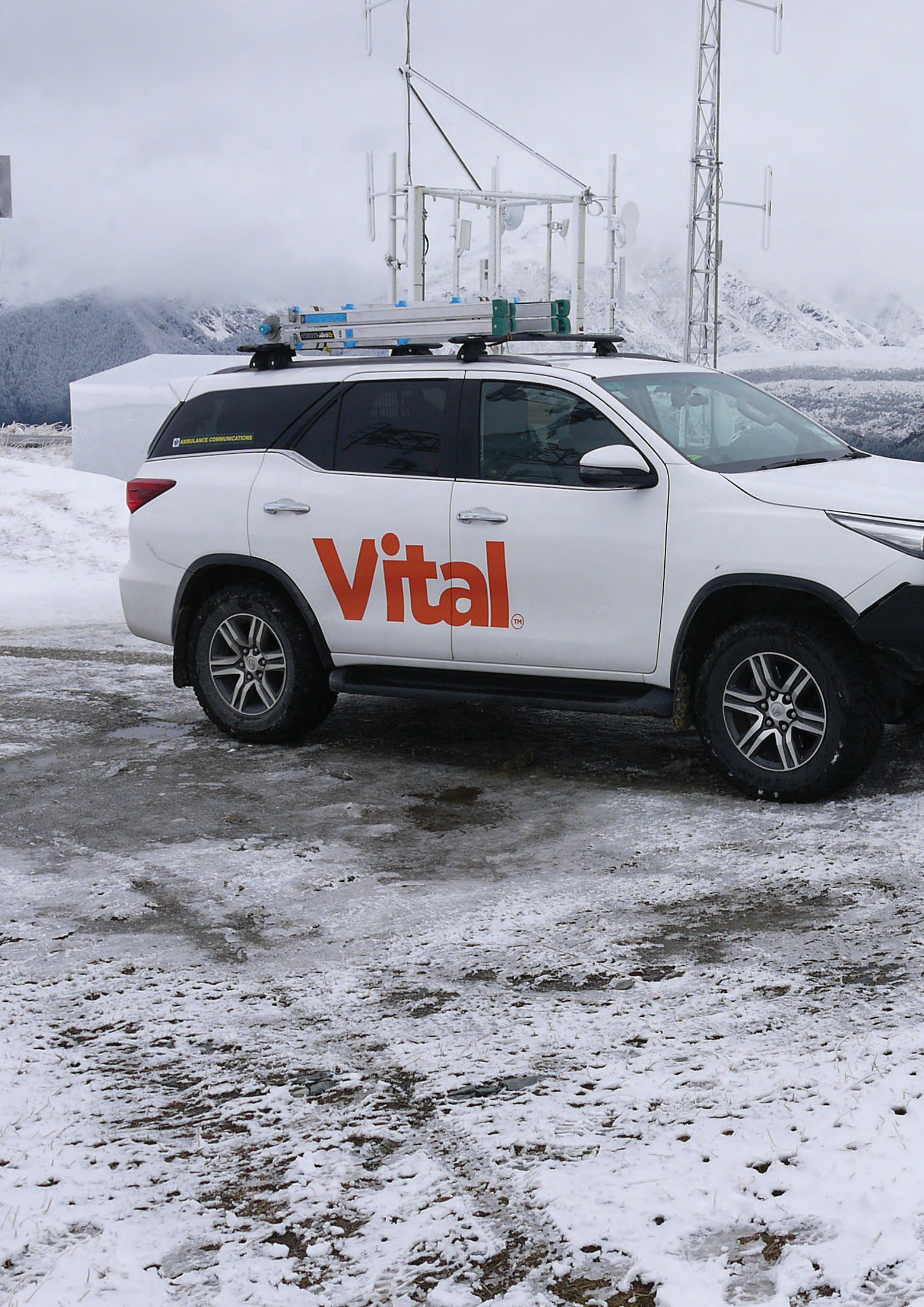
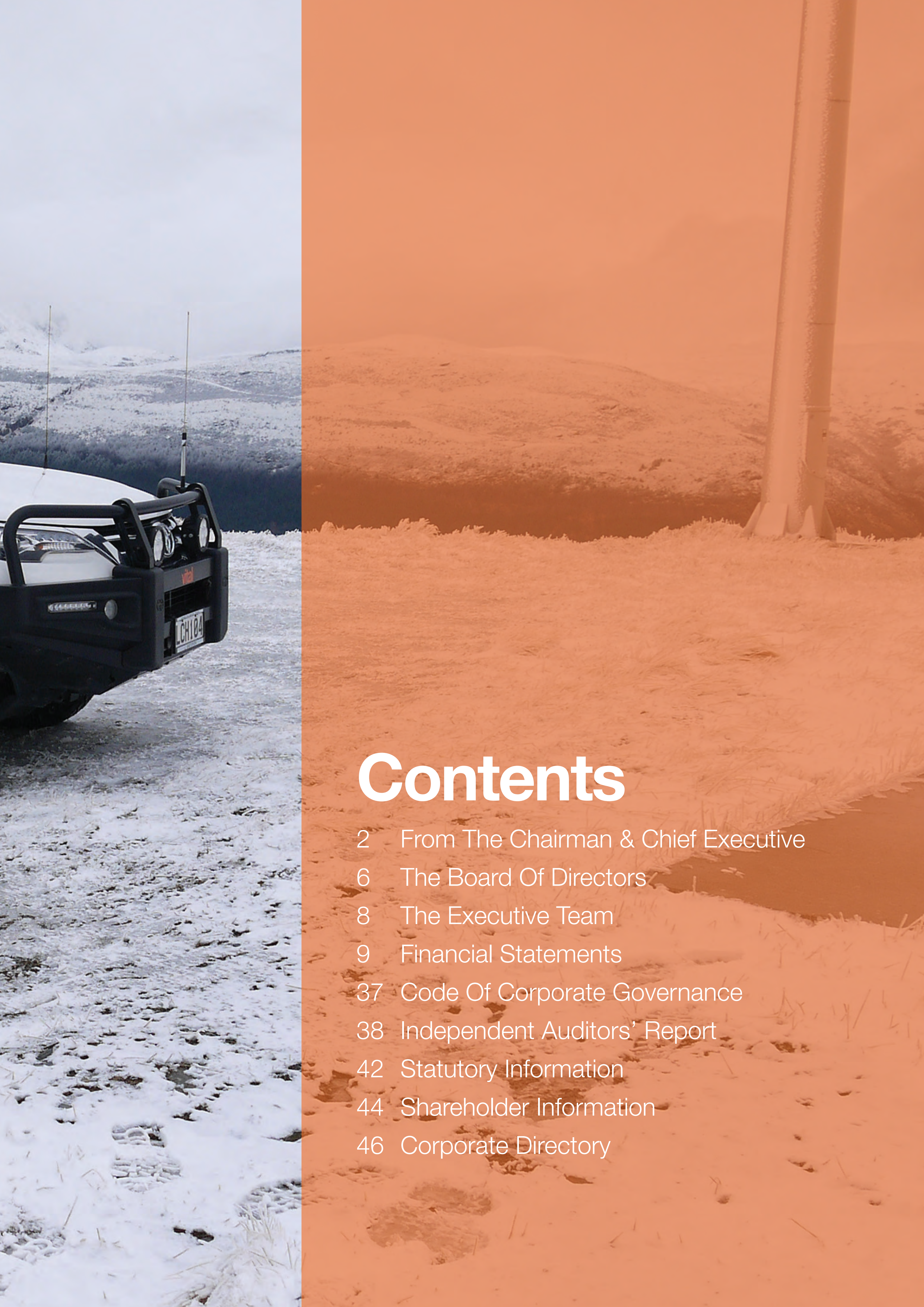
Vital™

Annual Report **2021**


AMBULANCE COMMUNICATIONS
Vital™



Contents

2 From The Chairman & Chief Executive

6 The Board Of Directors

8 The Executive Team

9 Financial Statements

37 Code Of Corporate Governance

38 Independent Auditors' Report

42 Statutory Information

44 Shareholder Information

46 Corporate Directory

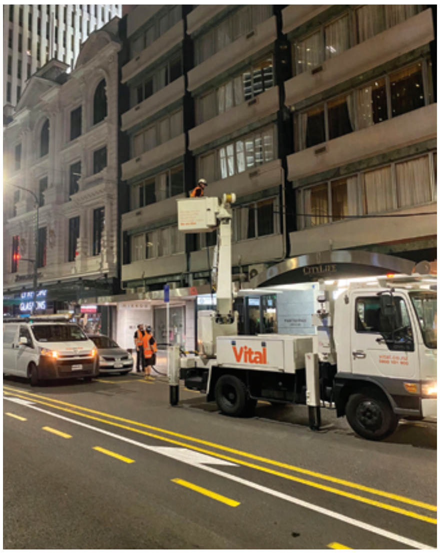
From the **Chairman** & **Chief Executive** 2021

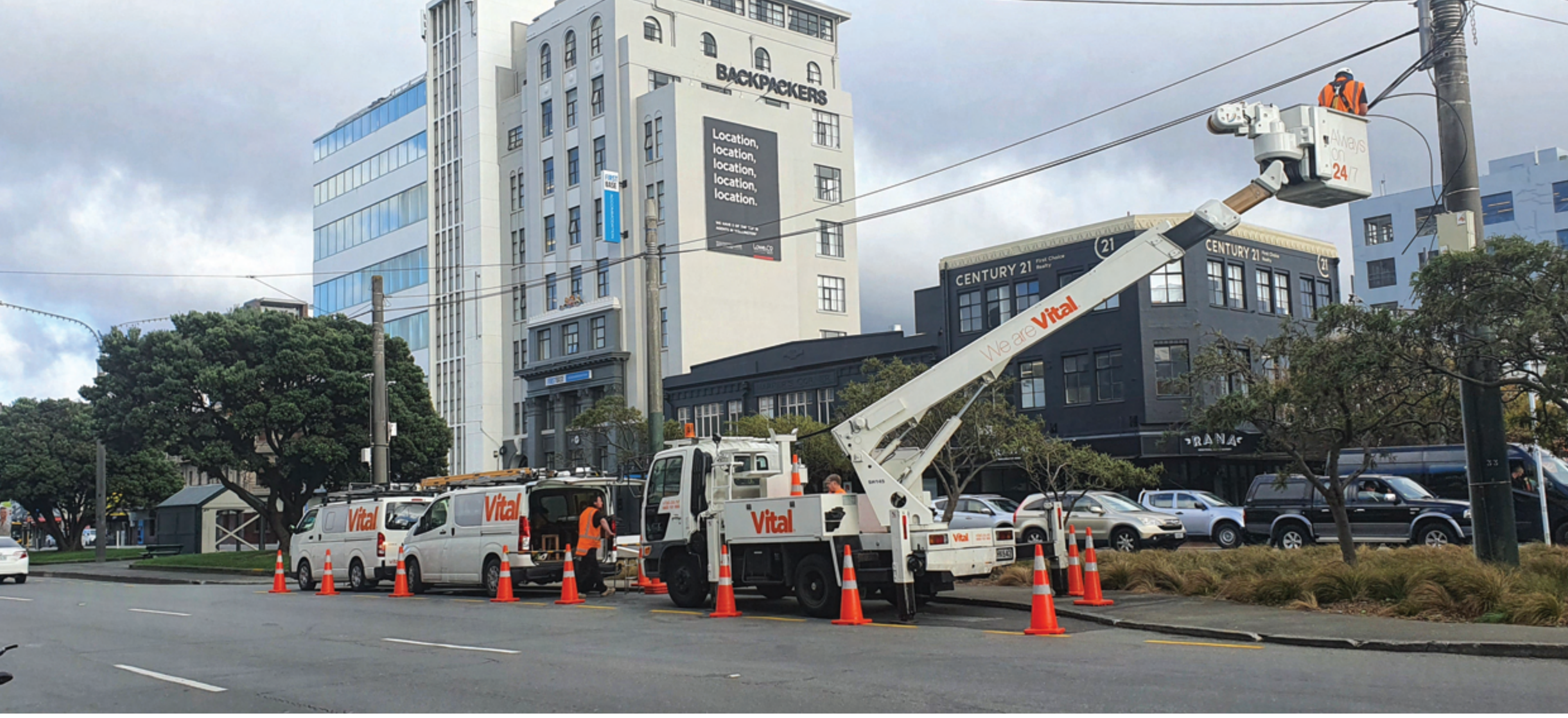
Keeping New Zealand in touch when it matters most

Writing this report in the current Covid-19 situation is a stark reminder of how we have had to change the way we operate as we adapt to an evolving situation both overseas and within New Zealand. We are all aware that the last 18 months have thrown up challenges to companies across the country which have been new and unprecedented, and at Vital we are proud that our teams have risen to these challenges to ensure that we continue to operate effectively on a day-to-day basis, and to also ensure that our transformation programme continues as it should, to provide New Zealand with the critical communications it demands. Having said that, we cannot deny that the sustained lockdowns over the last year with different levels, has been disruptive to our business plans. With the rollout of the vaccine across New Zealand, we are hopeful that we will see a greater return to normality, but inevitably there will be short-term impacts to the business. These include the global supply chain which has been affected by shortages, and then further exacerbated by delays and higher transport costs. The sustained border closures and the suspension of the trans-Tasman bubble is impacting the pool of available skilled labour, which has led to increased salaries and further cost to the business.

