58.2	56.8

Cash Flows

for the year ended 30 June

	NOTE	2022 \$M	2021 \$M
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,347.2	1,268.9
Interest received		3.7	2.9
Payments to suppliers and employees		(686.9)	(626.3)
Interest paid		(125.1)	(125.3)
Income tax paid		(20.1)	(21.1)
Net cash flows from/(used in) operating activities	23.1	518.8	499.1
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of PPE and software intangibles		1.7	0.2
Purchase and construction of PPE		(510.6)	(474.9)
Purchase and development of software intangibles		(48.2)	(41.3)
Proceeds from contingent consideration	5	6.1	4.4
Proceeds from sale of investment in associate	6	16.4	-
Other investing cash flows		0.2	0.2
Net cash flows from/(used in) investing activities		(534.4)	(511.4)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	3	351.0	530.0
Repayment of borrowings	3	(150.0)	(350.0)
Dividends paid	3	(169.1)	(165.8)
Lease liabilities payments	23.2	(11.2)	(11.0)
Redemption of preference shares from non-controlling interests		-	(1.8)
Net cash flows from/(used in) financing activities		20.7	1.4
Net increase/(decrease) in cash and cash equivalents		5.1	(10.9)
Cash and cash equivalents at beginning of the period		17.4	28.3
Cash and cash equivalents at end of the period		22.5	17.4
Cash and cash equivalents comprise:			
Bank balances and on-call deposits		20.0	12.8
Short-term deposits		2.5	4.6
		22.5	17.4

Changes in Equity

for the year ended 30 June

	NOTE	ISSUED SHARE CAPITAL \$M	TREASURY SHARES \$M	HEDGE RESERVES \$M	OTHER RESERVES \$M	RETAINED EARNINGS \$M	NON- CONTROLLING INTERESTS \$M	TOTAL EQUITY \$M
Balance at 30 June 2020		880.0	(0.3)	(81.7)	(1.0)	1,445.8	16.9	2,259.7
Net profit/(loss) for the period		-	-	-	-	193.2	1.4	194.6
Other comprehensive income		-	-	46.9	0.4	-	-	47.3
Total comprehensive income		-	-	46.9	0.4	193.2	1.4	241.9
Dividends		-	-	-	-	(165.0)	(0.8)	(165.8)
Employee share purchase scheme transactions		-	0.1	-	(0.1)	-	-	-
Redemption of preference shares		-	-	-	-	-	(1.8)	(1.8)
Reclassification to investment held for sale	6	-	-	-	1.4	-	-	1.4
Total transactions with owners		-	0.1	-	1.3	(165.0)	(2.6)	(166.2)
Balance at 30 June 2021		880.0	(0.2)	(34.8)	0.7	1,474.0	15.7	2,335.4
Net profit/(loss) for the period		-	-	-	-	158.9	2.0	160.9
Other comprehensive income		-	-	93.5	9.4	-	-	102.9
Total comprehensive income		-	-	93.5	9.4	158.9	2.0	263.8
Dividends	3	-	-	-	-	(167.5)	(1.6)	(169.1)
Employee share purchase scheme transactions		-	0.1	-	(0.1)	-	-	-
Total transactions with owners		-	0.1	-	(0.1)	(167.5)	(1.6)	(169.1)
Balance at 30 June 2022		880.0	(0.1)	58.7	10.0	1,465.4	16.1	2,430.1

Notes to the Financial Statements

Note 1	Company information	65
Note 2	Summary of significant accounting policies	65
Note 3	Significant transactions and events	66
Note 4	Segment information	67
Note 5	Contingent consideration	70
Note 6	Gain on sale of investment in associate	70
Note 7	Revenue	71
Note 8	Operating expenses	73
Note 9	Interest costs (net)	74
Note 10	Trade and other receivables	74
Note 11	Intangible assets	76
Note 12	Property, plant and equipment (PPE)	78
Note 13	Leases	79
Note 14	Investments	80
Note 15	Income tax expense/(benefit)	82
Note 16	Deferred tax	83
Note 17	Trade and other payables	83
Note 18	Provisions	84
Note 19	Fair values	85
Note 20	Borrowings	87
Note 21	Derivatives and hedge accounting	89
Note 22	Financial risk management	94
Note 23	Cash flows	98
Note 24	Equity	99
Note 25	Related party transactions	100
Note 26	Contingent liabilities	101
Note 27	Events after balance date	101

1. Company information

Reporting entity	<p>Vector Limited is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the NZX Main Board (NZX). The company is an FMC reporting entity for the purposes of Part 7 of the Financial Markets Conduct Act 2013. The financial statements comply with this Act.</p> <p>The financial statements presented are for Vector Limited Group ("Vector" or "the group") as at, and for the year ended 30 June 2022. The group comprises Vector Limited ("the parent") and its subsidiaries (together referred to as "the group").</p> <p>In accordance with the Financial Markets Conduct Act 2013, where a reporting entity prepares consolidated financial statements, parent company disclosures are not required.</p> <p>Vector Limited is a 75.1% owned subsidiary of Entrust which is the ultimate parent entity for the group.</p> <p>The primary operations of the group are electricity and gas distribution, natural gas and LPG sales, metering, telecommunications and new energy solutions.</p>
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2. Summary of significant accounting policies

Statement of compliance	The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards.																		
Basis of preparation	<p>The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as appropriate to Tier 1 for-profit entities.</p> <p>They are prepared on the historical cost basis except for the following items, which are measured at fair value:</p> <ul style="list-style-type: none"> — the identifiable assets and liabilities acquired in a business combination; — certain financial instruments; and — contingent consideration receivable and investment in private equity, as disclosed in the notes to the financial statements. <p>The presentation currency is New Zealand dollars (\$). All financial information has been rounded to the nearest 100,000, unless otherwise stated.</p> <p>The statements of profit or loss, other comprehensive income, cash flows and changes in equity are stated exclusive of GST. All items in the balance sheet are stated exclusive of GST except for trade receivables and trade payables, which include GST.</p>																		
Significant accounting estimates and judgements	<p>Vector's management is required to make judgements, estimates, and apply assumptions that affect the amounts reported in the financial statements. They have based these on historical experience and other factors they believe to be reasonable. The table below lists the key areas of judgements and estimates in preparing these financial statements:</p> <table border="1"> <thead> <tr> <th>Key areas</th> <th>Judgements/Estimates</th> <th>Note</th> </tr> </thead> <tbody> <tr> <td>Valuation of contingent consideration receivable</td> <td>Estimates</td> <td>5,19</td> </tr> <tr> <td>Intangible assets: valuation of goodwill</td> <td>Estimates</td> <td>11</td> </tr> <tr> <td>Property, plant and equipment: classification of costs</td> <td>Judgements</td> <td>12</td> </tr> <tr> <td>Leases: assessment of lease term for perpetual leases and leases with renewal options</td> <td>Judgements</td> <td>13</td> </tr> <tr> <td>Valuation of derivative financial instruments</td> <td>Estimates</td> <td>19,21</td> </tr> </tbody> </table>	Key areas	Judgements/Estimates	Note	Valuation of contingent consideration receivable	Estimates	5,19	Intangible assets: valuation of goodwill	Estimates	11	Property, plant and equipment: classification of costs	Judgements	12	Leases: assessment of lease term for perpetual leases and leases with renewal options	Judgements	13	Valuation of derivative financial instruments	Estimates	19,21
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Valuation of contingent consideration receivable	Estimates	5,19																	
Intangible assets: valuation of goodwill	Estimates	11																	
Property, plant and equipment: classification of costs	Judgements	12																	
Leases: assessment of lease term for perpetual leases and leases with renewal options	Judgements	13																	
Valuation of derivative financial instruments	Estimates	19,21																	
New standards and interpretations adopted	<p>A number of new standards and interpretations are effective from 1 July 2021, but they do not have a material effect on the group's financial statements.</p> <p>A number of new standards and interpretations are effective for annual periods beginning on or after 1 July 2022 and earlier application is permitted, however the group has not early adopted the new or amended standards in preparing these consolidated financial statements. Apart from IAS 1 – <i>Disclosure of Accounting Policies (Amendments to NZ IAS 1 and NZ IFRS Practice Statement)</i>, none of the new or amended standards and interpretations are expected to have a significant impact on the group's consolidated financial statements.</p>																		

3. Significant transactions and events

Significant transactions and events that have impacted the financial year ended 30 June 2022:

Loss rental rebates

Vector retains loss rental rebates (LRRs) to offset the impact of any electricity volume reductions on revenue, and mitigate potential future price increases for consumers. Any excess LRRs not required to mitigate such revenue shortfalls will be returned to customers at a later date.

To this effect, Vector has distributed \$20 per customer during the year ended 30 June 2022. A total of \$8.7 million has been recognised as income in the current year profit or loss, comprising LRRs received in the current year (2021: \$7.3 million). Consistent with the approach stated above, and as communicated in Vector's media release on 30 June 2022, the board have approved the distribution of excess LRRs not required to mitigate revenue shortfalls to customers. The provision for distribution to customers of \$18.0 million provides for an expected level of \$30 per customer on the Vector electricity network. Refer to note 18 for more detail.

Emissions Reduction Plan

On 16 May 2022, the New Zealand Government ("The Government") released its Emissions Reduction Plan (ERP). The ERP details the policies the Government will use to achieve the emissions budgets to meet New Zealand's agreed decarbonisation targets. In releasing the ERP, the Government also announced that it was working with the gas industry to develop a gas transition plan by the end of 2023 to reduce the industry's emissions. There were no specific policy decisions that could be interpreted as impacting adversely on the future value of the gas distribution business.

Gas Distribution default price path

On 31 May 2022, the Commerce Commission released its final default price path determination for gas distribution businesses applying from 1 October 2022 through to 30 September 2026 ("DPP3"). The four year period is the shortest period the Commission is allowed to set under the Commerce Act, and as such the requirements for gas distribution will be reviewed in four years instead of the normal five.

This will allow the Commission to consider further developments, including the impact of further government announcements and the gas transition plan, changes in technology and consumer preferences for energy sources.

The Commission noted that the DPP3 balances price rises for gas users with the need for gas distribution businesses to continue to invest appropriately to maintain safe and reliable supply while there is still demand for natural gas. The DPP3 introduces several positive changes to the calculation of allowable revenue including an accelerated depreciation mechanism.

Sale of investment in Tree Scape Limited

On 31 August 2021, Vector and the shareholders sold all the shares in the company to Blair Mill NZ Holdings Limited. The proceeds from the sale were used to repay group debt. Refer to note 6 for more detail.

Impairment

As at 30 June 2022, the group has recognised an impairment loss of \$40.2 million (2021: \$nil) in respect of goodwill allocated to the LPG CGU. Refer to note 11 for more detail.

Debt programme

In October 2021, Vector repaid \$150.0 million (US \$130.0 million) of USD denominated senior notes.

On 26 November 2021, Vector issued \$225.0 million of senior retail bonds at a fixed rate of 3.69% maturing on 26 November 2027.

On 15 June 2022, Vector rolled over \$307.2 million of capital bonds at 6.23% with the next election date on 15 June 2027.

During the year ended 30 June 2022, the group drew down a net of \$126.0 million (2021: drew down a net of \$360.0 million) from the bank facilities. Refer to note 20 for more detail.

Strategic review of metering business

In April 2022, Vector announced to the market that it was undertaking a strategic review of the group's metering business. At 30 June 2022, no changes in disclosures are required in relation to this announcement.

Dividends

Vector Limited's final dividend for the year ended 30 June 2021 of 8.50 cents per share was paid on 16 September 2021, with a supplementary dividend of 0.45 cents per non-resident share. The total dividend paid was \$85.0 million.

Vector Limited's interim dividend for the year ended 30 June 2022 of 8.25 cents per share was paid on 8 April 2022, with a supplementary dividend of 0.44 cents per non-resident share. The total dividend paid was \$82.5 million.

Liquigas Limited, a subsidiary of the group, paid dividends of \$1.6 million to the company's non-controlling interests during the year ended 30 June 2022.

4. Segment information

Segments	<p>Vector report on three reportable segments in accordance with NZ IFRS 8 <i>Operating Segments</i>. These segments are reported internally to the group chief executive. This reporting is used to assess performance and make decisions about the allocation of resources.</p> <p>The segments are unchanged from those reported in Vector's annual report for the year ended 30 June 2021. The segments are:</p> <p>Regulated Networks Auckland electricity and gas distribution services.</p> <p>Gas Trading Natural gas and LPG sales, storage, and transportation.</p> <p>Metering Metering services.</p> <p>Segment information is prepared and reported in accordance with Vector's accounting policies.</p> <p>Intersegment transactions included in the revenues and operating expenses for each segment are on an arm's length basis.</p> <hr/>
Segment profit	<p>The measures of segment profit reported to the group chief executive are earnings before interest and tax (EBIT) and earnings before interest, tax, depreciation, amortisation and impairments (EBITDA). Both are non-GAAP measures that do not have a standardised meaning under NZ IFRS.</p> <hr/>
Activities not reported in segments	<p>Other activities engaged by the group comprise shared services and other business activities. Revenues generated by these activities are incidental to Vector's operations and/or do not meet the definition of an operating segment under NZ IFRS 8. The results for these activities are reported in the reconciliations of segment information to the group's financial statements.</p> <p>Interest costs (net), fair value change on financial instruments, gain on sale of investment in associate, and associates (share of net profit/(loss)) are not allocated to the segments.</p> <hr/>
Geographical information	<p>The group derives the majority of the revenue from external customers in New Zealand.</p> <hr/>
Major customers	<p>Vector engages with three major customers, each of which contribute greater than ten percent of the group's revenue. These customers are large energy retailers. For the year ended 30 June 2022, the customers contributed \$236.5 million (2021: \$191.3 million), \$152.5 million (2021: \$152.4 million) and \$150.0 million (2021: \$135.0 million) respectively, which is reported across all segments.</p> <hr/>

4. Segment information *continued*

2022	REGULATED NETWORKS \$M	GAS TRADING \$M	METERING \$M	INTER- SEGMENT \$M	TOTAL \$M
External revenue:					
Sales	652.4	201.9	234.2	-	1,088.5
Third party contributions	150.3	-	-	-	150.3
Other	26.5	-	-	-	26.5
Intersegment revenue	2.3	-	1.4	(3.7)	-
Segment revenue	831.5	201.9	235.6	(3.7)	1,265.3
External expenses:					
Electricity transmission expenses	(181.4)	-	-	-	(181.4)
Gas purchases and production expenses	-	(121.9)	-	-	(121.9)
Metering services cost of sales	-	-	(29.5)	-	(29.5)
Network and asset maintenance	(69.1)	(6.1)	(12.1)	-	(87.3)
Employee benefit expenses	(14.8)	(11.5)	(10.6)	-	(36.9)
Other expenses	(60.0)	(36.9)	(9.7)	-	(106.6)
Intersegment expenses	(0.1)	(3.6)	-	3.7	-
Segment operating expenses	(325.4)	(180.0)	(61.9)	3.7	(563.6)
Segment EBITDA	506.1	21.9	173.7	-	701.7
Depreciation and amortisation	(148.5)	(11.4)	(95.6)	-	(255.5)
Impairment	-	(40.2)	-	-	(40.2)
Segment profit/(loss)	357.6	(29.7)	78.1	-	406.0
Segment capital expenditure	331.9	7.9	156.7	-	496.5

