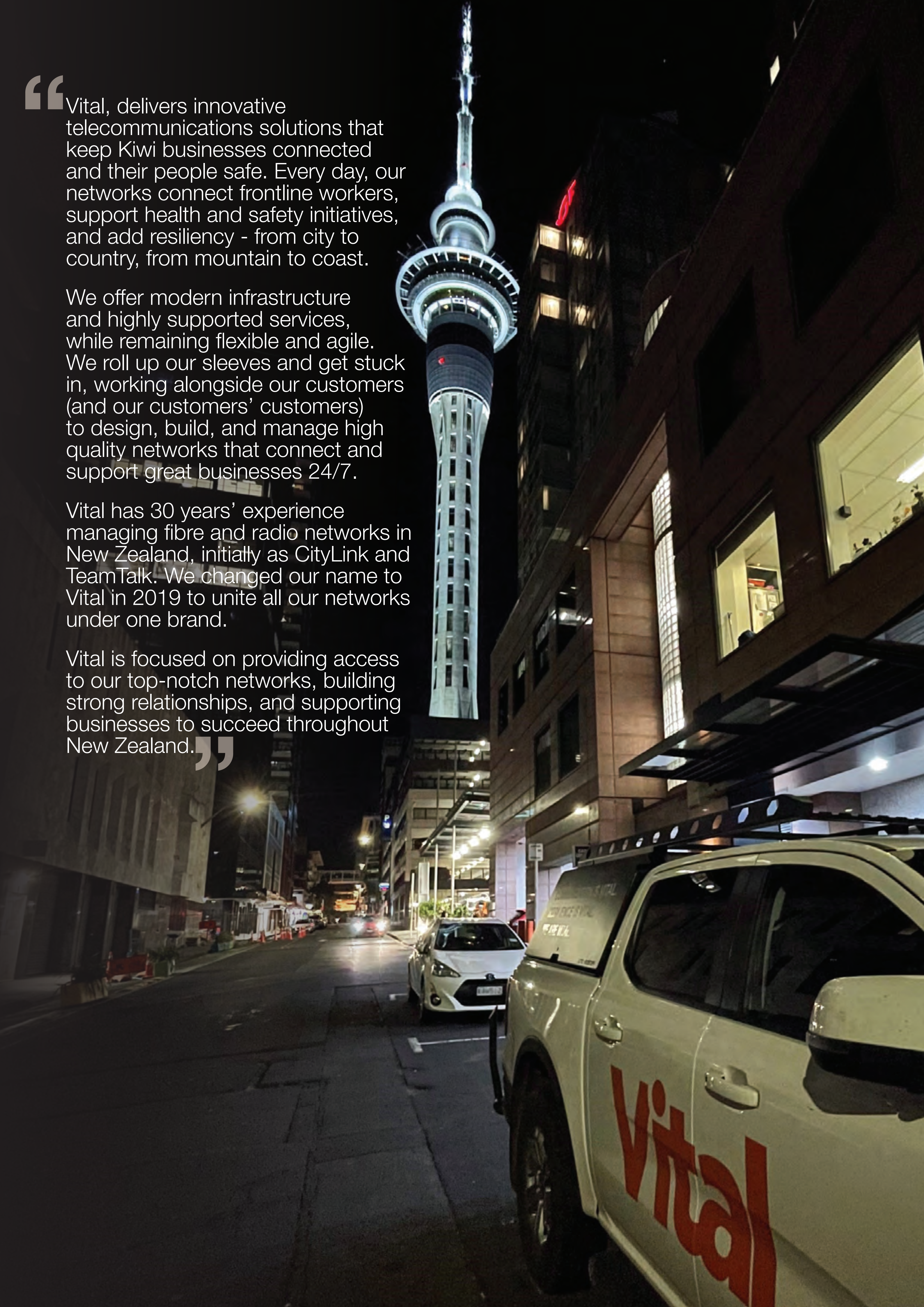
Vital to keeping New Zealand connected

Vital™

Annual Report 2024



"Vital, delivers innovative telecommunications solutions that keep Kiwi businesses connected and their people safe. Every day, our networks connect frontline workers, support health and safety initiatives, and add resiliency - from city to country, from mountain to coast.

We offer modern infrastructure and highly supported services, while remaining flexible and agile. We roll up our sleeves and get stuck in, working alongside our customers (and our customers' customers) to design, build, and manage high quality networks that connect and support great businesses 24/7.

Vital has 30 years' experience managing fibre and radio networks in New Zealand, initially as CityLink and TeamTalk. We changed our name to Vital in 2019 to unite all our networks under one brand.

Vital is focused on providing access to our top-notch networks, building strong relationships, and supporting businesses to succeed throughout New Zealand."

Contents

FY24 at a Glance

Revenue	**$26.9m**	↓ 4.5% on FY23
Operating Costs	**$20.5m**	↓ 6.0% on FY23
Adjusted EBITDA [1]	**$6.4m**	↑ 0.4% on FY23
Adjusted NPAT [2]	**$0.3m**	↓ 45.0% on FY23
Captial expenditure	**$2.3m**	↓ 33.4% on FY23
Adjusted Free Cash Flow [3]	**$4.1m**	↑ $1.2m on FY23

Won a major fleet contract of 500+ vehicles on Vital's Digital LMR network

Bank debt facility renewed to January 2026

Channel partner strategy in Wireless and Fibre gaining traction

Successful recovery from 2023 cyber incident with no customer impact

Net Promoter Score

1. Post lease/rent costs that are otherwise treated as Depreciation and Interest.
2. Excludes IFRS 16 adjustments resulting from changes to lease profiles.
3. Adjusted EBITDA (as above) less capital expenditure.

Vital at a Glance

69
Vital employees
backing our networks and supporting our business operations

17%
YoY wholesale
LMR connection growth

603
buildings connected
to Vital Fibre across Wellington and Auckland

447
kilometres *Approximately
of fibre cables in Wellington and Auckland CBD

274
microwave links
connecting businesses throughout NZ

18
co-located sites exited
through driving network efficiencies

22%
YoY reduction
in network incidents

35,637
networks elements
monitored by our Network Operations Centre

20
years listed
on NZX

30
years incorporated

Directors' and CEO Commentary

OVERVIEW: Vital turnaround strategy nearing end of first phase despite economic headwinds

Vital Limited (VTL) is pleased to report ongoing progress for the FY2024 year as it nears the end of the first phase of its turnaround strategy.

Vital Limited (VTL) is pleased to report ongoing progress for the FY2024 year as it nears the end of the first phase of its turnaround strategy.

The Company's turnaround strategy, commenced 2 years ago, It was designed to arrest the previous decline in key customers, stabilise the business, significantly improve operational efficiency and reduce costs, build better sales channels, improve the customer experience, and win or re-sign more key customers.

Vital's turnaround strategy has continued through FY2024, despite a particularly challenging economic operating environment. Momentum is building, and key initiatives and capital investments are being executed simultaneously across the Wired and Wireless businesses. These are designed to position Vital and its quality fibre and radio assets more favourably for future growth.

This focus has resulted in another solid financial year, with results largely in line with expectations, despite very challenging business conditions.

With a solid foundation now laid and two full years of disciplined delivery, Vital can increasingly focus on driving revenue growth, greater operating leverage, and the acquisition of new customers.

Turnaround Metrics (all figures $m)	FY2024 Actual Result	FY2024 Metrics Guidance (revised)	FY2023 Metrics Guidance (original)
Revenue	26.9	26.7 – 27.2	28.0 – 29.0
Adjusted EBITDA [1]	6.4	6.4 – 6.7	6.6 – 7.1
Adjusted NPAT [2]	0.3	0.4 – 0.7	0.7 – 1.1
Adjusted free cash flow [3]	4.1	3.8 – 4.0	3.0 – 4.0

1. Post lease costs that are otherwise treated as depreciation and interest
2. Excludes IFRS 16 adjustments resulting from changes to lease profiles
3. Adjusted EBITDA (as above) less capital expenditure

Vital's strategy remains centred on increasing the utilisation of the Company's high-quality Wired and Wireless network assets by investing in key customer relationships, and improving sales capabilities to drive new revenue and growth opportunities.

The sales function was restructured during FY2024 and – in conjunction with channel partners – is seeing an improved opportunity pipeline and new customers. These gains have been masked by an increase in fibre relinquishments, especially in the small to medium-sized business market, a reflection of tough economic conditions and a phenomenon that anecdotal evidence suggests is industry wide as businesses seek to reduce costs.

Cost reduction and efficiency efforts over the past two years have been significant. While pockets of cost and efficiency opportunity remain, the major benefits have largely been delivered. This places the emphasis of strategic efforts firmly back onto the next phase of revenue growth and turning around the systemic revenue declines from the past four years.

FY2024 performance

While FY2024 was a more difficult year than anticipated – the deterioration in macroeconomic conditions saw increased pressure on fibre circuit numbers – the benefits of the revised channel strategy for fibre and wireless are beginning to deliver results and give us further confidence in our turnaround strategy.

Revenue was down 4.5% from $28.1 million in FY2023 to $26.9 million for FY2024, which was within our revised guidance, and largely reflected Vital electing not to renew a low margin contract that accounted for about 70% of the year-on-year revenue decline. The remainder of the change in revenue was largely from the fall in fibre circuit connections as businesses continue to actively manage their cost bases.

Adjusted net profit after tax (NPAT) was $0.3 million, down from the FY2023 result of $0.5 million, resulting from the flow through impact of lower revenue. That said, adjusted free cash flow of $4.1 million was at the top end of Vital's guidance metrics, assisted by careful management of capital expenditure.

Pleasingly, customer churn remains at low levels. A recent customer net promoter score (NPS) survey has shown an improvement since coming from minus 7 in March 2022, a positive 22 in July 2023, through to a **positive 41 in July 2024,** while employee net promoter score (eNPS) has lifted from positive 25 a year ago to **positive 30** at the end of FY2024.

