

Financial Statements

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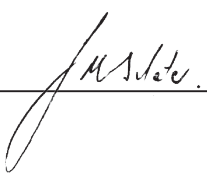
For the Year ended 30 June 2022

The Directors have pleasure in presenting the annual results, together with the audited financial statements of Vital Limited for the year ended 30 June 2022.

Review of Activities

Results The Group's Loss for the year amounted to \$19,093,000

On behalf of the Board



Director
Wellington



Director
Wellington

Statement of Comprehensive Income

► For the year ended 30 June 2022

	Note	Group 2022 \$000's	Group 2021 \$000's
Revenue	7	30,719	34,559
Operating costs	8	(19,613)	(20,868)
Gross profit		11,106	13,691
Other income	7	737	681
Administrative expenses	9	(12,494)	(11,386)
Profit/(Loss) Before Impairment of Goodwill, Interest and Tax		(651)	2,986
Impairment of Goodwill	10	(17,038)	-
Profit/(Loss) Before Interest and Tax		(17,689)	2,986
Finance income	11	270	377
Finance expenses	11	(2,464)	(2,199)
Net finance costs		(2,194)	(1,822)
Profit/(Loss) Before Tax		(19,883)	1,164
Income tax benefit/(expense)	12	790	(323)
Net Profit/(Loss)		(19,093)	841
Attributable to:			
Equity holders of the Company		(19,093)	841
		(19,093)	841
Earnings per share			
Basic and Diluted earnings per share (\$)	19	(\$0.460)	\$0.020

Statement of Changes in Equity

► For the year ended 30 June 2022

Attributable to equity holders of the Company

Group 2022	Note	Share capital	Share Based Payment Reserve	Retained earnings	Total equity
		\$000's	\$000's	\$000's	\$000's
Balance at 1 July 2021		68,445	689	(27,351)	41,783
Total comprehensive income for the period		-	-	(19,093)	(19,093)
Transactions with owners:					
Dividends to equity holders	17	-	-	(835)	(835)
Issue of Ordinary Shares	17&18	124	(124)	-	-
Share Based Payments Movement	17&18	-	(565)	378	(187)
Total transactions with owners		124	(689)	(457)	(1,022)
Balance at 30 June 2022		68,569	-	(46,902)	21,667
Group 2021					
Group 2021	Note	Share Capital	Share Based Payment Reserve	Retained earnings	Total equity
		\$000's	\$000's	\$000's	\$000's
Balance at 1 July 2020		68,445	449	(27,154)	41,740
Total comprehensive income for the period		-	-	841	841
Transactions with owners:					
Dividends to equity holders	17	-	-	(1,038)	(1,038)
Equity Settled Share Based Payment	26	-	240	-	240
Total transactions with owners		-	240	(1,038)	(798)
Balance at 30 June 2021		68,445	689	(27,351)	41,783

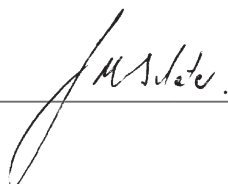
Statement of Financial Position

▶ As at 30 June 2022

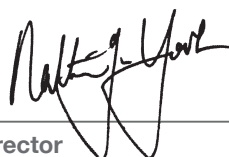
	Note	Group 2022 \$000's	Group 2021 \$000's
Non-Current Assets			
Property, plant and equipment	14	42,930	44,550
Goodwill	15	-	17,038
Right to use asset	23	24,235	19,157
Finance lease receivable		-	8
Prepayments		131	206
Total non-current assets		67,296	80,959
Current assets			
Trade and other receivables	28(a)	3,153	3,936
Finance lease receivable		16	45
Prepayments		978	1,155
Inventory	16	1,306	1,501
Cash and cash equivalents		1,297	613
Total current assets		6,750	7,250
Total assets		74,046	88,208
Equity			
Ordinary share capital	17	68,569	68,445
Retained earnings and other reserves		(46,902)	(26,662)
Total equity		21,667	41,783
Non-current liabilities			
Secured bank loan	20	14,500	15,000
Derivatives	28(g)	(63)	166
Deferred income		841	897
Sale and lease back liability		1,373	-
Lease liabilities	23	21,436	15,510
Deferred tax liabilities	13	1,242	1,477
Total non-current liabilities		39,329	33,049
Current liabilities			
Trade and other payables	21	6,236	5,775
Sale and Lease back liability		750	-
Lease liabilities	23	3,843	4,102
Current tax payable		(400)	367
Deferred income		2,621	3,132
Total current liabilities		13,050	13,376
Total equity and liabilities		74,046	88,208
Net tangible assets per share		\$0.522	\$0.598

