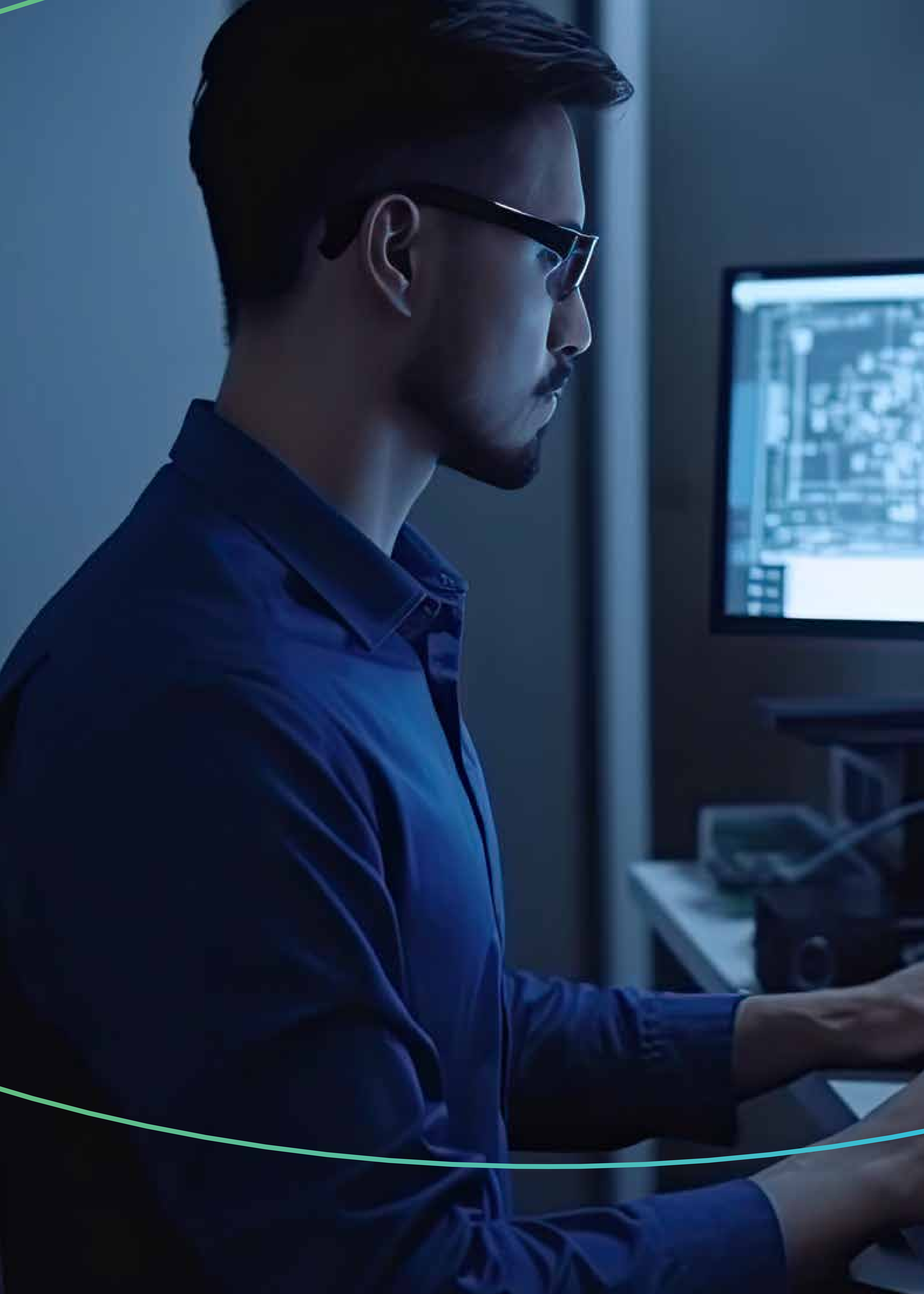
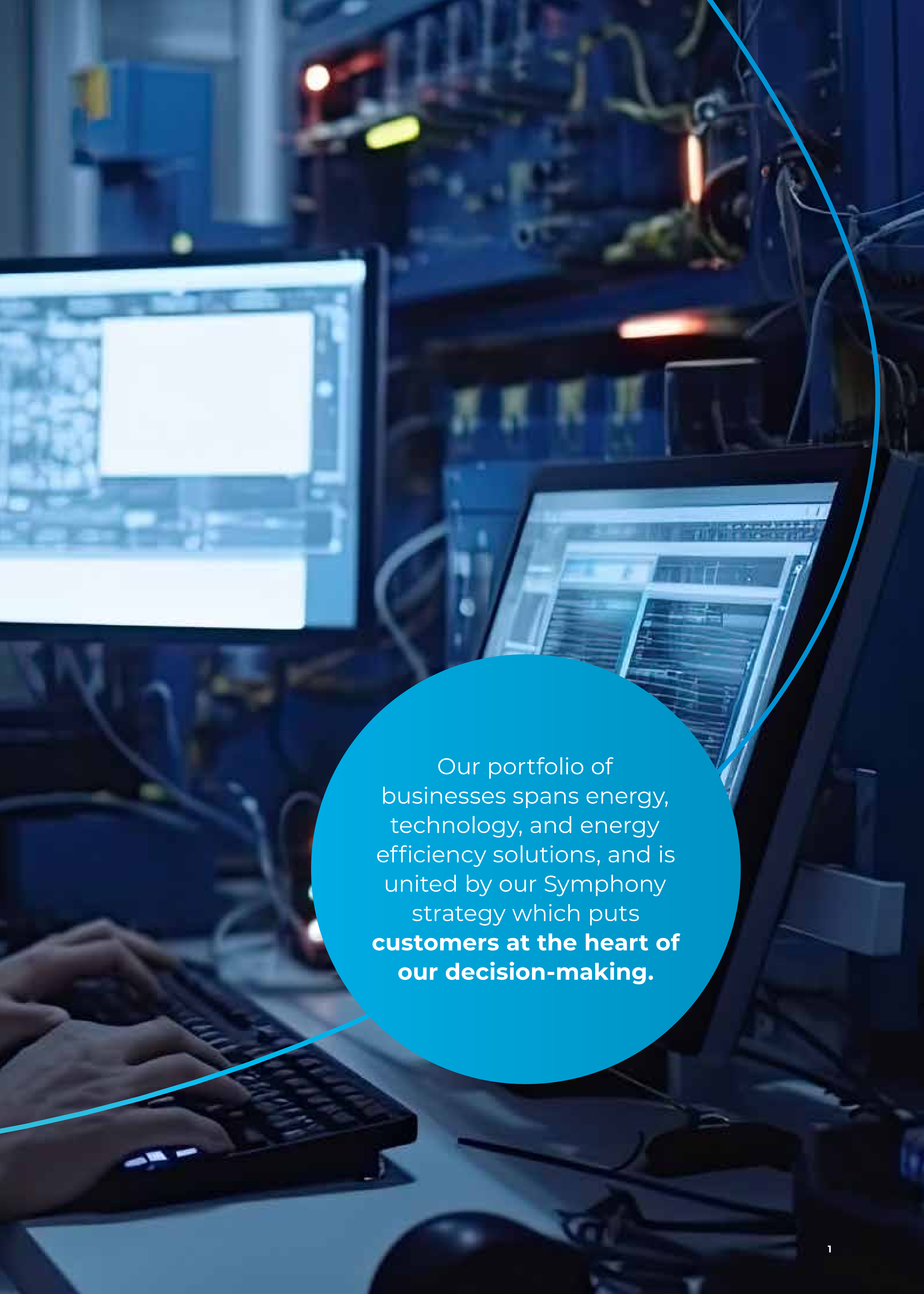
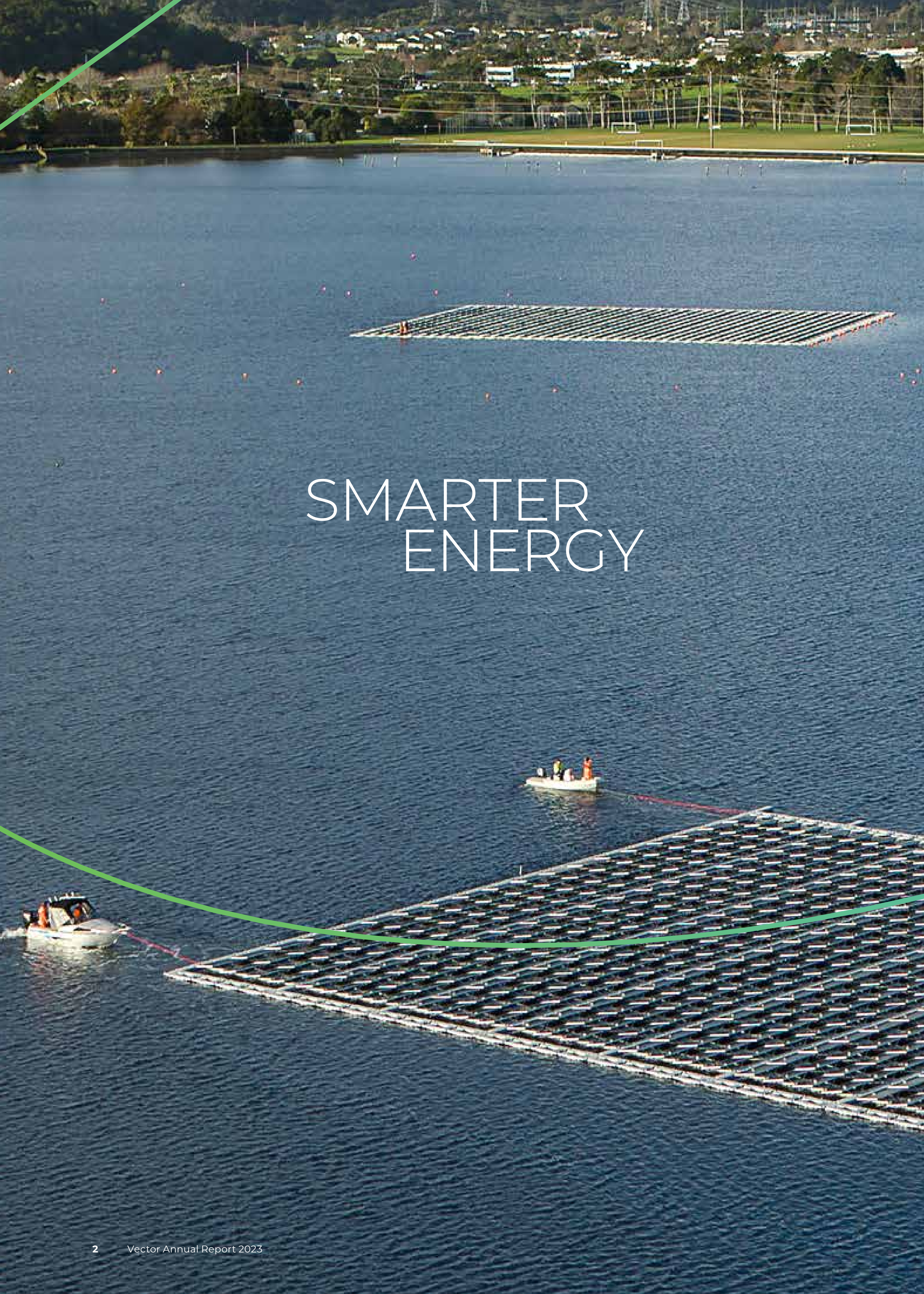

vector
ANNUAL REPORT 2023

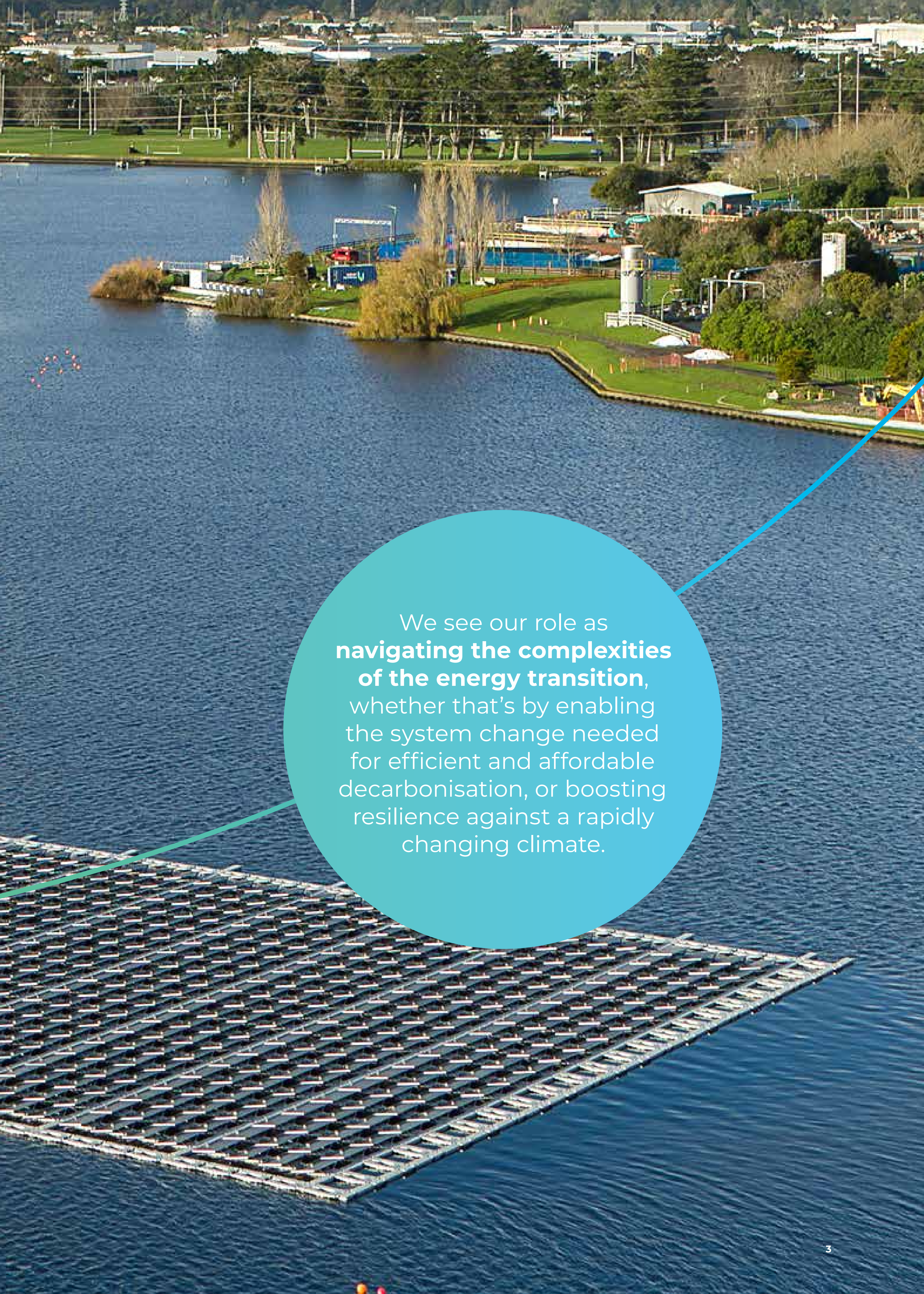




Our portfolio of businesses spans energy, technology, and energy efficiency solutions, and is united by our Symphony strategy which puts **customers at the heart of our decision-making.**



SMARTER ENERGY



We see our role as **navigating the complexities of the energy transition**, whether that’s by enabling the system change needed for efficient and affordable decarbonisation, or boosting resilience against a rapidly changing climate.

We know that current and future energy needs cannot be met by systems and solutions of the past. We need to do things differently, and this year Vector has continued to go beyond the status quo. We've deployed a range of **innovative solutions to support smarter energy use** using digital technology, our strategic partnerships, and our team with a depth of skills and experience that we are immensely proud of.

INNOVATIVE SOLUTIONS

In these uncertain times, we're thinking about the **future of energy**, so our consumers don't have to.

FUTURE THINKING

Contents

About this report

This report, dated 24 August 2023, is a review of Vector's financial and operational performance for the year ended 30 June 2023.

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.

2023 REPORTING SUITE

This annual report is published as part of a reporting suite, which also includes our Greenhouse Gas Emissions Inventory Report, and Taskforce for Climate-related Financial Disclosures Report. All three reports are available at vector.co.nz.

Performance snapshot

Financial and customer highlights

Financial

22.25CENTS
per share full year dividend, including a special dividend of 5.5 cents per share

$112.6M
Group net profit from continuing operations, after tax

$700.4M
Capex invested across the group, from continuing and discontinued operations

$523.3M
ADJUSTED EBITDA[1]

$1.75B
Sale price for 50% interest in Vector Metering

1. EBITDA from continuing and discontinued 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 54.

Customer

612,909
Number of electricity connections

4
Number of organisations receiving managed cyber security services through VTS

589,207
Number of 9kg bottle swaps

119,631
Number of gas connections

2.09M
Advanced meters across New Zealand and Australia

25M
Individual smart meter records over a single day, creating a customer-level view of electricity network use

Environment, social and governance highlights

Energy affordability

351,000

Number of residents, in 2022, in the Entrust district benefitting by more than $96m in dividend payments, thanks to Entrust's shareholding in Vector

$0.00

The price we charge for electricity used during off-peak periods when there is ample capacity on our network[2]

2. Our residential Time of Use standard user price categories have a zero price on volume charges at all times of the day through summer, and during off-peak periods over winter. Distribution charges are only one portion of a consumer's electricity bill, so consumers will not see this zero volume charge unless retailers pass this on to them.

Climate change

5

Continuous days during Cyclone Gabrielle where weather conditions exceeded regulated Major Event criteria

$270M

Approximate forecast over the next five years for reliability and climate change investment in our latest Asset Management Plan, with work ongoing to refine the investment needed

First

smart electric bus depot established to facilitate the electrification of Auckland's bus fleet

People and communities

115

Number of people leaders participating in leadership development courses

1,000+

People working on electricity network recovery from Cyclone Gabrielle, across Vector, Omexom, Northpower, and other organisations

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 equitable, clean, reliable and safe.

Chair and Group Chief Executive report

We're looking ahead, as we've always done

A major highlight of the year has been the successful sale of a 50% interest in Vector Metering to investment vehicles managed and advised by QIC Private Capital Pty Limited (QIC). The transaction has resulted in the Vector group receiving net proceeds of $1.75 billion, leading to a material drop in the company's gearing. Vector is positioned well for future investment in infrastructure required to support the decarbonisation of the economy, including electrification of transport; however, regulatory settings must be changed to enable the level of investment required.

Decarbonisation the biggest challenge and opportunity

Enabling decarbonisation, and ensuring resilience against climate change, present the biggest challenge and opportunity for the Vector group. We're responding to this through our Symphony strategy to deliver an affordable electrified future, where renewable energy is delivered efficiently, networks are optimised to reduce the need for large upgrades, and where ultimately consumers have more energy choices. Our latest capital investment plans for the electricity network show $4.3 billion is required to be spent over the next 10 years to meet transport electrification and growth needs, as well as reliability and resilience in the face of climate change. It's clear our costs are going up.

The Commerce Commission's upcoming decisions around Input Methodologies are hugely important for Aotearoa New Zealand, and come at a crucial time for the energy sector. It's critical we can continue to finance the investment required for the increasing demand placed on electricity networks by decarbonisation and climate resilience. As a country, we must get the settings right in recognition of the challenges we're facing, which are the most significant the industry has had to respond to so far.

We've long held, and acted on, our view that technology, data and smart analytics offer smarter ways to manage increasing demand for electricity. An example from this year is the deployment of fleet-managed charging for Auckland's electric buses, provided by a sophisticated technology platform that issues dynamic operating envelopes to optimise charging around network demand patterns. This is strongly aligned with our strategy on how to keep the costs of transport electrification down in future years, while ensuring equitable treatment of costs.

We're making significant investments in network security and resilience, even while the long-standing issue of ineffective tree regulations continues to be a barrier to better customer outcomes.

Earnings

Vector's financial performance for the year reflects a solid result with adjusted earnings before interest, tax depreciation and amortisation (adjusted EBITDA) of $523.3 million. This was up $13.3 million or 2.6% on last year's result. On 30 June 2023, Vector concluded the deal to sell 50% of the metering operations to QIC. As a result, the metering operations have been classified as discontinued operations for the FY23 period. The adjusted EBITDA result is made up of $335.1 million from continuing operations and $188.2 million from discontinued operations (being the metering operations).[1]

Profit

Group net profit from continuing operations was $112.6 million, which was $10.1 million or 9.9% higher than the prior year. Net profit was $1,715.8 million, which includes a one off gain from sale of $1,509.9 million and Vector's continuing and discontinued operations.

Capital expenditure

Total capital expenditure was $700.4 million, an increase of $154.5 million or 28.3% on the prior period, with the increase reflecting continued investment in infrastructure to support Auckland's ongoing growth. The figure also includes $187.7 million in relation to the metering operations, which was driven by the ongoing roll-out of meters in Australia and 4G modem upgrades across the New Zealand advanced meter base. Note this rise in capital expenditure was partly funded by a $36.5 million increase in capital contributions recognised as income under the International Financial Reporting Standards (IFRS).

Capital contributions grew to $188.3 million from $151.8 million a year earlier.

1. Comparatives have also been restated to show the discontinued operations separately from continuing operations.

SIMON MACKENZIE
GROUP CHIEF EXECUTIVE

JONATHAN MASON
CHAIR

"Decarbonisation is the biggest challenge the industry has faced. We must build smarter, more affordable, efficient systems with more customer choice."

Jonathan Mason, Chair

SALE OF VECTOR METERING

Fourteen years ago when Vector signed the first smart metering business contract, it may not have been obvious to everyone how important smart meters would become. However, our forward-thinking strategy to establish and grow a highly successful metering business has proved the right call for Vector, strongly validated by the $1.75 billion received from the sale of a 50% interest in the business.

