



interim financial statements

for the six months ended 31 December 2020

GROUP CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 December 2020 (unaudited)

CONTENTS

Independent Review Report	3
Group Condensed Interim Financial Statements	
Profit or Loss	5
Other Comprehensive Income	6
Balance Sheet	7
Cash Flows	9
Changes in Equity	10
Notes to the Group Condensed Interim Financial Statements	11

GROUP CONDENSED INTERIM FINANCIAL STATEMENTS

These group condensed interim financial statements for the six months ended 31 December 2020 are dated 22 February 2021, and signed for and on behalf of Vector Limited by:



Director



Director

And management of Vector Limited by:



Group Chief Executive



Chief Financial Officer



Independent Review Report

To the shareholders of Vector Limited

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 5 to 21 do not:

- i. present fairly in all material respects the Group's financial position as at 31 December 2020 and its financial performance and cash flows for the 6 month period ended on that date; and
- ii. comply with NZ IAS 34 Interim Financial Reporting.

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

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for conclusion

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

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

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



Use of this Independent Review Report

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



Responsibilities of the Directors for the interim consolidated financial statements

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

- the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of the interim consolidated financial statements that are fairly presented and free from material misstatement, whether due to fraud or error;
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless they either intend to liquidate the entity, cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the review of the interim consolidated financial statements

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

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

This description forms part of our Independent Review Report.



KPMG
Auckland

22 February 2021

PROFIT OR LOSS

	NOTE	31 DEC 2020 6 MONTHS (UNAUDITED) \$M	31 DEC 2019 6 MONTHS (UNAUDITED) \$M	30 JUN 2020 12 MONTHS (AUDITED) \$M
Revenue	4	647.7	699.6	1,294.0
Operating expenses	4	(322.5)	(390.0)	(717.6)
Depreciation and amortisation		(133.1)	(131.4)	(262.8)
Interest costs (net)		(58.7)	(64.0)	(126.5)
Fair value change on financial instruments		(2.2)	(0.5)	(3.4)
Associates (share of net profit/(loss))		1.6	0.1	0.3
Impairment		–	–	(32.0)
Gain on sale of Kapuni gas interests		–	–	0.5
Profit/(loss) before income tax		132.8	113.8	152.5
Income tax benefit/(expense)		(30.7)	(33.3)	(55.2)
Net profit/(loss) for the period		102.1	80.5	97.3
Net profit/(loss) for the period attributable to				
Non-controlling interests		1.0	0.8	1.9
Owners of the parent		101.1	79.7	95.4
Basic and diluted earnings per share (cents)	7	10.1	8.0	9.5

OTHER COMPREHENSIVE INCOME

	31 DEC 2020 6 MONTHS (UNAUDITED) \$M	31 DEC 2019 6 MONTHS (UNAUDITED) \$M	30 JUN 2020 12 MONTHS (AUDITED) \$M
Net profit/(loss) for the period	102.1	80.5	97.3
Other comprehensive income net of tax			
<i>Items that may be re-classified subsequently to profit or loss:</i>			
Net change in fair value of hedge reserves	6.2	11.4	(20.6)
Translation of foreign operations	(0.1)	(0.9)	3.5
Share of other comprehensive income of associate	–	–	(0.1)
<i>Items that will not be re-classified subsequently to profit or loss:</i>			
Fair value change on financial asset	0.5	(1.5)	(2.8)
Other comprehensive income/(loss) for the period net of tax	6.6	9.0	(20.0)
Total comprehensive income/(loss) for the period net of tax	108.7	89.5	77.3
Total comprehensive income for the period attributable to			
Non-controlling interests	1.0	0.8	1.9
Owners of the parent	107.7	88.7	75.4

