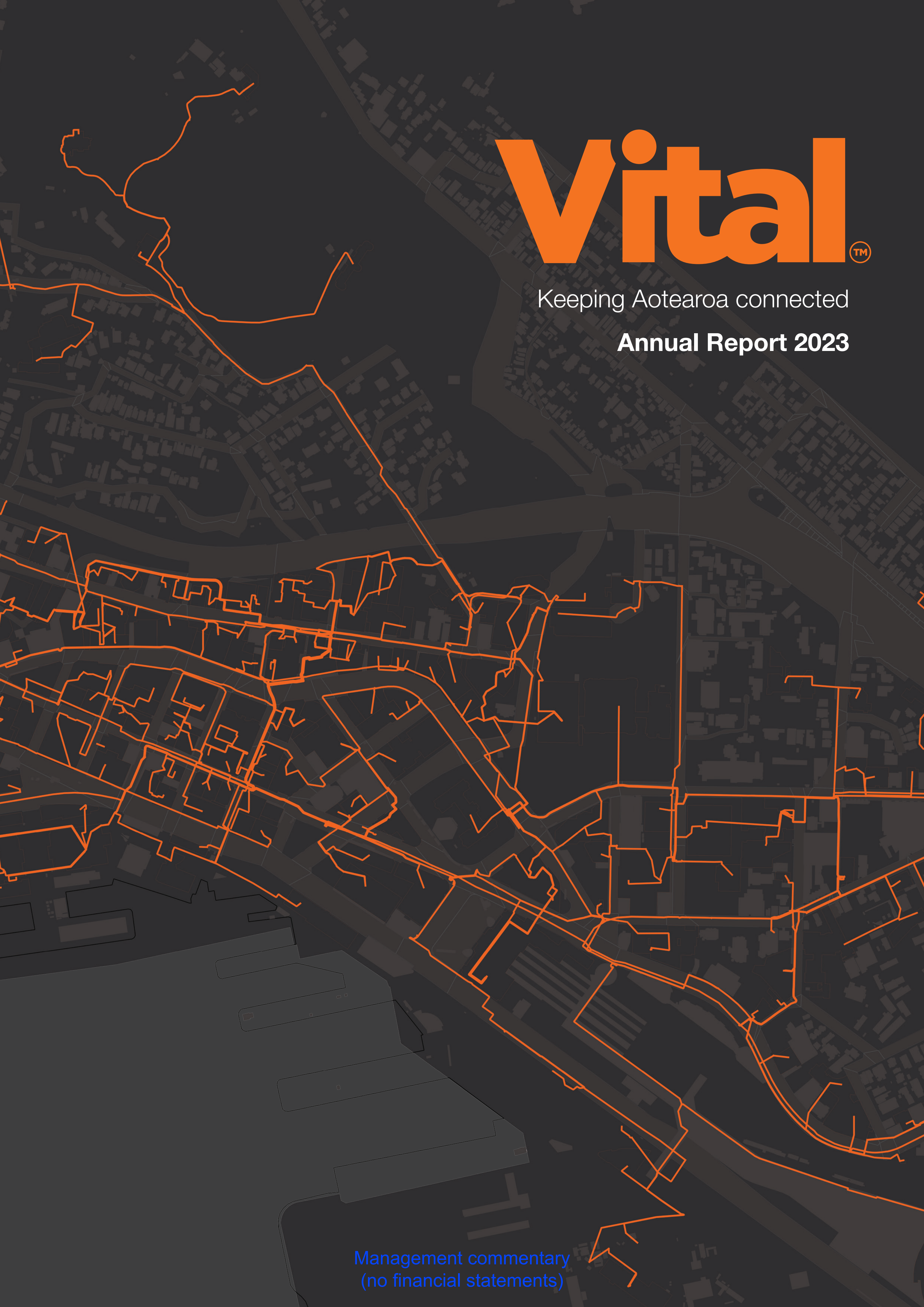


Vital™

Keeping Aotearoa connected

Annual Report 2023

Management commentary
(no financial statements)

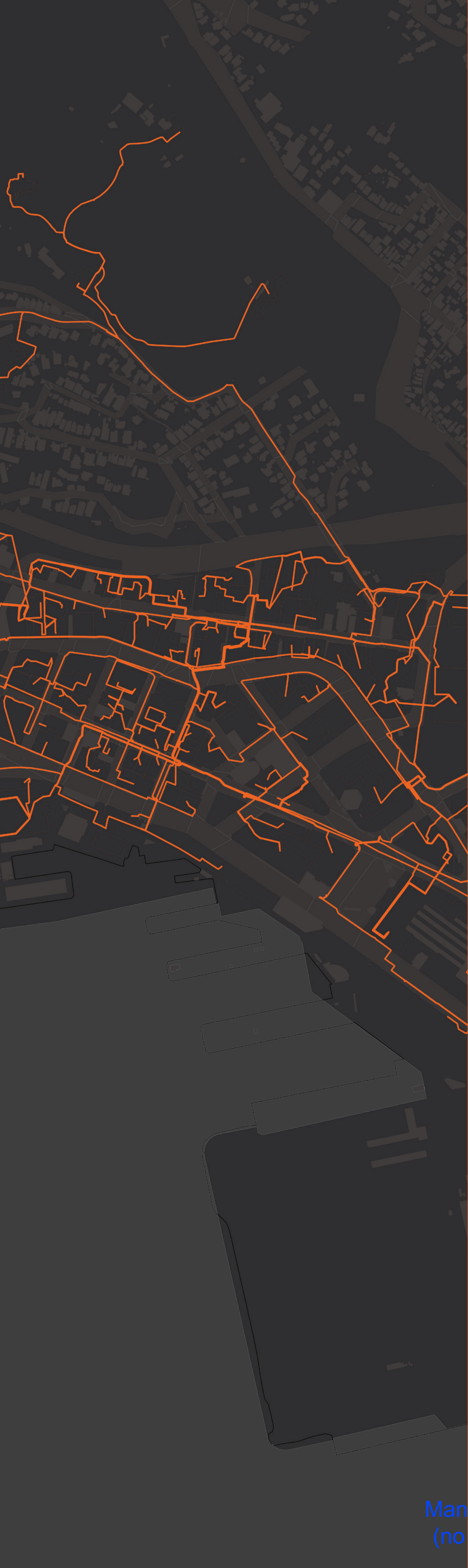
"When it comes to keeping businesses connected, having the right tools in place backed by a reliable team is, well... vital. At Vital, we deliver innovative telecommunications solutions that keep Kiwi businesses connected and their people safe. Every day, our networks connect frontline workers, support health and safety initiatives, and add resiliency - from CBDs to remote parts of Aotearoa.

It's a big responsibility and one we take seriously. We've set out to prove that a small telco can offer modern infrastructure and highly supported services, while being flexible and agile. We roll up our sleeves and get stuck in, working alongside our customers (and our customers' customers) to design, build, and manage high quality networks that connect and support great businesses 24/7.

We haven't always been Vital - but we do have almost 30 years' experience managing fibre and radio networks in Aotearoa as CityLink and TeamTalk. We changed our name to Vital in 2019 to unite all our networks under one brand.

A few years, some significant infrastructure upgrades, and one pandemic later, we're entering a new chapter. We're focused on providing access to our top-notch networks, building strong relationships, and supporting businesses to succeed throughout Aotearoa."

Management commentary
(no financial statements)



Contents

Management commentary
(no financial statements)

FY23 at a Glance

Revenue	**$28.1m**	↓ **10.6%** on FY22
Operating Costs	**$21.7m**	↓ **15.9%** on FY22
Adjusted EBITDA[1]	**$6.4m**	↑ **13.9%** on FY22
Adjusted NPAT[2] *Excluding Extraordinary Items	**$0.5m**	↑ **$1.8m** on FY22
Capital Expenditure	**$3.5m**	↓ **31.9%** on FY22
Adjusted Free Cash Flow[3]	**$2.9m**	↑ **$3.1m** on FY22

Net Promoter Score

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

Management commentary
(no financial statements)

Vital at a Glance

73
Vital employees
backing our networks and supporting our business operations

>1,200
customers across NZ
including telcos, government, emergency services, utilities, and everyday Kiwis

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

345,393
square kilometres
of public access Land Mobile Radio coverage

274
microwave links
connecting businesses throughout NZ

>300,000
square kilometres
of private Land Mobile Radio coverage

44%
microwave links
connecting businesses throughout NZ

39,148
networks elements
monitored by our Network Operations Centre

Management commentary
(no financial statements)

Directors' and CEO Commentary

OVERVIEW: A solid year of turnaround progress

Vital Limited (Vital) is pleased to report a solid result for the FY2023 year. It was a year in which we met or exceeded all of the targets we had set at the start of the financial year and continued to make progress across all aspects of our strategy to reposition Vital for future growth.

