



INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
31 DECEMBER 2023

Group Condensed Interim Financial Statements

for the six months ended 31 December 2023 (unaudited)

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GROUP CONDENSED INTERIM FINANCIAL STATEMENTS

These group condensed interim financial statements for the six months ended 31 December 2023 are dated 26 February 2024, and signed for and on behalf of Vector Limited by:



Director



Director

And management of Vector Limited by:



Group Chief Executive



Chief Financial Officer



Independent Review Report

To the shareholders of Vector Limited

Report on the group condensed interim financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the group condensed interim financial statements on pages 5 to 22 do not:

- i. present fairly in all material respects the Group's financial position as at 31 December 2023 and its financial performance and cash flows for the 6 month period ended on that date; and
- ii. comply with NZ IAS 34 Interim Financial Reporting.

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

- the group interim balance sheet as at 31 December 2023;
- the group interim 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

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410 (Revised)"). Our responsibilities are further described in the *Auditor's Responsibilities for the review of the financial statements* section of our report.

We are independent of Vector Limited, in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Our firm has also provided other services to the group in relation to the annual audit, regulatory assurance services, other assurance services, agreed upon procedures and compliance services in relation to R&D tax credit. 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 group condensed interim financial statements

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

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



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

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

A review of group condensed interim financial statements in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410 (Revised)") 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.

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) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these group condensed interim financial statements.

KPMG
Auckland

26 February 2024

Profit or Loss

	NOTE	31 DEC 2023 6 MONTHS (UNAUDITED) \$M	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	30 JUN 2023 12 MONTHS (AUDITED) \$M
Continuing operations:				
Revenue	4	571.0	559.2	1,082.7
Operating expenses	4	(293.2)	(290.0)	(575.2)
Depreciation and amortisation		(115.7)	(101.6)	(204.7)
Interest costs (net)		(24.5)	(67.8)	(145.7)
Fair value change on financial instruments		(6.1)	(6.4)	(13.2)
Share of net profit/(loss) in joint ventures	7	(9.0)	-	-
Impairment of goodwill	8	(60.0)	-	-
Profit/(loss) before income tax		62.5	93.4	143.9
Income tax benefit/(expense)		(40.9)	(30.0)	(42.7)
Net profit/(loss) for the period from continuing operations		21.6	63.4	101.2
Net profit/(loss) for the period from discontinued operations	5,6	4.4	36.9	1,614.6
Net profit/(loss) for the period		26.0	100.3	1,715.8
Net profit/(loss) for the period attributable to				
Non-controlling interests		1.4	1.0	1.5
Owners of the parent – continuing operations		20.2	62.4	99.7
Owners of the parent – discontinued operations		4.4	36.9	1,614.6
Basic and diluted earnings per share (cents)				
Continuing operations	10	2.0	6.2	10.0
Discontinued operations	10	0.4	3.7	161.4
Total	10	2.4	9.9	171.4

Other Comprehensive Income

	NOTE	31 DEC 2023 6 MONTHS (UNAUDITED) \$M	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	30 JUN 2023 12 MONTHS (AUDITED) \$M
Net profit/(loss) for the period		26.0	100.3	1,715.8
Other comprehensive income net of tax- continuing operations				
<i>Items that may be re-classified subsequently to profit or loss:</i>				
Net change in fair value of hedge reserves		(30.4)	4.1	(3.0)
Translation of foreign operations		(2.2)	(10.8)	(8.2)
<i>Items that will not be re-classified subsequently to profit or loss:</i>				
Share of other comprehensive income of joint ventures	7	(7.9)	-	-
Fair value change on financial asset		(8.8)	(2.2)	(3.4)
Other comprehensive income/(loss) for the period net of tax - continuing operations		(49.3)	(8.9)	(14.6)
Translation of foreign operations- discontinued operations		-	(0.8)	(3.4)
Total comprehensive income/(loss) for the period net of tax		(23.3)	90.6	1,697.8
Total comprehensive income for the period attributable to				
Non-controlling interests		1.4	1.0	1.5
Owners of the parent – continuing operations		(29.1)	53.5	85.1
Owners of the parent – discontinued operations		4.4	36.1	1,611.2