Vital has however, continued to deliver its essential services without interruption to our customers, and has ensured organisations such as St. John Ambulance, Wellington Electricity, Powerco, First Gas, MBIE, MPI and our other customers have been able to operate in the knowledge that their critical communications are secure, and maintenance has been ongoing despite the lockdown challenges.

Despite Vital's planned deliverables being affected by the impacts of Covid-19 over the past year, the teams have put in outstanding efforts to ensure that the major investments into our infrastructure and new services were completed by 30 June as planned. The successful completion of the undergrounding of our fibre network in Wellington CBD and the associated switchover to our new electronics was due to the outstanding effort by our Outside Plant team who worked many long nights for months, whilst also ensuring business as usual was delivered. This success has meant that over 200 overhead stays have been removed and all circuits successfully cutover to the new network.





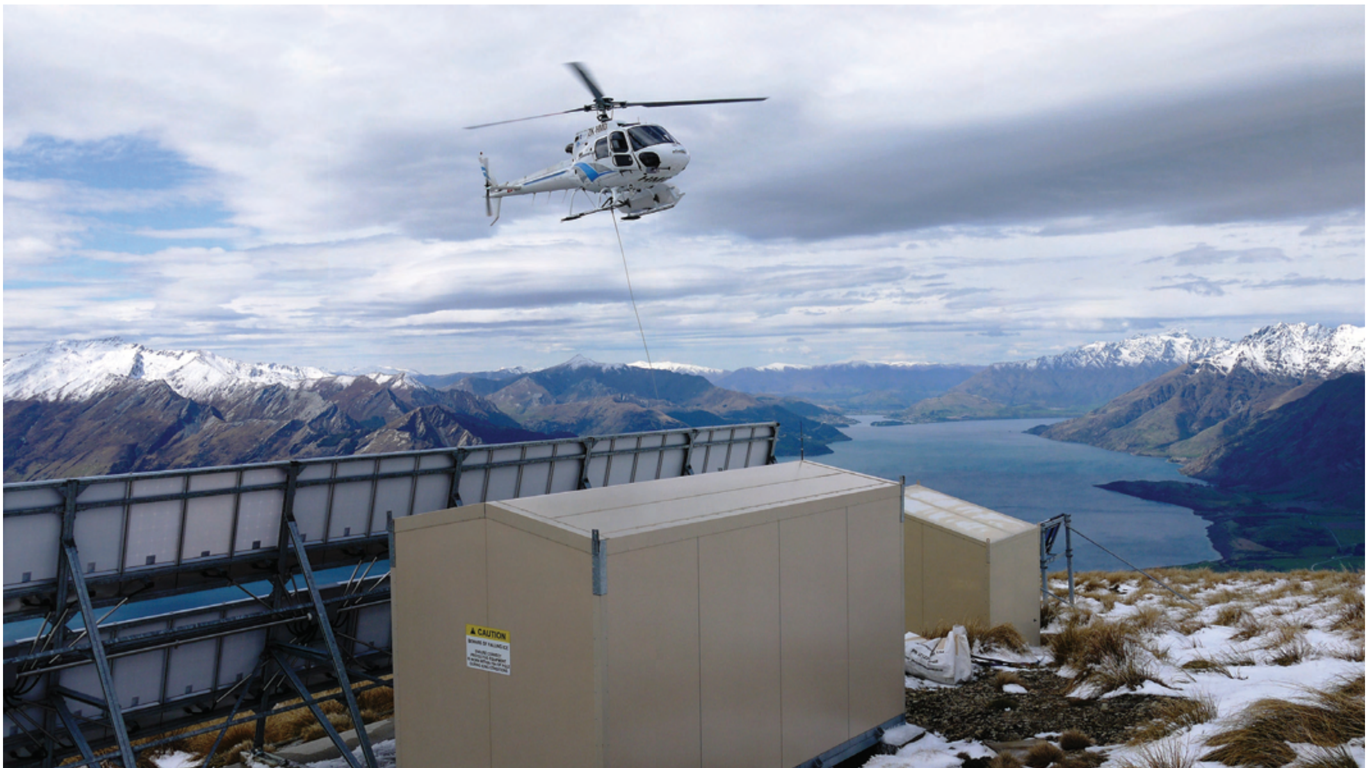
St John Ambulance

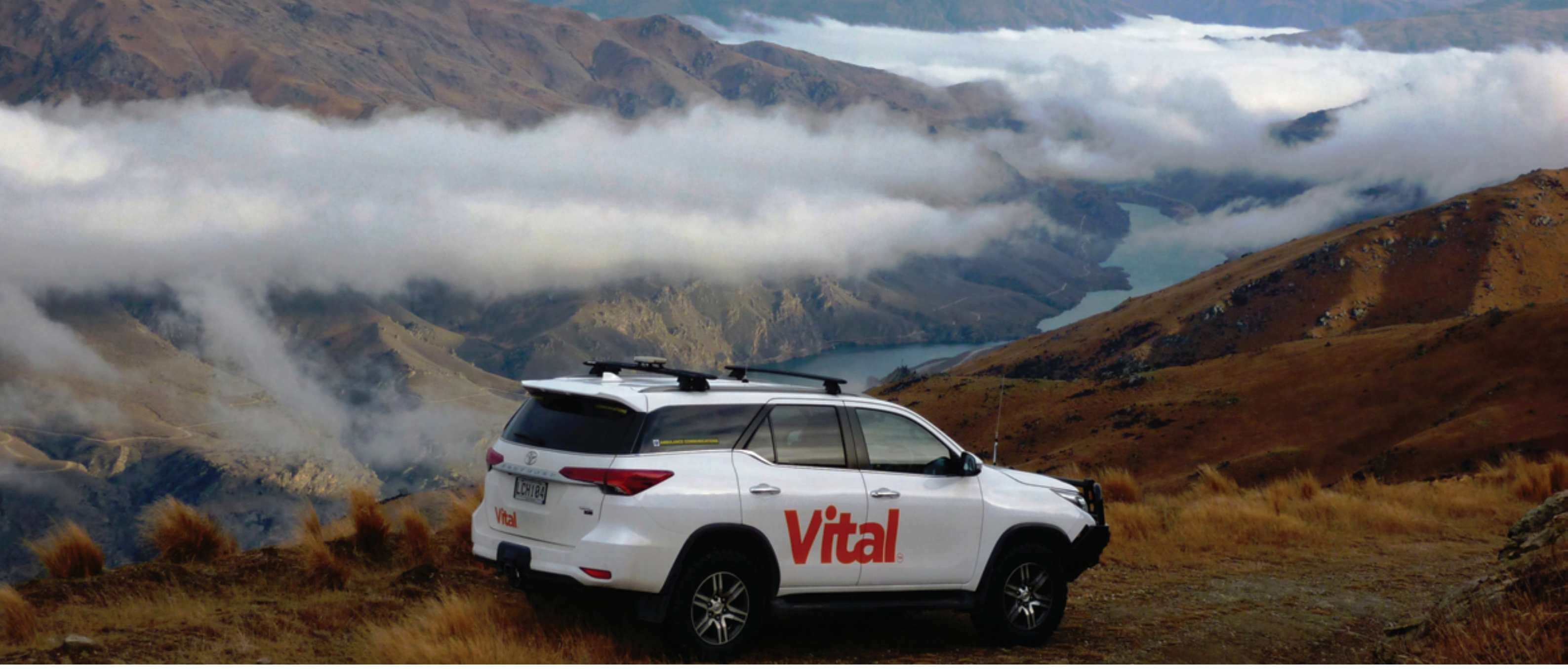
The most critical deliverable over the last year has been the upgrade of the core network for the St. John Ambulance radio network. The modernisation of the network entails moving to a modern IP based core and service edge which will improve availability and service outcomes. This has been an extremely complicated piece of work as sites have had to be pre-built and made ready for the new equipment installation, whilst also ensuring the existing network stays fully available. Of the 168 radio sites, 120 can be moved onto the core network, the other sites of which many are solar powered do not having access to enough power are unable to be moved.

The initial challenge was to ensure the new IP core could talk to the old analogue equipment on the sites and this took considerable effort across our different teams and partners to ensure a successful cutover. Many of these sites, like our other networks, are in remote locations around New Zealand and require careful planning and co-ordination to ensure the work can be completed effectively. This includes helicopter only access sites and weather conditions which can be extreme.

It is anticipated that this upgrade will be completed by the end of this calendar year. The upgrade of the network is also benefitting from upgrades Vital is making to its power supplies, including upgrading of the backup batteries and implementation of remote monitoring. The remote monitoring of our power supplies was initially rolled out with our new nationwide digital radio network and enables our Operations teams to see when power has gone down, what is the current state of the batteries, and how long the generator will operate to keep the batteries re-charging. This allows effective planning and co-ordination with our field services partners to ensure the fuel tanks are topped up within appropriate timings.

St. John Ambulance is already seeing the benefits of the upgrade as the new solution delivers a more stable network enabling their frontline paramedics to deliver critical services to the people of New Zealand.





Operational Improvements

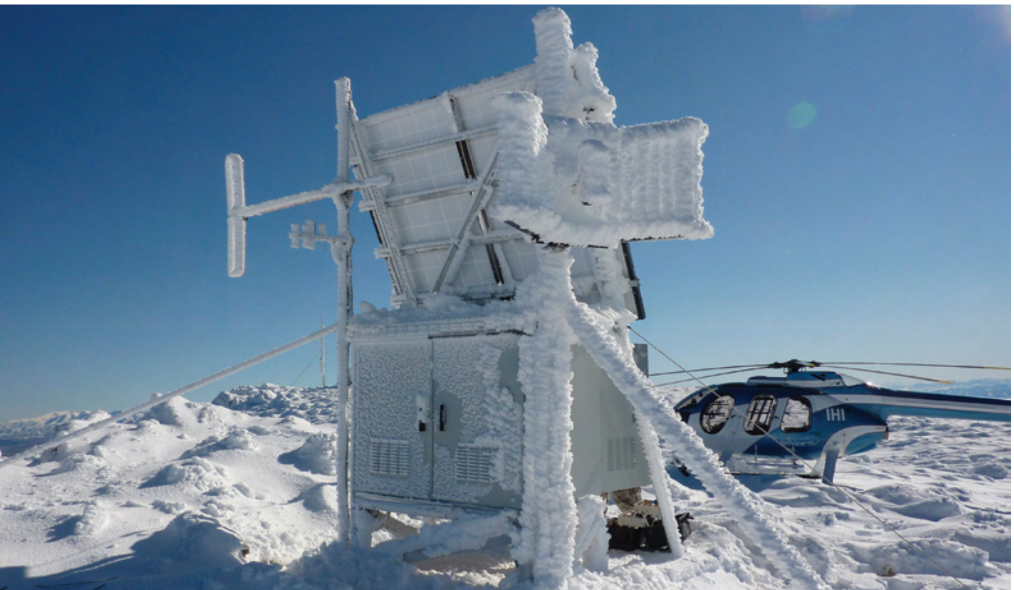
Over the last year at Vital we have seen several exciting operational improvement programmes across our different platforms. These are an important part of the overall transformation of the company, and we are pleased with progress. One of our biggest programmes has been to automate monitoring which means we now cover over 33,000 network elements, and there will be further elements automated going forward as part of this continuous improvement programme. The automation of our monitoring now means that approximately 75% of all incidents are automatically managed, and this not only provides improved visibility across the network which enables our Network Operations Centre to identify issues early, and investigate proactively, but we are better able to meet customer expectations and deliver to agreed SLAs.