The transaction is an undeniable Kiwi business success story in a global market. We are proud of what we've achieved and excited for future growth and innovation of the new entity, which is set to contribute, over the long term, to increased returns from the unregulated side of Vector's investment portfolio.

"The transaction is an undeniable Kiwi business success story in a global market."

Simon Mackenzie, Group Chief Executive

We have a track record of collaborating with innovative global companies such as Amazon Web Services (AWS) and X (formerly Google X). The QIC transaction is now the latest example of Vector choosing to grow a business with a partner of high calibre. With the backing of both Vector and QIC, Vector Metering is well placed to accelerate growth opportunities and continue providing data services that enable new and innovative retail products. These will give customers large and small the ability to make smarter decisions and deliver future-ready energy solutions.

$1.75b sale price for 50% interest in Vector Metering

The sale, which was completed on 30 June 2023, resulted in a one-off gain of $1,509.9 million. This has allowed Vector to repay debt, with gearing falling to 33.1% from 58.2% at 30 June 2022. Standard & Poor's (S&P) has recognised the strengthening of Vector's balance sheet by increasing our credit rating to BBB+ with a positive outlook.

We're also pleased to have secured an A$1.6 billion Climate Bonds Certified green loan for the Vector Metering joint venture and its ongoing smart metering expansion. Helping to place this green loan demonstrates our commitment to driving the transition to a low-carbon economy and promoting energy efficiency and emissions reductions in the energy systems through advanced metering infrastructure.

We've retained 100% ownership of Vector Technology Solutions (VTS), and the industry-leading energy data platform called Diverge that was jointly developed under the strategic alliance between Vector and AWS. While ownership of Diverge stays with the Vector group, Vector Metering will have exclusive rights to use this platform to provide metering data services in the New Zealand and Australian markets.

WELCOMING A NEW CHAIR

The Vector Board conducts regular succession planning to ensure continuity in a constantly changing business, environmental and social context.

At the 2022 Vector Annual Meeting, our Chair Jonathan Mason indicated that he would be retiring at the 2023 Annual Meeting after 10 years on the Board serving shareholders. We then announced in May 2023 that our Board had elected Doug McKay as its new Chair when Jonathan steps down.

We're looking forward to welcoming Doug into the Chair role; he takes this position after serving as an independent non-executive director since joining the Board in 2022. We're fortunate to have a director of Doug's calibre ready to step into the Chair role and continue to support Vector's Symphony strategy to deliver for our customers.

We're also very thankful to Jonathan for his guidance and strong contributions to the Board, as director since 2013, Deputy Chair since 2018 and Chair since 2020.

Dividend

Shareholders will receive an unimputed final dividend of 14.0 cents per share, comprising an ordinary dividend of 8.5 cents and a special dividend of 5.5 cents in recognition of the gain from the sale of 50% of the metering business. The Board will review Vector's future dividend policy following release of the Commerce Commission's Input Methodologies Review due in December 2023. We expect to announce any changes to the dividend policy with the release of our interim results in February 2024.

The final dividend will be paid to investors who are on the register at 6 September 2023 and distributed to investors on 14 September 2023.

Refinancing and balance sheet

The sale of a 50% interest in Vector Metering has strengthened our balance sheet. As a result of the sale, Vector's gearing as at 30 June 2023 fell to 33.1%, down from 58.2% a year earlier. While the proceeds from the sale have been applied to debt reduction, Vector now has a stronger balance sheet to continue to support network growth in Auckland.

Network performance and weather impact

Electricity network performance for the first half of the financial year was below regulatory SAIDI and SAIFI limits. However, following the impacts of the 1-in-a-250-year Auckland Anniversary flooding, and then Cyclone Gabrielle just two weeks later, an event even more devastating than Cyclone Bola, the SAIDI limit for the regulatory year to 31 March 2023 has been breached. Other electricity distribution businesses impacted by Cyclone Gabrielle have been similarly affected and we are in discussion with the Commerce Commission over appropriate consideration of the impacts of these extreme weather events.

Our cost estimate for the Auckland flooding and Cyclone Gabrielle is around $7.4 million of operating expenditure, reducing this year's earnings, with a further $9.2 million of capital expenditure incurred replacing damaged assets.

These events showed the benefit of prior investments to improve resilience; for example, our decision in 2012 to raise the floor level at our Wairau Road zone substation proving instrumental in minimising the impact at that location, despite severe flooding in the area.

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 not covered elsewhere are provided here.

The Vector Powersmart performance can be subject to factors such as the timing of contract delivery and the year end result reflects this.

Vector Fibre has had a solid year with year-on-year revenue and earnings growth. This now transformed business is being received well by the wholesale fibre market in Auckland. New Hyperscale Data Centres and Mobile Operator 5G in-fill opportunities are now being pursued.

VTS is the supplier of metering platform services to the newly established Vector Metering joint venture. This business unit is continuing to take solutions to market and explore specific new opportunities in response to emerging international demand for the types of solutions it provides. These targeted investments are driving some additional costs.

HRV has had a challenging year in difficult trading conditions, with pressure on household discretionary spending. Resourcing pressure has moderated over the year, although the labour market remains tight.

Corporate cost is higher than the prior year due mainly to higher computer costs driven by an increase in digital projects that are expensed rather than capitalised. In addition accounting rule changes, and higher CPI increases, also contributed to higher costs.

LOOKING AHEAD

Leading a changing energy landscape

We've always been deliberate about thinking ahead to the future of the energy sector, and what will be needed to move us and the wider sector forward. With our joint venture of the metering business now established with QIC, it's worth reflecting on what continues to make Vector unique: looking outside our immediate sector and establishing globally leading partnerships for innovation, and not being afraid to challenge the status quo. We're looking forward to what's next.

We are continuing to work with our strategic alliance partner AWS, and on our industry-leading energy data platform, Diverge. The platform will help transform the energy industry by enabling vast amounts of energy data to be processed and analysed quickly and securely, to unlock customer innovation, increase renewable energy deployment, and help dynamically manage more complex networks.

In Auckland, we've taken a number of steps to further establish the foundations for a future electricity network where customer-side services and innovations play a much larger role in efficiently managing increasing demand. In addition to electric bus smart charging infrastructure discussed earlier, we've continued our learning from our highly successful electric vehicle (EV) smart charging trial, and refined our modelling to set a pathway for enrolling controllable load at scales sufficient to defer costly network upgrades, using technology such as smart EV charging or smart hot-water heating.

We continue to engage proactively on policy and regulatory reform to better support New Zealand's decarbonisation journey and customer outcomes. New Zealand's urgency to decarbonise transportation and industrial emissions provides Vector with an opportunity to support, enable and drive progress in these areas.

We've been encouraged by the external feedback we've received on the maturity of our understanding and disclosure of climate risks and opportunities. According to this feedback, our Taskforce for Climate-related Financial Disclosures (TCFD) Report compares highly favourably with peer companies from New Zealand and is in the upper quartile globally. A strong contributor to this is our sector-leading work to develop a carbon abatement cost curve, which we've updated this year to include newly identified initiatives, reflect cost changes, highlight completed projects and challenges, and exclude Vector Metering. Our TCFD Report outlines the significant opportunities ahead of us, as well as the challenges, as we look to the future and consider a range of climate scenarios. We encourage you to read it.

Funding appropriate investment to deliver the right outcomes

We are in a critical decade for the energy sector, as demand for electricity grows strongly with electrification and as electricity networks are faced with increased demands for resilience in the face of climate change.

The Commerce Commission's draft Input Methodologies decision is hugely important to Aotearoa

New Zealand. It will set the key regulatory principles that will then bind the way electricity networks can operate and invest for the next seven years and possibly even beyond that to 2035.

Like any other commercial entity, investments can only be made where it is both commercially attractive and financially viable. In the period leading to the final Input Methodology (IM) decision, we will continue to strongly advocate for improved financeability, creating a sustainable investment pathway to enable decarbonisation.

In these next seven years, which is the period covered by the IM decision, we will increasingly see the impacts of climate change force the need for significant and rapid action. Therefore, we must choose the path of more resilience, more decarbonisation, more customer benefit and more long-term affordability.

We're doing our part by laying the foundations for this on our own network, so that we can enable effective orchestration of load around peak times and integrate more flexible, cost-effective solutions to demand-growth challenges. Outside of our network, we're engaging widely to share thinking and advocate smart investment, including with other electricity distribution businesses in our region via the Northern Energy Group, and we continue to develop tools to help others on their own journey.

As the country's largest electricity distributor, Vector absolutely wants to continue to play our part in enabling electrification and doing it in the most affordable way possible for our consumers. However, alongside other electricity network companies, we can only do so within the bounds of the Commission's strict regulatory returns and funding regime.

FINAL WORDS

We've seen strong performance across our portfolio this year, highlighted by the successful Vector Metering transaction, as we continue to follow our Symphony strategy to create a new energy future.

As demand for clean energy grows and the importance of resilience against climate change is further highlighted, we continue to take a long-term view on, and chart a leading course through, the energy sector transformation, so that we can deliver a more affordable decarbonisation, and the best outcomes for our customers.

We thank you for your support as a shareholder.

Jonathan Mason
Chair

Simon Mackenzie
Group Chief Executive

2023 REPORTING SUITE

This annual report is published as part of a reporting suite, which also includes our Greenhouse Gas Emissions Inventory Report, and Taskforce for Climate-related Financial Disclosures Report. All three reports are available at vector.co.nz.

JASON HOLLINGWORTH
CHIEF FINANCIAL OFFICER

Chief Financial Officer report

Vector's financial performance for the year reflects a solid result with adjusted earnings before interest, tax depreciation and amortisation (adjusted EBITDA) of $523.3 million. This was up $13.3 million or 2.6% on last year's result, and is made up of $335.1 million from continuing operations and $188.2 million from discontinued operations (being the metering operations). This is a pleasing result considering there is a lag in our ability to recover actual CPI increases over FY23, even while at the same time many underlying costs increase because of high inflation levels under the regulatory pricing model.

Segment adjusted EBITDA[1]

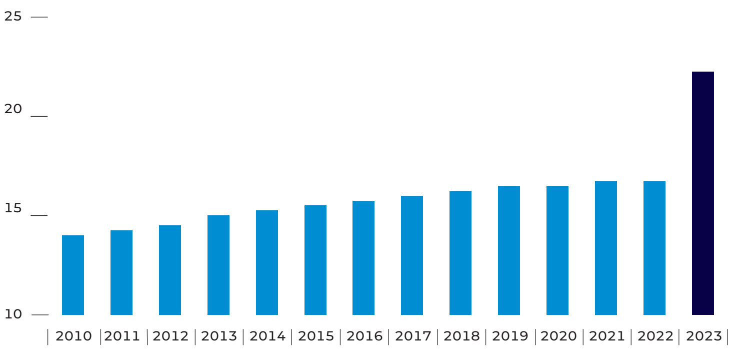
Adjusted EBITDA for Regulated Networks, for the year to 30 June 2023, was up $15.8 million (4.4%) to $371.6 million against the prior period. The increase in adjusted EBITDA was largely driven by higher electricity and gas revenue with the rise in electricity revenue due to an increase in net connections and higher pass-through and recoverable costs. Gas revenue has increased due to higher prices and higher volumes.

The impact on Regulated Networks earnings from Cyclone Gabrielle and the Auckland floods was approximately $7.4 million, with additional capital expenditure of $9.2 million also incurred. This reflects the widespread and significant damage caused across the network, the challenges of repair and restoration after such devastating impact, and the extent of our response. A substantial challenge for us is the non-availability of insurance for our assets against these risks. We have engaged with the Commerce Commission about a catastrophic event reopener, which could allow us to recover both the operating and capital expenditure costs associated with these events in future pricing.

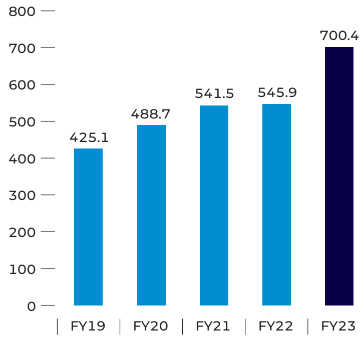
Adjusted EBITDA for the Gas Trading business was up 22.8% at $26.9 million from $21.9 million a year earlier. The result was mainly due to improved performance from the Natural Gas business, which has benefitted from higher margins. LPG performance has improved also, driven by higher revenue partially offset by increased costs of sales due to the cost of LPG product, which remains high as this is linked to the Saudi Aramco price of LPG and higher transportation costs.

The Metering business has had a positive year, with adjusted EBITDA at $188.2 million, up $14.5 million or 8.3% from a year earlier, with gains coming from the continued roll-out of advanced meters, particularly in Australia.

DIVIDEND DECLARED
CENTS PER SHARE



GROUP CAPITAL EXPENDITURE
$ MILLION



Vector Metering accounting treatment

From FY24, Vector's interest in the metering joint venture will be accounted for as an investment in an associate with revenue and costs of the operation reflected below EBITDA.

Capital expenditure

Total capital expenditure was $700.4 million, an increase of $154.5 million or 28.3% on the prior period, with the increase reflecting continued investment in infrastructure to support Auckland's continued growth. The figure also includes $187.7 million in relation to the metering operations, which was driven by the continuing roll-out of meters in Australia and 4G modem upgrades across the New Zealand advanced meter base. Note this increase in capital expenditure was partly funded by a $36.5 million rise in capital contributions recognised as income under the IFRS.

Electricity network capital expenditure continues to be at historically high levels due to investment to improve the reliability and resilience of our network as well as higher growth capital expenditure reflecting the continued increase in connections and infrastructure projects.

Capital contributions grew to $188.3 million from $151.8 million the year before.

Loss Rental Rebates

We announced earlier this year that we would pass on an expected credit of $30 to Auckland electricity account holders, as payment of this year's annual Loss Rental Rebate surpluses, covering the period 1 July 2022 to 31 March 2023. Vector electricity account holders in Auckland's Entrust district will receive the credit in September with their annual Entrust dividend payment. For Vector electricity account holders outside this area, we will pass this credit on to energy retailers, who should then provide those customers with a credit on their power bill later this year. We expect this will be the last year of issuing Loss Rental Rebate payments direct to Vector customers via the Entrust dividend process. This is because the Electricity Authority has changed the payment to customers process and decided that electricity distributors such as Vector are (from 1 April 2023) required to pass on all Loss Rental Rebates to energy retailers so they can provide these to customers.

Dividend

Shareholders will receive an unimputed final dividend of 14.0 cents per share, comprising an ordinary dividend of 8.5 cents and a special dividend of 5.5 cents in recognition of the gain from the sale of 50% of the Metering business. The Board will review Vector's future dividend policy following the release of the Commerce Commission's Input Methodologies Review due in December 2023. We expect to announce any changes to the policy with the release of our interim results in February 2024.

The final dividend will be paid to investors who are on the register at 6 September 2023 and distributed to investors on 14 September 2023.

RATINGS UPGRADE

On 26 April 2023, S&P Global Ratings raised its long-term issuer credit rating on Vector to 'BBB+', with a positive outlook, on a strengthening business mix, from 'BBB'. They included the following commentary:

- Vector's business risk profile will strengthen with a higher proportion of revenue and cash flow derived from the regulated monopoly business following the divestment of the 50% stake in Vector Metering.
- The positive outlook on Vector reflects the potential[2] for deleveraging following the Vector Metering transaction, and that S&P Global Ratings expects net proceeds from the transaction to be used to retire a proportion of outstanding debt, which they say would lead to Vector's funds from operations (FFO)-to-debt ratio rising above 13% in fiscal 2025 and beyond, from 10% to 11% in fiscal 2024.
- Their analysis incorporates the equity accounting treatment of the joint venture (JV) with QIC, with dividends added back to their S&P Global Ratings-adjusted EBITDA. This reflects the stand-alone nature of the JV with a separate management and board in addition to Vector's non-controlling interest in the JV. Furthermore, they anticipate that any debt raised at the JV level will have no recourse back to Vector itself.
- The extent of deleveraging will depend on several factors, including the balance sheet strength the company wishes to maintain ahead of the 2025 regulatory reset and any post-transaction revision to its dividend policy.

1. Refer to non-GAAP reconciliation on page 54.
2. Note this commentary was issued prior to the transaction completing.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

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 9), 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:

People and health and safety

Vector's 'Storm Troopers' help answer questions and provide information to communities after major weather events like Cyclone Gabrielle and the Auckland Anniversary floods.

The last few years have seen dramatic changes in ways of working. For Vector, building a strong culture of cross-team collaboration, high performance and strong leadership continues to be our focus. We want our leaders to create an environment where teams are results driven, innovation is valued and every individual feels included and able to thrive. Our new six Green Star-rated Newmarket office and the launch of new Vector behaviours in the coming financial year are markers of the next phase for us.

Wellbeing, diversity and inclusion

Since the launch of our wellbeing strategy we've been following a plan designed to ensure our work environment supports our people to thrive and lead positive and fulfilling lives. Our strategy was informed by feedback and data we received through individual wellbeing assessments staff undertook this past year, and will continue to be developed by future assessments. It is being implemented using a range of prioritised initiatives such as building awareness and engagement, and the continuous development of a resilient workforce. In addition, we've introduced a wellbeing and diversity employee network to ensure the roll-out of our strategy and programme of initiatives continues to be co-developed, where representatives propose and input on initiatives as to what works best for them and their respective business units.

Development of a new parental leave policy took place this year, with the new policy taking effect 1 July 2023. A significant part of the new policy is that Vector will continue employer contributions to KiwiSaver to cover the entire leave period; this will have a positive impact on reducing financial inequities at retirement age.

As we do each year, we've conducted pay equity reviews and taken action to remediate any inequities across gender, ethnicity and age.

We've again renewed our Accessibility Tick, which we were the first employer in New Zealand to be awarded, and our Rainbow Tick. These accreditations help us understand what we are doing well and where we need to improve, and we're proud of our commitments and actions that enable these accreditations to be retained.

We're also part of an energy sector Diversity and Inclusion working group, created by energy sector CEOs. This is an early-stage group, however we are excited to be able to participate.

Preparing for change, and a move

The sale of a 50% interest in Vector Metering and the operational separation of this business has seen a considerable change in our workforce, with a significant number of our people exiting employment with Vector and taking up roles with the new joint-venture business. Preparing for this, and ensuring the right change processes are in place for an effective transition, has been a strong focus throughout the year.

We were also busy getting ready to shift into a brand new, six Green Star-rated building, with an exciting new design and fit-out as well as the latest technology to support our collaborative ways of working both within the office and remotely. A huge amount of effort went into making this a successful move, and a catalyst for positive organisational development.

Recruitment challenges

The tight labour market across New Zealand has continued, and Vector has faced similar challenges to other businesses. Despite borders opening up in July 2022, strict immigration criteria remained in place impacting the ability to recruit offshore candidates. More recently, a softening of the criteria and Vector's accredited employer status have facilitated hires from overseas into critical roles, where no suitable New Zealand-based applicants were found.

Candidates are still difficult to source in technology, engineering, transport and the trades, and competition is fierce with applicants often involved in multiple recruitment processes. One of the biggest challenges has been in OnGas, where drivers are in high demand across the country. In addition to the adoption of class 1 delivery trucks to expand the pool of potential drivers, first introduced in the last financial year, we've responded further by working closely with employees and the management team to understand and address attraction and retention strategies. This has culminated in pay increases to meet the market, retention payments, shifting from fortnightly to weekly pay to reduce financial pressure and the introduction of cadet schemes to create entry-level jobs for youth and career pathways. Work was also undertaken to refresh the way we advertised our roles and positioned ourselves to appeal to the target audience. The result saw applications more than double and led to record low vacancies.

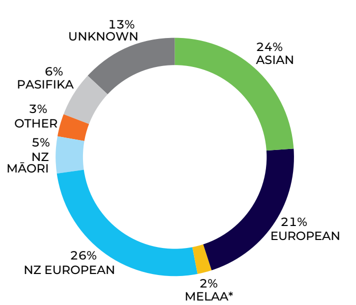
Health, safety and environment

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 severity rate.

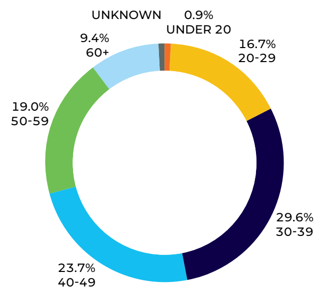
In the past year, we have experienced an increase in sprains and strains within our field workforce, which has seen our LTIFR increase. Our focus remains on injury reduction, and there has been a decrease in the severity rate of lost time injuries, indicating that the severity and average number of days required off work per incident has reduced across FY23. Our TRIFR rate remains steady.

Our health and safety approach across the Vector group is centred on a culture of openness, curiosity and continuous learning to drive a safer and healthier workplace for our people. This culture encourages members, both in the office and in the field, to actively participate and input into the risk management system as opposed to taking a view of 'arbitrary compliance', which does not encourage engagement and continuous improvement. It is through this approach that we continue to prioritise robust and thorough incident investigations into high potential near miss events, reviews into key operational activities, and focused health, safety and environmental assurance activities with our field services partners.

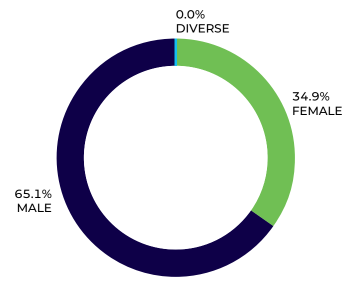
EMPLOYEES BY ETHNICITY



EMPLOYEES BY AGE



EMPLOYEES BY GENDER



Notable changes in the diversity statistics included a 1.4% decrease in female representation, from 36.3% to 34.9%, across the Vector group, a decrease in employees identifying in the 30 to 39 age bracket (-1.5%) and a decrease in the 50 to 59 age bracket (-1.4%). We also noted an increase in those identifying as Asian by 2.7%, and an increase in NZ Māori by 0.2%. A further breakdown of Vector's gender mix can be found in the Governance section on p39. Due to Vector Metering's separation from Vector, a portion of employees included in this year's diversity data will no longer be accounted for in future reporting.