Balance Sheet

	NOTE	31 DEC 2023 (UNAUDITED) \$M	31 DEC 2022 (UNAUDITED) \$M	30 JUN 2023 (AUDITED) \$M
CURRENT ASSETS				
Cash and cash equivalents		26.1	18.3	89.9
Short-term deposits		302.1	3.5	447.1
Trade and other receivables		159.9	81.0	124.3
Contract assets		83.8	86.7	85.2
Derivatives	9	2.9	1.1	4.3
Inventories		22.2	25.9	21.1
Contingent consideration		10.7	15.9	11.5
Intangible assets		7.5	5.3	8.7
Income tax		16.5	36.2	33.6
Disposal group held for sale	5,6	9.7	907.2	–
Total current assets		641.4	1,181.1	825.7
NON-CURRENT ASSETS				
Receivables		1.0	1.6	67.4
Derivatives	9	76.9	110.8	107.8
Contingent consideration		39.7	52.4	49.4
Investment in joint venture	7	715.9	–	727.4
Investment in private equity		–	10.0	8.8
Intangible assets	8	1,128.1	1,181.0	1,208.1
Property, plant and equipment (PPE)		4,519.5	4,270.8	4,385.3
Right of use assets (ROU)		53.3	19.2	55.5
Income tax		100.2	89.3	89.3
Deferred tax		2.5	2.2	2.9
Total non-current assets		6,637.1	5,737.3	6,701.9
Total assets		7,278.5	6,918.4	7,527.6

Balance Sheet (CONTINUED)

	NOTE	31 DEC 2023 (UNAUDITED) \$M	31 DEC 2022 (UNAUDITED) \$M	30 JUN 2023 (AUDITED) \$M
CURRENT LIABILITIES				
Trade and other payables		192.5	185.8	271.2
Provisions		1.4	15.6	20.6
Borrowings	3,9	240.1	–	240.6
Derivatives	9	0.9	1.8	0.5
Contract liabilities		62.3	94.5	72.7
Lease liabilities		6.9	6.1	8.2
Income tax		0.8	0.2	1.5
Disposal group held for sale	5,6	–	59.8	–
Total current liabilities		504.9	363.8	615.3
NON-CURRENT LIABILITIES				
Provisions		5.4	5.0	5.9
Borrowings	3,9	2,025.6	3,235.4	2,028.2
Derivatives	9	170.9	187.7	160.3
Contract liabilities		7.1	11.3	11.0
Lease liabilities		55.7	13.6	56.8
Deferred tax		715.2	667.3	692.1
Total non-current liabilities		2,979.9	4,120.3	2,954.3
Total liabilities		3,484.8	4,484.1	3,569.6
EQUITY				
Equity attributable to owners of the parent		3,778.1	2,418.6	3,942.8
Non-controlling interests in subsidiaries		15.6	15.7	15.2
Total equity		3,793.7	2,434.3	3,958.0
Total equity and liabilities		7,278.5	6,918.4	7,527.6
Net tangible assets per share (cents)	10	264.3	123.2	272.6
Gearing ratio (%)	10	36.2	59.0	33.1

Cash Flows

	NOTE	31 DEC 2023 6 MONTHS (UNAUDITED) \$M	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	30 JUN 2023 12 MONTHS (AUDITED) \$M
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		638.6	720.1	1,409.8
Interest received		6.8	0.6	5.8
Payments to suppliers and employees		(401.4)	(384.0)	(713.6)
Interest paid		(54.8)	(75.0)	(164.9)
Income tax paid		(1.2)	(1.5)	(20.0)
Net cash flows from/(used in) operating activities	11	188.0	260.2	517.1
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of PPE		0.6	0.4	0.9
Purchase and construction of PPE		(234.7)	(278.7)	(601.5)
Purchase and construction of software intangibles		(7.2)	(19.3)	(37.5)
Proceeds from contingent consideration		4.6	8.6	14.2
Proceeds from sale of discontinued operations		–	–	1,690.7
Cash balance in sale of discontinued operations		–	–	(3.0)
Proceeds from sale of investment in associate		1.4	1.5	1.7
Other investing cash flows		(15.5)	0.1	0.3
Net cash flows from/(used in) investing activities		(250.8)	(287.4)	1,065.8
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	3,9	–	373.0	539.0
Repayment of borrowings	3,9	–	(250.5)	(1,425.5)
Dividends paid	3	(141.0)	(86.4)	(169.9)
Lease liabilities payments		(5.0)	(6.0)	(12.0)
Net cash flows from/(used in) financing activities		(146.0)	30.1	(1,068.4)
Net increase/(decrease) in cash and cash equivalents		(208.8)	2.9	514.5
Cash and cash equivalents at beginning of the period		537.0	22.5	22.5
Cash and cash equivalents at end of the period		328.2	25.4	537.0
Cash and cash equivalents comprise:				
Bank balances and on-call deposits		26.1	21.9	89.9
Short term deposits		302.1	3.5	447.1
		328.2	25.4	537.0