It is encouraging to see the clear benefits of the investments we have made into our infrastructure over the last few years, including a downward trend in the number of faults across the network. Some of the downwards trend is a result of less change that took place during the upgrade works of the networks; however overall, there are fewer outages as a result of improved power supplies, better monitoring and a reduction in the single points of failure that existed within our legacy architecture. The upgrade works have also improved legacy synchronization and latency issues along with improved configuration and routing.

We understand these improvements are an investment; however, they are an essential part of the company as they enable us to respond proactively to the needs of our customers' and provide a service vital to critical communications across New Zealand. These investments are just as important as those made into our new products and services.

Closing down of ActionNet

We achieved our target of closing down ActionNet by the end of June which has included a long programme to move customers across onto our new digital network. The closure, has in some respects, been quite a sad moment as this is the network that started the company back in 1994. It has however been an important element of the company's transformation as the closure of the legacy network will contribute to the savings that will start to be realised over the next few years. The immediate next steps are the removal of equipment and tidy up of the sites.



Results

Profit after tax $841,000 – up 14.5%
Revenue $35.24m – up 5.6%

We are pleased to announce growth in both revenue and profit for the year, although the second half of the financial year was not as profitable as the first. Capital expenditure for the year was $8.28m including the upgrade of the St John Ambulance radio network. Having completed our capital investment programmes, Vital is forecasting for the year ending 30 June 2022 Capital Expenditure to be around $5.3m with $3.0m of this funded by customers.

As forecasted, debt increased to $14.39m from last years $12.14m and we forecast debt to increase 3-5% over the next 12 months. As mentioned earlier, Vital like other organisations is experiencing headwinds associated with the impact of Covid-19. Vital has suffered from a loss of contracts and subsequent revenue, especially within its Wellington fibre business where we have seen many organisations reduce their requirements as they have either down sized or closed completely. Procurement decisions are being deferred as organisations review their requirements because of the change in their operations due to the impact of Covid-19 to their business.

Dividend

The Directors have declared a fully imputed dividend of 2.0 cents per share payable on 15 October. The record date for entitlement to the dividend is Friday 1 October.

New Products and Services for Growth

Over the last year we have launched three new solutions: Wholesale fibre, SD-WAN, and most recently Direct fibre. In conjunction with this we have also expanded our capability by increasing our WAN points of presence across New Zealand, utilising a partners Optical Transport Network (OTN) which is "self-healing". This means that the chances of outages have been further reduced.

As part of our company strategy, we have been exceptionally busy over the last three years on our investment programme into our network infrastructure and services. As a result, the efforts of the company have mainly been focused on internal projects. Having completed these infrastructure investments, we now have modern networks and solutions with exceptional resiliency, and it is time to focus on leveraging these assets for growth to deliver value to our shareholders. Our solutions historically have been presented to the market in a siloed manner, but our new range of services are all capable of being inter-linked to provide a bigger, more robust outcome for customers, including our 24/7 Network Operations Centre which provides an overall end-to-end service with SLAs enabling customers to outsource the responsibility for the outcomes desired from their critical communications solutions

To ensure we maximise our unique position in the marketplace we have recruited Paul Rennie as our Head of Sales. He brings fresh energy and a dynamic, structured approach to the market and has over 20 years telecommunications and transformation experience gained both in the UK and New Zealand. Paul's experience was initially in delivery where he managed large complex programmes and teams delivering critical projects for organisations including T-Mobile, Orange, O2 and Spark.

Paul's New Zealand experience includes 10 years in sales, and he was most recently General Manager of sales at Nokia New Zealand. Some of his recent achievements include winning customer expansions in 4G and 5G radio systems, Telco Cloud deployments and IP systems with some of the largest cellular operators in New Zealand.

Paul recognises the importance of Vital being involved with the next generation of critical communications capabilities and looks forward to fully leveraging the company's exceptional nationwide presence, business solutions and asset holdings. These will be invaluable to support emergency service networks and as businesses evolve their 5G requirements.

Our success in sales is not just down to our sales team but is hugely dependent upon the excellent skillset within our technical teams. Our integrated solutions require a consultative sell with the engagement of pre-sales specialists including our chief architect, Andrew Johnston. Leading the technical area is our Chief Technology Officer, Stuart MacIntyre who joined us in June and he brings to Vital his outstanding commercial acumen and history of running tender assessments and winning significant bids along with a deep understanding of the customer.

Our team are confident in our ability to take Vital forward and deliver value to our customers and shareholders.

Public Safety Network - PSN

PSN is a competitive tender process being run by Crown Infrastructure Partners and following the release of the RFP in January, Vital submitted its initial response in May for the provision of a new nationwide P25 phase 2 digital land mobile radio network. The scope of the PSN Service Requirements is the collective future state operational communications needs of New Zealand's Emergency Services, New Zealand Police, Fire and Emergency New Zealand, St. John New Zealand, and Wellington Free Ambulance.

The engagement is ongoing, and a huge amount of effort is being placed into winning PSN by Vital, which will be a major build and transformation which whilst larger than ours, is very much similar to what we have achieved over the last three years. We are, in conjunction with our multiple partners, currently designing a new solution based on amended requirements.

There will be two contracts: one for the build of the network and establishment of the services, and a second for the ongoing service which will be for an initial nine years, with extensions possible out to 15 years. The funding of the new network will be provided by the government.

At Vital we believe we have demonstrated that we do have the capability to build and run an emergency services radio network as we have been operating, maintaining, and expanding the St John Ambulance network for 20 years. The investments we have made over the last few years have put us into a good position to win PSN.

We have 'walked the talk' when it comes to demonstrating how to transform old analogue legacy networks to a modern resilient IP based solution with our own transformation. It is about understanding the risk and taking an evolutionary approach which ensures that services are still able to be delivered effectively both during the transition and the subsequent migration to the new solution.

Thank you

To you, our shareholders for supporting us in our vision, our customers without whom we would not exist, our suppliers and partners who work alongside us to ensure we can deliver the services and our staff who work tirelessly to meet the timelines on deliverables and who make the organisation what it is. We would like to say thank you

Yours sincerely

Roger Sowry
Chair

Andrew Miller
Chief Executive

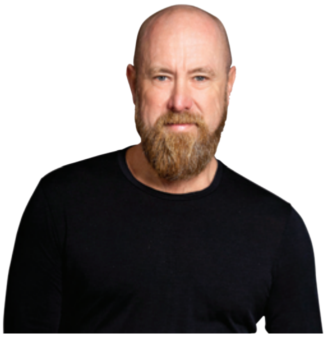
The **Board**

Roger Sowry

▶ Independent Chairman

Roger became Vital's Chair in August 2014. He also chairs Homecare Medical, Healthcare NZ and Primary IT and is a director of Healthcare Holdings.

Roger is a partner of Saunders Unsworth and was a Member of Parliament from 1990 where he held a number of ministerial positions. Roger retired from Parliament in 2005, moving to become the Chief Executive of Arthritis New Zealand.



Rod Snodgrass

▶ Independent Director

Rod has extensive experience in corporate strategy, business and product innovation, digital growth, transformation and disruption in the New Zealand communications, media and energy sectors. Most recently Rod was Chief Customer Officer of Vector and before that Founder and Chief Executive Officer of Spark Ventures. Prior to that Rod was Spark's Chief Product Officer and before that Chief Strategy Officer and a member of the Spark Executive team for almost 10 years.

He is a Founder and Director of strategic advisory consultancy The Exponential Agency and a Director of Forsyth Barr, SMX, WilliamsWarn, ilabb and start-ups Woolaid, Supergenerous and Compostic and is also the Chair of Geo. He has previously been a Board member of numerous onshore and offshore organisations including 3 in Australia, Southern Cross cables in bermuda and Mobile World Capital in Barcelona.

Nathan York

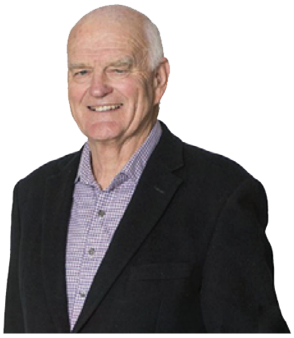
▶ Independent Director

Nathan has held a number of senior management and governance positions, primarily in the Māori and property sectors, and is currently the Chief Executive Officer at Bluehaven Group and Chair of the Ahu Whenua Trust, Whaiti Kuranui 2D4 Sec1B. He has extensive portfolio management and property development experience, having delivered a number of nationally recognised projects during his prior involvement at Tainui Group Holdings. Nathan has tribal affiliations to Ngāpuhi, Ngāti Raukawā/Tainui and Ngāti Tuwharetoa.

James Sclater

▶ Independent Director

James is a professional company director and trustee acting for a number of companies and investment trusts, including Homecare Medical and Damar Industries. James is a chartered accountant and a member of Chartered Accountants Australia and New Zealand and the New Zealand Institute of Directors. Prior to 2009, James was chairman of Grant Thornton Auckland, where he was a business advisory services director for 18 years, specialising in small-to-medium enterprise accounting, taxation and management advice.



Reg Barrett

▶ Independent Director

Reg is a Wellington based company director with assignments in both the commercial and government sector in New Zealand and overseas. He is a former CEO of three organisations with Central and Regional government spanning 13 years, a military engineer career spanning 21 years and over 10 years' executive experience with Vodafone. He has had over 25 years' governance experience as both a Chairman and Director of commercial enterprises and specialist knowledge in civil engineering projects, telecommunications, supply chain, land transport and use of technologies as enablers for enterprises.

Susan Freeman -Greene

▶ Independent Director

Susan is the Chief Executive of Local Government NZ,. Prior to this she spent nearly six years as Chief Executive of Engineering New Zealand (formerly IPENZ). There she led a transformation agenda to bring engineering to life to grow the influence, credibility and recognition of the profession. Prior to this Susan was Chief Executive of the Broadcasting Standards Authority. She has had over 25 years' experience across the public and private sector as a lawyer and a mediator. Susan is also a Board member of Tāwhiri, the creative force behind the NZ Festival of the Arts.

Keeping New Zealand in touch

when it matters most.

The Executive Team

Andrew Miller

▶ Chief Executive Officer

Andrew has been Chief Executive of Vital since September 2016 and his pedigree in the global telecoms industry includes five years with Alcatel- Lucent, three of which were as the CEO & Managing- Director of Alcatel-Lucent NZ where he successfully transformed the company. His experience also includes nine years with Orange- France Telecom where he was a key member of their corporate IT&N Operations function.

Andrew is a Director of Vital Data Limited.

Jason Bull

▶ Chief Operating Officer

Jason is a successful commercially minded finance leader who has held a number of senior positions across the telecommunications and logistics sectors including 11 years at Alcatel-Lucent NZ where he held the roles of Chief Financial Officer and GM Business Operations and Transformation. Before taking on the CFO, then COO role at Vital, Jason was the Finance & Business Operations Manager at Lockheed Martin NZ.

Jason is also a director of Vital Data Limited.

Mark Finnigan

▶ Head Of People & Safety

Mark has over 20 years' experience in Human Resources and Safety nationally and internationally.

Mark started his Human Resources career with Fletcher Challenge Energy before moving to England and working in the banking, and oil and gas industries. Returning to New Zealand in 2001, Mark worked in HR management functions in both the private and public sector, including 10 years at Transpower New Zealand.