* Middle East, Latin America and Africa

Our health and safety systems and processes are specific to the needs of our business units, employees and services. To further evolve them, we are currently undertaking a review of our enterprise risk and health, safety and environmental (HSE) management technology solution used across our businesses. The purpose of this review is to ensure we have the best technology available to support effective and insightful risk and HSE decision-making and incident management through an intuitive user experience and timely reporting.

We remain highly focused on our critical HSE risks, our controls, and on assuring our confidence in those controls, and have retained certification in ISO45001, ISO14001 and NZS7901, being the key HSE standards for our businesses.

Leadership development

We're continuing to upskill our people managers, with a focus on lifting their capabilities to lead, support and develop their teams. We launched Manager's Warrant of Fitness 2.0 during the year, which includes further development for our people leaders to strengthen their leadership capability, following the success of WOF 1 in FY22. WOF 2 is short and impactful, and focuses on understanding mental health and wellbeing, including how to spot signs of distress and have safe conversations around this, psychological safety in diverse teams, and how to lead a team effectively in a hybrid-working environment. In FY23, a total of 115 people leaders participated in either WOF 1 or WOF 2.

Ongoing talent programmes

Vector's established talent management processes continue to identify high potential staff and successors to key roles. These are reviewed by the executive team twice a year and the People and Remuneration Committee annually. As well as identifying development requirements for individuals, this process is about identifying gaps and risks.

Annual performance reviews based on the achievement of individual goals are set at the start of the financial year (July and August) with regular progress conversations and half-year check-ins encouraged. The outcomes of the performance reviews are one of the factors taken into consideration when reviewing annual remuneration movements.

Energy affordability and decarbonisation

We've achieved a 14.5% reduction in carbon emissions towards our science-aligned target.

An energy transition that works for consumers

Vector plays a pivotal role in enabling energy systems to meet growing demand for low-carbon electricity while delivering and advocating for equitable and affordable outcomes for consumers. Our focus is to build infrastructure as efficiently as possible to reduce consumer cost, and ensure the costs are allocated equitably, in line with the principle of cost-reflective pricing. Doing this avoids system growth costs being socialised inequitably across existing consumers. A clear example of this principle is a consumer who doesn't own an EV and who may be experiencing energy hardship; our view is it is inequitable for them to be faced with an increased bill because of other EV-owning consumers or commercial EV-charging providers, driving the need for system growth investment.

Developing solutions

This year, in alignment with our Symphony strategy, we've further developed our Future Technology Roadmap for our electricity network that sets out a critical pathway for achieving an affordable future network investment profile. This profile is based on optimising the huge costs of traditional network reinforcement and capacity upgrades as demand grows, by using advanced data and digital technology to manage peak demand growth, while accommodating the increase in overall demand for electricity as electrification gathers pace to reduce carbon emissions (see Shaving the Peak p 31).

Advocating for better outcomes

We continue to work with key external partners to better understand the challenges ahead, and bring cutting-edge international insights to New Zealand to challenge sector thinking and traditional energy system regulation. Our firm belief is that the transition to zero carbon requires better and a more dedicated focus and policy alignment to truly drive the change required. For, while the energy sector is one of the most critical pieces of this country's infrastructure for meeting our decarbonisation goals, it needs to be considered as a whole system, not in the silos prescribed by the original market settings of the late 1990s. Better energy and regulatory policy alignment across government is becoming increasingly urgent, and we note steps that the United Kingdom has taken in establishing the Department of Energy Security & Net Zero. Establishing an equivalent aligned policy agency would be effective in ensuring strategy development, regulation, policy, market design and oversight, and resilience are all centrally coordinated with the necessary expertise and resources.

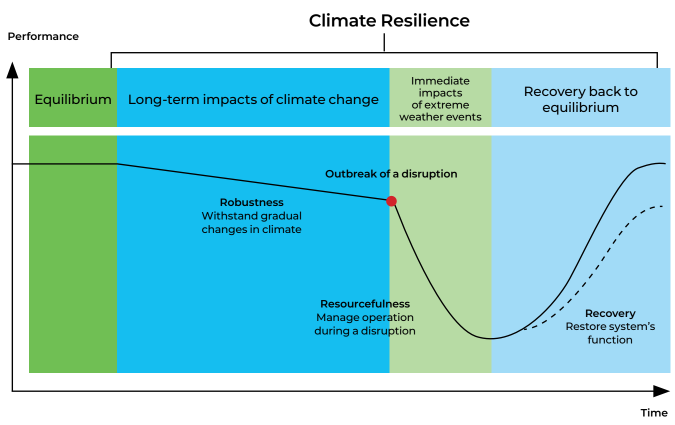
Following our emissions reduction plan

We've committed to measuring and managing our own carbon emissions to help with New Zealand's transition to a low-carbon economy. This includes reducing emissions to meet our science-aligned reduction target of 53.5% by 2030 based on a 2020 baseline, as well as having net -zero carbon operational emissions (scope 1 and 2 excluding electricity distribution losses) by 2030. At 30 June 2023, we have achieved a 14.5% reduction towards our science-aligned target.

Emissions reduction activity this year has included the continuation of two key initiatives from the prior year to realise further reductions in our footprint. We've ramped up the use of transformers deployed temporarily to keep the power on during maintenance projects instead of fossil fuel generators, avoiding an estimated 1,388 tCO_2e (scope 1 and 3 combined) over FY23, and we're continuing our increased schedule of gas leak surveying on the gas network. Other initiatives this year have included reducing response time for gas leaks, and flaring them instead of venting, and a public awareness campaign designed to reduce third-party damages to our gas pipelines. As a result of these activities, we are maintaining a downward trajectory on these emissions.

CLIMATE CHANGE RESILIENCE FOR OUR ELECTRICITY NETWORK

The Auckland Anniversary Weekend flooding, together with Cyclone Gabrielle, set a new bar for extreme weather in Auckland, with Cyclone Gabrielle more devastating than Cyclone Bola in 1988. The scale of these events has prompted calls for better resilience across our country's infrastructure. Improving electricity network resilience is a complex task, and extends far beyond simply stopping the impacts of extreme weather taking out the power for our customers. Vector's thinking on resilience follows the International Energy Agency's framework, which breaks down physical resilience into three stages following a disruption to normal supply:



To provide better customer outcomes, our resilience strategies focus on:

- preventing and withstanding damage
- responding to the immediate impact from severe weather on disruptions to supply
- recovering back to equilibrium once the storm has passed.

The second two of these stages often involve the accuracy and availability of data, and the capability to use that data for insights to streamline operational processes, including those in the field.

We will continue to refine our climate change modelling capability, while also maintaining ongoing investment in multi-year, dedicated network hardening programmes, and specific resilience measures which consider options such as asset relocation, network reinforcement, micro-grids, increased low voltage visibility, and vegetation management. This year we've expanded our list of community emergency generation hubs, with a new, permanent generation injection point established in Warkworth, joining previously established points in Piha and Waiheke Island. These hubs speed up the provision of emergency generation to support communities whose electricity supply has been impacted by severe weather.

Our Field Service Provider Omexom uses a truck-mounted gas leak detection system known to 'smell' minor gas leaks by simply driving down the street at normal speed, with GPS technology marking the exact location of any leaks detected. This enables us to find and fix leaks faster, reducing carbon emissions and improving the safety of the public and environment.

Our carbon footprint

Vector measures and reports its emissions in accordance with The GHG Protocol Standard and The GHG Protocol Value Chain Standard annually. Our base year for emissions reporting is 1 July 2019 to 30 June 2020. Detailed information on organisational and operational boundaries, methodologies used and emissions trends over time can be found in Vector's GHG emissions inventory report FY23.

In the year to 30 June 2023, we've achieved a reduction of 14.7% across all scopes from our base year FY20.

The most significant reduction in scope 1 emissions can be observed with gas distribution fugitive emissions, driven by the initiatives outlined on p25. Diesel use in generators has also seen a reduction, while vehicle fleet and sulphur hexafluoride (SF_6) emissions increased.

Scope 2 emissions have increased, despite a decrease in electricity losses across our network, due to a noticeably higher emissions factor used for this year's calculation compared to previous years. An increase in Vector's own electricity consumption can be attributed to a growing uptake of Vector's free EV charging infrastructure across Auckland.

Value chain emissions across scope 3 have increased by just over 1% compared to FY22. However, when comparing against our FY20 base year, emissions across scope 3 have decreased by 15%.

Further details on our emissions by scope and category can be found in Vector's GHG emissions inventory report for FY23, available on our website.

1,388 tCO_2e

Avoided emissions from our temporary transformer programme in FY23, following successful trials in the prior year

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 Disclosures Report, both available at vector.co.nz

Emissions trend by scope in tCO_2e

EMISSIONS CATEGORY	FY20	FY21	FY22	FY23	Change from FY20 baseline
Scope 1	22,388	17,887	21,816	19,485	-13%
Scope 2*	33,148	34,449	39,486	42,810	29%
Scope 3	1,843,262	1,628,207	1,539,706	1,558,026	-15%
Total Scope 1, 2, 3	1,898,798	1,680,543	1,601,008	1,620,321	-14.7%

Previous years' inventories were recalculated to remove emissions from Vector Metering, include updated activity data on gas fugitive emissions in FY22, and include a newly included emission source under scope 3. For details on these recalculations, please see Vector's GHG emissions inventory report for FY23.

* Includes market-based emissions for electricity consumption.

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

Investment this year has included the highest-ever financial outlay on major capital works to support system growth, integrity and reliability. It also includes strong progress on the deployment of an Advanced Distribution Management System (ADMS), to provide a modern, flexible system for use on our electricity and gas networks. We worked with AWS to deploy the ADMS platform using AWS Outposts, to combine the benefits of cloud and on-premises deployment. This significant technical achievement was also followed, after the end of the financial year, by the successful migration of network SCADA control to the new ADMS platform. This has modernised the tools available to our control room staff and improved safety and asset protection. We're also now well set up to leverage the new technology to deliver improvements to our customers, in areas such as fault location isolation and service restoration.

Revenue

Revenue increased 8.6% to $902.9 million, driven by the higher recovery of pass-through and recoverable costs and an increase in capital contributions, up 24.6% to $187.3 million, reflecting continued connection growth and the introduction of a development contribution.

Continued electricity connection growth

New electricity connections increased to 15,865 from 13,538 in the prior year. We also added 2,691 new gas connections from 3,146 a year earlier. Total electricity connections stood at 612,909, up 2.1% from 600,112 a year earlier, while total gas connections were 119,631, up 1.4% from 117,995 a year ago.

Volumes

Volumes transported across the electricity network increased 2.3% to 8,552 GWh from 8,361 GWh a year earlier, driven by increasing business volumes, with residential volumes largely flat. Auckland gas distribution volumes were up 3.8% at 13.6 PJ from 13.1 PJ a year earlier.

Increased investment levels

Gross regulated capital expenditure (capex) increased by 27.3% to $422.6 million compared to $331.9 million a year earlier. This comprises $210.4 million on system growth and $212.2 million on asset replacement. Capex net of capital contributions was 29.6% higher than the prior year at $235.3 million. 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 rise in connections and infrastructure projects.

Storm impacts and climate resilience

Most Aucklanders have felt the effects of the ongoing wet weather but for some it has been devastating and life changing. In the space of just two weeks, Auckland was battered by major flooding and then Cyclone Gabrielle, the largest event we can recall, with the cyclone lasting three days. Both of these events had dramatic impacts on our customers, with some enduring extended power outages owing to the level of damage sustained on the network. Our crews worked hard and tirelessly to restore power as quickly and safely as possible, with more than 1,000 people working on the response including Vector staff, our Field Service Providers, and other crews flown in from Australia.

We're proud of how our field crews responded to these catastrophic events in such tough conditions, and as a business we've worked hard to review our processes and learn from them, so that we can identify any and all opportunities to improve customer outcomes in the next weather event.

$422.6M

Gross regulated capex, an increase of 27.3% from last year

Our cost estimate for the Auckland flooding and Cyclone Gabrielle includes around $7.4 million operational expenditure and $9.2 million capital expenditure.

Increased network investment to adapt to the impacts of climate change is essential, not only to safeguard customer experience against increasing risk of weather-related disruption, but also because of the increased reliance on the electricity system for energy, transport and the digital economy.

In our latest Asset Management Plan, we've included an initial $135 million as a preliminary assessment of the additional investment needed to boost climate change resilience following the impacts from the Auckland Anniversary flooding and Cyclone Gabrielle. Further work will be completed in the coming year so that our analysis can best reflect the very latest in ongoing climatic modelling for the Greater Auckland region.

Vegetation management regulation remains key for resilience. Trees cause the majority of customer outages during extreme weather events, with a significant portion caused by trees which are outside the scope of the current regulations. We saw many clear examples of this earlier this year, including where landslides brought trees from the other side of the road corridor down onto power lines. The current regulations are a major constraint on our ability to manage this risk and we've been waiting eight years already for these to be reviewed.

We've fed into the Cyclone Recovery Taskforce to share our learnings about the impacts of the Auckland floods and Cyclone Gabrielle on critical infrastructure, and we're part of a working group established by the Electricity Networks Association to look into network resilience.

Laying the foundations of smart demand management

As consumers, we switch on and off our lights, heating and cooking without any thought to the impacts our individual actions have on overall demand. That's as it should be, and smart demand management aims to find ways to reduce overall peak demand by spreading more evenly when things are switched on and off, and doing so in a way that doesn't impact consumers or businesses. Smart demand management reduces peak demand without effort from our customers, which reduces network costs and makes for a more affordable network.

We've continued our work in this space with Auckland Transport, to achieve a more affordable electrification of public transport. In January, the city's first fully electric bus charging depot was opened in Panmure (pictured above is Peter Ryan, Vector's Chief Operating Officer for Electricity Gas and Fibre, at the opening event). Charging at this depot occurs within a 'dynamic operating envelope', where Vector forecasts optimal charging times each day and provides this to the depot, reducing peak demand for a more affordable charging solution.

We've also published updated network connection standards that ensure consumers will be able to benefit from participation in future smart demand management solutions for residential EV chargers, and smart hot-water load control. With these new standards in place, we're beginning to trial modern, household-level smart hot-water control that provides much more flexibility to target specific areas of network constraint at a much more granular level.

ZERO OFF-PEAK VOLUME LINES CHARGES

From April this year we introduced a new pricing offer where, at all times of the day through summer and during off-peak periods over winter, our residential Time of Use standard user price categories have a zero price on volume charges, with only a fixed daily rate charged. This means, for the lines charges component of their power bill, residential customers could pay nothing for the volume of power they use, reflecting that during off-peak times there's ample capacity available on our distribution network. We believe this zero off-peak price to be a first in the New Zealand market and will provide an opportunity for retailers to design innovative products for consumers, so that they can shift consumption and lower overall energy bills.

Under the current Low-user Fixed Charge (LFC) regime, the mandated ceiling on the fixed-price component of lines charges means it's not possible for us to make this offer available to all residential customers. However, the Government's commitment to fully removing the LFC regime over the next four years means that new pricing structures to incentivise smart use of the electricity system will be able to be developed.

Omexon (formerly Electrix) and Northpower crews work day and night to keep the power on for Vector customers.

EVERYDAY HEROES

This year has seen some incredibly wild and damaging weather, and through each of the storms we've experienced (not to mention every day and night in between), our Field Service Providers Omexom and Northpower are out there keeping the lights on and the network safe for our customers, with strong support from Vector teams too.

We appreciate their professionalism, dedication and expertise, and we're deeply thankful for their support in helping achieve our shared goal of safety and service for customers. We're also frequently humbled by the feedback we receive for them from our customers, as we can see what a difference they make in our communities and how much their efforts are valued.

We're proud of the strong relationships between Omexom, Northpower and Vector, and how we come together in times of crisis. This year, during Cyclone Gabrielle, that has involved sharing resources across teams and co-locating key personnel within coordination centres to help streamline the response efforts.

200MW

Peak demand under orchestration in Auckland by 2032

SHAVING THE PEAK

The premise of Vector's Symphony strategy, as it relates to electricity networks, is that non-network solutions – specifically demand-side response coupled with more smart technology – will enable a more affordable and fair transition. This is achieved by optimising network costs to decarbonise the economy. As customers deploy distributed energy resources such as EVs, solar and batteries, we can take advantage of the energy storage properties of batteries and hot-water cylinders to allow for load to be shifted away from peak times through orchestrating when each individual battery or hot water cylinder is charged.

A crucial time for residential EV charging

With EV uptake continuing to increase significantly, it's now urgent to ensure the extra electricity demand can be accommodated efficiently. EV growth in Auckland is leading the way and as such we're fully engaged with regulators to ensure smart residential EV charging can be adopted, allowing investment efficiencies to be realised and lowering consumer cost. However, more needs to be done. Slow regulatory and legislative responses to the issue of managed and smart EV charging risk a larger Auckland network having to be planned and built while regulatory clarity emerges – an outcome which is not in the best interests of consumers.

We're continually monitoring EV uptake, as we need to stay ahead of adoption curves in our planning so that we can continue to seamlessly connect these carbon-reducing technologies to Auckland's network. As newer, cheaper models become available, we must be ready to both increase investment sooner than planned and deliver managed EV charging to prevent constraints occurring.

The energy data revolution

Through the provision of smart meter data, we are now receiving vast amounts of information regularly and securely. This includes smart meter data for 87% of our electricity network, comprising 25 million data records each day. This highly valuable data is vastly improving our visibility into network performance and is helping us manage investment, understand customer trends, and model impacts at an individual street level by seeing changing household consumption patterns, for example as households purchase EVs.
We're now looking to incorporate network quality data, which is also captured by smart meters, into our planning, and continue to refine the use of real-time smart meter ping functionality, to help with storm restoration processes.

Gas transition

We're continuing to engage with the Government and other parties on New Zealand's gas transition, to ensure that the transition away from fossil gas is managed effectively. A managed transition means no surprises for customers, that customer choice remains available for as long as possible, that customers don't have forced migration and expensive appliance upgrades they weren't planning for, and no sudden, large loads are switched to the electricity network as a result of rapid switch-offs from gas. This is the best way to achieve equitable outcomes for consumers and asset owners, while achieving government objectives. There are significant costs involved, with the Climate Change Commission's demonstration transition pathway indicating costs could reach as high as $5.3 billion to consumers and businesses, a figure which is likely much higher now due to the inflation experienced in the more than two years since the estimate was put forward. We look forward to the next step in this process, with a forthcoming 'issues paper' consultation on the future of gas.

Gas trading

Increase in earnings

It remains a challenging environment for the Gas Trading segment, even while there has been a significant increase in earnings during the period, with adjusted EBITDA for the Gas Trading business up 22.8% at $26.9 million from $21.9 million a year earlier. The Saudi Aramco Contract Price of LPG remains elevated, albeit with a softening from the peaks observed in FY22. Other factors continue to increase the cost of doing business, including currency effects, a continuation of supply chain pressures as well as rising domestic and international costs relating to transport and distribution.

Volumes

Bottle Swap 9kg volumes are down 6.4% to 589,207 bottles from 629,651 a year earlier with most of the decrease due to the loss of a major customer in 2021; however, overall LPG performance improved due to increased revenue. LPG bulk and cylinder sales were also lower, down 5.5% at 41,896 tonnes, and Liquigas LPG tolling volumes were down 5.7% to 106,496 tonnes from 112,913 tonnes the year before. Natural gas sales saw higher margins, with volumes up 0.1 PJ to 5.4 PJ compared to the prior period. As described above, adjusted EBITDA for the Gas Trading business was up 22.8% at $26.9 million from $21.9 million a year earlier.

Operational improvements

We're working hard to identify and implement improvements to our processes and have had success with a number of initiatives. The inclusion, since the previous financial year, of class 1 delivery trucks has led to delivery runs being consistently better resourced, and we're continuing to optimise route planning for more efficient schedules and dependable customer deliveries. We're also retaining an ongoing focus on recruitment within a labour market which remains tight (see People and Health and Safety p21).

UNDERSTANDING THE NETWORK IMPACT OF FREIGHT EVS

When we think about electric vehicles and their role in reducing carbon emissions, passenger vehicles usually spring to mind. But commercial freight EVs will play an increasing role in decarbonisation, and Vector is at the forefront of analysing how transitioning from a diesel fleet to an EV fleet can best be managed.

To better understand this we've completed a trial of using an electric truck, the Fuso New Zealand eCanter, within our fleet of Vector OnGas LPG cylinder delivery vehicles. The Vector OnGas team has driven more than 6,300 km in this eCanter, providing a valuable contribution to our research into how to support transport electrification, so that the charging infrastructure and the national grid are able to support the increasing demand for electricity.

Metering

On 30 June 2023, Vector concluded the deal to sell 50% of the metering operations to investment vehicles managed and advised by Queensland Investment Corporation (QIC). As a result, the metering operations have been classified as discontinued operations for the FY23 period.

Revenue and earnings

Metering revenue increased 9.8% to $258.8 million from $235.6 million a year earlier, driven by the increased deployment of advanced meters. Adjusted EBITDA for the Metering business was $188.2 million, up $14.5 million or 8.3% from a year earlier, with gains coming from the continued roll-out of advanced meters, particularly in Australia.

Fleet growth

In the year to 30 June 2023 we have installed 25,656 additional advanced meters in New Zealand and 88,822 additional advanced meters in Australia. Our advanced meter base grew 5.6% to 2.09 million from 1.98 million the year before. We have now deployed over 578,000 advanced meters in Australia.

Capital investment

Total metering capital expenditure invested increased by 19.8% to $187.7 million. This reflects the continued deployment of new advanced meters in Australia, the 4G modem replacement programme and the roll-out of advanced gas meters.

