



**INTERIM FINANCIAL STATEMENTS** FOR THE SIX MONTHS ENDED 31 DECEMBER 2022



# Group Condensed Interim Financial Statements

for the six months ended 31 December 2022 (unaudited)

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## GROUP CONDENSED INTERIM FINANCIAL STATEMENTS

These group condensed interim financial statements for the six months ended 31 December 2022 are dated 20 February 2023, and signed for and on behalf of Vector Limited by:



Director



Director

And management of Vector Limited by:



Group Chief Executive



Chief Financial Officer



# Independent Review Report

To the shareholders of Vector Limited

## Report on the group condensed interim financial statements

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the group condensed interim financial statements on pages 5 to 23 do not:

- i. present fairly in all material respects the Group's financial position as at 31 December 2022 and its financial performance and cash flows for the 6 month period ended on that date; and
- ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying group condensed interim financial statements which comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated profit or loss, other comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

### Basis for conclusion

A review of group condensed interim financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Vector Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the group in relation to annual audit, regulatory assurance services, other assurance services, compliance services in relation to R&D tax credits and review of enterprise management and internal audit processes. 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 reviewer of the group. The firm has no other relationship with, or interest in, the group.

### Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review 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 review work, this report, or any of the opinions we have formed.



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## Responsibilities of the Directors for the group condensed interim financial statements

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

- the preparation and fair presentation of the group condensed interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of a group condensed interim 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.

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## Auditor's Responsibilities for the review of the group condensed interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these group condensed interim financial statements.

This description forms part of our Independent Review Report.

KPMG  
Auckland

20 February 2023

## Profit or Loss

	NOTE	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	31 DEC 2021 6 MONTHS (UNAUDITED) \$M	30 JUN 2022 12 MONTHS (AUDITED) \$M
<b>Continuing operations:</b>				
Revenue	4	616.0	568.1	1,103.4
Operating expenses	4	(339.9)	(318.1)	(615.3)
Depreciation and amortisation		(101.7)	(95.7)	(194.2)
Interest costs (net)		(67.8)	(54.5)	(104.7)
Impairment		-	-	(40.2)
Fair value change on financial instruments		(6.4)	7.6	3.6
Gain on sale of investment in associate		-	7.1	7.1
<b>Profit/(loss) before income tax</b>		<b>100.2</b>	114.5	159.7
Income tax benefit/(expense)		(31.9)	(28.5)	(57.2)
<b>Net profit/(loss) for the period from continuing operations</b>		<b>68.3</b>	86.0	102.5
Net profit/(loss) for the period from discontinued operations	5	32.0	29.5	58.4
<b>Net profit/(loss) for the period</b>		<b>100.3</b>	115.5	160.9
<b>Net profit/(loss) for the period attributable to</b>				
Non-controlling interests		1.0	1.0	2.0
Owners of the parent – continuing operations		67.3	85.0	100.5
Owners of the parent – discontinued operations		32.0	29.5	58.4
<b>Basic and diluted earnings per share (cents)</b>				
Continuing operations	8	6.7	8.5	10.1
Discontinued operations	8	3.2	3.0	5.8
<b>Total</b>	8	<b>9.9</b>	11.5	15.9

## Other Comprehensive Income

	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	31 DEC 2021 6 MONTHS (UNAUDITED) \$M	30 JUN 2022 12 MONTHS (AUDITED) \$M
<b>Net profit/(loss) for the period</b>	<b>100.3</b>	115.5	160.9
<b>Other comprehensive income net of tax – continuing operations</b>			
<i>Items that may be re-classified subsequently to profit or loss:</i>			
Net change in fair value of hedge reserves	4.1	49.3	93.5
Translation of foreign operations	(10.8)	(3.7)	6.3
<i>Items that will not be re-classified subsequently to profit or loss:</i>			
Fair value change on financial asset	(2.2)	–	(0.1)
<b>Other comprehensive income/(loss) for the period net of tax – continuing operations</b>	<b>(8.9)</b>	45.6	99.7
Translation of foreign operations – discontinued operations	(0.8)	0.8	3.2
<b>Total comprehensive income/(loss) for the period net of tax</b>	<b>90.6</b>	161.9	263.8
<b>Total comprehensive income for the period attributable to</b>			
Non-controlling interests	1.0	1.0	2.0
Owners of the parent – continuing operations	58.4	130.6	200.2
Owners of the parent – discontinued operations	31.2	30.3	61.6