In November 2016 Mark was appointed Head of Human Resources and Safety for Vital.

Paul Rennie

▶ Head of Sales

Paul Joined Vital in September with over 25 years across the Telecommunications industry.

Originally from the UK Program managing deployments of PDH, SDH microwave and 2G systems for T-Mobile, Orange and '3'. Paul emigrated to New Zealand in 2006 with his family initially in to program management with CDMA and WCDMA deployments before moving in to Sales management in 2010. Paul has secured multi-million dollar strategic deals to deploy 4G, 5G, IP and Optical infrastructures and Cloud based core transformations in his time in New Zealand.

As a Chartered Surveyor with a Program delivery foundation Paul is able to better understand how to deliver success to our customers, technically and commercially and on time.

Marc Farrelly

▶ Head of Field Force

Marc joined Vital in 2020 as Head of Field Force. He brings the practical experience of managing teams deploying large, high-profile networks on international and national projects. His experience in critical networks has helped Vital and our partners take the next step towards providing unequalled service to our customers as we continue to expand New Zealand's most resilient commercial radio, microwave and fibre networks.

Stuart MacIntyre

▶ Chief Technology Officer

Stuart joined Vital in May 2021, with 21 years of International Telecommunications executive experience, he championed the introduction of new technology to transform large and complex organisations. Specifically at British Telecom, Broadband, BT Mobility, BT Sport, and Smart Cities. Most recently at Optus/SingTel launching 4G and then preparing 5G and the Internet of Things. Prior to joining Vital Stuart was CTO of Optus Enterprise and Chair of the Australian Mobile Telephony Association.

Richard Hille

▶ Head of Delivery

Richard is a senior programme and delivery professional with experience in both the private and public sectors in the Telecommunications and ICT industries. Having led delivery programmes on both the vendor and client sides with a proven record of accomplishment delivering critical and strategic programmes of work. Richard is committed and dedicated to exploring opportunities to achieve delivery efficiencies, to maximising quality value add customer outcomes. In August 2019 Richard was appointed Head of Delivery for Vital.

Financial Statements

10 Directors' Report
11 Statement of Comprehensive Income
12 Statement of Changes in Equity
13 Statement of Financial Position
14 Statement of Cash Flows
15 Notes to the Financial Statements
37 Code of Corporate Governance
38 Independent Auditors' Report
42 Statutory Information
44 Shareholder Information
46 Corporate Directory

For the Year ended 30 June 2021

The Directors have pleasure in presenting the annual results, together with the audited financial statements of Vital Limited for the year ended 30 June 2021.

Review of Activities

Results **The Group's Profit for the year amounted to $841,000**

On behalf of the Board

Director
Wellington

Director
Wellington

Statement of Comprehensive Income

▶ For the year ended 30 June 2021

	Note	Group 2021 $000's	Group 2020 $000's
Revenue	7	34,559	32,868
Operating costs	8	(20,868)	(16,879)
Gross profit		**13,691**	**15,989**
Other income	7	681	489
Administrative expenses	9	(11,386)	(12,963)
Results from operating activities		**2,986**	**3,515**
Finance income	10	377	100
Finance expenses	10	(2,199)	(2,593)
Net finance costs		**(1,822)**	**(2,493)**
Profit/(Loss) before income tax		**1,164**	**1,022**
Income tax (expense)	11	(323)	(288)
Profit/(Loss)		**841**	**734**
Attributable to:			
Equity holders of the Company		841	734
		841	**734**
Earnings per share			
Basic and Diluted earnings per share ($)	18	$0.020	$0.018

Statement of Changes in Equity

For the year ended 30 June 2021

Group 2021	Note	Share capital $000's	Share Based Payment Reserve $000's	Retained earnings $000's	Total equity $000's
		Attributable to equity holders of the Company			
Balance at 1 July 2020		**68,445**	**449**	**(27,154)**	**41,740**
Total comprehensive income for the period		-		841	841
Contributions by and distributions to owners of the Company					
Dividends to equity holders	16	-	-	(1,038)	(1,038)
Equity Settled Share Based Payment	24	-	240	-	240
Issue of Ordinary Shares	16	-	-	-	-
Total transactions with owners		-	240	(1,038)	(798)
Balance at 30 June 2021		**68,445**	**689**	**(27,351)**	**41,783**

Group 2020	Note	Share Capital $000's	Share Based Payment Reserve $000's	Retained earnings $000's	Total equity $000's
Balance at 1 July 2019		**68,445**	**289**	**(26,639)**	**42,095**
Total comprehensive income for the period		-	-	734	734
Contributions by and distributions to owners of the Company					
Dividends to equity holders	16	-	-	(1,249)	(1,249)
Equity Settled Share Based Payment	24	-	160	-	160
Issue of Ordinary Shares	16	-	-	-	-
Total transactions with owners		-	160	(1,249)	(1,089)
Balance at 30 June 2020		**68,445**	**449**	**(27,154)**	**41,740**

Statement of Financial Position

▶ For the year ended 30 June 2021

	Note	Group 2021 $000's	Group 2020 $000's
Non-Current Assets			
Property, plant and equipment	13	44,550	44,358
Goodwill	14	17,038	17,038
Right to Use Asset	22	19,157	23,881
Finance lease receivable		8	173
Prepayments		206	328
Total non-current assets		**80,959**	**85,778**
Current assets			
Trade and other receivables	26(a)	3,936	3,984
Finance lease receivable		45	165
Prepayments		1,155	1,509
Inventory	15	1,501	1,696
Cash and cash equivalents		613	1,858
Total current assets		**7,250**	**9,212**
Total assets		**88,208**	**94,990**
Equity			
Ordinary share capital	16	68,445	68,445
Retained earnings and other reserves		(26,662)	(26,705)
Total equity		**41,783**	**41,740**
Non-current liabilities			
Secured bank loan	19	15,000	14,000
Derivatives	26(h)	166	487
Deferred income		897	1,138
Lease Liabilities	22	15,510	19,529
Deferred tax liabilities	12	1,477	1,840
Total non-current liabilities		**33,049**	**36,993**
Current liabilities			
Trade and other payables	20	5,775	5,950
Lease Liabilities	22	4,102	5,477
Current tax payable		367	(259)
Deferred income		3,132	5,089
Total current liabilities		**13,376**	**16,256**
Total equity and liabilities		**88,208**	**94,990**
Net tangible assets per share		$0.598	$0.597

On behalf of the Board of Directors

Director
26 August 2021

Director
26 August 2021

Statement of Cash Flows

For the year ended 30 June 2021

	Note	Group 2021 $000's	Group 2020 $000's
Cash flows from operating activities			
Cash provided from:			
Receipts from customers		33,094	37,197
Net GST receipts/(payments)		(114)	212
		32,980	**37,409**
Cash applied to:			
Payments to suppliers and employees		(17,798)	(20,901)
Interest expense paid (net of realised foreign exchange (gain)/loss)		(1,771)	(1,652)
Income tax paid		(60)	(1,158)
		(19,629)	(23,711)
Net cash flows from operating activities	**23**	**13,351**	**13,698**
Cash flows from investing activities			
Cash provided from:			
Interest income received		0	1
Finance lease interest income received		56	99
Repayment of finance lease receivables		295	135
		352	**235**
Cash applied to:			
Acquisition of property, plant and equipment		(9,074)	(7,950)
Acquisition of goods subject to finance leases		(194)	(166)
		(9,268)	(8,116)
Net cash used in investing activities		**(8,916)**	**(7,881)**
Cash flows from financing activities			
Cash provided from:			
Proceeds from borrowings		1,000	1,500
		1,000	**1,500**
Cash applied to:			
Principle of Lease Liabilities		(5,642)	(5,619)
Dividends paid		(1,038)	(1,249)
		(6,680)	**(6,868)**
Net cash used in financing activities		**(5,680)**	**(5,368)**
Net increase/(decrease) in cash and cash equivalents		**(1,245)**	**448**
Cash and cash equivalents at beginning of year		1,858	1,410
Cash and cash equivalents at end of year		**613**	**1,858**

Notes to the financial statements

For the year ended 30 June 2021

1 Reporting entity

Vital Limited, formerly TeamTalk Limited ("the Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The Company is a FMC Reporting Entity in terms of Part 7 of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of these Acts and the Financial Reporting Act 2013.

The consolidated financial statements of Vital Limited as at and for the year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as "the Group").

The Group is primarily involved in the provision of mobile radio networks and high speed broadband services in New Zealand.

2 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for Tier 1 Companies. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The accounting policies below have been applied consistently to all periods presented in these financial statements.

In accordance with the Financial Markets Conduct Act 2013, where a reporting entity prepares consolidated financial statements, parent company disclosures are not required to be included. As such the consolidated financials now disclose only consolidated results of the Group.

The financial statements were approved by the Board of Directors on 26 August 2021.

Basis of measurement

The financial statements are prepared on the historical cost basis except that derivatives (interest rate swaps) are stated at their fair value.

The financial statements have been prepared on a going concern basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars ($), which is the Group's functional currency and are rounded to the nearest thousand.

Use of estimates and presentation

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The area of most significant estimation uncertainty which requires critical judgement in applying the Group's accounting policies is goodwill. In relation to goodwill refer to note 14 - goodwill. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. .

3 Significant accounting policies

Accounting Policies that summarise the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the accompanying notes.

The accounting policies have been applied consistently to all periods in these financial statements.

Goods and services tax

The financial statements have been prepared on a GST exclusive basis, except for receivables and payables which are stated inclusive of GST.

4 Changes in Significant Accounting Policies

No new standards or amendments and interpretations to existing standards came into effect during the current accounting period beginning on 1 July 2020 that impacted the Group's financial statements and require retrospective adjustment.

5 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivatives

The fair value of interest rate swaps and foreign exchange contracts are based on bank quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

6 Segment reporting

Segment results that are reported to the CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Other items comprise the Company's external borrowings from Bank of New Zealand Limited, and corporate overhead costs.

The Group has two reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group's CEO reviews internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

Wireless Networks: this segment includes the traditional mobile radio business of Vital Limited along with associated finance leasing, data and GPS tracking products and the wireless broadband business of Vital Limited.

Wired Networks: this segment includes the wired broadband business of Vital Data Limited who provides broadband connectivity and ancillary related services to a range of wholesale customers and end users.

Other: this segment includes shared costs and other items not directly attributable to one of the other segments.

Information regarding the results of each reportable segment is included below. Revenues, Costs, Assets and Liabilities are measured in accordance with the Group's Accounting Policies in Note 3, as included in the internal management reports that are reviewed by the Group's CEO. Segment EBIT is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Notes to the financial statements

▶ For the year ended 30 June 2021

6 Segment reporting (continued)

Group 2021	Wireless Networks $000's	Wired Networks $000's	Unallocated $000's	Total $000's
Operating revenue & other income				
- Sales to customers outside the Group	23,790	11,449	-	35,239
Total revenue	23,790	11,449		35,239
Costs				
- Costs paid to suppliers outside the Group	(12,366)	(4,463)	(1,958)	(18,787)
Total costs	(12,366)	(4,463)	(1,958)	(18,787)
EBITDA	11,424	6,986	(1,958)	16,452
Depreciation and amortisation	(11,145)	(2,321)	-	(13,466)
EBIT	279	4,665	(1,958)	2,986
Finance income			377	377
Finance expense			(2,199)	(2,199)
Net interest				(1,822)
Profit before income tax				1,164
Income tax benefit/(expense)			(323)	(323)
Profit/(Loss)				**841**
Capital expenditure	4,718	3,557	-	8,275
Total assets	40,826	47,382	-	88,208
Total liabilities	18,867	12,558	15,000	46,425

Notes to the financial statements

For the year ended 30 June 2021

6 Segment reporting (continued)

Group 2020	Wireless Networks $000's	Wired Networks $000's	Unallocated $000's	Total $000's
Operating revenue & other income				
- Sales to customers outside the Group	20,780	12,577	-	33,357
Total revenue	20,780	12,577	-	33,357
Costs				
- Costs paid to suppliers outside the Group	(12,443)	(4,608)	(2,154)	(19,205)
Total costs	(12,443)	(4,608)	(2,154)	(19,205)
EBITDA	8,336	7,969	(2,154)	14,151
Depreciation and amortisation	(8,136)	(2,501)	-	(10,637)
EBIT	200	5,468	(2,154)	3,515
Finance income			100	100
Finance expense			(2,593)	(2,593)
Net interest				(2,493)
Profit before income tax				1,022
Income tax benefit/(expense)			(288)	(288)
Profit/(Loss)				**734**
Capital expenditure	5,042	3,997	-	9,039
Total assets	48,245	46,746	-	94,990
Total liabilities	26,319	12,931	14,000	53,250

Notes to the financial statements

▶ For the year ended 30 June 2021

7 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it satisfies it's performance obligations under that contract.