Customer programmes

The modem replacement program to upgrade approximately 1.1 million meters with 4G modems in advance of the expected shut-down of the 2G mobile network has also made progress with 565,332 modems replaced to date. This programme is on track to be completed well ahead of the shutdown of the 2G mobile network. Its completion will extend the life of the meter and enable us to continue to provide services to our customers for a longer period of time.

We have also deployed more than 42,000 advanced gas meters in New Zealand as part of our 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.

New data platform

Our industry-leading energy data platform was jointly developed under the strategic alliance between Vector Technology Solutions (VTS) and AWS. This platform is known as Diverge and is part of VTS. Vector Metering retains exclusive rights to use this platform for metering data services within the New Zealand and Australian markets. Following the sale of the 50% interest in Vector Metering, both VTS and Diverge remain 100% owned by the Vector group.

This platform means Vector Metering can provide and develop innovative services for energy retailers, networks and other customers that deliver and respond to current and future customer needs. The platform also enables efficient processing of high volumes of additional power quality data that's useful to electricity networks.

VECTOR METERING'S CUSTOMER INNOVATION

Our metering technology platforms enable a wide range of energy-sector participants to take advantage of dynamic load control services, such as hot-water load control, at a much more granular level than has previously been available. We're providing these services to our customers, spanning from retail to distribution, to meet their needs for enhanced flexibility in electricity markets.

Electricity distribution networks have mechanisms in place to control hot water heating during peak demand times to avoid large investments in distribution network infrastructure, or to manage periods of supply constraints at a system level. Traditionally this has been performed by old 'ripple control' technology that affects large network areas of many thousands of individual customers. Our dynamic load control services work differently, by providing control at an individual smart meter level, so that our customers can meet targeted load-reduction goals at specific times. This optimises energy pricing and can manage network constraints, while also meeting strict customer satisfaction criteria.

Retailers can assist customers with energy infrastructure investments they may make for themselves (solar, battery, controllable appliances) to drive down the total cost of energy, without impacting customer comfort and energy-use behaviours. Sharing the cost benefits with end-consumers makes this a win-win situation.

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 2023.

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 (2023) (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 its 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 (among 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, while 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 in 2022 and the next review is scheduled for FY24.

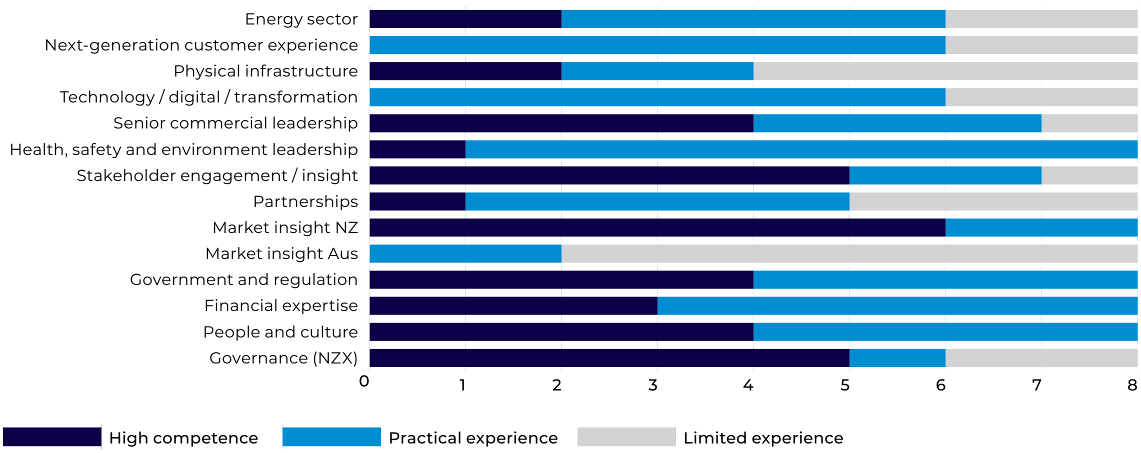
The Group Chief Executive is supported by the Vector executive team. Details of the members of the executive team are set out on pages 46 and 47 of this annual report and in the About Us section of Vector's website (www.vector.co.nz/about-us/board-executive-team). Members of the Vector executive team 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 currently comprises eight directors, all of whom are non-executive and ordinarily reside in New Zealand. Biographies are set out on pages 44 and 45 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, as illustrated in the skills and experience matrix below. The Board looks to strengthen its oversight of issues in all disciplines, as required, via expert advice.

Board skills and experience

This matrix shows the number of directors (out of eight) with these skills on a three-point scale (high / practical / limited).



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 Rules and NZX Code Recommendation 2.4.

The Board has reviewed the position and relationships of all directors in office and considers that six of the non-executive directors are independent for the purposes of the NZX Rules and Code. Those directors are Jonathan Mason who is Vector's Chair, Dame Paula Rebstock who is Deputy Chair, Tony Carter, Doug McKay, Bruce Turner and Anne Urlwin. Dr Paul Hutchison and Alastair Bell represent Vector's majority shareholder Entrust, and are therefore not independent directors due to that association. 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 122 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	4	1

Board committees

There are 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 board also forms additional committees on an ad-hoc basis and committees relating to the Vector Metering transaction, the electricity asset management plan and the gas asset management plan met during the reporting period.

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) Alastair Bell Tony Carter Jonathan Mason Paula Rebstock Bruce Turner
Nominations Committee	Jonathan Mason (Chair) Alastair Bell Tony Carter Paul Hutchison Doug McKay Paula Rebstock Bruce Turner Anne Urlwin
People and Remuneration Committee	Paula Rebstock (Chair) Alastair Bell Tony Carter Paul Hutchison Jonathan Mason
Risk and Assurance Committee	Bruce Turner (Chair) Paul Hutchison Jonathan Mason Doug McKay 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	17	7	5	4	1	1
A Bell	17	7	4†	4	1	1
A Carter	16	7	1†	4	1	1
P Hutchison	16	5†	5	4	1	1
J Mason (Chair)	17	7	5	4	1	1
D McKay*	14	3†	2			1
P Rebstock	17	7	5	4	1	1
B Turner	17	7	5		1	1
A Urlwin	16	7	5		1	1

* Appointed on 29 September 2022.
† Director attending the committee meeting who is not a member of the committee.

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 the 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, members of management, and/or other guests 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, management, and/or other guests 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 2023.

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 9 of the notes to the financial statements contained on page 73 of this annual report. KPMG was paid $1.3 million for services in the financial year to 30 June 2023. Of this sum, $1.1 million was for audit-related services and $0.2 million was for non-audit-related services. Non-audit-related 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 Risk Management Standard. 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. The company engages 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 manage those risks effectively. 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 operational and financial risks which are assessed and managed as part of meeting key business objectives and maintaining operational resilience.

Our key risks are shown on page 41.

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 22 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 business performance and 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 has unrestricted access to all Vector staff, records and third parties' staff and records. The team liaises closely with KPMG, as Vector's external auditor, to share the outcomes of the internal audit programme.

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 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 and 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.

Vector has also recently appointed a dedicated resource to drive the Diversity and Inclusion and Wellbeing programme of work.

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, Māori and 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;
- delivering equity for workers in terms of career opportunities, remuneration and reward.

Vector is committed to equitable pay and this doesn't start and finish with gender; it also includes age and ethnicity in the scope of annual pay equity reviews. Vector makes adjustments when needed to ensure equity across like-for-like roles. This has become part of business as usual at Vector and the company regularly monitors and adjusts salaries across all three categories (gender, age, ethnicity) if any gaps are identified. Vector reports its gender pay gap through the Mind the Gap programme. This programme defines a gender pay gap as the difference between the median hourly earnings of women and men in full- and part-time work. For Vector, the context behind its pay gap figure is that more senior and managerial roles are currently held by men; and that higher salaries are sometimes commanded for a specific skillset or talent shortages in some areas that are dominated by men. Vector's reported pay gap is a result of these factors. Its overall diversity and inclusion programme is focused on improving the gender balance across all tiers of Vector with a continued focus on merit-based recruitment and promotion.

"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

Gender statistics

Vector's gender statistics are as follows:

	As at 30 June 2023			As at 30 June 2022		
Position	Female	Male	Gender diverse	Female	Male	Gender diverse
Directors	2 (25.0%)	6 (75.0%)	–	2 (28.6%)	5 (71.4%)	–
Executive team	1 (12.5%)	7 (87.5%)	–	1 (12.5%)	7 (87.5%)	–
Direct reports to the executive team	15 (32.6%)	31 (67.4%)	–	15 (30.0%)	35 (70.0%)	–
Across the Vector group	475 (34.9%)	886 (65.1%)	–	466 (36.4%)	816 (63.7%)	–

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, the company cannot expect diversity to thrive. It recognises that diverse backgrounds, experiences and perspectives lead to a better experience of work for Vector's 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.

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 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.

A directors' fee pool was approved by shareholders at the 2022 Annual Shareholders' Meeting. Directors receive different fees for membership of the Board, membership of committees and chair roles. All directors are also entitled to be reimbursed for costs associated with carrying out their duties. Fees payable to Vector's directors for FY23 were as follows:

DIRECTOR	FEE ($)
J Mason	207,650
P Rebstock	133,825
A Bell	116,325
A Carter	116,325
P Hutchison	116,325
D McKay	55,663
B Turner	124,825
A Urlwin	124,825

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 its 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. The STI applies to executives and their direct reports.

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 FY23 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 FY23 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% of their STI) depending, at the Board's discretion, on the level of company performance once the gateway goals have been achieved.

STI Scheme payments relating to the financial year ended 30 June 2023 are delivered as a taxable cash payment and are payable on completion of the annual audited financial statements. Payments relating to FY23 are therefore paid in FY24.

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%	65%	45%	65%	65%
Symphony	20%	20%	20%	0%	20%	0%	0%
Customer	20%	50%	20%	20%	20%	20%	20%
People	10%	10%	10%	10%	10%	10%	10%
Decarbonisation	5%	5%	5%	5%	5%	5%	5%
TOTAL	**100%**	**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 (STI). 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.

	FIXED REMUNERATION			AT-RISK REMUNERATION			TOTAL REMUNERATION
	SALARY	BENEFITS	SUBTOTAL	STI	TRANSACTION INCENTIVE	SUBTOTAL	
FY23	$1,487,722	0	$1,487,722	up to 50%	$424,000*	$621,124**	$2,532,846
FY22	$1,430,550	0	$1,430,550	up to 50%	n/a	$629,442	$2,059,992

* This one-off discretionary transaction incentive was paid in July 2023 for FY23.
** Estimated based on proposed achievement of STI, subject to Board approval. If approved, STI will be paid September 2023 for FY23.

A description of the Group Chief Executive STI scheme for performance period ending 30 June 2023 is set out below.

Scheme	Description	Performance Measures	Percentage of Maximum Awarded
STI	Set to a maximum of 50% of fixed remuneration for FY23 on-plan performance where the highest levels of company performance measures are achieved.	Corporate performance goals 45% Financial 20% Symphony 20% Customer 10% People 5% Decarbonisation	If met (and subject to Board approval), will be paid in September 2023.
Transaction incentive	This is a one-off discretionary incentive related to the Vector Metering transaction.	Based on achieved level of proceeds in the Vector Metering transaction.	This one-off discretionary incentive was awarded by the Board and paid in July 2023.

Our key risks

	Strategic Risks
1	Adverse or unanticipated government responses, or unrealised opportunities from climate change
2	Adverse or unanticipated change to government policy affecting the electricity or gas business, or legislative/regulatory settings related to the Commerce Act (Part IV), Electricity or Gas Act, or Electricity Industry Act
3	Reputational damage/adverse impacts on stakeholder confidence
4	Electricity network fails to adapt and transition to changing demand, affordability and regulatory policy causing inefficient capital spend and reliability challenges
5	Adverse or unanticipated impacts or unrealised opportunities from rapid digitalisation
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
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, major weather events and other physical climate-related impacts
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 and intellectual property
15	Inability to develop, retain and recruit talent
16	Inability to foster mental health and wellbeing at Vector

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 on, 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 Vector's website.

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

The company has a Shareholder Meetings page in the Investors section on its 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 122 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 its 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 securities takes place in an efficient, competitive and informed market. Vector's Continuous Disclosure Policy sets 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. In addition, Jonathan 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-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-EXECUTIVE DIRECTOR

Appointed on 8 December 2021

Dr Paul Hutchison was elected to the AECT (now Entrust) in 2015. He is a clinician at Local Doctors (formerly East Tamaki Healthcare), 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 to 2014. He chaired the Health Select Committee from 2008 to 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.

Doug McKay

ONZM, BA, AMP (Harvard), CFInstD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed on 29 September 2022

Doug McKay has over 35 years' commercial and operational experience and a deep understanding of New Zealand and Australian markets having held Managing Director and Chief Executive positions with Lion Nathan, Carter Holt Harvey, Goodman Fielder, Sealord, Independent Liquor and Procter & Gamble. He was the inaugural Chief Executive of the amalgamated Auckland Council from May 2010 to December 2013 and a former director of Genesis Energy Limited and Ryman Healthcare Limited. He retired as Trustee (Chair) of the Eden Park Trust Board on 30 June 2023. In 2015, Doug was made an Officer of the New Zealand Order of Merit for services to business and local government. He is the Chair of Bank of New Zealand and currently holds directorships with Fletcher Building Limited, IAG New Zealand Limited and National Australia Bank Limited.

Dame Paula Rebstock

BSc (Econ), Dip & MSc (Econ)

INDEPENDENT NON-EXECUTIVE DIRECTOR AND DEPUTY CHAIR

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), National Hauora Coalition, Ngāti Whātua Ōrākei Whai Maia and the New Zealand Defence Force Board and a director of SeaLink Group, Auckland One Rail, AIA and the NZX. 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. He was a member of the NZ Electricity Market (NZEM) despatch rules working group, the NZEM Rules Committee, the MARIA governance board and the Electricity Authority's Security & Reliability Council. Bruce was involved in the development of common quality standards and has been heavily involved in energy sector reforms. As well as the Vector board, Bruce's governance experience includes joint venture boards for both Mercury and Fonterra. He is a director of GlobalDairyTrade Holdings Limited and 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 Urlwin 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 Infratil, Precinct Properties New Zealand, Ventia Services Group and City Rail Link. Anne is a former director of Summerset Group Holding, Queenstown Airport Corporation, Tilt Renewables, Chorus, and Meridian Energy, and a former Chair of national commercial construction group Naylor Love Enterprises and the New Zealand Blood Service. She is a Chartered Accountant with experience in senior finance management roles. Anne 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, CMInstD

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 OPERATING OFFICER, VECTOR TECHNOLOGY SOLUTIONS

Shailesh Manga leads Vector Technology Solutions (VTS) and is responsible for driving its growth. Specifically, he is charged with building relationships with key global partners to co-develop digital platforms critical to a new energy future, along with cyber services for critical infrastructure businesses. Shailesh has a strong focus on customer opportunities to increase revenue and deliver key aspects of our business strategy. 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 delivered innovative experiences for some of the world's largest brands including Google, Microsoft, Samsung, and LG. He has been an owner/founder in a user experience consulting business as well as an SaaS Product company (Optimal Workshop) that services around half of the Fortune 500 companies.

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. He 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 Vector's electricity, gas and fibre network businesses. He has 20 years' international experience within the telecommunications and energy industries, leading engineering, field and operational teams, and customer operations in the deployment, operations and maintenance of telecommunications, electricity and gas 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, service delivery, 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 and analytics 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.

Sarah Williams

BA, Cert. Journalism

CHIEF PEOPLE AND COMMUNICATIONS OFFICER

—

Sarah Williams 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. Sarah 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. She 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 30 years ago to ensure that stewardship over Auckland's electricity network remains in the hands of Aucklanders. Entrust acts in the interests of its 359,000 (as at 2023 roll date) families and businesses in central, east and south Auckland. Entrust protects the $3.0 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 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 2023, key undergrounding projects have been undertaken in St Heliers, Upton Street/Galatea Terrace (Herne Bay), and Craig Road, Carlton Crescent and Coney Lane (Maraetai).

In September 2022, each of Entrust's 351,000 beneficiaries was eligible to receive a $273 dividend, plus an additional $30 Loss Rental Rebate payment on behalf of Vector – that's more than $96 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

DR 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.

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

50%

VECTOR METERING JOINT VENTURE

Vector Metering is a smart metering business providing innovative smart meter data services from more than two million electricity and gas meters throughout New Zealand and Australia. In June 2023 Vector completed the sale of a 50% stake in Vector Metering to investment vehicles managed and advised by QIC Private Capital Pty Limited. This strongly positions Vector Metering to accelerate growth opportunities enabling the business to continue to play a key role in the transition of the energy industry.

www.vectormetering.com

8.1%

mPREST

Vector holds an 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 such as solar and battery energy solutions.

www.mprest.com

Operating statistics

YEAR ENDED 30 JUNE	2023	2022
ELECTRICITY		
Customers[1, 5]	**612,909**	600,112
New connections	**15,865**	13,538
Net movement in customers[2]	**12,797**	9,313
Volume distributed (GWh)	**8,552**	8,361
SAIDI (minutes)[3]		
Normal operations – unplanned	**118.7**	92.4
Normal operations – planned	**43.9**	40.5
Major network events	**292.3**	59.7
Total	**454.9**	192.6
GAS DISTRIBUTION		
Customers[1,4]	**119,631**	117,995
New connections	**2,691**	3,146
Net movement in customers[2]	**1,636**	1,523
Volume distributed (PJ)	**13.6**	13.1
GAS TRADING		
Natural gas sales (PJ)[5]	**5.4**	5.3
Gas liquid sales (tonnes)	**41,896**	44,330
9kg LPG bottles swapped[6]	**589,207**	629,651
Liquigas LPG tolling (tonnes)	**106,496**	112,913
METERING		
Electricity: advanced meters[1,7]	**2,090,589**	1,976,111

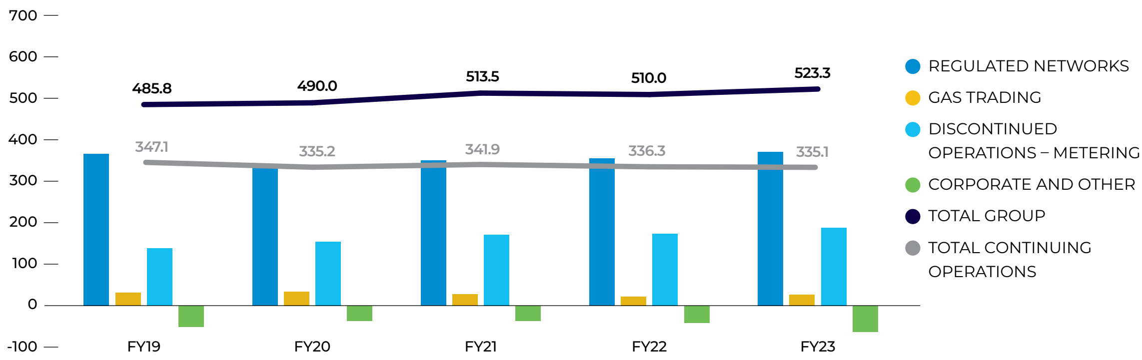
1. As at 30 June.
2. Net number of customers added during the period, includes disconnected, reconnected and decommissioned ICPs.
3. SAIDI minutes for the regulatory year ended 31 March (audited).
4. Billable ICPs.
5. Excludes gas sold as gas liquids.
6. Number of 9kg LPG bottles swapped and sold during the year.
7. On 30 June 2023 Vector completed the sale of a 50% interest in its New Zealand and Australian metering business to investment vehicles managed and advised by QIC Private Capital Pty Limited. Given the sale, we will not be disclosing installed meter numbers in future operating statistics.

Five-year financial performance

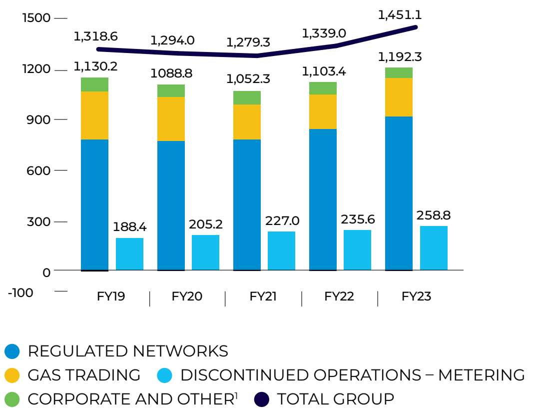
YEAR ENDED 30 JUNE ($ MILLION)	2023	2022	2021	2020	2019
PROFIT OR LOSS					
Total revenue – continuing operations[1]	**1,192.3**	1,103.4	1,052.3	1,088.8	1,130.2
Adjusted EBITDA – continuing operations[1]	**335.1**	336.3	341.9	335.2	347.1
Depreciation and amortisation – continuing operations[1]	**(204.8)**	(194.2)	(180.2)	(181.5)	(174.8)
Adjusted EBIT – continuing operations[1]	**130.3**	142.1	161.7	227.2	239.0
Net profit – continuing operations[1]	**112.6**	102.5	130.1	40.6	28.8
Total revenue – discontinued operations	**258.8**	235.6	227.0	205.2	188.4
Adjusted EBITDA – discontinued operations	**188.2**	173.7	171.6	154.8	138.7
Depreciation and amortisation – discontinued operations	**(53.3)**	(95.6)	(89.9)	(81.3)	(72.0)
Adjusted EBIT – discontinued operations	**134.9**	78.1	81.7	73.5	66.7
Net profit – including discontinued operations[2]	**1,715.8**	160.9	194.6	97.3	84.0
BALANCE SHEET					
Total equity	**3,958.0**	2,430.1	2,335.4	2,259.7	2,349.4
Total assets	**7,527.6**	6,812.2	6,519.5	6,380.9	6,061.0
Economic net debt[3]	**1,933.1**	3,296.8	3,110.6	2,918.1	2,665.6
CASH FLOW					
Operating cash flow	**517.1**	518.8	499.1	397.3	348.1
Capital expenditure	**(639.0)**	(558.8)	(516.2)	(476.4)	(418.4)
Dividends paid	**(169.9)**	(169.1)	(165.8)	(167.0)	(164.1)
KEY FINANCIAL MEASURES					
Adjusted EBITDA/total revenue[1]	**28.1%**	30.5%	32.5%	37.9%	36.8%
Adjusted EBIT/total revenue[1]	**10.9%**	12.9%	15.4%	17.6%	18.1%
Equity/total assets	**52.6%**	35.7%	35.8%	35.4%	38.8%
Return on assets (adjusted EBITDA/assets)[1]	**4.5%**	4.9%	7.9%	7.7%	8.0%
Gearing[4]	**33.1%**	58.2%	56.8%	55.5%	52.5%
Net interest cover (adjusted EBIT/net interest costs) (times)	**1.8**	2.1	2.2	1.8	1.8
Earnings (NPAT) per share (cents)	**171.5**	15.9	19.3	9.5	8.3
Dividends declared, cents per share	**22.25**	16.75	16.75	16.50	16.50

1. Excludes contribution from metering segment (which was sold on 30 June 2023) for all periods present.
2. One-off items included in total net profit: FY23 includes a $1,509.9 million gain on the 50% sale of the metering operations. FY22 includes a $40.2 million non-cash impairment. FY20 includes a $32.0 million non-cash impairment. FY19 includes a $46.6 million non-cash impairment.
3. Economic net debt is borrowings and lease liabilities net of cash and cash equivalents and deposits.
4. Gearing is defined as economic net debt to economic net debt plus adjusted equity. Adjusted equity means total equity adjusted for hedge reserves.