Discontinued operations

The cash flows above reflect the entire Vector group cash flows for the six months to 31 December 2023 and comparative periods. Refer to note 5 for separately disclosed cash flows from discontinued operations.

Changes in Equity

(unaudited)

	NOTE	ISSUED SHARE CAPITAL \$M	TREASURY SHARES \$M	HEDGE RESERVES \$M	OTHER RESERVES \$M	RETAINED EARNINGS \$M	NON- CONTROLLING INTERESTS \$M	TOTAL EQUITY \$M
Balance at 1 July 2022								
(audited)		880.0	(0.1)	58.7	10.0	1,465.4	16.1	2,430.1
Net profit/(loss) for the period		-	-	-	-	99.3	1.0	100.3
Other comprehensive income		-	-	4.1	(13.8)	-	-	(9.7)
Total comprehensive income		-	-	4.1	(13.8)	99.3	1.0	90.6
Dividends		-	-	-	-	(85.0)	(1.4)	(86.4)
Total transactions with owners		-	-	-	-	(85.0)	(1.4)	(86.4)
Balance at 31 December 2022		880.0	(0.1)	62.8	(3.8)	1,479.7	15.7	2,434.3
Net profit/(loss) for the period		-	-	-	-	1,615.0	0.5	1,615.5
Other comprehensive income		-	-	(7.1)	(1.2)	-	-	(8.3)
Total comprehensive income		-	-	(7.1)	(1.2)	1,615.0	0.5	1,607.2
Dividends		-	-	-	-	(82.5)	(1.0)	(83.5)
Total transactions with owners		-	-	-	-	(82.5)	(1.0)	(83.5)
Balance at 30 June 2023								
(audited)		880.0	(0.1)	55.7	(5.0)	3,012.2	15.2	3,958.0
Net profit/(loss) for the period		-	-	-	-	24.6	1.4	26.0
Other comprehensive income		-	-	(30.4)	(18.9)	-	-	(49.3)
Total comprehensive income		-	-	(30.4)	(18.9)	24.6	1.4	(23.3)
Dividends	3	-	-	-	-	(140.0)	(1.0)	(141.0)
Total transactions with owners		-	-	-	-	(140.0)	(1.0)	(141.0)
Balance at 31 December 2023		880.0	(0.1)	25.3	(23.9)	2,896.8	15.6	3,793.7

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 (NZSX). 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 2023. 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, 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 2023 Annual Report. The interim financial statements for the six months ended 31 December 2023 and 31 December 2022 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.

3. Significant transactions and events

Significant transactions and events that have occurred during the six months to 31 December 2023:

Input methodologies review

On 13 December 2023, the Commerce Commission released its final decision on the Input Methodologies Review ("the IM Review") which is relevant to Vector's electricity and gas distribution businesses. The final decision confirmed a reduction in the weighted average cost of capital (WACC) percentile for gas distribution businesses from 67% to 50%.

Discontinued operations held for sale

In December 2023 Vector Gas Trading Limited signed a conditional agreement with Nova Energy Limited for the sale of the remaining contracts in the natural gas business as at the completion date, 1 July 2024. Vector expects the conditions to be satisfied prior to completion. Refer to note 6 for further details.

