



Consolidated Interim Financial Statements

► For the six months ended 31 December 2022

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Condensed Consolidated Statement of Comprehensive Income

► For the six months ended 31 December 2022

Group	Note	Six Months Ended		Year Ended
		31 Dec 2022 (Unaudited)	31 Dec 2021 (Unaudited)	30 Jun 2022 (Audited)
NZD \$000s				
Revenue	8	13,681	16,230	30,719
Operating costs		(7,618)	(10,468)	(19,613)
Gross profit		6,063	5,762	11,106
Other income	8	467	271	737
Administrative expenses		(5,361)	(6,421)	(12,494)
Profit/(Loss) before impairment of goodwill, interest and tax		1,169	(388)	(651)
Impairment of goodwill		-	-	(17,038)
Profit/(Loss) before interest and tax		1,169	(388)	(17,689)
Finance income	9	73	176	270
Finance expenses	9	(1,514)	(898)	(2,464)
Net finance costs		(1,441)	(722)	(2,194)
Profit/(Loss) before tax		(273)	(1,110)	(19,883)
Income tax benefit/(expense)		83	311	790
Net Profit/(Loss)		(190)	(799)	(19,093)
Attributable to:				
Equity holders of the Company		(190)	(799)	(19,093)
Earnings per share				
Basic earnings per share	11	(\$0.005)	(\$0.019)	(\$0.460)
Diluted earnings per share	11	(\$0.005)	(\$0.019)	(\$0.460)

Condensed Consolidated Statement of Changes in Equity

► For the six months ended 31 December 2022

Group	Note	Share Based			Total Equity
		Share Capital	Payment Reserve	Retained Earnings	
NZD \$000s					
Balance at 1 July 2021		68,445	689	(27,351)	41,783
Profit/(Loss) for the period		-	-	(799)	(799)
Total recognised income and expense for the period		-	-	(799)	(799)
Dividends to equity holders	10	-	-	(835)	(835)
Issue of Ordinary Shares		124	(124)	-	-
Total transactions with owners		124	(124)	(835)	(835)
Balance at 31 December 2021 (Unaudited)		68,569	565	(28,985)	40,149
Balance at 1 July 2021		68,445	689	(27,351)	41,783
Profit/(Loss) for the period		-	-	(19,093)	(19,093)
Total recognised income and expense for the period		-	-	(19,093)	(19,093)
Dividends to equity holders	10	-	-	(835)	(835)
Issue of Ordinary Shares		124	(124)	-	-
Share Based Payments Movement		-	(565)	378	(187)
Total transactions with owners		124	(689)	(457)	(1,022)
Balance at 30 June 2022 (Audited)		68,569	-	(46,902)	21,667
Balance at 1 July 2022		68,569	-	(46,902)	21,667
Profit/(Loss) for the period		-	-	(190)	(190)
Total recognised income and expense for the period		-	-	(190)	(190)
Dividends to equity holders	10	-	-	-	-
Issue of Ordinary Shares		-	-	-	-
Total transactions with owners		-	-	-	-
Balance at 31 December 2022 (Unaudited)		68,569	-	(47,092)	21,477

Condensed Consolidated Statement of Financial Position

► As at 31 December 2022

Group	Note	As At 31 Dec 2022 (Unaudited)	As At 31 Dec 2021 (Unaudited)	As At 30 Jun 2022 (Audited)
NZD \$000s				
Non-current assets				
Property, plant and equipment		42,446	42,813	42,930
Goodwill		-	17,038	-
Right of use asset	12	22,093	16,305	24,235
Prepayments		94	271	131
Total non-current assets		64,633	76,427	67,269
Current assets				
Trade and other receivables		2,974	3,133	3,153
Finance lease receivable		23	25	16
Prepayments		1,142	918	978
Inventory		1,242	1,060	1,306
Cash and cash equivalents		752	1,201	1,297
Total current assets		6,132	6,337	6,750
Total assets		70,765	82,764	74,046
Equity				
Ordinary share capital		68,569	68,569	68,569
Retained earnings & other reserves		(47,092)	(28,420)	(46,902)
Total equity		21,447	40,149	21,667
Non-current liabilities				
Secured bank loan		14,000	14,850	14,500
Lease liabilities	12	19,674	13,442	21,436
Sale and lease back liability		985	-	1,373
Deferred income		1,289	136	841
Derivatives		-	-	(63)
Deferred tax liabilities		1,431	925	1,242
Total non-current liabilities		37,380	29,353	39,329
Current liabilities				
Trade and other payables		5,638	5,510	6,236
Lease liabilities	12	3,739	3,595	3,843
Sale and lease back liability		763	-	750
Deferred income		2,510	3,622	2,621
Derivatives		-	16	-
Current tax payable		(742)	519	(400)
Total current liabilities		11,908	13,262	13,050
Total equity and liabilities		70,765	82,764	74,046