ADJUSTED EBITDA
$ MILLION

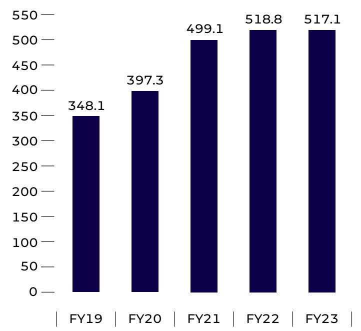


REVENUE
$ MILLION

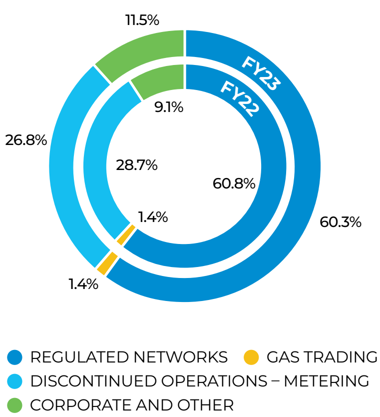


1. Includes eliminations of transactions between segments, and with discontinued operations.

OPERATING CASH FLOWS
$ MILLION

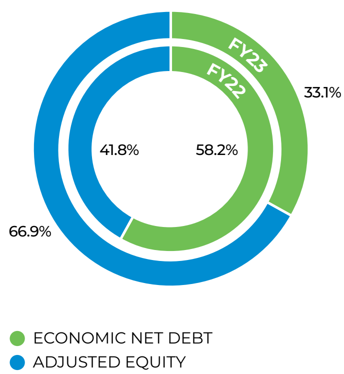


CAPITAL EXPENDITURE[1]



1. Capex figures prior to December 2021 do not include Right of Use (ROU) additions.

SOURCE OF FUNDING – GEARING
AS AT 30 JUNE



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	2023	2022
Reported net profit for the period (GAAP) – continuing operations	**112.6**	102.5
Add back: net interest costs	**145.7**	104.7
Add back: tax (benefit)/expense	**47.1**	57.2
Add back: depreciation and amortisation	**204.8**	194.2
Add back: impairment	**–**	40.2
EBITDA – continuing operations	**510.2**	498.8
Adjusted for:		
Capital contributions	**(188.3)**	(151.8)
Fair value change on financial instruments	**13.2**	(3.6)
Gain on sale of investment in associate	**–**	(7.1)
Adjusted EBITDA – continuing operations	**335.1**	336.3
Adjusted EBITDA – discontinued operations	**188.2**	173.7
Total group adjusted EBITDA	**523.3**	510.0

	2023			2022		
YEAR ENDED 30 JUNE ($ MILLION) Segment adjusted EBITDA	SEGMENT EBITDA	LESS CAPITAL CONTRIBUTIONS AND OTHER MOVEMENTS	SEGMENT ADJUSTED EBITDA	SEGMENT EBITDA	LESS CAPITAL CONTRIBUTIONS AND OTHER MOVEMENTS	SEGMENT ADJUSTED EBITDA
Regulated segment	558.9	(187.3)	371.6	506.1	(150.3)	355.8
Gas trading	26.9	–	26.9	21.9	–	21.9
Total reported segments	**585.8**	**(187.3)**	**398.5**	528.0	(150.3)	377.7
Corporate and other	(75.6)	12.2	(63.4)	(29.2)	(12.2)	(41.4)
Total – continuing operations	**510.2**	**(175.1)**	**335.1**	498.8	(162.5)	336.3
Metering – discontinued operations	**188.2**	**–**	**188.2**	173.7	–	173.7
Total group	**698.4**	**(175.1)**	**523.3**	672.5	(162.5)	510.0

FINANCIALS

Financial Statements

CONTENTS

2023 FINANCIAL STATEMENTS

These financial statements for the year ended 30 June 2023 are dated 24 August 2023, and signed for and on behalf of Vector Limited by:

Director 24 August 2023

Director 24 August 2023

And management of Vector Limited by:

Group Chief Executive 24 August 2023

Chief Financial Officer 24 August 2023

Profit or Loss

for the year ended 30 June

	NOTE	2023 $M	2022 $M
Continuing operations[1]:			
Revenue	8	**1,192.3**	1,103.4
Operating expenses	9	**(668.9)**	(615.3)
Depreciation and amortisation		**(204.8)**	(194.2)
Interest costs (net)	10	**(145.7)**	(104.7)
Impairment	12	**–**	(40.2)
Gain on sale of investment in associate		**–**	7.1
Fair value change on financial instruments	22.2	**(13.2)**	3.6
Profit/(loss) before income tax		**159.7**	159.7
Income tax benefit/(expense)	16	**(47.1)**	(57.2)
Net profit/(loss) for the period from continuing operations		**112.6**	102.5
Net profit/(loss) for the period from discontinued operations	5	**1,603.2**	58.4
Net profit/(loss) for the period		**1,715.8**	160.9
Net profit/(loss) for the period attributable to			
Non-controlling interests		**1.5**	2.0
Owners of the parent – continuing operations		**111.1**	100.5
Owners of the parent – discontinued operations		**1,603.2**	58.4
Basic and diluted earnings per share (cents)			
Continuing operations	25.3	**11.1**	10.1
Discontinued operations	25.3	**160.3**	5.8
Total		**171.4**	15.9

1 The comparative information is restated due to a discontinued operation. Refer to note 5.

Other Comprehensive Income

for the year ended 30 June

	NOTE	2023 $M	2022 $M
Net profit/(loss) for the period		**1,715.8**	160.9
Other comprehensive income net of tax – continuing operations			
Items that may be re-classified subsequently to profit or loss:			
Net change in fair value of hedge reserves	22.3	**(3.0)**	93.5
Translation of foreign operations		**(8.2)**	6.3
Items that will not be re-classified subsequently to profit or loss:			
Fair value change on financial asset	15.2	**(3.4)**	(0.1)
Other comprehensive income for the period net of tax – continuing operations		**(14.6)**	99.7
Translation of foreign operations – discontinued operations		**(3.4)**	3.2
Total comprehensive income for the period net of tax		**1,697.8**	263.8
Total comprehensive income for the period attributable to			
Non-controlling interests		**1.5**	2.0
Owners of the parent – continuing operations		**96.5**	200.2
Owners of the parent – discontinued operations		**1,599.8**	61.6

Balance Sheet

as at 30 June

	NOTE	2023 $M	2022 $M
CURRENT ASSETS			
Cash and cash equivalents	7	**89.9**	20.0
Short-term deposits	7	**447.1**	2.5
Trade and other receivables	11	**124.3**	89.4
Contract assets		**85.2**	107.8
Derivatives	22	**4.3**	44.6
Inventories		**21.1**	24.2
Contingent consideration	6	**11.5**	15.0
Intangible assets		**8.7**	4.4
Income tax	16	**33.6**	24.6
Total current assets		**825.7**	332.5
NON-CURRENT ASSETS			
Receivables	11	**67.4**	4.5
Derivatives	22	**107.8**	119.7
Contingent consideration	6	**49.4**	64.8
Investment in joint venture	15.1	**727.4**	–
Investment in private equity	15.2	**8.8**	12.2
Intangible assets	12	**1,208.1**	1,262.1
Property, plant and equipment (PPE)	13	**4,385.3**	4,882.1
Right of use assets (ROU)	14.1	**55.5**	26.6
Income tax	16	**89.3**	105.3
Deferred tax	17	**2.9**	2.4
Total non-current assets		**6,701.9**	6,479.7
Total assets		**7,527.6**	6,812.2
CURRENT LIABILITIES			
Trade and other payables	18	**271.2**	199.6
Provisions	19	**20.6**	21.9
Borrowings	21	**240.6**	371.0
Derivatives	22	**0.5**	0.4
Contract liabilities		**72.7**	97.5
Lease liabilities	14.2	**8.2**	9.3
Income tax		**1.5**	0.4
Total current liabilities		**615.3**	700.1
NON-CURRENT LIABILITIES			
Provisions	19	**5.9**	5.2
Borrowings	21	**2,028.2**	2,858.4
Derivatives	22	**160.3**	130.5
Contract liabilities		**11.0**	17.9
Lease liabilities	14.2	**56.8**	18.4
Deferred tax	17	**692.1**	651.6
Total non-current liabilities		**2,954.3**	3,682.0
Total liabilities		**3,569.6**	4,382.1
EQUITY			
Equity attributable to owners of the parent		**3,942.8**	2,414.0
Non-controlling interests in subsidiaries		**15.2**	16.1
Total equity		**3,958.0**	2,430.1
Total equity and liabilities		**7,527.6**	6,812.2
Net tangible assets per share (cents)	25.3	**272.6**	114.8
Gearing ratio (%)	25.3	**33.1**	58.2

Cash Flows

for the year ended 30 June

	NOTE	2023 $M	2022 $M
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**1,409.8**	1,347.2
Interest received		**5.8**	3.7
Payments to suppliers and employees		**(713.6)**	(686.9)
Interest paid		**(164.9)**	(125.1)
Income tax paid		**(20.0)**	(20.1)
Net cash flows from/(used in) operating activities	24.1	**517.1**	518.8
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of PPE and software intangibles		**0.9**	1.7
Purchase and construction of PPE		**(601.5)**	(510.6)
Purchase and development of software intangibles		**(37.5)**	(48.2)
Proceeds from contingent consideration	6	**14.2**	6.1
Proceeds from sale of discontinued operations	5	**1,690.7**	–
Cash balance disposed in sale of discontinued operations	5	**(3.0)**	–
Proceeds from sale of investment in associate		**1.7**	16.4
Other investing cash flows		**0.3**	0.2
Net cash flows from/(used in) investing activities		**1,065.8**	(534.4)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	3	**539.0**	351.0
Repayment of borrowings	3	**(1,425.5)**	(150.0)
Dividends paid	3	**(169.9)**	(169.1)
Lease liabilities payments	24.2	**(12.0)**	(11.2)
Net cash flows from/(used in) financing activities		**(1,068.4)**	20.7
Net increase/(decrease) in cash and cash equivalents		**514.5**	5.1
Cash and cash equivalents at beginning of the period		**22.5**	17.4
Cash and cash equivalents at end of the period		**537.0**	22.5
Cash and cash equivalents comprise:			
Bank balances and on-call deposits		**89.9**	20.0
Short-term deposits		**447.1**	2.5
		537.0	22.5

Discontinued operations

The cash flows above reflect the entire Vector group cash flows for the year ended 30 June 2023. Refer to note 5 for separately disclosed cash flows from discontinued operations.

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 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		–	–	–	–	(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
Net profit/(loss) for the period		**–**	**–**	**–**	**–**	**1,714.3**	**1.5**	**1,715.8**
Other comprehensive income		**–**	**–**	**(3.0)**	**(15.0)**	**–**	**–**	**(18.0)**
Total comprehensive income		**–**	**–**	**(3.0)**	**(15.0)**	**1,714.3**	**1.5**	**1,697.8**
Dividends	3	**–**	**–**	**–**	**–**	**(167.5)**	**(2.4)**	**(169.9)**
Total transactions with owners		**–**	**–**	**–**	**–**	**(167.5)**	**(2.4)**	**(169.9)**
Balance at 30 June 2023		**880.0**	**(0.1)**	**55.7**	**(5.0)**	**3,012.2**	**15.2**	**3,958.0**

Notes to the 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 (NZSX). 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.

The financial statements presented are for Vector Limited Group ("Vector" or "the group") as at, and for the year ended 30 June 2023. The group comprises Vector Limited ("the parent") and its subsidiaries (together referred to as "the group").

In accordance with the Financial Markets Conduct Act 2013, where a reporting entity prepares consolidated financial statements, parent company disclosures are not required.

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, telecommunications and new energy solutions.

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

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.

They are prepared on the historical cost basis except for the following items, which are measured at fair value:

— 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.

The presentation currency is New Zealand dollars ($). All financial information has been rounded to the nearest 100,000, unless otherwise stated.

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.

Significant accounting estimates and judgements

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:

Key areas	Judgements / Estimates	Note
Discontinued operations- gain on sale	Judgements	5
Valuation of contingent consideration receivable	Estimates	6, 20
Intangible assets: valuation of goodwill	Estimates	12
Property, plant and equipment: classification of costs	Judgements	13
Leases: assessment of lease term for perpetual leases and leases with renewal options	Judgements	14
Valuation of derivative financial instruments	Estimates	20, 22

New standards and interpretations adopted

A number of new standards and interpretations are effective from 1 July 2022, but they do not have a material effect on the group's financial statements.

A number of new standards and interpretations are effective for annual periods beginning on or after 1 July 2023 and earlier application is permitted, however the group has not early adopted the new or amended standards in preparing these consolidated financial statements. Vector has considered the impact of standards and interpretations not yet effective and do not expect any of these to have a material impact.

3. Significant transactions and events

Significant transactions and events that have impacted the financial year ended 30 June 2023:

Discontinued operations

In December 2022, Vector announced an agreement for the sale of 50% interest in its New Zealand and Australian metering business (Vector metering), to investment vehicles managed and advised by QIC Private Capital Pty Limited (QIC). The sale completed on 30 June 2023. Refer to note 5 for further details and required disclosures relating to the sale.

Loss rental rebates

Until 31 March 2023, Vector retained 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.

Vector distributed loss rental rebates 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 $19.0 million is recognised at 30 June 2023 (30 June 2022: $18.0 million) provides for an expected distribution level of $30 per customer on the Vector electricity network. This approach is consistent with the Board's view that LRRs should ultimately benefit electricity customers.

In the year ended 30 June 2023, Vector received $27.7 million of LRRs from Transpower (year ended 30 June 2022: $26.5 million), $8.8 million of which has been retained and recognised in the profit or loss (30 June 2022: $8.7 million).

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

Gas Distribution Input Methodologies

On 14 June 2023, the Commerce Commission (the Commission) released its draft report on its review of Input Methodologies. Their report proposed a reduction in the weighted average cost of capital (WACC) percentile for gas distribution businesses from 67% to 50% which would result in a decrease in future revenues for Vector's gas distribution business. Vector has lodged submissions to the Commerce Commission that support the maintenance of the current WACC percentile. The Commission will consider these and other submissions and publish its final decision on Input Methodologies in December 2023.

Debt programme

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

During the year ended 30 June 2023, the group drew down $539.0 million, and repaid $1,175.0 million of bank facilities for a net repayment of $636.0 million (year ended 30 June 2022: drew down a net of $126.0 million). Refer to note 21 for more details on borrowings.

Regulatory quality thresholds

During the year Vector and the Commission have settled the combined penalty relating to SAIDI quality threshold breaches by the electricity distribution network for the regulatory years ended 31 March 2017, 2018, 2019 and 2020. A penalty of $1.2 million was paid on 31 May 2023 and settles the periods in question.

Vector was in compliance with the SAIDI quality thresholds for the years ended 31 March 2021 and 31 March 2022. For the regulatory year to 31 March 2023, we were in breach of SAIDI due to the network outages relating to the Auckland floods and cyclone Gabrielle in January and February 2023 respectively.

Vector and other electricity distribution businesses are in discussions with the Commission regarding treatment of these exceptional events from a regulatory perspective. We were tracking well below the regulatory SAIDI limits up to the 27 January 2023 floods. Our view is that given the exceptional nature of the flood and cyclone events there is sufficient uncertainty as to whether the Commission will take any action in relation to the 2023 technical breach of SAIDI, that the criteria for raising a provision has not been met.

3. Significant transactions and events *continued*

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. Imputation credits of 10.5% were attached to the final dividend.

Vector Limited's interim dividend for the year ended 30 June 2023 of 8.25 cents per share was paid on 6 April 2023, with a supplementary dividend of 0.44 cents per non-resident share. The total dividend paid was $82.5 million. Imputation credits of 10.5% were attached to the interim dividend.

Liquigas Limited, a subsidiary of the group, paid dividends of $2.4 million to the company's non-controlling interests during the year ended 30 June 2023.

4. Segment information

Segments

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

The 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, Vector has sold a 50% interest in its New Zealand and Australian metering business (Vector metering), which was previously a reportable segment. The remaining investment in Vector metering is now classified as investment in joint venture, and is no longer a reportable segment. Details of the sale of the 50% interest in Vector metering can be found in note 5. The remaining two segments and policies remain unchanged.

Segment information is prepared and reported in accordance with Vector's accounting policies.

Intersegment transactions included in the revenues and operating expenses for each segment are on an arm's length basis.

Segment profit

The measures of segment profit reported 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.

Activities not reported in segments

Other activities engaged by the group comprise discontinued operations, 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 discontinued operations note, and the reconciliations of segment information to the group's financial statements.

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.

Geographical information

The group derives the majority of its revenue from external customers in New Zealand.

Major customers

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 2023, the customers contributed $240.4 million (2022: $236.5 million), $159.1 million (2022: $152.5 million) and $154.5 million (2022: $150.0 million) respectively, which is reported across all segments.

4. Segment information *continued*

30 JUN 2023 12 MONTHS (audited)	REGULATED NETWORKS $M	GAS TRADING $M	INTER-SEGMENT $M	TOTAL $M
External revenue:				
Sales	685.4	228.4	–	913.8
Third party contributions	187.3	–	–	187.3
Other	27.7	–	–	27.7
Intersegment revenue	2.5	–	(2.5)	–
Segment revenue	**902.9**	**228.4**	**(2.5)**	**1,128.8**
External expenses:				
Electricity transmission expenses	(184.2)	–	–	(184.2)
Gas purchases and production expenses	–	(137.1)	–	(137.1)
Network and asset maintenance	(75.2)	(6.5)	–	(81.7)
Employee benefit expenses	(18.4)	(11.3)	–	(29.7)
Other expenses	(66.2)	(44.1)	–	(110.3)
Intersegment expenses	–	(2.5)	2.5	–
Segment operating expenses	**(344.0)**	**(201.5)**	**2.5**	**(543.0)**
Segment EBITDA	**558.9**	**26.9**	**–**	**585.8**
Depreciation and amortisation	(157.7)	(11.1)	–	(168.8)
Impairment	–	–	–	–
Segment profit/(loss)	**401.2**	**15.8**	**–**	**417.0**
Segment capital expenditure	**422.6**	**9.5**	**–**	**432.1**

Reconciliation to revenue, profit/(loss) before income tax and capital expenditure reported in the financial statements: 2023	REVENUE $M	PROFIT/(LOSS) BEFORE INCOME TAX $M	CAPITAL EXPENDITURE $M
Reported in segment information	**1,128.8**	**417.0**	**432.1**
Elimination of transactions with discontinued operations	(2.6)	–	–
Amounts not allocated to segments (corporate activities):			
Revenue	65.1	65.1	–
Third party contributions	1.0	1.0	–
Employee benefit expenses	–	(62.5)	–
Other operating expenses	–	(78.1)	–
Elimination of transactions with segments	–	12.1	–
Depreciation and amortisation	–	(36.0)	–
Interest costs (net)	–	(145.7)	–
Gain on sale of investment in associate	–	–	–
Fair value change on financial instruments	–	(13.2)	–
Capital expenditure	–	–	80.6
Reported in the financial statements	**1,192.3**	**159.7**	**512.7**

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)	–
Segment revenue	831.5	201.9	(2.3)	1,031.1
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	–
Segment operating expenses	(325.4)	(180.0)	2.3	(503.1)
Segment EBITDA	506.1	21.9	–	528.0
Depreciation and amortisation	(148.5)	(11.4)	–	(159.9)
Impairment	–	(40.2)	–	(40.2)
Segment profit/(loss)	357.6	(29.7)	–	327.9
Segment capital expenditure	331.9	7.9	–	339.8

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	1,031.1	327.9	339.8
Elimination of transactions with discontinued operations	(2.1)	–	–
Amounts not allocated to segments (corporate activities):			
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)	–
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	1,103.4	159.7	389.2

5. Discontinued operations

In December 2022, Vector announced an agreement for the sale of a 50% interest in its New Zealand and Australian metering business (Vector metering), to investment vehicles managed and advised by QIC Private Capital Pty Limited (QIC). The sale was completed on 30 June 2023.

Vector metering previously formed the group's metering segment. The result of the disposal group for the year to 30 June 2023 is presented in the profit or loss from discontinued operations in the financial statements. Comparatives have been restated to show the discontinued operations separately from continuing operations.

