2023
Financial Statements

Entrust
Majority shareholder of Vector

Entrust Trustees Report

FOR THE YEAR ENDED 30 JUNE 2023

The year in review to 30 June 2023 was another busy year with distribution of our $273 dividend plus $30 from Vector being paid to 351,000 beneficiaries in September 2022. Additionally, a significant amount of work occurred developing a new online secure platform which was used for the first time in June 2023 and allowed beneficiaries to update their payment details online.

INCOME AND EXPENDITURE

For the year ended 30 June 2023 the overall income of Entrust was $127.9 million, compared to income of $126.4 million in the previous year. Income was made up of $125.8 million from Vector in dividends and $2.1 million from interest on funds.

The total expenditure incurred by the Trust for the year was $4.2 million compared to $4.6 million last financial year, a reduction of $392,000.

BALANCE SHEET

Entrust holds 751 million shares in Vector on behalf of beneficiaries. The value of these shares at 30 June 2023 was $3.0 billion.

ANNUAL DIVIDEND

The September 2022 dividend was $273 with an additional $30 from Vector which is due to an electricity industry credit the company received known as loss rental rebates, making a total payment to beneficiaries of $303. The dividend was paid to 351,000 beneficiaries making the 2022 distribution the biggest to date and injecting over $95.8 million into the Auckland economy at a time when many families were struggling due to cost of living increases.

The dividend continues to be impacted by the tax imputation decision made by Vector in 2020, to reduce imputation credits on their dividend from 28% to 10.5%. The reduction in the amount of imputation credits Vector paid on their dividend results in Entrust having to pay significantly more tax before the dividend is distributed to beneficiaries.

PAYING THE DIVIDEND

Payment of the annual Entrust dividend has become more complex and additional costs have arisen because of the removal of cheques by all banks in 2021. Without cheques, Entrust now needs to confirm or gather payment instructions and bank account details from every beneficiary every year.

The payment instructions cannot simply be rolled over from one year to the next because around 40% of all our beneficiaries move or change their personal details in some way every year. This requires new instructions to be received, checked and inputted to the payment process.

A payment preference campaign is undertaken in June each year to gather those payment details. Even so, a number of dividends cannot be paid on dividend day because people haven’t yet provided their payment details, or some have moved between times, or changed their details or even their bank before we distribute the dividend. Where we can't make payment on dividend day, people are notified and have two years to provide their details so we can complete their payment.

To make it easier for people returning their payment details, the use of emails was expanded in 2022. Beneficiaries could receive their payment form, check it or update it and send it back by email from their phone or device. The use of emails was done very carefully, with advice and oversight from security experts to ensure using emails this way was safe for all parties. The emails worked well, and beneficiaries appreciated the convenience.

NEW ONLINE PLATFORM

At the beginning of 2023, a significant improvement was made with the introduction of a secure web page for people to provide their payment details. The technology and thinking behind this platform was not only to accurately capture, reconcile and report data for more than 356,000 payments but also to be extremely easy to use for the wide range of people who are Entrust beneficiaries. It has most certainly delivered on those expectations, with feedback being entirely positive.

However, not all beneficiaries want to deal with money matters in a digital environment and it is interesting that 48% of the payment instructions this year were still received by post or email. Now though, we have the full suite of channels for people to tell us how they want to be paid.

DIVIDEND ADVERTISING

To help ensure the dividend reaches everyone who is entitled to it, an advertising campaign is conducted in June when we seek payment instructions and again at dividend time.

The campaign in June is for people to check, update or provide their payment details. This is more important than ever because, with the removal of cheques, we now need every beneficiary to give us their payment details before we can give them their dividend. The advertising in this campaign is critical in making sure people know that they need to let us know how they want their dividend to be paid.

The September dividend campaign ensures that people are informed that the dividend has been paid. This is particularly important for people who couldn't be paid on dividend day itself because they moved or their details had changed, or they hadn't given us their bank details.

Advertising from the June 2022 campaign.

Advertising from the September 2022 dividend campaign.

UNDERGROUNDING

As majority owner of Vector we have an agreement that requires Vector to spend $10.5 million every year on projects in the Entrust district via the Energy Solutions Programme. In the 2022/2023 financial year Vector invested $11.6 million in undergrounding.

With the completion of the large-scale Mt Albert project, Vector selected St Heliers as the next area for a large-scale undergrounding project to commence. The project covers the eastern side of St Heliers Bay Road through to the waterfront, including a large number of streets bordered by Maskell Street, Sylvia Road and Glover Road. By the time the project is finished approximately 14.9 kms of overhead lines and more than 420 poles will be removed from the area.

Vector has completed all the projects to date without any injury to field staff and receives positive customer feedback on completion of the projects.

Vector crew cutting down redundant high and low voltage power lines before removing a power pole (Corner of Sylvia Road and Tuhimata Road).

Vector crew removing the line-free and redundant power poles (Bay Road).

Vector crew removing one of Chorus' wooden telephone poles (Yattendon Road).

Trustees Denise Lee, Paul Hutchison, William Cairns (Chair) and Alastair Bell at the St Heliers undergrounding project.

Examples of undergrounding projects completed during 2022/23

APPOINTMENT OF AUDITORS

At last year's Annual Meeting of Beneficiaries, Grant Thornton was appointed the Entrust auditor for the 2022/2023 financial year.

Trustees have commenced a process to find a new auditor given Grant Thornton have been our auditors for a number of years. As this process will take some time, the next Annual Meeting of Beneficiaries will be held in April 2024, at which time Trustees will provide an update.

REMUNERATION OF AUDITORS

The audit fees for the 2022/2023 financial year were $52,000.00.

In accordance with section 101(3) of the Electricity Act 2010, a motion will be put to the next Annual Meeting of beneficiaries authorising the Trust to fix the fees and expenses of the auditors for the ensuing year.

Entrust Trustees **10 October 2023**

William Cairns, Chairman
Michael Buczkowski, Deputy Chairman
Alastair Bell
Denise Lee
Paul Hutchison

Financial Statements
for the year ended 30 June 2023

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2023 FINANCIAL STATEMENTS

These financial statements for the year ended 30 June 2023 are dated 25 August 2023, and signed for and on behalf of the Trustees by:

Chairman

Chairman of the Finance and Risk Committee

Directory

Principal Business

To act as Trustees and distribute the surplus from the Trust Fund to the income beneficiaries under its Deed of Trust. The income beneficiaries are customers on the Vector electricity network within the boundaries defined in the Trust Deed. The Trust Fund comprises primarily the Trustees' shareholding in Vector Limited.

Date Settled

27 August 1993

Trustees

W A Cairns (Chairman)
M J Buczkowski (Deputy Chairman)
C P T Hutchison
A P Bell
D A Lee

Termination Date

27 August 2073

Accountant

Findex
P O Box 158
Auckland

Auditor

Grant Thornton New Zealand Audit Limited
P O Box 1961
Auckland

Legal Advisor

Lowndes Jordan
P O Box 5966
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Banker

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P O Box 35
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To the Beneficiaries of Entrust

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of Entrust (the Trust or Parent) and the consolidated financial statements of Entrust and it's controlled subsidiaries (the Group) which comprise:

a. the consolidated financial statements set out on pages 7 to 46, which comprise the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of comprehensive revenue and expense, statement of changes in net assets, and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies; and

b. the statement of service performance on page 5 to 6.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects:

a. the consolidated financial position of the Trust as at 30 June 2023 and its consolidated financial performance and cash flows for the year then ended; and

b. the service performance for the year ended 30 June 2023 in accordance with the Trust's service performance criteria in accordance with the Public Benefit Entity Standards (Not-for-profit) issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and the audit of the service performance information in accordance the International Standard on Assurance Engagements (New Zealand) (ISAE (NZ)) 3000 (Revised) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the General Purpose Financial Report* section of our report. We are independent of the Trust or 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our firm carries out other assignments for the Trust or Group in the area of assurance and other consulting services. The firm has no other relationship with, or interest in, the Trust or Group.

Other Information Other than the Consolidated Financial Statements and Auditor's Report thereon

The Trustees are responsible for the other information. The other information comprises the Directory but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Annual Report if we conclude that there is a material misstatement, we are required to communicate the matter to those charged with governance for resolution.