Reconciliation to revenue, profit/(loss) before income tax and capital expenditure reported in the financial statements: 2022	REVENUE \$M	PROFIT/(LOSS) BEFORE INCOME TAX \$M	CAPITAL EXPENDITURE \$M
Reported in segment information	1,265.3	406.0	496.5
Amounts not allocated to segments (corporate activities):			
Revenue	72.2	72.2	-
Third party contributions	1.5	1.5	-
Employee benefit expenses	-	(57.9)	-
Other operating expenses	-	(68.6)	-
Elimination of transactions with segments	-	12.9	-
Depreciation and amortisation	-	(34.3)	-
Interest costs (net)	-	(104.7)	-
Gain on sale of investment in associate	-	7.1	-
Fair value change on financial instruments	-	3.6	-
Capital expenditure	-	-	49.4
Reported in the financial statements	1,339.0	237.8	545.9

4. Segment information *continued*

2021	REGULATED NETWORKS \$M	GAS TRADING \$M	METERING \$M	INTER- SEGMENT \$M	TOTAL \$M
External revenue:					
Sales	625.2	209.0	225.7	-	1,059.9
Third party contributions	121.1	-	-	-	121.1
Other	18.8	-	-	-	18.8
Intersegment revenue	2.4	-	1.3	(3.7)	-
Segment revenue	767.5	209.0	227.0	(3.7)	1,199.8
External expenses:					
Electricity transmission expenses	(179.7)	-	-	-	(179.7)
Gas purchases and production expenses	-	(128.9)	-	-	(128.9)
Metering services cost of sales	-	-	(26.4)	-	(26.4)
Network and asset maintenance	(68.7)	(6.3)	(9.2)	-	(84.2)
Employee benefit expenses	(16.0)	(11.4)	(10.9)	-	(38.3)
Other expenses	(31.3)	(31.3)	(8.9)	-	(71.5)
Intersegment expenses	-	(3.7)	-	3.7	-
Segment operating expenses	(295.7)	(181.6)	(55.4)	3.7	(529.0)
Segment EBITDA	471.8	27.4	171.6	-	670.8
Depreciation and amortisation	(134.5)	(12.0)	(89.9)	-	(236.4)
Segment profit/(loss)	337.3	15.4	81.7	-	434.4
Segment capital expenditure	316.9	12.0	163.1	-	492.0

Reconciliation to revenue, profit/(loss) before income tax and capital expenditure reported in the financial statements: 2021	REVENUE \$M	PROFIT/(LOSS) BEFORE INCOME TAX \$M	CAPITAL EXPENDITURE \$M
Reported in segment information	1,199.8	434.4	492.0
Amounts not allocated to segments (corporate activities):			
Revenue	78.1	78.1	-
Third party contributions	1.4	1.4	-
Employee benefit expenses	-	(56.5)	-
Other operating expenses	-	(70.8)	-
Elimination of transactions with segments	-	13.0	-
Depreciation and amortisation	-	(33.7)	-
Interest costs (net)	-	(108.6)	-
Fair value change on financial instruments	-	(3.5)	-
Associates (share of net profit/(loss))	-	1.8	-
Capital expenditure	-	-	49.5
Reported in the financial statements	1,279.3	255.6	541.5

5. Contingent consideration

	NOTE	2022 \$M	2021 \$M
Carrying value of contingent consideration			
Balance at 30 June		81.7	84.7
Unwinding of discount	9	6.5	6.3
Payments received		(6.1)	(3.4)
Fair value movement	21.2	(2.3)	(5.9)
Balance at 30 June 2022		79.8	81.7
Comprising:			
Current		15.0	8.2
Non-current		64.8	73.5

Key accounting estimate

The fair value of the contingent consideration was estimated by calculating the present value of the future expected cash flows payable by Todd Petroleum Mining Company Limited to Vector. The future period of payment is not fixed by the contract but is dependent on the remaining useful life of the Kapuni gas treatment plant (KGTP), which is directly correlated to the volume of gas available at the Kapuni gas field and the rate at which the gas is extracted. The values of future cash flows are highly dependent on the future sale prices of gas products (LPG and oil) in the market. Underpinning this all is the assumption that there is an active market for processed gas products in the future and government policy relating to the transition of New Zealand to a low carbon economy.

Management have re-estimated the same unobservable inputs when calculating the fair value of the contingent consideration at balance date. Refer to note 19 for details and sensitivity analysis around significant unobservable inputs used in measuring fair values.

6. Gain on sale of investment in associate

On 31 August 2021, Vector and other shareholders of Tree Scope Limited, each owning 50% of the company and its subsidiaries, sold all the shares to Blair Mill NZ Holdings Limited for a cash consideration of \$58.0 million excluding debt. The consideration was finalised in November 2021 at a total of \$38.6 million net of debt. Vector was entitled to \$19.3 million, reflecting Vector's 50% shareholding. The calculation of the gain on sale recognised in the profit and loss is shown below.

	NOTE	2022 \$M
Consideration received 31 August 2021		16.4
Deferred consideration (due in August 2023)	10	2.9
Total consideration		19.3
Carrying value of investment in Tree Scope Limited		(10.8)
Foreign currency translation reserve transferred from equity		(1.4)
Net assets sold		(12.2)
Gain on sale of investment in associate		7.1

7. Revenue

7.1 Revenue from contracts with customers

	2022 \$M	2021 \$M
Regulated networks – sale of distribution services	678.9	644.0
Regulated networks - third party contributions	150.3	121.1
Gas trading sales	201.9	209.0
Metering services	234.2	225.7
Other	73.7	79.5
Total	1,339.0	1,279.3

	Revenue streams	Satisfaction of performance obligation
Regulated networks – sale of distribution services	<p>The group receives revenue from business customers and energy retailers who sell energy to end customers for electricity and gas distribution services in Auckland.</p>	<p>Revenue from electricity and gas distribution services is measured at the value of consideration received, or receivable, to the extent that pricing is measured by the regulator within a defined revenue path.</p> <p>Revenue is recognised over time on a basis that corresponds with end consumers' pattern of electricity and gas consumption. Customers are billed monthly in arrears for distribution services, measured in units of electricity and gas distributed. Revenue from distribution services therefore includes an accrual for services provided but not billed at the end of the month.</p> <p>The accrual is determined based on the group's estimate of volume distributed in the month using the most recent data available. A large portion of the contract assets at balance date consists of this accrual.</p>
Regulated networks – third party contributions	<p>The group receives contributions from residential and commercial customers towards the construction of distribution system assets in the Auckland electricity or gas distribution networks.</p>	<p>Third party contributions are recognised as revenue over time, reflecting the percentage completion of the underlying construction activity. The group recognises a contract liability to account for consideration received from the customer but where the agreed construction activity is not completed; and conversely a contract asset is recognised to account for activities completed not billed.</p> <p>The transaction price for third party contributions is netted against estimated rebates payable to commercial customers. A contract liability is recognised to account for payments received from customers for construction activities completed which are eligible for rebates in the future based on completion of developments.</p> <p>In the event that a contract combines a contribution towards an agreed construction activity with sale of electricity or gas distribution services, the group unbundles the contract into two performance obligations and recognises revenue in accordance with each obligation's accounting policy.</p>

7. Revenue *continued*

7.1 Revenue from contracts with customers *continued*

Gas trading sales	Gas trading sales comprises predominantly three revenue streams: sale of natural gas, and distribution and sale of LPG.	
	Revenue streams	Satisfaction of performance obligation
<i>Sale of natural gas</i>	The group receives revenue from business customers for providing a supply of natural gas over a contracted time period.	Revenue is recognised over time that corresponds with the customer's consumption of natural gas and measured at the transaction price of the contract. The transaction price for a gas supply contract includes variable consideration in the form of indexed pricing, volume pricing, and take or pay arrangements. The group estimates the amount of variable consideration present in each contract using the expected value method. Customers are billed monthly. A contract asset is recognised to account for natural gas supplied but not billed to the customer at balance date.
<i>Sale of LPG</i>	Sale of LPG comprises bulk LPG sales to commercial customers and bottled LPG sales to both commercial and residential customers.	Revenue is recognised at a point in time when LPG is delivered to a customer's site. Billing to a customer occurs after completion of deliveries and at the end of each month with payment terms ranging from 60 days to 90 days.
<i>Distribution of LPG</i>	The group provides services in the areas of bulk LPG storage, distribution and management.	Revenue is recognised over time in line with a customer's consumption of monthly tolling and storage volumes and measured at the transaction price of the contract. The transaction price for a monthly tolling and storage contract includes variable consideration in the form of volume pricing and take or pay arrangements. The group estimates the amount of variable consideration present in each contract using the expected value method.
Metering services	The group receives revenue from business customers for providing electricity and gas metering and data services.	Customer is predominantly an energy retailer who has multiple customers (end users) consuming electricity and gas. Metering and metering data services comprise collection and provision of half-hourly data, utilising the group's electricity and gas meter assets that are fitted at the premises of end users. Metering services are billed to the customer monthly, based on actual and validated metering and data services provided. Customers are billed a number of days after the end of the month to allow for data validation to take place. A contract asset is recognised at the end of each month for services provided but unbilled.
Other revenue streams	Other revenue includes telecommunications revenue and revenue from providing energy solution services. Telecommunications revenue from commercial customers comprise the sale of fibre services. Revenue is recognised at the point in time of supply and customer consumption. Energy solutions services comprise predominantly the sale of home and commercial ventilation and solar services. Revenue is recognised over time, reflecting the percentage completion of each ventilation and solar system install.	

7. Revenue *continued***7.2 Revenue in relation to contract liabilities**

The following table sets out the expected timing of future recognition of revenue relating to performance obligations not satisfied (or partially satisfied) at balance date:

2022	1 - 2 YEARS \$M	2 - 4 YEARS \$M	TOTAL \$M
Electricity distribution services	1.7	1.2	2.9
Telecommunication services	3.3	0.7	4.0
Total	5.0	1.9	6.9

2021	1 - 2 YEARS \$M	2 - 4 YEARS \$M	TOTAL \$M
Electricity distribution services	1.7	1.7	3.4
Telecommunication services	3.3	2.4	5.7
Total	5.0	4.1	9.1

Policies No information is provided in relation to the remaining performance obligations at 30 June 2022 or 30 June 2021 that have an original duration of one year or less as permitted by NZ IFRS 15 *Revenue from Contracts with Customers*.

Revenue recognised Of the revenue recognised this year, \$29.0 million was included in the contract liability balance at the beginning of the reporting period. (2021: \$32.6 million).

8. Operating expenses

	NOTE	2022 \$M	2021 \$M
Electricity transmission	4	181.4	179.7
Gas purchases and production	4	121.9	128.9
Metering cost of sales	4	29.5	26.4
Energy solutions cost of sales		17.4	23.1
Network and asset maintenance	4	87.3	84.2
Other direct expenses		92.0	53.3
Employee benefit expenses	4	94.8	94.8
Administration expenses		15.0	15.7
Professional fees		7.7	8.4
IT expenses		23.3	19.6
Other indirect expenses		6.9	9.2
Total		677.2	643.3

Fees paid to auditors

Fees were paid to KPMG as follows:

- audit or review of financial statements: \$594,000 (2021: \$459,000);
- regulatory assurance: \$394,000 (2021: \$718,525);
- other assurance fees: \$67,500 (2021: \$72,000);
- non-audit fees: \$199,067 (2021: nil).

Other assurance fees include fees for the audit of guaranteeing group financial statements, bond registers, greenhouse gas calculations and agreed upon procedures required by certain contractual arrangements. Non-audit fees related to fees for advisory services for R&D tax credits and risk assurance.

9. Interest costs (net)

	NOTE	2022 \$M	2021 \$M
Interest expense		114.0	112.4
Amortisation of finance costs		8.3	7.5
Capitalised interest		(5.1)	(4.5)
Interest income		(3.8)	(2.9)
Unwinding of discount of contingent consideration	5	(6.5)	(6.3)
Interest on leases	13.3	1.3	1.8
Unwinding of discount of decommissioning provisions	18	0.7	0.6
Impact of change in discount rate on decommissioning provisions	18	(4.2)	–
Total		104.7	108.6

Policies

Interest costs (net) include interest expense on borrowings and interest income on funds invested which are recognised using the effective interest rate method.

Capitalised interest

Vector has capitalised interest to PPE and software intangibles while under construction at an average rate of 3.4% per annum (2021: 3.9%).

10. Trade and other receivables

	NOTE	2022 \$M	2021 \$M
Current			
Trade receivables		60.9	60.2
Interest receivable		10.5	10.2
Prepayments		12.3	8.7
Other taxes and duties receivable		3.3	2.0
Other		2.4	2.1
Balance at 30 June		89.4	83.2
Non-current			
Deferred consideration	6	2.9	–
Other contract receivables		1.6	1.7
Balance at 30 June		4.5	1.7

10. Trade and other receivables *continued*

At 30 June, the exposure to credit risk for trade and other receivables by type of counterparty was as follows.

	2022 \$M		2021 \$M	
	NOT CREDIT IMPAIRED	CREDIT IMPAIRED	NOT CREDIT IMPAIRED	CREDIT IMPAIRED
Business customers	43.4	1.8	38.6	2.3
Mass market customers (includes customer contributions)	12.9	–	15.4	–
Third party asset damages	–	5.5	–	5.1
Residential and other	5.0	0.8	3.8	0.6
Total gross carrying amount	61.3	8.1	57.8	8.0
Loss allowance	–	(4.0)	–	(3.9)
	61.3	4.1	57.8	4.1

The following table provides information about the exposure to credit risk and expected credit losses for trade and other receivables as at 30 June.

	2022 \$M		2021 \$M	
	CARRYING AMOUNT	LOSS ALLOWANCE	CARRYING AMOUNT	LOSS ALLOWANCE
Not past due	53.0	–	52.7	–
Past due 1-30 days	7.3	0.2	4.8	–
Past due 31-120 days	2.7	0.4	2.6	0.4
Past due more than 120 days	2.4	3.4	1.8	3.5
Balance at 30 June	65.4	4.0	61.9	3.9

Policies

Trade receivables are predominantly billed receivables. Sales to business customers are billed monthly. Trade receivables from mass market, residential and other customers are recognised as they are originated.

Other receivables represent the amount of contractual cash flows that the group expects to collect from third parties but that did not arise from contracts with customers. Where contractual cash flows are expected or contracted to be received after 12 months, the balance is presented as non-current.