Notes to the Interim Financial Statements

3. Significant transactions and events (continued)

Regulatory quality thresholds	<p>For the regulatory year to 31 March 2023, Vector was in breach of SAIDI due to the network outages relating to cyclone Gabrielle and the Auckland floods of March 2023.</p> <p>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.</p>
Loss rental rebates	<p>Vector distributed loss rental rebates ("LRRs") of \$17.9 million to customers on the Vector electricity network in September and October 2023 at \$30 per customer.</p> <p>The new transmission pricing methodology (TCM) came into force on 1 April 2023. Under the new TCM, distributors are required to pass through settlement residue to their customers, being retailers or directly billed customers on a monthly basis. Therefore, Vector is no longer able to apply LRRs to offset volume shortfalls, or distribute LRRs to end users.</p>
Debt programme	<p>During the six months ended 31 December 2023, the group made no drawdowns (six months to 31 December 2022: drew down a net of \$373.0 million) from the bank facilities.</p>
Dividends	<p>Vector Limited's final dividend (including special dividend) for the year ended 30 June 2023 of 14.00 cents per share was paid on 14 September 2023. Both of these dividends were unimputed. The total dividend paid was \$140.0 million.</p> <p>Liquigas Limited, a subsidiary of the group, paid dividends of \$1.0 million to the company's non-controlling interests during the six months to 31 December 2023.</p>

4. Segment information

Segments

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

The reportable segments are:

Regulated Networks Auckland electricity and gas distribution services.

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

Since Vector's Annual Report for the year ended 30 June 2023, the natural gas business has been reclassified as held for sale and is no longer included in the Gas Trading segment. Details of the natural gas business can be found in note 6. Comparative information has been updated to reflect this change. There have been no other changes to the two segments and policies.

Notes to the Interim Financial Statements

4. Segment information (continued)

31 DEC 2023 6 MONTHS (UNAUDITED)	REGULATED NETWORKS \$M	GAS TRADING \$M	TOTAL \$M
External revenue:			
Sales	376.5	68.3	444.8
Third party contributions	92.5	–	92.5
Segment revenue	469.0	68.3	537.3
External expenses:			
Electricity transmission expenses	(93.9)	–	(93.9)
Gas purchases and production expenses	–	(33.7)	(33.7)
Network and asset maintenance	(41.5)	(3.6)	(45.1)
Employee benefit expenses	(10.8)	(5.9)	(16.7)
Other expenses	(29.0)	(12.4)	(41.4)
Segment operating expenses	(175.2)	(55.6)	(230.8)
Segment EBITDA	293.8	12.7	306.5
Depreciation and amortisation	(84.5)	(5.6)	(90.1)
Impairment of goodwill	(60.0)	–	(60.0)
Segment profit/(loss)	149.3	7.1	156.4
Segment capital expenditure	219.6	3.4	223.0

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

31 DEC 2023	REVENUE \$M	PROFIT/ (LOSS) BEFORE INCOME TAX \$M	CAPITAL EXPENDITURE \$M
Reported in segment information	537.3	156.4	223.0
Elimination of transactions with discontinued operations	(2.2)	–	–
Amounts not allocated to segments:			
Revenue	35.6	35.6	–
Third party contributions	0.3	0.3	–
Employee benefit expenses	–	(31.5)	–
Other operating expenses	–	(40.5)	–
Elimination of transactions with segments	–	7.4	–
Depreciation and amortisation	–	(25.6)	–
Interest costs (net)	–	(24.5)	–
Fair value change on financial instruments	–	(6.1)	–
Share of net profit/(loss) in joint ventures	–	(9.0)	–
Capital expenditure	–	–	15.1
Reported in the financial statements	571.0	62.5	238.1