## Balance Sheet

	NOTE	31 DEC 2022 (UNAUDITED) \$M	31 DEC 2021 (UNAUDITED) \$M	30 JUN 2022 (AUDITED) \$M
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		21.8	24.7	22.5
Trade and other receivables		81.0	74.8	89.4
Contract assets		86.7	89.9	107.8
Derivatives		1.1	21.5	44.6
Inventories		25.9	15.1	24.2
Contingent consideration		15.9	10.6	15.0
Intangible assets		5.3	11.8	4.4
Income tax		36.2	20.5	24.6
Disposal group held for sale	5	907.2	–	–
<b>Total current assets</b>		<b>1,181.1</b>	268.9	332.5
<b>NON-CURRENT ASSETS</b>				
Receivables		1.6	1.5	4.5
Derivatives	7	110.8	75.1	119.7
Contingent consideration		52.4	80.8	64.8
Investment in private equity		10.0	12.3	12.2
Intangible assets	6	1,181.0	1,296.4	1,262.1
Property, plant and equipment (PPE)		4,270.8	4,745.5	4,882.1
Right of use assets (ROU)		19.2	28.9	26.6
Income tax		89.3	105.8	105.3
Deferred tax		2.2	2.0	2.4
<b>Total non-current assets</b>		<b>5,737.3</b>	6,348.3	6,479.7
<b>Total assets</b>		<b>6,918.4</b>	6,617.2	6,812.2
<b>CURRENT LIABILITIES</b>				
Trade and other payables		185.8	208.5	199.6
Provisions		15.6	16.2	21.9
Borrowings	3,7	–	366.4	371.0
Derivatives	7	1.8	3.6	0.4
Contract liabilities		94.5	77.6	97.5
Lease liabilities		6.1	9.2	9.3
Income tax		0.2	0.3	0.4
Disposal group held for sale	5	59.8	–	–
<b>Total current liabilities</b>		<b>363.8</b>	681.8	700.1

## Balance Sheet (CONTINUED)

	NOTE	31 DEC 2022 (UNAUDITED) \$M	31 DEC 2021 (UNAUDITED) \$M	30 JUN 2022 (AUDITED) \$M
<b>NON-CURRENT LIABILITIES</b>				
Provisions		5.0	7.9	5.2
Borrowings	3,7	3,235.4	2,750.0	2,858.4
Derivatives	7	187.7	107.8	130.5
Contract liabilities		11.3	24.5	17.9
Lease liabilities		13.6	20.7	18.4
Deferred tax		667.3	612.9	651.6
<b>Total non-current liabilities</b>		<b>4,120.3</b>	<b>3,523.8</b>	<b>3,682.0</b>
<b>Total liabilities</b>		<b>4,484.1</b>	<b>4,205.6</b>	<b>4,382.1</b>
<b>EQUITY</b>				
Equity attributable to owners of the parent		2,418.6	2,395.6	2,414.0
Non-controlling interests in subsidiaries		15.7	16.0	16.1
<b>Total equity</b>		<b>2,434.3</b>	<b>2,411.6</b>	<b>2,430.1</b>
<b>Total equity and liabilities</b>		<b>6,918.4</b>	<b>6,617.2</b>	<b>6,812.2</b>
Net tangible assets per share (cents)	8	123.2	108.7	114.8
Gearing ratio (%)	8	59.0	56.9	58.2

## Cash Flows

	NOTE	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	31 DEC 2021 6 MONTHS (UNAUDITED) \$M	30 JUN 2022 12 MONTHS (AUDITED) \$M
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers		720.1	703.2	1,347.2
Interest received		0.6	0.3	3.7
Payments to suppliers and employees		(384.0)	(358.6)	(686.9)
Interest paid		(75.0)	(59.9)	(125.1)
Income tax paid		(1.5)	(1.4)	(20.1)
<b>Net cash flows from/(used in) operating activities</b>	9	<b>260.2</b>	283.6	518.8
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of PPE		0.4	0.4	1.7
Purchase and construction of PPE		(278.7)	(246.5)	(510.6)
Purchase and construction of software intangibles		(19.3)	(23.8)	(48.2)
Proceeds from contingent consideration		8.6	1.6	6.1
Proceeds from sale of investment in associate	3	1.5	16.4	16.4
Other investing cash flows		0.1	0.1	0.2
<b>Net cash flows from/(used in) investing activities</b>		<b>(287.4)</b>	(251.8)	(534.4)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from borrowings	3,7	373.0	225.0	351.0
Repayment of borrowings	3,7	(250.5)	(158.0)	(150.0)
Dividends paid	3	(86.4)	(85.7)	(169.1)
Lease liabilities payments		(6.0)	(5.8)	(11.2)
<b>Net cash flows from/(used in) financing activities</b>		<b>30.1</b>	(24.5)	20.7
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2.9</b>	7.3	5.1
Cash and cash equivalents at beginning of the period		22.5	17.4	17.4
<b>Cash and cash equivalents at end of the period</b>		<b>25.4</b>	24.7	22.5
<b>Cash and cash equivalents comprise:</b>				
Bank balances and on-call deposits		21.9	21.7	20.0
Short term deposits		3.5	3.0	2.5
		<b>25.4</b>	24.7	22.5

### Discontinued operations

The cash flows above reflect the entire Vector group cash flows for the six months to 31 December 2022. Refer to note 5 for separately disclosed cash flows from discontinued operations.