Responsibilities of Those Charged with Governance for the Consolidated Financial Statements

Those charged with governance are responsible on behalf of the Trust or Group for:

(a) the preparation and fair presentation of the consolidated financial statements, and statement of service performance in accordance with Public Benefit Entity Standards (Not-for-profit) issued by the New Zealand Accounting Standards Board;
(b) service performance criteria that are suitable in order to prepare service performance information in accordance with Public Benefit Entity Standards (Not-for-profit); and
(c) such internal control as those charged with governance determine is necessary to enable the preparation of the consolidated financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors on behalf of the Trust are responsible for assessing the Trust or Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the Trust or Group 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 objectives are to obtain reasonable assurance about whether consolidated financial statements, as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with ISAs (NZ) and ISAE (NZ) 3000 (Revised), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the service performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the trust or group's internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trust or group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the trust or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the trust or group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the service performance information, including the disclosures, and whether the consolidated financial statements and the service performance information represents the underlying transactions and events in a manner that achieves fair presentation.
- Perform procedures to obtain evidence about and evaluate whether the reported outcomes and outputs, and quantification of the outputs to the extent practicable, are relevant, reliable, comparable and understandable.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on use of our report

This report is made solely to the Trust Beneficiaries, as a body. Our audit work has been undertaken so that we might state to the Trust Beneficiaries, as a body, those matters which we are required to state to them in an 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 Trust and its Beneficiaries, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Limited

Grant Thornton

Auckland, 25 August 2023

Statement of Service Performance

for the year ended 30 June 2023

Entrust is a private electricity consumer trust that was established in 1993 as part of reforms to the electricity sector. The trustees of Entrust are subject to the Trusts Act 2019 and relevant provisions of the Electricity Industry Act 2010. They are required to act in the best interests of Entrust beneficiaries, who comprise over 356,000 consumers of electricity in the Entrust district (which broadly encompasses central, east and south Auckland). A core responsibility of Entrust trustees is, each year, to identify beneficiaries and pay to them their share of dividends received by Entrust from Vector Limited, of which Entrust is the 75.1% shareholder.

Entrust was required to adopt PBE FRS 48 Service Performance Reporting for the first time for the year ended 30 June 2023. Entrust has made several judgements in preparing its service performance information. The judgements exercised do not have a significant effect on the selection, measurement, aggregation, and presentation of the Trust's service performance information.

Outcomes

The primary functions of Entrust are to:

1. receive dividends from its shareholding in Vector and set and distribute dividends to Entrust beneficiaries.
2. manage Entrust's majority ownership of Vector on behalf of beneficiaries.
3. monitor and address regulatory issues affecting Vector, Entrust and its beneficiaries, including dealing with government bodies on regulatory issues.
4. provide strategic input to Vector at board level.
5. propose, and with other shareholders of Vector, appoint Vector's board of directors.
6. consider and, if thought appropriate, approve all major transactions and other transactions requiring the prior consent of Entrust that are undertaken by Vector.
7. monitor the prices of Vector electricity services in the Entrust district.
8. manage Entrust's funds.

Outputs and measurement of service performance

The levels of service reported in the table below reflect some of Entrust's key responsibilities as set out in the Entrust Trust Deed and the New Deed Recording Essential Operating Requirements between Entrust and Vector dated 7 August 2015 (NDREOR), which details certain binding contractual agreements between Vector and Entrust.

Level of Service	Measure	Result
Pay a dividend to Entrust beneficiaries each year in line with the requirements of the Trust Deed.	Dividend is paid on an annual basis.	In the year to 30 June 2023, the dividend was paid on 21 September 2022. In the prior year it was paid on 22 September 2021.
	Make payments by direct credit to beneficiary bank accounts on the dividend distribution date with an accuracy rate of above 99%.	In the year to 30 June 2023, the accuracy rate of direct credits to beneficiary bank accounts was 99.997%. In the prior year it was 99.989%.
Ensure Vector delivers undergrounding and/or new technology projects in the Trust district each year as required by the NDREOR.	Expenditure of $10.5 million per year or if less than that in any given year, then a spend in that year which, when aggregated with the spend in the immediately preceding 4 financial years, equates to an average annual spend of at least $10.5 million per year, on undergrounding and/or new technology projects as detailed in the NDREOR.	In the financial year to 30 June 2023, Vector's expenditure was $11.6 million, spent entirely on overhead improvement projects.
Ensure Vector provides an independent review of the state of the electricity network every two years to assist with security of supply for beneficiaries.	State of the Network review is completed every two years.	In the year to 30 June 2023, a State of the Network review was completed in October 2022, with details available on the Entrust website. The prior report was completed in September 2020 as per the two-yearly cycle and is also available on the website.
Monitor and address regulatory issues impacting Entrust, Vector and our beneficiaries by submitting to the relevant regulator on key issues.	Entrust submits on regulatory matters impacting Entrust beneficiaries and Vector.	In the year to 30 June 2023, Entrust submitted to regulators on six different matters including: Misuse of Market Power Guidelines, Residual Allocation Methodology, Inefficient Price Discrimination, Review of Competition in the Wholesale Market, Future Renewable Power Supply and Electricity (Hazards from Trees) Regulations 2003. Copies of all submissions are available on our website. In the prior year, Entrust submitted on four matters.

Statement of Service Performance (continued)

for the year ended 30 June 2023

Summary

Trustees were satisfied with progress in the year to 30 June 2023, with the dividend being distributed as planned with a very high percentage of beneficiaries who opted to receive their dividend by direct credit receiving it on distribution day.

The undergrounding target was exceeded in the period under review with a spend of $11.6 million, above the required $10.5 million. Progress continues on undergrounding with new projects underway.

The October 2022 State of the Network report advised that the network continues to be in good health and Entrust continued to advocate on beneficiaries' behalf by submitting to the regulators on key consultation topics during the period under review.

Comprehensive Revenue and Expense

for the year ended 30 June

		GROUP		PARENT	
	NOTE	2023 $M	2022 $M	2023 $M	2022 $M
Continuing operations[1]:	7	**1,192.3**	1,103.4	**125.8**	125.8
Operating expenses	8	**(685.4)**	(631.1)	**(4.2)**	(4.6)
Depreciation and amortisation		**(194.0)**	(184.3)	**-**	-
Interest costs (net)	9	**(142.0)**	(102.8)	**2.1**	0.6
Impairment	11.1	**-**	(40.2)	**-**	-
Gain on sale of investment in associate		**-**	7.1	**-**	-
Fair value change on financial instruments	23.2	**(13.2)**	3.6	**-**	-
Surplus before income tax		**157.7**	155.7	**123.7**	121.8
Tax benefit/(expense)	15	**(49.6)**	(58.2)	**(2.5)**	(1.0)
Net surplus for the period from continuing operations		**108.1**	97.5	**121.2**	120.8
Net surplus for the period from discontinued operations	4	**1,603.5**	58.4	**-**	-
Net surplus for the period		**1,711.6**	155.9	**121.2**	120.8
Net surplus/(deficit) for the period attributable to					
Non-controlling interests in subsidiaries		**427.3**	40.0	**-**	-
Beneficiaries of the Parent – continuing operations		**80.1**	72.0	**121.2**	120.8
Beneficiaries of the Parent – discontinued operations		**1,204.2**	43.9	**-**	-
		1,711.6	155.9	**121.2**	120.8

[1]The comparative information is restated due to a discontinued operation. Refer to note 4.

These financial statements should be read in conjunction with the accompanying accounting policies.

Other Comprehensive Revenue and Expense

for the year ended 30 June

		GROUP		PARENT	
	NOTE	2023 $M	2022 $M	2023 $M	2022 $M
Net surplus/(deficit) for the period		**1,711.6**	155.9	**121.2**	120.8
Other comprehensive revenue and expense net of tax					
Items that may be re-classified subsequently to surplus or deficit:					
Net change in fair value of hedge reserves	23.3	**(3.0)**	93.5	-	-
Translation of foreign operations		**(8.2)**	6.3	-	-
Items that will not be re-classified to surplus or deficit:					
Fair value change on investment	14.2	**(3.4)**	(0.1)	-	-
Other comprehensive revenue and expense for the period net of tax		**(14.6)**	99.7	**-**	**-**
Translation of foreign operations- discontinued operations		**(3.4)**	3.2	**-**	-
Total comprehensive revenue and expense for the period net of tax		**1,693.6**	258.8	**121.2**	120.8
Total comprehensive revenue and expense for the period attributable to					
Non-controlling interests in subsidiaries		**422.8**	65.6	-	-
Beneficiaries of the Parent – continuing operations		**69.2**	146.9	**121.2**	120.8
Beneficiaries of the Parent – discontinued operations		**1,201.6**	46.3	**-**	-

These financial statements should be read in conjunction with the accompanying accounting policies.