Turnaround Metrics (all figures $m)	FY2023 Actual Result	FY2023 Metrics Guidance
Revenue	28.1	27.5 – 28.5
Adjusted EBITDA [1]	6.4	5.8 – 6.5
Adjusted NPAT [2]	0.5	0.0 – 0.2
Adjusted free cash flow [3]	2.9	1.6 – 2.4

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

Our turnaround strategy is centred on key fundamentals: maximising the utilisation of our high-quality Wired and Wireless network assets, tightly managing costs and the efficiency of our business, investing in key customer relationships, and improving our sales capabilities to drive new revenue and growth opportunities.

Financially, while we are not yet where we aspire to be longer-term, we delivered outcomes at the higher end of the FY2023 turnaround guidance metrics. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) were $6.4 million, at the high end of the guidance range of $5.8-6.5 million.

Revenue was down from $31.5 million in FY2022 to $28.1 million for FY2023, partly reflecting strong competition and a loss in non-recurring revenue, and strategic decisions to optimise our customer base, but still within the guidance range of $27.5-28.5 million. Adjusted net profit after tax (NPAT) was $0.5 million, well above the FY2022 result and above our guidance of $0.0-0.2 million. Adjusted free cash flow was $2.9 million, also above our guidance of $1.6-2.4 million.

Following the significant disruptions of the previous year, FY2023 saw a major repositioning of Vital. This included driving cost and network efficiencies, as well as building up our sales channels

Management commentary
(no financial statements)

and infrastructure capabilities. This delivered material cost reductions with operational costs declining by 15.9% including labour costs declining 18.4%, despite the macroeconomic and inflationary pressures and the war for talent. Put simply, Vital is now a more efficient and capable business than a year ago.

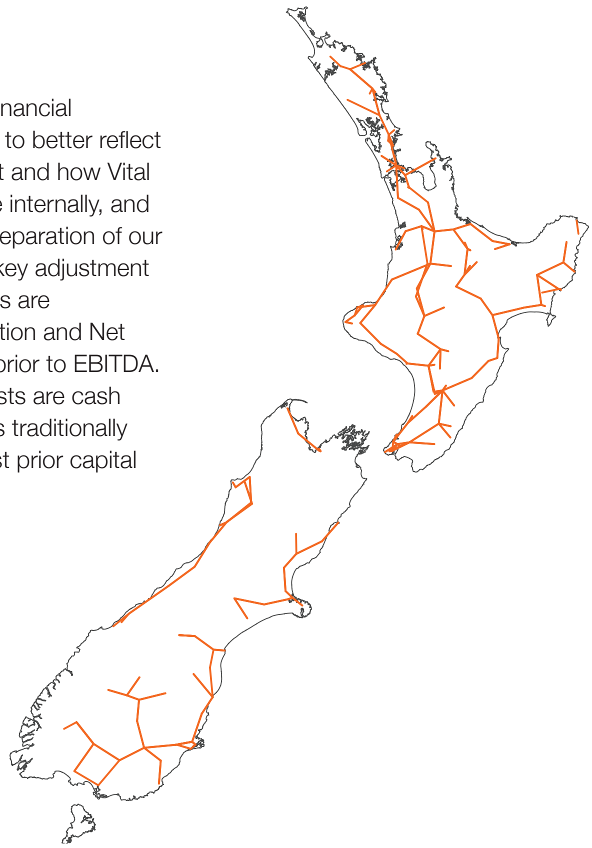
Our business resilience also showed through during the extreme weather events experienced in New Zealand in early 2023, with our network assets coming through unscathed and our business customers experiencing minimal disruption to their services.

A relentless focus on customers and culture is paying off. Customer churn has reduced and a recent customer net promoter score (NPS) survey has shown an improvement from minus 7 in March 2022 to positive 22 in July 2023, while employee net promoter score (eNPS) has lifted from positive 4 a year ago to positive 25 at the end of the financial year. This focus on customers and the internal culture to support them has been evidenced in the market, with some key sales wins and customer renewals locked in, including St John who have extended their contract through to 2027.

We remain committed to our turnaround strategy. Momentum is building, and key initiatives and capital investments are being executed simultaneously across our Wired and Wireless businesses. These are designed to position Vital and its quality fibre and radio assets more favourably for future growth and industry trends.

It is important to note the FY2023 net profit result includes a non-cash, lease accounting charge under IFRS16 of $0.65 million, which reduces the adjusted profit for the year of $0.5 million to a reported loss of $0.18 million. Vital leases around 350 sites for Wireless network infrastructure, typically on long-term leases. The accounting standard IFRS 16 means lease costs on the sites are shown as Depreciation or Net Interest in the reported Financial Statements.

The following Summary Financial Performance restates this to better reflect the operating environment and how Vital measures its performance internally, and is also the basis for the preparation of our Turnaround Metrics. The key adjustment relates to how Lease costs are reallocated from Depreciation and Net Interest into Lease costs prior to EBITDA. This reflects that lease costs are cash costs while depreciation is traditionally a non-cash charge against prior capital expenditure.



Summary Financial Performance $000's	**FY2023**	**FY2022**	**Percentage Change**
Total Revenue	28,131	31,456	(10.6%)
Staff costs	8,057	9,878	(18.4%)
Lease/rent costs [1]	6,381	7,691	(17.0%)
Other Selling, General & Admin costs	7,291	8,264	(11.8%)
EBITDA (Adjusted) [2]	**6,403**	**5,623**	**13.9%**
EBITDA (Adjusted) margin (%)	22.8%	17.9%	
Depreciation [3]	4,422	6,745	(34.5%)
EBIT (operating)	**1,981**	**(1,123)**	**n.a.**
Impairment charge	0	17,038	n.a.
EBIT (reported)	**1,981**	**(18,161)**	**n.a.**
Net Interest [4]	1,339	673	99.0%
Income Tax	180	(503)	n.a.
Net Profit after Tax (Adjusted)	**462**	**(18,331)**	**n.a.**
Lease accounting gain/(loss) (after tax) [5]	(645)	(762)	(15.4%)
Net Profit after Tax (Reported)	**(183)**	**(19,093)**	**n.a.**

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

Management commentary
(no financial statements)

Performance in more detail

As part of our turnaround strategy, we are actively addressing an extended period of declining recurring revenue that started in 2020 and has been the primary driver of the decline in financial performance in recent years. The legacy revenue pressure has been partly market-related, especially in the Wireless division where competition from cellular service has encroached on traditional mobile radio, and partly about strategic decisions and execution.

In particular, we were late developing our channel partner and Wholesale strategies in Wireless and the necessary technological infrastructure to automate the fibre sales process in the Wired sector. We actively addressed both these issues during FY2023 and early signs are positive and are expected to flow through into the FY2024 financial results.

Vital Revenue Breakdown $000's	**FY2023**	**FY2022**	**Percentage Change**
Wired	9,254	9,788	(5.6%)
Wireless	16,465	18,146	(9.4%)
Installation	637	2,727	(76.6%)
Hardware & Other	1,775	795	129.5%
Total Services Revenue	**28,131**	**31,456**	**(10.6%)**

Importantly, our balance sheet is able to fund our strategic plans. During FY2023, the maturity of our bank facility was extended by one year out until early 2025. As at 30 June 2023, the facility has a total limit of $17.0 million (limit was unchanged on renewal) and a maturity date of January 2025.

Selected Balance Sheet and Cashflow $000's	**FY2023**	**FY2022**	**Change**
Bank debt	14,000	14,500	(500)
Cash	503	1,297	(794)
Right of Use Assets [1]	19,809	24,235	(4,426)
Right of Use Liabilities	21,329	25,279	(3,950)
Wired network assets [1]	31,404	34,104	(2,700)
Wireless network assets [1]	36,378	40,032	(3,654)
Operating Activities cashflow (Adjusted) [2]	6,403	5,877	526
Capital expenditure	3,493	6,119	(2,626)
Op cashflow (Adjusted) less Capex	**2,912**	**(242)**	**3,154**

1. Network assets (Wired and Wireless) include right of use assets (mostly in Wireless)
2. Cashflow from Operating Activities in Financial Statements less principal payment of Lease Liabilities

Capital expenditure for the year was $3.5 million (FY2022: $6.1 million). Approximately 50% of FY2023 capex related to projects based on meeting specific customer needs and where the customer is effectively paying for the capex (although with timing differences).

Communication is vital in an emergency. Vital is a proud sponsor of Life Flight.