Expected credit losses

In assessing credit losses for trade receivables, the group applies the simplified approach and records lifetime expected credit losses ("ECLs") on trade receivables. The group considers both quantitative and qualitative inputs. Quantitative data includes past collection rates, industry statistics, ageing of receivables, and trading outlook. Qualitative inputs include past trading history with the group.

Lifetime ECLs result from all possible default events over the expected life of a trade receivable. The group considers the probability of default upon initial recognition of the trade receivable, based on reasonable and available information on the group's customers and groups of customers. The group's trade receivables are monitored in two groups: business customers, and mass market residential customers.

The group's customer acceptance process includes a check on credit history, profitability, and the customer's external credit rating if available. Different levels of sale limits are also imposed on customer accounts by nature.

11. Intangible assets

	NOTE	CUSTOMER INTANGIBLES \$M	EASEMENTS \$M	SOFTWARE \$M	GOODWILL \$M	CAPITAL WORK IN PROGRESS \$M	TOTAL \$M
Carrying amount 30 June 2020		4.2	17.8	75.8	1,164.1	21.5	1,283.4
Cost		49.9	17.8	343.2	1,275.2	21.5	1,707.6
Accumulated amortisation		(26.4)	-	(267.4)	-	-	(293.8)
Accumulated impairment		(19.3)	-	-	(111.1)	-	(130.4)
Additions		-	-	-	-	50.5	50.5
Transfers		-	0.4	40.0	-	(40.4)	-
Disposals		-	-	(0.2)	-	-	(0.2)
Amortisation for the period		(1.6)	-	(39.8)	-	-	(41.4)
Carrying amount 30 June 2021		2.6	18.2	75.8	1,164.1	31.6	1,292.3
Cost		13.1	18.2	372.0	1,275.2	31.6	1,710.1
Accumulated amortisation		(10.5)	-	(296.2)	-	-	(306.7)
Accumulated impairment		-	-	-	(111.1)	-	(111.1)
Additions		-	-	-	-	49.9	49.9
Transfers		-	0.3	25.1	-	(25.4)	-
Impairment	11.1	-	-	-	(40.2)	-	(40.2)
Disposals		-	-	(0.1)	-	-	(0.1)
Amortisation for the period		(1.3)	-	(38.5)	-	-	(39.8)
Carrying amount 30 June 2022		1.3	18.5	62.3	1,123.9	56.1	1,262.1
Cost		13.1	18.5	396.1	1,275.2	56.1	1,759.0
Accumulated amortisation		(11.8)	-	(333.8)	-	-	(345.6)
Accumulated impairment		-	-	-	(151.3)	-	(151.3)

11.1 Goodwill

Goodwill by cash generating unit	2022 \$M	2021 \$M
Electricity	881.0	881.0
Gas Distribution	169.2	169.2
Natural Gas	10.3	10.3
LPG	-	40.2
Liquigas	40.5	40.5
Metering	22.9	22.9
Total	1,123.9	1,164.1

Policies Goodwill represents the excess of the consideration transferred over the fair value of Vector's share of the net identifiable assets of an acquired subsidiary.
Goodwill is carried at cost less accumulated impairment losses.

Allocation Goodwill is monitored internally at a group level. It is allocated to the group's cash generating units ("CGUs"), for impairment testing purposes.
This is the highest level permissible under NZ IFRS. The CGUs within the group are: electricity, gas distribution, metering, natural gas, LPG, Liquigas, communications and E-Co Products.
Goodwill is tested at least annually for impairment against the recoverable amount of the CGU to which it has been allocated.

11. Intangible assets *continued*

11.1 Goodwill *continued*

Impairment	<p>As at 30 June 2022, the group has recognised an impairment loss of \$40.2 million in respect of goodwill allocated to the LPG CGU. The impairment reflects challenging market conditions over a sustained period including significantly higher input costs.</p> <p>The recoverable amount of the LPG CGU has been determined based on value in use. Post-tax discount rates of between 7.2% and 7.5% (2021: 5.0% and 5.3%) have been applied in determining the recoverable amount for the LPG CGU.</p>
Key accounting judgements	<p>To assess impairment, management must estimate the future cash flows of operating segments including the CGUs that make up those segments. This entails making judgements including:</p> <ul style="list-style-type: none"> — 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.
Assumptions	<p>The recoverable amounts attributed to all of the group's CGUs are calculated on the basis of value-in-use using discounted cash flow models.</p> <p>Future cash flows are forecast based on actual results and business plans.</p> <p>For the electricity, gas distribution and metering CGUs, a ten-year period has been used due to the long-term nature of the group's capital investment in these businesses and the predictable nature of their cash flows. A five-year period has been used for the natural gas, Liquigas, LPG, E-Co Products and communications CGUs.</p> <p>Terminal growth rates in a range of 0.0% to 2.0% (2021: 0.0% to 1.8%) and post-tax discount rates between 4.7% to 7.5% (2021: 3.7% and 6.5%) are applied. Rates vary for the specific CGU being valued.</p> <p>Projected cash flows for regulated businesses are sensitive to regulatory uncertainty. Estimated future regulated network revenues and the related supportable levels of capital expenditure are based on default price-quality path determinations issued by the Commerce Commission and are in line with estimates published in the asset management plans.</p>

11.2 Other intangible assets

Policies	<p>Other intangible assets are initially measured at cost, and subsequently stated at cost less any accumulated amortisation and impairment losses.</p> <p>Software and customer intangibles have been assessed as having a finite life greater than 12 months and are amortised from the date the asset is ready for use on a straight-line basis over its estimated useful life. The estimated useful lives (years) are as follows:</p> <table border="0" style="margin-left: 20px;"> <tr> <td>Software</td> <td style="padding-left: 20px;">3 - 10</td> </tr> <tr> <td>Customer intangibles</td> <td style="padding-left: 20px;">3 - 10</td> </tr> </table> <p>Easements are not amortised but are tested for impairment at least annually as part of the assessment of the carrying values of assets against the recoverable amounts of the CGUs to which they have been allocated.</p>	Software	3 - 10	Customer intangibles	3 - 10
Software	3 - 10				
Customer intangibles	3 - 10				

12. Property, plant and equipment (PPE)

	DISTRIBUTION SYSTEMS \$M	ELECTRICITY AND GAS METERS \$M	LAND, BUILDINGS AND IMPROVE- MENTS \$M	COMPUTER AND TELCO EQUIPMENT \$M	OTHER PLANT AND EQUIPMENT \$M	CAPITAL WORK IN PROGRESS \$M	TOTAL \$M
Carrying amount 30 June 2020	3,258.7	581.9	182.7	89.5	156.3	98.6	4,367.7
Cost	4,458.5	1,039.6	222.2	199.7	289.7	98.6	6,308.3
Accumulated depreciation	(1,199.8)	(457.7)	(39.5)	(110.2)	(133.4)	-	(1,940.6)
Additions	-	-	-	-	1.3	477.7	479.0
Transfers	314.1	126.1	9.5	11.5	23.7	(484.9)	-
Disposals	(6.3)	(0.2)	-	-	(1.3)	-	(7.8)
Depreciation for the period	(122.4)	(67.1)	(3.4)	(9.1)	(11.1)	-	(213.1)
Carrying amount 30 June 2021	3,444.1	640.7	188.8	91.9	168.9	91.4	4,625.8
Cost	4,755.2	1,161.8	231.3	208.1	313.0	91.4	6,760.8
Accumulated depreciation	(1,311.1)	(521.1)	(42.5)	(116.2)	(144.1)	-	(2,135.0)
Additions	-	-	-	-	-	499.7	499.7
Transfers	297.8	132.7	2.7	6.3	38.1	(477.6)	-
Disposals	(6.5)	(1.7)	-	-	(0.8)	-	(9.0)
Depreciation for the period	(135.6)	(75.8)	(3.3)	(7.7)	(12.0)	-	(234.4)
Carrying amount 30 June 2022	3,599.8	695.9	188.2	90.5	194.2	113.5	4,882.1
Cost	5,029.7	1,286.6	234.0	212.6	350.0	113.5	7,226.4
Accumulated depreciation	(1,429.9)	(590.7)	(45.8)	(122.1)	(155.8)	-	(2,344.3)

Policies

PPE is initially measured at cost, and subsequently stated at cost less depreciation and any impairment losses. Cost may include:

- Consideration paid on acquisition
- Costs to bring the asset to working condition
- Materials used in construction
- Direct labour attributable to the item
- Interest costs attributable to the item
- A proportion of directly attributable overheads incurred
- If there is a future obligation to dismantle and/or remove the item, the costs of doing so

Capitalisation of costs stops when the asset is ready for use.

Subsequent expenditure that increases the economic benefits derived from the asset is capitalised.

Uninstalled assets are stated at the lower of cost and estimated recoverable amount.

Depreciation commences when an asset becomes available for use.

Depreciation of PPE, other than freehold land and capital work in progress, is calculated on a straight-line basis and expensed over the useful life of the asset. Useful lives are reviewed regularly and adjusted as appropriate for the revised expectations.

Estimated useful lives (years) are as follows:

Buildings	40 – 100	Meters and meter inspections	2 – 40
Distribution systems	5 – 100	Computer and telco equipment	2 – 50
Leasehold improvements	5 – 20	Other plant and equipment	2 – 55

12. Property, plant and equipment (PPE) *continued*

Key accounting judgements

The group's property, plant and equipment, particularly the group's distribution assets, are critical to the running of the group's business. In assessing whether the costs incurred in a project on the group's assets are capital in nature, management must apply the following judgements:

- Whether the costs incurred are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- Whether subsequent costs incurred represent an enhancement to existing assets or maintain the current operating capability of existing assets;
- Whether overhead costs can be reasonably allocated to the construction or acquisition of an asset.

Capital commitments

The estimated capital expenditure for PPE and software intangibles contracted for at balance date but not provided is \$226.1 million for the group (2021: \$206.1 million).

13. Leases

13.1 Right of use assets

	LAND, BUILDINGS AND IMPROVE- MENTS \$M	OTHER PLANT AND EQUIPMENT \$M	TOTAL \$M
Carrying amount 30 June 2020	31.7	4.1	35.8
Cost	44.5	6.6	51.1
Accumulated depreciation	(12.8)	(2.5)	(15.3)
Additions	8.9	3.1	12.0
Disposals	(1.7)	–	(1.7)
Depreciation for the period	(7.7)	(2.3)	(10.0)
Carrying amount 30 June 2021	31.2	4.9	36.1
Cost	49.7	8.3	58.0
Accumulated depreciation	(18.5)	(3.4)	(21.9)
Additions	4.7	2.6	7.3
Disposals	(6.4)	–	(6.4)
Depreciation for the period	(8.1)	(2.3)	(10.4)
Carrying amount 30 June 2022	21.4	5.2	26.6
Cost	46.5	7.9	54.4
Accumulated depreciation	(25.1)	(2.7)	(27.8)

13.2 Lease liabilities maturity analysis

	MINIMUM LEASE PAYMENTS \$M	INTEREST \$M	PRESENT VALUE \$M
Within one year	10.3	(1.0)	9.3
One to five years	14.0	(2.7)	11.3
Beyond five years	10.7	(3.6)	7.1
Total	35.0	(7.3)	27.7
Current portion			9.3
Non-current portion			18.4
Total			27.7

13.3 Lease expenses included in profit or loss

	2022 \$M	2021 \$M
Short-term leases	0.2	0.2
Interest on leases	1.3	1.8

13. Leases *continued*

13.4 Lease cashflows included in statement of cash flows

	2022 \$M	2021 \$M
Total cash outflow in relation to leases	11.8	12.2

Policies

Right of use ("ROU") assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoration obligations, and lease payments made at or before the commencement date less any lease incentives received.

ROU assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

Key accounting judgements

Determining the term of a perpetual lease and a lease with renewal options (single or multiple) can have a material impact on the value of the ROU asset and associated lease liability.

The group has two perpetual leases relating to two LPG storage and transportation sites at Lyttelton and Dunedin with no expiry dates. Management have determined the lease term for the perpetual leases be the same as the lease for the Port Taranaki LPG import facility, on the basis that economic benefits from the perpetual leases are requisite on the group having a continuing right to use the site and associated facilities at Port Taranaki. The end of the lease term for the lease at Port Taranaki is 30 September 2044.

For leases with renewal options, management include one to all available renewal periods in the lease term if it is reasonably certain that the renewal option or options will be exercised. In making this judgement management consider the non-cancellable period of the lease, other leases or assets associated with the lease in question, and other economic factors such as availability of similar leases in the market and costs to identify and negotiate another lease if not renewed.

Several property leases in the group's portfolio of leases contain renewal options. The group has estimated the impact from potential future lease payments, should it exercise these extension options, to be an increase of \$11.9 million (2021: \$10.0 million) in the group's lease liability.

During the year, the group's assumption relating to its main property lease was updated, which resulted in a reduction in the group lease liabilities of \$6.4 million. This reduction is included in disposals for the year ended 30 June 2022.

14. Investments

14.1 Investment in private equity

INVESTEE	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	EQUITY INTEREST HELD	
			2022	2021
mPrest Systems (2003) Limited	Technology development	Israel	8.1%	8.1%

	2022 \$M	2021 \$M
Fair value of investment		
Balance at 1 July	12.3	12.8
Fair value movement recognised in OCI	(0.1)	(0.5)
Balance at 30 June	12.2	12.3

Policies

The investment is accounted for as a financial asset at fair value through other comprehensive income ("OCI") on the Balance Sheet.

Fair value of the investment is determined using the discounted cash flow method. Refer to note 19 for details on the significant unobservable inputs used in measuring the fair value and related sensitivity analysis.

14. Investments *continued***14.2 Investments in subsidiaries**

Significant entities and holding companies in the group are listed below.

	PRINCIPAL ACTIVITY	PERCENTAGE HELD	
		2022	2021
Trading subsidiaries			
NGC Holdings Limited	Holding company	100%	100%
Vector Gas Trading Limited	Natural gas trading and processing	100%	100%
Liquigas Limited	Bulk LPG storage, distribution, and management	60%	60%
On Gas Limited	LPG sales and distribution	100%	100%
Vector Metering Data Services Limited	Holding company	100%	100%
Advanced Metering Assets Limited	Metering services	100%	100%
Advanced Metering Services Limited	Metering services	100%	100%
Arc Innovations Limited	Metering services	100%	100%
Vector Communications Limited	Telecommunications	100%	100%
Vector Energy Solutions Limited	Holding company	100%	100%
PowerSmart NZ Limited	Energy solutions services	100%	100%
Vector ESPS Trustee Limited	Trustee company	100%	100%
E-Co Products Group Limited	Holding company	100%	100%
Cristal Air International Limited	Ventilation, heating and water systems sales and assembly	100%	100%
Vector Advanced Metering Services (Australia) Pty Limited	Metering services	100%	100%
Vector Advanced Metering Assets (Australia) Limited	Metering services	100%	100%
Vector Energy Solutions (Australia) Pty Limited	Energy solutions services	100%	100%
Vector Technology Solutions Limited	Technology services	100%	100%
Vector Auckland Property Limited	Assets holding company	100%	100%
Vector Northern Property Limited	Assets holding company	100%	100%
Non-trading subsidiaries			
Ventilation Australia Pty Limited	Holding company	100%	100%
HRV Australia Pty Limited	Ventilation systems and parts sales	100%	100%

Policies Subsidiaries are entities controlled directly or indirectly by the parent. Vector holds over 50% of the voting rights in all entities reported as subsidiaries. The financial statements of subsidiaries are consolidated into the group's financial statements. Intra-group balances and transactions between group subsidiary companies are eliminated on consolidation.