BALANCE SHEET

	NOTE	31 DEC 2020 (UNAUDITED) \$M	31 DEC 2019 (UNAUDITED) \$M	30 JUN 2020 (AUDITED) \$M
CURRENT ASSETS				
Cash and cash equivalents		31.8	29.2	28.3
Trade and other receivables		83.8	89.9	88.6
Contract assets		85.6	96.4	92.7
Derivatives		33.7	–	–
Inventories		8.7	8.0	9.4
Contingent consideration		6.5	–	5.2
Intangible assets		7.8	4.8	2.4
Income tax		29.5	52.3	33.7
Disposal group held for sale		–	79.2	–
Total current assets		287.4	359.8	260.3
NON-CURRENT ASSETS				
Receivables		1.7	2.0	1.7
Derivatives	3,6	54.3	112.2	220.4
Contingent consideration		75.0	–	79.5
Investments		23.9	22.8	21.7
Intangible assets	5	1,286.6	1,340.7	1,283.4
Property, plant and equipment (PPE)		4,497.0	4,249.9	4,367.7
Right of use assets (ROU)		37.3	36.4	35.8
Income tax		99.2	34.1	110.0
Deferred tax		0.3	0.2	0.4
Total non-current assets		6,075.3	5,798.3	6,120.6
Total assets		6,362.7	6,158.1	6,380.9
CURRENT LIABILITIES				
Trade and other payables		199.5	199.4	201.6
Provisions		17.4	18.9	27.0
Borrowings	3,6	458.9	629.3	374.7
Derivatives	3,6	3.0	19.2	9.5
Contract liabilities		60.2	50.5	53.4
Lease liabilities		8.7	7.9	8.2
Income tax		0.1	0.2	0.1
Disposal group held for sale		–	25.8	–
Total current liabilities		747.8	951.2	674.5

BALANCE SHEET (CONTINUED)

	NOTE	31 DEC 2020 (UNAUDITED) \$M	31 DEC 2019 (UNAUDITED) \$M	30 JUN 2020 (AUDITED) \$M
NON-CURRENT LIABILITIES				
Payables		–	0.9	–
Provisions		8.4	8.1	7.8
Borrowings	3,6	2,537.7	2,213.6	2,760.9
Derivatives	3,6	192.2	47.8	95.4
Contract liabilities		29.7	36.8	38.6
Lease liabilities		30.5	30.5	29.6
Deferred tax		530.5	513.7	514.4
Total non-current liabilities		3,329.0	2,851.4	3,446.7
Total liabilities		4,076.8	3,802.6	4,121.2
EQUITY				
Equity attributable to owners of the parent		2,268.0	2,338.5	2,242.8
Non-controlling interests in subsidiaries		17.9	17.0	16.9
Total equity		2,285.9	2,355.5	2,259.7
Total equity and liabilities		6,362.7	6,158.1	6,380.9
Net tangible assets per share (cents)	7	97.4	99.3	95.7
Gearing ratio (%)	7	55.7	52.9	55.2

CASH FLOWS

	NOTE	31 DEC 2020 6 MONTHS (UNAUDITED) \$M	31 DEC 2019 6 MONTHS (UNAUDITED) \$M	30 JUN 2020 12 MONTHS (AUDITED) \$M
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		647.5	693.4	1,312.9
Interest received		0.3	0.4	2.0
Payments to suppliers and employees		(307.1)	(373.2)	(717.2)
Interest paid		(67.5)	(64.8)	(134.0)
Income tax paid		(1.9)	(1.8)	(66.4)
Net cash flows from/(used in) operating activities	8	271.3	254.0	397.3
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of PPE and software intangibles		0.1	0.3	0.5
Purchase and construction of PPE		(247.6)	(221.0)	(436.7)
Purchase and construction of software intangibles		(30.3)	(21.9)	(39.7)
Proceeds from contingent consideration		2.5	–	–
Other investing cash flows		–	(0.7)	(0.3)
Net cash flows from/(used in) investing activities		(275.3)	(243.3)	(476.2)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	3,6	445.0	375.0	797.1
Repayment of borrowings	3,6	(350.0)	(296.6)	(541.6)
Dividends paid	3	(82.5)	(83.3)	(167.0)
Lease liabilities payments		(5.0)	(4.2)	(8.9)
Net cash flows from/(used in) financing activities		7.5	(9.1)	79.6
Net increase/(decrease) in cash and cash equivalents		3.5	1.6	0.7
Cash and cash equivalents at beginning of the period		28.3	27.6	27.6
Cash and cash equivalents at end of the period		31.8	29.2	28.3
Cash and cash equivalents comprise:				
Bank balances and on-call deposits		27.7	24.1	23.2
Short term deposits		4.1	5.1	5.1
		31.8	29.2	28.3