While pleased with overall progress, Vital's financial results are still not where we aspire to be longer term. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) was $6.4 million, flat on the prior year with pressure on fibre circuit numbers offsetting gains from ongoing improvements in channel strategy relationships and new connections.

The following Summary Financial Performance restates the IFRS reported results to better reflect how Vital measures its performance internally, it was also the basis for the Company's Turnaround Metrics. The key adjustment relates to how Lease costs are reallocated from Depreciation and Net Interest into Lease costs prior to EBITDA. This reflects the fact that Lease costs are cash costs while depreciation is traditionally considered a non cash charge against prior capital expenditure.

Summary Financial Performance $000's	**FY2024**	**FY2023**	**Percentage Change**
Total Revenue	26,861	28,131	(4.5%)
Staff costs	7,998	8,057	(0.7%)
Lease/rent costs [1]	6,133	6,381	(3.9%)
Other Selling, General & Admin costs	6,301	7,291	(13.6%)
EBITDA (Adjusted) [2]	**6,429**	**6,403**	**0.4%**
EBITDA (Adjusted) margin (%)	23.9%	22.8%	
Depreciation [3]	4,626	4,422	4.6%
EBIT (reported)	**1,803**	**1,981**	**(8.9%)**
Net Interest [4]	1,451	1,339	8.4%
Income Tax	99	180	(45.0%)
Net Profit after Tax (Adjusted)	**253**	**462**	**(45.2%)**
Lease accounting gain/(loss) (after tax) [5]	226	645	(65.0%)
Net Profit after Tax (Reported)	**27**	**(183)**	**n.a**

1. Lease costs including those otherwise included in Depreciation and Net Interest charges
2. Post lease costs that are otherwise treated as depreciation and interest
3. Excludes IFRS 16 adjustments resulting from changes to lease profiles
4. Excludes interest component of capitalised lease costs (this is in Lease/Rent costs)
5. Adjustments (non-cash) under IFRS 16 for changes to lease terms (net of tax at 28%)

Performance in more detail

Vital continues to focus on the issue of declining recurring revenue that commenced in 2020 and remains the primary barrier to achieving better financial performance.

Vital has overhauled its channel partner and Wholesale strategies in Wireless and the necessary technological infrastructure to automate the Fibre sales process in the Wired sector. Both these issues were actively addressed during FY2023 and FY2024, with positive early and ongoing signs. While the Company achieved a positive flow from its channel partners into FY2024 revenue, this was offset by some reduction in customer usage as businesses reduced costs, especially relating to Fibre circuits.

Vital Revenue Breakdown $000's	**FY2024**	**FY2023 Reclassified[1]**	**Percentage Change**
Wired	8,948	9,254	(3.3%)
Wireless [2]	16,838	17,581	(4.2%)
Installation	399	637	(37.4%)
Hardware & Other [3]	676	659	2.7%
Total Services Revenue	**26,861**	**28,131**	**(4.5%)**

1. FY2023 Total Revenue unchanged. Reallocation between Wireless and Hardware & Other. Refer Note 3 in Notes to the Consolidated Financial Statements for further details.
2. Reclassified FY2023 Wireless increased from $16,465k to $17,581k.
3. Reclassified FY2023 Hardware & Other reduced from $1,775k to $659k.

Vital's balance sheet remains capable of funding its strategic plans. During FY2024, the bank facility maturity was extended by one year out until early 2026. As at 30 June 2024, the facility has a total limit of $15.6 million and a maturity date of January 2026.

Selected Balance Sheet and Cashflow $000's	**FY2024**	**FY2023**	**Change**
Net Debt	13,317	13,497	(180)
Right of Use Assets [1]	15,896	19,809	(3,913)
Right of Use Liabilities	17,739	21,329	(3,590)
Wired network assets [1]	26,489	31,404	(4,915)
Wireless network assets [1]	34,866	36,378	(1,512)
Operating Activities cashflow (Adjusted) [2]	6,429	6,403	26
Capital expenditure	2,328	3,493	(1,165)
Op cashflow (Adjusted) less Capex	**4,101**	**2,910**	**1,191**

1. Note: Network assets (Wired and Wireless) include Right of Use assets (mostly in Wireless)
2. Cashflow from Operating Activities in Financial Statements less Principal payment of Lease Liabilities

Capital expenditure for the year was $2.3 million (FY2023: $3.5 million). Approximately 55% of FY2024 capex related to projects based on meeting specific customer needs and where the customer is effectively paying for the capex (although with timing differences).

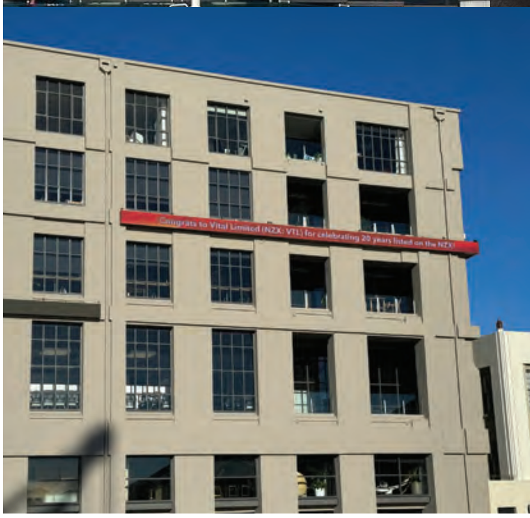
The largest component of decline in Wireless network assets relates to reduction in Right of Use leases on the balance sheet as these are depreciated over the course of the lease term.

Wired (fibre) segment performance

Vital provides customers with access to wired (fibre optic) networks in Auckland and Wellington. Vital's FibreLINK (unlit fibre) solution removes the bandwidth constraints of a lit service by allowing customers to light the leased fibre using their preferred technology.

Wired segment $000's	FY2024	FY2023	Percentage Change
Revenue	9,137	9,666	(5.5%)
Lease/rent costs [1]	1,984	1,992	(0.4%)
Other operating costs	2,723	2,830	(3.8%)
EBITDA (Adjusted) [2]	**4,430**	**4,844**	**(8.6%)**
EBITDA Margin (Adjusted) [2]	48.5%	50.1%	(3.2%)
Capital expenditure	645	645	0.0%
Total assets	**26,489**	**31,404**	**(15.7%)**

1. Lease costs including those otherwise included in Depreciation and Net Interest charges
2. Post lease (rent) costs that are otherwise treated as depreciation and interest



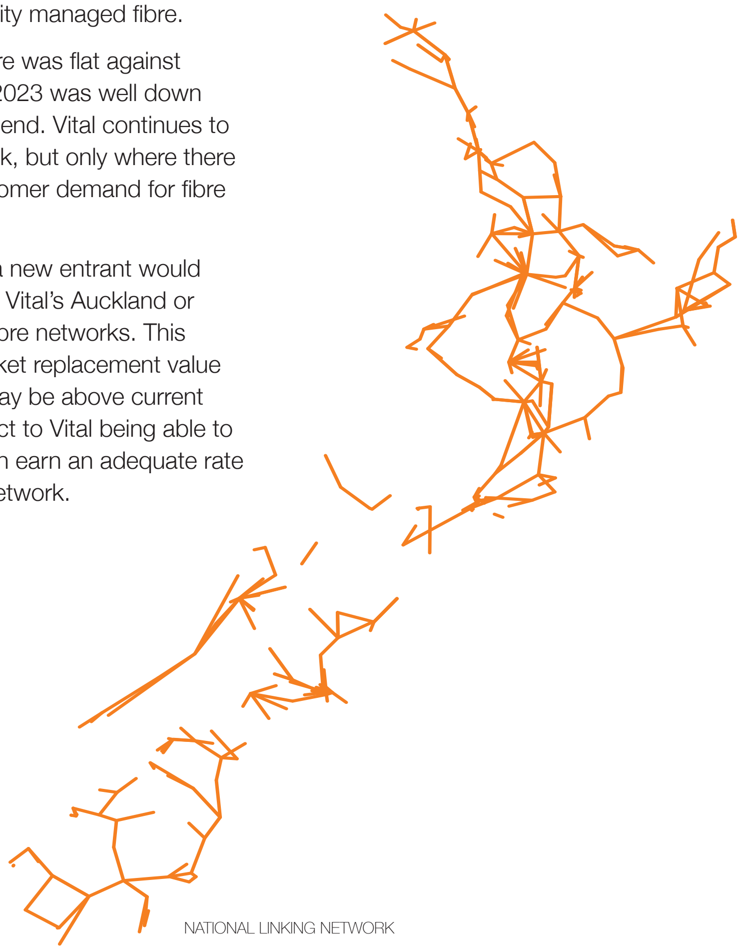
The headline revenue decline understates the positive progress with channel partners and the effect that providing online, automated circuit order enablement and fulfillment is beginning to have.

The rebuilt website enables enterprise customers and channel partners to view availability of Vital's fibre services at any address across the Company's Wellington and Auckland fibre networks. In addition to adding network coverage functionality to the website, API capability is being added to directly interface with sales channel partners. When the APIs are in place, they will remove a significant roadblock to wholesale resellers of Vital's network. The effort into rebuilding channel partner relationships continues to gain traction. The positives have been more than offset over FY2024 by fibre circuit relinquishments, as customers have rationalised their network usage to save costs.

Vital's fibre networks are not price regulated, which allows the Company to provide a commercially competitive offer for access to quality managed fibre.

Capital expenditure was flat against FY2023, after FY2023 was well down on the FY2022 spend. Vital continues to expand its network, but only where there is immediate customer demand for fibre circuits.

It seems unlikely a new entrant would overbuild either of Vital's Auckland or Wellington CDB fibre networks. This suggests the market replacement value of these assets may be above current book value, subject to Vital being able to demonstrate it can earn an adequate rate of return on the network.



NATIONAL LINKING NETWORK

Wireless segment performance

Vital remains the leader in the mobile radio network market, providing the only commercial nationwide mobile radio infrastructure across New Zealand.