On behalf of the Board of Directors

John McMillan

Director
21 February 2023

J. S. H. C.

Director
21 February 2023

Condensed Consolidated Statement of Cash Flows

► For the six months ended 31 December 2022

Group	Note	Six Months Ended 31 Dec 2022 (Unaudited)	31 Dec 2021 (Unaudited)	Year Ended 30 Jun 2022 (Audited)
NZD \$000s				
Cash flows from operating activities				
Cash provided from:				
Receipts from customers		14,521	16,519	31,702
Net GST receipts/(payments)		(288)	165	245
		14,233	16,684	31,947
Cash applied to:				
Payments to suppliers and employees		(8,729)	(9,860)	(19,616)
Interest expense paid		(608)	(370)	(1,170)
Income tax paid		(70)	(100)	(212)
		(9,406)	(10,330)	(20,998)
Net cash flows from operating activities	14	4,827	6,354	10,949
Cash flows from investing activities				
Cash provided from:				
Finance lease interest income received		72	26	42
Repayment of finance lease receivables		12	-	44
		84	26	86
Cash applied to:				
Acquisition of property, plant and equipment		(1,698)	(2,090)	(6,119)
Acquisition of goods provided on finance leases as lessor		(19)	(27)	(10)
		(1,717)	(2,117)	(6,129)
Net cash flows from investing activities		(1,633)	(2,091)	(6,043)
Cash flows from financing activities				
Cash provided from:				
Proceeds from finance lease		-	-	2,185
		-	-	2,185
Cash applied to:				
Repayment of secured bank loan		(500)	(150)	(500)
Principal elements of lease payments		(3,239)	(2,690)	(5,072)
Dividends paid		-	(835)	(835)
		(3,739)	(3,675)	(6,407)
Net cash flows from financing activities		(3,739)	(3,675)	(4,222)
Net increase/(decrease) in cash and cash equivalents		(545)	588	684
Cash and cash equivalents at beginning of period		1,297	613	613
Cash and cash equivalents at end of period		752	1,201	1,297

Notes to the Condensed Consolidated Interim Financial Statements

► For the six months ended 31 December 2022

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 a FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act 2013.

The condensed consolidated interim financial statements of the Company as at, and for the six months ended, 31 December 2022, are unaudited and 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 Statement of compliance and basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. They do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Group as at, and for the year ended, 30 June 2022.

These condensed consolidated interim financial statements of the Group have been prepared in accordance with the New Zealand Companies Act 1993 and the Financial Markets Conduct Act 2013.

These condensed consolidated interim financial statements were approved by the Board of Directors on 21 February 2023.

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

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual financial statements as at, and for the year ended, 30 June 2022.

4 Changes in significant accounting policies

There are no new, revised or amended standards that have been issued but are not yet effective that would have a significant impact on the Group's financial statements.

5 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance.

6 Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements as at, and for the year ended, 30 June 2022.

7 Operating Segments

Group for the six months ended 31 December 2022	NZD \$000s	Wireless Networks	Wired Networks	Unallocated	Total
Operating revenue & other income					
- Sales to external customers		9,206	4,942	-	14,148
Total revenue		9,206	4,942	-	14,148
Costs					
- Costs paid to external suppliers		(5,106)	(2,465)	(927)	(8,498)
Total costs		(5,106)	(2,465)	(927)	(8,498)
EBITDA		4,100	2,477	(927)	5,650
Depreciation and amortisation		(3,334)	(1,148)	-	(4,481)
EBIT		767	1,329	(927)	1,169
Finance income				73	73
Finance expense				(1,514)	(1,514)
Net finance costs					(1,441)
Profit/(Loss) before tax					(273)
Income tax expense				83	83
Profit/(Loss)					(190)
Capital expenditure		1,349	350	-	1,699
Total assets		36,793	33,972	-	70,765
Total liabilities		24,167	11,121	14,000	49,288

Notes to the Condensed Consolidated Interim Financial Statements

► For the six months ended 31 December 2022

7 Operating Segments (continued)

Group for the six months ended 31 December 2021	NZD \$000s	Wireless Networks	Wired Networks	Unallocated	Total
Operating revenue & other income					
- Sales to external customers		11,399	5,102	-	16,501
Total revenue		11,399	5,102	-	16,501
Costs					
- Costs paid to external suppliers		(6,662)	(2,769)	(959)	(10,390)
Total costs		(6,662)	(2,769)	(959)	(10,390)
EBITDA		4,737	2,333	(959)	6,111
Depreciation and amortisation		(5,350)	(1,149)	-	(6,499)
EBIT		(613)	1,184	(959)	(388)
Finance income				176	176
Finance expense				(898)	(898)
Net finance costs					(722)
Profit/(Loss) before tax					(1,110)
Income tax expense				311	311
Profit/(Loss)					(799)
Capital expenditure		1,404	668	-	2,072
Total assets		36,016	46,748	-	82,764
Total liabilities		15,656	12,109	14,850	42,615