CHANGES IN EQUITY

(unaudited)

	NOTE	ISSUED SHARE CAPITAL \$M	TREASURY SHARES \$M	HEDGE RESERVES \$M	OTHER RESERVES \$M	RETAINED EARNINGS \$M	NON- CONTROLLING INTERESTS \$M	TOTAL EQUITY \$M
Balance at 1 July 2019		880.0	(0.4)	(61.1)	(1.5)	1,515.4	17.0	2,349.4
Net profit/(loss) for the period		–	–	–	–	79.7	0.8	80.5
Other comprehensive income		–	–	11.4	(2.4)	–	–	9.0
Total comprehensive income		–	–	11.4	(2.4)	79.7	0.8	89.5
Dividends	3	–	–	–	–	(82.5)	(0.8)	(83.3)
Employee share purchase scheme transactions		–	–	–	(0.1)	–	–	(0.1)
Total transactions with owners		–	–	–	(0.1)	(82.5)	(0.8)	(83.4)
Balance at 31 December 2019		880.0	(0.4)	(49.7)	(4.0)	1,512.6	17.0	2,355.5
Net profit/(loss) for the period		–	–	–	–	15.7	1.1	16.8
Other comprehensive income		–	–	(32.0)	3.0	–	–	(29.0)
Total comprehensive income		–	–	(32.0)	3.0	15.7	1.1	(12.2)
Dividends		–	–	–	–	(82.5)	(1.2)	(83.7)
Employee share purchase scheme transactions		–	0.1	–	–	–	–	0.1
Total transactions with owners		–	0.1	–	–	(82.5)	(1.2)	(83.6)
Balance at 30 June 2020		880.0	(0.3)	(81.7)	(1.0)	1,445.8	16.9	2,259.7
Net profit/(loss) for the period		–	–	–	–	101.1	1.0	102.1
Other comprehensive income		–	–	6.2	0.4	–	–	6.6
Total comprehensive income		–	–	6.2	0.4	101.1	1.0	108.7
Dividends	3	–	–	–	–	(82.5)	–	(82.5)
Employee share purchase scheme transactions		–	0.1	–	(0.1)	–	–	–
Total transactions with owners		–	0.1	–	(0.1)	(82.5)	–	(82.5)
Balance at 31 December 2020		880.0	(0.2)	(75.5)	(0.7)	1,464.4	17.9	2,285.9

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Company information

Reporting entity

Vector Limited is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the NZX Main Board (NZX). The company is an FMC entity for the purposes of Part 7 of the Financial Markets Conduct Act 2013. Vector's condensed interim financial statements (the interim financial statements) comply with this Act.

The interim financial statements presented are for Vector Limited Group ("Vector" or "the group") as at, and for the six months ended 31 December 2020. The group comprises Vector Limited ("the parent") and its subsidiaries.

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

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

2. Summary of significant accounting policies

Basis of preparation

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

These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the group financial statements and related notes included in Vector's 2020 Annual Report. The interim financial statements for the six months ended 31 December 2020 and 31 December 2019 are unaudited.