Digital mobile radio provides flexibility to make one-to-one calls or communicate instantly with an entire workgroup. Vital's network supports worker safety features including emergency calling, man-down, and lone worker, and links with GPS location services. The network is IP-based, making it easier to interconnect business enhancing data services and applications, and it allows for calls to landlines and mobile phones. Mobile radio networks typically provide wider geographic coverage than cellular and are more resilient and reliable in times of emergency or disaster (there is less congestion risk, and mobile radio sites often have better battery backup although this is site and customer specific). Mobile radio is used by organisations that supply critical services (e.g. electricity network providers) and require "always available" reliability, or have remote work in areas outside cellular coverage.

The key Wireless sales strategy from FY2022 was to move to utilising wholesale channel partners, although Vital does directly sell into larger enterprise accounts. Wholesale connections continue to grow in FY2024 including one rural fleet of around 500 vehicles that transferred from LTE cellular to DMR (digital mobile radio). Regional operators provide on-the-ground sales and services and Vital acts as the wholesale supplier of the network.

Vital direct enterprise sales efforts focus on larger mobile radio customers such as energy network utilities and essential and remote service operators such as enterprise contract businesses who prefer a more managed Wireless service.

The cost of constructing mobile infrastructure networks has increased. Issues such as site access and RF planning, along with backhaul requirements (Vital has its own "Araneo" network) make network replication time consuming and difficult. The market replacement value of these assets is potentially higher than current book value, subject to Vital demonstrating an ability to earn an adequate rate of return on the assets.

The decline in Wireless revenue is almost solely due to ceasing the operation of a network for one large, low-margin customer the Company elected not to renew from very late in FY2023. Net of that reduction, and the lapsing completion of the MIQ contract with MBIE in mid-2023, Wireless revenue performed well.

A key Wireless customer, St John, was renewed during FY2023 for two years until March 2027, with additional rights of renewal out to 2029.

Wireless segment $000's	FY2024	FY2023 Reclassified[1]	Percentage Change
Mobile radio [2]	16,838	17,581	(4.2%)
Installation	224	225	(0.4%)
Hardware & Other [3]	662	659	0.5%
Total Revenue	**17,724**	**18,465**	**(4.0%)**
Less Lease costs [4]	4,149	4,388	(5.5%)
Less: Other operating costs	9,715	10,758	(9.7%)
EBITDA (Adjusted) [5]	**3,860**	**3,319**	**16.3%**
EBITDA Margin (Adjusted) [5]	21.8%	18.0%	21.1%
Capital expenditure	1,683	2,848	(40.9%)
Total assets	**34,866**	**36,378**	**(4.2%)**

1. FY2023 Total Revenue unchanged. Reallocation between Mobile radio and Hardware & Other. Refer Note 3 in Notes to the Consolidated Financial Statements for further details.
2. FY2023 Wireless increased from $16,465k to $17,581k.
3. FY2023 Hardware & Other reduced from $1,775k to $658k.
4. Lease costs including those otherwise included in Depreciation and Net Interest charges
5. Post lease (rent) costs that are otherwise treated as depreciation and interest

The current St John network now comprises around 170 sites across New Zealand and enables communications to over 700 operational vehicles and over 200 ambulance stations. St John provides emergency ambulance services to nearly 90% of New Zealanders and treats and transports over 460,000 people every year.

Vital has a strong Wireless presence in the utilities space, especially for networks where there are remote sites and worker safety is critical.

Vital People

The labour market softened significantly over FY2024 and much of the wage pressure during COVID and FY2023 has now abated. While there are still pockets of pressure in some technical areas, the ability to attract and retain talent has significantly improved. The level of staff turnover and employee engagement and satisfaction has further improved with eNPS (Employee Net Promoter Score) growing from 25 to 30 over the year.

In governance changes, Vital was sorry to farewell Mike Shirley in September 2023. Mike had excellent fibre, telecommunications and wholesale experience that was particularly valuable to Vital but was appointed to the Chorus Ltd Executive team which created a potential conflict of interest. The Board constantly seeks to ensure it has the optimal mix of skills to support the business, and we believe the current Board has the right mix.

Cyber incident

In November 2023, a cyber incident resulted in unauthorised entry to Vital's internal corporate servers. The breach was quickly contained, and the appropriate Government and privacy authorities contacted. External security consultants assisted with establishing what had occurred, the scale of the breach and then commencing the process to restore internal services once these were cleared of risk.

The incident did not affect systems operating the customer fibre and radio network services, which continued to operate as normal. The corporate server networks have been returned to normal operating condition although Vital has used the requirement for remediation to rearchitect its domain and network architecture. Elements of this are still underway. Remediation costs were incurred for consultants and changes to software licenses, totaling around $0.2 million for FY2024. Additional measures have been put in place to help defend against future incidents of this nature.

Risk Factors

As part of sound governance and management, Vital constantly assesses and acts to mitigate against risk factors to its business performance and continuity.

Financially, difficult economic and market conditions are a current risk factor. The global and local macroeconomic picture remains difficult to predict, affecting current and potentially future performance. High levels of interest rates are slowing economic growth, affecting demand for network services and heightening the competitive environment. Higher interest rates are also more broadly affecting a range of expenses, which is a risk to financial performance.

Environmentally, the changing climate means all network operators must plan for digital and physical network infrastructure to be able to withstand a higher frequency of extreme weather events. Vital continues to invest in infrastructure resilience to network assets and protect the Company's customers' critical services.

Increasingly, as networks become more and more interdependent on software and on other technological inputs, managing cyber-risk has become a higher priority. As a provider of critical services to Government organisations, utility providers, and carrier-grade Telecommunications, Vital invests in continuous improvement and upgrades to security hardware and software. Vital has introduced multifactor authentication, upgraded firewalls, which are independently audited and tested regularly. We also actively promote cyber-security awareness across all staff. Nevertheless, the cyber landscape is changeable and remains an ongoing high risk.

FY2025 outlook

EBITDA of $6.4 million in FY2024 was broadly flat on the prior year. Given cost pressures and macroeconomic impact of demand for some of Vital's services, this was a reasonable result, albeit not one that provides an adequate rate of return on the Company's network asset base. The Company is targeting incremental improvement to underlying financial performance in FY2025, with tough economic conditions likely to remain prevalent for much of the coming financial year.

Vital's channel partnering strategy and wholesale arrangements are producing sales and revenue results and the Management team continues to build relationships with larger sales prospects, which we expect to see reflected in additional enterprise new business.

For FY2025, the focus on cost efficiency remains although the bulk of cost reductions and efficiency gains have now been achieved. Vital is very focused on optimising the return on network assets by taking advantage of optionality, partnering and channel opportunities to increase network utilisation.

A return to revenue growth is critical to financial success and this remains the key focus of the Board and Management team. Vital expects revenue to be either flat or marginally up for FY2025 although economic conditions provide risk to this expectation. The building blocks to return to revenue growth are increasingly in place with improvements over FY2024 in channel partnerships and organisational capability.

Turnaround metrics guidance for FY2025 will be provided later in the quarter to allow the full-year guidance to better reflect current sales pipeline activity.

We thank Vital's shareholders and customers for their ongoing support and acknowledge the entire Vital team for their hard work and strategic execution over the year.

In reflecting on where Vital has come from in recent years, and current results, the current strategy remains on track, and the Company is increasingly well-positioned for ongoing improvement.

RADIO DEALER PARTNERS

SUMMIT RADIO SOLUTIONS

dove COMMUNICATIONS

COMMUNICATIONS SPECIALISTS LTD

Newlands Servicing the South since 1934

logicwireless™

MOBILE SYSTEMS

NELSPECS Ltd

Mobi comm

The Board

John McMahon

Independent Chairman

John brings over thirty years' experience in the Australasian equity markets, predominantly as an equity analyst (covering a range of industries including telecommunications, media, gaming, transport, industrials), including positions as Head of Research and Head of Equities for institutional stockbrokers, and three years as Managing Director of ASB Securities. He now manages his own investment portfolio. He is Chair of NZX-listed Solution Dynamics, a director of NZX-listed AoFrio Ltd and was a director of NZX Ltd until December 2021, then subsequently rejoined (and now Chairs) the NZX Board in May 2023. John has a Bachelor of Commerce (Honours), an MBA and is a CFA (Chartered Financial Analyst) charterholder. John was appointed to the Board in August 2022 and replaced Roger Sowry, who retired, as Chair.

James Sclater

Independent Director

James is a professional director and trustee acting for a number of companies and investment trusts including Salus Aviation and Damar Industries.

He has a broad range of Board experience in both private and public companies and he has a keen interest in strengthening and developing New Zealand businesses through quality leadership, governance, and strategy. James is also Trustee for a number of private trusts providing independent management and financial advice. James joined the Vital board in 2017.

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.

24/7

Keeping New Zealand in touch when it matters most.

The Executive Team

Jason Bull

Chief Executive Officer

Jason has been leading the team at Vital since April 2022. Before joining Vital as CFO in 2016, Jason held a number of senior finance and business operations positions in the telecommunications sector, including 11 years at Alcatel-Lucent. Jason is commercially minded, customer focused, and a champion for stakeholder and employee engagement at Vital.

Paul Kerr

Chief Financial Officer

Joining Vital as CFO in late 2022, Paul has more than 20 years' experience in finance roles. He also has extensive experience in the telecommunications sector as Head of Finance Systems and Technology at Chorus NZ Ltd, where he led the finance function's transformation strategy, and at Spark, leading the finance function in the Mobile Network build programme.

Marc Farrelly

Head of Field Force

In 2020, Marc joined Vital as Head of Field Force. With an extensive background in managing teams tasked with deploying large-scale, high-profile networks, Marc's strategic guidance and hands-on experience overseeing critical networks have been a significant asset to both Vital and our collaborative partners.

Stuart MacIntyre

Chief Technology Officer

Stuart has been at Vital since 2021, bringing 23 years of International Telecommunications executive experience focused on the introduction of new technology to transform large and complex organisations. Prior to joining Vital Stuart was CTO of Optus Enterprise and Chair of the Australian Mobile Telephony Association.