## Changes in Equity

(unaudited)

	NOTE	ISSUED SHARE CAPITAL \$M	TREASURY SHARES \$M	HEDGE RESERVES \$M	OTHER RESERVES \$M	RETAINED EARNINGS \$M	NON- CONTROLLING INTERESTS \$M	TOTAL EQUITY \$M
<b>Balance at 1 July 2021</b>		880.0	(0.2)	(34.8)	0.7	1,474.0	15.7	2,335.4
Net profit/(loss) for the period		-	-	-	-	114.5	1.0	115.5
Other comprehensive income		-	-	49.3	(2.9)	-	-	46.4
<b>Total comprehensive income</b>		-	-	49.3	(2.9)	114.5	1.0	161.9
Dividends		-	-	-	-	(85.0)	(0.7)	(85.7)
Employee share purchase scheme transactions		-	0.1	-	(0.1)	-	-	-
<b>Total transactions with owners</b>		-	0.1	-	(0.1)	(85.0)	(0.7)	(85.7)
<b>Balance at 31 December 2021</b>		880.0	(0.1)	14.5	(2.3)	1,503.5	16.0	2,411.6
Net profit/(loss) for the period		-	-	-	-	44.4	1.0	45.4
Other comprehensive income		-	-	44.2	12.3	-	-	56.5
<b>Total comprehensive income</b>		-	-	44.2	12.3	44.4	1.0	101.9
Dividends	3	-	-	-	-	(82.5)	(0.9)	(83.4)
<b>Total transactions with owners</b>		-	-	-	-	(82.5)	(0.9)	(83.4)
<b>Balance at 30 June 2022</b>		880.0	(0.1)	58.7	10.0	1,465.4	16.1	2,430.1
Net profit/(loss) for the period		-	-	-	-	99.3	1.0	100.3
Other comprehensive income		-	-	4.1	(13.8)	-	-	(9.7)
<b>Total comprehensive income</b>		-	-	4.1	(13.8)	99.3	1.0	90.6
Dividends	3	-	-	-	-	(85.0)	(1.4)	(86.4)
<b>Total transactions with owners</b>		-	-	-	-	(85.0)	(1.4)	(86.4)
<b>Balance at 31 December 2022</b>		880.0	(0.1)	62.8	(3.8)	1,479.7	15.7	2,434.3

# Notes to the Interim Financial Statements

## 1. Company information

### Reporting entity

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 entity for the purposes of Part 7 of the Financial Markets Conduct Act 2013. Vector's condensed interim financial statements (the interim financial statements) comply with this Act.

The interim financial statements presented are for Vector Limited Group ("Vector" or "the group") as at, and for the six months ended 31 December 2022. The group comprises Vector Limited ("the parent") and its subsidiaries.

Vector Limited is a 75.1% owned subsidiary of Entrust which is the ultimate parent entity for the group.

The primary operations of the group are electricity and gas distribution, natural gas and LPG sales, metering, telecommunications and new energy solutions.

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## 2. Summary of significant accounting policies

### Basis of preparation

The interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as applicable to interim financial statements, and as appropriate to profit oriented entities. They comply with NZ IAS 34 *Interim Financial Reporting*.

These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the group financial statements and related notes included in Vector's 2022 Annual Report. The interim financial statements for the six months ended 31 December 2022 and 31 December 2021 are unaudited.

All financial information is presented in New Zealand dollars (\$) and has been rounded to the nearest 100,000, unless otherwise stated.

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### Seasonality

Vector's electricity and gas businesses are affected by the seasonal demand for energy, which generally increases during periods of colder weather. Accordingly, financial results for the first half of the financial year reported in the interim financial statements are generally more profitable than those of the second half of the year.

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## Notes to the Interim Financial Statements

### 3. Significant transactions and events

Significant transactions and events that have occurred during the six months to 31 December 2022:

**Discontinued operations held for sale** In December 2022, Vector announced a conditional agreement for the sale of 50% of its metering operations. This has resulted in the metering business being classified as both held for sale, and discontinued operations at 31 December 2022. Refer to note 5 for further details and required disclosures relating to these reclassifications.

**Loss rental rebates** Vector distributed loss rental rebates ("LRRs") of \$17.9 million to customers on the Vector electricity network in September 2022 at \$30 per customer, representing excess LRRs not required to partially mitigate electricity distribution price increases applying from 1 April 2022. A provision for distribution to customers of \$11.9 million is recognised at 31 December 2022 (31 December 2021: \$8.0 million, 30 June 2021: \$18.0 million) in anticipation for distribution to customers at a later date and at discretion of the Board. This approach is consistent with the Board's view that LRRs should ultimately benefit electricity customers.

In the current half year ended 31 December 2022, Vector received \$19.3 million of LRRs from Transpower (31 December 2021 (6 months): \$12.7 million, 30 June 2022 (12 months): \$26.5 million), \$7.5 million of which has been retained and recognised in the profit or loss.

The new transmission pricing methodology (TCM) comes into force on 1 April 2023. Under the new TCM, Transpower's existing method for allocating LRRs will become obsolete, and distributors will be required to pass through settlement residue to their customers, being retailers or directly billed customers. Therefore, post 1 April 2023, Vector will not be able to apply LRRs to offset volume shortfalls, or distribute LRRs to end users.