Notes to the Interim Financial Statements

4. Segment information (continued)

31 DEC 2022 6 MONTHS (UNAUDITED)	REGULATED NETWORKS \$M	GAS TRADING \$M	TOTAL \$M
External revenue:			
Sales	349.6	62.8	412.4
Third party contributions	96.5	–	96.5
Other	19.3	–	19.3
Segment revenue	465.4	62.8	528.2
External expenses:			
Electricity transmission expenses	(91.5)	–	(91.5)
Gas purchases and production expenses	–	(36.0)	(36.0)
Network and asset maintenance	(34.8)	(3.4)	(38.2)
Employee benefit expenses	(8.8)	(5.7)	(14.5)
Other expenses	(36.8)	(11.9)	(48.7)
Segment operating expenses	(171.9)	(57.0)	(228.9)
Segment EBITDA	293.5	5.8	299.3
Depreciation and amortisation	(78.8)	(5.5)	(84.3)
Segment profit/(loss)	214.7	0.3	215.0
Segment capital expenditure	197.4	3.4	200.8

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

31 DEC 2022	REVENUE \$M	PROFIT/ (LOSS) BEFORE INCOME TAX \$M	CAPITAL EXPENDITURE \$M
Reported in segment information	528.2	215.0	200.8
Elimination of transactions with discontinued operations	(3.9)	–	–
Amounts not allocated to segments:			
Revenue	34.7	34.7	–
Third party contributions	0.2	0.2	–
Employee benefit expenses	–	(31.4)	–
Other operating expenses	–	(39.6)	–
Elimination of transactions with segments	–	6.0	–
Depreciation and amortisation	–	(17.3)	–
Interest costs (net)	–	(67.8)	–
Fair value change on financial instruments	–	(6.4)	–
Capital expenditure	–	–	24.3
Reported in the financial statements	559.2	93.4	225.1

Notes to the Interim Financial Statements

4. Segment information (continued)

30 JUN 2023 12 MONTHS (AUDITED)	REGULATED NETWORKS \$M	GAS TRADING \$M	TOTAL \$M
External revenue:			
Sales	690.4	118.8	809.2
Third party contributions	187.3	–	187.3
Other	27.7	–	27.7
Segment revenue	905.4	118.8	1,024.2
External expenses:			
Electricity transmission expenses	(184.2)	–	(184.2)
Gas purchases and production expenses	–	(67.1)	(67.1)
Network and asset maintenance	(75.2)	(6.5)	(81.7)
Employee benefit expenses	(18.4)	(11.3)	(29.7)
Other expenses	(68.7)	(22.9)	(91.6)
Segment operating expenses	(346.5)	(107.8)	(454.3)
Segment EBITDA	558.9	11.0	569.9
Depreciation and amortisation	(157.7)	(11.0)	(168.7)
Segment profit/(loss)	401.2	–	401.2
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:

30 JUN 2023	REVENUE \$M	PROFIT/ (LOSS) BEFORE INCOME TAX \$M	CAPITAL EXPENDITURE \$M
Reported in segment information	1,024.2	401.2	432.1
Elimination of transactions with discontinued operations	(7.6)	–	–
Amounts not allocated to segments:			
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)	–
Fair value change on financial instruments	–	(13.2)	–
Capital expenditure	–	–	80.6
Reported in the financial statements	1,082.7	143.9	512.7

Notes to the Interim Financial Statements

5. Discontinued operations held for sale

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 (QIC).

The assets and liabilities of the metering operations were presented as a disposal group held for sale in the interim financial statements for the six months ended 31 December 2022.

The disposal group was presented as discontinued operations in the interim financial statements for the six months ended 31 December 2022 as well as in the 2023 Annual Report. The profit or loss shows these periods as comparatives.

6. Discontinued operations held for sale

In December 2023 Vector Gas Trading Limited signed a conditional agreement with Nova Energy Limited for the sale of the remaining contracts in the natural gas business as at the completion date, 1 July 2024. Vector expects the conditions to be satisfied prior to completion.

Vector has determined that the natural gas business meets the criteria to be classified as non-current assets held for sale, and this classification has been made from December 2023. The assets of the natural gas business relating to the contracts to be sold are presented in the balance sheet of the interim financial statements as a disposal group held for sale.

The natural gas business was previously included in the group gas trading segment. The result of the disposal group for the six months to 31 December 2023 is presented in the profit or loss of the interim financial statements as discontinued operations. Comparatives have been restated to show the discontinued operations separately from continuing operations.