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

Seasonality

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

New standard adopted

Amendment to NZ IAS 1: *Presentation of Financial Statements*

The group has elected to early adopt the Amendment to NZ IAS 1: *Presentation of Financial Statements, Classification of Liabilities as Current or Non-current* retrospectively, effective from 1 July 2020. Adoption of the amendment has no impact on the group's financial results for the six months ended 31 December 2020, and no changes to comparative information for the six months ended 31 December 2019 and year ended 30 June 2020 were made.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

3. Significant transactions and events

Significant transactions and events that have occurred during the six months to 31 December 2020:

Loss rental rebates

On 26 August 2020, we released our 2020 Annual Report and noted that we would be retaining loss rental rebates (LRRs) rather than distributing these to customers. At that time, we noted that retaining LRRs allows Vector to offset the impact of any electricity volume reductions on revenue under the new revenue cap regulatory regime. Consistent with this approach, Vector has recognised a \$5.6 million credit to profit and loss during the period in respect of this.

During the period, Vector's board has approved the retention of additional LRRs in order to partially mitigate electricity distribution price increases applying from 1 April 2021. This has resulted in Vector recognising a further \$15.5 million credit to profit and loss in the six months ended 31 December 2020.

Without the retention of the LRRs, any under-recoveries incurred would be recovered from customers in regulatory years ended 31 March 2022 and 2023 under the new regulatory regime.

As stated in our 2020 Annual Report, any excess LRRs accumulated but not utilised to mitigate price increases will be distributed directly to customers at a later date at discretion of the Board. As at 31 December 2020, Vector has recognised a provision for distribution to customers of \$5.6 million.

Government wage subsidy

The group was granted a total wage subsidy of \$1.6 million from the New Zealand Government Wage Subsidy Scheme for Cristal Air International Limited, one of the group's wholly owned subsidiaries, in the 2020 financial year. The lump sum payment was recognised in the profit or loss as a reduction in employee benefit expenses over the 12-week subsidy period commencing April 2020. \$0.3 million of the subsidy was recognised in the current financial year.

In October 2020, Vector's board resolved to repay all \$1.6 million received previously to the New Zealand Government. This has been recognised as an operating expense in the current financial year profit or loss.

Debt programme

The \$350.0 million floating rate notes, credit wrapped by MBIA Insurance Corporation were repaid on 27 October 2020. These were refinanced as part of our ongoing debt management activities.

In October 2020, Vector issued \$170.0 million of wholesale bonds at a fixed rate of 1.58% maturing in October 2026.

During the six months ended 31 December 2020, the group drew down a net of \$275.0 million (six months ended 31 December 2019: \$375.0 million) from bank facilities.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

3. Significant transactions and events (continued)

Dividends	Vector Limited's final dividend for the year ended 30 June 2020 of 8.25 cents per share was paid on 21 September 2020, with a supplementary dividend of 0.44 cent per non-resident share. The total dividend paid was \$82.5 million.
-----------	---

4. Segment information

Segments	Vector reports on three reportable segments in accordance with NZ IFRS 8 <i>Operating Segments</i> . The segments and related policies remain unchanged from those reported in Vector's 2020 Annual Report. The reportable segments are: Regulated Networks Auckland electricity and gas distribution services. Gas Trading Natural gas and LPG sales, storage, and transportation. Metering Metering services.
----------	--

NOTES TO THE INTERIM FINANCIAL STATEMENTS

4. Segment information (continued)

31 DEC 2020 6 MONTHS (UNAUDITED)	REGULATED NETWORKS \$M	GAS TRADING \$M	METERING \$M	INTER- SEGMENT \$M	TOTAL \$M
External revenue:					
Sales	321.4	113.7	109.1	–	544.2
Third party contributions	50.6	–	–	–	50.6
Other	11.1	–	–	–	11.1
Intersegment revenue	1.3	–	0.7	(2.0)	–
Segment revenue	384.4	113.7	109.8	(2.0)	605.9
External expenses:					
Electricity transmission expenses	(89.7)	–	–	–	(89.7)
Gas purchases and production expenses	–	(68.7)	–	–	(68.7)
Metering services cost of sales	–	–	(12.5)	–	(12.5)
Network and asset maintenance	(33.0)	(3.3)	(4.7)	–	(41.0)
Employee benefit expenses	(8.4)	(6.1)	(5.5)	–	(20.0)
Other expenses	(6.8)	(19.0)	(4.0)	–	(29.8)
Intersegment expenses	–	(2.0)	–	2.0	–
Segment operating expenses	(137.9)	(99.1)	(26.7)	2.0	(261.7)
Segment EBITDA	246.5	14.6	83.1	–	344.2
Depreciation and amortisation	(65.8)	(6.1)	(44.4)	–	(116.3)
Segment profit/(loss)	180.7	8.5	38.7	–	227.9
Segment capital expenditure	157.1	4.1	81.8	–	243.0