Group for the twelve months ended 30 June 2022	NZD \$000s	Wireless Networks	Wired Networks	Unallocated	Total
Operating revenue & other income					
- Sales to external customers		21,413	10,043	-	31,456
Total revenue		21,413	10,043	-	31,456
Costs					
- Costs paid to external suppliers		(13,562)	(4,339)	(2,389)	(20,289)
Total costs		(13,562)	(4,339)	(2,389)	(20,289)
EBITDA		7,851	5,704	(2,389)	11,166
Depreciation and amortisation		(9,349)	(2,468)	-	(11,817)
Impairment of goodwill		(5,386)	(11,652)	-	(17,038)
EBIT		(6,884)	(8,416)	(2,389)	(17,689)
Finance income				270	270
Finance expense				(2,464)	(2,464)
Net finance costs					(2,194)
Profit/(Loss) before tax					(19,883)
Income tax expense				790	790
Profit/(Loss)					(19,093)
Capital expenditure		3,821	1,305	-	5,126
Total assets		40,032	34,014	-	74,046
Total liabilities		26,516	11,363	14,500	52,379

Notes to the Condensed Consolidated Interim Financial Statements

► For the six months ended 31 December 2022

8 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.

For the six months ended 31 December Group NZD \$000s	Wireless Networks		Wired Networks		Total	
	2022	2021	2022	2021	2022	2021
Major Products/Service Lines						
Wireless Networks	8,352	8,855	-	-	8,352	8,855
Wired Networks	-	-	4,753	4,978	4,753	4,978
Installation	107	1,895	189	124	296	2,019
Hardware Sales	280	378	-	-	280	378
Other income	467	271	-	-	467	271
Total	9,206	11,399	4,942	5,102	14,148	16,501
Timing of Revenue Recognition						
Products transferred at a point in time	387	2,234	189	29	576	2,263
Products and Services transferred over time	8,819	9,165	4,753	5,073	13,572	14,238
Total	9,206	11,399	4,942	5,102	14,148	16,501

Group services provided to Customers

Wireless Networks

Nature, performance obligation and timing of revenue

Providing access to the Group's wireless networks to enable Voice and Data traffic. The Group recognises revenue as it provides this service to its customers. Revenue from Installations required to enable this access is recognised over the term of the contract for service. Billing in respect of fixed monthly charges billed in advance is deferred until the service has been provided and is treated as deferred revenue until that time.

Wired Networks

Providing access to the Group's wire networks to data traffic. The Group recognises revenue as it provides this service to its customers. Revenue from Installations required to enable this access is recognised over the term of the contract for service. Billing in respect of fixed monthly charges billed in advance is deferred until the service has been provided and is treated as deferred revenue until that time.

Installation

Providing services for the installation of hardware. This revenue is billed and recognised on a monthly basis 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.

9 Finance income and costs

Group NZD \$000s	Six Months Ended		Year Ended
	31 Dec 2022	31 Dec 2021	30 Jun 2022
Interest income	73	26	42
Interest expense on secured bank loans	(608)	(283)	(876)
Net unrealised gain/(loss) on fair value of derivatives	(63)	150	228
Interest expense on lease liabilities	(843)	(615)	(1,588)
Net finance costs	(1,441)	(722)	(2,194)

10 Capital and reserves

Share capital

The Company has 41,548,318 fully paid no par value shares on issue at balance date (Interim Dec 2021: 41,548,318; Full Year Jun 2022: 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 Company's residual assets.

Dividends

The following dividends were declared and paid by the Group for the period ended 31 December 2022:

Group NZD \$000s	Six Months Ended		Year Ended
	31 Dec 2022	31 Dec 2021	30 Jun 2022
Nil Interim Dividend For 2022 financial year (Interim Dec 2021: Nil).	-	-	-
Nil Final Dividend for 2022 financial year (Full Year Jun 2021: \$835,514).	-	835	835
	-	835	835

11 Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2022 was based on the profit or loss attributable to ordinary shareholders of the Company and a weighted average number of ordinary shares outstanding during the periods.