Management commentary
(no financial statements)

Wired (fibre) segment performance

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

Wired segment $000's	**FY2023**	**FY2022**	**Percentage Change**
Revenue	9,666	10,043	(3.8%)
Lease/rent costs [1]	1,992	2,422	(17.7%)
Other operating costs	2,830	2,878	(1.7%)
EBITDA (Adjusted) [2]	**4,844**	**4,743**	**2.1%**
EBITDA Margin (Adjusted) [2]	50.1%	47.2%	
Capital expenditure	645	1,305	(50.6%)
Total assets	31,404	34,014	(7.67%)

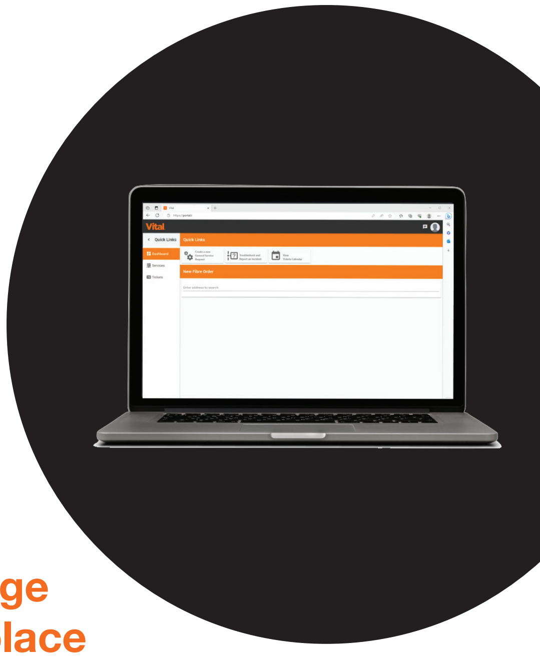
1. Lease/rent costs including those otherwise included in Depreciation and Net Interest charges
2. Post lease (rent) costs that are otherwise treated as Depreciation and Interest

Our strategy for growing Wired is progressing as expected. While recurring revenue (excluding modest one-offs from Installation/Hardware) declined 5.5%, this was the smallest decrease since FY2020.

A complete website rebuild now provides capability to sales channel partners to see the fibre services available at any address in our Wellington and Auckland fibre networks. From the base offer of adding network coverage functionality to the website, we are adding API capability to directly interface with sales channel partners – this is expected to be available during the last quarter of 2023 and will remove a significant roadblock to wholesale resellers of our network. A lot of effort has also gone into rebuilding channel partner relationships, and this is showing early signs of gaining traction.

The decline in operating costs has largely come through the reduction of lease (adjusted) charges. The reduction in capital expenditure reflects limited new connection growth during FY2023 and follows a significant drop in FY2022 (FY2021 saw the last of spending for completion of the undergrounding of our fibre network in Wellington's CBD).

We believe it is unlikely a new entrant would overbuild either the Auckland or Wellington CDB fibre networks we have in place. This suggests the market replacement value of these assets is likely higher than the current book value, subject to Vital generating an adequate rate of return on the network.



"We are excited about the new Vital portal. Being able to request new services and manage existing ones – simply and easily – all in one place makes doing business with Vital so easy."

Glen Houlihan, *TEAMnetwork.*

Management commentary
(no financial statements)

Wireless segment performance

Alongside our significant fibre network assets, Vital is the leader in the mobile radio network market, providing the only commercial nationwide mobile radio infrastructure across New Zealand.

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

A key Wireless strategy during FY2022 was a move to use more wholesale channel partners, and this has flowed through into the FY2023 results. Wholesale agreements have seen some regional mobile radio operators bring more than 500 new connections onto Vital's networks in FY2023. Regional operators are now providing on the ground sales and services and Vital is acting as the wholesale supplier of the network.

This wholesale approach has lowered our "cost to serve" at only minimal margin loss. Meanwhile, Vital remains a direct seller to larger mobile radio customers such as transport fleet, energy network utilities and essential and remote service operators such as enterprise contract businesses who prefer or need a more managed Wireless service.

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

The decline in Wireless revenue is largely due to the 9.8% decline in Mobile Radio. This reflects strong competition but also includes some material one-off losses of non-recurring revenue. There was a reduction against the prior year's revenue resulting from the mid-year completion of contracted services to MBIE to support their MIQ facilities, while during the year we also ceased the operation of a network on behalf of Kordia that also impacted year-on-year revenue. Installation revenue was also down, primarily because of a large one-off installation for St John in the prior year.

Wireless segment $000's	FY2023	FY2022	Percentage Change
Mobile radio	16,465	18,146	(9.3%)
Installation	225	2,472	(90.9%)
Hardware & Other	1,775	795	123.3%
Total Revenue	**18,465**	**21,413**	**(13.8%)**
Lease/rent costs [1]	4,388	5,269	(16.7%)
Other operating costs	10,758	12,876	(16.4%)
EBITDA (Adjusted) [2]	**3,319**	**3,268**	**1.6%**
EBITDA Margin (Adjusted) [2]	18.0%	15.3%	
Capital expenditure	2,848	3,821	(25.5%)
Total assets	36,378	40,032	(9.13%)

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

We renewed some key Wireless customers during the year, including St John. Vital has owned and managed the national ambulance emergency mobile radio communications network for St John since 2001. St John recently exercised its option to lengthen the term it contracts Vital's services by two years until March 2027. The contract extension also provides St John with a new, additional extension right for another two years from 2027 onwards. St John is expected to transition off our network and onto the PSN (Public Safety Network) when that becomes operational.

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

Management commentary
(no financial statements)

Vital People

On the people front, FY2023 saw a reduction from the high level of staff turnover the prior year, plus a significant increase in employee engagement and satisfaction (Employee Net Promoter Score from 4 to 25 over the year). The CEO and Senior Leadership Team have worked hard to build a more inclusive and focused Vital team, and this is improving culture, productivity and efficiency across the business, which is also helping to fuel the sales pipeline.

In governance, there were changes to the composition of the Board over the year, including the stepping down of Rod Snodgrass, Nathan York, and Reg Barrett as Independent Directors. The Board thanks Nathan, Reg and Rod for their valuable commercial and industry insights which has been instrumental in helping reset Vital for future growth. Mike Shirley was appointed in February as an Independent Director. He brings with him many years of fibre, telecommunications and wholesale experience that is particularly valuable to Vital as we move into the next phase of our strategy. The Board constantly seeks to ensure it has the optimal mix of skills to support the business, and we believe the current Board has the right mix.

Risk Factors

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

Financially, market conditions will undoubtedly be a factor. The global and local macroeconomic picture remains difficult to predict, which could potentially affect our future performance. Rising interest rates are likely to continue to slow economic growth and this could affect overall demand for network services and impact the competitive environment. Higher interest rates are also affecting expenses, which is a risk to the guidance for NPAT and adjusted free cash flow.

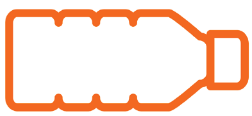
Environmentally, the changing climate means all network operators must plan for digital and physical network infrastructure to be able to withstand a higher frequency of extreme weather events. Vital continues to invest in our infrastructure resilience with this in mind to protect our network assets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

Increasingly, as networks become more and more interdependent on software and on other technological inputs, managing cyber-risk has become a higher priority. Vital is a certified provider to the Government's Telecommunications-as-a-Service panel which carries a high bar for cyber security. We invest in continuous improvement and upgrades to our security hardware and software. We have introduced multi-factor authentication, upgraded firewalls, and we get independently audited and tested regularly. We also actively promote cyber-security awareness across our team.

Sustainability

To help look after our planet, Vital has been implementing sustainable practices where possible. Some small changes we've made include moving to hybrid pool cars for our offices, using solar power at certain sites, and recycling our e-waste to reduce the amount of technology heading to landfill. Working with ITRECYCLA Ltd to recycle our end-of-life ActionNet equipment, resulted in the following environmental benefits.

131,675
plastic bottles not produced.



7,342 kgs
of steel recycled.

41,148 kgs
of reduced carbon emissions.

Management commentary
(no financial statements)

> **With the introduction of Vital's new radio dealer strategy, Dove Communications saw an opportunity to partner with Vital and wholesale the Vital Radio Networks. Dove made the decision to divest its Tier 3 Digital Radio Network in the Waikato, seamlessly transferring all customers onto the Vital Digital Radio Network. This truly was a Win-Win-Win for all parties. Customers now have access to more network coverage while retaining their existing relationship with Dove. Dove is able to wholesale a network without needing to invest in infrastructure, and Vital benefits from an increased number of connections on their networks.**

Mike Read, Managing Director
Dove Communications (2023) Limited.

RADIO DEALER PARTNERS

Summit Radio Solutions

Dove Communications

Communications Specialists Ltd

Newlands – Servicing the South since 1934

logicwireless™

Mobile Systems

Nelspecs Ltd

Mobi comm

Looking ahead to FY2024

While the growth in EBITDA of 13.9% to $6.4 million in FY2023 was pleasing and near the top end of our guidance, we are targeting further improvement to our underlying financial performance in FY2024 to better reflect the quality of the network infrastructure we own and operate.

Demand for digital connectivity, both Wired and Wireless, is expected to continue to grow year on year and Vital has strong exposure to this long-term trend through its high quality network assets and customer delivery capabilities.

Our changed approach to Wireless channel partnering and wholesale arrangements is producing early sales and revenue results and the Management team continues to build relationships with bigger sales prospects, which we expect to see reflected in the coming year.

For FY2024, we will continue our strong focus on cost efficiency and on optimising the return on our assets, by taking advantage of any optionality, partnering and channel opportunities to increase network utilisation. A return to revenue growth will be critical to the success of our strategy in the long term. The building blocks for revenue stabilisation and growth are in place, and there are initiatives underway in both Wireless and Wired to fuel the FY2024 sales pipeline, but we must execute well to deliver the results we are aiming for.