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

31 DEC 2020 6 MONTHS	REVENUE \$M	PROFIT/ (LOSS) BEFORE INCOME TAX \$M	CAPITAL EXPENDITURE \$M
Reported in segment information	605.9	227.9	243.0
Amounts not allocated to segments:			
Revenue	41.0	41.0	–
Third party contributions	0.8	0.8	–
Employee benefit expenses	–	(29.1)	–
Other operating expenses	–	(37.0)	–
Elimination of transactions with segments	–	5.3	–
Depreciation and amortisation	–	(16.8)	–
Interest costs (net)	–	(58.7)	–
Fair value change on financial instruments	–	(2.2)	–
Associates (share of net profit/(loss))	–	1.6	–
Capital expenditure	–	–	17.7
Reported in the financial statements	647.7	132.8	260.7

NOTES TO THE INTERIM FINANCIAL STATEMENTS

4. Segment information (continued)

31 DEC 2019 6 MONTHS (UNAUDITED)	REGULATED NETWORKS \$M	GAS TRADING \$M	METERING \$M	INTER- SEGMENT \$M	TOTAL \$M
External revenue:					
Sales	353.0	151.2	101.7	–	605.9
Third party contributions	45.0	–	–	–	45.0
Other	7.3	–	–	–	7.3
Intersegment revenue	1.5	–	0.7	(2.2)	–
Segment revenue	406.8	151.2	102.4	(2.2)	658.2
External expenses:					
Electricity transmission expenses	(104.0)	–	–	–	(104.0)
Gas purchases and production expenses	–	(92.1)	–	–	(92.1)
Metering services cost of sales	–	–	(12.7)	–	(12.7)
Network and asset maintenance	(35.0)	(7.3)	(5.0)	–	(47.3)
Employee benefit expenses	(9.5)	(7.4)	(4.3)	–	(21.2)
Other expenses	(24.1)	(21.4)	(4.3)	–	(49.8)
Intersegment expenses	–	(2.2)	–	2.2	–
Segment operating expenses	(172.6)	(130.4)	(26.3)	2.2	(327.1)
Segment EBITDA	234.2	20.8	76.1	–	331.1
Depreciation and amortisation	(64.8)	(8.8)	(39.4)	–	(113.0)
Segment profit/(loss)	169.4	12.0	36.7	–	218.1
Segment capital expenditure	156.0	3.0	65.0	–	224.0
Reconciliation to revenue, profit/(loss) before income tax and capital expenditure reported in the financial statements:					
31 DEC 2019 6 MONTHS (UNAUDITED)	REVENUE \$M	PROFIT/ (LOSS) BEFORE INCOME TAX \$M	CAPITAL EXPENDITURE \$M		
Reported in segment information	658.2	218.1	224.0		
Amounts not allocated to segments:					
Revenue	41.3	41.3	–		
Third party contributions	0.1	0.1	–		
Employee benefit expenses	–	(28.0)	–		
Other operating expenses	–	(36.8)	–		
Elimination of transactions with segments	–	1.9	–		
Depreciation and amortisation	–	(18.4)	–		
Interest costs (net)	–	(64.0)	–		
Fair value change on financial instruments	–	(0.5)	–		
Associates (share of net profit/(loss))	–	0.1	–		
Capital expenditure	–	–	16.0		
Reported in the financial statements	699.6	113.8	240.0		