Financial Position

as at 30 June

	NOTE	GROUP 2023 $M	GROUP 2022 $M	PARENT 2023 $M	PARENT 2022 $M
CURRENT ASSETS					
Cash and cash equivalents	6	**95.5**	22.0	**5.6**	2.0
Deposits	6	**522.1**	79.5	**75.0**	77.0
Trade and other receivables from exchange transactions	10	**125.3**	89.8	**1.0**	0.4
Contract assets		**85.2**	107.8	**-**	-
Derivatives	23	**4.3**	44.6	**-**	-
Inventories		**21.1**	24.2	**-**	-
Contingent consideration	5	**11.5**	15.0	**-**	-
Intangible assets		**8.7**	4.4	**-**	-
Income tax	15	**36.0**	24.5	**-**	-
Total current assets		**909.7**	411.8	**81.6**	79.4
NON-CURRENT ASSETS					
Receivables from exchange transactions	10	**67.4**	4.5	**-**	-
Derivatives	23	**107.8**	119.7	**-**	-
Contingent consideration	5	**49.4**	64.8	**-**	-
Investments in subsidiaries		**-**	-	**300.0**	300.0
Investment in joint venture	14.1	**727.4**	-	**-**	-
Investment in private equity	14.2	**8.8**	12.2	**-**	-
Intangibles	11	**1,208.1**	1,262.1	**-**	-
Property, plant and equipment (PPE)	12	**4,385.8**	4,883.1	**-**	-
Income tax	15	**82.4**	103.2	**-**	-
Deferred tax	16	**2.9**	2.4	**-**	-
Total non-current assets		**6,640.0**	6,452.0	**300.0**	300.0
Total assets		**7,549.7**	6,863.8	**381.6**	379.4
CURRENT LIABILITIES					
Distributions payable	18	**63.2**	62.3	**63.2**	62.3
Trade and other payables from exchange transactions	17	**280.1**	200.6	**0.6**	0.6
Provisions	19	**20.6**	21.9	**-**	-
Provision for unclaimed distributions	20	**15.7**	16.0	**15.7**	16.0
Borrowings	22	**240.6**	371.0	**-**	-
Contract liabilities		**72.7**	97.5	**-**	-
Derivatives	23	**0.5**	0.4	**-**	-
Income tax		**3.6**	0.9	**2.1**	0.5
Total current liabilities		**697.0**	770.6	**81.6**	79.4
NON-CURRENT LIABILITIES					
Payables from exchange transactions	17	**0.2**	0.6	**-**	-
Provisions	19	**5.9**	5.2	**-**	-
Borrowings	22	**2,028.2**	2,858.4	**-**	-
Contract liabilities		**11.0**	17.9	-	-
Derivatives	23	**160.3**	130.5	-	-
Deferred tax	16	**687.3**	649.2	-	-
Total non-current liabilities		**2,892.9**	3,661.8	**-**	-
Total liabilities		**3,589.9**	4,432.4	**81.6**	79.4
NET ASSETS					
Net Assets attributable to beneficiaries of the Parent		**2,966.4**	1,816.7	**300.0**	300.0
Non-controlling interests in subsidiaries		**993.4**	614.7	**-**	-
Total net assets		**3,959.8**	2,431.4	**300.0**	300.0
Total net assets and liabilities		**7,549.7**	6,863.8	**381.6**	379.4

These financial statements should be read in conjunction with the accompanying accounting policies.

Cash Flows
for the year ended 30 June

	NOTE	GROUP 2023 $M	GROUP 2022 $M	PARENT 2023 $M	PARENT 2022 $M
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**1,409.8**	1,347.2	**-**	-
Interest received		**7.3**	4.0	**1.5**	0.3
Dividends received		**-**	-	**125.8**	125.8
Payments to suppliers and employees		**(717.8)**	(691.5)	**(4.2)**	(4.6)
Lease payments		**(12.5)**	(11.8)	**-**	-
Distribution to beneficiaries		**(90.5)**	(89.3)	**(90.5)**	(89.3)
Dividend withholding tax paid		**(30.1)**	(31.1)	**(30.1)**	(31.1)
Interest paid		**(164.4)**	(124.5)	**-**	-
Income tax paid		**(20.9)**	(21.0)	**(0.9)**	(0.9)
Net cash flows from/(used in) operating activities	25.1	**380.9**	382.0	**1.6**	0.2
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale PPE and software intangibles		**0.9**	1.7	**-**	-
Purchase and construction of PPE		**(601.5)**	(510.6)	**-**	-
Purchase and development of software intangibles		**(37.5)**	(48.2)	**-**	-
Proceeds from contingent consideration	5	**14.2**	6.1	**-**	-
Proceeds from sale of discontinued operations	4	**1,690.7**	-	**-**	-
Cash balance disposed in sale of discontinued operations	4	**(3.0)**	-	**-**	-
Proceeds from sale of investment in associate		**1.7**	16.4	**-**	-
Other investments		**0.3**	0.2	**-**	-
Net cash flows from/(used in) investing activities		**1,065.8**	(534.4)	**-**	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		**539.0**	351.0	**-**	-
Repayment of borrowings		**(1,425.5)**	(150.0)	**-**	-
Dividends paid		**(44.1)**	(43.3)	**-**	-
Net cash flows from/(used in) financing activities		**(930.6)**	145.2	**-**	-
Net increase/(decrease) in cash and cash equivalents		**516.1**	(7.2)	**1.6**	0.2
Cash and cash equivalents at beginning of the period		**101.5**	96.2	**79.0**	78.8
Cash and cash equivalents at end of the period		**617.6**	89.0	**80.6**	79.0
Cash and cash equivalents comprise:					
Bank balances and on-call deposits	6	**95.5**	22.0	**5.6**	2.0
Short term deposits	6	**522.1**	79.5	**75.0**	77.0
		617.6	101.5	**80.6**	79.0

Discontinued operations

The cash flows above reflect the entire Vector group cash flows for the twelve months to 30 June 2023. Refer to note 4 for separately disclosed cash flows from discontinued operations.

These financial statements should be read in conjunction with the accompanying accounting policies.

Changes in Net Assets

for the year ended 30 June

GROUP	NOTE	HEDGE RESERVE $M	OTHER RESERVES $M	RETAINED EARNINGS $M	NON-CONTROLLING INTERESTS $M	TOTAL NET ASSETS $M
Balance at 30 June 2021		(26.3)	(0.6)	1,771.2	592.4	2,336.7
Net surplus/(deficit) for the period		-	-	115.9	40.0	155.9
Other comprehensive revenue and expense		70.2	7.1	-	25.6	102.9
Total comprehensive revenue and expense		70.2	7.1	115.9	65.6	258.8
Dividends and distributions	3	-	-	(118.6)	(43.3)	(161.9)
Distribution payable		-	-	(2.2)	-	(2.2)
Total transactions with beneficiaries		-	-	(120.8)	(43.3)	(164.1)
Balance at 30 June 2022		**43.9**	**6.5**	**1,766.3**	**614.7**	**2,431.4**
Net surplus/(deficit) for the period		**-**	**-**	**1,284.3**	**427.3**	**1,711.6**
Other comprehensive revenue and expense		**(2.3)**	**(11.2)**	**-**	**(4.5)**	**(18.0)**
Total comprehensive revenue and expense		**(2.3)**	**(11.2)**	**1,284.3**	**422.8**	**1,693.6**
Dividends and distributions	3	**-**	**-**	**(122.0)**	**(44.1)**	**(166.1)**
Distribution payable		**-**	**-**	**0.9**	**-**	**0.9**
Total transactions with beneficiaries		**-**	**-**	**(121.1)**	**(44.1)**	**(165.2)**
Balance at 30 June 2023		**41.6**	**(4.7)**	**2,929.5**	**993.4**	**3,959.8**

PARENT	NOTE	TRUSTEE FUNDS $M	RETAINED EARNINGS $M	TOTAL NET ASSETS $M
Balance at 30 June 2021		300.0	-	300.0
Net surplus/(deficit) for the period		-	120.8	120.8
Other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		-	120.8	120.8
Dividends and distributions	26	-	(118.6)	(118.6)
Distribution payable		-	(2.2)	(2.2)
Total transactions with beneficiaries		-	(120.8)	(120.8)
Balance at 30 June 2022		**300.0**	**-**	**300.0**
Net surplus/(deficit) for the period			**121.2**	**121.2**
Other comprehensive revenue and expense			**-**	**-**
Total comprehensive revenue and expense			**121.2**	**121.2**
Dividends and distributions	26		**(122.1)**	**(122.1)**
Distribution payable			**0.9**	**0.9**
Total transactions with beneficiaries			**(121.2)**	**(121.2)**
Balance at 30 June 2023		**300.0**	**-**	**300.0**

These financial statements should be read in conjunction with the accompanying accounting policies.

Notes to the financial statements

1. TRUST INFORMATION

Reporting entity

Entrust (the "Trust" or "Parent") was settled on 27 August 1993 and is domiciled in New Zealand. The Trust is registered under the Trustee Act 1956. The Trust is a reporting entity for the purposes of the Financial Reporting Act 2013 and is considered a Public Benefit Entity. The financial statements of the Trust have been prepared in accordance with the Financial Reporting Act 2013.

Entrust is a Discretionary Trust under the Trustee Act 1956. It is in the business of acting as Trustees and distributing the surplus from the Trust Fund to the income beneficiaries under its Deed of Trust. The income beneficiaries are customers on the Vector electricity network within the boundaries defined in the Trust Deed.

The Trust Fund comprises primarily the Trustees' shareholding in Vector Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These group financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable Financial Reporting Standards as appropriate for Tier 1 not-for-profit public benefit entities.

The subsidiary accounts have been prepared under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. We have determined that upon consolidation, subject to the adoption of NZ IFRS 16 *Leases* by the subsidiary, which has been eliminated from these consolidated financial statements, there are no significant changes when prepared under PBE IPSAS.