	31 DEC 2023 6 MONTHS (UNAUDITED) \$M	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	30 JUN 2023 12 MONTHS (AUDITED) \$M
Profit and loss of discontinued operations – natural gas			
Revenue	54.6	56.8	109.6
Operating expenses	(47.6)	(49.9)	(93.7)
Depreciation and amortisation	–	(0.1)	(0.1)
Impairment	(0.6)	–	–
Profit/(loss) before income tax	6.4	6.8	15.8
Income tax benefit/(expense)	(2.0)	(1.9)	(4.4)
Net profit/(loss) for the period attributable to owners of the parent	4.4	4.9	11.4

Notes to the Interim Financial Statements

6. Discontinued operations held for sale (continued)

	31 DEC 2023 6 MONTHS (UNAUDITED) \$M	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	30 JUN 2023 12 MONTHS (AUDITED) \$M
Capital expenditure of discontinued operations – natural gas	–	–	–

Cash flows from discontinued operations – natural gas

Net cash flows from/(used in) operating activities	7.1	2.2	13.1
Net cash inflow/(outflow)	7.1	2.2	13.1

	31 DEC 2023 (UNAUDITED) \$M
Disposal group held for sale	
Assets	
Intangible assets	9.7
Total disposal group assets held for sale	9.7

Policies

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

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

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

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

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

Impairment on reclassification to held for sale

The goodwill allocated to the natural gas business has been reclassified as held for sale at 31 December 2023, resulting in an impairment of \$0.6 million.

Notes to the Interim Financial Statements

7. Investment in joint venture

INVESTEES	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	EQUITY INTEREST HELD		
			31 DEC 2023	31 DEC 2022	30 JUN 2023
Bluecurrent					
Bluecurrent Holdings NZ Limited	Holding company	New Zealand	50%	–	50%
Bluecurrent Holdings (Australia) Pty Ltd	Holding company	Australia	50%	–	50%

Movement in the carrying amount of joint venture	31 DEC 2023 6 MONTHS (UNAUDITED) \$M	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	30 JUN 2023 12 MONTHS \$M
Opening carrying value	727.4	–	–
Fair value recognised through sale of 50% interest in metering operations	–	–	498.4
Shareholder loans	5.4	–	229.0
Share of net profit/(loss)	(9.0)	–	–
Share of other comprehensive income	(7.9)	–	–
Closing carrying value	715.9	–	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.

Bluecurrent

Vector's interest in Bluecurrent consists of a 50% ownership of Bluecurrent Holdings NZ Limited and Bluecurrent Holdings (Australia) Pty Limited respectively which is jointly controlled with QIC Private Capital Pty Limited (QIC).

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

Notes to the Interim Financial Statements

8. 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 2023, CGUs within the group are: electricity, gas distribution, natural gas, LPG, Liquigas, Fibre, Vector Technology Solutions (VTS) and E-Co Products. Management performed impairment assessments on electricity, gas distribution, natural gas, LPG, and Liquigas CGUs at 31 December 2023. The remaining CGUs are to be assessed at 30 June 2024. No impairment was found for the electricity, LPG and Liquigas CGUs.

The group has recognised an impairment loss of \$60.0 million in respect of goodwill allocated to the gas distribution CGU. The impairment reflects the Commerce Commission's final Input Methodology decision which resulted in a reduction in the weighted average cost of capital (WACC) percentile for gas distribution businesses from 67% to 50%. This results in a decrease in future revenues for the gas distribution CGU.

The recoverable amount of the gas distribution CGU has been determined based on value in use. Post-tax discount rates of between 6.6% and 6.9% (31 December 2022: 6.5% and 6.8%) have been applied in determining the recoverable amount for the gas distribution CGU.

We have previously disclosed the risks and uncertainty associated with the Government's Emissions Reduction Plan (ERP), possible implications for the gas industry and therefore the risk that Vector's gas assets may need to be impaired in the future. We are waiting for further information from the new Government on the ERP so we can assess any implications on the carrying value of Vector's gas assets. Vector has \$149.7 million of goodwill allocated to its gas businesses at 31 December 2023.