Although the operating environment and conditions offer more risk than usual to guidance, we believe they are achievable, and we are tracking to plan. Our turnaround metrics guidance for FY2024 below are unchanged from prior guidance, and are subject to usual risk caveats and macroeconomic headwinds, including any material adverse or unforeseen events or circumstances.

Turnaround Metrics (all figures $m)	FY2024
Revenue	28.0 – 29.0
Adjusted EBITDA [1]	6.6 – 7.1
Adjusted NPAT [2]	0.7 – 1.1
Adjusted free cash flow [3]	3.0 – 4.0

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

Management commentary
(no financial statements)

The Board

John McMahon

▶ Independent Chairman

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

James Sclater

▶ Independent Director

James is a professional company director and trustee acting for a number of companies and investment trusts including Salus Aviation and Damar Industries. James is a chartered accountant and a member of the Institute of Directors and Chartered Accountants Australia and New Zealand.

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

Susan Freeman -Greene

▶ Independent Director

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

Mike Shirley

▶ Independent Director

Mike has extensive telecommunications industry experience including voice, data, internet and mobile at both Spark and Vocus. Most recently, he is the General Manager of Fibre for Vector with full responsibility for that business. Mike holds a Bachelor of Psychology and has post graduate studies in marketing and management.

24/7

Keeping New Zealand in touch when it matters most.

Management commentary
(no financial statements)

The Executive Team

Jason Bull

▶ Chief Executive Officer

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

Paul Kerr

▶ Chief Financial Officer

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

Marc Farrelly

▶ Head of Field Force

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

Stuart MacIntyre

▶ Chief Technology Officer

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

Mark Finnigan

▶ Head of People & Safety

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

Management commentary
(no financial statements)

Financial Statements

For the year ended 30 June 2023

The Directors have pleasure in presenting the annual results, together with the audited financial statements of Vital Limited for the year ended 30 June 2023.

REVIEW OF ACTIVITIES

Results ▶ The Group's Loss for the year amounted to $183,000.

On behalf of the Board

Director
Wellington

Director
Wellington

Consolidated Statement of Comprehensive Income

▶ For the year ended 30 June 2023

	Note	Group 2023 $000's	Group 2022 $000's
Revenue	7	26,356	30,719
Operating costs	8	(15,432)	(19,613)
Gross profit		**10,924**	**11,106**
Other income	7	1,775	737
Administrative expenses	9	(10,004)	(12,494)
Profit/(Loss) Before Impairment, Interest and Tax		**2,695**	**(651)**
Impairment	10	-	(17,038)
Profit/(Loss) Before Interest and Tax		**2,695**	**(17,689)**
Finance income	11	84	270
Finance costs	11	(3,054)	(2,464)
Net finance costs		**(2,970)**	**(2,194)**
Profit/(Loss) Before Tax		**(275)**	**(19,883)**
Income tax benefit/(expense)	12	92	790
Net Profit/(Loss)		**(183)**	**(19,093)**
Attributable to:			
Equity holders of the Company		(183)	(19,093)
		(183)	**(19,093)**
Earnings per share			
Basic and Diluted earnings per share ($)	19	($0.004)	($0.460)

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

Group 2023	Note	Share capital $000's	Share based payment reserve $000's	Retained earnings $000's	Total equity $000's
		Attributable to equity holders of the Company			
Balance at 1 July 2022		**68,569**	**-**	**(46,902)**	**21,667**
Total comprehensive income for the period		-	-	(183)	(183)
Transactions with owners:					
Dividends to equity holders	17	-	-	-	-
Issue of ordinary shares	17	-	-	-	-
Total transactions with owners		-	-	-	-
Balance at 30 June 2023		**68,569**	**-**	**(47,085)**	**21,484**

Group 2022	Note	Share Capital $000's	Share based payment reserve $000's	Retained earnings $000's	Total equity $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	124	(124)	-	-
Share based payments movement	18	-	(565)	378	(187)
Total transactions with owners		124	(689)	(457)	(1,022)
Balance at 30 June 2022		**68,569**	**-**	**(46,902)**	**21,667**

Consolidated Statement of Financial Position

▶ For the year ended 30 June 2023

	Note	Group 2023 $000's	Group 2022 $000's
Non-Current Assets			
Property, plant and equipment	14	41,577	42,930
Right of use asset	15	19,809	24,235
Prepayments		56	131
Total non-current assets		**61,442**	**67,296**
Current assets			
Trade and other receivables	27(a)	2,951	3,153
Current tax receivable		766	-
Finance lease receivable	27(c)	35	16
Prepayments		743	978
Inventory	16	1,342	1,306
Cash and cash equivalents		503	1,297
Total current assets		**6,340**	**6,750**
Total assets		**67,782**	**74,046**
Equity			
Ordinary share capital	17	68,569	68,569
Retained earnings and other reserves		(47,085)	(46,902)
Total equity		**21,484**	**21,667**
Non-current liabilities			
Secured bank loan	20	14,000	14,500
Derivatives	27(g)	-	(63)
Deferred income		745	841
Sale and lease back liability		598	1,373
Lease liabilities	15	17,721	21,436
Deferred tax liabilities	13	1,476	1,242
Total non-current liabilities		**34,540**	**39,329**
Current liabilities			
Trade and other payables	21	4,372	6,236
Sale and lease back liability		776	750
Lease liabilities	15	3,608	3,843
Current tax payable		-	(400)
Deferred income		3,002	2,621
Total current liabilities		**11,758**	**13,050**
Total equity and liabilities		**67,782**	**74,046**
Net tangible assets per share		$0.517	$0.522

On behalf of the Board of Directors

Director
23 August 2023

Director John McMahon.
23 August 2023

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Note	Group 2023 $000's	Group 2022 $000's
Cash flows from operating activities			
Cash provided from:			
Receipts from customers		27,692	31,702
Net GST receipts/(payments)		(496)	245
		27,196	**31,947**
Cash applied to:			
Payments to suppliers and employees		(17,956)	(19,616)
Interest expense paid		(1,359)	(1,170)
Income tax paid		(39)	(212)
		(19,354)	**(20,999)**
Net cash flows from operating activities	**24**	**7,842**	**10,949**
Cash flows from investing activities			
Cash provided from:			
Finance lease interest income received		84	42
Repayment of finance lease receivables		25	44
		109	**86**
Cash applied to:			
Acquisition of property, plant and equipment		(3,069)	(6,119)
Acquisition of goods provided on finance leases		(45)	(10)
		(3,114)	**(6,129)**
Net cash used in investing activities		**(3,005)**	**(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)	(500)
Payment of lease liabilities		(5,131)	(5,072)
Dividends paid		-	(835)
		(5,631)	**(6,407)**
Net cash used in financing activities		**(5,631)**	**(4,222)**
Net increase/(decrease) in cash and cash equivalents		**(794)**	**684**
Cash and cash equivalents at beginning of year		1,297	613
Cash and cash equivalents at end of year		**503**	**1,297**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

1 Reporting entity

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

The consolidated financial statements of the Company as at, and for the year ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the "Group").

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

2 Basis of preparation

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

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

The consolidated financial statements were approved by the Board of Directors on 23 August 2023.

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.

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

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

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

Assessing the carrying value of transmission equipment and network hardware assets for impairment considerations which includes assessing the appropriateness of useful life and residual value estimates, the physical condition of the asset, technological advances and expected disposal proceeds from the future sale of the asset.

3 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.

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 2022 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 as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

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

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

Notes to the Consolidated Financial Statements

▶ For the year ended 30 June 2023

6 Segment reporting

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

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

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

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

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

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

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

Group 2023	**Wireless Networks $000's**	**Wired Networks $000's**	**Other $000's**	**Total $000's**
Operating revenue & other income				
- Sales to customers outside the Group	18 465	9 666	-	28 131
Total revenue	18 465	9 666	-	28 131
Costs				
- Operating costs paid to suppliers	(10,977)	(3,896)	(1,760)	(16,633)
Total costs	(10,977)	(3,896)	(1,760)	(16,633)
EBITDA	7,488	5,770	(1,760)	11,498
Depreciation and amortisation	(6,389)	(2,413)	-	(8,803)
Impairment	-	-	-	-
EBIT	**1,099**	**3,357**	**(1,760)**	**2,695**
Finance income	-	-	84	84
Finance expense	-	-	(3,054)	(3,054)
Net finance costs	-	-	(2,970)	(2,970)
Profit/(Loss) before income tax	1,099	3,357	(4,730)	(275)
Income tax benefit/(expense)	-	-	92	92
Net Profit/(Loss)	**1,099**	**3,357**	**(4,638)**	**(183)**
Capital expenditure	2,848	645	-	3,493
Total assets	36,378	31,404	-	67,782
Total liabilities	22,933	9,365	14,000	46,298

6 Segment reporting (continued)

Group 2022	Wireless Networks $000's	Wired Networks $000's	Other $000's	Total $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	(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/(Loss) before income tax	(6,884)	(8,416)	(4,583)	(19,883)
Income tax benefit/(expense)	-	-	790	790
Net Profit/(Loss)	**(6,884)**	**(8,416)**	**(3,793)**	**(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 Consolidated Financial Statements