On behalf of the Board of Directors

Director
25 August 2022



Director
25 August 2022



Statement of Cash Flows

► For the year ended 30 June 2022

	Note	Group 2022 \$000's	Group 2021 \$000's
Cash flows from operating activities			
Cash provided from:			
Receipts from customers		31,702	33,094
Net GST receipts/(payments)		245	(114)
		31,947	32,980
Cash applied to:			
Payments to suppliers and employees		(19,616)	(17,798)
Interest expense paid (net of realised foreign exchange (gain)/loss)		(1,170)	(1,771)
Income tax paid		(212)	(60)
		(20,999)	(19,629)
Net cash flows from operating activities	25	10,949	13,351
Cash flows from investing activities			
Cash provided from:			
Finance lease interest income received		42	56
Repayment of finance lease receivables		44	295
		86	352
Cash applied to:			
Acquisition of property, plant and equipment		(6,119)	(9,074)
Acquisition of goods subject to finance leases		(10)	(194)
		(6,129)	(9,268)
Net cash used in investing activities		(6,043)	(8,916)
Cash flows from financing activities			
Cash provided from:			
Proceeds from Finance Lease		2,185	-
Proceeds from borrowings		-	1,000
		2,185	1,000
Cash applied to:			
Repayment of borrowings		(500)	-
Principle payment of Lease Liabilities		(5,072)	(5,642)
Dividends paid		(835)	(1,038)
		(6,407)	(6,680)
Net cash used in financing activities		(4,222)	(5,680)
Net increase/(decrease) in cash and cash equivalents		684	(1,245)
Cash and cash equivalents at beginning of year		613	1,858
Cash and cash equivalents at end of year		1,297	613

Notes to the financial statements

► For the year ended 30 June 2022

1 Reporting entity

Vital Limited, formerly known as TeamTalk 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 Vital Limited as at, and for the year ended 30 June 2022 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 now disclose only consolidated results of the Group.

The consolidated financial statements were approved by the Board of Directors on 25 August 2022.

Basis of measurement

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

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.

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 these estimates.

The area of most significant estimation uncertainty which requires critical judgement in applying the Group's accounting policies is goodwill (refer to Note 15 - Goodwill). 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.

3 Significant 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.

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

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.

4 Changes in Significant Accounting Policies

There are no new standards or amendments and interpretations to existing standards that are effective for periods beginning on 1 July 2021 that impacted the Group's consolidated financial statements and require retrospective adjustment.

5 Determination of fair values

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

Trade and other receivables

The fair value of trade and other receivables is estimated at the amortised recoverable amount.

Derivatives

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

Non-derivative financial liabilities

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

Notes to the financial statements

► For the year ended 30 June 2022

6 Segment reporting

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

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

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

Wireless Networks: this segment includes the traditional mobile radio business of Vital Limited along with associated finance

leasing, data and GPS tracking products and the wireless broadband business of Vital Limited.

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

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

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

Group 2022	Wireless Networks	Wired Networks	Unallocated	Total
	\$000's	\$000's	\$000's	\$000's
Operating revenue & other income				
- Sales to customers outside the Group	21,413	10,043	-	31,456
Total revenue	21,413	10,043	-	31,456
Costs				
- Operating costs paid to 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)	(2,194)
Profit before income tax				(19,883)
Income tax benefit/(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 financial statements

► For the year ended 30 June 2022

6 Segment reporting (continued)

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

Notes to the financial statements

► For the year ended 30 June 2022

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.

\$000's	Wireless Network		Wired Networks		Total	
	2022	2021	2022	2021	2022	2021
Major Products/Service Lines						
Wireless Networks	18,146	18,862	-	-	18,146	18,862
Wired Networks	-	-	9,788	11,131	9,788	11,131
Installation	2,472	3,824	255	318	2,727	4,142
Hardware Sales	669	968	-	-	669	968
Other Income	126	136	-	-	126	136
	21,413	23,790	10,043	11,449	31,456	35,239
Timing of Revenue Recognition						
Products transferred at a point in time	3,141	4,792	255	-	3,397	4,792
Products and Services transferred over time	18,272	18,998	9,788	11,449	28,059	30,447
	21,413	23,790	10,043	11,449	31,456	35,239

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.

One customer in the Wireless Network segment contributed \$5,938,000 of revenue in the year to 30 June 2022 (2021: \$6,343,000).

Notes to the financial statements

► For the year ended 30 June 2022

8 Operating Costs

	Group 2022 \$000's	Group 2021 \$000's
Network operating costs	7,073	6,276
Depreciation on Network Assets	6,258	7,306
Amortisation on Right of Use Asset	5,072	5,642
Other operating costs	1,171	1,589
Telecommunications Development Levy	39	56
	19,613	20,868

The Telecommunications Development Levy above uses the following figures in the annual calculation for 2022: gross telecommunications revenue \$21,800,000 and payments made to other qualifying liable persons \$6,463,000.

9 Administrative expenses

	Group 2022 \$000's	Group 2021 \$000's
Wages and salaries	9,274	8,445
Contributions to KiwiSaver	318	306
Fees paid to directors	245	223
Marketing expenses	31	17
Premises expenses	118	143
Depreciation of non-network assets	487	518
Remuneration paid to KPMG:		
- Audit of financial statements	197	170
- Taxation services	26	26
Other administration expenses	1,798	1,537
	12,494	11,386

10 Impairment of Goodwill

		Group 2022 \$000's	Group 2021 \$000's
Impairment of Goodwill	15	(17,038)	-
Total Impairment before Tax		(17,038)	-
Tax Benefit on above items		-	-
Total Impairment before Tax		(17,038)	-

Additional detail on the Goodwill impairment charge can be seen in Note 15.