NOTES TO THE INTERIM FINANCIAL STATEMENTS

4. Segment information (continued)

30 JUN 2020 12 MONTHS (AUDITED)	REGULATED NETWORKS \$M	GAS TRADING \$M	METERING \$M	INTER- SEGMENT \$M	TOTAL \$M
External revenue:					
Sales	656.9	256.4	203.9	–	1,117.2
Third party contributions	85.7	–	–	–	85.7
Other	15.6	–	–	–	15.6
Intersegment revenue	2.7	–	1.3	(4.0)	–
Segment revenue	760.9	256.4	205.2	(4.0)	1,218.5
External expenses:					
Electricity transmission expenses	(200.8)	–	–	–	(200.8)
Gas purchases and production expenses	–	(153.2)	–	–	(153.2)
Metering services cost of sales	–	–	(25.2)	–	(25.2)
Network and asset maintenance	(68.4)	(13.8)	(9.1)	–	(91.3)
Employee benefit expenses	(18.9)	(13.8)	(7.4)	–	(40.1)
Other expenses	(49.5)	(37.7)	(8.7)	–	(95.9)
Intersegment expenses	–	(4.0)	–	4.0	–
Segment operating expenses	(337.6)	(222.5)	(50.4)	4.0	(606.5)
Segment EBITDA	423.3	33.9	154.8	–	612.0
Gain from sale of Kapuni gas interests	–	0.5	–	–	0.5
Depreciation and amortisation	(131.2)	(14.9)	(81.3)	–	(227.4)
Segment profit/(loss)	292.1	19.5	73.5	–	385.1
Segment capital expenditure	317.1	8.2	133.3	–	458.6

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

30 JUN 2020 12 MONTHS (AUDITED)	REVENUE \$M	PROFIT/ (LOSS) BEFORE INCOME TAX \$M	CAPITAL EXPENDITURE \$M
Reported in segment information	1,218.5	385.1	458.6
Amounts not allocated to segments:			
Revenue	74.8	74.8	–
Third party contributions	0.7	0.7	–
Impairment	–	(32.0)	–
Employee benefit expenses	–	(54.2)	–
Other operating expenses	–	(66.9)	–
Elimination of transactions with segments	–	10.0	–
Depreciation and amortisation	–	(35.4)	–
Interest costs (net)	–	(126.5)	–
Fair value change on financial instruments	–	(3.4)	–
Associates (share of net profit/(loss))	–	0.3	–
Capital expenditure	–	–	30.1
Reported in the financial statements	1,294.0	152.5	488.7

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5. Intangible assets

Goodwill impairment assessments

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

As at 31 December 2020, CGUs within the group are: electricity, gas distribution, metering, natural gas, LPG, Liquigas, communications and E-Co Products. Management performed impairment assessments on all CGUs except for E-Co Products at 31 December 2020. No impairment was found.

6. Borrowings and derivatives

	NET DERIVATIVES \$M	BORROWINGS \$M
Balance at 30 June 2020 (audited)	115.5	(3,135.6)
Fair value movements:		
Foreign exchange rates	(175.5)	175.5
Interest rates and other fair value changes	(47.2)	58.8
Repayment	–	350.0
Drawdown	–	(445.0)
Amortised costs	–	(0.3)
Balance at 31 December 2020 (unaudited)	(107.2)	(2,996.6)
Fair value at 31 December 2020 (unaudited)	(107.2)	(3,127.8)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