The financial statements of the Trust must comply with the Financial Reporting Act 2013 and the Electricity Industry Act 2010. Pursuant to accounting standards prepared by the External Reporting Board under the Financial Reporting Act 2013 (in particular "External Reporting Board Standard A1 – Accounting Standards Framework") the Trustees have determined that the Trust falls within the definition of "Public Benefit Entity" under that standard. The designation of "Public Benefit Entity" is one which exists only under accounting standards and for the purposes of compliance with the Financial Reporting Act 2013. That designation has no effect on the substance of the Trust Deed which provides that the surplus of the Trust is to be distributed to those people defined as income beneficiaries under the Trust Deed, and who are exclusively customers of Vector within the Trust district, being the old geographical district of the now defunct Auckland Electric Power Board.

Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as appropriate to Tier 1 not-for-profit entities.

They are prepared on the historical cost basis except for the following items, which are measured at fair value:

- the identifiable assets and liabilities acquired in a business combination; and
- certain financial instruments, as disclosed in the notes to the financial statements.

The presentation currency is New Zealand dollars ($). All financial information has been rounded to the nearest 1,000,000, unless otherwise stated.

The statements of revenue and expense, other comprehensive revenue and expense, cash flows and changes in equity are stated exclusive of GST. All items in the balance sheet are stated exclusive of GST except for trade receivables and trade payables, which include GST.

Significant accounting estimates and judgements

Vector's management is required to make judgements, estimates, and apply assumptions that affect the amounts reported in the financial statements. They have based these on historical experience and other factors they believe to be reasonable. The table below lists the key areas of judgements and estimates in preparing these financial statements:

Key areas	Judgements / Estimates	Note
Discontinued operations- gain on sale	Judgements	4
Valuation of contingent consideration receivable	Estimates	5,21
Intangible assets: valuation of goodwill	Estimates	11.1
Property, plant and equipment: classification of costs	Judgements	12
Leases: assessment of lease term for perpetual leases and leases with renewal options	Judgements	13
Valuation of derivative financial instruments	Estimates	21,23

New standards and interpretations adopted

PBE FRS 48 Service Performance Reporting has been adopted in the year ended 30 June 2023. The service performance reporting has been completed and accompanies these financial statements.

3. SIGNIFICANT TRANSACTIONS AND EVENTS

Significant transactions and events that have impacted the financial year ended 30 June 2023:

Discontinued operations	In December 2022, Vector announced an agreement for the sale of a 50% interest in its New Zealand and Australian metering business (Vector metering), to investment vehicles managed and advised by QIC Private Capital Pty Limited (QIC). The sale completed on 30 June 2023. Refer to note 4 for further details and required disclosures relating to the sale.
Loss rental rebates	Until 31 March 2023, Vector retained loss rental rebates (LRRs) to offset the impact of any electricity volume reductions on revenue and mitigate potential future price increases for consumers. Any excess LRRs not required to mitigate such revenue shortfalls will be returned to customers at a later date. Vector distributed loss rental rebates of $17.9 million to customers on the Vector electricity network in September 2022 at $30 per customer, representing excess LRRs not required to partially mitigate electricity distribution price increases applying from 1 April 2022. A provision for distribution to customers of $19.0 million is recognised at 30 June 2023 (30 June 2022: $18.0 million) provides for an expected distribution level of $30 per customer on the Vector electricity network. This approach is consistent with the Board's view that LRRs should ultimately benefit electricity customers. In the year ended 30 June 2023, Vector received $27.7 million of LRRs from Transpower (year ended 30 June 2022: $26.5 million), $8.8 million of which has been retained and recognised in the profit or loss (30 June 2022: $8.7 million). The new transmission pricing methodology (TCM) came into force on 1 April 2023. Under the new TCM, Transpower's existing method for allocating LRRs has become obsolete, and distributors are required to pass through settlement residue to their customers, being retailers or directly billed customers. Therefore, post 1 April 2023, Vector is not able to apply LRRs to offset volume shortfalls, and September 2023 will be the last foreseeable distribution of LRRs to end users.
Gas Distribution Input Methodologies	On 14 June 2023, the Commerce Commission (the Commission) released its draft report on its review of Input Methodologies. Their report proposed a reduction in the weighted average cost of capital (WACC) percentile for gas distribution businesses from 67% to 50% which would result in a decrease in future revenues for Vector's gas distribution business. Vector has lodged submissions to the Commerce Commission that support the maintenance of the current WACC percentile. The Commission will consider these and other submissions and publish its final decision on Input Methodologies in December 2023.
Debt programme	In December 2022, Vector repaid $250.5 million (US $182.0 million) of USD denominated senior notes. During the year ended 30 June 2023, the group drew down $539.0 million, and repaid $1,175.0 million of bank facilities for a net repayment of $636.0 million (year ended 30 June 2022: drew down a net of $126.0 million). Refer to note 21 for more details on borrowings.
Regulatory quality thresholds	During the year Vector and the Commission have settled the combined penalty relating to SAIDI quality threshold breaches by the electricity distribution network for the regulatory years ended 31 March 2017, 2018, 2019 and 2020. A penalty of $1.2 million was paid on 31 May 2023 and settles the periods in question. Vector was in compliance with the SAIDI quality thresholds for the years ended 31 March 2021 and 31 March 2022. For the regulatory year to 31 March 2023, we were in breach of SAIDI due to the network outages relating to the Auckland floods and cyclone Gabrielle in January and February 2023 respectively. Vector and other electricity distribution businesses are in discussions with the Commission regarding treatment of these exceptional events from a regulatory perspective. We were tracking well below the regulatory SAIDI limits up to the 27 January 2023 floods. Our view is that given the exceptional nature of the flood and cyclone events there is sufficient uncertainty as to whether the Commission will take any action in relation to the 2023 technical breach of SAIDI, that the criteria for raising a provision has not been met.
Dividends	Vector Limited's final dividend for the year ended 30 June 2022 of 8.50 cents per share was paid on 19 September 2022, with a supplementary dividend of 0.45 cents per non-resident share. The total dividend paid was $85.0 million. Imputation credits of 10.5% were attached to the final dividend Vector Limited's interim dividend for the year ended 30 June 2023 of 8.25 cents per share was paid on 6 April 2023, with a supplementary dividend of 0.44 cents per non-resident share. The total dividend paid was $82.5 million. Imputation credits of 10.5% were attached to the interim dividend. Liquigas Limited, a subsidiary of the group, paid dividends of $2.4 million to the company's non-controlling interests during the year ended 30 June 2023.

4. DISCONTINUED OPERATIONS

In December 2022, Vector announced an agreement for the sale of a 50% interest in its New Zealand and Australian metering business (Vector metering), to investment vehicles managed and advised by QIC Private Capital Pty Limited (QIC). The sale was completed on 30 June 2023.

Vector metering previously formed the group metering segment. The result of the disposal group for the year to 30 June 2023 is presented in the profit or loss from discontinued operations in the financial statements. Comparatives have been restated to show the discontinued operations separately from continuing operations.

Vector has applied some of the proceeds to the repayment of group debt and most of the remaining funds have been placed on deposit, pending repayment of future debt maturities. However, Vector metering held no debt itself, so the results presented for discontinued operations do not include any finance costs.

Profit and loss of discontinued operations	30 JUN 2023 $M	30 JUN 2022 $M
Revenue	**258.8**	235.6
Operating expenses	**(70.3)**	(61.9)
Depreciation and amortisation	**(53.3)**	(95.6)
Profit/(loss) before income tax	**135.2**	78.1
Income tax benefit/(expense)	**(41.6)**	(19.7)
Net profit/(loss) for the period before gain on sale	**93.6**	58.4
Gain on sale (net of tax)	**1,509.9**	-
Net profit/(loss) for the period attributable to owners of the parents	**1,603.5**	58.4

	30 JUN 2023 $M	30 JUN 2022 $M
Capital expenditure of discontinued operations	**187.7**	156.7

Cash flows from discontinued operations	30 JUN 2023 $M	30 JUN 2022 $M
Net cash flows from/(used) in operating activities	**190.8**	161.5
Net cash flows from/(used) in investing activities	**(180.2)**	(144.4)
Net cash flows from/(used) in financing activities	**(11.7)**	(17.5)
Net cash inflow/(outflow)	**(1.1)**	(0.4)

Revenue- metering services

The group receives revenue from business customers for providing electricity and gas metering and data services.

Customers are predominantly energy retailers who have multiple customers (end users) consuming electricity and gas. Metering and metering data services comprise collection and provision of half-hourly data, utilising the group's electricity and gas meter assets that are fitted at the premises of end users. Metering services are billed to the customer monthly, based on actual and validated metering and data services provided. Customers are billed a number of days after the end of the month to allow for data validation to take place. A contract asset is recognised at the end of each month for services provided but unbilled.