Notes to the financial statements

► For the year ended 30 June 2022

11 Finance income and cost

	Group 2022 \$000's	Group 2021 \$000's
Interest income on bank deposits	4	0
Net unrealised gain in fair value of derivatives	228	321
Finance lease interest income	38	56
Total finance income	270	377
Interest expense on secured bank loans	(876)	(995)
Interest Expense on Lease Liabilities	(1,588)	(1,203)
Other interest expense	-	(1)
Total finance costs	(2,464)	(2,199)
Net finance costs	(2,194)	(1,822)

12 Income tax expense

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

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

	Group 2022 \$000's	Group 2021 \$000's
(a) Income tax expense		
Profit/(Loss) before income tax	(19,883)	1,164
Adjustments:		
- Non-deductible entertainment	(7)	-
- Other non-assesable income	-	-
- Other non-deductible expenditure	17,038	-
- Temporary Differences	30	-
Taxable (loss)/income	(2,822)	1,164
Current period tax expense @ 28%	(790)	323
Prior period adjustment	-	-
Income tax expense/(benefit)	(790)	323
Comprising:		
Current tax expense	(556)	526
Deferred tax expense		
Origination and reversal of temporary differences	(234)	(203)
	(234)	(203)
Total income tax expense	(790)	323

Notes to the financial statements

► For the year ended 30 June 2022

12 Income tax expense (continued)

	Group 2022 %	Group 2022 \$000's	Group 2021 %	Group 2021 \$000's
(b) Reconciliation of effective tax rate				
(Loss)/profit for the period		(19,093)		841
Total income tax (benefit)/expense		(790)		323
(Loss)/profit before income tax		(19,883)		1,164
Income tax using the Company's domestic tax rate	28.0%	(5,567)	28.0%	323
Impairment of subsidiary	-	-	-	-
Non-deductible entertainment	0.0%	(2)	-	-
Temporary Differences	(0.0%)	8	-	-
Other non-assesable income	-	-	-	-
Other non-deductible expenditure	-	4,771	-	-
	4.3%	(790)	28.0%	323

As at 30 June 2022 the Group had an available imputation credit balance of \$5,133,001 (2021: \$4,808,020).

13 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	
	2022 \$000's	2021 \$000's	2022 \$000's	2021 \$000's	2022 \$000's	2021 \$000's
Property, plant and equipment	-	-	(1,342)	(1,578)	(1,342)	(1,578)
Inventory	-	-	(8)	(8)	(8)	(8)
Right-of-use Assets and Lease Liabilities	-	-	-	-	-	-
Finance lease receivable	-	-	10	3	10	3
Trade and other payables	98	106	-	-	98	106
Deferred tax assets / (liabilities)	98	106	(1,340)	(1,583)	(1,242)	(1,477)

Notes to the financial statements

► For the year ended 30 June 2022

13 Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

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

Group 2022	Balance 1 July 2021	Recognised in P&L	Balance 30 June 2022
	\$000's	\$000's	\$000's
Property, plant and equipment	(1,578)	236	(1,342)
Inventory	(8)	-	(8)
Right-of-use Assets and Lease Liabilities	-	-	-
Finance lease receivable	3	7	10
Trade and other payables	106	(9)	98
	(1,477)	234	(1,242)

Group 2021	Balance 1 July 2020	Recognised in P&L	Balance 30 June 2021
	\$000's	\$000's	\$000's
Property, plant and equipment	(2,221)	643	(1,578)
Inventory	(8)	-	(8)
Right-of-use Assets and Lease Liabilities	314	(314)	-
Finance lease receivable	(113)	(116)	3
Trade and other payables	188	(82)	106
	(1,840)	363	(1,477)

Notes to the financial statements

► For the year ended 30 June 2022

14 Property, plant and equipment

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

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

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

\$000's Group 2022	Transmission equipment and network hardware	Assets under construction	Computer equipment	Office equipment, furniture and fittings	Leasehold improvements	Other Assets	Total
Cost							
Balance at 1 July 2021	130,778	11,843	4,548	464	906	100	148,639
Additions	219	5,079	21	2	-	-	5,321
Disposals	(614)	(195)	-	-	-	-	(809)
Transfers	11,891	(11,929)	-	-	38	-	(0)
Balance at 30 June 2022	142,274	4,797	4,569	466	944	100	153,150
Depreciation and impairment losses							
Balance at 1 July 2021	(99,150)	-	(4,072)	(353)	(514)	-	(104,089)
Depreciation for the year	(6,039)	-	(318)	(31)	(137)	-	(6,525)
Disposals	395	-	-	-	-	-	395
Balance at 30 June 2022	(104,794)	-	(4,390)	(384)	(651)	-	(110,220)
Carrying amounts							
At 1 July 2021	31,628	11,843	476	111	392	100	44,550
At 30 June 2022	37,480	4,797	179	82	292	100	42,930

Other Assets includes Freehold Property.