**Debt programme** In December 2022, Vector repaid \$250.5 million (US \$182.0 million) of USD denominated senior notes.

During the six months ended 31 December 2022, the group drew down a net of \$373.0 million (six months to 31 December 2021: repaid a net of \$8.0 million) from the bank facilities.

**Dividends** Vector Limited's final dividend for the year ended 30 June 2022 of 8.50 cents per share was paid on 19 September 2022, with a supplementary dividend of 0.45 cents per non-resident share. The total dividend paid was \$85.0 million.

Liquigas Limited, a subsidiary of the group, paid dividends of \$1.4 million to the company's non-controlling interests during the six months to 31 December 2022.

# Notes to the Interim Financial Statements

## 4. Segment information

### Segments

Vector reports on two reportable segments in accordance with NZ IFRS 8 *Operating Segments*.

The reportable segments are:

**Regulated Networks** Auckland electricity and gas distribution services.

**Gas Trading** Natural gas and LPG sales, storage, and transportation.

Since Vector's Annual Report for the year ended 30 June 2022, the metering business has been reclassified as held for sale and is no longer a reportable segment. Details of the metering business can be found in note 5. The remaining two segments and policies remain unchanged.

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## Notes to the Interim Financial Statements

### 4. Segment information (continued)

31 DEC 2022 6 MONTHS (UNAUDITED)	REGULATED NETWORKS \$M	GAS TRADING \$M	INTER- SEGMENT \$M	TOTAL \$M
External revenue:				
Sales	347.0	119.6	–	466.6
Third party contributions	96.5	–	–	96.5
Other	19.3	–	–	19.3
Intersegment revenue	1.3	–	(1.3)	–
<b>Segment revenue</b>	<b>464.1</b>	<b>119.6</b>	<b>(1.3)</b>	<b>582.4</b>
External expenses:				
Electricity transmission expenses	(91.5)	–	–	(91.5)
Gas purchases and production expenses	–	(72.3)	–	(72.3)
Network and asset maintenance	(34.8)	(3.4)	–	(38.2)
Employee benefit expenses	(8.8)	(5.6)	–	(14.4)
Other expenses	(35.5)	(24.3)	–	(59.8)
Intersegment expenses	–	(1.3)	1.3	–
<b>Segment operating expenses</b>	<b>(170.6)</b>	<b>(106.9)</b>	<b>1.3</b>	<b>(276.2)</b>
<b>Segment EBITDA</b>	<b>293.5</b>	<b>12.7</b>	<b>–</b>	<b>306.2</b>
Depreciation and amortisation	(78.8)	(5.6)	–	(84.4)
<b>Segment profit/(loss)</b>	<b>214.7</b>	<b>7.1</b>	<b>–</b>	<b>221.8</b>
<b>Segment capital expenditure</b>	<b>197.4</b>	<b>3.4</b>	<b>–</b>	<b>200.8</b>

Reconciliation to revenue, profit/(loss) before income tax and capital expenditure reported in the financial statements:

31 DEC 2022	REVENUE \$M	PROFIT/ (LOSS) BEFORE INCOME TAX \$M	CAPITAL EXPENDITURE \$M
<b>Reported in segment information</b>	<b>582.4</b>	<b>221.8</b>	<b>200.8</b>
Elimination of transactions with discontinued operations	(1.3)	–	–
Amounts not allocated to segments:			
Revenue	34.7	34.7	–
Third party contributions	0.2	0.2	–
Employee benefit expenses	–	(31.4)	–
Other operating expenses	–	(39.6)	–
Elimination of transactions with segments	–	6.0	–
Depreciation and amortisation	–	(17.3)	–
Interest costs (net)	–	(67.8)	–
Fair value change on financial instruments	–	(6.4)	–
Capital expenditure	–	–	24.3
<b>Reported in the financial statements</b>	<b>616.0</b>	<b>100.2</b>	<b>225.1</b>

## Notes to the Interim Financial Statements

### 4. Segment information (continued)

31 DEC 2021 6 MONTHS (UNAUDITED)	REGULATED NETWORKS \$M	GAS TRADING \$M	INTER- SEGMENT \$M	TOTAL \$M
External revenue:				
Sales	337.1	110.7	–	447.8
Third party contributions	71.9	–	–	71.9
Other	12.6	–	–	12.6
Intersegment revenue	1.1	–	(1.1)	–
<b>Segment revenue</b>	<b>422.7</b>	<b>110.7</b>	<b>(1.1)</b>	<b>532.3</b>
External expenses:				
Electricity transmission expenses	(90.4)	–	–	(90.4)
Gas purchases and production expenses	–	(65.1)	–	(65.1)
Network and asset maintenance	(35.3)	(3.0)	–	(38.3)
Employee benefit expenses	(8.6)	(6.2)	–	(14.8)
Other expenses	(31.0)	(23.1)	–	(54.1)
Intersegment expenses	–	(1.1)	1.1	–
<b>Segment operating expenses</b>	<b>(165.3)</b>	<b>(98.5)</b>	<b>1.1</b>	<b>(262.7)</b>
<b>Segment EBITDA</b>	<b>257.4</b>	<b>12.2</b>	<b>–</b>	<b>269.6</b>
Depreciation and amortisation	(72.7)	(5.7)	–	(78.4)
<b>Segment profit/(loss)</b>	<b>184.7</b>	<b>6.5</b>	<b>–</b>	<b>191.2</b>
<b>Segment capital expenditure</b>	<b>164.1</b>	<b>2.8</b>	<b>–</b>	<b>166.9</b>