4. DISCONTINUED OPERATIONS (CONTINUED)

Carrying value of net assets sold as at 30 June 2023	30 JUN 2023 $M
Cash and cash equivalents	**3.0**
Trade and other receivables	**15.9**
Contract assets	**24.7**
Intangible assets (including goodwill)	**62.7**
Property, plant, and equipment	**881.9**
Trade and other payables	**(36.8)**
Deferred tax	**(18.2)**
Net assets sold	**933.2**
Net cash consideration received on completion	**1,690.7**
Loan receivable	**66.1**
Intercompany balance repayment	**(11.0)**
Total consideration	**1,745.8**
Investment in joint venture	**727.4**
Total enterprise value- disposal group	**2,473.2**
Costs of sale	**(30.1)**
Carrying value of net assets sold	**(933.2)**
Gain on sale of discontinued operations	**1,509.9**

Policies

A disposal group that is sold or held for sale is also reported as discontinued operations if it meets the below criteria:

- It is a component of the groups' business, the operations and cash flows of which can be clearly distinguished from the rest of the group.
- It represents a separate major line of business or geographical area of operations.

Loss of control and retained interest

The transaction constituted loss of control of the subsidiaries within Vector metering. The retained interest in Vector metering is a joint venture and has been included in investment in joint venture at 30 June 2023.

The investment in joint venture includes shareholder loans of $229.0 million. Refer to note 14.1 for more details.

Gain on sale

Vector has elected to follow IFRS 10: *Consolidated Financial Statements* in recognising the gain on sale from the transaction.

Under IFRS 10, upon the loss of control of a subsidiary, any retained interest should be remeasured to its fair value, with any resulting gain or loss recognised in the income statement.

Consideration

Upon completion of the sale of the 50% interest in Vector metering, the group received a total of $1,745.8 million in consideration representing a combination of $1,690.7 million in cash consideration from QIC and external lenders to the newly formed Vector metering joint venture, a loan receivable from QIC of $68.2 million, less repayment of an $11.0 million intercompany balance.

The loan has been included in non-current receivables at 30 June 2023.

At 30 June 2023, the sale of the 50% interest in Vector metering remained subject to a final wash-up in respect of working capital and capital expenditure. The wash-up has been provisionally calculated as a payment of $2.1m from Vector to QIC, which has been offset against the loan balance within the consideration as at 30 June 2023. The final wash-up will be confirmed by 31 March 2024.

Depreciation and amortisation

Vector metering was classified as held for sale in December 2022, and its assets and liabilities were presented as a disposal group held for sale in the FY23 interim financial statements. Depreciation and amortisation on the assets of Vector metering ceased from December 2022 due to the held for sale classification.

5. CONTINGENT CONSIDERATION

	NOTE	2023 $M	2022 $M
Carrying value of contingent consideration			
Balance at 30 June		**79.8**	81.7
Unwinding of discount	9	**6.0**	6.5
Payments received		**(14.2)**	(6.1)
Fair value movement	23.2	**(10.7)**	(2.3)
Balance at 30 June 2023		**60.9**	79.8
Comprising:			
Current		**11.5**	15.0
Non-current		**49.4**	64.8

Key accounting estimate

The fair value of the contingent consideration was estimated by calculating the present value of the future expected cash flows payable by Todd Petroleum Mining Company Limited to Vector. The future period of payment is not fixed by the contract but is dependent on the remaining useful life of the Kapuni gas treatment plant (KGTP), which is directly correlated to the volume of gas available at the Kapuni gas field and the rate at which the gas is extracted. The values of future cash flows are highly dependent on the future sale prices of gas products (LPG and oil) in the market. Underpinning this all is the assumption that there is an active market for processed gas products in the future and government policy relating to the transition of New Zealand to a low carbon economy.

Management have re-estimated the same unobservable inputs when calculating the fair value of the contingent consideration at balance date. Refer to note 21 for details and sensitivity analysis around significant unobservable inputs used in measuring fair values.

6. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

		GROUP		PARENT	
	MATURITY DATES	2023 $M	2022 $M	2023 $M	2022 $M
Cash and cash equivalents		**95.5**	22.0	**5.6**	2.0
Short-term deposits	Jul 2023- Apr 2024	**522.1**	79.5	**75.0**	77.0

Policies

Cash and cash equivalents and short-term deposits are carried at amortised cost.

Cash and cash equivalents include deposits that are on call, short-term deposits includes deposits with a maturity date.

7. REVENUE FROM EXCHANGE TRANSACTIONS

7.1 Revenue from contracts with customers

	GROUP		PARENT	
	2023 $M	2022 $M	2023 $M	2022 $M
Regulated networks – sale of distribution service	**713.1**	678.9	**-**	-
Regulated networks - third party contributions	**187.3**	150.3	**-**	-
Gas Trading sales	**228.4**	201.9	**-**	-
Other	**63.5**	72.3	**-**	-
Dividends received	**-**	-	**125.8**	125.8
Total	**1,192.3**	1,103.4	**125.8**	125.8

Revenue streams	Satisfaction of performance obligation
Regulated networks – sale of distribution services	
The group receives revenue from business customers and energy retailers who sell energy to end customers for electricity and gas distribution services in Auckland.	Revenue from electricity and gas distribution services is measured at the value of consideration received, or receivable, to the extent that pricing is measured by the regulator within a defined revenue path. Revenue is recognised over time on a basis that corresponds with end consumers' pattern of electricity and gas consumption. Customers are billed monthly in arrears for distribution services, measured in units of electricity and gas distributed. Revenue from distribution services therefore includes an accrual for services provided but not billed at the end of the month. The accrual is determined based on the group's estimate of volume distributed in the month using the most recent data available. A large portion of the contract assets at balance date consists of this accrual.
Regulated networks – third party contributions	
The group receives contributions from residential and commercial customers towards the construction of distribution system assets in the Auckland electricity or gas distribution networks.	Third party contributions are recognised as revenue over time, reflecting the percentage completion of the underlying construction activity. The group recognises a contract liability to account for consideration received from the customer but where the agreed construction activity is not completed; and conversely a contract asset is recognised to account for activities completed not billed. The transaction price for third party contributions is netted against estimated rebates payable to commercial customers. A contract liability is recognised to account for payments received from customers for construction activities completed which are eligible for rebates in the future based on completion of developments. In the event that a contract combines a contribution towards an agreed construction activity with sale of electricity or gas distribution services, the group unbundles the contract into two performance obligations and recognises revenue in accordance with each obligation's accounting policy.

7. REVENUE FROM EXCHANGE TRANSACTIONS (continued)

7.1 Revenue from contracts with customers (continued)

Gas trading sales

Gas trading sales comprises predominantly three revenue streams: sale of natural gas, and distribution and sale of LPG.

Sale of natural gas

The group receives revenue from business customers for providing a supply of natural gas over a contracted time period.

Revenue is recognised over time that corresponds with the customer's consumption of natural gas and measured at the transaction price of the contract.

The transaction price for a gas supply contract includes variable consideration in the form of indexed pricing, volume pricing, and take or pay arrangements. The group estimates the amount of variable consideration present in each contract using the expected value method. Customers are billed monthly. A contract asset is recognised to account for natural gas supplied but not billed to the customer at balance date.

Sale of LPG

Sale of LPG comprises bulk LPG sales to commercial customers and bottled LPG sales to both commercial and residential customers.

Revenue is recognised at a point in time when LPG is delivered to a customer's site.

Billing to a customer occurs after completion of deliveries and at the end of each month with payment terms ranging from 60 days to 90 days.

Distribution of LPG

The group provides services in the areas of bulk LPG storage, distribution and management.

Revenue is recognised over time in line with a customer's consumption of monthly tolling and storage volumes and measured at the transaction price of the contract. The transaction price for a monthly tolling and storage contract includes variable consideration in the form of volume pricing and take or pay arrangements. The group estimates the amount of variable consideration present in each contract using the expected value method.

Other revenue streams

Other revenue includes telecommunications revenue and revenue from providing energy solution services.

Telecommunications revenue from commercial customers comprise the sale of fibre services. Revenue is recognised at the point in time of supply and customer consumption.

Energy solutions services comprise predominantly the sale of home and commercial ventilation and solar services. Revenue is recognised over time, reflecting the percentage completion of each ventilation and solar system install.

7.2 Revenue in relation to contract liabilities

The following table sets out the expected timing of future recognition of revenue relating to performance obligations not satisfied (or partially satisfied) at balance date:

2023	1 - 2 YEARS $M	2 - 4 YEARS $M	TOTAL $M
Electricity distribution services	**1.7**	**1.2**	**2.9**
Telecommunication services	**3.4**	**-**	**3.4**
Total	**5.1**	**1.2**	**6.3**

2022	1 - 2 YEARS $M	2 - 4 YEARS $M	TOTAL $M
Electricity distribution services	1.7	1.2	2.9
Telecommunication services	3.3	0.7	4.0
Total	5.0	1.9	6.9

Policies No information is provided in relation to the remaining performance obligations at 30 June 2023 or 30 June 2022 that have an original duration of one year or less as permitted by NZ IFRS 15 *Revenue from Contracts with Customers*.