Mark Finnigan

Head of People & Safety

Spanning two decades in HR and Safety, Mark's career has woven through Fletcher Challenge Energy, the UK banking, and oil sectors, before settling back in New Zealand. Here, his influence extended to the electricity sector during a 10 year tenure at Transpower. Since 2016, Mark has been guiding Vital's People and Safety function, and its culture, on a transformational journey.

Geoff Burt

Head of Sales and Customer Success

With over 20 years of experience in sales, Geoff excels in building successful sales teams and managing complex customer engagement strategies. Before joining Vital, he served as the Government Group Sales Lead at Spark.

Financial Statements

For the year ended 30 June 2024

The Directors have pleasure in presenting the annual results, together with the audited financial statements of Vital Limited for the year ended 30 June 2024.

REVIEW OF ACTIVITIES

Results: The Group's Profit for the year amounted to $27,000.

On behalf of the Board

John McMahon.

Director
Wellington

Director
Wellington

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2024

	Note	Group 2024 $000's	Group 2023 Reclassified $000's
Revenue	7	26,185	27,472
Operating costs	8	(14,006)	(15,432)
Gross profit		**12,179**	**12,040**
Other income	7	676	659
Administrative expenses	9	(9,892)	(10,004)
Profit Before Interest and Tax		**2,963**	**2,695**
Finance income	10	17	84
Finance costs	10	(3,048)	(3,054)
Net finance costs		**(3,031)**	**(2,970)**
Profit/(Loss) Before Tax		**(68)**	**(275)**
Income tax benefit	11	95	92
Net Profit/(Loss)		**27**	**(183)**
Attributable to:			
Equity holders of the Company		27	(183)
		27	**(183)**
Earnings per share			
Basic and Diluted earnings per share ($)	18	$0.001	($0.004)

Consolidated Statement of Changes in Equity

For the year ended 30 June 2024

Group 2024	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 2023		**68,569**	**-**	**(47,085)**	**21,484**
Total comprehensive income for the period		-	-	27	27
Transactions with owners:					
Issue of ordinary shares	16	-	-	-	-
Total transactions with owners		-	-	-	-
Balance at 30 June 2024		**68,569**	**-**	**(47,058)**	**21,511**

Group 2023	Note	Share Capital $000's	Share based payment reserve $000's	Retained earnings $000's	Total equity $000's
Balance at 1 July 2022		**68,569**	**-**	**(46,902)**	**21,667**
Total comprehensive income for the period		-	-	(183)	(183)
Transactions with owners:					
Issue of ordinary shares	16	-	-	-	-
Total transactions with owners		-	-	-	-
Balance at 30 June 2023		**68,569**	**-**	**(47,085)**	**21,484**

Consolidated Statement of Financial Position

For the year ended 30 June 2024

	Note	Group 2024 $000's	Group 2023 $000's
Non-current assets			
Property, plant and equipment	13	39,784	41,577
Right of use asset	14	15,896	19,809
Prepayments		-	56
Total non-current assets		**55,680**	**61,442**
Current assets			
Trade and other receivables	26(a)	2,843	2,951
Current tax receivable		710	766
Finance lease receivable	26(c)	29	35
Prepayments		783	743
Inventory	15	1,310	1,342
Cash and cash equivalents		-	503
Total current assets		**5,675**	**6,340**
Total assets		**61,355**	**67,782**
Equity			
Ordinary share capital	16	68,569	68,569
Retained earnings and other reserves		(47,058)	(47,085)
Total equity		**21,511**	**21,484**
Non-current liabilities			
Secured bank loan	19	12,600	14,000
Trade and other payables	20	496	-
Deferred income		790	745
Sale and lease back liability		-	598
Lease liabilities	14	15,133	17,721
Deferred tax liabilities	12	1,366	1,476
Total non-current liabilities		**30,385**	**34,540**
Current liabilities			
Bank overdraft	19	717	-
Trade and other payables	20	3,326	4,372
Sale and lease back liability		597	776
Lease liabilities	14	2,606	3,608
Deferred income		2,213	3,002
Total current liabilities		**9,459**	**11,758**
Total equity and liabilities		**61,355**	**67,782**

On behalf of the Board of Directors

John McMahon

John McMahon
CHAIR
26 August 2024

James Sclater
DIRECTOR
26 August 2024

Consolidated Statement of Cash Flows

For the year ended 30 June 2024

	Note	Group 2024 $000's	Group 2023 $000's
Cash flows from operating activities			
Cash provided from:			
Receipts from customers		26,222	27,692
Net GST payments		(77)	(496)
		26,145	**27,196**
Cash applied to:			
Payments to suppliers and employees		(17,371)	(17,956)
Interest expense paid		(1,448)	(1,359)
Income tax received/(paid)		41	(39)
		(18,778)	**(19,354)**
Net cash flows from operating activities	23	**7,367**	**7,842**
Cash flows from investing activities			
Cash provided from:			
Finance lease interest and income received		11	84
Repayment of finance lease receivables		-	25
		11	**109**
Cash applied to:			
Acquisition of property, plant and equipment		(2,326)	(3,069)
Acquisition of goods provided on finance leases		(17)	(45)
		(2,343)	**(3,114)**
Net cash used in investing activities		**(2,332)**	**(3,005)**
Cash flows from financing activities			
Cash applied to:			
Repayment of secured bank loan		(1,400)	(500)
Payment of lease liabilities		(4,855)	(5,131)
		(6,255)	**(5,631)**
Net cash used in financing activities		**(6,255)**	**(5,631)**
Net decrease in cash and cash equivalents		**(1,220)**	**(794)**
Cash and cash equivalents at beginning of year		503	1,297
Cash and cash equivalents/(bank overdraft) at end of year		**(717)**	**503**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

1 Reporting entity

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

The consolidated financial statements of the Company as at, and for the year ended 30 June 2024 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 consolidated financial statements have been prepared in accordance with, and comply 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 consolidated financial statements comply with International Financial Reporting Standards (IFRS).

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 financial statements disclose only consolidated results of the Group.

The consolidated financial statements were approved by the Board of Directors on 26 August 2024.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

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

Functional and presentation currency

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

Goods and services tax

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

Use of estimates and presentation

The preparation of the consolidated 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 those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The Group's key estimate and judgment relates to assessing the carrying value of transmission equipment and network hardware assets for impairment considerations which includes assessing the appropriateness of useful life and residual value estimates, the physical condition of the asset, technological advances and expected disposal proceeds from the future sale of the asset.

3 Material accounting policies

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

Reclassification of comparatives

Where items in the consolidated financial statements have had a change in classification, they have been accounted for retrospectively and comparative information has been reclassified.

Impact of changes in classification

The Group previously presented some revenue types that are one off in nature as other income in the Consolidated Statement of Comprehensive Income. Management have reviewed the nature of these items and have reclassified to revenue as it is related to Network Operations.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

3 Material accounting policies (continued)

Consolidated Statement of Comprehensive Income	**Note**	**Group 2023 $000's**	**Adjustment $000's**	**Group Reclassified $000's**
Revenue	7	26,356	1,116	27,472
Operating costs	8	(15,432)	-	(15,432)
Gross profit		**10,924**	**1,116**	**12,040**
Other income	7	1,775	(1,116)	659
Administrative expenses	9	(10,004)	-	(10,004)
Profit Before Interest and Tax		**2,695**		**2,695**

Prior year comparatives as at 30 June 2023 have been represented by reclassifying $1,116,000 from other income to Wireless Networks revenue.

4 Changes in material accounting policies

The following new standards and interpretations are issued but not yet effective and have not been applied in preparation of these consolidated financial statements:

a) NZ IAS 1 Classification of Liabilities as Current or Non-current Liabilities with Covenants. The standard is effective for annual reporting periods beginning or after 1 January 2024 and will not have a material impact on the financial statements.

b) NZ IFRS 18 Presentation and Disclosure in Financial Statements. This standard replaces NZ IAS 1 Presentation of Financial Statements. The standard is effective for annual reporting periods beginning or after 1 January 2027 and will not have a material impact on the financial statements.

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.

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 Group's 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 Group'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 a monthly 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.

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.

6 Segment reporting (continued)

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 provided throughout the accompanying notes, as included in the internal management reports that are reviewed by the Group's CEO. Segment EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of the Group's seqments relative to other entities that operate within these industries.

EBIT and EBITDA are not defined performance measures in IFRS Accounting Standards and may not be comparable to similar information presented by other entities. EBIT (a non-GAAP measure) represents earnings before interest and taxation and EBITDA (a non-GAAP measure) represents earnings before interest, taxation, depreciation, and amortisation from continuing operations.

Group 2024	**Wireless Networks $000's**	**Wired Networks $000's**	**Other $000's**	**Total $000's**
Operating revenue & other income				
- Sales to customers outside the Group	17,724	9,137	-	26,861
Total revenue and other income	17,724	9,137	-	26,861
Costs				
- Operating costs paid to suppliers	(9,787)	(3,675)	(1,860)	(15,322)
Total costs	(9,787)	(3,675)	(1,860)	(15,322)
EBITDA	7,937	5,462	(1,860)	11,539
Depreciation and amortisation	(5,999)	(2,451)	(126)	(8,576)
EBIT	**1,938**	**3,011**	**(1,986)**	**2,963**
Finance income	-	-	17	17
Finance expense	-	-	(3,048)	(3,048)
Net finance costs	-	-	(3,031)	(3,031)
Profit/(Loss) before income tax	1,938	3,011	(5,016)	(68)
Income tax benefit/(expense)	-	-	95	95
Net Profit/(Loss)	**1,938**	**3,011**	**(4,921)**	**27**
Capital expenditure	1,683	645	-	2,328
Total assets	34,866	26,489	-	61,355
Total liabilities	20,691	6,553	12,600	39,844

Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

Group 2023	Wireless Networks $000's	Wired Networks $000's	Other $000's	Total $000's
Operating revenue & other income				
- Sales to customers outside the Group	18 465	9 666	-	28 131
Total revenue and other income	18 465	9 666	-	28 131
Costs				
- Operating costs paid to suppliers	(10,977)	(3,896)	(1,760)	(16,633)
Total costs	(10,977)	(3,896)	(1,760)	(16,633)
EBITDA	7,488	5,770	(1,760)	11,498
Depreciation and amortisation	(6,389)	(2,413)	-	(8,802)
EBIT	**1,099**	**3,357**	**(1,760)**	**2,696**
Finance income	-	-	84	84
Finance expense	-	-	(3,054)	(3,054)
Net finance costs	-	-	(2,970)	(2,970)
Profit/(Loss) before income tax	1,099	3,357	(4,730)	(275)
Income tax benefit/(expense)	-	-	92	92
Net Profit/(Loss)	**1,099**	**3,357**	**(4,638)**	**(183)**
Capital expenditure	2,848	645	-	3,493
Total assets	36,378	31,404	-	67,782
Total liabilities	22,933	9,365	14,000	46,298

7 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it satisfies its 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.