Disaggregation of Revenue

In the following table, revenue is disaggregated by major product and service lines and timing of revenue recognition. There is no geographic market disaggregation as the group derives all revenue from product/services provided within New Zealand

$000's	Wireless Network		Wired Networks		Total	
	2021	2020	2021	2020	2021	2020
Major Products/Service Lines						
Wireless Networks	18,862	19,179	-	-	18,862	19,179
Wired Networks	-	-	11,131	12,286	11,131	12,286
Installation	3,824	327	318	291	4,142	618
Other Income	136	173	-	-	136	173
Hardware Sales	968	1,101	-	-	968	1,101
	23,790	**20,780**	**11,449**	**12,577**	**35,239**	**33,357**
Timing of Revenue Recognition						
Products transferred at a point in time	4,792	1,429	-	-	4,792	1,428
Products and Services transferred over time	18,998	19,351	11,449	12,577	30,447	31,928
	23,790	**20,780**	**11,449**	**12,577**	**35,239**	**33,355**

Group services provided to Customers	Nature, performance obligation and timing of revenue
Wireless Networks	Providing access to the Group's wireless networks to enable Voice and Data traffic. The group recognises revenue as it provides this service to its customers. Revenue from Installations required to enable this access is recognised over the term of the contract for service. Billing in respect of fixed monthly charges billed in advance is deferred until the service has been provided and is treated as deferred revenue until that time.
Wired Networks	Providing access to the Group's wire networks to data traffic. The group recognises revenue as it provides this service to its customers. Revenue from Installations required to enable this access is recognised over the term of the contract for service. Billing in respect of fixed monthly charges billed in advance is deferred until the service has been provided and is treated as deferred revenue until that time.
Installation	Providing services for the installation of hardware. This revenue is billed and recognised on a monthly basis except where this installation is required to enable services (as above).
Hardware/Software	Providing hardware and software to customers. This is billed and recognised on delivery to the customer.

One customer account contributed 6,343,000 of revenue in the year to 30 June 2021. This revenue was in the Wireless Segment

Notes to the financial statements

▶ For the year ended 30 June 2021

8 Operating Costs

	Group 2021 $000's	Group 2020 $000's
The following items are included in operating costs:		
Depreciation on Network Assets	7,306	4,621
Depreciation on Right of Use Asset	5,642	5,619
Telecommunications Development Levy	56	(7)
Network operating costs	6,276	5,229
Other operating costs	1,589	1,417
	20,868	**16,879**

The Telecommunications Development Levy above uses the following figures in the annual calculation for 2021: gross telecommunications revenue $23,144,000 and payments made to other qualifying liable persons $6,585,000

9 Administrative expenses

	Group 2021 $000's	Group 2020 $000's
The following items are included in administration expenses:		
Auditor's remuneration to KPMG comprises:		
- Audit of financial statements	170	170
- Taxation services	26	33
Depreciation of non-network assets	518	397
Fees paid to directors	223	197
Operating lease costs	-	-
Premises expenses	143	101
Wages and salaries	8,445	9,840
Contributions to Kiwisaver	306	328
Marketing expenses	17	41
Other administration expenses	1,537	1,856
	11,386	**12,963**

10 Finance income and expense

	Group 2021 $000's	Group 2020 $000's
Interest income on bank deposits	-	1
Net unrealised gain in fair value of derivatives	321	-
Finance lease interest income	56	99
Total finance income	**377**	**100**
Interest expense on external borrowings	(995)	(967)
Net unrealised loss in fair value of derivatives	-	(211)
Interest Expense on Lease Liabilities	(1,203)	(1,412)
Other Interest Expense	(1)	(3)
Total finance expenses	**(2,199)**	**(2,593)**
Net finance income / (costs)	**(1,822)**	**(2,493)**

11 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

	Group 2021 $000's	Group 2020 $000's
(a) Income tax expense		
Profit/(Loss) from continuing operations before income tax	1,164	1,022
Adjustments:		
- Non-deductible entertainment	-	(1)
- Other non-assesable income	-	-
- Other non-deductible expenditure	-	-
- Temporary Differences	-	-
Taxable (loss)/income	**1,164**	**1,021**
Current period tax expense @ 28% (2019: 28%)	**323**	**288**
Prior period adjustment	-	-
Income tax expense/(benefit)	**323**	**288**
Comprising:		
Income tax expense	526	201
Deferred tax expense		
Origination and reversal of temporary differences	(203)	86
	(203)	86
Total income tax expense	**323**	**288**

	Group 2021 %	Group 2021 $000's	Group 2020 %	Group 2020 $000's
(b) Reconciliation of effective tax rate				
(Loss)/profit for the period		841		734
Total income tax (benefit)/expense		323		288
(Loss)/profit before income tax		**1,164**		**1,022**
Income tax using the Company's domestic tax rate	28.0%	323	28.0%	288
Impairment of subsidiary	-	-	-	-
Non-deductible entertainment	-	-	-	-
Temporary Differences	-	-	-	-
Other non-assesable income	-	-	-	-
Other non-deductible expenditure	-	-	-	-
Prior period adjustment	-	-	-	-
Loss offset (from) / to other group company / discontinued operations	-	-	-	-
	28.0%	**323**	**28.0%**	**288**

As at 30 June 2021 the Group had an available imputation credit balance of $4,808,020

Notes to the financial statements

▶ For the year ended 30 June 2021

12 Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and temporary differences arising from the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2021 $000's	Assets 2020 $000's	Liabilities 2021 $000's	Liabilities 2020 $000's	Net 2021 $000's	Net 2020 $000's
Property, plant and equipment	-	-	(1,578)	(2,221)	(1,578)	(2,221)
Inventory	-	-	(8)	(8)	(8)	(8)
Right-of-use Assets and Lease Liabilities	-	7,001	-	(6,687)	-	314
Finance lease receivable	-	-	3	(113)	3	(113)
Trade and other payables	106	188	-	-	106	188
Tax losses recognised	-	-	-	-	-	-
Net tax asset/(liability)	**105**	**7,189**	**(1,583)**	**(9,029)**	**(1,477)**	**(1,840)**

Movement in temporary differences during the year

Movements in deferred tax assets and liabilities are attributable to the following:

Group 2021	Balance 1 July 2020 $000's	Recognised in P&L $000's	Recognised in other comprehensive income $000's	Balance 30 June 2021 $000's
Property, plant and equipment	(2,221)	643	-	(1,579)
Inventory	(8)	-	-	(8)
Right-of-use Assets and Lease Liabilities	314	(314)	-	-
Finance lease receivable	(113)	116	-	3
Trade and other payables	188	(82)	-	106
Tax losses recognised	-	-	-	-
	(1,840)	**363**	**-**	**(1,477)**

Group 2020	Balance 1 July 2019 $000's	Recognised in P&L $000's	Recognised in other comprehensive income $000's	Balance 30 June 2020 $000's
Property, plant and equipment	(1,962)	(259)	-	(2,221)
Inventory	(8)	-	-	(8)
Right-of-use Assets and Lease Liabilities	-	314	-	314
Finance lease receivable	(53)	(60)	-	(113)
Trade and other payables	269	(81)	-	188
Tax loss carry-forwards	-	-	-	-
	(1,754)	**(86)**	**-**	**(1,840)**

Notes to the financial statements

▶ For the year ended 30 June 2021

13 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

$000's Group 2021	Transmission equipment and network hardware	Assets under construction	Computer equipment	Office equipment, furniture and fittings	Leasehold improvements	Other Assets	Total
Cost							
Balance at 1 July 2020	126,892	7,809	4,489	437	900	100	140,626
Additions	389	7,725	59	27	-	-	8,201
Disposals	-	(188)	-	-	-	-	(188)
Transfers	3,497	(3,503)	-	-	6	-	0
Balance at 30 June 2021	**130,778**	**11,843**	**4,548**	**464**	**906**	**100**	**148,639**
Depreciation and impairment losses							
Balance at 1 July 2020	(91,848)	-	(3,696)	(323)	(402)	-	(96,271)
Depreciation for the year	(7,306)	-	(376)	(30)	(112)	-	(7,824)
Disposals	4	-	-	-	-	-	4
Balance at 30 June 2021	**(99,150)**	**-**	**(4,072)**	**(353)**	**(514)**	**-**	**(104,089)**
Carrying amounts							
At 1 July 2020	35,044	7,809	793	114	498	100	44,358
At 30 June 2021	**31,628**	**11,843**	**476**	**111**	**392**	**100**	**44,550**

Other Assets includes Freehold Property.

13 Property, plant and equipment (continued)

$000's Group 2020	Transmission equipment and network hardware	Assets under construction	Computer equipment	Office equipment, furniture and fittings	Leasehold improvements	Other Assets	Total
Cost							
Balance at 1 July 2019	116,413	9,793	4,144	421	717	100	131,588
Additions	1,334	7,578	111	16	-	-	9,039
Disposals	-	-	-	-	-	-	-
Transfers	9,145	(9,562)	234	-	183	-	-
Balance at 30 June 2020	**126,892**	**7,809**	**4,489**	**437**	**900**	**100**	**140,627**
Depreciation and impairment losses							
Balance at 1 July 2019	(87,158)	-	(3,402)	(295)	(328)	-	(91,183)
Depreciation for the year	(4,694)	-	(294)	(28)	(74)	-	(5,090)
Disposals	4	-	-	-	-	-	4
Balance at 30 June 2020	**(91,848)**	**-**	**(3,696)**	**(323)**	**(402)**	**-**	**(96,269)**
Carrying amounts							
At 1 July 2019	29,255	9,793	742	126	389	100	40,405
At 30 June 2020	**35,044**	**7,809**	**793**	**114**	**498**	**100**	**44,358**

Impairment loss

The Group reassesses the carrying values of the property, plant and equipment at each reporting period, with a view to ensuring the carrying value does not exceed the recoverable value of the assets. This review has confirmed that there is currently no need for any further impairment adjustment, other than that already recognised in profit or loss in respect of transmission equipment and network hardware.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

- Transmission equipment (Mobile Radio)	12 years
- Network hardware (Broadband and ISP)	2-40 years
- Leasehold improvements	10-20 years
- Office equipment/furniture & fittings	10-12.5 years
- Computer equipment	3-4 years
- Motor vehicles	3-4 years

Depreciation methods, useful lives and residual values are reassessed on a regular basis. There were no changes in the estimated useful lives of any asset class during the financial year.

14 Goodwill

Group	Goodwill $000's	Total $000's
Carrying value		
Balance at 1 July 2020	17,038	17,038
Amortisation	-	-
Balance at 30 June 2021	**17,038**	**17,038**
Balance at 1 July 2019	17,038	17,038
Amortisation	-	-
Balance at 30 June 2020	**17,038**	**17,038**

Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Impairment testing for cash-generating units containing goodwill

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to goodwill and then on a pro rata basis to all assets.

For the purpose of impairment testing, goodwill is allocated to the Group's operating businesses. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	2021 $000's	2020 $000's
Wireless networks	5,386	5,386
Wired networks	11,652	11,652
	17,038	**17,038**

The Goodwill for these CGUs is not amortised however it is subject to an annual impairment test whether indications of impairment exist or not. Accordingly the goodwill was tested for impairment at 30 June 2021. A discounted cash flow valuation, on a fair value basis, was prepared for each business unit using a combination of past experience of revenue growth, operating costs, margins and capital expenditure requirements for that CGU and, where appropriate, external sources of information were also used.