Vector has applied some of the proceeds to the repayment of group debt and most of the remaining funds have been placed on deposit, pending repayment of future debt maturities. However, Vector metering held no debt itself, so the results presented for discontinued operations do not include any finance costs.

Profit and loss of discontinued operations	30 JUN 2023 $M	30 JUN 2022 $M
Revenue	**258.8**	235.6
Operating expenses	**(70.6)**	(61.9)
Depreciation and amortisation	**(53.3)**	(95.6)
Profit/(loss) before income tax	**134.9**	78.1
Income tax benefit/(expense)	**(41.6)**	(19.7)
Net profit/(loss) for the period before gain on sale	**93.3**	58.4
Gain on sale (net of tax)	**1,509.9**	–
Net profit/(loss) for the period attributable to owners of the parents	**1,603.2**	58.4

	30 JUN 2023 $M	30 JUN 2022 $M
Capital expenditure of discontinued operations	**187.7**	156.7

Cash flows from discontinued operations	30 JUN 2023 $M	30 JUN 2022 $M
Net cash flows from/(used) in operating activities	**190.8**	161.5
Net cash flows from/(used) in investing activities	**(180.2)**	(144.4)
Net cash flows from/(used) in financing activities	**(11.7)**	(17.5)
Net cash inflow/(outflow)	**(1.1)**	(0.4)

Revenue-metering services

The group receives revenue from business customers for providing electricity and gas metering and data services.

Customers are predominantly energy retailers who have 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.

5. Discontinued operations *continued*

Carrying value of net assets sold as at 30 June 2023	30 JUN 2023 $M
Cash and cash equivalents	3.0
Trade and other receivables	15.9
Contract assets	24.7
Intangible assets (including goodwill)	62.7
Property, plant, and equipment	881.9
Right of use assets (ROU)	4.3
Trade and other payables	(36.5)
Lease liabilities	(4.6)
Deferred tax	(18.2)
Net assets sold	**933.2**
Net cash consideration received on completion	1,690.7
Loan receivable	66.1
Intercompany balance repayment	(11.0)
Total consideration	**1,745.8**
Investment in joint venture	727.4
Total enterprise value – disposal group	2,473.2
Costs of sale	(30.1)
Carrying value of net assets sold	(933.2)
Gain on sale of discontinued operations	**1,509.9**

Policies

A disposal group that is sold or 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.

Loss of control and retained interest

The transaction constituted loss of control of the subsidiaries within Vector metering. The retained interest in Vector metering is a joint venture and has been included in investment in joint venture at 30 June 2023.

The investment in joint venture includes shareholder loans of $229.0 million. Refer to note 15.1 for more details.

Gain on sale

Vector has elected to follow IFRS 10: *Consolidated Financial Statements* in recognising the gain on sale from the transaction.

Under IFRS 10, upon the loss of control of a subsidiary, any retained interest should be remeasured to its fair value, with any resulting gain or loss recognised in the income statement.

Consideration

Upon completion of the sale of the 50% interest in Vector metering, the group received a total of $1,745.8 million in consideration representing a combination of $1,690.7 million in cash consideration from QIC and external enders to the newly formed Vector Metering joint venture, a loan receivable from QIC of $68.2 million less repayment of an $11.0 million intercompany balance.

The loan has been included in non-current receivables at 30 June 2023.

At 30 June 2023, the sale of the 50% interest in Vector metering remained subject to a final wash-up in respect of working capital and capital expenditure. The wash-up has been provisionally calculated as a payment of $2.1m from Vector to QIC, which has been offset against the loan balance within the consideration as at 30 June 2023. The final wash-up will be confirmed by 31 March 2024.

Depreciation and amortisation

Vector metering was classified as held for sale in December 2022, and its assets and liabilities were presented as a disposal group held for sale in the FY23 interim financial statements. Depreciation and amortisation on the assets of Vector metering ceased from December 2022 due to the held for sale classification.

6. Contingent consideration

	NOTE	2023 $M	2022 $M
Carrying value of contingent consideration			
Opening balance		**79.8**	81.7
Unwinding of discount	10	**6.0**	6.5
Payments received		**(14.2)**	(6.1)
Fair value movement	22.2	**(10.7)**	(2.3)
Closing balance at 30 June		**60.9**	79.8
Comprising:			
Current		**11.5**	15.0
Non-current		**49.4**	64.8

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 20 for details and sensitivity analysis around significant unobservable inputs used in measuring fair values.

7. Cash and cash equivalents and short-term deposits

	MATURITY DATE	NOTE	2023 $M	2022 $M
Cash and cash equivalents			**89.9**	20.0
Short-term deposits	Sep 2023 – Apr 2024	10	**447.1**	2.5

Policies

Cash and cash equivalents and short-term deposits are carried at amortised cost.

Cash and cash equivalents includes deposits that are on call, short-term deposits includes deposits with a maturity date.

8. Revenue

8.1 Revenue from contracts with customers

	2023 $M	2022 $M
Regulated networks – sale of distribution services	**713.1**	678.9
Regulated networks – third party contributions	**187.3**	150.3
Gas trading sales	**228.4**	201.9
Other	**63.5**	72.3
Total	**1,192.3**	1,103.4

	Revenue streams	**Satisfaction of performance obligation**
Regulated networks – sale of distribution services	The group receives revenue from business customers and energy retailers who sell energy to end customers for electricity and gas distribution services in Auckland.	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. 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. 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.
Regulated networks – third party contributions	The group receives contributions from residential and commercial customers towards the construction of distribution system assets in the Auckland electricity or gas distribution networks.	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. 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. 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.

8. Revenue *continued*

8.1 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**
Sale of natural gas	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.
Sale of LPG	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.
Distribution of LPG	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.
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.	

8. Revenue *continued*

8.2 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:

2023	1 - 2 YEARS $M	2 - 4 YEARS $M	TOTAL $M
Electricity distribution services	**1.7**	**1.2**	**2.9**
Telecommunication services	**3.4**	**–**	**3.4**
Total	**5.1**	**1.2**	**6.3**

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

Policies

No information is provided in relation to the remaining performance obligations at 30 June 2023 or 30 June 2022 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, $51.7 million was included in the contract liability balance at the beginning of the reporting period. (2022: $29.0 million).

9. Operating expenses

	NOTE	2023 $M	2022 $M
Electricity transmission	4	**184.2**	181.4
Gas purchases and production	4	**137.1**	123.2
Energy solutions cost of sales		**17.9**	17.4
Network and asset maintenance	4	**81.7**	75.2
Other direct expenses		**100.4**	90.0
Employee benefit expenses	4	**92.2**	84.2
Administration expenses		**16.6**	12.8
Professional fees		**8.1**	7.2
IT expenses		**23.7**	18.0
Other indirect expenses		**7.0**	5.9
Total		**668.9**	615.3

Fees paid to auditors

Fees were paid to KPMG as follows:

— audit or review of financial statements: $643,250 (2022: $594,000);

— regulatory assurance: $385,000 (2022: $394,000);

— other assurance fees: $89,000 (2022: $67,500);

— non-audit fees: $143,738 (2022: 199,067).

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

10. Interest costs (net)

	NOTE	2023 $M	2022 $M
Interest expense		**152.9**	114.0
Amortisation of finance costs		**9.4**	8.3
Capitalised interest		**(7.1)**	(5.1)
Interest income		**(5.8)**	(3.8)
Unwinding of discount of contingent consideration	6	**(6.0)**	(6.5)
Interest on leases	14.3	**1.6**	1.3
Unwinding of discount of decommissioning provisions	19	**0.7**	0.7
Impact of change in discount rate on decommissioning provisions	19	**–**	(4.2)
Total		**145.7**	104.7

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 4.2% per annum (2022: 3.4%).

11. Trade and other receivables

	NOTE	2023 $M	2022 $M
Current			
Trade receivables		**91.5**	60.9
Interest receivable		**15.6**	10.5
Prepayments		**9.0**	12.3
Deferred consideration		**1.5**	–
Other taxes and duties receivable		**2.0**	3.3
Other		**4.7**	2.4
Balance at 30 June		**124.3**	89.4
Non-current			
Deferred consideration		**–**	2.9
Other contract receivables		**67.4**	1.6
Balance at 30 June		**67.4**	4.5

11. 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.

	2023 $M		2022 $M	
	Not credit impaired	Credit impaired	Not credit impaired	Credit impaired
Business customers	**75.2**	**1.5**	43.4	1.8
Mass market customers (includes customer contributions)	**13.0**	**0.9**	12.9	–
Third party asset damages	**–**	**6.0**	–	5.5
Residential and other	**4.4**	**–**	5.0	0.8
Total gross amount	**92.6**	**8.4**	61.3	8.1
Loss allowance	**–**	**(4.8)**	–	(4.0)
Total carrying amount	**92.6**	**3.6**	61.3	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.

	2023 $M		2022 $M	
	Gross amount	Loss allowance	Gross amount	Loss allowance
Not past due	**84.2**	**–**	53.0	–
Past due 1-30 days	**6.9**	**(0.2)**	7.5	(0.2)
Past due 31-120 days	**2.4**	**(0.3)**	3.1	(0.4)
Past due more than 120 days	**7.5**	**(4.3)**	5.8	(3.4)
Balance at 30 June	**101.0**	**(4.8)**	69.4	(4.0)

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.

12. Intangible assets

	NOTE	CUSTOMER INTANGIBLES $M	EASEMENTS $M	SOFTWARE $M	GOODWILL $M	CAPITAL WORK IN PROGRESS $M	TOTAL $M
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		–	–	–	(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)
Additions		**–**	**–**	**–**	**–**	**39.5**	**39.5**
Transfers		**–**	**0.4**	**72.4**	**–**	**(72.8)**	**–**
Sale of discontinued operations	5	**(0.6)**	**–**	**(32.3)**	**(22.9)**	**(6.9)**	**(62.7)**
Disposals		**–**	**–**	**–**	**–**	**–**	**–**
Amortisation for the period		**(0.7)**	**–**	**(30.1)**	**–**	**–**	**(30.8)**
Carrying amount 30 June 2023		**–**	**18.9**	**72.3**	**1,101.0**	**15.9**	**1,208.1**
Cost		**–**	**18.9**	**289.5**	**1,252.3**	**15.9**	**1,576.6**
Accumulated amortisation		**–**	**–**	**(217.2)**	**–**	**–**	**(217.2)**
Accumulated impairment		**–**	**–**	**–**	**(151.3)**	**–**	**(151.3)**

12.1 Goodwill

Goodwill by cash generating unit	2023 $M	2022 $M
Electricity	**881.0**	881.0
Gas Distribution	**169.2**	169.2
Natural Gas	**10.3**	10.3
Liquigas	**40.5**	40.5
Metering	**–**	22.9
Total	**1,101.0**	1,123.9

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.

12. Intangible assets *continued*

12.1 Goodwill

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, 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.
Key accounting judgements	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: — 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	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. Future cash flows are forecast based on actual results and business plans. For the electricity, and gas distribution 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. Terminal growth rates in a range of 0.0% to 2.0% (2022: 0.0% to 2.0%) and pre-tax discount rates between 7.5% to 9.9% (2022: 5.6% and 8.9%) are applied. Rates vary for the specific CGU being valued. 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.

12. Intangible assets *continued*

12.1 Goodwill

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.

There were no specific policy decisions that could be interpreted as impacting adversely on the future value of the gas distribution business. Initial development of the gas transition plan, including targeted engagement has been in progress since the announcement of the ERP. Public consultation on the gas transition issues has recently commenced and submissions are due on 2 November. Publication of the gas transition plan is likely to be delayed into 2024.

Regulatory Environment

On 14 June 2023, the Commerce Commission (the Commission) released its draft report on its review of Input Methodologies. Their report proposed a reduction in the weighted average cost of capital (WACC) percentile for gas distribution businesses from 67% to 50% which would result in a decrease in future revenues for Vector's gas distribution business. Vector has lodged submissions to the Commission that support the maintenance of the current WACC percentile. The Commission will consider these and other submissions and publish its final decision on Input Methodologies in December 2023.

Impact on Impairment Testing

The impact of ERP policy and the gas transition plan on the 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. The timing or extent of this is not yet known. 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 as summarised in Note 12.1.

While at 30 June 2023, the Board and management have concluded that there is no impairment recognised, we acknowledge that the gas transition plan and the Commerce Commission's final decision on Input Methodologies 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 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. We will be carrying out the annual impairment test at 31 December 2023 for all CGUs with allocated goodwill and will report the results of that test in our group interim financial statements for the six months ended 31 December 2023.

12.2 Other intangible assets

Policies

Other intangible assets are initially measured at cost, and subsequently stated at cost less any accumulated amortisation and impairment losses.

Software 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:

Software	3 - 10

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.

13. 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 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)
Additions	**–**	**–**	**–**	**–**	**–**	**608.9**	**608.9**
Transfers	**365.8**	**171.4**	**4.8**	**12.5**	**8.5**	**(563.0)**	**–**
Disposals	**(7.5)**	**(0.9)**	**–**	**–**	**(0.2)**	**–**	**(8.6)**
Sale of discontinued operations	**–**	**(819.1)**	**(0.1)**	**(0.8)**	**(54.3)**	**(7.6)**	**(881.9)**
Depreciation for the period	**(143.9)**	**(47.3)**	**(3.4)**	**(7.9)**	**(12.7)**	**–**	**(215.2)**
Carrying amount 30 June 2023	**3,814.2**	**–**	**189.5**	**94.3**	**135.5**	**151.8**	**4,385.3**
Cost	**5,372.0**	**–**	**238.4**	**216.0**	**303.8**	**151.8**	**6,282.0**
Accumulated depreciation	**(1,557.8)**	**–**	**(48.9)**	**(121.7)**	**(168.3)**	**–**	**(1,896.7)**

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		
Distribution systems	5 – 100	Computer and telco equipment	2 – 50
Leasehold improvements	5 – 20	Other plant and equipment	2 – 55

13. 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 $138.4 million for the group (2022: $226.1 million).

14. Leases

14.1 Right of use assets

	LAND, BUILDINGS AND IMPROVEMENTS $M	OTHER PLANT AND EQUIPMENT $M	TOTAL $M
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)
Additions	**43.5**	**3.3**	**46.8**
Disposals	**(2.8)**	**–**	**(2.8)**
Sale of discontinued operations	**(2.8)**	**(1.5)**	**(4.3)**
Depreciation for the period	**(8.7)**	**(2.1)**	**(10.8)**
Carrying amount 30 June 2023	**50.6**	**4.9**	**55.5**
Cost	**68.0**	**6.9**	**74.9**
Accumulated depreciation	**(17.4)**	**(2.0)**	**(19.4)**

14.2 Lease liabilities maturity analysis

	MINIMUM LEASE PAYMENTS $M	INTEREST $M	PRESENT VALUE $M
Within one year	**11.9**	**(3.7)**	**8.2**
One to five years	**32.6**	**(13.7)**	**18.9**
Beyond five years	**46.7**	**(8.8)**	**37.9**
Total	**91.2**	**(26.2)**	**65.9**
Current portion			**8.2**
Non-current portion			**56.8**
Total			**65.0**

14. Leases *continued*

14.3 Lease expenses included in profit or loss

	2023 $M	2022 $M
Short-term leases	**0.2**	0.2
Interest on leases	**1.6**	1.3

14.4 Lease cashflows included in statement of cash flows

	2023 $M	2022 $M
Total cash outflow in relation to leases	**12.5**	11.8

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 $32.4 million (2022: $11.9 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 right of use assets and lease liabilities of $2.8 million. This reduction is included in disposals for the year ended 30 June 2023.

15. Investments

15.1 Investment in joint venture

INVESTEE	INVESTMENT TYPE	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	EQUITY INTEREST HELD	
				2023	2022
Vector metering					
NZ HoldCo Limited	Joint venture	Holding company	New Zealand	**50%**	–
AU HoldCo Limited	Joint venture	Holding company	Australia	**50%**	–

	NOTE	2023 $M	2022 $M
Carrying amount of joint venture			
Balance at 1 July		**–**	–
Fair value recognised through sale of 50% interest in Vector metering	5	**498.4**	–
Shareholder loans	5	**229.0**	–
Balance at 30 June		**727.4**	–

Policies

A joint venture is where Vector shares joint control over an entity or group of entities, and has rights to the net assets of the arrangement.

Investments in joint ventures are accounted for using the equity method.

Vector metering

Vector's retained interest in Vector metering now consists of a 50% ownership of NZ HoldCo Limited and AU HoldCo Limited respectively, which is jointly controlled with QIC Private Capital Pty Limited (QIC).

Vector has assessed that the contractual arrangement governing Vector metering meets the criteria of a joint venture.

Shareholder loans

The shareholder loans receivable from the joint venture are carried at amortised cost.

15.2 Investment in private equity

INVESTEE	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	EQUITY INTEREST HELD	
			2023	2022
mPrest Systems (2003) Limited	Technology development	Israel	8.1%	8.1%

	2023 $M	2022 $M
Fair value of investment		
Balance at 1 July	**12.2**	12.3
Fair value movement recognised in OCI	**(3.4)**	(0.1)
Balance at 30 June	**8.8**	12.2

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 20 for details on the significant unobservable inputs used in measuring the fair value and related sensitivity analysis.

15. Investments *continued*

15.3 Investments in subsidiaries

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

		PERCENTAGE HELD	
	PRINCIPAL ACTIVITY	2023	2022
Trading subsidiaries			
NGC Holdings Limited	Holding company	**100%**	100%
Vector MeterCo Limited	Holding company	**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 Communications Limited	Telecommunications	**100%**	100%
Vector ESPS Trustee Limited	Trustee company	**100%**	100%
Vector Energy Solutions Limited	Holding company	**100%**	100%
PowerSmart NZ Limited	Energy solutions services	**100%**	100%
Vector Energy Solutions (Australia) Pty Limited	Energy solutions services	**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 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%
Vector Metering Data Services Limited	Holding company	**–**	100%
Advanced Metering Assets Limited	Metering services	**–**	100%
Advanced Metering Services Limited	Metering services	**–**	100%
Arc Innovations Limited	Metering services	**–**	100%
Vector Advanced Metering Services (Australia) Pty Limited	Metering services	**–**	100%
Non-trading subsidiaries			
VPS Pacific Limited	Energy solutions services	**100%**	100%
Vector Advanced Metering Assets (Australia) Limited	Metering services	**100%**	100%
Ventilation Australia Pty Limited	Holding company	**–**	100%
HRV Australia Pty Limited	Ventilation systems and parts sales	**–**	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 Vector Energy Solutions (Australia) Pty Limited which is incorporated in Australia.

Disposal group subsidiaries

The companies listed below were included in the disposal group as part of the sale of 50% interest in Vector metering on 30 June 2023. These companies are part of the new Vector metering joint venture, which is recognised in the Vector consolidated financial statements as an investment in joint venture. These companies no longer meet the criteria of subsidiaries for reporting purposes and their respective holdings have been reduced to zero at 30 June 2023.

- Vector Metering Data Services Limited;
- Advanced Metering Assets Limited;
- Advanced Metering Services Limited;
- Arc Innovations Limited; and
- Vector Advanced Metering Services (Australia) Pty Limited.

The assets in Vector Advanced Metering Assets (Australia) Limited were part of the disposal group, and the company has been reclassified as non-trading to reflect this at 30 June 2023.

16. Income tax expense/(benefit)

Reconciliation of income tax expense/(benefit)) - continuing operations	NOTE	2023 $M	2022 $M
Profit/(loss) before income tax - continuing operations		**159.7**	159.7
Tax at current rate of 28%		**44.7**	44.7
Current tax adjustments:			
Non-deductible expenses		**3.5**	0.4
Impairment		**–**	11.3
(Over)/under provisions in prior periods		**(0.7)**	(1.8)
Deferred tax adjustments:			
(Over)/under provisions in prior periods		**(0.4)**	2.6
Income tax expense/(benefit) - continuing operations		**47.1**	57.2
Comprising:			
Current tax		**(12.2)**	6.1
Deferred tax	17	**59.3**	51.1

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 2023, Vector recognised a current income tax asset of $33.6 million (2022: $24.6 million) and a non-current income tax asset of $89.3 million (2022: $105.3 million).

Imputation credits

There are no imputation credits available for use as at 30 June 2023 (2022: nil), as the imputation account has a debit balance as of that date.

17. Deferred tax

Deferred tax liability/ (asset)

	NOTE	PPE AND INTANGIBLES $M	PROVISIONS AND ACCRUALS $M	HEDGE RESERVES $M	OTHER $M	TOTAL $M
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
Recognised in profit or loss		**52.7**	**4.8**	**–**	**1.8**	**59.3**
Recognised in other comprehensive income		**–**	**–**	**(1.1)**	**–**	**(1.1)**
Deferred tax associated with discontinued operations	5	**(20.3)**	**1.5**	**–**	**0.6**	**(18.2)**
Balance at 30 June 2023		**656.4**	**(4.9)**	**21.7**	**16.0**	**689.2**

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

	2023 $M	2022 $M
Deferred tax asset	**(2.9)**	(2.4)
Deferred tax liability	**692.1**	651.6
Total	**689.2**	649.2

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.

18. Trade and other payables

	2023 $M	2022 $M
Current		
Trade payables	**233.4**	159.7
Employee benefits	**11.8**	14.8
Interest payable	**26.0**	25.1
Balance at 30 June	**271.2**	199.6

Employee benefits

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

19. Provisions

	NOTE	DISTRIBUTION TO CUSTOMERS $M	DECOMMISSIONING $M	PRODUCT WARRANTY $M	OTHER $M	TOTAL $M
Balance at 30 June 2022		18.0	5.2	2.1	1.8	27.1
Additions		**27.7**	–	–	–	**27.7**
Unwinding of discount	10	–	**0.7**	–	–	**0.7**
Payments		**(17.9)**	–	–	**(1.2)**	**(19.1)**
Reversed to profit or loss	3, 10	**(8.8)**	–	**(1.0)**	**(0.1)**	**(9.9)**
Balance at 30 June 2023		**19.0**	**5.9**	**1.1**	**0.5**	**26.5**
Comprising:						
Current		**19.0**	–	**1.1**	**0.5**	**20.6**
Non–current		–	**5.9**	–	–	**5.9**

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.