Notes to the financial statements

► For the year ended 30 June 2022

14 Property, plant and equipment (continued)

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

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 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.

Notes to the financial statements

► For the year ended 30 June 2022

15 Goodwill

Group	Goodwill \$000's	Total \$000's
Carrying value		
Balance at 1 July 2021	17,038	17,038
Amortisation / Impairment	(17,038)	(17,038)
Balance at 30 June 2022	-	-
Balance at 1 July 2020	17,038	17,038
Amortisation / Impairment	-	-
Balance at 30 June 2021	17,038	17,038

Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss. Goodwill is initially recognised at cost and subsequently measured at cost less accumulated impairment losses. Goodwill is not amortised.

Impairment testing for cash-generating units containing goodwill

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

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

	2022 \$000's	2021 \$000's
Wireless networks	-	5,386
Wired networks	-	11,652
	-	17,038

The Goodwill for these CGUs is not amortised however it is subject to an annual impairment test whether indications of impairment exist or not. Accordingly the goodwill was tested for impairment at 30 June 2022. A discounted cash flow valuation, on a fair value basis, was prepared for each business unit using a combination of past experience of revenue growth, operating costs, margins and capital expenditure requirements for that CGU and, where appropriate, external sources of information were also used.

In each case the initial years of future cash flow projections were based on a combination of a continuation of the trends of the 2022 financial year and projections for the 2023 financial year. Explicit projections were then made for future years. The projections for each CGU reflect the maturity of each business and, where appropriate, expected growth potential. Cash flows beyond those explicit projections have been extrapolated using estimated terminal growth rates appropriate for each CGU.

We considered a low and high scenario when undertaking the impairment analysis. The key assumptions used in the estimation of recoverable amount are set out below;

	Low		Base		High	
	Wireless	Wired	Wireless	Wired	Wireless	Wired
Forecast EBITDA growth rate	1%	6%	4%	10%	4%	10%
Post tax discount rate	13.60%	13.60%	13.60%	13.60%	11.80%	11.80%
Terminal value growth rate	1%	1%	1%	1%	2%	2%

The impairment testing resulted in a recoverable amount of between \$13.5 million and \$31.5 million compared to a carrying value of \$38.8 million (pre impairment of goodwill). The base case recoverable amount approximately equals the carrying value of the net assets post impairment.

It is the considered view of the directors that given the outcome of the impairment testing performed, a full impairment of Goodwill is required. Therefore an impairment to the goodwill balance of \$17.04 million has been recognised at 30 June 2022.

Notes to the financial statements

► For the year ended 30 June 2022

16 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 2022	Group 2021
	\$000's	\$000's
Radio & Data units	138	293
Broadband network components	490	537
Wireless and Mobile Radio network components	678	671
	1,306	1,501

In 2022 the Group sold inventory with a carrying value amounting to \$456,387, recognised as part of operating costs (2021: \$667,708). The remainder is held for use by the Group.

17 Capital and reserves

Share capital

The Company has 41,548,318 fully paid no par value shares on issue at balance date (2021: 41,380,880). 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	2022 number of shares	2021 number of shares	2022 \$000's	2021 \$000's
Opening balance at 1 July	41,380,880	41,380,880	68,445	68,445
Issue of Ordinary Shares	167,438	-	124	-
Closing balance at 30 June	41,548,318	41,380,880	68,569	68,445

Dividends

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

	2022 \$000's	2021 \$000's
2.0 cents per qualifying ordinary share dividend for prior financial year (2021: 2.5 cents)	835	1,038
Nil Interim dividend for current financial year (2021: Nil)	-	-
	835	1,038

18 Share Based Payments

As at 1 July 2021 there were four Tranches of the Equity Settled Long Term Incentive Scheme in effect with a total reserve value of \$689,000.

Tranche 1 of the Equity Settled Long Term Incentive Scheme settled in September 2021 with the issue of 167,438 shares.

The settlement of Tranche 1 was done in line with the calculation methodology defined in the Equity Settled Long Term Incentive Scheme. There were no Equity Settled payments made in relation to the resignation of the Chief Executive or the termination of the remaining tranches.

With the resignation of Andrew Miller as Chief Executive Officer on 8 April 2022, all remaining Tranches have been forfeited. Tranches 2, 3, and 4 have been released through Statement of Comprehensive Income, and the residual provision for Tranche 1 has been transferred to Retained Earnings (as per NZ IFRS 2).

Notes to the financial statements

► For the year ended 30 June 2022

19 Earnings per share

Basic and diluted earnings per share

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

There is Nil dilutive equity instruments on issue at the end of the year relating to the Long Term Incentive Scheme for the Chief Executive at 30 June 2022 (2021: 392,491 weighted average).