	Wireless Networks		Wired Networks		Total	
$000's	2024	2023 Reclassified	2024	2023	2024	2023 Reclassified
Major Products/Service Lines						
Wireless Networks	16,838	17,581	-	-	16,838	17,581
Wired Networks	-	-	8,948	9,254	8,948	9,254
Installation	224	225	175	412	399	637
Hardware Sales	657	597	-	-	657	597
Other Income	5	62	14	-	19	62
	17,724	**18,465**	**9,137**	**9,666**	**26,861**	**28,131**
Timing of Revenue Recognition						
Products transferred at a point in time	881	822	175	412	1,056	1,234
Products and Services transferred over time	16,843	17,643	8,962	9,254	25,805	26,897
	17,724	**18,465**	**9,137**	**9,666**	**26,861**	**28,131**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

7 Revenue (continued)

Goods and 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 wired 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 when the installation is complete, except where this installation is required to enable services (as above).
Hardware/Software	Sale of hardware and software to customers. This revenue is billed and recognised on delivery to the customer. Revenue is not recorded until the hardware and software have been accepted by the customer.

Revenues of approximately $3,706,000 (2023: $3,479,000) are derived from a single external customer which exceeds 10% or more of the Group's revenue.

These revenues are attributed to the Wireless Network segment.

Contract liabilities of $3,290,000 as at 30 June 2023, has been recognised as revenue in 2024 (2023: $2,788,000).

8 Operating costs

	Group 2024 $000's	Group 2023 $000's
Network operating costs	4,717	6,087
Depreciation on network assets	4,405	4,067
Amortisation on right of use assets	3,950	4,381
Other operating costs	904	861
Telecommunications Development Annual Levy	30	36
	14,006	**15,432**

The Telecommunications Development Levy above uses the following figures in the annual calculation for 2024:
gross telecommunications revenue $15,694,000 and payments made to other qualifying liable persons $11,003,000.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

9 Administrative expenses

	Group 2024 $000's	Group 2023 $000's
Wages and salaries	7,218	7,261
Contributions to KiwiSaver	244	243
Directors fees	139	208
Marketing expenses	41	29
Premises expenses	732	642
Depreciation of non-network assets	221	355
Remuneration paid to KPMG:		
- Audit of financial statements	188	181
- Taxation services	34	33
Other administration expenses	1,075	1,052
	9,892	**10,004**

10 Net finance costs

	Group 2024 $000's	Group 2023 $000's
Interest income on bank deposits	-	63
Finance lease interest income	17	21
Total finance income	**17**	**84**
Interest expense on secured bank loans	(1,468)	(1,359)
Net unrealised loss in fair value of derivatives	-	(64)
Interest expense on lease liabilities	(1,580)	(1,631)
Total finance costs	**(3,048)**	**(3,054)**
Net finance costs	**(3,031)**	**(2,970)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

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.

(a) Income tax expense	Group 2024 $000's	Group 2023 $000's
Profit/(Loss) before income tax	(68)	(275)
Adjustments:		
- Non-deductible entertainment	4	8
- Temporary Differences	(275)	(63)
Taxable loss	**(339)**	**(330)**
Current period tax expense @ 28%	**(95)**	**(92)**
Prior period adjustment	-	-
Income tax benefit	**(95)**	**(92)**
Comprising:		
Current tax expense	15	(326)
Deferred tax expense		
Origination and reversal of temporary differences	(110)	234
Total income tax benefit	**(95)**	**(92)**

(b) Reconciliation of effective tax rate	Group 2024 %	Group 2024 $000's	Group 2023 %	Group 2023 $000's
Net Profit/(Loss)		27		(183)
Total income tax benefit		(95)	-	(92)
Profit/(Loss) before income tax		(68)		(275)
Income tax rate	28.0%	(19)	28.0%	(77)
Non-deductible entertainment	(1.2%)	1	(0.9%)	3
Temporary differences	113.3%	(77)	6.4%	(18)
	140.1%	**(95)**	**33.6%**	**(92)**

At 30 June 2024 the Group had an available imputation credit balance of $4,801,250 (2023: $4,866,962).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

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. Deferred tax assets and liabilities are offset if certain criteria are met.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2024 $000's	2023 $000's	2024 $000's	2023 $000's	2024 $000's	2023 $000's
Property, plant and equipment	-	-	(1,398)	(1,582)	(1,398)	(1,582)
Inventory	-	-	(52)	(8)	(52)	(8)
Finance lease receivable	18	37	-	-	18	37
Trade and other payables	66	77	-	-	66	77
Deferred tax assets / (liabilities)	**84**	**114**	**(1,450)**	**(1,590)**	**(1,366)**	**(1,476)**

Movement in temporary differences during the year

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

Group 2024	Balance 1 July 2023	Recognised in P&L	Balance 30 June 2024
	$000's	$000's	$000's
Property, plant and equipment	(1,582)	184	(1,398)
Inventory	(8)	(44)	(52)
Finance lease receivable	37	(19)	18
Trade and other payables	77	(10)	66
	(1,476)	**111**	**(1,366)**

Group 2023	Balance 1 July 2022	Recognised in P&L	Balance 30 June 2023
	$000's	$000's	$000's
Property, plant and equipment	(1,342)	(240)	(1,582)
Inventory	(8)	-	(8)
Finance lease receivable	10	27	37
Trade and other payables	98	(21)	77
	(1,242)	**(234)**	**(1,476)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

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.

Group 2024 **$000's**	**Transmission equipment and network hardware**	**Assets under construction**	**Computer equipment**	**Office equipment, furniture and fittings**	**Leasehold improvements**	**Freehold Property**	**Total**
Cost							
Balance at 1 July 2023	114,816	2,858	5,098	659	1,413	100	124,944
Additions	508	2,328	-	-	-	-	2,836
Disposals	(1,193)	(4)	-	-	-	-	(1,197)
Transfers	3,333	(4,194)	801	25	35	-	0
Balance at 30 June 2024	**117,464**	**988**	**5,899**	**684**	**1,448**	**100**	**126,583**
Depreciation and impairment losses							
Balance at 1 July 2023	(76,857)	-	(5,024)	(544)	(942)	-	(83,367)
Depreciation for the year	(4,437)	-	(53)	(30)	(106)	-	(4,626)
Disposals	1,194	-	-	-	-	-	1,194
Balance at 30 June 2024	**(80,100)**	**-**	**(5,077)**	**(574)**	**(1,048)**	**-**	**(86,799)**
Carrying amounts							
At 1 July 2023	37,959	2,858	74	115	471	100	41,577
At 30 June 2024	**37,364**	**988**	**822**	**110**	**400**	**100**	**39,784**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

13 Property, plant and equipment (continued)

Group 2023 $000's	Transmission equipment and network hardware	Assets under construction	Computer equipment	Office equipment, furniture and fittings	Leasehold improvements	Freehold Property	Total
Cost							
Balance at 1 July 2022	142,274	4,797	4,569	466	944	100	153,150
Additions	-	3,493	-	-	-	-	3,493
Disposals	(31,699)	-	-	-	-	-	(31,699)
Transfers	4,241	(5,432)	529	193	469	-	-
Balance at 30 June 2023	**114,816**	**2,858**	**5,098**	**659**	**1,413**	**100**	**124,944**
Depreciation and impairment losses							
Balance at 1 July 2022	(104,794)	-	(4,390)	(384)	(651)	-	(110,220)
Depreciation for the year	(4,067)	-	(229)	(31)	(95)	-	(4,422)
Disposals	31,274	-	-	-	-	-	31,274
Transfers	730	-	(405)	(129)	(196)	-	-
Balance at 30 June 2023	**(76,857)**	**-**	**(5,024)**	**(544)**	**(942)**	**-**	**(83,368)**
Carrying amounts							
At 1 July 2022	37,480	4,797	179	82	292	100	42,930
At 30 June 2023	**37,959**	**2,858**	**74**	**115**	**471**	**100**	**41,577**

Impairment loss

The Group reassesses the carrying values of the property, plant and equipment at each reporting period, with a view to ensure the carrying value does not exceed the recoverable value of the assets. This review has confirmed that there is currently no need for an impairment adjustment.

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 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 and adjusted if appropriate, at each reporting date.

14 Leases

Leases as Lessee

The Group leases sites and space in various locations in order to deliver its 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).

(a) Right of use Assets

Right of use assets are measured at the amount equal to the lease liability, adjusted by the amount of any lease incentives received or restoration costs estimated. These assets are depreciated on a straight-line basis over the lease term or the estimated useful life of the underlying leased 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 periodically reduced by impairment losses, if any, or adjusted for certain remeasurement of lease liabilities.