In each case the initial years of future cash flow projections were based on a combination of a continuation of the trends of the 2021 financial year and projections for the 2022 financial year. Explicit projections were then made for future years. The projections for each CGU reflect the maturity of each business and, where appropriate, expected growth potential. Cash flows beyond those explicit projections have been extrapolated using estimated terminal growth rates appropriate for each CGU. The terminal growth rates do not exceed the long-term average growth rate for the industries in which the CGUs operate. The highest long term growth rate applied is 1.0% (2020: 1.0%). The discount rates used ranged from 10.23% - 10.38% (2020: 9.69% - 9.84%).

This exercise confirmed that there are no impairment issues necessitating a write down of goodwill in respect of Vital Data Limited and Vital Limited as in each of those cases the CGU's value was in excess of its carrying value (both at the Group and Company level).

Notes to the financial statements

For the year ended 30 June 2021

15 Inventory

Inventories are measured at the lower of cost and net realisable value and consist of network components. The cost of inventories is based upon the average cost principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

	Group 2021 $000's	Group 2020 $000's
Radio & Data units	293	238
Broadband network components	537	783
Wireless and Mobile Radio network components	671	675
	1,501	**1,696**

In 2021 the Group sold inventory with a carrying value amounting to $667,708 recognised as part of operating costs (2020: $595,207). The remainder is held for use by the Group.

16 Capital and reserves

Share capital

The Company has 41,380,880 fully paid no par value shares on issue at balance date (30 June 2020: 41,380,880). All shares have equal rights and rank equally with regard to the Company's residual assets.

Shares on issue	2021 number of shares	2020 number of shares	2021 $000's	2020 $000's
Opening balance at 1 July	41,380,880	41,380,880	68,445	68,445
Issue of Ordinary Shares	-	-	-	-
Closing balance at 30 June	**41,380,880**	**41,380,880**	**68,445**	**68,445**

Dividends

The following dividends were declared and paid by the Group for the year ended 30 June:

	2021 $000's	2020 $000's
2.5 cents per qualifying ordinary share dividend for prior financial year (2020: 3.0 cents)	1,038	1,249
Nil Interim dividend for current financial year (2020: Nil)	-	-
	1,038	**1,249**

17 Share Based Payments

Share-base payments are equity or cash settlements to employees in exchange for services. Equity transactions are settled in shares.

The cost of equity settled transactions are measured at fair value on grant date. Fair value is independently determined using the binomial model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, and the risk free interest rate for the term of the option.

Equity transactions are recognised as an expense with the corresponding increase in equity over the vesting period. The cumulative charge to a profit or loss is calculated based on the grant date fair value of the award, and the vesting period.

Grant Date	Expiry Date	Share Price at Grant Date ($)	Exercise Price ($)	Expected Volatility	Risk-free interest rate	Fair value at grant date ($)
1/09/2016	31/08/2021	0.440	0.704	25.0%	1.17%	501,823
1/09/2017	31/08/2022	0.720	1.152	25.0%	1.20%	121,680
1/09/2018	31/08/2023	0.940	1.504	25.0%	1.23%	57,499
21/10/2020	31/08/2024	0.800	1.110	25.0%	1.63%	112,425

18 Earnings per share

Basic and diluted earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary equity holders and the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive issues of ordinary shares.

The dilutive equity instruments on issue during the year relate to the Long Term Incentive Scheme for the Chief Executive at 30 June 2021 (2020: Nil)

	2021 $000's	2020 $000's
Profit attributable to ordinary shareholders	841	734
Weighted average number of ordinary shares	in shares	in shares
Issued ordinary shares at 1 July	41,380,880	41,380,880
Number of shares issued during the year	-	-
Issued ordinary shares at 30 June	41,380,880	41,380,880
Weighted average number of ordinary shares for the period	**41,380,880**	**41,380,880**

Diluted Earnings Per Share

The calculation of diluted earnings per share at 30 June was based on the diluted profit attributable to shareholders and a diluted weighted average number of ordinary shares outstanding as follows:

	2021	2020
Weighted number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	41,380,880	41,380,880
Effect of the Long Term Incentive Scheme	392,491	-
Weighted average number of ordinary shares for the period (fully diluted)	**41,773,371**	**41,380,880**
Basic earnings per share ($)	**$0.020**	**$0.018**
Basic and Diluted earnings per share ($)	**$0.020**	**$0.018**

19 Loans and borrowings

	Group 2021 $000's	Group 2020 $000's
(a) Non-current liabilities		
Secured bank loan	15,000	14,000
Other unsecured borrowings	-	-
	15,000	**14,000**
(b) Current liabilities		
Secured bank loan	-	-
Other unsecured borrowings	-	-
	-	**-**

Term loan repayment schedule

The terms and conditions of outstanding loans are as follows:

Group	Nominal interest rate	Year of maturity	Fair value 2021 $000's	Carrying amount 2021 $000's	Fair value 2020 $000's	Carrying amount 2020 $000's
Secured bank loan	BKBM plus margin	2022	15,000	15,000	14,000	14,000
Other unsecured borrowings		-	-	-	-	-
Total interest-bearing liabilities			**15,000**	**15,000**	**14,000**	**14,000**

The Company and Group have secured funding facilities with Bank of New Zealand with, at 30 June 2021, a combined limit of $23 million and a maturity of 30 December 2022 (2020: Facility with Bank of New Zealand Limited, $23 million and June 2022).

The secured bank loans are subject to various covenants such as debt coverage and interest coverage. Throughout the year the Company has complied with all debt covenant requirements. With the implementation of NZ IFRS 16 all covenants are calculated exclusive of NZ IFRS 16.

As well as a charge over the Company's assets the secured bank loans are also secured by cross-guarantees from the Company's subsidiaries whereby they each provide a guarantee of the obligations of the Company, and of any other subsidiaries of the Company, to Bank of New Zealand Limited, secured by a first ranking charge over all the assets of each company.

The Group has a total amount of $819,909 guaranteed on their behalf by Bank of New Zealand to secure vendor and customer contracts

20 Trade and other payables

	Group 2021 $000's	Group 2020 $000's
Trade creditors	1,646	1,949
Employee entitlements	1,148	1,077
Other payables and accruals	2,981	2,924
	5,775	**5,950**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

21 Contingent liability

At balance date the Group had no contingent liabilities (2020: $Nil).

22 Leases

(a) Leases as Lessee (NZ IFRS 16)

The group leases sites and space in various locations in order to deliver it's network footprint. These leases run for different periods of time depending on the agreement with the landlord, typically these include an option of renewal.

Typically these leases contain provision for adjustment based on any footprint change (both increase and decrease).

i. Right-of-use Assets

Right-of-use assets related to leased properties that do not meet the definition of investment property. These are disclosed separately from property, plant, and equipment

	Network Assets	Land and Buildings	Motor Vehicles	Total
Opening Balance as at 1 July 2020	22,195	1,251	435	23,881
Additions/Amendments	747	153	47	947
Depreciation	(4,850)	(571)	(250)	(5,671)
Closing balance at 30 June 2021	**18,091**	**833**	**231**	**19,157**

22 Leases (continued)

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low value assets. Lease payments on these assets are expensed to profit and loss as incurred.

ii. Amounts Recognised in profit or loss

'000's NZD	
2021 - Leases under NZ IFRS 16	
Interest on Lease Liabilities	1,203
Expenses Relating to Short Term/Low Value Leases	615
Depreciation of Right-to-use Asset	5,671
2020 - Leases under NZ IAS 16	
Interest on Lease Liabilities	1,412
Expenses Relating to Short Term/Low Value Leases	219
Depreciation of Right-to-use Asset	5,619

iii. Amounts Recognised in statement of cash flows

In the statement of cash flows, the principal component of lease payments are now classified as a financing activity resulting in higher operating cash flows.

Interest on Lease Liabilities	
Total cash outflow for leases for the year ended 30 June 2021	5,642
Total cash outflow for leases for the year ended 30 June 2020	6,081

(b) Lease Liabilities

The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the applicable Company's incremental borrowing rate. The average incremental borrowing rate applied to the lease liabilities was 4.88%. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur.

The Group has considered on a lease by lease basis, the extension options available to it under its agreements. For strategic leases, the maximum available term has been used in determining the lease liability and corresponding right-of-use assets

In relation to the lease commitments of specific space on radio/fibre sites, the Group has considered the space as a separately identifiable asset. This is because we have the right to control and receive the benefits of the use of that identified asset (space).

Present Value of Leases	**30 June 2021**
Less than one year	4,102
Between one to two years	3,362
Between two to five years	5,320
Greater than five years	6,828
	19,612

(c) Capital commitments

As at 30 June 2021 the group has $1,980,000 of capital commitments relating to the delivery of services contracted to customers and other network infrastructure (2020: $4,750,000),

23 Reconciliation of the profit for the period with the net cash flow from operating activities

	Note	Group 2021 $000's	Group 2020 $000's
(Loss)/Profit for the period (after tax)		**841**	**734**
Adjustments for:			
Depreciation, amortisation and impairment	6	14,509	10,637
(Gain)/loss on derivatives		(321)	211
Prepaid services utilisation / (additions)		122	124
(Decrease)/increase in bad debt provision		(32)	23
Interest income/(loss)	10	56	99
(Decrease)/increase in deferred income		(2,199)	2,345
Deferred tax movement	11	928	86
		13,064	13,525
Decrease/(increase) in prepayments		962	(528)
Decrease/(increase) in trade and other receivables		47	1,705
Decrease/(increase) in income tax payable		(1,191)	(897)
Decrease/(increase) in deferred expenses (prepaid IRU)		(12)	(12)
Decrease/(increase) in inventory		(191)	(302)
(Decrease)/increase in trade and other payables		(168)	(527)
		(553)	(561)
Net cash from operating activities		**13,351**	**13,698**

Notes to the financial statements

For the year ended 30 June 2021

24 Related party transactions

Transactions with key management personnel

Key management personnel compensation

Key Group management personnel compensation comprised $1,964,150 for the year ended 30 June 2021 (2020: $2,077,704). KMP compensation includes short term benefits of $1,866,735 (2020: $2,077,704), and termination benefits of $97,415 (2020: nil). This excludes fees paid to directors of $220,417 (2020: $197,000). The compensation during the period includes payments to former employees and reflects the different composition of the management team.

On 1 April 2021, the Group granted 1,195,000 share appreciation rights (SARs), to members of the executive that entitle them to a cash payment after three years. The SARs expire at the end of a three year period after grant date (1 April 2024) or upon resignation. As at 30 June 2021 270,000 SARs have expired leaving a balance on issue of 925,000. The amount of the cash payment is determined based on the increase in the share price of the Company between grant date and the time of exercise. The maximum cash payout is capped at $1,554,400 based on a share price appreciation up to $2.50 per share and the number of outstanding SARs at 30 June 2021.

The Group has recognised a liability of $52,700 for the SARs as at 30 June 2021 (30 June 2020: Nil)

Chief Executive Remuneration

CEO Remuneration consists of Fixed Remuneration, a Short Term Incentive Scheme (STI), and a Long Term Incentive Scheme (LTI) in the form of an Equity Settled Share Based Payment. CEO remuneration is reviewed annually by the Remuneration Committee following the review of Company performance.

Short Term Incentive - as part of the annual review. The Remuneration Committee sets the key performance targets that form the basis of determining the achievement for the following year.

Long Term Incentive - to balance the short term and long term success of the company the CEO is eligible for a long term incentive scheme. The LTI is set over rolling periods of 5 years with criteria based on Shareholder return (measured by movement in the open market share price). Provided that the measurement exceeds the Hurdle Rate then the LTI payable will be calculated using defined calculation methodologies and will be distributed to the CEO in the form of Shares issued to the post-tax value of the LTI.