	2022 \$000's	2021 \$000's
Profit attributable to ordinary shareholders	(19,093)	841
Weighted average number of ordinary shares		
	in shares	in shares
Issued ordinary shares at 1 July	41,380,880	41,380,880
Number of shares issued during the year	167,438	-
Issued ordinary shares at 30 June	41,548,318	41,380,880
Weighted average number of ordinary shares for the period	41,520,412	41,380,880
Diluted Earnings Per Share		
The calculation of diluted earnings per share at 30 June was based on the diluted profit attributable to shareholders and a diluted weighted average number of ordinary shares outstanding as follows:		
Weighted number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	41,520,412	41,380,880
Effect of the Long Term Incentive Scheme	-	392,491
Weighted average number of ordinary shares for the period (fully diluted)	41,520,412	41,773,371
Basic earnings per share (\$)	(\$0.460)	\$0.020
Basic and Diluted earnings per share (\$)	(\$0.460)	\$0.020

Notes to the financial statements

► For the year ended 30 June 2022

20 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.

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 2022 \$000's	Group 2021 \$000's
(a) Non-current liabilities		
Secured bank loan	14,500	15,000
Other unsecured borrowings	-	-
	14,500	15,000

Term loan repayment schedule

The terms and conditions of outstanding loans are as follows:

Group	Nominal interest rate	Year of maturity	Fair value	Carrying amount	Fair value	Carrying amount
			2022 \$000's	2022 \$000's	2021 \$000's	2021 \$000's
Secured bank loan	BKBM plus margin	2024	14,500	14,500	15,000	15,000
Other unsecured borrowings		-	-	-	-	-
Total interest-bearing liabilities			14,500	14,500	15,000	15,000

Secured Bank Loan

The Company and Group have secured funding facilities with Bank of New Zealand with, at 30 June 2022, a combined limit of \$17.5 million and a maturity of January 2024 (2021: Facility with Bank of New Zealand Limited, \$23 million and December 2022).

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 2022 and 30 June 2021.

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 \$310,000 guaranteed on their behalf by Bank of New Zealand to secure vendor and customer contracts.

21 Trade and other payables

	Group 2022 \$000's	Group 2021 \$000's
Trade creditors	2,531	1,646
Employee entitlements	1,034	1,148
Other payables and accruals	2,671	2,981
	6,236	5,775

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

22 Contingent liability

At balance date the Group had no contingent liabilities (2021: \$Nil).

Notes to the financial statements

► For the year ended 30 June 2022

23 Leases

(a) Leases as Lessee (NZ IFRS 16)

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).

i. Right-of-use Assets

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

	Network Assets	Land and Buildings	Motor Vehicles	Total
Opening Balance as at 1 July 2021	18,091	833	233	19,157
Additions/Amendments	9,215	905	30	10,150
Depreciation	(4,561)	(412)	(99)	(5,072)
Closing balance at 30 June 2022	22,745	1,326	164	24,235

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.

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

ii. Amounts Recognised in profit or loss

'000's NZD

2022 - Leases under NZ IFRS 16

Interest on Lease Liabilities	1,588
Expenses Relating to Short Term/Low Value Leases	20
Depreciation of Right-to-use Asset	5,072

2021 - Leases under NZ IAS 16

Interest on Lease Liabilities	1,203
Expenses Relating to Short Term/Low Value Leases	615
Depreciation of Right-to-use Asset	5,671

iii. Amounts Recognised in statement of cash flows

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

Interest on Lease Liabilities

Total cash outflow for leases for the year ended 30 June 2022	5,072
Total cash outflow for leases for the year ended 30 June 2021	5,642

Notes to the financial statements

► For the year ended 30 June 2022

23 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 Company's incremental borrowing rate. The average incremental borrowing rate applied to the lease liabilities was 5.04% (2021: 4.88%). Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur.

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

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

Present Value of Leases

30 June 2022

Less than one year	3,843
Between one to two years	3,527
Between two to five years	6,820
Greater than five years	11,089
	<u>25,279</u>

24 Capital commitments

As at 30 June 2022, the Group has \$1,210,000 of capital commitments relating to the delivery of services contracted to customers and other network infrastructure (2021: \$1,980,000).

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

	Note	Group 2022 \$000's	Group 2021 \$000's
(Loss)/Profit for the period (after tax)		(19,093)	841
Adjustments for:			
Depreciation, amortisation and impairment	6	28,854	14,509
(Gain)/loss on derivatives		(228)	(321)
Release of Reserve ((82)	-
Prepaid services utilisation / (additions)		75	122
(Decrease)/increase in bad debt provision		45	(32)
Interest income/(loss)	11	42	56
(Decrease)/increase in deferred income		(567)	(2,199)
Deferred tax movement	12	(228)	928
		<u>27,911</u>	<u>13,064</u>
Decrease/(increase) in prepayments		177	962
Decrease/(increase) in trade and other receivables		877	47
Decrease/(increase) in income tax payable	12	1,018	(1,191)
Decrease/(increase) in deferred expenses (prepaid IRU)		(7)	(12)
Decrease/(increase) in inventory	16	(195)	(191)
(Decrease)/increase in trade and other payables		262	(168)
		<u>2,131</u>	<u>(553)</u>

Notes to the financial statements

► For the year ended 30 June 2022

Net cash from operating activities

10,949

13,351

26 Related party transactions

Transactions with key management personnel

Key management personnel compensation

Key Group management personnel compensation comprised \$2,577,420 for the year ended 30 June 2022 (2021: \$1,964,150). KMP compensation includes short term and long term benefits of \$1,971,170 (2021: \$1,866,735), and termination benefits of \$606,250 (2021: \$97,415). This excludes fees paid to directors of \$235,000 (2021: \$220,417). The compensation during the period includes payments to former employees and reflects the different composition of the management team.