Group $000's	Network Assets	Land and Buildings	Motor Vehicles	Total
Balance at 1 July 2023	17,829	1,491	489	19,809
Additions/Amendments	377	17	272	666
Disposals	(629)	-	-	(629)
Depreciation	(3,320)	(440)	(190)	(3,950)
Closing balance at 30 June 2024	**14,257**	**1,068**	**571**	**15,896**
Balance at 1 July 2022	22,745	1,326	164	24,235
Additions/Amendments	-	606	558	1,164
Disposals	(1,027)	-	(182)	(1,209)
Depreciation	(3,889)	(441)	(51)	(4,381)
Closing balance at 30 June 2023	**17,829**	**1,491**	**489**	**19,809**

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 associated with these leases are expensed to profit and loss on a straight line basis over the lease term.

Additions to network assets are primarily driven by investment into the trunking radio network which has extended the useful life.

i. Amounts Recognised in Statement of Comprehensive Income

	$000's
2024 - Leases under NZ IFRS 16	
Interest on lease liabilities	1,580
Expenses relating to short term/low value leases	-
Depreciation of right of use assets	3,950
2023 - Leases under NZ IFRS 16	
Interest on lease liabilities	1,631
Expenses relating to short term/low value leases	15
Depreciation of right of use assets	4,381

ii. 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.

Principal Payment on Lease Liabilities	
Total cash outflow for leases for the year ended 30 June 2024	4,855
Total cash outflow for leases for the year ended 30 June 2023	5,131

14 Leases (continued)

(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 Group's incremental borrowing rate. The average incremental borrowing rate applied to the lease liabilities was 6.58% (2023: 5.34%). 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	**Group 2024 $000's**	**Group 2023 $000's**
Less than one year	2,606	3,608
Between one to two years	2,655	2,494
Between two to five years	6,858	6,652
Greater than five years	5,620	8,575
	17,739	**21,329**

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 2024 $000's	**Group 2023 $000's**
Radio & Data units	73	71
Broadband network components	487	462
Wireless and Mobile Radio network components	750	809
Closing balance at 30 June	**1,310**	**1,342**

In 2024 the Group sold inventory with a carrying value amounting to $455,022, recognised as part of operating costs (2023: $311,850). The remainder is held for use by the Group.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

16 Capital and reserves

Share capital

The Group has 41,548,318 fully paid no par value shares on issue at balance date (2023: 41,548,318). The holders of ordinary shares are entitled to receive dividends as declared. Votes are cast on the basis of the number of shares. All shares rank equally with regard to the Group's residual assets.

Shares on issue	2024 number of shares	2023 number of shares	2024 $000's	2023 $000's
Opening balance at 1 July	41,548,318	41,548,318	68,569	68,569
Issue of Ordinary Shares	-	-	-	-
Closing balance at 30 June	**41,548,318**	**41,548,318**	**68,569**	**68,569**

Dividends

No dividends have been declared or recognised in the current year (2023: Nil).

17 Share based payments

The share based payment reserve records the accumulated value of the long term incentive plan which has been recognised in the Statement of Comprehensive Income. The fair value is measured at grant date and recognised over the vesting period. The fair value of shares granted is recognised as an employee benefit expense, with a corresponding increase in equity. Amounts accumulated in the share based payment reserve are transferred to share capital on redemption of the share options, or to retained earnings where they are forfeited.

On 3 March 2023, the Board established an Employee Share Option Plan as a long term incentive for key employees. The initial tranche of 950,000 share options were granted, providing these employees with the opportunity to acquire shares after three years at an exercise price of $0.32 per share. The options will lapse after eighteen months from the date of vesting or upon resignation. The number of share options to be granted is capped at 5% of the total number of ordinary shares. The Group has valued these options using the Black Scholes pricing model with an expected weighted-average volatility of 51 % and a riskfree interest rate of 5.25%.

A second tranche of 190,000 share options were granted on 4 March 2024 providing these employees with the opportunity to acquire shares after three years at an exercise price of $0.32 per share. The options will lapse after eighteen months from the date of vesting or upon resignation. The Group has valued these options using the Black Scholes pricing model with an expected weighted-average volatility of 41 .4% and a risk-free interest rate of 5.5%.

At 30 June 2024, all 1,140,000 share options remain on issue. No liability has been recognised for the Share Options at 30 June 2024 (2023: Nil).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

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 Group 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.

There are 1,140,000 dilutive equity instruments on issue at the end of the year relating to the Employee Share Option Plan at 30 June 2024 (2023: 950,000).

	Group 2024 $000's	Group 2023 $000's
Profit /(Loss) attributable to ordinary shareholders	27	(183)
Weighted average number of ordinary shares	in shares	in shares
Issued ordinary shares at 1 July	41,548,318	41,548,318
Number of shares issued during the year	-	-
Issued ordinary shares at 30 June	41,548,318	41,548,318
Weighted average number of ordinary shares for the period	**41,548 318**	**41,548 318**

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:

Weighted number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	41,548,318	41,548,318
Effect of the Employee Share Option Plan	1,140,000	950,000
Weighted average number of ordinary shares for the period (fully diluted)	**42,561,651**	**41,864,985**
Basic earnings per share ($)	**$0.001**	**($0.004)**
Basic and Diluted earnings per share ($)	**$0.001**	**($0.004)**

19 Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs that are directly attributable to the issue of the instruments. Loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Fair value hierarchy

Loans and borrowings 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).

If the secure bank loan was carried at fair value, it would be categorised as Level 2 in the fair value hierarchy.

Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

	Group 2024 $000's	Group 2023 $000's
Non-current liabilities		
Secured bank loan	12,600	14,000
Current liabilities		
Bank overdraft	717	-
Total loans and borrowings	**13,317**	**14,000**

The terms and conditions of outstanding loans are as follows:

Group	Nominal interest rate	Year of maturity	Fair value 2024 $000's	Carrying amount 2024 $000's	Fair value 2023 $000's	Carrying amount 2023 $000's
Secured bank loan	BKBM plus margin	2026	12,600	12,600	14,000	14,000
Total interest-bearing liabilities			**12,600**	**12,600**	**14,000**	**14,000**

Secured Bank Loan

The Group has secured funding facilities with Bank of New Zealand, at 30 June 2024, with a combined limit of $15.6 million and a maturity of January 2026 (2023: Facility with Bank of New Zealand Limited, $17 .0 million and January 2025).

The secured bank loan is subject to financial covenants such as debt coverage and interest coverage and event of default triggers. The Group has complied with the requirements set out in the funding agreement in the years ended 30 June 2024 and 30 June 2023.

The BNZ facility is secured by way of a first ranking security over the Group's assets and undertakings.

The Group has a total amount of $329,100 guaranteed on their behalf by Bank of New Zealand to secure vendor and customer contracts (2023: $310,000, BNZ).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

20 Trade and other payables

	Group 2024 $000's	Group 2023 $000's
Non-current other payables		
Other payables and accruals	496	-
Total non-current other payables	**496**	**-**
Current trade and other payables		
Trade creditors	1,294	1,908
Employee entitlements	957	958
Other payables and accruals	1,075	1,506
Total current trade and other payables	**3,326**	**4,372**
Total trade and other payables	**3,822**	**4,372**

Employee entitlements are expensed as the related service is provided. The employee benefit obligations are measured based on an undiscounted basis.

21 Contingent liability

At balance date the Group had no contingent liabilities (2023: Nil).

22 Capital commitments

At 30 June 2024, the Group has $278,500 of capital commitments relating to the delivery of services contracted to customers and other network infrastructure (2023: $255,000).

23 Reconciliation of the profit/(loss) for the period with the net cash flow from operating activities

	Note	Group 2024 $000's	Group 2023 $000's
Profit /(Loss) for the period (after tax)		**27**	**(183)**
Adjustments for:			
Depreciation, amortisation and impairment	6	8,901	8,803
Loss on derivatives		-	64
Decrease of reserve		-	(446)
Prepaid services utilisation		56	75
(Decrease)/increase in bad debt provision		(74)	56
Interest income	10	141	84
(Decrease)/increase in deferred income		(744)	283
Deferred tax movement	11	(110)	234
		8,170	9,153

23 Reconciliation of the profit/(loss) for the period with the net cash flow from operating activities (continued)

Decrease/(increase) in prepayments		(41)	236
Decrease in trade and other receivables		169	134
Decrease/(increase) in inventory	15	32	(36)
Decrease/(increase) in deferred expenses		(7)	12
Decrease in trade and other payables		(1,039)	(1,840)
Decrease in income tax payable	11	56	366
		(830)	(1,128)
Net cash from operating activities		**7,367**	**7,842**

24 Related party transactions

Transactions with key management personnel

Key management personnel compensation

Key Group management personnel (KMP) compensation comprised $1,568,459 for the year ended 30 June 2024 (2023: $1,494,105). KMP compensation includes short term and long term benefits of $145,250 (2023: $105,000), and termination benefits of Nil (2023: Nil). The compensation during the period includes payments to former employees. This excludes fees paid to directors of $138,750 (2023: $207,605).

As part of the Employee Share Option Plan, the Group granted 190,000 share options to members of the executive during the year in addition to the 950,000 shares granted in 2023. At 30 June 2024, all 1,140,000 share options remain on issue.

Chief Executive remuneration

Group 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. Group CEO remuneration is reviewed annually by the Remuneration Committee following the review of the Group 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. FY24 targets are based on revenue, EBITDA, free cash flow and employee culture.

Long Term Incentive - to balance the short term and long term success of the Group, the CEO is eligible for a LTI Scheme through the Employee Share Option Plan. 380,000 share options were granted to the Group CEO on 3 March 2023, with a vesting period of three years and an exercise price of $0.32. If acquired, the options will be distributed in the form of shares issues to the post-tax value of the LTI.

	Fixed Remuneration			Pay for Performance			
Jason Bull (CEO)	**Salary**	**Non-Taxable Benefits**	**Subtotal Remuneration**	**STI**	**LTI**	**Subtotal Performance**	**Total Remuneration**
FY24	395,634	-	395,634	75,000	-	75,000	470,634
FY23	388,984	-	388,984	75,000	-	75,000	463,984

Other transactions with key management personnel

Directors of the Group Companies control 3.25% of the voting shares of the Company (2023: 3.25%).