7. Financial ratios

	31 DEC 2020 6 MONTHS (UNAUDITED) \$M	31 DEC 2019 6 MONTHS (UNAUDITED) \$M	30 JUN 2020 12 MONTHS (AUDITED) \$M
Basic and diluted earnings per share			
Net profit attributable to owners of the parent	101.1	79.7	95.4
Weighted average ordinary shares outstanding during the period (number of shares)	999,895,179	999,870,623	999,876,571
Total earnings per share	10.1 cents	8.0 cents	9.5 cents
	31 DEC 2020 (UNAUDITED) \$M	31 DEC 2019 (UNAUDITED) \$M	30 JUN 2020 (AUDITED) \$M
Net tangible assets per share			
Net assets attributable to owners of the parent	2,268.0	2,338.5	2242.8
Less total intangible assets	(1,294.4)	(1,345.5)	(1,285.8)
Total net tangible assets	973.6	993.0	957.0
Ordinary shares outstanding (number of shares)	999,916,418	999,882,348	999,883,052
	97.4 cents	99.3 cents	95.7 cents
	31 DEC 2020 (UNAUDITED) \$M	31 DEC 2019 (UNAUDITED) \$M	30 JUN 2020 (AUDITED) \$M
Economic net debt to economic net debt plus adjusted equity ratio ("gearing ratio")			
Face value of borrowings	3,005.6	2,733.5	2,910.6
Less cash and cash equivalents	(31.8)	(29.2)	(28.3)
Economic net debt	2,973.8	2,704.3	2,882.3
Total equity	2,285.9	2,355.5	2,259.7
Adjusted for hedge reserves	75.5	49.7	81.7
Adjusted equity	2,361.4	2,405.2	2,341.4
Economic net debt plus adjusted equity	5,335.2	5,109.5	5,223.7
	55.7%	52.9%	55.2%

NOTES TO THE INTERIM FINANCIAL STATEMENTS

8. Cash flows

	31 DEC 2020 6 MONTHS (UNAUDITED) \$M	31 DEC 2019 6 MONTHS (UNAUDITED) \$M	30 JUN 2020 12 MONTHS (AUDITED) \$M
Reconciliation of net profit/(loss) to net cash flows from/ (used in) operating activities			
Net profit/(loss) for the period	102.1	80.5	97.3
Items associated with investing activities			
Items associated with investing activities	11.7	1.1	(10.0)
Items classified as financing activities			
Items associated with lease liabilities	–	–	(1.0)
Non-cash items			
Depreciation and amortisation	133.1	131.4	262.8
Non-cash portion of interest costs (net)	(1.9)	(1.4)	(7.0)
Fair value change on financial instruments	2.2	0.5	3.4
Associates (share of net (profit)/loss)	(1.6)	(0.1)	(0.3)
Impairment	–	–	32.0
Increase/(decrease) in deferred tax	14.0	13.8	27.4
Increase/(decrease) in provisions	(9.4)	3.5	11.2
Gain on sale of Kapuni gas interests	–	–	(0.5)
Other non-cash items	(0.4)	(4.3)	0.8
	136.0	143.4	329.8
Changes in assets and liabilities			
Trade and other payables	(1.9)	6.5	2.9
Contract liabilities	(2.1)	(5.0)	(0.3)
Contract assets	6.9	5.9	12.7
Inventories	0.7	0.4	(1.0)
Trade and other receivables	3.1	3.5	6.9
Income tax	14.8	17.7	(40.0)
	21.5	29.0	(18.8)
Net cash flows from/(used in) operating activities	271.3	254.0	397.3

NOTES TO THE INTERIM FINANCIAL STATEMENTS

9. Capital commitments

	31 DEC 2020 (UNAUDITED) \$M	31 DEC 2019 (UNAUDITED) \$M	30 JUN 2020 (AUDITED) \$M
Capital expenditure committed to but not provided for at balance date	132.1	122.6	127.0

10. Related party transactions

Majority shareholder dividend Vector Limited has paid its majority shareholder, Entrust, dividends of \$62.0 million during the period (six months ended December 2019: \$62.0 million, 12 months ended 30 June 2020: \$123.9 million).

Outstanding balances At 31 December 2020, the group has no material outstanding balances due to or from related parties of the group (31 December 2019 and 30 June 2020: not material).

11. Contingent liabilities

Disclosures The directors are aware of claims that have been made against entities of the group and, where appropriate, have recognised provisions for these within the financial statements.

No material contingent liabilities have been identified.