Revenue recognised Of the revenue recognised this year, $51.7 million was included in the contract liability balance at the beginning of the reporting period. (2022: $29.0 million).

8. OPERATING EXPENSES

	NOTE	GROUP 2023 $M	GROUP 2022 $M	PARENT 2023 $M	PARENT 2022 $M
Electricity transmission		**184.2**	181.4	**-**	-
Gas purchases and production		**137.1**	123.2	**-**	-
Energy solutions cost of sales		**17.9**	17.4	**-**	-
Network and asset maintenance		**81.7**	75.2	**-**	-
Other direct expenses		**100.4**	90.0	**-**	-
Employee benefit expenses		**92.6**	84.6	**0.4**	0.4
Administration expenses		**17.6**	13.8	**1.0**	1.0
Distribution expenses		**1.5**	1.8	**1.5**	1.8
Trustee Remuneration	27	**0.4**	0.4	**0.4**	0.4
Trustee election expenses		**-**	0.5	**-**	0.5
Professional fees		**8.7**	7.6	**0.6**	0.4
IT expenses		**23.7**	18.0	-	-
Lease expenses		**12.3**	11.2	-	-
Other indirect expenses		**7.3**	6.0	**0.3**	0.1
Total		**685.4**	631.1	**4.2**	4.6

Fees paid auditors of Entrust

Grant Thornton are the auditors of Entrust. Fees paid to Grant Thornton are as follows:

- audit of financial statements: $50,000 (2022: $49,000);
- other services: $33,891 (2022: $35,566).

Fees paid to auditors

Fees were paid to KPMG as follows:

- audit or review of financial statements: $643,250 (2022: $594,000);
- regulatory assurance: $385,000 (2022: $394,000);
- other assurance fees: $89,000 (2022: $67,500);
- non-audit fees: $143,738 (2022: $199,067).

Other assurance fees include fees for the audit of guaranteeing group financial statements, bond registers, greenhouse gas calculations and agreed upon procedures required by certain contractual arrangements. Non-audit fees related to advisory services for R&D tax credits and risk assurance.

9. INTEREST COSTS (NET)

	NOTE	GROUP 2023 $M	GROUP 2022 $M	PARENT 2023 $M	PARENT 2022 $M
Interest expense		**152.9**	114.0	**-**	-
Amortisation of finance costs		**9.4**	8.3	**-**	-
Capitalised interest		**(7.1)**	(5.1)	**-**	-
Interest income		**(7.9)**	(4.4)	**(2.1)**	(0.6)
Unwinding of discount of contingent consideration	5	**(6.0)**	(6.5)	**-**	-
Unwinding of discount of decommissioning provisions	19	**0.7**	0.7	**-**	-
Impact of change in discount rate on decommissioning provisions	19	**-**	(4.2)	**-**	-
Total		**142.0**	102.8	**(2.1)**	(0.6)

Policies

Interest costs (net) include interest expense on borrowings and interest income on funds invested which are recognised using the effective interest rate method.

Capitalised interest

The group has capitalised interest to PPE and software intangibles while under construction at an average rate of 4.2% per annum (2022: 3.4%).

10. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Current	Note	GROUP 2023 $M	GROUP 2022 $M	PARENT 2023 $M	PARENT 2022 $M
Trade receivables from exchange transactions		**91.5**	60.9	**-**	-
Interest receivable		**16.5**	10.9	**0.9**	0.4
Prepayments		**9.1**	12.3	**0.1**	-
Deferred consideration		**1.5**	-	**-**	-
Other taxes and duties receivable		**2.0**	3.3	**-**	**-**
Other		**4.7**	2.4	**-**	-
Balance at 30 June		**125.3**	89.8	**1.0**	0.4
Non-current					
Deferred consideration	5	**-**	2.9	**-**	-
Other contract receivables		**67.4**	1.6	**-**	-
Balance at 30 June		**67.4**	4.5	**-**	-

At 30 June, the exposure to credit risk for trade and other receivables by type of counterparty was as follows.

	2023 $M Not credit impaired	2023 $M Credit impaired	2022 $M Not credit impaired	2022 $M Credit impaired
Business customers	**75.2**	**1.5**	43.4	1.8
Mass market customers (includes customer contributions)	**13.0**	**0.9**	12.9	-
Third party asset damages	**-**	**6.0**	-	5.5
Residential and other	**4.4**	**-**	5.0	0.8
Total gross amount	**92.6**	**8.4**	61.3	8.1
Loss allowance	**-**	**(4.8)**	-	(4.0)
Total carrying amount	**92.6**	**3.6**	61.3	4.1

The following table provides information about the exposure to credit risk and expected credit losses for trade and other receivables as at 30 June.

	2023 $M Gross amount	2023 $M Loss allowance	2022 $M Gross amount	2022 $M Loss allowance
Not past due	**84.2**	**-**	53.0	-
Past due 1-30 days	**6.9**	**(0.2)**	7.5	(0.2)
Past due 31-120 days	**2.4**	**(0.3)**	3.1	(0.4)
Past due more than 120 days	**7.5**	**(4.3)**	5.8	(3.4)
Balance at 30 June	**101.0**	**(4.8)**	69.4	(4.0)

Policies

Trade receivables are predominantly billed receivables. Sales to business customers are billed monthly.

Trade receivables from mass market, residential and other customers are recognised as they are originated.

Other receivables represent the amount of contractual cash flows that the group expects to collect from third parties but that did not arise from contracts with customers. Where contractual cash flows are expected or contracted to be received after 12 months, the balance is presented as non-current.

Expected credit losses

In assessing credit losses for trade receivables, the group applies the simplified approach and records lifetime expected credit losses ("ECLs") on trade receivables. The group considers both quantitative and qualitative inputs. Quantitative data includes past collection rates, industry statistics, ageing of receivables, and trading outlook. Qualitative inputs include past trading history with the group.

Lifetime ECLs result from all possible default events over the expected life of a trade receivable. The group considers the probability of default upon initial recognition of the trade receivable, based on reasonable and available information on the group's customers and groups of customers. The group's trade receivables are monitored in two groups: business customers, and mass market residential customers.

The group's customer acceptance process includes a check on credit history, profitability, and the customer's external credit rating if available. Different levels of sale limits are also imposed on customer accounts by nature.

11. INTANGIBLE ASSETS

	NOTE	CUSTOMER INTANGIBLES $M	EASEMENTS $M	SOFTWARE $M	GOODWILL $M	CAPITAL WORK IN PROGRESS $M	TOTAL $M
Carrying amount 30 June 2021		2.6	18.2	75.8	1,164.1	31.6	1,292.3
Cost		13.1	18.2	372.0	1,275.2	31.6	1,710.1
Accumulated amortisation		(10.5)	-	(296.2)	-	-	(306.7)
Accumulated impairment		-	-	-	(111.1)	-	(111.1)
Additions		-	-	-	-	49.9	49.9
Transfers		-	0.3	25.1	-	(25.4)	-
Impairment		-	-	-	(40.2)	-	(40.2)
Disposals		-	-	(0.1)	-	-	(0.1)
Amortisation for the period		(1.3)	-	(38.5)	-	-	(39.8)
Carrying amount 30 June 2022		1.3	18.5	62.3	1,123.9	56.1	1,262.1
Cost		13.1	18.5	396.1	1,275.2	56.1	1,759.0
Accumulated amortisation		(11.8)	-	(333.8)	-	-	(345.6)
Accumulated impairment		-	-	-	(151.3)	-	(151.3)
Additions		**-**	**-**	**-**	**-**	**39.5**	**39.5**
Transfers		**-**	**0.4**	**72.4**	**-**	**(72.8)**	**-**
Sale of discontinued operations	11.1	**(0.6)**	**-**	**(32.3)**	**(22.9)**	**(6.9)**	**(62.7)**
Disposals		**-**	**-**	**-**	**-**	**-**	**-**
Amortisation for the period		**(0.7)**	**-**	**(30.1)**	**-**	**-**	**(30.8)**
Carrying amount 30 June 2023		**-**	**18.9**	**72.3**	**1,101.0**	**15.9**	**1,208.1**
Cost		**-**	**18.9**	**289.5**	**1,252.3**	**15.9**	**1,576.6**
Accumulated amortisation		**-**	**-**	**(217.2)**	**-**	**-**	**(217.2)**
Accumulated impairment		**-**	**-**	**-**	**(151.3)**	**-**	**(151.3)**

11.1 Goodwill

Goodwill by cash generating unit	2023 $M	2022 $M
Electricity	**881.0**	881.0
Gas Distribution	**169.2**	169.2
Natural Gas	**10.3**	10.3
Liquigas	**40.5**	40.5
Metering	**-**	22.9
Total	**1,101.0**	1,123.9

Policies	Goodwill represents the excess of the consideration transferred over the fair value of Vector's share of the net identifiable assets of an acquired subsidiary. Goodwill is carried at cost less accumulated impairment losses.
Allocation	Goodwill is monitored internally at a group level. It is allocated to the group's cash generating units ("CGUs"), for impairment testing purposes. This is the highest level permissible under NZ IFRS. The CGUs within the group are: electricity, gas distribution, metering, natural gas, LPG, Liquigas, communications and E-Co Products. Goodwill is tested at least annually for impairment against the recoverable amount of the CGU to which it has been allocated.