For the year ended 30 June 2023

7 Revenue

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

Disaggregation of Revenue

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

	Wireless Networks		Wired Networks		Total	
$000's	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Major Products/Service Lines						
Wireless Networks	16,465	18,146	-	-	16,465	18,146
Wired Networks	-	-	9,254	9,788	9,254	9,788
Installation	225	2,472	412	255	637	2,727
Hardware Sales	597	669	-	-	597	669
Other Income	1,178	126	-	-	1,178	126
	18,465	**21,413**	**9,666**	**10,043**	**28,131**	**31,456**
Timing of Revenue Recognition						
Products transferred at a point in time	822	3,141	412	255	1,234	3,397
Products and Services transferred over time	17,643	18,272	9,254	9,788	26,897	28,059
	18,465	**21,413**	**9,666**	**10,043**	**28,131**	**31,456**

Goods and services provided to Customers	**Nature, performance obligation and timing of revenue**
Wireless Networks	Providing access to the Group's wireless networks to enable Voice and Data traffic. The Group recognises revenue as it provides this service to its customers. Revenue from Installations required to enable this access is recognised over the term of the contract for service. Billing in respect of fixed monthly charges billed in advance is deferred until the service has been provided and is treated as deferred revenue until that time.
Wired Networks	Providing access to the Group's wired networks to data traffic. The Group recognises revenue as it provides this service to its customers. Revenue from Installations required to enable this access is recognised over the term of the contract for service. Billing in respect of fixed monthly charges billed in advance is deferred until the service has been provided and is treated as deferred revenue until that time.
Installation	Providing services for the installation of hardware. This revenue is billed and recognised on a monthly basis when the installation is complete, except where this installation is required to enable services (as above).
Hardware/Software	Sale of hardware and software to customers. This revenue is billed and recognised on delivery to the customer. Revenue is not recorded until the hardware and software have been accepted by the customer.

Revenues of approximately $3,479,000 (2022: $5,938,000) are derived from a single external customer which exceeds 10% or more of the Group's revenue. These revenues are attributed to the Wireless Network segment.

Notes to the Consolidated Financial Statements

▶ For the year ended 30 June 2023

8 Operating costs

	Group 2023 $000's	Group 2022 $000's
Network operating costs	6,087	7,073
Depreciation on network assets	4,067	6,258
Amortisation on right of use assets	4,381	5,072
Other operating costs	861	1,171
Telecommunications Development Annual Levy	36	39
	15,432	**19,613**

The Telecommunications Development Levy above uses the following figures in the annual calculation for 2023: gross telecommunications revenue $19,060,000 and payments made to other qualifying liable persons $5,617,000.

9 Administrative expenses

	Group 2023 $000's	Group 2022 $000's
Wages and salaries	7,261	9,274
Contributions to KiwiSaver	243	318
Directors fees	208	245
Marketing expenses	29	31
Premises expenses	642	118
Depreciation of non-network assets	355	487
Remuneration paid to KPMG:		
- Audit of financial statements	181	197
- Taxation services	33	26
Other administration expenses	1,052	1,798
	10,004	**12,494**

Notes to the Consolidated Financial Statements

▶ For the year ended 30 June 2023

10 Impairment of non-financial assets

	Group 2023 $000's	Group 2022 $000's
Impairment of Goodwill	-	(17,038)
Total Impairment	**-**	**(17,038)**

The carrying amount of the non-financial assets of the Group are reviewed annually for impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is the greater of its fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is recognised if the carrying amount of a CGU exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income and are allocated on a pro-rata basis of the other assets in the CGU. Non-financial assets that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

The Group performed an impairment assessment as at 30 June 2023 using the higher of the fair value less costs to dispose and value in use calculations with cash flow projections based on a ten-year period. Board approved discounted cash flow projections were used, with cash flows beyond this extrapolated using the assumptions as summarised below:

- Discount rate post-tax 13.5%
- Terminal growth rate 0-2%
- EBITDA growth rate 2-3%
- Capital expenditure annual spend 9% of revenue
- Underlying synergy savings

The recoverable amount range of $32.6m-$42.0m was determined to exceed the carrying value at 30 June 2023. Management has concluded that the non-financial assets of the Group are not impaired.

The impairment assessment performed in the 2022 financial year resulted in an impairment of Goodwill which was recognised in the Statement of Comprehensive Income at 30 June 2022.

11 Net finance costs

	Group 2023 $000's	Group 2022 $000's
Interest income on bank deposits	63	4
Net unrealised gain in fair value of derivatives	-	228
Finance lease interest income	21	38
Total finance income	**84**	**270**
Interest expense on secured bank loans	(1,359)	(876)
Net unrealised loss in fair value of derivatives	(64)	-
Interest expense on lease liabilities	(1,631)	(1,588)
Total finance costs	**(3,054)**	**(2,464)**
Net finance costs	**(2,970)**	**(2,194)**

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 2023 $000's	Group 2022 $000's
(a) Income tax expense		
Profit/(Loss) before income tax	(275)	(19,883)
Adjustments:		
- Non-deductible entertainment	8	(7)
- Other non-deductible expenditure	-	17,038
- Temporary Differences	(63)	30
Taxable (loss)/income	**(330)**	**(2,822)**
Current period tax expense @ 28%	**(92)**	**(790)**
Prior period adjustment	-	-
Income tax expense/(benefit)	**(92)**	**(790)**
Comprising:		
Current tax expense	(326)	(556)
Deferred tax expense		
Origination and reversal of temporary differences	234	(234)
Total income tax expense /(benefit)	**(92)**	**(790)**

	Group 2023 %	Group 2023 $000's	Group 2022 %	Group 2022 $000's
(b) Reconciliation of effective tax rate				
Net Profit/(Loss)		(183)		(19,093)
Total income tax (benefit)/expense		(92)		(790)
Profit /(Loss) before income tax		**(275)**		**(19,883)**
Income tax rate	28.0%	(77)	28.0%	(5,567)
Non-deductible entertainment	(0.9%)	3	-	(2)
Temporary differences	6.4%	(18)	-	8
Other non-deductible expenditure	-	-	-	4,771
	33.6%	**(92)**	**4.3%**	**(790)**

As at 30 June 2023 the Group had an available imputation credit balance of $4,866,962 (2022: $5,133,001).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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	
	2023 $000's	2022 $000's	2023 $000's	2022 $000's	2023 $000's	2022 $000's
Property, plant and equipment	-	-	(1,582)	(1,342)	(1,582)	(1,342)
Inventory	-	-	(8)	(8)	(8)	(8)
Finance lease receivable	37	-	-	10	37	10
Trade and other payables	77	98	-	-	77	98
Deferred tax assets / (liabilities)	**114**	**98**	**(1,590)**	**(1,340)**	**(1,476)**	**(1,242)**

Movement in temporary differences during the year

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

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

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)
Finance lease receivable	3	7	10
Trade and other payables	106	(9)	98
	(1,477)	**234**	**(1,242)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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.

Group 2023 **$000's**	**Transmission equipment and network hardware**	**Assets under construction**	**Computer equipment**	**Office equipment, furniture and fittings**	**Leasehold improvements**	**Freehold Property**	**Total**
Cost							
Balance at 1 July 2022	142,274	4,797	4,569	466	944	100	153,150
Additions	-	3,493	-	-	-	-	3,493
Disposals[1]	(33,210)	552	509	193	257	-	(31,699)
Transfers	5,752	(5,984)	20	-	212	-	-
Balance at 30 June 2023	**114,816**	**2,858**	**5,098**	**659**	**1,413**	**100**	**124,944**
Depreciation and impairment losses							
Balance at 1 July 2022	(104,794)	-	(4,390)	(384)	(651)	-	(110,220)
Depreciation for the year	(4,067)	-	(229)	(31)	(95)	-	(4,422)
Disposals[1]	32,004	-	(405)	(129)	(196)	-	31,274
Balance at 30 June 2023	**(76,857)**	**-**	**(5,024)**	**(544)**	**(942)**	**-**	**(83,368)**
Carrying amounts							
At 1 July 2022	37,480	4,797	179	82	292	100	42,930
At 30 June 2023	**37,959**	**2,858**	**74**	**115**	**471**	**100**	**41,577**

1. Decomissioning of Wireless ActionNet network.

14 Property, plant and equipment (continued)

Group 2022 $000's	Transmission equipment and network hardware	Assets under construction	Computer equipment	Office equipment, furniture and fittings	Leasehold improvements	Freehold Property	Total
Cost							
Balance at 1 July 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	-	-
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**

Impairment loss

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

Depreciation

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

The estimated useful lives are as follows:

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

Depreciation methods, useful lives and residual values are reassessed and adjusted if appropriate, at each reporting date.

15 Leases

Leases as Lessee

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

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

(a) Right of use Assets

Right of use assets are measured at the amount equal to the lease liability, adjusted by the amount of any lease incentives received or restoration costs estimated. These assets are depreciated on a straight-line basis over the lease term or the estimated useful life of the underlying leased asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right of use assets are periodically reduced by impairment losses, if any, or adjusted for certain remeasurement of lease liabilities.