9. Borrowings and derivatives

	NET DERIVATIVES \$M	BORROWINGS \$M
Balance at 30 June 2023 (audited)	(48.7)	(2,268.8)
Fair value movements:		
Foreign exchange rates	(41.1)	41.1
Interest rates and other fair value changes	(2.2)	(38.0)
Balance at 31 December 2023 (unaudited)	(92.0)	(2,265.7)
Fair value at 31 December 2023 (unaudited)	(92.0)	(2,299.7)

Policies

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 risk that is hedged. The carrying values of derivatives are the fair values excluding any interest receivable or payable, which is separately presented in the balance sheet in other receivables or other payables.

The fair value of borrowings and derivatives is calculated by discounting the future contractual cash flows at current market rates that are available for similar financial instruments. Borrowings and derivatives are classified as level 2 on the fair value hierarchy.

Notes to the Interim Financial Statements

10. Financial ratios

	31 DEC 2023 6 MONTHS (UNAUDITED) \$M	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	30 JUN 2023 12 MONTHS (AUDITED) \$M
Basic and diluted earnings per share			
Net profit from continuing operations attributable to owners of the parent	20.2	62.4	99.7
Net profit from discontinued operations attributable to owners of the parent	4.4	36.9	1,614.6
Net profit attributable to owners of the parent	24.6	99.3	1,714.3
Weighted average ordinary shares outstanding during the period (no. of shares)	999,973,657	999,973,657	999,973,657
Earnings per share from continuing operations	2.0 cents	6.2 cents	10.0 cents
Earnings per share from discontinued operations	0.4 cents	3.7 cents	161.4 cents
Total earnings per share	2.4 cents	9.9 cents	171.4 cents

	31 DEC 2023 (UNAUDITED) \$M	31 DEC 2022 (UNAUDITED) \$M	30 JUN 2023 (AUDITED) \$M
Net tangible assets per share			
Net assets attributable to owners of the parent	3,778.1	2,418.6	3,942.8
Less total intangible assets	(1,135.6)	(1,186.3)	(1,216.8)
Total net tangible assets	2,642.5	1,232.3	2,726.0
Ordinary shares outstanding (number of shares)	999,973,657	999,973,657	999,973,657
Net tangible assets per share	264.3 cents	123.2 cents	272.6 cents

	31 DEC 2023 (UNAUDITED) \$M	31 DEC 2022 (UNAUDITED) \$M	30 JUN 2023 (AUDITED) \$M
Economic net debt to economic net debt plus adjusted equity ratio ("gearing ratio")			
Face value of borrowings	2,405.1	3,414.1	2,405.1
Lease liabilities	62.6	19.7	65.0
Less cash and cash equivalents	(328.2)	(21.8)	(537.0)
Economic net debt	2,139.5	3,412.0	1,933.1
Total equity	3,793.7	2,434.3	3,958.0
Adjusted for hedge reserves	(25.3)	(62.8)	(55.7)
Adjusted equity	3,768.4	2,371.5	3,902.3
Economic net debt plus adjusted equity	5,907.9	5,783.5	5,835.4
Gearing ratio	36.2%	59.0%	33.1%

Notes to the Interim Financial Statements

11. Cash flows

Reconciliation of net profit/(loss) to net cash flows from/(used in) operating activities including discontinued operations	31 DEC 2023 6 MONTHS (UNAUDITED) \$M	31 DEC 2022 6 MONTHS (UNAUDITED) \$M	30 JUN 2023 12 MONTHS (AUDITED) \$M
Net profit/(loss) for the period:	26.0	100.3	1,715.8
Items associated with sale of discontinued operations			
Gain on sale of discontinued operations classified as investing activities	-	-	(1,509.9)
Costs of sale of discontinued operations classified as operating activities	-	-	(30.1)
Items associated with investing activities			
Items associated with investing activities	20.4	(20.5)	(31.6)
Non-cash items			
Depreciation and amortisation	115.7	154.2	258.1
Non-cash portion of interest costs (net)	(8.2)	(3.6)	(7.1)
Fair value change on financial instruments	6.1	6.4	13.2
Associates (share of net (profit)/loss)	9.0	-	-
Impairment	60.6	-	-
Increase/(decrease) in deferred tax	35.3	34.1	59.3
Increase/(decrease) in provisions	(19.1)	(6.4)	(0.6)
Other non-cash items	3.4	(12.1)	2.7
	202.8	172.6	325.6
Changes in assets and liabilities			
Trade and other payables	(84.9)	9.6	97.1
Contract liabilities	(14.3)	(9.6)	(31.7)
Contract assets	1.4	(3.4)	(2.1)
Inventories	(1.1)	(1.7)	3.1
Trade and other receivables	31.4	6.5	(27.5)
Income tax	6.3	6.4	8.4
	(61.2)	7.8	47.3
Net cash flows from/(used in) operating activities including discontinued operations	188.0	260.2	517.1