Reconciliation to revenue, profit/(loss) before income tax and capital expenditure reported in the financial statements:

31 DEC 2021	REVENUE \$M	PROFIT/ (LOSS) BEFORE INCOME TAX \$M	CAPITAL EXPENDITURE \$M
<b>Reported in segment information</b>	532.3	191.2	166.9
Elimination of transactions with discontinued operations	(1.1)	–	–
Amounts not allocated to segments:			
Revenue	36.4	36.4	–
Third party contributions	0.5	0.5	–
Employee benefit expenses	–	(30.4)	–
Other operating expenses	–	(32.6)	–
Elimination of transactions with segments	–	6.5	–
Depreciation and amortisation	–	(17.3)	–
Interest costs (net)	–	(54.5)	–
Fair value change on financial instruments	–	7.6	–
Gain on sale of investment in associate	–	7.1	–
Capital expenditure	–	–	22.6
<b>Reported in the financial statements</b>	<b>568.1</b>	<b>114.5</b>	<b>189.5</b>

## Notes to the Interim Financial Statements

### 4. Segment information (continued)

30 JUN 2022 12 MONTHS (AUDITED)	REGULATED NETWORKS \$M	GAS TRADING \$M	INTER- SEGMENT \$M	TOTAL \$M
External revenue:				
Sales	652.4	201.9	–	854.3
Third party contributions	150.3	–	–	150.3
Other	26.5	–	–	26.5
Intersegment revenue	2.3	–	(2.3)	–
<b>Segment revenue</b>	<b>831.5</b>	<b>201.9</b>	<b>(2.3)</b>	<b>1,031.1</b>
External expenses:				
Electricity transmission expenses	(181.4)	–	–	(181.4)
Gas purchases and production expenses	–	(123.2)	–	(123.2)
Network and asset maintenance	(69.1)	(6.1)	–	(75.2)
Employee benefit expenses	(14.8)	(11.5)	–	(26.3)
Other expenses	(60.1)	(36.9)	–	(97.0)
Intersegment expenses	–	(2.3)	2.3	–
<b>Segment operating expenses</b>	<b>(325.4)</b>	<b>(180.0)</b>	<b>2.3</b>	<b>(503.1)</b>
<b>Segment EBITDA</b>	<b>506.1</b>	<b>21.9</b>	<b>–</b>	<b>528.0</b>
Depreciation and amortisation	(148.5)	(11.4)	–	(159.9)
Impairment	–	(40.2)	–	(40.2)
<b>Segment profit/(loss)</b>	<b>357.6</b>	<b>(29.7)</b>	<b>–</b>	<b>327.9</b>
<b>Segment capital expenditure</b>	<b>331.9</b>	<b>7.9</b>	<b>–</b>	<b>339.8</b>

Reconciliation to revenue, profit/(loss) before income tax and capital expenditure reported in the financial statements:

30 JUN 2022	REVENUE \$M	PROFIT/ (LOSS) BEFORE INCOME TAX \$M	CAPITAL EXPENDITURE \$M
<b>Reported in segment information</b>	<b>1,031.1</b>	<b>327.9</b>	<b>339.8</b>
Elimination of transactions with discontinued operations	(2.1)	–	–
Amounts not allocated to segments:			
Revenue	72.9	72.9	–
Third party contributions	1.5	1.5	–
Employee benefit expenses	–	(57.9)	–
Other operating expenses	–	(68.6)	–
Elimination of transactions with segments	–	12.2	–
Depreciation and amortisation	–	(34.3)	–
Interest costs (net)	–	(104.7)	–
Fair value change on financial instruments	–	3.6	–
Gain on sale of investment in associate	–	7.1	–
Capital expenditure	–	–	49.4
<b>Reported in the financial statements</b>	<b>1,103.4</b>	<b>159.7</b>	<b>389.2</b>

## Notes to the Interim Financial Statements

### 5. Discontinued operations held for sale

In December 2022, Vector announced a conditional agreement for the sale of 50% of its metering operations. The agreement, which is supported by Vector's major shareholder Entrust, is conditional on consent under the Overseas Investment Act 2005 in New Zealand, approval under the Foreign Acquisitions & Takeovers Act 1975 (Cth) in Australia, and finalisation of third party financing arrangements from external lenders and QIC investment funds. Vector is targeting completion before 30 June 2023.

Vector has determined that the metering operations meets the criteria to be classified as held for sale, and this classification has been made from 21 December 2022. The assets and liabilities of the metering operations are presented in the balance sheet of the interim financial statements as a disposal group held for sale.