Group $000's	Network Assets	Land and Buildings	Motor Vehicles	Total
Balance at 1 July 2022	22,745	1,326	164	24,235
Additions/Amendments	-	606	558	1,164
Disposals	(1,027)	-	(182)	(1,209)
Depreciation	(3,889)	(441)	(51)	(4,381)
Closing balance at 30 June 2023	**17,829**	**1,491**	**489**	**19,809**
Balance 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**

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

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

i. Amounts Recognised in Statement of Comprehensive Income

	$000's
2023 - Leases under NZ IFRS 16	
Interest on lease liabilities	1,631
Expenses relating to short term/low value leases	15
Depreciation of right of use assets	4,381
2022 - Leases under NZ IFRS 16	
Interest on lease liabilities	1,588
Expenses relating to short term/low value leases	20
Depreciation of right of use assets	5,072

ii. Amounts Recognised in Statement of Cash Flows

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

Principal Payment on Lease Liabilities	
Total cash outflow for leases for the year ended 30 June 2023	5,131
Total cash outflow for leases for the year ended 30 June 2022	5,072

(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 5.34% (2022: 5.04%). Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur.

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

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

Present Value of Leases	**Group 2023 $000's**	**Group 2022 $000's**
Less than one year	3,608	3,843
Between one to two years	2,494	3,527
Between two to five years	6,652	6,820
Greater than five years	8,575	11,089
	21,329	**25,279**

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 2023 $000's	**Group 2022 $000's**
Radio & Data units	71	138
Broadband network components	462	490
Wireless and Mobile Radio network components	809	678
Closing balance at 30 June	**1,342**	**1,306**

In 2023 the Group sold inventory with a carrying value amounting to $311,850, recognised as part of operating costs (2022: $456,387). The remainder is held for use by the Group.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

17 Capital and reserves

Share capital

The Group has 41,548,318 fully paid no par value shares on issue at balance date (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 Group's residual assets.

Shares on issue	2023 number of shares	2022 number of shares	2023 $000's	2022 $000's
Opening balance at 1 July	41,548,318	41,380,880	68,569	68,445
Issue of Ordinary Shares	-	167,438	-	124
Closing balance at 30 June	**41,548,318**	**41,548,318**	**68,569**	**68,569**

Dividends

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

	2023 $000's	2022 $000's
No dividends have been declared or recognised in the current year (2022: 2.0 cents per qualifying ordinary share)	-	835
	-	**835**

18 Share based payments

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

On 3 March 2023, the Board established an Employee Share Option Plan as a long term incentive for key employees. The initial tranche of 950,000 share options were granted, providing these employees with the opportunity to acquire shares after three years at an exercise price of $0.32 per share. The options will lapse after eighteen months from the date of vesting or upon resignation. The number of share options to be granted is capped at 5% of the total number of ordinary shares.

As at 30 June 2023, all 950,000 share options remain on issue. The Group has valued these options using the Black Scholes pricing model with an expected weighted-average volatility of 51 % and a risk-free interest rate of 5.25%. The value of the options was immaterial at 30 June 2023 (2022: Nil).

Notes to the Consolidated Financial Statements

▶ For the year ended 30 June 2023

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 Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary equity holders and the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive issues of ordinary shares.

There are 950,000 dilutive equity instruments on issue at the end of the year relating to the Employee Share Option Plan at 30 June 2023 (2022: Nil).

	Group 2023 $000's	Group 2022 $000's
Profit /(Loss) attributable to ordinary shareholders	(183)	(19,093)

Weighted average number of ordinary shares	in shares	in shares
Issued ordinary shares at 1 July	41,548,318	41,380,880
Number of shares issued during the year	-	167,438
Issued ordinary shares at 30 June	41,548,318	41,548,318
Weighted average number of ordinary shares for the period	**41,548 318**	**41,520,412**

Diluted Earnings Per Share

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

Weighted number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	41,548,318	41,520,412
Effect of the Employee Share Option Plan	950,000	-
Weighted average number of ordinary shares for the period (fully diluted)	**41,864,985**	**41,520,412**

Basic earnings per share ($)	**($0.004)**	**($0.460)**
Basic and Diluted earnings per share ($)	**($0.004)**	**($0.460)**

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 2023 $000's	Group 2022 $000's
Non-current liabilities		
Secured bank loan	14,000	14,500
	14,000	**14,500**

The terms and conditions of outstanding loans are as follows:

Group	Nominal interest rate	Year of maturity	Fair value 2023 $000's	Carrying amount 2023 $000's	Fair value 2022 $000's	Carrying amount 2022 $000's
Secured bank loan	BKBM plus margin	2025	14,000	14,000	14,500	14,500
Total interest-bearing liabilities			**14,000**	**14,000**	**14,500**	**14,500**

Secured Bank Loan

The Group have secured funding facilities with Bank of New Zealand, at 30 June 2023, with a combined limit of $17.0 million and a maturity of January 2025 (2022: Facility with Bank of New Zealand Limited, $17.5 million and January 2024).

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 2023 and 30 June 2022.

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 (2022: $310,000, BNZ).

21 Trade and other payables

	Group 2023 $000's	Group 2022 $000's
Trade creditors	1,908	2,531
Employee entitlements	958	1,034
Other payables and accruals	1,506	2,671
	4,372	**6,236**

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

Notes to the Consolidated Financial Statements

▶ For the year ended 30 June 2023

22 Contingent liability

At balance date the Group had no contingent liabilities (2022: Nil).

23 Capital commitments

As at 30 June 2023, the Group has $255,000 of capital commitments relating to the delivery of services contracted to customers and other network infrastructure (2022: $1,210,000).

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

	Note	Group 2023 $000's	Group 2022 $000's
Profit /(Loss) for the period (after tax)		**(183)**	**(19,093)**
Adjustments for:			
Depreciation, amortisation and impairment	6	8,803	28,854
(Gain)/loss on derivatives		64	(228)
Release of reserve		(446)	(82)
Prepaid services utilisation/(additions)		75	75
(Decrease)/increase in bad debt provision		56	45
Interest income/(loss)	11	84	42
(Decrease)/increase in deferred income		283	(567)
Deferred tax movement	12	234	(228)
		9,153	27,911
Decrease/(increase) in prepayments		236	177
Decrease/(increase) in trade and other receivables		134	877
Decrease/(increase) in inventory	16	(36)	(195)
Decrease/(increase) in deferred expenses		12	(7)
(Decrease)/increase in trade and other payables		(1,840)	262
Decrease/(increase) in income tax payable	12	366	1,018
		(1,128)	2,131
Net cash from operating activities		**7,842**	**10,949**

25 Related party transactions

Transactions with key management personnel

Key management personnel compensation

Key Group management personnel (KMP) compensation comprised $1,494,105 for the year ended 30 June 2023 (2022: $2,577,420). KMP compensation includes short term and long term benefits of $105,000 (2022: $1,971,170), and termination benefits of Nil (2022: $606,250).

This excludes fees paid to directors of $207,605 (2022: $235,000).

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

As part of the Employee Share Option Plan, the Group granted 950,000 share options to members of the executive.

Chief Executive remuneration

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

Short Term Incentive - as part of the annual review, the Remuneration Committee sets the key performance targets that form the basis of determining the achievement for the following year. FY23 targets are based on revenue, EBITDA, free cashflow, and employee culture.

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

	Fixed Remuneration			Pay for Performance			
Jason Bull (CEO)[1]	**Salary**	**Non-Taxable Benefits**	**Subtotal**	**STI**	**LTI**	**Subtotal**	**Total Remuneration**
FY23	388,984	-	388,984	75,000	-	75,000	463,984
FY22	80,054	-	80,054	-	-	-	80,054

1. Jason Bull was confirmed as Group CEO effective 23 August 2022 (2022: Acting Group CEO effective 8 April 2022)

	Fixed Remuneration			Pay for Performance			
Andrew Miller (Previous CEO)[2]	**Salary**	**Non-Taxable Benefits**	**Subtotal**	**STI**	**LTI**	**Subtotal**	**Total Remuneration**
FY22	1,059,227[4]	10,291[3]	1,069,518	69,062[5]	203,670[6]	272,732	1,342,250

2. Andrew Miller resigned as Group CEO on 8 April 2022
3. Motor Vehicle provided
4. Includes Termination Benefits
5. STI for FY21 and FY22 Performance Period (paid in FY22)
6. Settlement for Equity Settled Share Based Long Term Incentive of $203,670 in FY22

Other transactions with key management personnel

Directors of the Group Companies control 3.25% of the voting shares of the Company (2022: 0.66%).

Transactions and balances with related parties

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

The Directors of the Company received fees totalling $207,605 during the period (2022: $235,000). Directors of the subsidiary companies received no directors fees during the period (2022: Nil).

Group entities	**Country of**	**Ownership Interest (%)**		**Balance**	**Activities**
Wholly owned subsidiaries	**incorporation**	**2023**	**2022**	**Date**	
Vital Data Limited	New Zealand	100%	100%	30 June	Broadband services

26 Key Suppliers

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

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

27 Financial Instruments

Financial instruments

Exposure to credit, liquidity and interest rate risks arise in the normal course of the Group's business. The Group manages a number of these risks through negotiated supply contracts.