Overseas subsidiaries All subsidiaries are incorporated in New Zealand, except for the following which are incorporated in Australia:

- Vector Advanced Metering Services (Australia) Pty Limited;
- Vector Energy Solutions (Australia) Pty Limited;

At 30 June 2022, the group was in the process of deregistering both Ventilation Australia Pty Limited and HRV Australia Pty Limited. Both companies were officially deregistered on 20 July 2022.

15. Income tax expense/(benefit)

	2022 \$M	2021 \$M
Reconciliation of income tax expense/(benefit)		
Profit/(loss) before income tax	237.8	255.6
Tax at current rate of 28%	66.6	71.6
<i>Current tax adjustments:</i>		
Non-deductible expenses	0.4	2.0
Impairment	11.3	-
(Over)/under provisions in prior periods	(4.0)	(2.6)
<i>Deferred tax adjustments:</i>		
(Over)/under provisions in prior periods	2.6	(10.0)
Income tax expense/(benefit)	76.9	61.0
Comprising:		
Current tax	23.8	33.4
Deferred tax	53.1	27.6

Policies

Income tax expense/(benefit) comprises current and deferred tax and is calculated using rates enacted or substantively enacted at balance date.

Current and deferred tax is recognised in profit or loss unless the tax relates to items in other comprehensive income, in which case the tax is recognised as an adjustment in other comprehensive income against the item to which it relates.

Income tax asset

As at 30 June 2022, Vector recognised a current income tax asset of \$24.6 million (2021: \$28.7 million) and a non-current income tax asset of \$105.3 million (2021: \$102.8 million).

Imputation credits

There are no imputation credits available for use as at 30 June 2022 (2021: nil), as the imputation account has a debit balance as of that date.

16. Deferred tax**Deferred tax liability/(asset)**

	PPE AND INTANGIBLES \$M	PROVISIONS AND ACCRUALS \$M	HEDGE RESERVES \$M	OTHER \$M	TOTAL \$M
Balance at 30 June 2020	555.9	(21.1)	(31.7)	10.9	514.0
Recognised in profit or loss	21.3	5.8	–	0.5	27.6
Recognised in other comprehensive income	–	–	18.1	–	18.1
Balance at 30 June 2021	577.2	(15.3)	(13.6)	11.4	559.7
Recognised in profit or loss	46.8	4.1	–	2.2	53.1
Recognised in other comprehensive income	–	–	36.4	–	36.4
Balance at 30 June 2022	624.0	(11.2)	22.8	13.6	649.2

The group's deferred tax position is presented in the balance sheet as follows:

	2022 \$M	2021 \$M
Deferred tax asset	(2.4)	(2.1)
Deferred tax liability	651.6	561.8
Total	649.2	559.7

Policies

Deferred tax is:

- Recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
- Not recognised for the initial recognition of goodwill.
- Measured at tax rates that are expected to be applied to the temporary differences when they reverse.

17. Trade and other payables

	2022 \$M	2021 \$M
Current		
Trade payables	159.7	174.7
Employee benefits	14.8	22.7
Interest payable	25.1	24.3
Balance at 30 June	199.6	221.7

Employee benefits

Vector accrues employee benefits which remain unused at balance date, and amounts expected to be paid under short-term incentive plans.

18. Provisions

	NOTE	DISTRIBUTION TO CUSTOMERS \$M	DECOMMISSIONING \$M	PRODUCT WARRANTY \$M	OTHER \$M	TOTAL \$M
Balance at 30 June 2021		11.9	8.7	2.6	6.8	30.0
Additions		26.5	–	–	–	26.5
Unwinding of discount	9	–	0.7	–	–	0.7
Payments		(11.7)	–	–	–	(11.7)
Reversed to profit or loss	3, 9	(8.7)	(4.2)	(0.5)	(5.0)	(18.4)
Balance at 30 June 2022		18.0	5.2	2.1	1.8	27.1
Comprising:						
Current		18.0	–	2.1	1.8	21.9
Non-current		–	5.2	–	–	5.2

Policies The group recognises a provision when the group has a present obligation – legal or constructive – as a result of a past event, it is more likely than not that the resulting liability will be required to be settled, and the amount required to settle can be reliably estimated.

Provision for distribution to customers The group's stated intention to distribute excess loss rental rebates not used to mitigate revenue shortfalls to customers on Vector's electricity network, gives rise to a constructive obligation that forms the basis of the provision.

Decommissioning The decommissioning provisions represent the present value of the future expected costs for dismantling the depot assets situated at various regions in New Zealand. Timing of economic outflows represents management's best estimate of the end of the useful life of the plant and associated assets.

Product warranty The group provides for restatement costs and warranty claims on products sold or installed. Provisions are recognised when the product is sold, or the service is provided to the customer. Initial recognition is based on historical experience and subsequently revisited at each reporting date.

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

19. Fair values

	NOTE	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2 INPUTS) 2022 \$M	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3 INPUTS) 2022 \$M	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2 INPUTS) 2021 \$M	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3 INPUTS) 2021 \$M
Assets measured at fair value					
Derivative financial instruments	21	164.3	–	103.3	–
Investment in private equity	14.1	–	12.2	–	12.3
Contingent consideration	5	–	79.8	–	81.7
Balance at 30 June		164.3	92.0	103.3	94.0
Liabilities measured at fair value					
Derivative financial instruments	21	130.9	–	165.6	–
Balance at 30 June		130.9	–	165.6	–

Policies	<p>The table above provides the fair value measurement hierarchy of the group's assets and liabilities that are measured at fair value.</p> <p>The group estimates all fair values using the discounted cash flows method. All assets and liabilities for which fair value is measured and disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:</p> <p>Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; or</p> <p>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</p> <p>Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).</p>
<i>Derivative financial instruments</i>	<p>Fair value is calculated using the discounted cash flow method, estimated using observable interest yield curves and/or foreign exchange market prices. The carrying values of the financial instruments are the fair values excluding any interest receivable or payable, which is separately presented in the balance sheet in other receivables or other payables.</p>
<i>Investment in private equity</i>	<p>Fair value is calculated using the discounted cash flow method. In estimating the fair value, the group made assumptions on unobservable inputs, including, amongst others, forecasted future cash flows, an appropriate discount rate and terminal growth rate.</p> <p>mPrest Systems (2003) Limited is in the process of undertaking a capital raise. The fair value reflected at 30 June 2022 assumes the company successfully completes the capital raise.</p>
<i>Contingent consideration</i>	<p>Fair value is calculated using the discounted cash flow method. The group made assumptions on unobservable inputs including, amongst others, future raw gas volume from the Kapuni gas field, future LPG prices, future oil prices, foreign exchange rates, and an appropriate discount rate. Further details on the inputs are as follows:</p> <ul style="list-style-type: none"> — Future raw gas volume from the Kapuni gas field is based on published forecasts from the Ministry of Business, Innovation and Employment; — Future LPG prices are based on an independent financial institution's commodity price forecasts; — Future oil prices are based on S&P Capital IQ forecast data; — Future natural gas prices are based on an independent expert's commodity price forecast; — Future foreign exchange rates are based on an independent financial institution's foreign exchange rate forecasts; and — Discount rate of 9.7% (2021: 8.0%), representing market discount rates as applicable to the remaining life of the Kapuni gas field.

19. Fair values *continued*

Description of significant unobservable inputs

The table below summarises the significant level 3 unobservable inputs used by the group in measuring fair values and related sensitivity analyses.

2022	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE AND ESTIMATES	SENSITIVITY OF VALUATION TO CHANGES IN INPUTS			
			LOW	VALUATION IMPACT \$M	HIGH	VALUATION IMPACT \$M
Investment in private equity	Enterprise forecast annual cashflows	-US \$9.4m to US \$10.9m	-10.0%	-\$1.1	10.0%	+\$1.1
	Discount rate	9.8%	-1.0%	+\$2.0	1.0%	-\$1.6
	Terminal growth rate	2.0%	-1.0%	-\$0.9	1.0%	+\$1.1
Contingent consideration	Discount rate	9.7%	-1.0%	+\$3.1	1.0%	-\$2.8
	Future raw gas volume	179 PJ	-2PJ per annum	-\$6.0	+2PJ per annum	+\$5.8
	LPG pricing (long-term)	US \$525/tonne	-US \$50/tonne	-\$5.1	+US \$50/tonne	+\$5.1
	Oil pricing (long-term)	US \$72/barrel	-US \$7/barrel	-\$3.2	+US \$7/barrel	+\$3.2

2021	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE AND ESTIMATES	SENSITIVITY OF VALUATION TO CHANGES IN INPUTS			
			LOW	VALUATION IMPACT \$M	HIGH	VALUATION IMPACT \$M
Investment in private equity	Enterprise forecast annual cashflows	-US \$1.3m to US \$11.7m	-10.0%	-\$1.1	10.0%	+\$1.1
	Discount rate	9.2%	-1.0%	+\$2.2	1.0%	-\$1.7
	Terminal growth rate	1.5%	-1.0%	-\$1.0	1.0%	+\$1.3
Contingent consideration	Discount rate	8.0%	-1.0%	+\$4.6	1.0%	-\$4.2
	Future raw gas volume	254 PJ	-2PJ per annum	-\$10.3	+2PJ per annum	+\$10.2
	LPG pricing (long-term)	US \$525/tonne	-US \$50/tonne	-\$8.6	+US \$50/tonne	+\$8.6
	Oil pricing (long-term)	US \$70/barrel	-US \$7/barrel	-\$4.0	+US \$7/barrel	+\$4.0

20. Borrowings

			FACE VALUE \$M	UNAMORTISED COSTS \$M	FAIR VALUE ADJUSTMENT ON HEDGED RISK \$M	CARRYING VALUE \$M	FAIR VALUE \$M
2022	CURRENCY	MATURITY DATE					
Bank facilities – floating rate	NZD	Sep 2022 – Jan 2025	636.0	(1.7)	–	634.3	636.2
Capital bonds – 6.23% fixed rate	NZD	–	307.2	(1.8)	–	305.4	321.2
Wholesale bonds – fixed rate	NZD	Mar 2024 – Oct 2026	410.0	1.2	–	411.2	388.9
Senior notes – fixed rate	USD	Dec 2022 – Mar 2035	1,463.4	(3.5)	(51.3)	1,408.6	1,422.1
Senior bonds – fixed rate	NZD	May 2025 – Nov 2027	475.0	(2.2)	(2.9)	469.9	449.4
Balance at 30 June			3,291.6	(8.0)	(54.2)	3,229.4	3,217.8

			FACE VALUE \$M	UNAMORTISED COSTS \$M	FAIR VALUE ADJUSTMENT ON HEDGED RISK \$M	CARRYING VALUE \$M	FAIR VALUE \$M
2021	CURRENCY	MATURITY DATE					
Bank facilities – floating rate	NZD	Jul 2021 – Jan 2025	510.0	(1.5)	–	508.5	510.4
Capital bonds – 5.7% fixed rate	NZD	–	307.2	(0.4)	–	306.8	321.8
Wholesale bonds – fixed rate	NZD	Mar 2024 – Oct 2026	410.0	2.0	–	412.0	429.2
Senior notes – fixed rate	USD	Oct 2021 – Mar 2035	1,613.4	(4.0)	(14.1)	1,595.3	1,654.9
Senior bonds – fixed rate	NZD	May 2025	250.0	(2.0)	–	248.0	266.1
Balance at 30 June			3,090.6	(5.9)	(14.1)	3,070.6	3,182.4

Policies

Borrowings are initially recorded at fair value, net of transaction costs. After initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in interest costs in profit or loss over the period of the borrowing using the effective interest rate method.

The carrying value of borrowings includes the principal converted at contract rates (face value), unamortised costs and a fair value adjustment for the component of the risk that is hedged. The fair value is calculated by discounting the future contractual cash flows at current market interest rates that are available for similar financial instruments. The fair value of all borrowings, calculated for disclosure purposes, are classified as level 2 on the fair value hierarchy.

20. Borrowings *continued*

Bank facilities	New floating rate bank facilities were added as part of our debt management activities.																														
Capital bonds	Capital bonds of \$307.2 million are perpetual subordinated bonds with the next election date set as 15 June 2027. The interest rate was fixed at 6.23% at the previous election date of 15 June 2022.																														
Wholesale bonds	<p>\$240.0 million of fixed rate wholesale bonds were issued at a fixed rate of 4.996% maturing in March 2024.</p> <p>\$170.0 million of fixed rate wholesale bonds were issued at a fixed rate of 1.575% maturing in October 2026.</p>																														
Senior bonds	<p>\$250.0 million of fixed rate senior bonds were issued at a fixed rate of 3.45% maturing in May 2025.</p> <p>\$225.0 million of fixed rate senior bonds were issued at a fixed rate of 3.69% maturing in November 2027.</p>																														
Senior notes	<p>The tranches of USD denominated senior notes and the corresponding NZD values are shown below:</p> <table><thead><tr><th>Date issued</th><th>NZ \$M</th><th>US \$M</th><th>Date of Maturity</th></tr></thead><tbody><tr><td rowspan="2">March 2020</td><td>573.9</td><td>360.0</td><td>October 2032</td></tr><tr><td>223.2</td><td>140.0</td><td>October 2035</td></tr><tr><td rowspan="2">October 2017</td><td>277.2</td><td>200.0</td><td>October 2027</td></tr><tr><td>138.6</td><td>100.0</td><td>October 2029</td></tr><tr><td>December 2010</td><td>250.5</td><td>182.0</td><td>December 2022</td></tr></tbody></table> <p>The following tranche was repaid during the year:</p> <table><thead><tr><th>Date issued</th><th>NZ \$M</th><th>US \$M</th><th>Date of Maturity</th></tr></thead><tbody><tr><td>October 2014</td><td>150.0</td><td>130.0</td><td>repaid in October 2021</td></tr></tbody></table>	Date issued	NZ \$M	US \$M	Date of Maturity	March 2020	573.9	360.0	October 2032	223.2	140.0	October 2035	October 2017	277.2	200.0	October 2027	138.6	100.0	October 2029	December 2010	250.5	182.0	December 2022	Date issued	NZ \$M	US \$M	Date of Maturity	October 2014	150.0	130.0	repaid in October 2021
Date issued	NZ \$M	US \$M	Date of Maturity																												
March 2020	573.9	360.0	October 2032																												
	223.2	140.0	October 2035																												
October 2017	277.2	200.0	October 2027																												
	138.6	100.0	October 2029																												
December 2010	250.5	182.0	December 2022																												
Date issued	NZ \$M	US \$M	Date of Maturity																												
October 2014	150.0	130.0	repaid in October 2021																												
Covenants	All borrowings are unsecured and are subject to negative pledge arrangements and various lending covenants. These have all been met for the years ended 30 June 2022 and 30 June 2021.																														