	Fixed Remuneration			Pay for Performance			
	Salary	**Non-Taxable Benefits**[1]	**Subtotal**	**STI**	**LTI**	**Subtotal**	**Total Remuneration**
FY21	431,196	15,508	446,704	41,613[2]	-[4]	41,613	488,317
FY20	437,362	15,508	452,870	100,000[3]	-[4]	100,000	552,870

1. Motor Vehicle provided
2. STI for FY20 Performance Period (Paid in FY21)
3. STI for FY19 Performance Period (Paid in FY20)
4. Expense for Equity Settled Share Based Long Term Incentive of $240,000 made in FY21 ($160,000 in FY20). Total Share based payment reserve as at 30 June 2021 is $689,000.

Other transactions with key management personnel

Directors of Group Companies control 2.99% of the voting shares of the Company (2020: 1.1%).

Transactions and balances with related parties

Elected directors conduct business with the Group in the normal course of their business activities.

Directors of the subsidiary companies received no directors fees during the period (2020: nil). The directors of the Company received fees totalling $220,417 during the period (2020: $197,000).

Group entities	**Country of**	**Ownership Interest (%)**		**Balance**	**Activities**
Significant subsidiaries	**incorporation**	**2021**	**2020**	**Date**	
Vital Data Limited	New Zealand	100%	100%	30 June	Broadband services

25 Key suppliers

The Group purchases products and services from a wide range of suppliers. The most significant of which are Tait Communications, Nokia, Spark New Zealand, Chorus, and Kordia. Kordia and Chorus house a material portion of the Company's equipment and provide basic linking services and access to sites on which the Company's equipment is located.

The Group typically has long term established relationships with each of these suppliers and appropriate commercial contracts are in place. However, the failure of any of these companies to continue to provide services at the required standard and price could have a material impact on the performance of the Group.

26 Financial Instruments

Financial instruments

Exposure to credit, currency, commodity, market and liquidity risks arises in the normal course of the Group's business. The Group manages a number of these risks through negotiated supply contracts.

Credit risk

Credit risk is the risk that the counterparty to a transaction with the Group will fail to discharge its obligations, causing the Group to incur a financial loss. The Group is exposed to credit risk through the normal trade cycle, advances to third parties and through the use of derivative financial instruments.

With the exception of the Group's net interest in finance lease receivables no collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit. Reputable financial institutions are used for investing and cash handling purposes.

At balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet its financial commitments as they fall due. The Group has internal limits in place in order to reduce the exposure to liquidity risk, as well as having committed lines of credit.

Interest rate risk

The Group enters into derivative contracts in the ordinary course of business to manage interest rate risks. A financial risk management team, composed of senior management, provides oversight for risk management and derivative activities.

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily through its cash balances and advances, bank borrowings and finance leases.

The Group's policy is to hedge its long term borrowing by fixing or capping the rates of interest payable in order to provide greater certainty. The Group manages its interest rate risk by using interest rate swaps and interest rate options to hedge floating rate debt.

Other market price risk

The Group is not exposed to substantial other market price risk arising from financial instruments.

Quantitative disclosures

(a) Credit risk

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or to avoid a possible past due status.

The Group reviews all overdue debt balances and assesses likelihood of default. Based on this analysis, the Group provides for the potential loss measured in accordance following:

Impairment of receivables

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate i.e. the effective interest rate computed at initial recognition of these financial assets. Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

The maximum exposure to credit risk for trade and other receivables by segment is as follows:

Carrying amount	Group 2021 $000's	Group 2020 $000's
Wireless	2,479	2,387
Wired	1,457	1,597
Trade and other receivables	**3,936**	**3,984**

Notes to the financial statements

▶ For the year ended 30 June 2021

26 Financial Instruments (continued)

The status of trade receivables at the reporting date is as follows:

Group	Gross receivable 2021 $000's	Impairment 2021 $000's	Gross receivable 2020 $000's	Impairment 2020 $000's
Trade receivables				
Not past due	3,728	-	3,780	-
Past due 0-30 days	121	-	134	-
Past due 31-90 days	53	(4)	100	(35)
Past due > 90 days	142	(104)	53	(48)
Total	**4,044**	**(108)**	**4,067**	**(83)**

(b) Liquidity risk

The following table sets out the contractual cash flows for all financial liabilities and derivatives.

Group 2021	Carrying amount $000's	Contractual cash flows $000's	6 months or less $000's	6-12 months $000's	1-2 years $000's	2-5 years $000's
Secured bank loans	15,000	15,619	267	191	15,161	-
Other unsecured borrowings	-	-	-	-	-	-
Trade and other payables	5,775	5,775	5,775	-	-	-
Total non-derivative liabilities	**20,775**	**21,394**	**6,042**	**191**	**15,161**	**-**
Net inflow / (outflow):						
Interest rate swaps	(166)	(85)	(4)	(52)	(29)	-
Total derivative inflow / (outflow)	**(166)**	**(85)**	**(4)**	**(52)**	**(29)**	**-**

Group 2020	Carrying amount $000's	Contractual cash flows $000's	6 months or less $000's	6-12 months $000's	1-2 years $000's	2-5 years $000's
Secured bank loans	14,000	14,612	244	103	1,265	13,000
Other unsecured borrowings	-	-	-	-	-	-
Trade and other payables	5,950	5,950	5,950	-	-	-
Total non-derivative liabilities	**19,950**	**20,562**	**6,194**	**103**	**1,265**	**13,000**
Net inflow / (outflow):						
Interest rate swaps	(487)	(405)	(35)	(192)	(204)	26
Total derivative inflow / (outflow)	**(487)**	**(405)**	**(35)**	**(192)**	**(204)**	**26**

Notes to the financial statements

▶ For the year ended 30 June 2021

26 Financial Instruments (continued)

(c) Interest rate risk – repricing analysis

Group 2021 Fixed & variable rate instruments	Total $000's	6 months or less $000's	6-12 months $000's	1-2 years $000's	2-5 years $000's	Non-interest bearing $000's
Cash and cash equivalents	613	613	-	-	-	-
Trade and other receivables	3,936	-	-	-	-	3,936
Finance lease receivables	56	29	16	15	(0)	(3)
Secured bank loans	(15,000)	-	(15,000)	-	-	-
Total fixed and variable rate instruments	**(10,395)**	**642**	**(14,985)**	**15**	**(0)**	**3,933**
Effect of interest rate swaps	-	10,000	-	-	(10,000)	-
Total fixed and variable rate instruments and related derivatives	**(10,395)**	**10,642**	**(14,985)**	**15**	**(10,000)**	**3,933**

Group 2020 Fixed & variable rate instruments	Total $000's	6 months or less $000's	6-12 months $000's	1-2 years $000's	2-5 years $000's	Non-interest bearing $000's
Cash and cash equivalents	1,858	1,858	-	-	-	-
Trade and other receivables	3,984	-	-	-	-	3,984
Finance lease receivables	338	86	79	135	41	(3)
Secured bank loans	(14,000)	(14,000)	-	-	-	-
Total fixed and variable rate instruments	**(7,819)**	**(12,056)**	**79**	**135**	**41**	**3,981**
Effect of interest rate swaps	-	16,000	-	(6,000)	(10,000)	-
Total fixed and variable rate instruments and related derivatives	**(7,819)**	**3,944**	**79**	**(5,865)**	**(9,959)**	**3,981**

(d) Capital management

The Group's capital includes share capital and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the period.

(e) Sensitivity analysis

In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in interest rates will have an impact on profit.

At 30 June 2021 it is estimated that a general increase of a one percentage point in interest rates would have had an immaterial impact on the Group's profit. Interest rate swaps have been included in this assessment.

26 Financial Instruments (continued)

(f) Derivative Financial Instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

(g) Interest rate swaps

The Group has a policy of ensuring that at least 50% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps, denominatedin New Zealand dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. The one remaining swap held at 30 June 2021 matures over the next two years (see the table above) and have fixed swap rates of 1.69% for the Group. (2020 Group: 1.69% to 2.48%).

The Group's interest rate swaps notional amounts and fair values are presented below.

	Group 2021 $000's	Group 2020 $000's
Interest rate swaps		
Notional contract amount	10,000	16,000
Fair value:		
Assets	-	-
Liabilities	(166)	(487)
Net fair value	**(166)**	**(487)**

(h) Fair Values versus Carrying Amounts

For all financial assets and liabilities the fair values approximate the carrying values as shown in the Statement of Financial Position.

Estimation of fair values

The methods used in determining the fair values of financial instruments are discussed in note 4 and below.

Interest rates used for determining fair value

The interest rates used to determine fair value are based on the swap yield curve, at the reporting date, for the outstanding term of the interest rate swaps and were as follows:

	2021	2020
Interest rate derivatives	1.69%	2.40% -2.48%

Fair value hierarchy

Derivative financial instruments carried at fair value can be categorised by valuation method, or hierarchy. The different levels in the hierarchy have been defined as follows:

* Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
* Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
* Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The interest rate and foreign currency derivatives are both considered Level 2 instruments in the hierarchy.

There have been no transfers between any levels of classification on the fair value hierarchy (2020: nil).

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, advances to subsidiaries and trade and other payables.

Notes to the financial statements

▶ For the year ended 30 June 2021

26 Financial Instruments (continued)

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactioncosts. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A non-derivative financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular transactions relating to purchases and sales of financial assets are accounted for at trade date i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

27 Subsequent Events

Post 30 June 2021 the Group has declared a fully imputed dividend of $0.02 per share.

Code of Corporate Governance

▶ For the year ended 30 June 2021

Code of Corporate Governance

Vital is committed to the principles of good corporate governance and believes that sound governance is a vital foundation for the creation of sustainable value for shareholders. The Vital Board has adopted a set of governance practices that go beyond what is legally required with no material differences to the NZX Corporate Governance Best Practice Code. These principles are enshrined in the formal charters adopted by the board and each of its sub-committees and in the Constitution.

Board Composition and Procedures

The Board comprises six directors of which all six, including the chairman, are independent directors.

The Chairman must always be a non-executive director and may not have the casting vote.

The number of non-executive directors must exceed the number of executive directors and the number of independent directors will reflect, as a minimum, NZSX Listing Rules.

No retirement allowances will be paid to directors.

In order to achieve optimum performance of the board as a whole, individual director and board evaluations are conducted annually.

Under the constitution, directors are required to rotate in line with the NZX Listing Rules. Rule 2.7.1 states "A Director of an Issuer must not hold office (without re-election) past the third annual meeting following the Director's appointment or 3 years, whichever is longer."

Board Sub-Committees

The board has three standing sub-committees: Audit & Risk, Vital Data Limited and Remuneration. In addition the Nominations sub-committee meets on an as-required basis.

- **Audit & Risk sub-committee**

  The Audit sub-committee operates under a separate charter and assists the board with corporate accounting and financial matters as well as taking the lead in risk management matters. The Audit sub-committee has direct communication with independent auditors. The sub-committee is chaired by Nathan York, the other members are James Sclater, Susan Freeman-Greene, and Roger Sowry (on an ex-officio basis).

- **Remuneration sub-committee**

  The Remuneration sub-committee also operates under a separate charter and assists the board in reviewing remuneration policies for the board and senior management. This sub-committee is chaired by James Sclater, the other members being Reg Barrett and Roger Sowry (on an ex-officio basis).

- **Nominations sub-committee**

  As stated in the Board's own charter, major policy decisions are matters for the Board as a whole. This philosophy underlies the structure of the Nominations sub-committee, which, while operating under its own charter, comprises all of the directors of the Board. The primary task of this sub-committee is the appointment of directors.

To ensure diversity of reporting and contestability of views there will be a regular programme of senior executives presenting directly to the board.

Auditors

Auditors provide no other services to the Company unless approved by the Audit sub-committee.

The same audit partner cannot be responsible for the audit for more than five years.

The Company will not employ persons from its Auditors in any senior position, unless their employment with that audit firm had ceased at least two years earlier.

Insurances

Vital undertakes an annual review of its insurance programme and any residual uncovered risk. Vital has indemnity insurance for officers and directors.

Conflict of Interest Policy

A director is required to disclose to the Board any actual or potential conflict of interest. Except where authorised by the Company's constitution and the NZSX Listing Rules, the conflicted director may not vote at a meeting where the relevant issues are discussed, or be counted in a quorum.