Transactions and balances with related parties

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

The Directors of the Company received fees totalling $138,750 during the period (2023: $207,605). Director of the subsidiary companies received no director fees during the period (2023: Nil).

Group entities	**Country of**	**Ownership Interest (%)**		**Balance**	**Activities**
Wholly owned subsidiaries	**incorporation**	**2024**	**2023**	**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 Chorus, Spark New Zealand, Downer EDI, Ventia, Nokia, and Powerco. Chorus and Spark house a material portion of the Company's equipment and provide basic linking services and access to sites on which the Group'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, liquidity and interest rate risks arise 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 and advances to third parties.

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 secured bank loans.

Interest rate risk
The Group may enter 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, loans and borrowings and finance leases.

The Group may hedge its long term borrowing by fixing or capping the rates of interest payable in order to provide greater certainty. The Group can choose to manage its interest rate risk by using interest rate swaps and interest rate options to hedge floating rate debt.

Climate risk
In preparing the financial statements, management has considered climate-related risks and disclosed as required when the effect of those matters is material in the context of the financial statements taken as a whole. As at and for the year ended 30 June 2024 there was no material impact of climate related risks on the financial statements.

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.

26 Financial Instruments (continued)

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

Carrying amount	Group 2024 $000's	Group 2023 $000's
Wireless	1,698	1,961
Wired	1,145	990
Trade and other receivables	**2,843**	**2,951**

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

Group	Gross receivable 2024 $000's	Impairment 2024 $000's	Gross receivable 2023 $000's	Impairment 2023 $000's
Trade receivables				
Not past due	2,739	-	2,860	-
Past due 0-30 days	74	-	49	-
Past due 31-90 days	71	(41)	87	(45)
Past due > 90 days	53	(53)	122	(122)
Total	**2,937**	**(94)**	**3,118**	**(167)**

(b) Liquidity risk

The following are the remaining contractual maturities of financial liabilities (including derivatives) at the reporting date. The amounts are gross and undiscounted (and include contractual interest payments).

Group 2024	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	12,600	14,447	693	681	13,073	-
Trade and other payables	3,553	3,553	3,553	-	-	-
Total non-derivative liabilities	**16,153**	**18,000**	**4,246**	**681**	**13,073**	**-**

Group 2023	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	16,017	755	747	14,515	-
Trade and other payables	4,372	4,372	4,372	-	-	-
Total non-derivative liabilities	**18,372**	**20,389**	**5,127**	**747**	**14,515**	**-**

(c) Interest rate risk – repricing analysis

Group 2024 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
Trade and other receivables	2,843	-	-	-	-	2,843
Finance lease receivables	29	10	7	10	2	-
Bank overdraft	(717)	(717)	-	-	-	-
Secured bank loans	(12,600)	(12,600)	-	-	-	-
Total fixed and variable rate instruments	**(10,445)**	**(13,307)**	**7**	**10**	**2**	**2,843**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

26 Financial Instruments (continued)

Group 2023 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	503	503	-	-	-	-
Trade and other receivables	2,951	-	-	-	-	2,951
Finance lease receivables	35	11	8	12	4	-
Secured bank loans	(14,000)	(14,000)	-	-	-	-
Total fixed and variable rate instruments	**(10,511)**	**(13,486)**	**8**	**12**	**4**	**2,951**

(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 Group 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 and implementing strategies when suitable. Over the longer-term, however, permanent changes in interest rates will have an impact on profit.

At 30 June 2024, 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.

(f) Fair Values versus Carrying Amounts

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

Estimation of fair values

The methods used in determining the fair values of financial instruments are discussed in Note 5 and below.

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. 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

On 26th August, Empire Technology Limited (Empire) gave notice pursuant to Rule 41 of the Takeovers Code (the Code) of its intention to make a partial takeover offer for 50.01% of the fully paid ordinary shares in Vital Limited (Vital), at an offer price of NZ$0.375 per share.

Code of Corporate Governance

For the year ended 30 June 2024

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 four directors of which all, including the chair, are independent directors.

The Chair 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, NZX 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, Remuneration and Vital Data Limited. 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 James Sclater, the other members are Susan Freeman-Greene, and John McMahon (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 Susan Freeman-Greene, the other members being James Sclater and John McMahon (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 Group unless approved by the Audit sub-committee.

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

The Group 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 Group's constitution and the NZX 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 Group'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 Group's shares by directors and officers must be approved in advance of any trades.

KPMG

Independent Auditor's Report

To the Shareholders of Vital Limited (**Group**)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2024;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended;
- notes, including material accounting policy information and other explanatory information

In our opinion, the accompanying consolidated financial statements of Vital Limited (the **Company**) and its subsidiaries (the **Group**) on pages 15 to 38 present fairly in all material respects:

- the Group's financial position as at 30 June 2024 and its financial performance and cash flows for the year ended on that date; and
- In accordance with New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**) issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards issued by the International Accounting Standards Board.

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 Vital Limited 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 provided other services to the Group in relation to tax 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 consolidated financial statements as a whole was set at $400,000 determined with reference to a benchmark of the Group's EBITDA. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

KPMG

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 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
Revenue Recognition – NZ IFRS 15	
Refer to Note 7 of the Financial Statements. Revenue Recognition is considered to be a key audit matter due to the significance of revenue to the financial statements. There are judgements made in relation to the timing and accuracy of revenue recognition for contracts containing more than one performance obligation. This risk is pronounced for new bespoke customer contracts.	Our audit procedures included: — Testing the overall design and operating effectiveness for key controls over revenue recognition; — Developing an expectation of revenue recognised for the period through adjusting cash receipts for movements in deferred income and accounts receivable; — Assessing the accuracy of the Group's revenue billing systems by vouching key details to a sample of revenue contracts; — Selecting a sample of new bespoke customer contracts and assessing treatment against the Group's revenue recognition policy and NZ IFRS 15; and — Evaluating whether the credit notes issued after year-end are recognised in the correct period.
Property, plant and equipment impairment assessment	

Refer to Note 13 of the Financial Statements.
 	
The carrying value of the Group's property, plant and equipment was $39.8 million as at 30 June 2024. At each reporting date the Group assesses if there are any indicators of impairment relating to its carrying value of property, plant and equipment.
 	
Given the carrying value of the net assets exceeded the Group's market capitalisation, an indicator of impairment was identified and an impairment test performed for each cash-generating unit ("CGU").
 	
Determining the recoverable amount of the CGUs requires management to make assumptions relating to the discount rate, forecast financial performance, and terminal growth rates (amongst other factors) used in the valuation models. These assumptions are subject to estimation uncertainty and requires management judgement.
	Our audit procedures included:
	— Reviewing management's assessment of indicators of impairment against the requirements of the applicable financial reporting framework;
	— Evaluating the appropriateness of management's identification of the Group's CGUs;
	— In conjunction with our valuation specialists, assessing the reasonableness of key assumptions, including:
	    — forecast financial performance;
	    — the discount rate; and
	    — terminal growth rate
	— Checking the appropriateness and accuracy of the methodology applied to determine the recoverable amount for each CGU; and
	— Performing sensitivity analysis over reasonably possible changes in key assumptions.

KPMG

Other information

The Directors, on behalf of the Group, are responsible for the other information. The other information comprises information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated.

If, based on the work we have performed, we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the Shareholders. 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, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees, accept or assume any responsibility and deny all liability to anyone other than the Shareholders for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of Directors for the consolidated financial statements

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

- the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards issued by the International Accounting Standards Board;
- implementing the necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error;
- assessing the ability of the Group 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 consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole 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 it 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 the consolidated financial statements.

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

https://www.xrb.govt.nz/standards/assurance-standards/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 Gavin Silva.

For and on behalf of:

KPMG

KPMG
Wellington
26 August 2024

Statatory Information

For the year ended 30 June 2024

Board of Directors

The following persons were Directors of Vital Limited as at 30 June 2024:

Director	
John McMahon	Independent Chair
Susan Freeman-Greene	Independent Director
James Sclater	Independent Director

The following persons were Directors of Vital Data Limited as at 30 June 2024:

Director	
Jason Bull	Chair

Remuneration of Directors

The table below sets out the total of the remuneration and the value of other benefits received by each Director or former Director during the financial year to 30 June 2024. There were no changes to the individual fees paid per Director during FY24.

Director ($'000)	Board Fees	Other Fees	Total Directors Fees FY24	Current Director or Date Appointed /Resigned
John McMahon	60.00	-	60.00	Current Director
Susan Freeman-Greene	35.00	-	35.00	Current Director
James Sclater	35.00	-	35.00	Current Director
Mike Shirley	8.75	-	8.75	Resigned effective 30 September 2023
Total	**138.75**	**-**	**138.75**	

Disclosure of Interest by Directors

In accordance with Section 140(2) of the Companies Act 1993 the Group maintains an interests register in which Directors interests are recorded. The following are particulars of general disclosures of interest by Directors holding office at 30 June 2024.

John McMahon

Entity	Relationship
AoFrio Limited	Director & Shareholder
Meta Capital Limited	Director & Shareholder
NZX Limited	Chair & Shareholder
Solution Dynamics Limited	Chair & Shareholder

Susan Freeman-Greene

Entity	Relationship
Equip GP Limited	Director
Local Government New Zealand	Chief Executive Officer
Tāwhiri (New Zealand Festival of Arts)	Director

Statutory Information

For the year ended 30 June 2024

James Sclater

Entity	Relationship
10 Petone Avenue Ltd	Director
18D Neilpark Drive Ltd	Director
20 Neilpark Drive Ltd	Director
78 Cryers Road Ltd	Director
90 Cryers Road Ltd	Director
Damar Industries Ltd	Director
Jamiga Investments Ltd	Director & Shareholder
Laterley Investments Ltd	Director & Shareholder

Entity	Relationship
Pukeko Commercial Properties Ltd	Director
Salus Aviation Limited	Director & Shareholder
Winnter Finance Ltd	Director
Winnter Forest 2 Ltd	Director
Winnter Forest Ltd	Director
Winnter Marina Ltd	Director
Winnter Nominee Ltd	Director
Winnter Trustees Ltd	Director

Directors' Shareholdings Interests

As at 30 June 2024, the Directors of the Group had the following relevant interests in the Group's share.