On 1 April 2021, the Group granted 1,195,000 share appreciation rights (SARs), to members of the executive that entitle them to a cash payment after three years. The SARs expire at the end of a three year period after grant date (1 April 2024) or upon resignation. As at 30 June 2022, 270,000 SARs have expired leaving a balance on issue of 925,000. The amount of the cash payment is determined based on the increase in the share price of the Company between grant date and the time of exercise. The maximum cash pay-out is capped at \$1,554,000 based on a share price appreciation up to \$2.50 per share and the number of outstanding SARs at 30 June 2022.

The Group has recognised a liability of \$Nil for the SARs as at 30 June 2022 (30 June 2021: \$52,700).

Chief Executive Remuneration

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

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

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

	Fixed Remuneration			Pay for Performance			Total
	Salary	Non-Taxable Benefits ²	Subtotal	STI	LTI	Subtotal Remuneration	
Andrew Miller (Previous CEO) ¹							
FY22	1,059,227 ³	10,291	1,069,518	69,062 ⁴	203,670 ⁶	272,732	1,342,250
FY21	431,196	15,508	446,704	41,613 ⁵	- ⁶	41,613	488,317

1. Andrew Miller resigned as Group CEO on 8th April 2022

2. Motor Vehicle provided

3. Includes Termination Benefits

4. STI for FY21 and FY22 Performance Period (paid in FY22)

5. STI for FY20 Performance Period (paid in FY21)

6. Settlement for Equity Settled Share Based Long Term Incentive of \$203,670 in FY22 (\$Nil in FY21). Total Share Based Payment reserve as at 30 June 2022 is \$Nil.

	Fixed Remuneration			Pay for Performance			Total
	Salary	Non-Taxable Benefits ²	Subtotal	STI	LTI	Subtotal Remuneration	
Jason Bull (Acting CEO) ⁷							
FY22	80,054	-	80,054	-	-	-	80,054

7. Jason Bull was appointed Acting CEO effective 8th April 2022

Other transactions with key management personnel

Directors of Group Companies control 0.66% of the voting shares of the Company (2021: 2.99%).

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 (2021: Nil). The Directors of the Company received fees totalling \$235,000 during the period (2021: \$220,417).

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

Notes to the financial statements

► For the year ended 30 June 2022

27 Key suppliers

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

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

28 Financial Instruments

Financial instruments

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

Credit risk

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

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

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

Liquidity risk

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

Interest rate risk

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

oversight for risk management and derivative activities.

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily through its cash balances and advances, bank borrowings and finance leases. The Group's policy is to hedge its long term borrowing by fixing or capping the rates of interest payable in order to provide greater certainty. The Group manages its interest rate risk by using interest rate swaps and interest rate options to hedge floating rate debt.

Other market price risk

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

Quantitative disclosures

(a) Credit risk

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

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

Impairment of receivables

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

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

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

Carrying amount	Group 2022 \$000's	Group 2021 \$000's
Wireless	1,738	2,479
Wired	1,415	1,457
Trade and other receivables	3,153	3,936

Notes to the financial statements

► For the year ended 30 June 2022

28 Financial Instruments (continued)

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

Group	Gross receivable 2022 \$000's	Impairment 2022 \$000's	Gross receivable 2021 \$000's	Impairment 2021 \$000's
Trade receivables				
Not past due	2,961	-	3,728	-
Past due 0-30 days	116	-	121	-
Past due 31-90 days	88	(88)	53	(4)
Past due > 90 days	143	(67)	142	(104)
Total	3,308	(155)	4,044	(108)

(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 2022	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	14,500	15,367	418	244	14,705	-
Trade and other payables	6,236	6,236	6,236	-	-	-
Total non-derivative liabilities	20,736	21,603	6,654	244	14,705	-

Net inflow / (outflow):

Interest rate swaps	63	(6)	(6)	-	-	-
Total derivative inflow / (outflow)	63	(6)	(6)	-	-	-

Group 2021

Group 2021	Carrying amount \$000's	Contractual cash flows \$000's	6 months or less \$000's	6-12 months \$000's	1-2 years \$000's	2-5 years \$000's
Secured bank loans	15,000	15,619	267	191	15,161	-
Other unsecured borrowings	-	-	-	-	-	-
Trade and other payables	5,775	5,775	5,775	-	-	-
Total non-derivative liabilities	20,775	21,394	6,042	191	15,161	-

Net inflow / (outflow):