Share Dealing

Vital has adopted a code of conduct applying to the share dealings by directors, officers and employees. Directors and officers are restricted from trading in the periods immediately before the release of the Company's half yearly and annual results, and at any other time if they are in possession of inside information. Employees don't have any periods when they are automatically precluded from trading but they are prohibited from trading if in possession of inside information. All requests for trades in the Company's shares by directors and officers must be approved in advance of any trades.

Independent Auditor's Report

To the shareholders of Vital Limited

Report on the audit of the company and group financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Vital Limited (the 'company') and its subsidiaries (the 'group') on pages 3 to 28:

- present fairly in all material respects the Group's financial position as at 30 June 2021 and its financial performance and cash flows for the year ended on that date; and
- comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2021;
- the consolidated statements of 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 taxation services. 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 group financial statements as a whole was set at $0.4 million determined with reference to a benchmark of group revenue. We chose the benchmark because, in our view, this is a key measure of the group's performance.

Key audit matters

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

The key audit matter	How the matter was addressed in our audit
Goodwill impairment assessment	
The Group has goodwill of $17 million (2020: $17 million) as disclosed in Note 14 of the consolidated financial statements, which is allocated across two cash generating units ("CGU"). Goodwill is required to be tested for impairment annually. Valuation of Goodwill is considered to be a key audit matter due to the significance of the asset to the group's consolidated financial position and maintaining the full carrying value requires the execution of subjective future scenarios.	Our procedures over both CGUs included the following: — Comparing the methodology adopted in the valuation models to accepted valuation approaches; — Comparing the cash flow forecasts to Board approved budgets; — Comparing the revenue and cost forecasts to historic cash flows, and growth rates achieved; — Using our valuation specialists to assess the reasonableness of the discount rates used for each CGU; — Performing sensitivity analysis and considering a range of likely outcomes for various scenarios; and — Comparing the valuations to the market, using comparable businesses (where available) and their earnings multiples.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information may include the Chairman and Chief Executive's report, corporate governance and statutory information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

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 company and group financial statements

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

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the company and group financial statements

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

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

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

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

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

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

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

For and on behalf of

KPMG

KPMG
Wellington

26 August 2021

Statutory Information

Board of Directors

Directors holding office during the period were:

VITAL LIMITED	VITAL DATA LIMITED
Roger Sowry (Chair) *	Andrew Miller (Chair)
Reg Barrett *	Jason Bull
Nathan York *	
Susan Freeman-Greene *	
James Sclater *	
Rod Snodgrass *+	

* Independent Director   + effective 3 November 2020

Remuneration of Directors

Details of the nature and amount of emoluments paid during the year to each Director or former Director in the Group are as follows:

Parent Company Board)	Fees ($'000)	Salary & Incentive Remuneration ($'000)	Other Fees ($'000)
Roger Sowry	60	-	-
Reg Barrett	35	-	-
Nathan York	35	-	-
Susan Freeman-Greene	35	-	-
James Sclater	35		
Rod Snodgrass	20	-	-

Disclosure of Interest

Directors disclosed interests in the following entities as at 30 June 2021, pursuant to section 140 of the Companies Act 1993:

▸ Roger Sowry

Entity	Relationship
Saunders Unsworth Limited	Director & Shareholder
Homecare Medical (GP) Limited	Chairman
Primary IT	Chairman
Linka Investments	Director & Shareholder
Chain Investments	Director & Shareholder
Rascality Studio	Director
New Zealand Health Group Limited	Director

▸ Reg Barrett

Entity	Relationship
Xlerate Technologies (NZ) Limited	Chairman
Vxceed Technologies (NZ) Limited	Chairman
Vxceed Technologies Inc (US)	Director & Shareholder
Vxceed Technologies Pty Ltd (Australia)	Director & Shareholder
Vxceed Software Solutions TVT Ltd (India)	Director & Shareholder
Vxceed Technologies FZ LLC (UAE)	Director & Shareholder
Latitude 247 HMDH (Germany)	Director & Shareholder
Domel & Associates	Shareholder

Statutory Information

Nathan York

Entity	Relationship
Ahu Whenua Trust, Whaiti Kuranui 2D4 Sec1B	Chairman
Bluehaven Group	Chief Executive Officer

James Sclater

Entity	Relationship
Callander Farms Ltd	Director
Jamiga Investments Ltd	Director & Shareholder
Damar Inudstries Ltd	Director
Retail Dimension Ltd	Director
RD Group Holdings Ltd	Director
Salus Aviation Limited	Director & Shareholder
Laterley Investments Ltd	Director & Shareholder
Apotex NZ Ltd	Director
Winnter Turstees Ltd	Director
Winnter Finance Ltd	Director
Winnter Nominee Ltd	Director
90 Cryers Road Ltd	Director
78 Cryers Road Ltd	Director
20 Neilpark Drive Ltd	Director
18D Neilpark Drive Ltd	Director
10 Petone Avenue Ltd	Director
Winnter Marina Ltd	Director
Winnter Forest Ltd	Director
Winnter Forest 2 Ltd	Director
Pukeko Commercial Properties Ltd	Director

Susan Freeman-Greene

Entity	Relationship
Local Government New Zealand	Chief Executive Officer
Tāwhiri - Festivals and Experiences	Trustee

Rod Snodgrass

Entity	Relationship
Forsyth Barr	Director & Shareholder
Geo	Director & Shareholder
SMX	Director & Shareholder
Williams Warn	Director & Shareholder
The Red Pill Consultancy	Director & Shareholder
The Exponential Agency	Director & Shareholder
Snoddy Rentals	Director & Shareholder
SuperGenerous	Director & Shareholder
ilabb	Director & Shareholder
Eqalis	Director &

Relevant Interest in Shares

Applicable disclosures were made as regards acquisitions / disposals of Vital shares made by Vital directors during the current year.

Directors' Relevant Interests at 30 June 2021

Director	Number of ordinary shares	Registered Holder(s)	Transactions during the period
Roger Sowry	100,000	Linka Investments	Nil
Reg Barrett	6 ,921	NZ Depository Nominee Ltd	Nil
Nathan York	26,000	Nathan York	Nil
James Sclater	112,666	Hauraki Trust / Boomerang Investments	Nil
Susan Freeman-Greene	Nil		Nil
Rod Snodgrass	Nil		Nil

Statutory Information

Executive Employees' Remuneration

The following number of Group employees (excluding Directors but including former employees) received total remuneration of at least $100,000 during the accounting period:

	2021	2020		2021	2020
$100,000 - $109,999	4	9	$230,000 - $239,999	-	-
$110,000 - $119,999	7	4	$240,000 - $249,999	-	-
$120,000 - $129,999	11	4	$250,000 - $259,999	-	-
$130,000 - $139,999	5	5	$260,000 - $269,999	-	-
$140,000 - $149,999	-	2	$270,000 - $279,999	1	-
$150,000 - $159,999	1	4	$280,000 - $289,999	-	-
$160,000 - $169,999	3	5	$290,000 - $299,999	-	1
$170,000 - $179,999	5	2	$300,000 - $319,999	1	1
$180,000 - $189,999	1	1	$340,000 - $349,999	-	-
$190,000 - $199,999	1	-	$410,000 - $419,999	1	1
$200,000 - $209,999	-	2	$470,000 - $479,999	1	-
$210,000 - $219,999	-	-	$530,000 - $539,999	-	1
$220,000 - $229,999	-	-			

Gender Composition of Directors and Officers

As required by NZSX Listing Rule 10.4.5(j) the following table shows the breakdown of Directors and Officers (defined as the senior executive of the group and any of their direct reports) within each company of the Vital Group. Executive Directors are included in both the count of Directors and Officers.

	Directors		Officers	
As at 30 June 2021	**Male**	**Female**	**Male**	**Female**
Vital Limited	5	1	2	-
Vital Data Limited	2	-	2	-

	Directors		Officers	
As at 30 June 2020	**Male**	**Female**	**Male**	**Female**
Vital Limited	4	1	2	-
Vital Data Limited	2	-	2	-

Attendance at Board and committee meetings

The table below show directors' attendance at the Board and committee meetings during the year ended 30 June 2021.

	Board	Audit and Risk Committee	Remuneration Committee
Number of Meetings held	12	3	4
Roger Sowry (Chair)[1]	12	3	4
Reg Barrett	12	-	4
Nathan York	12	3	-
James Sclater	12	3	4
Susan Freeman-Greene	10	2	-
Rod Snodgrass[2]	9	-	-

1 Roger Sowry attended the Audit and Risk committee meeting in an ex officio capacity

2 Rod Snodgrass was elected as a Board member in October 2020, therefore attended all meetings within his tenure.

The directors' meetings referred to in the table above do not include additional ad hoc or transactional committee meetings held through the year.

Shareholder Information

Shareholding

The top 20 shareholders of Vital Limited at 3 August 2021 were:

Investor Name	Ordinary Shares	% Issued Capital
Ronald James Woodrow	2,036,578	4.92%
Accident Compensation Corporation	1,812,383	4.38%
National Nominees New Zealand Limited	1,610,118	3.89%
New Zealand Permanent Trustees Limited	1,556,632	3.76%
Barry William Payne & Sandra Tui Payne & Brett Gould	1,522,281	3.68%
Brian Winston Jackson	1,300,117	3.14%
ASB Nominees Limited	1,173,233	2.84%
Andrew Mark Miller & Eleanor Jane Miller	966,666	2.34%
Jarden Custodians Limited	920,000	2.22%
Maarten Arnold Janssen	910,530	2.20%
Donald Ford Franklin	901,413	2.18%
New Zealand Permanent Trustees Limited	818,338	1.98%
Custodial Services Limited	727,420	1.76%
Sydney Bruce Crowther & Faith Palairet & Stephen Palairet	705,116	1.70%
Selenium Corporation Limited	600,000	1.45%
FNZ Custodians Limited	576,643	1.39%
Leveraged Equities Finance Limited	572,218	1.38%
Ace Finance Limited	462,534	1.12%
David Hugh Paget Walpole & Erica Julia Walpole	400,000	0.97%
Robert Bruce Stuart & Jennifer Ann Stuart	400,000	0.97%
		48.27%

Size of Holdings

The details set out below were as at 3 August 2020:

Range	Number of Holders	%	Number of Ordinary Shares	% Issued Capital
1-1000	84	7.84%	56,705	0.14%
1001-5000	377	35.20%	1,128,095	2.73%
5001-10000	212	19.79%	1,619,979	3.91%
10001-50000	292	27.26%	6,624,794	16.01%
50001-100000	50	4.67%	3,765,172	9.10%
Greater than 100000	56	5.23%	28,186,135	68.11%
	1,071	100.00%	41,380,880	100.00%

Substantial Security Holders

Pursuant to section 293 of the Financial Markets Conduct Act 2013, there were, at 30 June 2021, Nil Substantial Security Holders.

Vital Limited Corporate Directory

Registered Office

Level 4&5, Tower B, 49 Tory Street,
Te Aro, Wellington, 6011 , New Zealand

Head Office

Level 4&5, Tower B, 49 Tory Street,
Te Aro, Wellington, 6011, New Zealand
Phone: (04) 802 1470
www.vital.co.nz

Branches

AUCKLAND

2 Robert Street, Ellerslie, Auckland

CHRISTCHURCH

Unit 2, 49 Sir William Pickering Drive,
Burnside, Christchurch

Subsidiaries

VITAL DATA LIMITED

Level 4&5, Tower B, 49 Tory Street,
Te Aro, Wellington, 6011, New Zealand
www.vital.co.nz

Auditors

KPMG
10 Customhouse Quay, Wellington,
New Zealand

Solicitors

Crengle, Shreves & Ratner
City Chambers Building, Johnston Street,
Wellington, New Zealand

Bankers

Bank of New Zealand Limited
BNZ Partner Centre,
Wellington, New Zealand

Registrar

Link Market Services Limited
138 Tancred Street, Ashburton,
New Zealand

Every nook.
Every cranny.
Every corner.
Every valley.
Every coastline.
Every range.
We keep the land
of the long white
cloud in touch
when it really matters.
We are Vital.

Printed on 100% recycled paper