21. Derivatives and hedge accounting

	CASH FLOW HEDGES		FAIR VALUE HEDGES		COST OF HEDGING		TOTAL	
	2022 \$M	2021 \$M	2022 \$M	2021 \$M	2022 \$M	2021 \$M	2022 \$M	2021 \$M
Derivative assets								
Cross currency swaps	-	-	84.8	98.1	(2.8)	(6.5)	82.0	91.6
Interest rate swaps	78.0	11.0	-	-	-	-	78.0	11.0
Forward exchange contracts	4.3	0.7	-	-	-	-	4.3	0.7
Total	82.3	11.7	84.8	98.1	(2.8)	(6.5)	164.3	103.3
Derivative liabilities								
Cross currency swaps	13.2	(85.8)	(141.8)	(30.9)	1.0	(3.6)	(127.6)	(120.3)
Interest rate swaps	(3.3)	(44.3)	-	-	-	-	(3.3)	(44.3)
Forward exchange contracts	-	(1.0)	-	-	-	-	-	(1.0)
Total	9.9	(131.1)	(141.8)	(30.9)	1.0	(3.6)	(130.9)	(165.6)

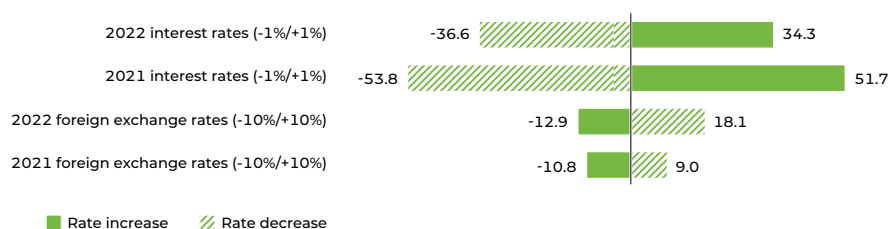
Key observable market data for fair value measurement

	2022	2021
Foreign currency exchange (FX) rates as at 30 June		
NZD-USD FX rate	0.6243	0.6983
Interest rate swap rates		
NZD	2.39% to 4.11%	0.26% to 1.88%
USD	1.79% to 3.30%	0.10% to 1.74%

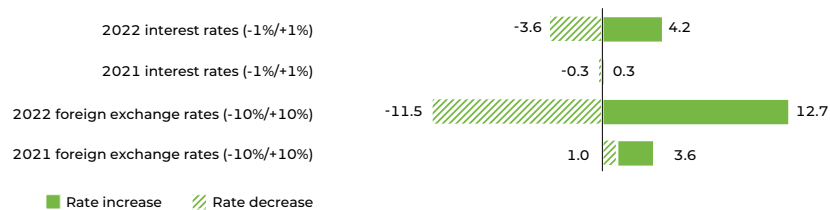
Sensitivity to changes in market rates

The graphs below illustrate the impact on derivative valuations of possible changes in interest rates and foreign exchange rates, assuming all other variables are held constant.

Impact on comprehensive income



Impact on profit or loss



21. Derivatives and hedge accounting *continued*

Policies

Vector initially recognises derivatives at fair value on the date the derivative contract is entered into, and subsequently they are re-measured to their fair value at each balance date. All derivatives are classified as level 2 on the fair value hierarchy explained in note 19.

Vector designates certain derivatives as either:

- Fair value hedges (of the fair value of recognised assets or liabilities or firm commitments); or
- Cash flow hedges (of highly probable forecast transactions).

At inception each transaction is documented, detailing:

- The economic relationship and the hedge ratio between hedging instruments and hedged items;
- The risk management objectives and strategy for undertaking the hedge transaction; and
- The assessment (initially and on an ongoing basis) of whether the derivatives that are used in the hedging transaction are highly effective in offsetting changes in fair values or cash flows of hedged items.

The underlying risk of the derivative contracts is identical to the hedged risk component (i.e. the interest rate risk and the foreign exchange risk) therefore the group has established a one-to-one hedge ratio. Effectiveness is assessed by comparing the changes of the hedged items and hedging instruments.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting.

Fair value hedges

Vector has entered into cross currency interest rate swaps and interest rate swaps (the hedging instruments) to hedge the interest rate risk and foreign currency risk (the hedged risk) arising in relation to its USD senior notes and NZD senior bonds (the hedged items). These transactions have been designated into fair value hedges.

The following are recognised in profit or loss:

- The change in fair value of the hedging instruments; and
- The change in fair value of the underlying hedged items attributable to the hedged risk.

Once hedging is discontinued, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised through profit or loss from that date through to maturity of the hedged item.

Cash flow hedges

Vector has entered into interest rate swaps and cross currency interest rate swaps (the hedging instruments) to hedge the variability in cash flows arising from interest rate and foreign currency exchange rate movements in relation to its NZD floating rate notes and USD senior notes.

The effective portion of changes in the fair value of the hedging instruments are recognised in other comprehensive income.

The following are recognised in profit or loss:

- any gain or loss relating to the ineffective portion of the hedging instrument; and
- fair value changes in the hedging instrument previously accumulated in other comprehensive income, in the periods when the hedged item is recognised in profit or loss.

Once hedging is discontinued, any cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss either:

- at the same time as the forecast transaction; or
 - immediately if the transaction is no longer expected to occur.
-

Market rate sensitivity

All derivatives are measured at fair value. A change in the market data used to determine fair value will have an impact on Vector's financial statements.

The graphs on the previous page show the sensitivity of the financial statements to a range of possible changes in market data at balance date.

21. Derivatives and hedge accounting *continued*

Rights to offset

	2022 \$M		2021 \$M	
	DERIVATIVES POSITION AS PER BALANCE SHEET	AMOUNT AFTER APPLYING RIGHTS OF OFFSET UNDER ISDA AGREEMENTS	DERIVATIVES POSITION AS PER BALANCE SHEET	AMOUNT AFTER APPLYING RIGHTS OF OFFSET UNDER ISDA AGREEMENTS
Derivative assets	164.3	64.4	103.3	39.3
Derivative liabilities	(130.9)	(31.0)	(165.6)	(101.6)
Net amount	33.4	33.4	(62.3)	(62.3)

Vector enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the balance sheet for accounting purposes. This is because Vector does not have any currently legally enforceable right to offset recognised amounts. Under the ISDA agreements the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. The potential net impact of this offsetting is disclosed in column 'amount after applying rights of offset under ISDA agreements'. Vector does not hold and is not required to post collateral against its derivative positions.

Managing interest rate benchmark reform

The group has no derivative that will be affected by the interbank offered rates ("IBOR") reform as at 30 June 2022. However, the financial modelling of the fair values for cross currency interest rate swaps and certain hedge relationships will shift from applying USD LIBOR to an alternative benchmark interest rate when the transition happens, currently expected in 2023. The group is in the process of assessing the expected impact of the shift in financial modelling.

21. Derivatives and hedge accounting *continued*

21.1 Effects of hedge accounting on the financial position and performance

The tables below demonstrate the impact of hedged items and the hedging instruments designated in hedging relationships:

- The NZD floating rate exposure includes \$1,230.0 million arising from hedging the USD senior bonds (2021: \$1,030.0 million) as allowable under NZ IFRS 9 *Financial Instruments*;
- The fixed rate interest rate swaps include \$200.0 million of forward starting swaps (2021: \$350.0 million).

2022	FACE VALUE \$M	WEIGHTED AVERAGE RATE	ACCUMU- LATED FAIR VALUE HEDGE ADJUST- MENTS \$M	CARRYING AMOUNT ASSETS/ (LIABILITIES) \$M	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVE- NESS – CASHFLOW HEDGE \$M	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVE- NESS – FAIR VALUE HEDGE \$M	HEDGING (GAIN) OR LOSS RECOGNISED IN CASH FLOW HEDGE RESERVE \$M	(GAIN) OR LOSS RECOGNISED IN COST OF HEDGING \$M
Cash flow hedge – Interest risk								
Hedged item: NZD floating rate exposure on borrowings	(1,230.0)				78.1			
Hedging instrument: Fixed rate interest rate swaps	(1,430.0)	2.3%		77.6	77.6		(111.0)	
Cash flow and fair value hedge – Interest and exchange risks								
Hedged item: USD fixed rate exposure on borrowings	(1,463.4)			(1,408.5)	5.7	122.0		
Hedging instrument: Cross currency swaps	(1,463.4)	floating	51.4	(45.6)	13.2	(124.1)	(6.6)	8.3
Fair value hedge – Interest risk								
Hedged item: NZD fixed rate exposure on borrowings	(50.0)			(46.9)		2.9		
Hedging instrument: Interest rate swap	(50.0)	floating	2.9	(2.9)		(2.9)		
			Ineffectiveness		7.5	(2.1)		

21. Derivatives and hedge accounting *continued*

21.1 Effects of hedge accounting on the financial position and performance *continued*

2021	FACE VALUE \$M	WEIGHTED AVERAGE RATE	ACCUMU- LATED FAIR VALUE HEDGE ADJUST- MENTS \$M	CARRYING AMOUNT ASSETS/ (LIABILITIES) \$M	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVE- NESS – CASHFLOW HEDGE \$M	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVE- NESS – FAIR VALUE HEDGE \$M	HEDGING (GAIN) OR LOSS RECOGNISED IN CASH FLOW HEDGE RESERVE \$M	(GAIN) OR LOSS RECOGNISED IN COST OF HEDGING \$M
Cash flow hedge – Interest risk								
Hedged item:								
	NZD floating rate exposure on borrowings	(1,030.0)			(33.5)			
Hedging instrument:								
	Interest rate swaps	(1,380.0)	2.2%	(33.3)	(33.3)		(71.2)	
Cash flow and fair value hedge – Interest and exchange risks								
Hedged item: USD								
	fixed rate exposure on borrowings	(1,613.4)	14.1	(1,595.1)	(97.9)	186.7		
Hedging instrument:								
	Cross currency swaps	(1,613.4)	floating	(28.8)	(85.8)	(184.3)	3.4	(2.6)
			Ineffectiveness		-	2.4		

Hedging instruments and hedged items are included in the line items “Derivatives” and “Borrowings” respectively in the balance sheet. The source of ineffectiveness is largely due to counterparty credit risk on the derivative instruments. Hedge ineffectiveness is included in the “Fair value change on financial instruments” in the profit or loss. Please refer to the asset and liability positions of the hedging instruments in Note 21 derivatives and hedge accounting table above.

21.2 Fair value changes on financial instruments

	NOTE	2022 \$M	2021 \$M
Recognised in profit or loss			
Fair value movement on hedging instruments		(127.0)	(184.3)
Fair value movement on hedged items		124.9	186.7
Fair value movement on unhedged items		0.5	-
Ineffectiveness from cash flow hedge relationships		7.5	-
Fair value change on contingent consideration	5	(2.3)	(5.9)
Total gains/(losses)		3.6	(3.5)

21. Derivatives and hedge accounting *continued*

21.3 Reconciliation of changes in hedge reserves

Hedge reserves 2022	CASHFLOW HEDGE RESERVE \$M	COST OF HEDGING \$M	TOTAL \$M
Opening balance	27.5	7.3	34.8
Hedging gains or losses recognised in OCI – Interest rate swaps	(93.0)	–	(93.0)
Hedging gains or losses recognised in OCI – Cross currency swaps	(5.5)	(8.3)	(13.8)
Hedging gains or losses recognised in OCI – Forward exchange contracts	(6.0)	–	(6.0)
Transferred to profit or loss – Interest rate swaps	(18.0)	–	(18.0)
Transferred to profit or loss – Cross currency swaps	(1.1)	–	(1.1)
Recognised as basis adjustment to non-financial assets	2.0	–	2.0
Deferred tax on change in reserves	34.1	2.3	36.4
Closing balance	(60.0)	1.3	(58.7)

Hedge reserves 2021	CASHFLOW HEDGE RESERVE \$M	COST OF HEDGING \$M	TOTAL \$M
Opening balance	76.3	5.4	81.7
Hedging gains or losses recognised in OCI – Interest rate swaps	(37.7)	–	(37.7)
Hedging gains or losses recognised in OCI – Cross currency swaps	2.7	2.7	5.4
Hedging gains or losses recognised in OCI – Forward exchange contracts	2.4	–	2.4
Transferred to profit or loss – Interest rate swaps	(33.5)	–	(33.5)
Transferred to profit or loss – Cross currency swaps	0.7	–	0.7
Recognised as basis adjustment to non-financial assets	(2.3)	–	(2.3)
Deferred tax on change in reserves	18.9	(0.8)	18.1
Closing balance	27.5	7.3	34.8

22. Financial risk management

Risk management framework	<p>Vector has a comprehensive treasury policy, approved by the board, to manage financial risks arising from business activity. The policy outlines the objectives and approach that the group applies to manage:</p> <ul style="list-style-type: none"> — Interest rate risk; — Credit risk; — Liquidity risk; — Foreign exchange risk; and — Funding risk. <p>For each risk type, any position outside the policy limits requires the prior approval of the board. Each risk is monitored on a regular basis and reported to the board.</p>
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22. Financial risk management *continued*

22.1 Interest rate risk

Interest rate exposure 2022	< 1 YEAR \$M	1 - 2 YEARS \$M	2 - 5 YEARS \$M	> 5 YEARS \$M	TOTAL \$M
Interest rate exposure: borrowings	886.5	240.0	727.2	1,437.9	3,291.6
Derivative contracts:					
Interest rate swaps	(1,140.0)	280.0	710.0	150.0	-
Cross currency swaps	1,212.9	-	-	(1,212.9)	-
Net interest rate exposure	959.4	520.0	1,437.2	375.0	3,291.6

Interest rate exposure 2021	< 1 YEAR \$M	1 - 2 YEARS \$M	2 - 5 YEARS \$M	> 5 YEARS \$M	TOTAL \$M
Interest rate exposure: borrowings	967.2	250.5	490.0	1,382.9	3,090.6
Derivative contracts:					
Interest rate swaps	(1,230.0)	40.0	840.0	350.0	-
Cross currency swaps	1,463.4	(250.5)	-	(1,212.9)	-
Net interest rate exposure	1,200.6	40.0	1,330.0	520.0	3,090.6

Policies

Vector is exposed to interest rate risk through its borrowing activities.