Credit risk

Credit risk is the risk that the counterparty to a transaction with the Group will fail to discharge its obligations, causing the Group to incur a financial loss. The Group is exposed to credit risk through the normal trade cycle, 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 secured bank loans.

Interest rate risk

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

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

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

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:

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

Carrying amount	Group 2023 $000's	Group 2022 $000's
Wireless	1,961	1,738
Wired	990	1,415
Trade and other receivables	**2,951**	**3,153**

27 Financial Instruments (continued)

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

Group	Gross receivable 2023 $000's	Impairment 2023 $000's	Gross receivable 2022 $000's	Impairment 2022 $000's
Trade receivables				
Not past due	2,860	-	2,961	-
Past due 0-30 days	49	-	116	-
Past due 31-90 days	87	(45)	88	(88)
Past due > 90 days	122	(122)	143	(67)
Total	**3,118**	**(167)**	**3,308**	**(155)**

(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 2023	Carrying amount $000's	Contractual cash flows $000's	6 months or less $000's	6-12 months $000's	1-2 years $000's	2-5 years $000's
Secured bank loans	14,000	16,017	755	747	14,515	-
Trade and other payables	4,372	4,372	4,372	-	-	-
Total non-derivative liabilities	**18,372**	**20,389**	**5,127**	**747**	**14,515**	**-**
Net inflow / (outflow):						
Interest rate swaps	-	-	-	-	-	-
Total derivative inflow / (outflow)	**-**	**-**	**-**	**-**	**-**	**-**

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)**	**-**	**-**	**-**

(c) Interest rate risk – repricing analysis

Group 2023 Fixed & variable rate instruments	Total $000's	6 months or less $000's	6-12 months $000's	1-2 years $000's	2-5 years $000's	Non-interest bearing $000's
Cash and cash equivalents	503	503	-	-	-	-
Trade and other receivables	2,951	-	-	-	-	2,951
Finance lease receivables	35	11	8	12	4	-
Secured bank loans	(14,000)	-	-	(14,000)	-	-
Total fixed and variable rate instruments	**(10,511)**	**514**	**8**	**(13,988)**	**4**	**2,951**
Effect of interest rate swaps	-	-	-	-	-	-
Total fixed and variable rate instruments and related derivatives	**(10,511)**	**514**	**8**	**(13,988)**	**4**	**2,951**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

27 Financial Instruments (continued)

Group 2022 **Fixed & variable rate instruments**	**Total** **$000's**	**6 months or less** **$000's**	**6-12 months** **$000's**	**1-2 years** **$000's**	**2-5 years** **$000's**	**Non-interest bearing** **$000's**
Cash and cash equivalents	1,297	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**

(d) Capital management

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

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

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

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

(e) Sensitivity analysis

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

At 30 June 2023, it is estimated that a general increase of a one percentage point in interest rates would have had an immaterial impact on the Group's profit.

(f) Derivative financial instruments

The Group may use 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

Interest rate swaps, denominated in New Zealand dollars, may be entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. One swap matured at 28 November 2022 (see the table below) at the rate of 1.69% (2022: 1.69%).

27 Financial Instruments (continued)

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

	Group 2023 $000's	Group 2022 $000's
Interest rate swaps		
Notional contract amount	-	10,000
Fair value:	-	
Assets	-	63
Liabilities	-	-
Net fair value	**-**	**63**

(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:

	2023	2022
Interest rate derivatives	-	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 (2022: 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.

28 Subsequent Events

On 3 July 2023, Vital Limited extended the existing contract with St John Ambulance for an additional two years to March 2027, with the option for a further two-year right of renewal through to March 2029.

Code of Corporate Governance

▶ For the year ended 30 June 2023

Code of Corporate Governance

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

Board Composition and Procedures

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

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

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

No retirement allowances will be paid to directors.

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

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

Board Sub-Committees

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

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

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

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

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

Auditors

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

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

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

Insurances

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

Conflict of Interest Policy

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

Share Dealing

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

Independent Auditor's Report

To the shareholders of Vital Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of Vital Limited (the 'company') and its subsidiaries (the 'group') on pages 15 to 40 present fairly, in all material respects:

i. the Group's financial position as at 30 June 2023 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 issued by the New Zealand Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 June 2023;

— 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 $270,000 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.

KPMG

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our 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
Revenue Recognition – IFRS 15	
Refer to Note 7 of the Financial Statements. Revenue Recognition is considered to be a key audit matter due to the significance of revenue to the financial statements and judgements made in relation to the: • estimate of unearned revenue; and • assessment of performance obligations around installation-based revenues.	Our audit procedures included: • Testing the overall design and operating effectiveness for key controls over revenue recognition; • Developing an expectation of revenue recognised for the period through adjusting cash receipts for movements in deferred income and accounts receivable; • Assessing the accuracy of the Group's revenue billing systems by vouching key details to a sample of revenue contracts; • Selecting a sample of unearned revenue balances recorded at year-end and assessing treatment against the Group's revenue recognition policy and IFRS 15; and • Evaluating whether the credit notes issued after year-end are recognised in the correct period.

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.

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.

KPMG

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 issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; 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 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

23 August 2023

Statutory Information

Board of Directors

The following persons were Directors of Vital Limited as at 30 June 2023:

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

The following persons were Directors of Vital Data Limited as at 30 June 2023:

Director	
Jason Bull	Chair

Remuneration of Directors

The table below sets out the total of the remuneration and the value of other benefits received by each Director or former Director during the financial year to 30 June 2023. There were no changes to the individual fees paid per Director during FY23.

Director ($'000)	Board Fees	Other Fees	Total Directors Fees FY23	Current Director or Date Appointed /Resigned
John McMahon	45.00	-	45.00	Appointed 23 August 2022
Susan Freeman-Greene	35.00	-	35.00	Current Director
James Sclater	35.00	-	35.00	Current Director
Mike Shirley	12.61	-	12.61	Appointed 20 February 2023
Reg Barrett	23.33	-	23.33	Resigned 28 February 2023
Rod Snodgrass	29.17	-	29.17	Resigned 30 April 2023
Roger Sowry	10.00	-	10.00	Resigned 23 August 2022
Nathan York	17.50	-	17.50	Resigned 31 December 2022
Total	**207.61**	**-**	**207.61**	

Disclosure of Interest

In accordance with Section 140(2) of the Companies Act 1993 the Group maintains an interests register in which Directors interests are recorded. The following are particulars of general disclosures of interest by Directors holding office at 30 June 2023.

John McMahon

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

Susan Freeman-Greene

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

Mike Shirley

Entity	Relationship
Vector Fibre	General Manager

Management commentary
(no financial statements)

Statistical Information

▸ James Sclater

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

Directors' Shareholdings Interests

As at 30 June 2023, the Directors of the Group had the following relevant interests in the Group's shares.

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

Employees' Remuneration

The number of employees of the Group (not being directors of the Group) who received remuneration and other benefits in their capacity as employees during the year ended 30 June 2023 that in value was or exceeded $100,000 per annum is set out in the table below.

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

	2023	2022
$100,000 - $109,999	11	6
$110,000 - $119,999	1	3
$120,000 - $129,999	5	5
$130,000 - $139,999	2	2
$140,000 - $149,999	2	-
$150,000 - $159,999	1	5
$160,000 - $169,999	2	1
$170,000 - $179,999	3	1
$180,000 - $189,999	1	1
$190,000 - $199,999	1	2
$200,000 - $209,999	2	2
$240,000 - $249,999	-	1
$290,000 - $299,999	-	1
$320,000 - $329,999	1	1
$450,000 - $459,999	1	-
$1,340,000 - $1,349,000	-	1

Management commentary
(no financial statements)

Statutory Information

Gender Composition of Directors and Officers

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

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

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

Attendance at Board Meetings

Board Meeting Attendance	**Jul-22**	**Aug-22**	**Sep-22**	**Oct-22**	**Nov-22**	**Dec-22**	**Jan-23**	**Feb-23**	**Mar-23**	**Apr-23**	**May-23**	**Jun-23**
Meeting Held	**N**	**Y**	**Y**	**Y**	**Y**	**Y**	**N**	**Y**	**Y**	**Y**	**Y**	**Y**
John McMahon		Y	Y	Y	Y	Y		Y	Y	Y	Y	Y
Susan Freeman-Greene		Y	Y	Y	Y	Y		Y	Y	Y	Y	Y
James Sclater		Y	Y	Y	Y	Y		Y	Y	Y	Y	N
Mike Shirley								Y	Y	Y	Y	Y
Reg Barrett		Y	Y	Y	Y	Y		Y				
Rod Snodgrass		Y	N	Y	Y	Y		Y	Y	Y		
Roger Sowry		Y										
Nathan York		Y	Y	Y	Y	Y						