Interest rate swaps	(166)	(85)	(4)	(52)	(29)	-
Total derivative inflow / (outflow)	(166)	(85)	(4)	(52)	(29)	-

(c) Interest rate risk – repricing analysis

Group 2022	Total	6 months or less	6-12 months	1-2 years	2-5 years	Non-interest bearing
Fixed & variable rate instruments	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Cash and cash equivalents	1,297	1,297	-	-	-	-
Trade and other receivables	3,153	-	-	-	-	3,153
Finance lease receivables	16	9	9	-	-	(3)
Secured bank loans	(14,500)	-	(14,500)	-	-	-
Total fixed and variable rate instruments	(10,034)	1,306	(14,491)	-	-	3,150
Effect of interest rate swaps	-	10,000	(10,000)	-	-	-
Total fixed and variable rate instruments and related derivatives	(10,034)	11,306	(24,491)	-	-	3,150

Notes to the financial statements

► For the year ended 30 June 2022

28 Financial Instruments (continued)

Group 2021	Total	6 months	6-12 months	1-2 years	2-5 years	Non-interest
Fixed & variable rate instruments		or less				bearing
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Cash and cash equivalents	613	613	-	-	-	-
Trade and other receivables	3,936	-	-	-	-	3,936
Finance lease receivables	56	29	16	15	(0)	(3)
Secured bank loans	(15,000)	-	(15,000)	-	-	-
Total fixed and variable rate instruments	(10,395)	642	(14,984)	15	(0)	3,933
Effect of interest rate swaps	-	10,000	-	-	(10,000)	-
Total fixed and variable rate instruments and related derivatives	(10,395)	10,642	(14,984)	(15)	(10,000)	3,933

(d) Capital management

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

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

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

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

(e) Sensitivity analysis

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

At 30 June 2022 it is estimated that a general increase of a one percentage point in interest rates would have had an immaterial impact on the Group's profit. Interest rate swaps have been included in this assessment.

(f) Derivative Financial Instruments

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

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

(g) Interest rate swaps

The Group has a policy of ensuring that at least 50% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps, denominated in New Zealand dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. The one remaining swap held at 30 June 2022 matures within the next 6 months (see the table above) and have fixed swap rates of 1.69% for the Group (2021 Group: 1.69%).

Notes to the financial statements

► For the year ended 30 June 2022

28 Financial Instruments (continued)

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

	Group 2022 \$000's	Group 2021 \$000's
Interest rate swaps		
Notional contract amount	10,000	10,000
Fair value:		
Assets	63	-
Liabilities	-	(166)
Net fair value	63	(166)

(h) 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.

Interest rates used for determining fair value

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

	2022	2021
Interest rate derivatives	1.69%	1.69%

Fair value hierarchy

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

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

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

There have been no transfers between any levels of classification on the fair value hierarchy (2021: nil).

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

29 Subsequent Events

Post 30 June 2022, there are no material events that require disclosure.

Notes to the financial statements

► For the year ended 30 June 2022

Code of Corporate Governance

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

Board Composition and Procedures

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

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

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

No retirement allowances will be paid to directors.

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

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

Board Sub-Committees

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

► Audit & Risk sub-committee

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

► Remuneration sub-committee

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

► Nominations sub-committee

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

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

Auditors

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

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

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

Insurances

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

Conflict of Interest Policy

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

Share Dealing

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



Independent Auditor's Report

To the shareholders of Vital Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Vital Limited (the 'company') and its subsidiaries (the 'group') on pages 3 to 27:

- i. present fairly in all material respects the group's financial position as at 30 June 2022 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2022;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Our firm has also provided taxation services to the group. 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 \$330,000 determined with reference to a benchmark of group revenue. We chose the benchmark because, in our view, this is a key measure of the group's performance.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to



address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter

How the matter was addressed in our audit

Goodwill Impairment Assessment

Refer to Note 15 in the Financial Statements.

Our audit procedures included:

The Group had goodwill of \$17 million as at 30 June 2021, which was allocated across two cash generating units ("CGU"). Goodwill is required to be tested for impairment annually.

- Evaluating the appropriateness of management's identification of the Group's CGUs;
- For each CGU, developing an independent view of future cash flows based on;
 - historical EBITDA and CAPEX performance, adjusted for non-recurring items;
 - growth rates based on observable market trends and expectations, adjusted to incorporate our knowledge of the group, its past performance, business and customers, and our industry experience.
- In conjunction with our valuation specialists, independently developing a discount rate range considered comparable, using publicly available market data for comparable entities, adjusted by risk factors;
- Utilising the above, we determined an independent valuation range and compared this to the carrying value of CGUs;
- We assessed the difference between the group's year-end market capitalisation and the carrying amount of the net assets by comparing the implicit earnings multiples to market multiples of comparable entities;
- Assessing the appropriateness of the group's disclosures in the consolidated financial statements against the requirements of accounting standards.

Assessing the recoverability of goodwill is considered a key audit matter due to the magnitude of the balance and the judgement and assumptions involved in assessing the recoverable amount of each cash generating unit.