Notes to the Interim Financial Statements

12. Capital commitments

	31 DEC 2023 (UNAUDITED) \$M	31 DEC 2022 (UNAUDITED) \$M	30 JUN 2023 (AUDITED) \$M
Capital commitments at end of period - continuing operations	170.4	164.2	138.4
Capital commitments at end of period - discontinued operations	–	63.6	–
Total capital commitments	170.4	227.8	138.4

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

13. Related party transactions

Majority shareholder transactions Vector Limited has paid its majority shareholder, Entrust, dividends of \$105.1 million during the period (six months ended December 2022: \$63.8 million, 12 months ended 30 June 2023: \$125.8 million). Vector has also paid \$10.7 million of loss rental rebates to Entrust during the period, which were distributed to network customers.

Outstanding balances At 31 December 2023, the group has no material outstanding balances due to or from related parties of the group (31 December 2022 and 30 June 2023: not material).

14. 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.

15. Events after the end of the period

Interim dividend On 26 February 2024, the board declared an unimputed interim dividend for the year ended 30 June 2024 of 9.25 cents per share.

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

Financial statements approval The interim financial statements were approved by the board of directors on 26 February 2024.

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-2023 6 MONTHS \$M	31-DEC-2022 6 MONTHS \$M
Group EBITDA and adjusted EBITDA		
Reported net profit for the period (GAAP)- continuing operations	21.6	63.4
Add back: net interest costs	24.5	67.8
Add back: tax (benefit)/expense	40.9	30.0
Add back: depreciation and amortisation	115.7	101.6
Add back: impairment	60.0	-
EBITDA – continuing operations	262.7	262.8
<i>Adjusted for:</i>		
Associates (share of net (profit)/loss)	9.0	-
Capital contributions	(92.8)	(96.7)
Fair value change on financial instruments	6.1	6.4
Adjusted EBITDA- continuing operations	185.0	172.5
Adjusted EBITDA- discontinued operations	7.0	101.5
Total group adjusted EBITDA	192.0	274.0

GAAP TO NON-GAAP RECONCILIATION (CONTINUED)

Segment adjusted EBITDA		2023			2022		
SIX MONTHS ENDED 31 DECEMBER	SEGMENT EBITDA	LESS CAPITAL CONTRIBUTIONS AND OTHER MOVEMENTS	SEGMENT ADJUSTED EBITDA	SEGMENT EBITDA	LESS CAPITAL CONTRIBUTIONS AND OTHER MOVEMENTS	SEGMENT ADJUSTED EBITDA	
Gas Trading	12.7	-	12.7	5.8	-	5.8	
Regulated segment	293.8	(92.5)	201.3	293.5	(96.5)	197.0	
TOTAL REPORTED SEGMENTS	306.5	(92.5)	214.0	299.3	(96.5)	202.8	
Corporate and other	(43.8)	14.8	(29.0)	(36.5)	6.2	(30.3)	
TOTAL- CONTINUING OPERATIONS	262.7	(77.7)	185.0	262.8	(90.3)	172.5	
TOTAL- DISCONTINUED OPERATIONS	7.0	-	7.0	101.5	-	101.5	
Total group	269.7	(77.7)	192.0	364.3	(90.3)	274.0	

Calendar and Directory

FINANCIAL CALENDAR

2024

Record date for interim dividend	28 March
Interim dividend paid	9 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.

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