Group NZD \$000s	Six Months Ended		Year Ended
	31 Dec 2022	31 Dec 2021	30 Jun 2022
Profit attributable to ordinary shareholders	(190)	(799)	(19,093)
	2022	2021	2022
	in shares	in shares	in shares
Weighted average number of ordinary shares			
Issued ordinary shares at start of period	41,548,318	41,380,880	41,380,880
Shares issued during the period	-	167,438	167,438
Issued ordinary shares at close of period	41,548,318	41,548,318	41,548,318
Weighted average number of ordinary shares for the period	41,548,318	41,470,059	41,520,412
Basic earnings per share (\$)	(\$0.005)	(\$0.019)	(\$0.460)
Diluted earnings per share (\$)	(\$0.005)	(\$0.019)	(\$0.460)

Notes to the Condensed Consolidated Interim Financial Statements

► For the six months ended 31 December 2022

12 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

A right-of-use assets is recognised on commencement of a lease. The right-of-use asset is initially measured at cost, which is made up of the initial lease liability amount adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use 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.

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.

Group NZD \$000s	Network Assets	Land and Buildings	Motor Vehicles	Total
Opening Balance as at 1 July 2022	22,745	1,326	164	24,235
Additions/(Disposals)	(450)	606	-	156
Depreciation	(2,078)	(220)	-	(2,298)
Closing Balance as at 31 December 2022	20,217	1,712	164	22,093

(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 5.04% (Interim Dec 2021: 4.88%; Full Year Jun 2022: 5.05%). 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

	31 December 2022
Less than one year	3,739
Between one to two years	3,067
Between two to five years	6,839
Greater than five years	9,768
	23,413

13 Capital commitments

As at 31 December 2022, the Group has \$832,000 of capital commitments (Interim Dec 2021: \$1,338,000; Full Year Jun 2022: \$1,210,000) relating to the delivery of services contracted to customers and other network infrastructure.

14 Cash generated from operating activities

Group NZD \$000s	Six Months Ended 31 Dec 2022	31 Dec 2021	Year Ended 30 Jun 2022
Net Profit/(Loss) for the period (after tax)	(190)	(799)	(19,093)
Adjustments for:			
Depreciation, amortisation and impairment	4,481	6,499	28,854
(Gain)/loss on derivatives	63	(150)	(228)
Release of reserve	-	-	(82)
Prepaid services utilisation/(additions)	37	38	75
(Decrease)/increase in bad debt provision	36	48	45
Interest income/(loss)	73	26	42
(Decrease)/increase in deferred income	337	(407)	(567)
Deferred tax movement	189	311	(228)
	5,216	6,365	27,911
Decrease/(increase) in prepayments	(164)	237	177
Decrease/(increase) in trade and other receivables	137	629	877
Decrease/(increase) in inventory	65	444	(195)
Decrease/(increase) in deferred expenses (prepaid IRU)	8	(6)	(7)
(Decrease)/increase in trade and other payables	(586)	(102)	262
(Decrease)/increase in income tax payable	341	(413)	1,018
	(199)	788	2,131
Net cash from operating activities	4,827	6,354	10,949

Notes to the Condensed Consolidated Interim Financial Statements

► For the six months ended 31 December 2022

15 Related party transactions

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation comprised \$771,788 for the six months ended 31 December 2022 (Interim Dec 2021: \$1,062,348; Full Year Jun 2022: \$2,577,420). Key management personnel compensation includes short term and long term benefits of \$105,000 (Interim Dec 2021: \$203,670; Full Year Jun 2022: \$1,971,170) and termination benefits of Nil (Interim Dec 2021: \$54,098; Full Year Jun 2022: \$606,250). This excludes fees paid to Directors' of \$122,500 (Interim Dec 2021: \$117,500; Full Year Jun 2022: \$235,000).

The compensation during the period includes payments to former employees and reflects the different composition of the management team.

Members of the Executive Leadership Team have been issued Options under the Long Term Incentive Plan as previously disclosed.

Other transactions with key management personnel

Directors of Group Companies control 3.18% of the voting shares of the Company (Interim Dec 2021: 3.38%; Full Year Jun 2022: 0.66%).

Transactions and balances with related parties

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

Directors of the subsidiary companies received no Directors fees during the period (Interim Dec 2021: Nil; Full Year Jun 2022: Nil)

There are no outstanding balances with key management personnel at 31 December 2022 (Interim Dec 2021: Nil; Full Year Jun 2022: Nil).

Group entities Significant subsidiaries	Country of incorporation	Ownership Interest (%)		Balance Date	Activities
		2022	2021		
Vital Data Limited	New Zealand	100%	100%	30 June	Broadband services

16 Events after the reporting date

Post 31 December 2022, there are no material events that require disclosure.

Vital Limited Corporate Directory

Registered Office

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

Head Office

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Subsidiaries

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49 Tory Street, Te Aro
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Auditors

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Wellington
New Zealand

Solicitors

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

Bankers

Bank of New Zealand Limited
BNZ Partner Centre
Wellington
New Zealand

Registrar

Link Market Services Limited
138 Tancred Street
Ashburton
New Zealand

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