Interest rate exposures are managed primarily by entering into derivative contracts. The main objectives are to minimise the cost of total borrowings, control variations in the interest expense of the borrowings from year to year, and where practicable to match the interest rate risk profile of the borrowings with the risk profile of the group's assets.

The board has set and actively monitors maximum and minimum limits for the net interest rate exposure profile.

22.2 Credit risk

Policies

Credit risk represents the risk of cash flow losses arising from counterparty defaults. Vector is exposed to credit risk in the normal course of business from:

- Trade receivable transactions with business and mass market residential customers; and
- Financial instruments transactions with financial institutions.

The carrying amounts of financial assets represent the group's maximum exposure to credit risk.

The group has credit policies in place to minimise the impact of exposure to credit risk and associated financial losses:

- The board must approve placement of cash, short-term cash deposits or derivatives with financial institutions whose credit rating is less than A+. As at 30 June 2022, all financial instruments are held with financial institutions with credit rating above A+;
- The board sets limits and monitors exposure to financial institutions; and
- Exposure is spread across a range of financial institutions. Where we deem there is credit exposure to energy retailers and customers, the group minimises its risk by performing credit evaluations and/or requiring a bond or other form of security.

22. Financial risk management *continued*

22.3 Liquidity risk

Contractual cash flows maturity profile 2022	PAYABLE <1 YEAR \$M	PAYABLE 1-2 YEARS \$M	PAYABLE 2-5 YEARS \$M	PAYABLE >5 YEARS \$M	TOTAL CONTRACTUAL CASH FLOWS \$M
Non-derivative financial liabilities					
Trade payables	159.7	-	-	-	159.7
Contract liabilities	6.4	5.6	7.1	-	19.1
Lease liabilities	10.3	6.3	7.7	10.7	35.0
Borrowings: interest	101.8	89.2	212.5	149.4	552.9
Borrowings: principal	927.5	240.0	727.2	1,506.4	3,401.1
Derivative financial (assets)/liabilities					
Cross currency swaps: inflow	(336.1)	(38.2)	(114.9)	(1,426.7)	(1,915.9)
Cross currency swaps: outflow	324.0	72.7	206.8	1,504.0	2,107.5
Forward exchange contracts: inflow	(62.5)	(1.3)	(0.6)	-	(64.4)
Forward exchange contracts: outflow	58.4	1.3	0.6	-	60.3
Net settled derivatives					
Interest rate swaps	(15.2)	(22.7)	(33.1)	(1.5)	(72.5)
Group contractual cash flows	1,174.3	352.9	1,013.3	1,742.3	4,282.8

Contractual cash flows maturity profile 2021	PAYABLE <1 YEAR \$M	PAYABLE 1-2 YEARS \$M	PAYABLE 2-5 YEARS \$M	PAYABLE >5 YEARS \$M	TOTAL CONTRACTUAL CASH FLOWS \$M
Non-derivative financial liabilities					
Trade payables	174.7	-	-	-	174.7
Contract liabilities	7.3	10.1	11.6	0.8	29.8
Lease liabilities	10.0	7.8	16.2	12.7	46.7
Borrowings: interest	90.7	63.1	140.1	165.4	459.3
Borrowings: principal	1,003.4	260.7	490.0	1,315.7	3,069.8
Derivative financial (assets)/liabilities					
Cross currency swaps: inflow	(234.7)	(300.4)	(102.8)	(1,309.7)	(1,947.6)
Cross currency swaps: outflow	187.3	290.3	134.9	1,489.0	2,101.5
Forward exchange contracts: inflow	(61.8)	(9.5)	-	-	(71.3)
Forward exchange contracts: outflow	61.9	9.6	-	-	71.5
Net settled derivatives					
Interest rate swaps	20.9	13.6	3.4	(0.5)	37.4
Group contractual cash flows	1,259.7	345.3	693.4	1,673.4	3,971.8

22. Financial risk management *continued*

22.3 Liquidity risk *continued*

Contractual cash flows

The preceding table shows the timing of non-discounted cash flows for all financial instrument liabilities and derivatives.

The cash flows for bank facilities, included in borrowings, are disclosed on the basis of their contractual repayment terms for the individual drawdowns.

The cash flows for capital bonds, included in borrowings, are disclosed as payable within 2-5 years year as the next election date set for the capital bonds is 15 June 2027 (2021: 0-1 year, with the election date of the last rollover as 15 Jun 2022) and the bonds have no contractual maturity date.

Policies

Vector is exposed to liquidity risk where there is a risk that the group may encounter difficulty in meeting its day to day obligations due to the timing of cash receipts and payments.

The objective is to ensure that adequate liquid assets and funding sources are available at all times to meet both short-term and long-term commitments. The board has set a minimum headroom requirement for committed facilities over Vector's anticipated 18-month peak borrowing requirement.

At balance date, Vector has access to undrawn funds of \$644.0 million (2021: \$670.0 million).

22.4 Foreign exchange risk

Policies

Vector is exposed to foreign exchange risk through its borrowing activities, foreign currency denominated expenditure, and through our Australian subsidiaries.

Foreign exchange exposure is primarily managed through entering into derivative contracts. The board requires that all significant foreign currency borrowings and expenditure are hedged into NZD at the time of commitment to drawdown or when the exposure is highly probable. Hence, at balance date there is no significant exposure to foreign currency risk.

22.5 Funding risk

Policies

Funding risk is the risk that Vector will have difficulty refinancing or raising new debt on comparable terms to existing facilities. The objective is to spread the concentration of risk so that if an event occurs the overall cost of funding is not unnecessarily increased. Details of borrowings are shown in note 20.

The board has set the maximum amount of debt that may mature in any one financial year.

23. Cash flows

23.1 Reconciliation of net profit/(loss) to net cash flows from/(used in) operating activities

Reconciliation of net profit/(loss) to net cash flows from/(used in) operating activities	NOTE	2022 \$M	2021 \$M
Net profit/(loss) for the period		160.9	194.6
Items classified as investing activities			
Gain on sale of investment in associate	6	(7.1)	-
Items associated with investing activities		24.4	(8.1)
Items classified as financing activities			
Items associated with lease liabilities		-	0.4
Non-cash items			
Depreciation and amortisation		289.8	270.1
Non-cash portion of interest costs (net)		(10.6)	(3.7)
Fair value change on financial instruments	21.2	(3.6)	3.5
Associates (share of net (profit)/loss)		-	(1.8)
Impairment		40.2	-
Increase/(decrease) in deferred tax		53.2	27.4
Increase/(decrease) in provisions		0.6	(5.4)
Other non-cash items		9.9	0.8
		379.5	290.9
Changes in assets and liabilities			
Trade and other payables		(41.1)	14.1
Contract liabilities		20.2	3.3
Contract assets		(2.3)	(12.9)
Inventories		(11.8)	(3.0)
Trade and other receivables		(4.1)	5.9
Income tax		0.2	13.9
		(38.9)	21.3
Net cash flows from/(used in) operating activities		518.8	499.1

23.2 Reconciliation of movement of liabilities to cash flows arising from financing activities

Reconciliation of movement of liabilities to cash flows arising from financing activities	LEASE LIABILITIES	BORROWINGS	DERIVATIVES	TOTAL
Balance at 1 July 2021	37.4	3,070.6	62.3	3,170.3
Net draw downs	-	201.0	-	201.0
Lease liabilities payments	(11.2)	-	-	(11.2)
Financing cash flows	(11.2)	201.0	-	189.8
Cost of debt raising	-	(3.2)	-	(3.2)
Fair value changes	-	(40.1)	(95.7)	(135.8)
Borrowing fees paid	-	(6.2)	-	(6.2)
Amortisation of debt raising costs	-	8.3	-	8.3
Premium released	-	(1.0)	-	(1.0)
ROU asset additions	7.3	-	-	7.3
ROU asset disposals	(6.4)	-	-	(6.4)
Other	0.6	-	-	0.6
As at 30 June 2022	27.7	3,229.4	(33.4)	3,223.7

Policies

Cash and cash equivalents are carried at amortised cost. Cash and cash equivalents include deposits that are on call.

24. Equity

24.1 Share Capital

Shares The total number of authorised and issued shares is 1,000,000,000 (2021: 1,000,000,000). All ordinary issued shares are fully paid, have no par value and carry equal voting rights and equal rights to a surplus on winding up of the parent.

At balance date 26,343 shares (2021: 82,035) are allocated to the employee share purchase scheme.

24.2 Capital Management

Policies Vector's objectives in managing capital are:

- To safeguard the ability of entities within the group to continue as a going concern;
- To provide an adequate return to shareholders by pricing products and services commensurate with the level of risk; and
- Maintain an investment grade credit rating.

Vector manages and may adjust its capital structure in light of changes in economic conditions and for the risk characteristics of the underlying assets. To achieve this Vector may:

- Adjust its dividend policy;
- Return capital to shareholders; or
- Sell assets to reduce debt.

24.3 Financial ratios

	2022 \$M 12 MONTHS	2021 \$M 12 MONTHS
Basic and diluted earnings per share		
Net profit attributable to owners of the parent	158.9	193.2
Weighted average ordinary shares outstanding during the period (number of shares)	999,946,417	999,906,097
Total earnings per share	15.9 cents	19.3 cents
Net tangible assets per share	2022 \$M	2021 \$M
Net assets attributable to owners of the parent	2,414.0	2,319.7
Less total intangible assets	(1,266.5)	(1,294.3)
Total net tangible assets	1,147.5	1,025.4
Ordinary shares outstanding (number of shares)	999,973,657	999,917,965
	114.8 cents	102.5 cents
Economic net debt to economic net debt plus adjusted equity ratio ("gearing ratio")	2022 \$M	2021 \$M
Face value of borrowings	3,291.6	3,090.6
Lease liabilities	27.7	37.4
Less cash and cash equivalents	(22.5)	(17.4)
Economic net debt	3,296.8	3,110.6
Total equity	2,430.1	2,335.4
Adjusted for hedge reserves	(58.7)	34.8
Adjusted equity	2,371.4	2,370.2
Economic net debt plus adjusted equity	5,668.2	5,480.8
	58.2%	56.8%

Economic net debt The definition of economic net debt has changed from 'face value of borrowings less cash and cash equivalents' at 30 June 2021, to 'face value of borrowings and lease liabilities, less cash and cash equivalents' at 30 June 2022. Comparatives at 30 June 2021 have been restated accordingly.

24. Equity *continued*

24.4 Reserves

Hedge reserves

Hedge reserves comprise the cash flow hedge reserve and cost of hedging.

The cash flow hedge reserve records the effective portion of changes in the fair value of derivatives that are designated as cash flow hedges.

The gain or loss relating to the ineffective portion is recorded in profit or loss within interest costs (net).

During the year, \$19.1 million (2021: \$32.8 million) was transferred from the cash flow hedge reserve to interest expense.

Cost of hedging records the change in the fair value of the cost to convert foreign currency into New Zealand dollars as required under NZ IFRS 9.

Other reserves

Other reserves comprise:

- A share-based payment reserve relating to the employee share purchase scheme. When shares are vested to the employee, the reserve is offset with a reduction in treasury shares.
- A foreign currency translation reserve to record exchange differences arising from the translation of the group's foreign operations.
- A reserve to record the fair value movements in the group's investments in financial assets.

25. Related party transactions

	2022 \$M	2021 \$M
Transactions with Entrust		
Dividends paid	125.8	123.9
Distribution to customers	6.2	–
Transactions with associate		
Purchase of vegetation management services from Tree Scape Limited	1.2	7.7
Directors' fees received from Tree Scape Limited	–	0.1
Transactions with key management personnel		
Salary and other short-term employee benefits	7.5	5.8
Directors' fees	0.9	0.8

Related parties

As disclosed in note 6, the group's investment in Tree Scape Limited was sold on 31 August 2021, and as such is not considered a related party from 1 September 2021. Transactions up until the date of sale have been included in the related party transactions above.

Other related parties are Entrust, the group's ultimate parent entity and key management personnel that include the group's directors and the executive team.

26. Contingent liabilities

Disclosures The directors are aware of claims that have been made against entities of the group and, where appropriate, have recognised provisions for these within note 18.
No material contingent liabilities have been identified.

27. Events after balance date

Loss rental rebates On 25 August 2022, the board approved the distribution of loss rental rebates to customers on the Vector electricity network at a rate of \$30 per connection. The distribution is expected to take place in September 2022.

Approval The financial statements were approved by the board on 25 August 2022.

Final dividend On 25 August 2022, the board declared a final dividend for the year ended 30 June 2022 of 8.50 cents per share.
No adjustment is required to these financial statements in respect of this event.

Independent Auditor's Report

To the shareholders of Vector Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of Vector Limited (the 'company') and its subsidiaries (the 'group') on pages 59 to 101:

- i. present fairly in all material respects the Group's financial position as at 30 June 2022 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated balance sheet as at 30 June 2022;
- the consolidated profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Our firm has also provided other services to the group in relation to regulatory assurance services, other assurance services, enterprise risk management coaching and compliance services in relation to R&D tax credits. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at \$11.9 million determined with reference to a benchmark of group profit before tax. We chose the benchmark because, in our view, this is a key measure of the group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter

How the matter was addressed in our audit

Capitalisation and asset lives (Property, plant and equipment of \$4,882.1 million, Software of \$62.3 million, with additions during the year of \$549.6 million).

Refer to Notes 11 and 12 of the financial statements.

Capitalisation of costs and useful lives assigned to these assets are a key audit matter due to the significance of property, plant and equipment and software to the group's business, and due to the judgement involved in determining the carrying value of these assets, principally:

- the decision to capitalise or expense costs relating to the metering, electricity and gas distribution networks. This decision depends on whether the expenditure is considered to enhance the network (and is therefore capital), or to maintain the current operating capability of the network (and is therefore an expense). There is also judgement when estimating the extent of recovering internal salary costs, particularly within digital projects; and
- the estimation of the useful life of the asset once the costs are capitalised. Estimated lives range between 2 and 100 years, resulting from the diversity of property, plant and equipment and software assets across a portfolio of businesses. There is also judgment when estimating asset lives due to the uncertainty of the impact of technological change.

Our audit procedures in this area included, among others:

- examining the operating effectiveness of controls related to the approval of capital projects;
- assessing the nature of capitalised costs by checking a sample of costs to invoice to determine whether the description of the expenditure met the capitalisation criteria in the relevant accounting standards;
- assessing the useful economic lives stated in the accounting policies of the group by comparing to industry benchmarks and our knowledge of the business and its operations; and
- assessing whether the useful economic lives of each individual asset capitalised in the current period was within the stated policies.

We found no material errors in the nature and amount capitalised in the period and that the estimated useful lives of assets were within an acceptable range when compared to those used in the industry.