Other information

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

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

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no



other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the consolidated financial statements

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

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error ; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

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

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

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

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

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

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

For and on behalf of

KPMG
Wellington

25 August 2022

Statutory Information

Board of Directors

Directors holding office during the period were:

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

* Independent Director

+ Resigned effective 8th April 2022

Remuneration of Directors

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

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

Disclosure of Interest

Directors disclosed interests in the following entities as at 30 June 2022, pursuant to section 140 of the Companies Act 1993:

► Roger Sowry

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

► Reg Barrett

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

Statutory Information

► Nathan York

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

► James Sclater

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

► Susan Freeman-Greene

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

► Rod Snodgrass

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

Relevant Interest in Shares

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

Directors' Relevant Interests at 30 June 2022

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

Statutory Information

Executive Employees' Remuneration

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

	2022	2021		2022	2021
\$100,000 - \$109,999	6	4	\$260,000 - \$269,999	-	-
\$110,000 - \$119,999	3	7	\$270,000 - \$279,999	-	1
\$120,000 - \$129,999	5	11	\$280,000 - \$289,999	-	-
\$130,000 - \$139,999	2	5	\$290,000 - \$299,999	1	-
\$140,000 - \$149,999	-	-	\$300,000 - \$319,999	-	1
\$150,000 - \$159,999	5	1	\$310,000 - \$319,999	-	-
\$160,000 - \$169,999	1	3	\$320,000 - \$329,999	1	-
\$170,000 - \$179,999	1	5	\$330,000 - \$339,999	-	-
\$180,000 - \$189,999	1	1	\$340,000 - \$349,999	-	-
\$190,000 - \$199,999	2	1	\$410,000 - \$419,999	-	1
\$200,000 - \$209,999	2	-	\$470,000 - \$479,999	-	1
\$240,000 - \$249,999	1	-	\$530,000 - \$539,999	-	-
\$250,000 - \$259,999	-	-	\$1,340,000 - \$1,349,999	1	-

Gender Composition of Directors and Officers

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

As at 30 June 2022	Directors		Officers	
	Male	Female	Male	Female
Vital Limited	5	1	1	-
Vital Data Limited	1	-	1	-

As at 30 June 2021	Directors		Officers	
	Male	Female	Male	Female
Vital Limited	4	1	2	-
Vital Data Limited	2	-	2	-

Statutory Information

Shareholding

The top 20 shareholders of Vital Limited at 12 July 2022 were:

Investor Name	Ordinary Shares	% Issued Capital
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%
National Nominees New Zealand Limited	1,245,235	3.00%
Maarten Arnold Janssen	1,208,530	2.91%
ASB Nominees Limited	1,173,233	2.82%
Andrew Mark Miller & Eleanor Jane Miller	1,134,104	2.73%
Andrew John Fleck	1,000,000	2.41%
New Zealand Depository Nominee	987,992	2.38%
Donald Ford Franklin	901,413	2.17%
New Zealand Permanent Trustees Limited	745,978	1.80%
Sydney Bruce Crowther & Faith Palaret & Stephen Palaret	705,116	1.70%
Custodial Services Limited	664,721	1.60%
Selenium Corporation Limited	600,000	1.44%
Jarden Custodians Limited	564,422	1.36%
FNZ Custodians Limited	548,663	1.32%
Ian Graham Douglas & Anna Kristin Douglas	522,778	1.26%
Ace Finance Limited	462,534	1.11%
		50.93%

Size of Holdings

The details set out below were as at 12 July 2022:

Range	Number of Holders	%	Number of Ordinary Shares	% Issued Capital
1-1000	82	7.89%	54,996	0.13%
1001-5000	368	35.42%	1,065,566	2.57%
5001-10000	206	9.83%	1,583,078	3.81%
10001-50000	278	26.76%	6,366,246	15.32%
50001-100000	51	4.90%	3,749,219	9.02%
Greater than 100000	54	5.20%	28,729,213	69.15%
	1,039	100.00%	41,548,318	100.00%

Substantial Security Holders

Pursuant to section 293 of the Financial Markets Conduct Act 2013, there were, at 30 June 2022, Nil Substantial Security Holders.

Vital Limited Corporate Directory

Registered Office

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

Head Office

Level 4&5, Tower B, 49 Tory Street,
Te Aro, Wellington, 6011, New Zealand
Phone: 0800 101 900
www.vital.co.nz

Branches

AUCKLAND
2 Robert Street, Ellerslie, Auckland

CHRISTCHURCH
7A Vulcan Place, Middleton, 8024,
Christchurch

Subsidiaries

VITAL DATA LIMITED
Level 4&5, Tower B, 49 Tory Street,
Te Aro, Wellington, 6011, New Zealand
Phone: 0800 101 900
www.vital.co.nz

Auditors

KPMG
10 Customhouse Quay, Wellington,
New Zealand

Solicitors

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

Bankers

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

Registrar

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

**Every nook.
Every cranny.
Every corner.
Every valley.
Every coastline.
Every range.**

We keep the land
of the long white
cloud in touch
when it really matters.
We are Vital.