20. Fair values

	NOTE	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2 INPUTS) 2023 $M	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3 INPUTS) 2023 $M	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2 INPUTS) 2022 $M	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3 INPUTS) 2022 $M
Assets measured at fair value					
Derivative financial instruments	22	**112.1**	–	164.3	–
Investment in private equity	15.2	–	**8.8**	–	12.2
Contingent consideration	6	–	**60.9**	–	79.8
Balance at 30 June		**112.1**	**69.7**	164.3	92.0
Liabilities measured at fair value					
Derivative financial instruments	22	**160.8**	–	130.9	–
Balance at 30 June		**160.8**	–	130.9	–

Policies

The table above provides the fair value measurement hierarchy of the group's assets and liabilities that are measured at fair value.

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:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; or

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); or

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments

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.

Investment in private equity

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.

Contingent consideration

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:

- 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 12.8% (2022: 9.7%), representing market discount rates as applicable to the remaining life of the Kapuni gas field.

20. 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.

			SENSITIVITY OF VALUATION TO CHANGES IN INPUTS			
2023	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE AND ESTIMATES	LOW	VALUATION IMPACT $M	HIGH	VALUATION IMPACT $M
Investment in private equity	Enterprise forecast annual cashflows	-US$8.5m to US$12.0m	**-10.0%**	**-$0.8**	**+10.0%**	**+$0.8**
	Discount rate	11.7%	**-1.0%**	**-$1.1**	**+1.0%**	**+1.5**
	Terminal growth rate	2.0%	**-1.0%**	**-$0.6**	**+1.0%**	**+0.8**
Contingent consideration	Discount rate	12.8%	**-1.0%**	**-$2.1**	**+1.0%**	**+$2.2**
	Future raw gas volume	203 PJ	**-2PJ per annum**	**-$5.1**	**+2PJ per annum**	**+$5.0**
	LPG pricing (long-term)	US$525/tonne	**-US$50/ tonne**	**-$5.7**	**+US$50/ tonne**	**+$5.7**
	Oil pricing (long-term)	US$74/barrel	**-US$7/ barrel**	**-$3.7**	**+US$7/ barrel**	**+$3.7**

			SENSITIVITY OF VALUATION TO CHANGES IN INPUTS			
2022	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE AND ESTIMATES	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

21. Borrowings

2023	CURRENCY	MATURITY DATE	FACE VALUE $M	UNAMORTISED COSTS $M	FAIR VALUE ADJUSTMENT ON HEDGED RISK $M	CARRYING VALUE $M	FAIR VALUE $M
Bank facilities – floating rate	NZD	Sep 2022 – Jan 2025	**–**	**(0.6)**	**–**	**(0.6)**	**–**
Capital bonds – fixed rate	NZD	–	**307.2**	**(1.5)**	**–**	**305.7**	**314.3**
Wholesale bonds - fixed rate	NZD	Mar 2024 – Oct 2026	**410.0**	**0.4**	**–**	**410.4**	**387.9**
Senior notes – fixed rate	USD	Dec 2022 – Mar 2035	**1,212.9**	**(3.1)**	**(126.1)**	**1,083.7**	**1,121.9**
Senior bonds – fixed rate	NZD	May 2025 – Nov 2027	**475.0**	**(1.6)**	**(3.8)**	**469.6**	**448.1**
Balance at 30 June			**2,405.1**	**(6.4)**	**(129.9)**	**2,268.8**	**2,272.2**

2022	CURRENCY	MATURITY DATE	FACE VALUE $M	UNAMORTISED COSTS $M	FAIR VALUE ADJUSTMENT ON HEDGED RISK $M	CARRYING VALUE $M	FAIR VALUE $M
Bank facilities – floating rate	NZD	Sep 2022 – Jan 2025	636.0	(1.7)	–	634.3	636.2
Capital bonds – 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

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.

21. Borrowings *continued*

Bank facilities	On 30 June 2023, the balance of drawn facilities was repaid, and facilities cancelled where no longer required. The remaining facilities are undrawn at 30 June 2023.
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	$240.0 million of fixed rate wholesale bonds were issued at a fixed rate of 4.996% maturing in March 2024. $170.0 million of fixed rate wholesale bonds were issued at a fixed rate of 1.575% maturing in October 2026.
Senior bonds	$250.0 million of fixed rate senior bonds were issued at a fixed rate of 3.45% maturing in May 2025. $225.0 million of fixed rate senior bonds were issued at a fixed rate of 3.69% maturing in November 2027.

Senior notes

The tranches of USD denominated senior notes and the corresponding NZD values are shown below:

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

The following tranche was repaid during the year:

Date issued	NZ $M	US $M	Date of Maturity
December 2010	250.5	182.0	December 2022

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 2023 and 30 June 2022.

22. Derivatives and hedge accounting

	CASH FLOW HEDGES		FAIR VALUE HEDGES		COST OF HEDGING		TOTAL	
	2023 $M	2022 $M	**2023 $M**	2022 $M	**2023 $M**	2022 $M	**2023 $M**	2022 $M
Derivative assets								
Cross currency swaps	**–**	–	**31.2**	84.8	**(3.0)**	(2.8)	**28.2**	82.0
Interest rate swaps	**83.8**	78.0	**–**	–	**–**	–	**83.8**	78.0
Forward exchange contracts	**0.1**	4.3	**–**	–	**–**	–	**0.1**	4.3
Total	**83.9**	82.3	**31.2**	84.8	**(3.0)**	(2.8)	**112.1**	164.3
Derivative liabilities								
Cross currency swaps	**24.4**	13.2	**(177.7)**	(141.8)	**(2.9)**	1.0	**(156.2)**	(127.6)
Interest rate swaps	**–**	(3.3)	**(3.7)**	–	**–**	–	**(3.7)**	(3.3)
Forward exchange contracts	**(0.9)**	–	**–**	–	**–**	–	**(0.9)**	–
Total	**23.5**	9.9	**(181.4)**	(141.8)	**(2.9)**	1.0	**(160.8)**	(130.9

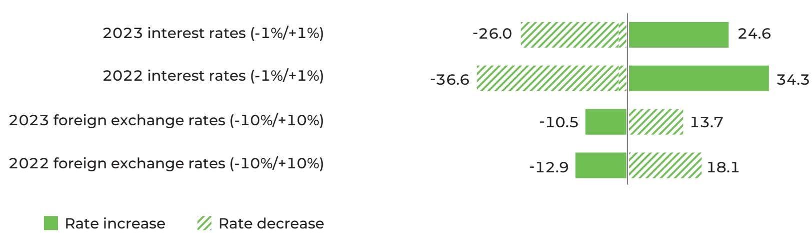
Key observable market data for fair value measurement

	2023	**2022**
Foreign currency exchange (FX) rates as at 30 June		
NZD-USD FX rate	**0.6126**	0.6243
Interest rate swap rates		
NZD	**4.51% to 5.82%**	2.39% to 4.11%
USD	**3.75% to 5.76%**	1.79% to 3.30%

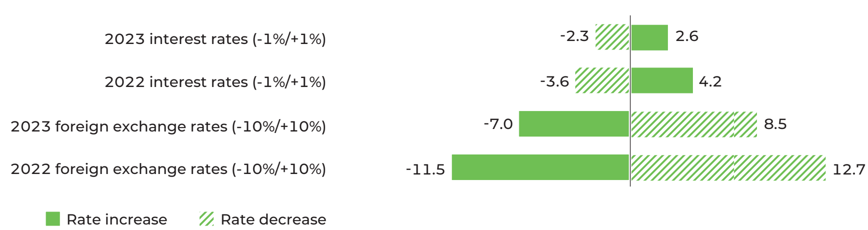
Sensitivity to changes in market rates

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



22. 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 20.

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.

22. Derivatives and hedge accounting *continued*

	2023 $M		2022 $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	**112.1**	**45.0**	164.3	64.4
Derivative liabilities	**(160.8)**	**(93.7)**	(130.9)	(31.0)
Net amount	**(48.7)**	**(48.7)**	33.4	33.4

Rights to offset

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 has been affected by the interbank offered rates (“IBOR”) reform as at 30 June 2023. 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 on 1 July 2023. No significant impact is expected from the transition.

22. Derivatives and hedge accounting *continued*

22.1 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 $1,190.0 million arising from hedging the USD senior bonds (2022: $1,230.0 million) as allowable under NZ IFRS 9 *Financial Instruments*;

— The fixed rate interest rate swaps include $50.0 million of forward starting swaps (2022: $200.0 million).

2023	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	**(1,190.0)**	**–**	**–**	**–**	**84.0**	**–**	**–**	**–**
Hedging instrument: Fixed rate interest rate swaps	**(1,240.0)**	**2.1%**	**–**	**83.7**	**83.7**	**–**	**(6.0)**	**–**
Cash flow and fair value hedge - Interest and exchange risks								
Hedged item: USD fixed rate exposure on borrowings	**(1,212.9)**	**–**	**–**	**(1,083.6)**	**19.4**	**90.0**	**–**	**–**
Hedging instrument: Cross currency swaps	**(1,212.9)**	**floating**	**126.1**	**(127.9)**	**24.4**	**(89.5)**	**1.5**	**(4.1)**
Fair value hedge - Interest risk								
Hedged item: NZD fixed rate exposure on borrowings	**(50.0)**	**–**	**3.8**	**(46.1)**	**–**	**0.8**	**–**	**–**
Hedging instrument: Interest rate swap	**(50.0)**	**floating**	**–**	**(3.7)**	**–**	**(0.9)**	**–**	**–**
			Ineffectiveness		**5.0**	**0.4**		

22. Derivatives and hedge accounting *continued*

22.1 Effects of hedge accounting on the financial position and performance

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 borrowing	(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)		

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 22 derivatives and hedge accounting table above.

22.2 Fair value changes on financial instruments

	NOTE	2023 $M	2022 $M
Recognised in profit or loss			
Fair value movement on hedging instruments		**(90.4)**	(127.0)
Fair value movement on hedged items		**90.9**	124.9
Fair value movement on unhedged items		**(0.5)**	0.5
Ineffectiveness from cash flow hedge relationships		**(2.5)**	7.5
Fair value change on contingent consideration	5	**(10.7)**	(2.3)
Total gains/(losses)		**(13.2)**	3.6

22. Derivatives and hedge accounting *continued*

22.3 Reconciliation of changes in hedge reserves

Hedge reserves 2023	CASHFLOW HEDGE RESERVE $M	COST OF HEDGING $M	TOTAL $M
Opening balance	**(60.0)**	**1.3**	**(58.7)**
Hedging gains or losses recognised in OCI – Interest rate swaps	**(24.2)**	**–**	**(24.2)**
Hedging gains or losses recognised in OCI – Cross currency swaps	**27.4**	**4.1**	**27.4**
Hedging gains or losses recognised in OCI – Forward exchange contracts	**(1.0)**	**–**	**(1.0)**
Transferred to profit or loss – Interest rate swaps	**18.2**	**–**	**18.2**
Transferred to profit or loss – Cross currency swaps	**(25.9)**	**–**	**(25.9)**
Recognised as basis adjustment to non-financial assets	**5.5**	**–**	**5.5**
Deferred tax on change in reserves	**–**	**(1.1)**	**(1.1)**
Closing balance	**(60.0)**	**4.3**	**(55.7)**

Hedge reserves 2022	CASH FLOW 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)

23. Financial risk management

Risk management framework

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:

— Interest rate risk;

— Credit risk;

— Liquidity risk;

— Foreign exchange risk; and

— Funding risk.

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.

23. Financial risk management
continued

23.1 Interest rate risk

Interest rate exposure **2023**	< 1 YEAR $M	1 - 2 YEARS $M	2 - 5 YEARS $M	> 5 YEARS $M	TOTAL $M
Interest rate exposure: borrowings	**240.0**	**250.0**	**979.4**	**935.7**	**2,405.1**
Derivative contracts:					
Interest rate swaps	**(860.0)**	**110.0**	**700.0**	**50.0**	**–**
Cross currency swaps	**1,212.9**	**–**	**(277.2)**	**(935.7)**	**–**
Net interest rate exposure	**592.9**	**360.0**	**1,402.2**	**50.0**	**2,405.1**

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

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.

23.2 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 2023, 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.

23. Financial risk management
continued

23.3 Liquidity risk

Contractual cash flows maturity profile 2023	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	**233.4**	**–**	**–**	**–**	**233.4**
Contract liabilities	**3.7**	**3.6**	**3.7**	**–**	**11.0**
Lease liabilities	**11.9**	**16.6**	**16.0**	**46.7**	**91.2**
Borrowings: interest	**89.9**	**77.7**	**174.4**	**114.7**	**456.7**
Borrowings: principal	**240.0**	**250.0**	**1,028.7**	**979.4**	**2,498.1**
Derivative financial (assets)/liabilities					
Cross currency swaps: inflow	**(39.1)**	**(39.1)**	**(437.8)**	**(1,094.0)**	**(1,610.0)**
Cross currency swaps: outflow	**93.9**	**86.8**	**489.2**	**1,178.1**	**848.0**
Forward exchange contracts: inflow	**(18.9)**	**(6.0)**	**–**	**–**	**(24.9)**
Forward exchange contracts: outflow	**19.3**	**6.5**	**–**	**–**	**25.8**
Net settled derivatives					
Interest rate swaps	**(41.0)**	**(28.0)**	**(22.4)**	**(1.0)**	**(92.4)**
Group contractual cash flows	**593.1**	**368.1**	**1,251.8**	**1,223.9**	**3,436.9**

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	1,74.3	352.9	1,013.3	1,742.3	4,282.8

Contractual cash flows

The above 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 (2022: 2-5 year, with the election date of the last rollover as 15 June 2027) and the bonds have no contractual maturity date.

23. Financial risk management
continued

23.3 Liquidity risk continued

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 $575.0 million (2022: $644.0 million).

23.4 Foreign exchange risk

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

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

24. Cash flows

24.1 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 including discontinued operations	NOTE	2023 $M	2022 $M
Net profit/(loss) for the period		**1,715.8**	160.9
Items associated with sale of discontinued operations			
Gain on sale of discontinued operations classified as investing activities	5	**(1,509.9)**	–
Costs of sale of discontinued operations classified as operating activities	5	**(30.1)**	–
Items classified as investing activities			
Gain on sale of investment in associate		**–**	(7.1)
Items associated with investing activities		**(31.6)**	24.4
Items classified as financing activities			
Items associated with lease liabilities		**–**	–
Non-cash items			
Depreciation and amortisation		**258.1**	289.8
Non-cash portion of interest costs (net)		**(7.1)**	(10.6)
Fair value change on financial instruments	22.2	**13.2**	(3.6)
Impairment		**–**	40.2
Increase/(decrease) in deferred tax		**59.3**	53.2
Increase/(decrease) in provisions		**(0.6)**	0.6
Other non-cash items		**2.7**	9.9
		325.6	379.5
Changes in assets and liabilities			
Trade and other payables		**97.1**	(41.1)
Contract liabilities		**(31.7)**	20.2
Contract assets		**(2.1)**	(2.3)
Inventories		**3.1**	(11.8)
Trade and other receivables		**(27.5)**	(4.1)
Income tax		**8.4**	0.2
		47.3	(38.9)
Net cash flows from/(used in) operating activities including discontinued operations		**517.1**	518.8

24. Cash flows *continued*

24.2 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 2022	27.7	3,229.4	(33.4)	3,223.7
Net repayments	–	**(886.5)**	–	**(886.5)**
Lease liabilities payments	**(12.0)**	–	–	**(12.0)**
Financing cash flows	**(12.0)**	**(886.5)**	–	**(898.5)**
Cost of debt raising	–	**(0.4)**	–	**(0.4)**
Fair value changes	–	**(75.6)**	**82.1**	**6.5**
Borrowing fees paid	–	**(6.6)**	–	**(6.6)**
Amortisation of debt raising costs	–	**9.4**	–	**9.4**
Premium released	–	**(0.9)**	–	**(0.9)**
ROU asset additions	**46.8**	–	–	**46.8**
ROU asset disposals	**(2.8)**	–	–	**(2.8)**
Other	**5.3**	–	–	**5.3**
As at 30 June 2023	**65.0**	**2,268.8**	**48.7**	**2,382.5**

25. Equity

25.1 Share Capital

Shares

The total number of authorised and issued shares is 1,000,000,000 (2022: 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 (2022: 26,343) are allocated to the employee share purchase scheme.

25.2 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.

25. Equity *continued*

25.3 Financial ratios

Basic and diluted earnings per share	2023 $M	2022 $M
Net profit from continuing operations attributable to owners of the parent	**111.1**	100.5
Net profit from discontinued operation attributable to owners of the parent	**1,603.2**	58.4
Net profit attributable to owners of the parent	**1,714.3**	158.9
Weighted average ordinary shares outstanding during the period (number of shares)	**999,973,657**	999,946,417
Earnings per share from continuing operations	**11.1 cents**	10.1 cents
Earnings per share from discontinued operations	**160.3 cents**	5.8 cents
Total earnings per share	**171.4 cents**	15.9 cents

Net tangible assets per share	2023 $M	2022 $M
Net assets attributable to owners of the parent	**3,942.8**	2,414.0
Less total intangible assets	**(1,216.8)**	(1,266.5)
Total net tangible assets	**2,726.0**	1,147.5
Ordinary shares outstanding (number of shares)	**999,973,657**	999,973,657
Net tangible assets per share	**272.6 cents**	114.8 cents

Economic net debt to economic net debt plus adjusted equity ratio ("gearing ratio")	2023 $M	2022 $M
Face value of borrowings	**2,405.1**	3,291.6
Lease liabilities	**65.0**	27.7
Less cash and cash equivalents and deposits	**(537.0)**	(22.5)
Economic net debt	**1,933.1**	3,296.8
Total equity	**3,958.0**	2,430.1
Adjusted for hedge reserves	**(55.7)**	(58.7)
Adjusted equity	**3,902.3**	2,371.4
Economic net debt plus adjusted equity	**5,835.4**	5,668.2
Gearing ratio	**33.1%**	58.2%

Economic net debt

Economic net debt is defined as 'face value of borrowings and lease liabilities, less cash and cash equivalents and deposits'.

25.4 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, $7.7 million (2022: $19.1 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.

26. Related party transactions

	2023 $M	2022 $M
Transactions with Entrust		
Dividends paid	**125.8**	125.8
Distribution to customers	**10.5**	6.2

	2023 $M	2022 $M
Transactions with associate		
Purchase of vegetation management services from Tree Scape Limited	**–**	1.2
Transactions with key management personnel		
Salary and other short-term employee benefits	**8.2**	7.5
Directors' fees	**1.1**	0.9

Related parties

The group's investment in Tree Scape Limited was sold on 31 August 2021, and as such is not considered a related party for the year ended 30 June 2023. Transactions up until the date of sale have been included in comparative 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.

27. 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 19.

No material contingent liabilities have been identified.

28. Events after balance date

Loss rental rebates

On 24 August 2023, 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 2023.

Approval

The financial statements were approved by the board on 24 August 2023.

Final dividend

On 24 August 2023, the board declared a final unimputed dividend for the year ended 30 June 2023 of 14.00 cents per share, comprising an ordinary dividend of 8.50 cents per share and a special dividend of 5.50 cents per share.

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

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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 57 to 103 present fairly, in all material respects:

i. the group's financial position as at 30 June 2023 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 issued by the New Zealand Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated balance sheet as at 30 June 2023;
- the consolidated statements of 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 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 $11.2 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.

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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 $4,385.3 million, Software of $72.3 million, with additions during the year of $648.4 million). **Refer to Notes 12 and 13 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.

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The key audit matter	How the matter was addressed in our audit
Impairment assessment of the Electricity distribution, Gas distribution, Natural gas and Liquigas cash generating units (inclusive of $1,101.0 million of goodwill). **Refer to Note 12 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 $1,101.0 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 Natural gas and Liquigas 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 2023 to its market capitalisation at 30 June 2023. 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.

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The key audit matter	How the matter was addressed in our audit
Sale of 50% interest in the Vector Metering business **Refer to Note 5 and Note 15 of the financial statements.**	

The sale of the group's interest in Vector's New Zealand and Australian metering businesses (Vector Metering business), the reclassification of the associated assets and liabilities to held for sale and recognition of the 50% investment in Vector Metering business that was restructured as a joint venture (together called 'sale of 50% interest') is a key audit matter due to:
• the significance of the sale transaction to the financial statements of the group;
• the significant judgment used to determine the fair value of the proceeds which included a shareholder loan receivable and shares received, and the resulting gain on sale;
• the complexity in accounting for the sale. Significant judgement was applied in determining the assets and liabilities (including goodwill) associated with the sale of the Vector Metering business to be derecognised and determining the accounting treatment of the remaining investment held by the group.
	Our audit procedures in this area included:
	▪ Obtaining the executed share sale agreement to understand the key terms and conditions of the sale and the basis for the accounting treatment adopted.
	▪ Inspecting the executed shareholder's agreement for control considerations and assessing the appropriateness of the treatment of the joint arrangement as an investment in Joint Venture in compliance with NZ IFRS 11 Joint Arrangements.
	▪ Assessing the accounting treatment applied by the group for compliance with NZ IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which included:
	    ▪ Assessing whether the date the Vector Metering business was designated as held for sale is appropriate based on the decisions taken by the directors and the status of the sale process at that date;
	    ▪ Considering whether the disposal represents a discontinued operation; and
	    ▪ Evaluating the completeness of assets and liabilities identified by the group as being disposed of in the share sale.
	▪ Assessing the appropriateness of the accounting policy choice selection of NZ IFRS 10 Consolidated Financial Statements to account for the resulting gain on sale of 50% interest in the Vector Metering business (for loss of control).
	▪ Challenging judgements applied by the group in determining the gain on sale of 50% interest.
	▪ Assessing the adequacy of the disclosure of the transaction in the financial statements using our understanding obtained from our testing and against the requirements of the accounting standards.
	As a result of our procedures, we have no matters to report.