The key audit matter

How the matter was addressed in our audit

Impairment assessment of the Electricity distribution, Gas distribution, Gas trading, OnGas, Liquigas and the Metering cash generating units (inclusive of \$1,123.9 million of goodwill).

Refer to Note 11 of the financial statements.

We considered the impairment assessment of the Electricity distribution and Gas distribution cash generating units to be a key audit matter due to the significance of goodwill of \$1,123.9 million to the financial position of the group and the significant judgment used to estimate future pricing of the regulated revenue streams beyond the timeframe of the current Commerce Commission regulatory price paths.

We considered the impairment assessment of the Metering cash generating unit to be a key audit matter due to significant value of intangible assets in the business which operates across two geographical markets.

We considered the impairment assessment of the Gas Trading segments to be a key audit matter due to the competitive margin trading environment and the potential impact of the response on the global climate change.

The procedures we performed to evaluate the impairment assessments included:

- assessing whether the methodology adopted in the discounted cash flow models was consistent with accepted valuation approaches of NZ IAS 36 Impairment of Assets and within the energy industry;
- evaluating the significant future cash flow assumptions by comparing to historical trends, budgets and where applicable, Asset Management Plans, and regulatory pricing models;
- comparing the discount rates applied to the estimated future cash flows and the terminal growth rates to relevant benchmarks using our own valuation specialists;
- challenging the above assumptions and judgements by performing sensitivity analysis, considering a range of likely outcomes based on various scenarios;
- calculating the regulated asset base ('RAB') multiple implied by valuation of the Regulated Network cash generated unit and comparing this to the range of RAB multiples observed in the marketplace; and
- comparing the group's net assets as at 30 June 2022 of \$2,430.1 million to its market capitalisation of \$4,170.0 million at 30 June 2022 which implied total headroom of \$1,739.9 million.

We found the methodology to be consistent with industry norms, specifically:

- the discount and terminal growth rates were in an acceptable industry range;
- future cash flow assumptions were supported by comparison to the sources we considered above; and
- the overall comparison of the group's net assets to market capitalisation did not indicate an impairment.



Other information

The Directors, on behalf of the group, are responsible for the other information included in the group's Annual Report. Other information comprises the information included in the group's Annual Report, but does not include consolidated financial statements and our Independent Auditor's Report thereon. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards.

For and on behalf of

A handwritten signature in blue ink that reads 'KPMG'. The signature is written in a cursive, slightly slanted style.

KPMG
Auckland

25 August 2022



Statutory Information

Statutory information

Interests register

Each company in the group is required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests registers for Vector Limited and its subsidiaries are available for inspection at their registered offices.

Particulars of entries in the interests registers made during the year ended 30 June 2022 are set out in this Statutory Information section.

Information used by directors

During the financial year there were no notices from directors of Vector Limited, or any subsidiary, requesting to use information received in their capacity as a director which would not otherwise have been available to them.

Indemnification and insurance of directors and officers

As permitted by the constitution and the Companies Act 1993, Vector Limited has indemnified its directors, and those directors who are directors of subsidiaries against potential liabilities and costs they may incur for acts or omissions in their capacity as directors. In addition, Vector Limited has indemnified certain senior employees against potential liabilities and costs they may incur for acts or omissions in their capacity as employees of Vector Limited, or directors of Vector subsidiaries or associates.

During the financial year, Vector Limited paid insurance premiums in respect of directors and certain senior employees' liability insurance which covers risks normally covered by such policies arising out of acts or omissions of directors and employees in their capacity as such. Insurance is not provided for criminal liability or liability or costs in respect of which an indemnity is prohibited by law.

Donations

Vector Limited made donations of \$7,829 during the year ended 30 June 2022. Subsidiaries of Vector Limited made donations of \$26,280 during the year ended 30 June 2022. No political donations were made during the year ended 30 June 2022.

Credit rating

At 30 June 2022 Vector Limited had a Standard & Poor's credit rating of BBB/stable, and a Moody's credit rating of Baa1/stable.

NZX regulation waivers and rulings

No new waivers were granted in the year to 30 June 2022.

Exercise of NZX powers

NZX did not exercise any of its powers set out in Listing Rule 9.9.3 (relating to powers to cancel, suspend or censure an issuer) with respect to Vector Limited.

Trustees of Entrust

During the year ended 30 June 2022, Vector Limited made payments to A Bell, M Buczkowski and P Hutchison, trustees of Entrust (Vector Limited's majority shareholder) totalling \$183,000 in respect of their roles as directors on the Vector Limited board.

Subsidiaries and associates

A list of each of the Company's subsidiaries is contained on page 81. The Company sold its share of Tree Scape Limited, an associate during the year ended 30 June 2022. At 30 June 2022, the group was in the process of deregistering both Ventilation Australia Pty Limited and HRV Australia Pty Limited. Both companies were officially deregistered on 20 July 2022.

Directors

The following directors of Vector Limited and current group companies held office as at 30 June 2022 or resigned (R) as a director during the year ended 30 June 2022. Directors marked (A) were appointed during the year.

PARENT	DIRECTORS
Vector Limited	A Bell, M Buczkowski (R), A Carter, P Hutchison (A), J Mason, P Rebstock, B Turner, A Urlwin (A)

All of the above directors in office at 30 June 2022 are independent directors, except for A Bell and P Hutchison who are trustees of Entrust (Vector Limited's majority shareholder).

SUBSIDIARIES	DIRECTORS
Advanced Metering Assets Limited	J Hollingworth, S Mackenzie, B Talacek (R), N Williams (A)
Advanced Metering Services Limited	J Hollingworth, S Mackenzie, B Talacek (R), N Williams (A)
Arc Innovations Limited	J Hollingworth, S Mackenzie, B Talacek (R), N Williams (A)
Cristal Air International Limited	J Hollingworth, S Mackenzie
E-Co Products Group Limited	J Hollingworth, S Mackenzie
HRV Australia Pty Limited	S Mackenzie, J Sheridan
Liquigas Limited	A Andriopoulos (R), B Behdin (A), S Bridge, T Coster (A), A Gilbert (R), P Goodeve, N Hannan, R Middelbeek (R), G O'Brien (A), R Sharp, B Talacek (R), M Trigg, N Williams (A)
NGC Holdings Limited	J Hollingworth, S Mackenzie
On Gas Limited	J Hollingworth, S Mackenzie, B Talacek (R), N Williams (A)
PowerSmart NZ Limited	J Hollingworth, S Mackenzie
SolPho Limited	J Hollingworth, S Mackenzie
Vector Advanced Metering Assets (Australia) Limited	J Hollingworth, S Mackenzie, B Talacek (R), N Williams (A)
Vector Advanced Metering Services (Australia) Pty Limited	J Hollingworth, S Mackenzie, J Sheridan, B Talacek (R)
Vector Auckland Property Limited	J Hollingworth, S Mackenzie
Vector Communications Limited	J Hollingworth, S Mackenzie
Vector Energy Solutions (Australia) Pty Limited	J Hollingworth, S Mackenzie, J Sheridan
Vector Energy Solutions Limited	J Hollingworth, S Mackenzie
Vector ESPS Trustee Limited	J Hollingworth, S Mackenzie
Vector Gas Trading Limited	J Hollingworth, S Mackenzie, B Talacek (R), N Williams (A)
Vector Management Services Limited	J Hollingworth, S Mackenzie
Vector Metering Data Services Limited	J Hollingworth, S Mackenzie
Vector Northern Property Limited	J Hollingworth, S Mackenzie
Vector Technology Services Limited	J Hollingworth, S Mackenzie, Nikhil D R (R)
Ventilation Australia Pty Limited	S Mackenzie, J Sheridan

Directors *continued*

Directors' remuneration and value of other benefits received from Vector Limited and current group companies for the year ended 30 June 2022:

	PAID BY PARENT \$	PAID BY SUBSIDIARIES \$
Directors of Vector Limited		
A Bell	100,650	-
M Buczkowski	25,162	-
A Carter	100,650	-
P Hutchison	57,188	-
J Mason	201,300	-
P Rebstock	100,650	-
B Turner	100,650	-
A Urlwin	83,875	-
	770,125	-

	PAID BY PARENT \$	PAID BY SUBSIDIARIES \$
Directors of subsidiaries		
A Andriopoulos	-	833*
B Behdin	-	3,875*
S Bridge	-	5,000
T Coster	-	4,167*
A Gilbert	-	4,583
P Goodeve	-	5,833
N Hannan	-	5,000
G O'Brien	-	417
R Sharp	-	5,000*
B Talacek	-	6,361*
M Trigg	-	44,200
N Williams	-	306*
	-	85,575

* Directors' fees relating to any Vector Limited employee are paid to the company.

Directors *continued***Directors of Vector Limited**

Entries in the interests register of Vector Limited during the year to 30 June 2022 that are not set out elsewhere in this annual report:

DIRECTOR	ENTITY	POSITION
A Bell	Entrust	Trustee
	Communities and Residents Administration Limited	Director
A Carter	Avonhead Mall Limited	Director and shareholder
	Capital Education Limited	Advisor
	Capital Solutions Limited	Advisor
	Datacom Group Limited	Chairman
	Loughborough Investments Limited	Director and shareholder
	Maurice Carter Family Trust	Trustee
	My Food Bag Group Limited	Chairman
	Royal Auckland and Grange Golf Club	Captain
	Skin Institute Holding Company Limited	Chairman
	Talsc 6 Limited	Director and shareholder
P Hutchison	The Interiors Group Holdco Limited	Chairman and shareholder
	T R Group Limited	Chairman
	Beenz Limited	Director
	Beenz (USA) Limited	Shareholder
	Entrust	Trustee
	Franklin Medical Properties Limited	Director
	Geneva Finance Limited	Shareholder
	Helena Bay Honey New Zealand Limited	Director and shareholder
	Helena Bay Honey NZ Partnership Limited	Director
	Helena Health New Zealand Limited	Director
Paul Charles Investments Limited	Director and shareholder	
J Mason	PPB Properties Limited	Director
	Pukekohe Cinemas Limited	Director
	South Pacific Star Cinemas Investments Limited	Director
	Air New Zealand Limited	Director
	Dilworth School for Boys	Trustee
	University of Auckland	Trustee of Endowment Fund and University Council and Adjunct Professor of Management
P Rebstock	Westpac New Zealand Limited	Director
	Zespri Group Limited	Director
	AIA New Zealand Limited	Director
	Auckland District Health Board	Chair (Audit, Finance and Risk Committee)
	Auckland One Rail Limited	Director
	Freightlink Limited	Director
	Kiwi Group Holdings Limited	Chair
	National Hauora Coalition Limited	Chair
	New Zealand Defence Force Board	Chair
	Ngāti Whātua Ōrākei Whai Maia Limited	Chair
	NZ Healthcare Investments Limited	Chair
	On Being Bold Limited	Director and shareholder
Sealink New Zealand Limited	Director	
Sealink Pine Harbour Limited	Director	
Sealink Travel Group New Zealand Limited	Director	

Directors *continued*

Directors of Vector Limited *continued*

DIRECTOR	ENTITY	POSITION
B Turner	Fonterra Co-op Group Limited	Director (Central Portfolio Management)
	Fonterra Commodities Limited	Director
	GlobalDairyTrade Holdings Limited	Director
	The Arapaho Springs Trust	Trustee
	The Arapaho Springs Investment Trust	Trustee
A Urlwin	City Rail Link Limited	Director
	Clifton Creek Limited	Director and shareholder
	Maigold Holdings Limited	Director and shareholder
	Precinct Properties New Zealand Limited	Director
	Queenstown Airport Corporation Limited	Director
	Summerset Group Holdings Limited	Director
	Urlwin Associates Limited	Director and shareholder
	Ventia Services Group Limited	Director

The entities listed above against each director may transact with Vector Limited and its subsidiaries in the normal course of business. Auckland based directors (A Bell, A Carter, P Hutchison, J Mason, P Rebstock and B Turner) are Vector Limited residential electricity customers.

Directors of subsidiaries

There are no entries in the interests register of subsidiaries up to 30 June 2022 that are not set out elsewhere in this annual report.

Employees

The number of current employees of the company and the group receiving remuneration and benefits above \$100,000 in the year ended 30 June 2022 are set out in the table below:

CURRENT EMPLOYEES	GROUP	COMPANY
\$100,001 - \$110,000	64	51
\$110,001 - \$120,000	53	39
\$120,001 - \$130,000	47	39
\$130,001 - \$140,000	52	46
\$140,001 - \$150,000	56	49
\$150,001 - \$160,000	48	37
\$160,001 - \$170,000	38	28
\$170,001 - \$180,000	30	24
\$180,001 - \$190,000	15	11
\$190,001 - \$200,000	15	13
\$200,001 - \$210,000	14	9
\$210,001 - \$220,000	15	10
\$220,001 - \$230,000	10	7
\$230,001 - \$240,000	11	11
\$240,001 - \$250,000	7	5
\$250,001 - \$260,000	7	7
\$260,001 - \$270,000	15	13
\$270,001 - \$280,000	8	6
\$280,001 - \$290,000	4	4
\$290,001 - \$300,000	3	3
\$300,001 - \$310,000	3	3
\$310,001 - \$320,000	3	3
\$320,001 - \$330,000	1	1
\$330,001 - \$340,000	1	1
\$340,001 - \$350,000	2	1
\$350,001 - \$360,000	3	1
\$360,001 - \$370,000	3	1
\$370,001 - \$380,000	2	2
\$380,001 - \$390,000	1	1
\$390,001 - \$400,000	3	3
\$400,001 - \$410,000	2	1
\$420,001 - \$430,000	3	3
\$430,001 - \$440,000	1	1
\$440,001 - \$450,000	1	1
\$500,001 - \$510,000	1	-
\$580,001 - \$590,000	3	3
\$590,001 - \$600,000	1	1
\$630,001 - \$640,000	1	1
\$660,001 - \$670,000	1	1
\$720,001 - \$730,000	1	1
\$860,001 - \$870,000	1	1
\$2,090,001 - \$2,100,000	1	1
	551	444

Employees *continued*

The number of former employees of the company and the group receiving remuneration and benefits above \$100,000 in the year ended 30 June 2022 are set out in the table below:

FORMER EMPLOYEES (INCLUDING ANY TERMINATION PAYMENTS)	Group	Company
\$100,001 - \$110,000	8	5
\$110,001 - \$120,000	3	2
\$120,001 - \$130,000	6	3
\$130,001 - \$140,000	4	3
\$140,001 - \$150,000	5	5
\$150,001 - \$160,000	4	2
\$160,001 - \$170,000	5	3
\$170,001 - \$180,000	1	1
\$180,001 - \$190,000	4	2
\$190,001 - \$200,000	3	3
\$200,001 - \$210,000	2	2
\$210,001 - \$220,000	2	2
\$220,001 - \$230,000	1	1
\$230,001 - \$240,000	1	-
\$240,001 - \$250,000	1	1
\$260,001 - \$270,000	1	1
\$270,001 - \$280,000	2	2
\$290,001 - \$300,000	1	1
\$310,001 - \$320,000	1	1
\$450,001 - \$460,000	1	1
\$590,001 - \$600,000	1	1
	57	42

No employee of the group appointed as a director of a subsidiary or associate company receives or retains any remuneration or benefits as a director. The remuneration and benefits of such employees, received as employees, are included in the relevant bandings disclosed above, where the annual remuneration and benefits exceed \$100,000.