12. Events after the end of the period

Interim dividend On 22 February 2021, the board declared an interim dividend for the year ended 30 June 2020 of 8.25 cents per share.

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

Debt programme On 2 February 2021, \$375.0 million of new bank credit facilities were added as part of our debt management programme. The new facilities replaced \$300.0 million of maturing facilities.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

12. Events after the end of the period (continued)

**Climate Change
Commission consultation**

On 31 January 2021, the Climate Change Commission issued its 2021 Draft Advice for Consultation ("the Draft Advice"). The Draft Advice sets out a comprehensive strategy and recommendations for New Zealand to tackle climate change. Consultation on the Draft Advice is open until 14 March 2021, with final advice due to be presented to the Government by 31 May 2021. The Government has indicated it intends to make decisions on what actions it plans to take following receipt of the final recommendations by the end of 2021. If adopted in their present form, many of the draft recommendations would have implications for Vector, particularly its regulated networks and gas trading businesses. Accordingly, we will continue to engage, monitor and report on this process where applicable as it progresses.

For details on the Draft Advice, refer to the link below to the official Climate Commission website: <https://www.climatecommission.govt.nz/get-involved/our-advice-and-evidence/>

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

Financial statements approval

The interim financial statements were approved by the board of directors on 22 February 2021.

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

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

DEFINITIONS

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

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

GAAP TO NON-GAAP RECONCILIATION

	31-DEC-2020 6 MONTHS \$M	31-DEC-2019 6 MONTHS \$M
Group EBITDA and adjusted EBITDA		
Reported net profit for the period (GAAP)¹	102.1	80.5
Add back: net interest costs ¹	58.7	64.0
Add back: tax (benefit)/expense ¹	30.7	33.3
Add back: depreciation and amortisation ¹	133.1	131.4
Add back: impairment ¹	–	–
EBITDA	324.6	309.2
<i>Adjusted for:</i>		
Associates (share of net (profit)/loss) ¹	(1.6)	(0.1)
Fair value change on financial instruments ¹	2.2	0.5
Capital contributions ¹	(51.4)	(45.1)
Adjusted EBITDA	273.8	264.5

1. Extracted from reviewed interim financial statements

	2020			2019		
Segment adjusted EBITDA						
SIX MONTHS ENDED 31 DECEMBER	REPORTED SEGMENT EBITDA	LESS THIRD-PARTY CONTRIBUTIONS AND OTHER MOVEMENTS	SEGMENT ADJUSTED EBITDA	REPORTED SEGMENT EBITDA	LESS THIRD-PARTY CONTRIBUTIONS AND OTHER MOVEMENTS	SEGMENT ADJUSTED EBITDA
Metering	83.1	–	83.1	76.1	–	76.1
Gas Trading	14.6	–	14.6	20.8	–	20.8
Unregulated segments	97.7	–	97.7	96.9	–	96.9
Regulated segment	246.5	(50.6)	195.9	234.2	(45.0)	189.2
TOTAL REPORTED SEGMENTS	344.2	(50.6)	293.6	331.1	(45.0)	286.1
Corporate and other	(19.0)	(0.8)	(19.8)	(21.5)	(0.1)	(21.6)
TOTAL	325.2	(51.4)	273.8	309.6	(45.1)	264.5

CALENDAR AND DIRECTORY

Financial calendar

2021

Record date for interim dividend	30 March
Interim dividend paid	8 April
Third quarter operating statistics	April
Fourth quarter operating statistics	July
Full year result and annual report	August
Final dividend*	September
Annual meeting	September

* Dividends are subject to Board determination.

Investor information

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

Directory

Registered office

Vector Limited
101 Carlton Gore Road
Newmarket
Auckland 1023
New Zealand
Telephone 64-9-978 7788
Facsimile 64-9-978 7799
www.vector.co.nz

Postal address

PO Box 99882
Newmarket
Auckland 1149
New Zealand

Investor enquiries

Telephone 64-9-213 5179
Email: investor@vector.co.nz