The metering operations previously formed the group metering segment. The result of the disposal group for the six months to 31 December 2022 is presented in the profit or loss of the interim financial statements as discontinued operations. Depreciation and amortisation on the assets of the metering operations ceased from December 2022 due to the held for sale classification. Comparatives have been restated to show the discontinued operations separately from continuing operations.

	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	31 DEC 2021 6 MONTHS (UNAUDITED) \$M	30 JUN 2022 12 MONTHS (AUDITED) \$M
<b>Profit and loss of discontinued operations</b>			
Revenue	128.3	116.5	235.6
Operating expenses	(33.7)	(30.5)	(61.9)
Depreciation and amortisation	(52.5)	(46.9)	(95.6)
<b>Profit/(loss) before income tax</b>	<b>42.1</b>	39.1	78.1
Income tax benefit/(expense)	(10.1)	(9.6)	(19.7)
<b>Net profit/(loss) for the period attributable to owners of the parent</b>	<b>32.0</b>	29.5	58.4

	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	31 DEC 2021 6 MONTHS (UNAUDITED) \$M	30 JUN 2022 12 MONTHS (AUDITED) \$M
<b>Capital expenditure of discontinued operations</b>	<b>91.7</b>	80.9	156.7

	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	31 DEC 2021 6 MONTHS (UNAUDITED) \$M	30 JUN 2022 12 MONTHS (AUDITED) \$M
<b>Cash flows from discontinued operations</b>			
Net cash flows from/(used) in operating activities	99.3	93.1	161.5
Net cash flows from/(used) in investing activities	(90.0)	(68.6)	(144.4)
Net cash flows from/(used) in financing activities	(7.6)	(24.4)	(17.5)
<b>Net cash inflow/(outflow)</b>	<b>1.7</b>	0.1	(0.4)

## Notes to the Interim Financial Statements

### 5. Discontinued operations held for sale (continued)

Disposal group held for sale	31 DEC 2022 (UNAUDITED) \$M
<b>Assets</b>	
Cash and cash equivalents	3.6
Trade and other receivables	17.3
Contract assets	24.5
Intangible assets (including goodwill)	52.9
Property, plant, and equipment	804.6
Right of use assets (ROU)	4.3
Income Tax	0.0
<b>Total disposal group assets held for sale</b>	<b>907.2</b>
<b>Liabilities</b>	
Trade and other payables	34.4
Lease liabilities	4.5
Deferred tax	20.9
<b>Total disposal group liabilities held for sale</b>	<b>59.8</b>

#### Policies

Vector classifies a disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The disposal group is measured at the lower of carrying amount and fair value less costs to sell.

The two criteria that must be met to classify a disposal group as held for sale are:

- The disposal group is available for immediate sale in its present condition; and
- The sale transaction is highly probable.

A disposal group held for sale is also reported as discontinued operations if it meets the below criteria:

- It is a component of the groups' business, the operations and cash flows of which can be clearly distinguished from the rest of the group.
- It represents a separate major line of business or geographical area of operations.

# Notes to the Interim Financial Statements

## 6. Intangible assets

### Goodwill impairment assessments

Goodwill is tested at least annually for impairment against the recoverable amount of the cash generating units ("CGU") to which it has been allocated.

As at 31 December 2022, CGUs within the group are: electricity, gas distribution, metering, natural gas, LPG, Liquigas, communications and E-Co Products. Management performed impairment assessments on all CGUs except for metering, communications and E-Co Products at 31 December 2022. No impairment was found.

### Risk of Impairment of Assets

#### *Gas Transition Plan*

In May 2022, the New Zealand Government ("The Government") released its Emissions Reduction Plan (ERP) detailing 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.

Development of the gas transition plan, including targeted engagement with the gas industry, has been in progress since the announcement of the ERP. Public consultation on the plan is anticipated toward the middle of calendar year 2023, with finalisation and publication expected by December 2023.

#### *Regulatory Environment*

In 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 allows 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 introduced several positive changes to the calculation of allowable revenue including an accelerated depreciation mechanism. We note that in June 2022 the Major Gas Users Group have lodged a notice of appeal with the High Court against certain aspects of the Commission's determination including the accelerated depreciation mechanism. The appeal is scheduled to be heard in July 2023.

## Notes to the Interim Financial Statements

### 6. Intangible assets (continued)

#### *Impact on Impairment Testing*

The impact of ERP policy and the gas transition plan on the Commerce Commission's regulatory model for the gas distribution network will be fundamental to any revision in assumptions for the valuation of the gas distribution CGU. While the timing or extent of this is not yet known, we acknowledge that given the Government's stated commitment to reducing emissions, policy decisions may truncate the useful life of the gas distribution network. In the absence of legislated policy change, we have applied a valuation methodology based on the regulatory model consistent with previous valuations. The regulatory model determines the cash flows we can earn from the gas distribution business and hence its value. We will be monitoring any policy developments closely. Similarly, any ERP policy changes could impact valuation assumptions for the natural gas, LPG and Liquigas CGUs. Vector currently has \$220.0m of goodwill allocated to its gas businesses.