Bondholder statistics

NZDX debt securities distribution as at 30 June 2022:

6.23% Capital bonds

RANGE	NUMBER OF BONDHOLDERS	PERCENTAGE OF BONDHOLDERS	NUMBER OF SECURITIES HELD	PERCENTAGE OF SECURITIES HELD
001 - 4,999	1	0.03%	3,000	0.00%
5,000 - 9,999	497	15.66%	2,689,000	0.88%
10,000 - 49,999	1,992	62.78%	41,098,000	13.38%
50,000 - 99,999	434	13.68%	24,793,000	8.07%
100,000 - 499,999	222	7.00%	34,786,000	11.32%
500,000 - 999,999	10	0.31%	6,014,000	1.96%
1,000,000 plus	17	0.54%	197,822,000	64.39%
	3,173	100.00%	307,205,000	100.00%

The following current directors of the parent are holders (either beneficially or non-beneficially) of Vector Limited capital bonds as at 30 June 2022:

DIRECTOR	NUMBER OF BONDS
A Urlwin (as a shareholder of Maigold Holdings Limited)	33,000

Bondholder statistics *continued*

Twenty largest registered capital bond holders as at 30 June 2022:

BOND HOLDER	BONDS HELD	PERCENTAGE OF BONDS HELD
Custodial Services Limited <A/C 4>	70,987,000	23.11%
Forsyth Barr Custodians Limited <1-CUSTODY>	33,097,000	10.77%
FNZ Custodians Limited	20,993,000	6.83%
JBWere (NZ) Nominees Limited <NZ RESIDENT A/C>	19,153,000	6.23%
National Nominees Limited - NZCSD <NNLZ90>	11,980,000	3.90%
Bank of New Zealand - Treasury Support <BNZW40>	8,755,000	2.85%
Hobson Wealth Custodian Limited <RESIDENT CASH ACCOUNT>	7,460,000	2.43%
Investment Custodial Services Limited <A/C C>	6,433,000	2.09%
Masfen Securities Limited	5,980,000	1.95%
Forsyth Barr Custodians Limited <ACCOUNT 1 E>	2,819,000	0.92%
Francis Horton Tuck & Catherine Ann Tuck <Puketahi A/C>	2,300,000	0.75%
Fletcher Building Educational Fund Limited	2,000,000	0.65%
Woolf Fisher Trust Incorporated	1,500,000	0.49%
Public Trust Class 10 Nominees Limited - NZCSD	1,420,000	0.46%
University Of Otago Foundation Trust	1,284,000	0.42%
KPS Society Limited	1,200,000	0.39%
FNZ Custodians Limited <DRP NZ A/C>	1,074,000	0.35%
FNZ Custodians Limited <DTA NON-RESIDENT A/C>	964,000	0.31%
Sterling Holdings Limited	750,000	0.24%
ANZ Custodial Services New Zealand Limited - NZCSD <PBNK90>	737,000	0.24%
	200,886,000	65.38%

3.45% Senior retail bonds

RANGE	NUMBER OF BONDHOLDERS	PERCENTAGE OF BONDHOLDERS	NUMBER OF SECURITIES HELD	PERCENTAGE OF SECURITIES HELD
5,000 – 9,999	90	13.66%	551,000	0.22%
10,000 – 49,999	432	65.55%	8,654,000	3.46%
50,000 – 99,999	59	8.95%	3,668,000	1.47%
100,000 – 499,999	47	7.13%	8,622,000	3.45%
500,000 – 999,999	5	0.76%	3,471,000	1.39%
1,000,000 plus	26	3.95%	225,034,000	90.01%
	659	100.00%	250,000,000	100.00%

The following current directors of the parent are holders (either beneficially or non-beneficially) of Vector Limited 3.45% senior retail bonds as at 30 June 2022:

DIRECTOR	NUMBER OF BONDS
A Urlwin (as a shareholder of Maigold Holdings Limited)	15,000

Bondholder statistics *continued*

Twenty largest registered 3.45% senior retail bond holders as at 30 June 2022:

BOND HOLDER	BONDS HELD	PERCENTAGE OF BONDS HELD
Custodial Services Limited <A/C 4>	73,011,000	29.20%
Forsyth Barr Custodians Limited <1-CUSTODY>	35,977,000	14.39%
PNZ Custodians Limited	31,831,000	12.73%
HSBC Nominees (New Zealand) Limited O/A Euroclear Bank -NZCSD <HKBN95>	19,990,000	8.00%
Citibank Nominees (New Zealand) Limited - NZCSD <CNOM90>	9,380,000	3.75%
HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	7,430,000	2.97%
BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	7,249,000	2.90%
JBWere (NZ) Nominees Limited <NZ RESIDENT A/C>	5,442,000	2.18%
Hobson Wealth Custodian Limited <RESIDENT CASH ACCOUNT>	4,436,000	1.77%
Generate Kiwisaver Public Trust Nominees Limited <NZCSD> <NZPT44>	4,098,000	1.64%
Adminis Custodial Nominees Limited	4,040,000	1.62%
Investment Custodial Services Limited <A/C C>	3,369,000	1.35%
Mint Nominees Limited - NZCSD <NZP440>	3,025,000	1.21%
Forsyth Barr Custodians Limited <ACCOUNT 1 E>	2,016,000	0.81%
FNZ Custodians Limited <DTA NON RESIDENT A/C>	1,646,000	0.66%
Croxen Investments Limited	1,600,000	0.64%
TEA Custodians Limited Client Property Trust Account - NZCSD <TEAC40>	1,298,000	0.52%
JPMorgan Chase Bank NA NZ Branch-Segregated Clients ACCT - NZCSD <CHAM24>	1,100,000	0.44%
Forsyth Barr Custodians Limited <A/C 1 NRLAIL>	1,085,000	0.43%
FNZ Custodians Limited <DRP NZ A/C>	1,034,000	0.41%
	219,057,000	87.62%

3.69% Senior retail bonds

RANGE	NUMBER OF BONDHOLDERS	PERCENTAGE OF BONDHOLDERS	NUMBER OF SECURITIES HELD	PERCENTAGE OF SECURITIES HELD
001 – 4,999	1	0.19%	3,000	0%
5,000 – 9,999	36	6.91%	198,000	0.09%
10,000 – 49,999	324	62.19%	7,224,000	3.21%
50,000 – 99,999	82	15.74%	4,659,000	2.07%
100,000 – 499,999	49	9.40%	8,644,000	3.84%
500,000 – 999,999	8	1.54%	5,095,000	2.27%
1,000,000 plus	21	4.03%	199,177,000	88.52%
	521	100.00%	225,000,000	100.00%

Bondholder statistics *continued*

Twenty largest registered 3.69% senior retail bond holders as at 30 June 2022:

BOND HOLDER	BONDS HELD	PERCENTAGE OF BONDS HELD
Custodial Services Limited <A/C 4>	62,734,000	27.88%
FNZ Custodians Limited	19,514,000	8.67%
JBWere (NZ) Nominees Limited <NZ RESIDENT A/C>	16,940,000	7.53%
National Nominees Limited - NZCSD <NNLZ90>	16,603,000	7.38%
Forsyth Barr Custodians Limited <1-CUSTODY>	15,307,000	6.80%
Hobson Wealth Custodian Limited <RESIDENT CASH ACCOUNT>	11,119,000	4.94%
ANZ Fixed Interest Fund - NZCSD <PNLI90>	10,300,000	4.58%
Mint Nominees Limited - NZCSD <NZP440>	8,050,000	3.58%
HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	7,500,000	3.33%
Citibank Nominees (New Zealand) Limited - NZCSD <CNOM90>	6,500,000	2.89%
ANZ Wholesale Nz Fixed Interest Fund - NZCSD	4,700,000	2.09%
Forsyth Barr Custodians Limited <ACCOUNT 1 E>	3,870,000	1.72%
Investment Custodial Services Limited <A/C C>	2,602,000	1.16%
NZPT Custodians (Grosvenor) Limited - NZCSD <NZPG40>	2,500,000	1.11%
BNP Paribas Nominees (NZ) Limited - NZCSD <COGN40>	2,000,000	0.89%
Dunedin City Council	2,000,000	0.89%
JBWere (NZ) Nominees Limited <A/C 31933>	2,000,000	0.89%
Pin Twenty Limited <KINTYRE A/C>	1,875,000	0.83%
FNZ Custodians Limited <DTA NON RESIDENT A/C>	1,029,000	0.46%
ANZ Custodial Services New Zealand Limited - NZCSD <PBNK90>	1,005,000	0.45%
	198,148,000	88.07%

Shareholder statistics

Twenty largest registered shareholders as at 30 June 2022:

SHAREHOLDER	ORDINARY SHARES HELD	PERCENTAGE OF ORDINARY SHARES HELD
Entrust	751,000,000	75.10%
Custodial Services Limited <A/C 4>	47,912,394	4.79%
Citibank Nominees (New Zealand) Limited - NZCSD <CNOM90>	15,189,303	1.52%
Accident Compensation Corporation - NZCSD <ACCI40>	8,741,657	0.87%
Hobson Wealth Custodian Limited <RESIDENT CASH ACCOUNT>	7,519,540	0.75%
Generate KiwiSaver Public Trust Nominees Limited <NZCSD> <NZPT44>	7,276,758	0.73%
JBWere (NZ) Nominees Limited <NZ RESIDENT A/C>	6,547,209	0.65%
BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	6,213,812	0.62%
HSBC Nominees (NEW ZEALAND) Limited - NZCSD <HKBN90>	5,246,205	0.52%
JPMorgan Chase Bank Na Nz Branch-Segregated Clients ACCT - NZCSD <CHAM24>	5,176,961	0.52%
FNZ Custodians Limited	4,875,860	0.49%
New Zealand Depository Nominee Limited <A/C 1 CASH ACCOUNT>	4,623,833	0.46%
HSBC Nominees (New Zealand) Limited A/C State Street -NZCSD <HKBN45>	4,167,018	0.42%
National Nominees Limited - NZCSD <NNLZ90>	3,723,025	0.37%
Forsyth Barr Custodians Limited <1-CUSTODY>	3,217,931	0.32%
ANZ Custodial Services New Zealand Limited - NZCSD <PBNK90>	2,246,282	0.22%
TEA Custodians Limited Client Property Trust Account - NZCSD <TEAC40>	2,142,169	0.21%
Simplicity Nominees Limited - NZCSD	2,107,365	0.21%
PT (Booster Investments) Nominees Limited	1,338,764	0.13%
Hobson Wealth Custodian Limited <EQUITIES DTA ACCOUNT>	963,882	0.10%
	890,229,968	89.00%

Substantial product holders as at 30 June 2022:

SHAREHOLDER	NUMBER OF RELEVANT INTEREST VOTING PRODUCTS HELD	PERCENTAGE OF VOTING PRODUCTS HELD
Entrust	751,000,000	75.10%

Alastair Bell, Michael Buczkowski, William Cairns, Paul Hutchison, and Denise Lee are the registered holders of the shares held by Entrust.

Shareholder statistics *continued*

As at 30 June 2022, voting products issued by Vector Limited totalled 1,000,000,000 ordinary shares.

Ordinary shares distribution as at 30 June 2022:

RANGE	NUMBER OF SHAREHOLDERS	PERCENTAGE OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF SHARES HELD
1 – 499	6,107	21.42%	1,893,035	0.19%
500 – 999	3,074	10.78%	2,385,376	0.24%
1,000 – 4,999	14,438	50.65%	26,010,890	2.60%
5,000 – 9,999	2,423	8.50%	16,206,634	1.62%
10,000 – 49,999	2,242	7.86%	40,540,229	4.06%
50,000 – 99,999	131	0.46%	8,333,311	0.83%
100,000 plus	94	0.33%	904,630,525	90.46%
	28,509	100.00%	1,000,000,000	100.00%

Analysis of shareholders as at 30 June 2022:

SHAREHOLDER TYPE	NUMBER OF SHAREHOLDERS	PERCENTAGE OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF SHARES HELD
Entrust	1	0.00%	751,000,000	75.10%
Companies	886	3.11%	12,175,831	1.22%
Individual Holders	16,053	56.31%	52,907,953	5.29%
Joint	8,145	28.57%	36,852,644	3.69%
Nominee Companies	244	0.86%	138,935,219	13.89%
Other	3,180	11.15%	8,128,353	0.81%
	28,509	100.00%	1,000,000,000	100.00%

The following current directors of the parent are holders (either beneficially or non-beneficially) of Vector Limited ordinary shares as at 30 June 2022:

DIRECTOR	NUMBER OF SHARES
A Carter (as a shareholder of Loughborough Investments Limited)	20,000
J Mason (as a trustee of the Trumbull Trust)	33,500

Alastair Bell, Michael Buczkowski, William Cairns, Paul Hutchison, and Denise Lee are the registered holders of the 751,000,000 ordinary shares held by Entrust. Alastair Bell and Paul Hutchison are directors of Vector Limited.

The following disclosures are made pursuant to section 148 of the Companies Act 1993, in relation to dealings during the year ended 30 June 2022 by directors of Vector Limited in the ordinary shares of Vector Limited:

There were no acquisitions or disposals of relevant interests.

Financial calendar

2022

Final dividend paid	19 September
Annual meeting	29 September

2023

First quarter operating statistics	October
Second quarter operating statistics	January
Half year result and interim report	February
Interim dividend*	April
Third quarter operating statistics	April
Fourth quarter operating statistics	July
Full year result and annual report	August
Final dividend*	September

* Dividends are subject to Board determination.

Investor information

Ordinary shares in Vector Limited are listed and quoted on the New Zealand Stock Market (NZSX) under the company code VCT. Vector also has capital bonds and unsubordinated fixed rate bonds listed and quoted on the New Zealand Debt Market (NZDX). Current information about Vector's trading performance for its shares and bonds can be obtained on the NZX website at www.nzx.com. Further information about Vector is available on our website www.vector.co.nz.

Directory

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www.vector.co.nz

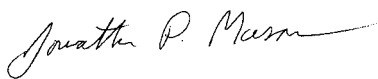
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Investor enquiries

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Email: investor@vector.co.nz

This annual report is dated
25 August 2022 and signed
on behalf of the Board by:



Jonathan Mason
Chair



Anne Urlwin
Director