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Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report, Taskforce for Climate-related Financial Disclosures Report (TCFD) and Green House Gas Emissions Inventory report. Other information comprises the Performance snapshot, Chair and Group Chief Executive report, Chief Financial Officer report, Environmental, Social and Governance (ESG), Business Segment report, Governance report, Statutory information and Other disclosures 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 consolidated 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 consolidated 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 issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is 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 audit of the consolidated financial statements

Our objective is:

— to obtain reasonable assurance about whether the 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

KPMG

KPMG
Auckland

24 August 2023

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 as at 30 June 2023 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 no donations during the year ended 30 June 2023. Subsidiaries of Vector Limited made donations of $6,580 during the year ended 30 June 2023.

Credit rating

At 30 June 2023 Vector Limited had a Standard & Poor's credit rating of BBB+, and a Moody's credit rating of Baa1/stable.

NZX regulation waivers and rulings

Vector has not relied on any new waivers or rulings in the year ended 30 June 2023. Vector continues to rely on waivers and rulings granted by NZ RegCo on 30 June 2020 relating to Vector's special relationship with Entrust available to review at https://www.nzx.com/companies/VCT/documents. Vector has a non-standard designation as a result of these waivers, and provisions in Vector's constitution reflecting Vector's relationship with Entrust.

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 2023 Vector Limited made payments to A Bell and P Hutchison, trustees of Entrust (Vector Limited's majority shareholder), totalling $232,650 in respect of their roles as directors on the Vector Limited board.

Subsidiaries and joint ventures

A list of each of the Company's subsidiaries and joint ventures is contained on pages 82 and 83.

The Company ceased to control the following companies during the year ended 30 June 2023 as part of the 50% sale of its metering operations:

- Vector Metering Data Services Limited;
- Advanced Metering Assets Limited;
- Advanced Metering Services Limited;
- Arc Innovations Limited; and
- Vector Advanced Metering Services (Australia) Pty Limited.

The Company sold its shares in SolPho Limited, a subsidiary during the year ended 30 June 2023.

The Company has acquired a joint-controlling interest in the below joint venture companies during the year ended 30 June 2023:

- NZ HoldCo Limited
- VM AU HoldCo Pty Limited

The Company has deregistered the below subsidiaries during the year ended 30 June 2023:

- Ventilation Australia Pty Limited
- HRV Australia Pty Limited

Directors

The following directors of Vector Limited and current group companies held office as at 30 June 2023 or resigned (R) as a director during the year ended 30 June 2023. Directors marked (A) were appointed during the year.

PARENT	DIRECTORS
Vector Limited	A Bell, A Carter, P Hutchison, J Mason, D McKay (A), P Rebstock, B Turner, A Urlwin

All of the above directors in office at 30 June 2023 are independent directors, except for A Bell and P Hutchison who are trustees of Entrust (Vector Limited's majority shareholder).

SUBSIDIARIES	DIRECTORS
NGC Holdings Limited	J Hollingworth, S Mackenzie
Vector MeterCo Limited	J Hollingworth (A)
Vector Gas Trading Limited	J Hollingworth, S Mackenzie, N Williams (R)
Liquigas Limited	B Behdin, E Bilitzki (A), S Bridge, T Coster (R), P Goodeve, N Hannan, G O'Brien, R Sharp, P Thorley (A), M Trigg, N Williams (R)
On Gas Limited	J Hollingworth, S Mackenzie, N Williams (R)
Vector Communications Limited	J Hollingworth, S Mackenzie
Vector ESPS Trustee Limited	J Hollingworth, S Mackenzie
Vector Energy Solutions Limited	J Hollingworth, S Mackenzie
Powersmart NZ Limited	J Hollingworth, S Mackenzie
Vector Energy Solutions (Australia) Pty Limited	J Hollingworth, S Mackenzie, J Sheridan
E-Co Products Group Limited	J Hollingworth, S Mackenzie
Cristal Air International Limited	J Hollingworth, S Mackenzie
Vector Technology Solutions Limited	J Hollingworth, S Mackenzie
Vector Auckland Property Limited	J Hollingworth, S Mackenzie
Vector Northern Property Limited	J Hollingworth, S Mackenzie
VPS Pacific Limited	J Hollingworth, S Mackenzie
Vector Advanced Metering Assets (Australia) Limited	J Hollingworth, S Mackenzie, N Williams (R)

JOINT VENTURES	DIRECTORS
NZ HoldCo Limited	J Hollingworth (R), S Mackenzie (A), S Clarke (A), P Mulholland (A), P Rebstock (A)
VM AU HoldCo Pty Limited	J Hollingworth (R), A Andriopoulos (R), S Mackenzie (A), S Clarke (A), P Mulholland (A), P Rebstock (A)

Directors *continued*

Directors' remuneration and value of other benefits received from Vector Limited and current group companies for the year ended 30 June 2023:

Directors of Vector Limited	PAID BY PARENT $	PAID BY SUBSIDIARIES $
A Bell	116,325	–
A Carter	116,325	–
P Hutchison	116,325	–
J Mason	207,650	–
D McKay	55,663	–
P Rebstock	133,825	–
B Turner	124,825	–
A Urlwin	124,825	–
	995,763	–

Directors of subsidiaries	PAID BY PARENT $	PAID BY SUBSIDIARIES $
B Behdin	–	5,000*
E Bilitzki	–	1,014*
S Bridge	–	5,000
T Coster	–	3,986*
P Goodeve	–	7,500
N Hannan	–	5,000
G O'Brien	–	5,000
R Sharp	–	5,000*
P Thorley	–	1,014*
M Trigg	–	51,400
N Williams	–	3,986*
	–	93,900

*Directors' fees relating to any Vector Limited employee are paid to the company. Note that S Bridge, P Goodeve, N Hannan, G O'Brien and M Trigg are not Vector employees.

Directors *continued*

Directors of Vector Limited

Entries in the interests register of Vector Limited as at 30 June 2023 that are not set out elsewhere in this annual report:

DIRECTOR	ENTITY	POSITION
A Bell	Entrust	Trustee
A Carter	Avonhead Mall Limited	Director & shareholder
	Capital Education Limited	Advisor
	Capital Solutions Limited	Advisor
	Datacom Group Limited	Chairman
	Loughborough Investments Limited	Director and shareholder
	Maurice Carter Charitable 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 & shareholder
	The Interiors Group Holdco Limited	Chairman & shareholder
	T R Group Limited	Chairman
P Hutchison	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
	PPB Properties Limited	Director
	Pukekohe Cinemas Limited	Director
	South Pacific Star Cinemas Investments Limited	Director
J Mason	Air New Zealand Limited	Director
	Dilworth School for Boys	Trustee
	University of Auckland	Trustee and Adjunct Professor of Management
	Westpac New Zealand Limited	Director
	Zespri Group Limited	Director
D McKay	Bank of New Zealand	Chairman
	Contact Energy Limited	Shareholder
	Fletcher Building Limited	Director and shareholder
	IAG New Zealand Limited	Director
	IAG (NZ) Holdings Limited	Director
	National Australia Bank (NAB)	Director and shareholder
	Wymac Consulting Limited	Director and shareholder

Directors *continued*

Directors of Vector Limited continued

DIRECTOR	ENTITY	POSITION
P Rebstock	AIA New Zealand Limited	Director
	Auckland One Rail Limited	Director
	Freightlink Limited	Director
	National Hauora Coalition Limited	Chair
	New Zealand Defence Force Board	Chair
	Ngāti Whātua Ōrākei Whai Maia Limited	Chair
	NZ Healthcare Investments Limited (Asia Pacific Healthcare Group)	Chair
	NZX Limited	Director
	On Being Bold Limited	Director and shareholder
	Sealink New Zealand Limited	Director
	Sealink Pine Harbour Limited	Director
	Sealink Travel Group New Zealand Limited	Director
B Turner	Commodity Insights Digest (Bayes Business School, UK)	Editorial Board Member
	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
	Infratil Limited	Director
	Maigold Holdings Limited	Director and shareholder
	Precinct Properties New Zealand 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, D McKay, P Rebstock & 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 2023 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 2023 are set out in the table below:

CURRENT EMPLOYEES	GROUP	COMPANY
$100,001 - $110,000	56	32
$110,001 - $120,000	45	27
$120,001 - $130,000	47	37
$130,001 - $140,000	47	42
$140,001 - $150,000	39	29
$150,001 - $160,000	44	34
$160,001 - $170,000	44	31
$170,001 - $180,000	32	22
$180,001 - $190,000	25	18
$190,001 - $200,000	21	15
$200,001 - $210,000	18	15
$210,001 - $220,000	18	14
$220,001 - $230,000	10	6
$230,001 - $240,000	13	12
$240,001 - $250,000	10	9
$250,001 - $260,000	9	8
$260,001 - $270,000	6	5
$270,001 - $280,000	2	1
$280,001 - $290,000	4	2
$290,001 - $300,000	1	1
$300,001 - $310,000	1	1
$310,001 - $320,000	4	3
$320,001 - $330,000	7	6
$330,001 - $340,000	2	1
$340,001 - $350,000	3	2
$350,001 - $360,000	1	1
$360,001 - $370,000	4	2
$380,001 - $390,000	2	1
$390,001 - $400,000	1	1
$410,001 - $420,000	2	2
$420,001 - $430,000	2	1
$430,001 - $440,000	4	4
$480,001 - $490,000	1	1
$510,001 - $520,000	1	1
$520,001 - $530,000	1	-
$560,001 - $570,000	1	1
$590,001 - $600,000	1	1
$610,001 - $620,000	2	2
$620,001 - $630,000	1	1
$670,001 - $680,000	1	1
$800,001 - $810,000	1	1
$920,001 - $930,000	1	1
$1,060,001 - $1,070,000	1	1
$1,080,001 - $1,090,000	1	1
	537	397

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 2023 are set out in the table below:

FORMER EMPLOYEES (INCLUDING ANY TERMINATION PAYMENTS)	Group	Company
$100,001 - $110,000	4	2
$110,001 - $120,000	2	2
$120,001 - $130,000	6	5
$130,001 - $140,000	4	4
$140,001 - $150,000	4	4
$150,001 - $160,000	1	–
$160,001 - $170,000	2	1
$170,001 - $180,000	4	3
$180,001 - $190,000	–	–
$190,001 - $200,000	–	–
$200,001 - $210,000	1	1
$210,001 - $220,000	–	–
$220,001 - $230,000	–	–
$230,001 - $240,000	–	–
$240,001 - $250,000	–	–
$260,001 - $270,000	–	–
$270,001 - $280,000	1	1
$290,001 - $300,000	–	–
$350,001 - $360,000	1	1
$450,001 - $460,000	–	–
$590,001 - $600,000	–	–
	30	24

No employee of the group appointed as a director of a subsidiary or joint venture 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 2023:

6.23% Capital bonds

RANGE	NUMBER OF BONDHOLDERS	PERCENTAGE OF BONDHOLDERS	NUMBER OF SECURITIES HELD	PERCENTAGE OF SECURITIES HELD
5,000 – 9,999	482	15.56%	2,610,000	0.85%
10,000 – 49,999	1,947	62.85%	40,261,000	13.11%
50,000 – 99,999	424	13.69%	24,329,000	7.92%
100,000 – 499,999	217	7.00%	34,532,000	11.24%
500,000 – 999,999	9	0.29%	5,272,000	1.72%
1,000,000 plus	19	0.61%	200,201,000	65.16%
	3,098	100.00%	307,205,000	100.00%

The following current directors of the parent are holders (either beneficially or non-beneficially) of Vector Limited 6.23% capital bonds as at 30 June 2023:

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

Bondholder statistics *continued*

Twenty largest registered 6.23% capital bond holders as at 30 June 2023:

BOND HOLDER	BONDS HELD	PERCENTAGE OF BONDS HELD
Custodial Services Limited <A/C 4>	71,351,000	23.22%
Forsyth Barr Custodians Limited <1-CUSTODY>	38,540,000	12.54%
FNZ Custodians Limited	21,269,000	6.92%
JBWere (NZ) Nominees Limited <NZ RESIDENT A/C>	20,697,000	6.74%
Hobson Wealth Custodian Limited <RESIDENT CASH ACCOUNT>	8,560,000	2.79%
Investment Custodial Services Limited <A/C C>	6,946,000	2.26%
Masfen Securities Limited	5,980,000	1.95%
National Nominees Limited - NZCSD <NNLZ90>	5,868,000	1.91%
CML Shares Limited	4,200,000	1.37%
Forsyth Barr Custodians Limited <ACCOUNT 1 E>	2,811,000	0.92%
Francis Horton Tuck & Catherine Ann Tuck <PUKETIHI A/C>	2,300,000	0.75%
Best Farm Limited	2,000,000	0.65%
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	1,436,000	0.47%
University Of Otago Foundation Trust	1,284,000	0.41%
Forsyth Barr Custodians Limited <A/C 1 NRLAIL>	1,205,000	0.39%
KPS Society Limited	1,200,000	0.39%
FNZ Custodians Limited <DRP NZ A/C>	1,054,000	0.34%
FNZ Custodians Limited <DTA NON RESIDENT A/C>	989,000	0.32%
	201,190,000	65.48%

3.45% Senior retail bonds

RANGE	NUMBER OF BONDHOLDERS	PERCENTAGE OF BONDHOLDERS	NUMBER OF SECURITIES HELD	PERCENTAGE OF SECURITIES HELD
5,000 – 9,999	88	13.99%	536,000	0.21%
10,000 – 49,999	409	65.02%	8,103,000	3.24%
50,000 – 99,999	51	8.11%	3,221,000	1.29%
100,000 – 499,999	52	8.27%	8,839,000	3.54%
500,000 – 999,999	8	1.27%	5,338,000	2.14%
1,000,000 plus	21	3.34%	223,963,000	89.58%
	629	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 2023:

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

Bondholder statistics *continued*

Twenty largest registered 3.45% senior retail bond holders as at 30 June 2023:

BOND HOLDER	BONDS HELD	PERCENTAGE OF BONDS HELD
Custodial Services Limited <A/C 4>	82,131,000	32.84%
Forsyth Barr Custodians Limited <1-CUSTODY>	34,382,000	13.75%
FNZ Custodians Limited	33,843,000	13.54%
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>	7,470,000	2.99%
BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	7,334,000	2.93%
Hobson Wealth Custodian Limited <RESIDENT CASH ACCOUNT>	4,500,000	1.80%
JBWere (NZ) Nominees Limited <NZ RESIDENT A/C>	4,447,000	1.78%
Adminis Custodial Nominees Limited	4,015,000	1.61%
Investment Custodial Services Limited <A/C C>	3,621,000	1.45%
FNZ Custodians Limited <DTA NON RESIDENT A/C>	1,869,000	0.75%
Croxen Investments Limited	1,600,000	0.64%
Forsyth Barr Custodians Limited <ACCOUNT 1 E>	1,574,000	0.63%
Forsyth Barr Custodians Limited <A/C 1 NRLAIL>	1,344,000	0.54%
JBWere (NZ) Nominees Limited <NR USA A/C>	1,233,000	0.49%
FNZ Custodians Limited <DRP NZ A/C>	1,130,000	0.45%
JPMorgan Chase Bank NA NZ Branch-Segregated Clients ACCT - NZCSD <CHAM24>	1,100,000	0.44%
BNP Paribas Nominees (NZ) Limited - NZCSD <COGN40>	1,000,000	0.40%
Woolf Fisher Trust Incorporated	1,000,000	0.40%
	222,963,000	89.18%

3.69% Senior retail bonds

RANGE	NUMBER OF BONDHOLDERS	PERCENTAGE OF BONDHOLDERS	NUMBER OF SECURITIES HELD	PERCENTAGE OF SECURITIES HELD
5,000 – 9,999	35	6.52%	193,000	0.09%
10,000 – 49,999	337	62.75%	7,568,000	3.36%
50,000 – 99,999	78	14.53%	4,422,000	1.97%
100,000 – 499,999	54	10.06%	9,655,000	4.29%
500,000 – 999,999	13	2.42%	8,328,000	3.70%
1,000,000 plus	20	3.72%	194,834,000	86.59%
	537	100.00%	225,000,000	100.00%

Bondholder statistics *continued*

Twenty largest registered 3.69% senior retail bond holders as at 30 June 2023:

BOND HOLDER	BONDS HELD	PERCENTAGE OF BONDS HELD
Custodial Services Limited <A/C 4>	72,481,000	32.21%
FNZ Custodians Limited	22,840,000	10.16%
JBWere (NZ) Nominees Limited <NZ RESIDENT A/C>	19,071,000	8.48%
National Nominees Limited - NZCSD <NNLZ90>	16,603,000	7.38%
Forsyth Barr Custodians Limited <1-CUSTODY>	14,418,000	6.41%
Hobson Wealth Custodian Limited <RESIDENT CASH ACCOUNT>	11,294,000	5.02%
HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	7,500,000	3.33%
ANZ Wholesale NZ Fixed Interest Fund - NZCSD	4,700,000	2.09%
Mint Nominees Limited - NZCSD <NZP440>	4,020,000	1.79%
Forsyth Barr Custodians Limited <ACCOUNT 1 E>	3,690,000	1.64%
Investment Custodial Services Limited <A/C C>	3,047,000	1.35%
FNZ Custodians Limited <DTA NON RESIDENT A/C>	2,637,000	1.17%
Citibank Nominees (New Zealand) Limited - NZCSD <CNOM90>	2,302,000	1.02%
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%
Hobson Wealth Custodian Limited <EQUITIES DTA ACCOUNT>	1,276,000	0.57%
Custodial Services Limited <A/C 6>	1,065,000	0.47%
Forsyth Barr Custodians Limited <ACCOUNT 1 NRL>	1,015,000	0.45%
Tea Custodians Limited Client Property Trust Account - NZCSD <TEAC40>	1,000,000	0.44%
	194,834,000	86.59%

Shareholder statistics

Twenty largest registered shareholders as at 30 June 2023:

SHAREHOLDER	ORDINARY SHARES HELD	PERCENTAGE OF ORDINARY SHARES HELD
Entrust	751,000,000	75.10%
Custodial Services Limited <A/C 4>	44,537,395	4.45%
BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	10,771,963	1.08%
Accident Compensation Corporation - NZCSD <ACCI40>	10,339,457	1.03%
Generate Kiwisaver Public Trust Nominees Limited <NZCSD> <NZPT44>	9,025,284	0.90%
Citibank Nominees (New Zealand) Limited - NZCSD <CNOM90>	8,801,411	0.88%
HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	7,461,155	0.75%
JBWere (NZ) Nominees Limited <NZ RESIDENT A/C>	5,647,428	0.56%
JPMorgan Chase Bank NA NZ Branch-Segregated Clients ACCT - NZCSD <CHAM24>	5,610,575	0.56%
FNZ Custodians Limited	5,560,775	0.56%
Hobson Wealth Custodian Limited <RESIDENT CASH ACCOUNT>	5,309,683	0.53%
New Zealand Depository Nominee Limited <A/C 1 CASH ACCOUNT>	4,989,359	0.50%
ANZ Wholesale Australasian Share Fund - NZCSD <PNAS90>	4,575,222	0.46%
HSBC Nominees (New Zealand) Limited A/C State Street -NZCSD <HKBN45>	4,478,566	0.45%
Forsyth Barr Custodians Limited <1-CUSTODY>	4,140,499	0.41%
National Nominees Limited - NZCSD <NNLZ90>	3,406,788	0.34%
Simplicity Nominees Limited - NZCSD	2,398,985	0.24%
Tea Custodians Limited Client Property Trust Account - NZCSD <TEAC40>	2,270,374	0.23%
ANZ Custodial Services New Zealand Limited - NZCSD <PBNK90>	2,075,868	0.21%
PT (Booster Investments) Nominees Limited	1,458,764	0.15%
	893,859,551	89.39%

Substantial product holders as at 30 June 2023:

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 2023, voting products issued by Vector Limited totalled 1,000,000,000 ordinary shares.

Ordinary shares distribution as at 30 June 2023:

RANGE	NUMBER OF SHAREHOLDERS	PERCENTAGE OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF SHARES HELD
1 – 499	6,038	21.86%	1,867,486	0.19%
500 – 999	3,022	10.94%	2,340,103	0.23%
1,000 – 4,999	14,014	50.73%	25,189,512	2.52%
5,000 – 9,999	2,261	8.18%	15,069,113	1.51%
10,000 – 49,999	2,068	7.49%	36,971,306	3.70%
50,000 – 99,999	130	0.47%	8,333,276	0.83%
100,000 plus	90	0.33%	910,229,204	91.02%
	27,623	100.00%	1,000,000,000	100.00%

Analysis of shareholders as at 30 June 2023:

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	851	3.08%	12,117,854	1.21%
Individual Holders	15,299	55.39%	48,590,855	4.85%
Joint	7,798	28.23%	34,064,347	3.41%
Nominee Companies	235	0.85%	144,990,312	14.50%
Other	3,439	12.45%	9,236,632	0.93%
	27,623	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 2023:

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 2023 by directors of Vector Limited in the ordinary shares of Vector Limited:

There were no acquisitions or disposals of relevant interests.

Financial calendar

2023	
Final dividend paid	14 September
Annual meeting	28 September

2024	
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

Registered office

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New Zealand

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Facsimile 64-9-978 7799
www.vector.co.nz

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Newmarket
Auckland 1149
New Zealand

Investor enquiries

Telephone 64-9-978 7735
Email: investor@vector.co.nz

This annual report is dated
24 August 2023 and signed
on behalf of the Board by:

Jonathan P. Mason

Jonathan Mason
Chair

Anne Urlwin
Director

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