Director	Number of ordinary shares	Registered Holder(s)	Transactions during the period
John McMahon	1,173,233	ASB Nominees Limited	Nil
Susan Freeman-Greene	Nil		Nil
James Sclater	108,166	Hauraki Trust and Kailua Trust	Nil

Employees' Remuneration

The number of employees of the Group (not being directors of the Group) who received remuneration and other benefits in their capacity as employees during the year ended 30 June 2024 that in value was or exceeded $100,000 per annum is set out in the table below.

The remuneration amounts include all monetary amounts and benefits actually paid during the year.

	2024	2023
$100,000 - $109,999	12	11
$110,000 - $119,999	5	1
$120,000 - $129,999	-	5
$130,000 - $139,999	5	2
$140,000 - $149,999	4	2
$150,000 - $159,999	1	1
$160,000 - $169,999	1	2
$170,000 - $179,999	2	3
$180,000 - $189,999	3	1
$190,000 - $199,999	2	1
$200,000 - $209,999	-	2
$240,000 - $249,999	1	-
$290,000 - $299,999	1	-
$310,000 - $319,000	-	1
$320,000 - $329,999	-	1
$450,000 - $459,999	1	1

Statutory Information

For the year ended 30 June 2024

Gender Composition of Directors and Officers

As required by NZX 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 2024	**Male**	**Female**	**Male**	**Female**
Vital Limited	2	1	1	-
Vital Data Limited	1	-	1	-

	Directors		Officers	
As at 30 June 2023	**Male**	**Female**	**Male**	**Female**
Vital Limited	3	1	1	-
Vital Data Limited	1	-	1	-

Attendance at Board Meetings

Board Meeting Attendance	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Meeting Held	**N**	**Y**	**Y**	**Y**	**Y**	**Y**	**N**	**Y**	**Y**	**Y**	**Y**	**Y**
John McMahon (Chair)		Y	Y	Y	Y	Y		Y	Y	Y	Y	Y
Susan Freeman-Greene		Y	Y	Y	Y	Y		Y	Y	Y	Y	Y
James Sclater		Y	Y	Y	Y	Y		Y	Y	Y	Y	Y
Michael Shirley		Y	Y									

Total Board Meetings Held	**10**	
John McMahon	10	Current Chair
Susan Freeman-Greene	10	Current Director
James Sclater	10	Current Director
Mike Shirley	2	Resigned effective 30 September 2023

Shareholder Information

For the year ended 30 June 2024

Shareholding

The names and holdings of the twenty largest registered shareholders in the Group as at 1 July 2024 were:

Investor Name	Ordinary Shares	% Issued Capital
Asset Management Partners Limited	2,776,187	6.68%
Ronald James Woodrow	2,036,578	4.90%
Accident Compensation Corporation	1,791,597	4.31%
Brian Winston Jackson	1,718,392	4.14%
Barry William Payne & Sandra Tui Payne & Tes (1993) Limited	1,585,941	3.82%
New Zealand Permanent Trustees Limited	1,556,632	3.75%
Andrew John Fleck	1,200,000	2.89%
ASB Nominees Limited	1,173,233	2.82%
Andrew Mark Miller & Eleanor Jane Miller	1,134,104	2.73%
New Zealand Depository Nominee	1,119,372	2.69%
Mmc Queen Street Nominees Ltd Acf Salt Long Short Fund	1,083,483	2.61%
Maarten Arnold Janssen	1,080,144	2.60%
Donald Ford Franklin	901,413	2.17%
Faith Palairet & Stephen Palairet	705,116	1.70%
FNZ Custodians Limited	676,666	1.63%
Mmc Queen Street Nominees Ltd Acf Salt Funds Management	668,000	1.61%
Custodial Services Limited	664,428	1.60%
Ian Graham Douglas & Anna Kristin Douglas	602,278	1.45%
Selenium Corporation Limited	600,000	1.44%
Amy Amelia Orr	420,000	1.01%
		56.55%

Size of Holdings

The details set out below were as at 1 July 2024:

Range	Number of Holders	%	Number of Ordinary Shares	% Issued Capital
1-1000	76	8.33%	49,518	0.12%
1001-5000	330	36.18%	956,775	2.30%
5001-10000	178	19.52%	1,365,928	3.29%
10001-50000	239	26.21%	5,564,427	13.39%
50001-100000	41	4.50%	2,987,649	7.19%
Greater than 100000	48	5.26%	30,624,021	73.71%
	912	100.00%	41,548,318	100.00%

Substantial Security Holders

Pursuant to section 293 of the Financial Markets Conduct Act 2013, there was one subsantial security holder as at 30 June 2024 (2023:Nil).

Investor Name	Ordinary Shares	% Issued Capital
Asset Management Partners Limited	2,776,187	6.68%

Details of transactions and events giving rise to substantial holding changes are reported in NZX disclosure notices dated 21 May 2024 and 30 May 2024.

Corporate Directory

Registered Office

Level 6, 25-27 Cambridge Terrace,
Te Aro, Wellington, 6011, New Zealand

Head Office

Level 6, 25-27 Cambridge Terrace,
Te Aro, Wellington, 6011, New Zealand
Phone: 0800 101 900
www.vital.co.nz

Branches

AUCKLAND

2 Robert Street, Ellerslie,
Auckland, 1051, New Zealand

CHRISTCHURCH

7A Vulcan Place, Middleton,
Christchurch, 8024, New Zealand

Subsidiaries

Vital Data Limited

Level 6, 25-27 Cambridge Terrace,
Te Aro, Wellington, 6011, New Zealand
Phone: 0800 101 900
www.vital.co.nz

Auditors

KPMG
44 Bowen Street, Wellington,
New Zealand

Solicitors

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

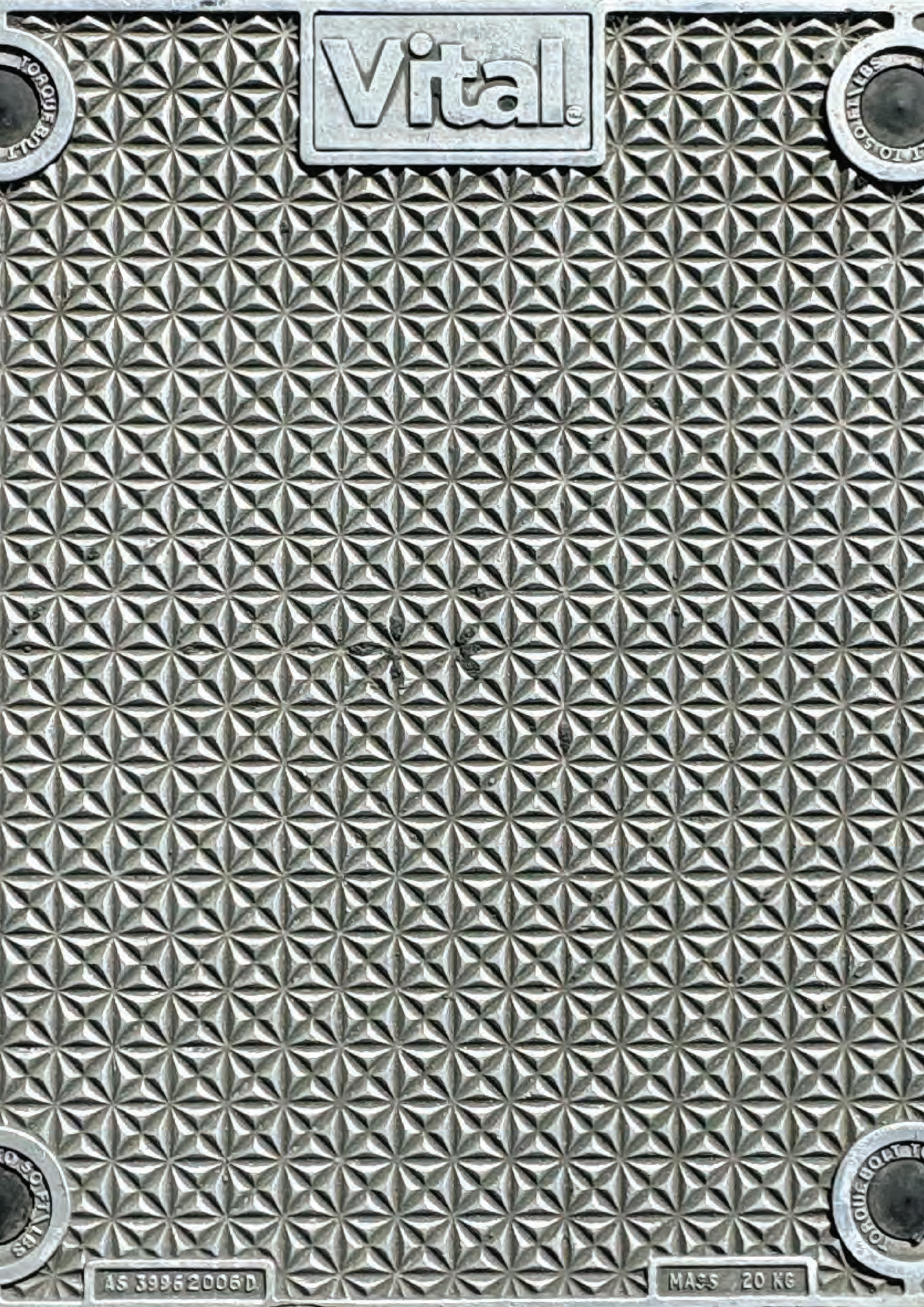
Bankers

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

Registrar

MUFG Pension & Market Services
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.


Vital
TORQUE BOLT
TO 50 FT LBS
AS 3996 2006 D
MASS 20 KG