While at 31 December 2022, the Board and management have concluded that there is no impairment recognised, we acknowledge that the gas transition plan could change the outlook for these businesses and will present significant risk to the future cashflows and expected lives of the group's gas assets. As the ERP policies are formalised and the Commerce Commission considers the impact on the regulatory model for gas networks, their impact on the assumptions used in impairment valuation models will need to be carefully assessed. Accordingly, the gas distribution CGU along with the natural gas and Liquigas CGUs will be reassessed for impairment at 30 June 2023.

### 7. Borrowings and derivatives

	NET DERIVATIVES \$M	BORROWINGS \$M
Balance at 30 June 2022 (audited)	33.4	(3,229.4)
Fair value movements:		
Foreign exchange rates	(62.5)	62.5
Interest rates and other fair value changes	(48.5)	54.0
Repayment	-	250.5
Drawdown	-	(373.0)
<b>Balance at 31 December 2022 (unaudited)</b>	<b>(77.6)</b>	<b>(3,235.4)</b>
<b>Fair value at 31 December 2022 (unaudited)</b>	<b>(77.6)</b>	<b>(3,221.3)</b>

## Notes to the Interim Financial Statements

### 8. Financial ratios

	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	31 DEC 2021 6 MONTHS (UNAUDITED) \$M	30 JUN 2022 12 MONTHS (AUDITED) \$M
<b>Basic and diluted earnings per share</b>			
Net profit from continuing operations attributable to owners of the parent	67.3	85.0	100.5
Net profit from discontinued operations attributable to owners of the parent	32.0	29.5	58.4
<b>Net profit attributable to owners of the parent</b>	<b>99.3</b>	<b>114.5</b>	<b>158.9</b>
Weighted average ordinary shares outstanding during the period (number of shares)	999,973,657	999,920,613	999,946,417
Earnings per share from continuing operations	6.7 cents	8.5 cents	10.1 cents
Earnings per share from discontinued operations	3.2 cents	3.0 cents	5.8 cents
<b>Total earnings per share</b>	<b>9.9 cents</b>	<b>11.5 cents</b>	<b>15.9 cents</b>

	31 DEC 2022 (UNAUDITED) \$M	31 DEC 2021 (UNAUDITED) \$M	30 JUN 2022 (AUDITED) \$M
<b>Net tangible assets per share</b>			
Net assets attributable to owners of the parent	2,418.6	2,395.6	2,414.0
Less total intangible assets	(1,186.3)	(1,308.2)	(1,266.5)
<b>Total net tangible assets</b>	<b>1,232.3</b>	<b>1,087.4</b>	<b>1,147.5</b>
Ordinary shares outstanding (number of shares)	999,973,657	999,972,110	999,973,657
<b>Net tangible assets per share</b>	<b>123.2 cents</b>	<b>108.7 cents</b>	<b>114.8 cents</b>

	31 DEC 2022 (UNAUDITED) \$M	31 DEC 2021 (UNAUDITED) \$M	30 JUN 2022 (AUDITED) \$M
<b>Economic net debt to economic net debt plus adjusted equity ratio ("gearing ratio")</b>			
Face value of borrowings	3,414.1	3,157.6	3,291.6
Lease liabilities	19.7	29.9	27.7
Less cash and cash equivalents	(21.8)	(24.7)	(22.5)
<b>Economic net debt</b>	<b>3,412.0</b>	<b>3,162.8</b>	<b>3,296.8</b>
Total equity	2,434.3	2,411.6	2,430.1
Adjusted for hedge reserves	(62.8)	(14.5)	(58.7)
<b>Adjusted equity</b>	<b>2,371.5</b>	<b>2,397.1</b>	<b>2,371.4</b>
<b>Economic net debt plus adjusted equity</b>	<b>5,783.5</b>	<b>5,559.9</b>	<b>5,668.2</b>
<b>Gearing ratio</b>	<b>59.0%</b>	<b>56.9%</b>	<b>58.2%</b>

## Notes to the Interim Financial Statements

### 9. Cash flows

	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	31 DEC 2021 6 MONTHS (UNAUDITED) \$M	30 JUN 2022 12 MONTHS (AUDITED) \$M
<b>Reconciliation of net profit/(loss) to net cash flows from/ (used in) operating activities including discontinued operations</b>			
Net profit/(loss) for the period	100.3	115.5	160.9
<b>Items associated with investing activities</b>			
Gain on sale of investment in associate	-	(7.1)	(7.1)
Items associated with investing activities	(20.5)	15.1	24.4
<b>Items classified as financing activities</b>			
Items associated with lease liabilities	-	0.3	-
<b>Non-cash items</b>			
Depreciation and amortisation	154.2	142.6	289.8
Non-cash portion of interest costs (net)	(3.6)	(2.9)	(10.6)
Fair value change on financial instruments	6.4	(7.6)	(3.6)
Impairment	-	-	40.2
Increase/(decrease) in deferred tax	34.1	32.1	53.2
Increase/(decrease) in provisions	(6.4)	(6.3)	0.6
Other non-cash items	(12.1)	(2.8)	9.9
	172.6	155.1	379.5
<b>Changes in assets and liabilities</b>			
Trade and other payables	9.6	(21.7)	(41.1)
Contract liabilities	(9.6)	6.9	20.2
Contract assets	(3.4)	15.6	(2.3)
Inventories	(1.7)	(2.7)	(11.8)
Trade and other receivables	6.5	2.9	(4.1)
Income tax	6.4	3.7	0.2
	7.8	4.7	(38.9)
<b>Net cash flows from/(used in) operating activities including discontinued operations</b>	260.2	283.6	518.8