Total Board Meetings Held	**10**	
John McMahon	10	Appointed effective 23 August 2022
Susan Freeman-Greene	10	
James Sclater	9	
Mike Shirley	5	Appointed effective 20 February 2023
Reg Barrett	6	Resigned effective 28 February 2023
Rod Snodgrass	7	Resigned effective 30 April 2023
Roger Sowry	1	Resigned effective 23 August 2022
Nathan York	5	Resigned effective 31 December 2022

Management commentary
(no financial statements)

Shareholder Information

Shareholding

The names and holdings of the twenty largest registered shareholders in the Group as at 6 July 2023 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	1,519,347	3.66%
Andrew John Fleck	1,200,000	2.89%
ASB Nominees Limited	1,173,233	2.82%
Andrew Mark Miller & Eleanor Jane Miller	1,134,104	2.73%
Maarten Arnold Janssen	1,080,144	2.60%
New Zealand Depository Nominee	1,070,297	2.58%
Donald Ford Franklin	901,413	2.17%
Custodial Services Limited	728,751	1.75%
Faith Palairet & Stephen Palairet	705,116	1.70%
New Zealand Permanent Trustees Limited	643,976	1.55%
Ian Graham Douglas & Anna Kristin Douglas	602,278	1.45%
Selenium Corporation Limited	600,000	1.44%
Jarden Custodians Limited	546,701	1.32%
FNZ Custodians Limited	489,929	1.18%
Ace Finance Limited	462,534	1.11%
		51.87%

Size of Holdings

The details set out below were as at 6 July 2023:

Range	Number of Holders	%	Number of Ordinary Shares	% Issued Capital
1-1000	78	7.85%	52,044	0.13%
1001-5000	354	35.65%	1,025,468	2.47%
5001-10000	196	19.74%	1,497,985	3.60%
10001-50000	261	26.28%	6,038,978	14.53%
50001-100000	50	5.04%	3,656,021	8.80%
Greater than 100000	54	5.44%	29,277,822	70.74%
	993	100.00%	41,548,318	100.00%

Substantial Security Holders

Pursuant to section 293 of the Financial Markets Conduct Act 2013, there were, as at 30 June 2023, no substantial security holders.

Management commentary
(no financial statements)

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, 1051, New Zealand

CHRISTCHURCH

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

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
44 Bowen Street, Wellington,
New Zealand

Solicitors

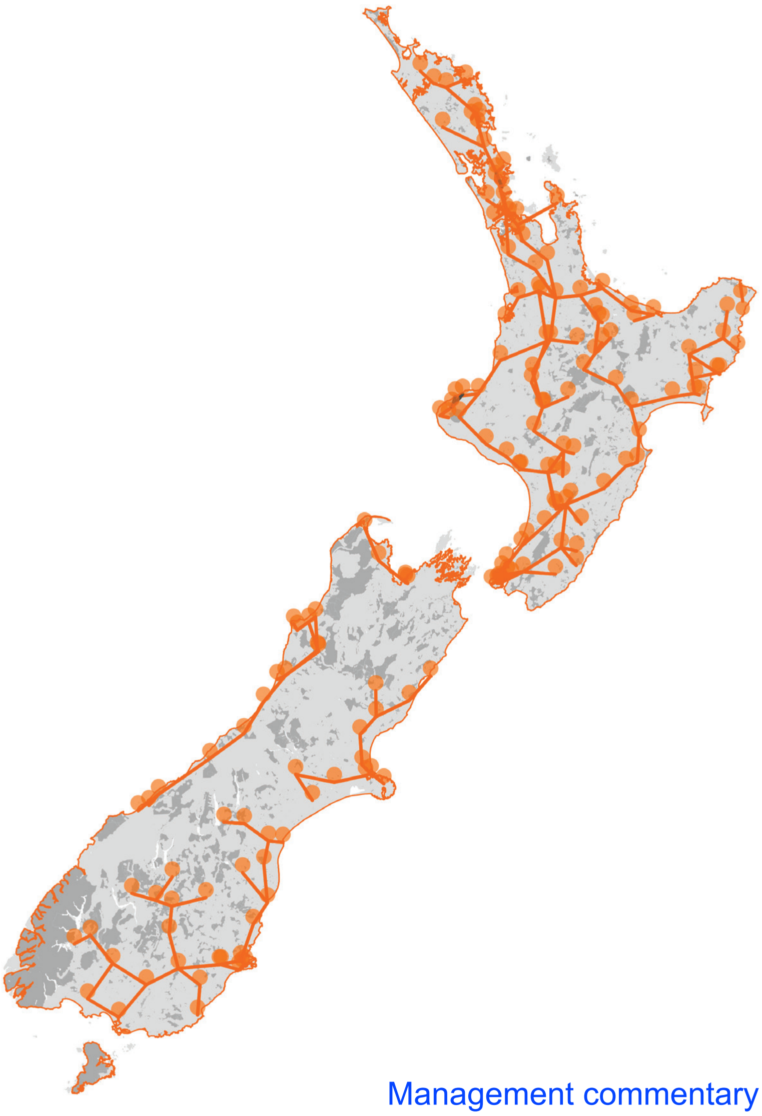
Crengle, Shreves & Ratner
City Chambers Building, Johnston Street,
Wellington, New Zealand

Bankers

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

Registrar

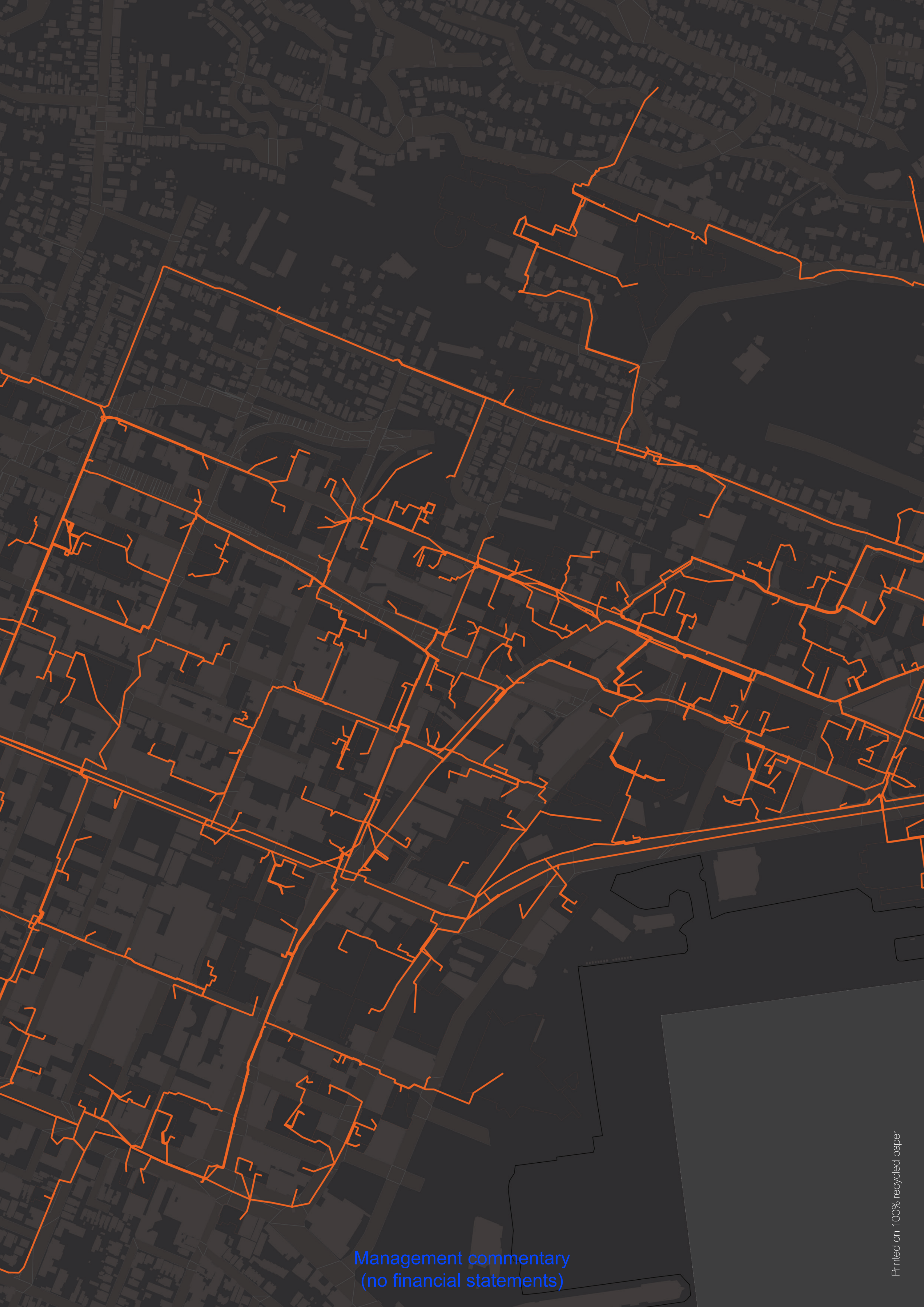
Link Market Services Limited
138 Tancred Street, Ashburton,
New Zealand



Management commentary
(no financial statements)

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.

Management commentary
(no financial statements)



Management commentary
(no financial statements)