## 10. Capital commitments

	31 DEC 2022 (UNAUDITED) \$M	31 DEC 2021 (UNAUDITED) \$M	30 JUN 2022 (AUDITED) \$M
Capital commitments at end of period - continuing operations	164.2	137.8	130.8
Capital commitments at end of period - discontinued operations	63.6	97.0	95.3
<b>Total capital commitments</b>	<b>227.8</b>	<b>234.8</b>	<b>226.1</b>

**Capital commitments** Capital commitments includes capital expenditure which has been committed to, but not provided for at balance date.

## 11. Related party transactions

**Majority shareholder dividend** Vector Limited has paid its majority shareholder, Entrust, dividends of \$63.8 million during the period (six months ended December 2021: \$63.8 million, 12 months ended 30 June 2022: \$125.8 million).

**Outstanding balances** At 31 December 2022, the group has no material outstanding balances due to or from related parties of the group (31 December 2021 and 30 June 2022: not material).

## 12. 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 the financial statements.

No material contingent liabilities have been identified.

## 13. Events after the end of the period

**Interim dividend** On 20 February 2023, the board declared an interim dividend for the year ended 30 June 2023 of 8.25 cents per share.

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

**Financial statements approval** The interim financial statements were approved by the board of directors on 20 February 2023.

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 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 ([www.vector.co.nz](http://www.vector.co.nz)).

Non-GAAP profit measures are not prepared in accordance with New Zealand International Financial 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 from continuing operations adjusted for fair value changes, associates, third-party contributions, and significant one-off gains, losses, revenues and/or expenses.

## GAAP TO NON-GAAP RECONCILIATION

	31-DEC-2022 6 MONTHS \$M	31-DEC-2021 6 MONTHS \$M
Group EBITDA and adjusted EBITDA		
<b>Reported net profit for the period (GAAP) – continuing operations</b>	<b>68.3</b>	86.0
Add back: net interest costs	<b>67.8</b>	54.5
Add back: tax (benefit)/expense	<b>31.9</b>	28.5
Add back: depreciation and amortisation	<b>101.7</b>	95.7
<b>EBITDA – continuing operations</b>	<b>269.7</b>	264.7
<i>Adjusted for:</i>		
Capital contributions	<b>(96.7)</b>	(72.4)
Fair value change on financial instruments	<b>6.4</b>	(7.6)
Gain on sale of investment in associate	<b>-</b>	(7.1)
<b>Adjusted EBITDA – continuing operations</b>	<b>179.4</b>	177.6
<b>Adjusted EBITDA – discontinued operations</b>	<b>94.6</b>	86.0
<b>Total group adjusted EBITDA</b>	<b>274.0</b>	263.6

	2022			2021		
SIX MONTHS ENDED 31 DECEMBER	SEGMENT EBITDA	LESS CAPITAL CONTRIBUTIONS AND OTHER MOVEMENTS	SEGMENT ADJUSTED EBITDA	SEGMENT EBITDA	LESS CAPITAL CONTRIBUTIONS AND OTHER MOVEMENTS	SEGMENT ADJUSTED EBITDA
Gas Trading	12.7	-	12.7	12.2	-	12.2
Regulated segment	293.5	(96.5)	197.0	257.4	(71.9)	185.5
<b>TOTAL REPORTED SEGMENTS</b>	<b>306.2</b>	<b>(96.5)</b>	<b>209.7</b>	269.6	(71.9)	197.7
Corporate and other	(36.5)	6.2	(30.3)	(4.9)	(15.2)	(20.1)
<b>TOTAL – CONTINUING OPERATIONS</b>	<b>269.7</b>	<b>(90.3)</b>	<b>179.4</b>	264.7	(87.1)	177.6
Metering- discontinued operations	94.6	-	94.6	86.0	-	86.0
<b>TOTAL GROUP</b>	<b>364.3</b>	<b>(90.3)</b>	<b>274.0</b>	350.7	(87.1)	263.6

# Calendar and Directory

## FINANCIAL CALENDAR

### 2023

Record date for interim dividend	28 March
Interim dividend paid	6 April
Third quarter operating statistics	April
Fourth quarter operating statistics	July
Full year result and annual report	August
Final dividend*	September
Annual meeting	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](http://www.nzx.com). Further information about Vector is available on our website [www.vector.co.nz](http://www.vector.co.nz).

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