11. INTANGIBLE ASSETS (continued)

11.1 Goodwill (continued)

Key accounting judgements	To assess impairment, management must estimate the future cash flows of operating segments including the CGUs that make up those segments. This entails making judgements including: • the expected rate of growth of revenues; • margins expected to be achieved; • the level of future maintenance expenditure required to support these outcomes; and • the appropriate discount rate to apply when discounting future cash flows.
Assumptions	The recoverable amounts attributed to all of the group's CGUs are calculated on the basis of value-in-use using discounted cash flow models. Future cash flows are forecast based on actual results and business plans. For the electricity, and gas distribution CGUs, a ten-year period has been used due to the long-term nature of the group's capital investment in these businesses and the predictable nature of their cash flows. A five-year period has been used for the natural gas, Liquigas, LPG, E-Co Products and communications CGUs. Terminal growth rates in a range of 0.0% to 2.0% (2022: 0.0% to 2.0%) and pre-tax discount rates between 7.5% to 9.9% (2022: 5.6% and 8.9%) are applied. Rates vary for the specific CGU being valued. Projected cash flows for regulated businesses are sensitive to regulatory uncertainty. Estimated future regulated network revenues and the related supportable levels of capital expenditure are based on default price-quality path determinations issued by the Commerce Commission and are in line with estimates published in the asset management plans.
Risk of impairment of assets	**Gas Transition Plan** In May 2022, the New Zealand Government (the Government) released its Emissions Reduction Plan (ERP) detailing the policies the Government will use to achieve the emissions budgets to meet New Zealand's agreed decarbonisation targets. In releasing the ERP, the Government also announced that it was working with the gas industry to develop a gas transition plan by the end of 2023 to reduce the industry's emissions. There were no specific policy decisions that could be interpreted as impacting adversely on the future value of the gas distribution business. Initial development of the gas transition plan, including targeted engagement has been in progress since the announcement of the ERP. Public consultation on the gas transition issues has recently commenced and submissions are due on 2 November. Publication of the gas transition plan is likely to be delayed into 2024. **Regulatory Environment** On 14 June 2023, the Commerce Commission (the Commission) released its draft report on its review of Input Methodologies. Their report proposed a reduction in the weighted average cost of capital (WACC) percentile for gas distribution businesses from 67% to 50% which would result in a decrease in future revenues for Vector's gas distribution business. Vector has lodged submissions to the Commission that support the maintenance of the current WACC percentile. The Commission will consider these and other submissions and publish its final decision on Input Methodologies in December 2023. **Impact on Impairment Testing** The impact of ERP policy and the gas transition plan on the Commission's regulatory model for the gas distribution network will be fundamental to any revision in assumptions for the valuation of the gas distribution CGU. The timing or extent of this is not yet known. The regulatory model determines the cash flows we can earn from the gas distribution business and hence its value. We will be monitoring any policy developments closely. Similarly, any ERP policy changes could impact valuation assumptions for the natural gas, LPG and Liquigas CGUs. Vector currently has $220.0m of goodwill allocated to its gas businesses as summarised in Note 11.1. While at 30 June 2023, the Board and management have concluded that there is no impairment recognised, we acknowledge that the gas transition plan and the Commerce Commission's final decision on Input Methodologies could change the outlook for these businesses and will present significant risk to the future cashflows and expected lives of the group's gas assets. As the ERP policies are formalised and the Commission considers the impact on the regulatory model for gas networks, their impact on the assumptions used in impairment valuation models will need to be carefully assessed. We will be carrying out the annual impairment test at 31 December 2023 for all CGUs with allocated goodwill and will report the results of that test in our group interim financial statements for the six months ended 31 December 2023.

11. INTANGIBLE ASSETS (continued)

11.2 Other intangible assets

Policies

Other intangible assets are initially measured at cost, and subsequently stated at cost less any accumulated amortisation and impairment losses.

Software intangibles have been assessed as having a finite life greater than 12 months and are amortised from the date the asset is ready for use on a straight-line basis over its estimated useful life. The estimated useful lives (years) are as follows:

Software	3 - 10

Easements are not amortised but are tested for impairment at least annually as part of the assessment of the carrying values of assets against the recoverable amounts of the CGUs to which they have been allocated.

12. PROPERTY, PLANT AND EQUIPMENT (PPE)

	DISTRIBUTION SYSTEMS $M	ELECTRICITY AND GAS METERS $M	LAND, BUILDINGS AND IMPROVEMENTS $M	COMPUTER AND TELCO EQUIPMENT $M	OTHER PLANT AND EQUIPMENT $M	CAPITAL WORK IN PROGRESS $M	TOTAL $M
Carrying amount 30 June 2021	3,444.1	640.7	188.8	91.9	169.8	91.4	4,626.7
Cost	4,755.2	1,161.8	231.3	208.1	315.8	91.4	6,763.6
Accumulated depreciation	(1,311.1)	(521.1)	(42.5)	(116.2)	(146.0)	-	(2,136.9)
Additions	-	-	-	-	0.6	499.7	500.3
Transfers	297.8	132.7	2.7	6.3	38.1	(477.6)	-
Disposals	(6.5)	(1.7)	-	-	(0.8)	-	(9.0)
Depreciation for the period	(135.6)	(75.8)	(3.3)	(7.7)	(12.5)	-	(234.9)
Carrying amount 30 June 2022	3,599.8	695.9	188.2	90.5	195.2	113.5	4,883.1
Cost	5,029.7	1,286.6	234.0	212.6	353.7	113.5	7,230.1
Accumulated depreciation	(1,429.9)	(590.7)	(45.8)	(122.1)	(158.5)	-	(2,347.0)
Additions	**-**	**-**	**-**	**-**	**1.5**	**608.9**	**610.4**
Transfers	**365.8**	**171.4**	**4.8**	**12.5**	**8.5**	**(563.0)**	**-**
Disposals	**(7.5)**	**(0.9)**	**-**	**-**	**(0.2)**	**-**	**(8.6)**
Sale of discontinued operations	**-**	**(819.1)**	**(0.1)**	**(0.8)**	**(55.8)**	**(7.6)**	**(883.4)**
Depreciation for the period	**(143.9)**	**(47.3)**	**(3.4)**	**(7.9)**	**(13.2)**	**-**	**(215.7)**
Carrying amount 30 June 2023	**3,814.2**	**-**	**189.5**	**94.3**	**136.0**	**151.8**	**4,385.8**
Cost	**5,372.0**	**-**	**238.4**	**216.0**	**307.7**	**151.8**	**6,285.9**
Accumulated depreciation	**(1,557.8)**	**-**	**(48.9)**	**(121.7)**	**(171.7)**	**-**	**(1,900.1)**

12. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

Policies

PPE is initially measured at cost, and subsequently stated at cost less depreciation and any impairment losses. Cost may include:

- Consideration paid on acquisition
- Costs to bring the asset to working condition
- Materials used in construction
- Direct labour attributable to the item
- Interest costs attributable to the item
- A proportion of directly attributable overheads incurred
- If there is a future obligation to dismantle and/or remove the item, the costs of doing so

Capitalisation of costs stops when the asset is ready for use.

Subsequent expenditure that increases the economic benefits derived from the asset is capitalised.

Uninstalled assets are stated at the lower of cost and estimated recoverable amount.

Depreciation commences when an asset becomes available for use.

Depreciation of PPE, other than freehold land and capital work in progress, is calculated on a straight-line basis and expensed over the useful life of the asset. Useful lives are reviewed regularly and adjusted as appropriate for the revised expectations.

Estimated useful lives (years) are as follows:

Buildings	40 – 100		
Distribution systems	5 – 100	Computer and telco equipment	2 – 50
Leasehold improvements	5 – 20	Other plant and equipment	2 – 55

Key accounting judgements

The group’s property, plant and equipment, particularly the group’s distribution assets, are critical to the running of the group’s business. In assessing whether the costs incurred in a project on the group’s assets are capital in nature, management must apply the following judgements:

- Whether the costs incurred are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- Whether subsequent costs incurred represent an enhancement to existing assets or maintain the current operating capability of existing assets;
- Whether overhead costs can be reasonably allocated to the construction or acquisition of an asset.

Capital commitments

The estimated capital expenditure for PPE and software intangibles contracted for at balance date but not provided is $138.4 million for the group (2022: $226.1 million).

13. OPERATING LEASES

Aggregate minimum lease payments under non-cancellable operating leases where the Group is the lessee	GROUP 2023 $M	GROUP 2022 $M
Within one year	**5.7**	9.4
One to five years	**10.1**	12.2
Beyond five years	**16.8**	11.1
Total	**32.6**	32.7

Policies

Payments made under operating leases, where the lessors effectively retain the risks and benefits of ownership, are recognised in profit or loss on a straight-line basis over the lease term.

Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Lease of premises

The majority of the operating lease commitments relate to the group’s leases of premises. These, in the main, give the group the right to renew the lease at the end of the current lease term.

The Parent has no operating leases.

14. INVESTMENTS

14.1 Investment in joint venture

Investee	Investment type	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	EQUITY INTEREST HELD 2023	2022
Vector metering					
NZ HoldCo Limited	Joint venture	Holding company	New Zealand	**50%**	-
AU HoldCo Limited	Joint venture	Holding company	Australia	**50%**	-

	NOTE	2023 $M	2022 $M
Carrying amount of joint venture			
Balance at 1 July		**-**	-
Fair value recognised through sale of 50% interest in Vector metering	4	**498.4**	-
Shareholder loans	4	**229.0**	-
Balance at 30 June		**727.4**	-

Policies

A joint venture is where Vector shares joint control over an entity or group of entities, and has rights to the net assets of the arrangement.

Investments in joint ventures are accounted for using the equity method.

Vector metering

Vector's retained interest in the Vector metering now consists of a 50% ownership of NZ HoldCo Limited and AU HoldCo Limited respectively, which is jointly controlled with QIC Private Capital Pty Limited (QIC).

Vector has assessed that the contractual arrangement governing Vector metering meets the criteria of a joint venture.

Shareholder loans

The shareholder loans receivable from the joint venture are carried at amortised cost.

14.2 Investment in private equity

Investee	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	EQUITY INTEREST HELD 2023	2022
mPrest Systems (2003) Limited	Technology development	Israel	**6.1%**	6.1%

	2023 $M	2022 $M
Fair value of investment		
Balance at 1 July	**12.2**	12.3
Fair value movement recognised in OCI	**(3.4)**	(0.1)
Balance at 30 June	**8.8**	12.2

Policies

The investment is accounted for as a financial asset at fair value through other comprehensive income ("OCI") on the Balance Sheet.

Fair value of the investment is determined using the discounted cash flow method. Refer to note 19 for details on the significant unobservable inputs used in measuring the fair value and related sensitivity analysis.

14. INVESTMENTS (continued)

14.3 Investments in subsidiaries

Significant entities and holding companies in the group are listed below.

	Principal Activity	PERCENTAGE HELD 2023	2022
Trading subsidiaries			
NGC Holdings Limited	Holding company	**75.1%**	75.1%
Vector MeterCo Limited	Holding company	**75.1%**	-
Vector Gas Trading Limited	Natural gas trading and processing	**75.1%**	75.1%
Liquigas Limited	Bulk LPG storage, distribution, and management	**45.1%**	45.1%
On Gas Limited	LPG sales and distribution	**75.1%**	75.1%
Vector Communications Limited	Telecommunications	**75.1%**	75.1%
Vector ESPS Trustee Limited	Trustee company	**75.1%**	75.1%
Vector Energy Solutions Limited	Holding company	**75.1%**	75.1%
PowerSmart NZ Limited	Energy solutions services	**75.1%**	75.1%
Vector Energy Solutions (Australia) Pty Limited	Energy solutions services	**75.1%**	75.1%
E-Co Products Group Limited	Holding company	**75.1%**	75.1%
Cristal Air International Limited	Ventilation, heating and water systems sales and assembly	**75.1%**	75.1%
Vector Technology Solutions Limited	Technology services	**75.1%**	75.1%
Vector Auckland Property Limited	Assets holding company	**75.1%**	75.1%
Vector Northern Property Limited	Assets holding company	**75.1%**	75.1%
Vector Metering Data Services Limited	Holding company	**-**	75.1%
Advanced Metering Assets Limited	Metering services	**-**	75.1%
Advanced Metering Services Limited	Metering services	**-**	75.1%
Arc Innovations Limited	Metering services	**-**	75.1%
Vector Advanced Metering Services (Australia) Pty Limited	Metering services	**-**	75.1%
Non-trading subsidiaries			
VPS Pacific Limited	Energy solutions services	**75.1%**	75.1%
Vector Advanced Metering Assets (Australia) Limited	Metering services	**75.1%**	75.1%
Ventilation Australia Pty Limited	Holding company	**-**	75.1%
HRV Australia Pty Limited	Ventilation systems and parts sales	**-**	75.1%

Policies

Subsidiaries are entities controlled directly or indirectly by the parent. The group holds over 50% of the voting rights in all entities reported as subsidiaries. The financial statements of subsidiaries are consolidated into the group's financial statements. Intra-group balances and transactions between group subsidiary companies are eliminated on consolidation.

Overseas subsidiaries

All subsidiaries are incorporated in New Zealand, except for Vector Energy Solutions (Australia) Pty Limited which is incorporated in Australia.

Disposal group subsidiaries

The companies listed below were included in the disposal group as part of the sale of 50% interest in Vector metering on 30 June 2023. These companies are part of the new Vector metering joint venture, which is recognised in the group's consolidated financial statements as an investment in joint venture. These companies no longer meet the criteria of subsidiaries for reporting purposes and their respective holdings have been reduced to zero at 30 June 2023.

- Vector Metering Data Services Limited;
- Advanced Metering Assets Limited;
- Advanced Metering Services Limited;
- Arc Innovations Limited; and
- Vector Advanced Metering Services (Australia) Pty Limited.

The assets in Vector Advanced Metering Assets (Australia) Limited were part of the disposal group, and the company has been reclassified as non-trading to reflect this at 30 June 2023.

15. INCOME TAX EXPENSE/(BENEFIT)

Reconciliation of income tax expense/(benefit) – continuing operations	GROUP 2023 $M	GROUP 2022 $M	PARENT 2023 $M	PARENT 2022 $M
Surplus/(deficit)before income tax- continuing operations	**157.7**	155.7	**123.7**	121.8
Tax at current rate	**44.7**	43.6	**40.8**	40.2
Current tax adjustments				
Non-deductible expenses	**6.0**	1.1	**0.7**	0.7
(Over)/under provisions in prior periods	**(0.7)**	(0.4)	-	-
Impairment	**-**	11.3	-	-
Other permanent differences	**-**	-	**(39.0)**	(39.9)
Deferred tax adjustments:				
(Over)/under provisions in prior periods	**(0.4)**	2.6	-	-
Income tax expense/(benefit)- continuing operations	**49.6**	58.2	**2.5**	1.0
Comprising				
Current tax	**(7.3)**	7.1	**2.5**	1.0
Deferred tax	**56.9**	51.1	**-**	-

Current tax rates	The Parent is a discretionary trust and its undistributed profit (if any) is taxed at a rate of 33%. Vector Limited is a 75.1% owned subsidiary of the Parent. Its profit is taxed at the current corporate tax rate of 28%.
Policies	Income tax expense/(benefit) comprises current and deferred tax and is calculated using rates enacted or substantively enacted at balance date. Current and deferred tax is recognised in profit or loss unless the tax relates to items in other comprehensive income, in which case the tax is recognised as an adjustment in other comprehensive income against the item to which it relates.
Income tax asset	As at 30 June 2023, the group recognised a current income tax asset of $36.0 million (2022: $24.5 million) and a non-current income tax asset of $82.4 million (2022: $103.2 million).
Imputation credits	There are no imputation credits available for use as at 30 June 2023 (2022: nil), as the imputation account has a debit balance as of that date.

16. DEFERRED TAX

Deferred tax liability/ (asset)

	NOTE	PPE AND INTANGIBLES $M	PROVISIONS AND ACCRUALS $M	HEDGE RESERVES $M	OTHER $M	TOTAL $M
Balance at 30 June 2021		577.2	(15.3)	(13.6)	9.0	557.3
Recognised in profit or loss		46.8	4.1	-	2.2	53.1
Recognised in other comprehensive income		-	-	36.4	-	36.4
Balance at 30 June 2022		624.0	(11.2)	22.8	11.2	646.8
Recognised in profit or loss		**47.9**	**4.8**		**4.2**	**56.9**
Recognised in other comprehensive income		**-**	**-**	**(1.1)**	**-**	**(1.1)**
Deferred tax associated with discontinued operations	4	**(20.3)**	**1.5**	**-**	**0.6**	**(18.2)**
Balance at 30 June 2023		**651.6**	**(4.9)**	**21.7**	**16.0**	**684.4**

The group's deferred tax position is presented in the balance sheet as follows:

	2023 $M	2022 $M
Deferred tax asset	**(2.9)**	(2.4)
Deferred tax liability	**687.3**	651.6
Total	**684.4**	649.2

Policies

Deferred tax is:

- Recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
- Not recognised for the initial recognition of goodwill.
- Measured at tax rates that are expected to be applied to the temporary differences when they reverse.

17. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	GROUP		PARENT	
	2023 $M	2022 $M	2023 $M	2022 $M
Current				
Trade payables from exchange transactions	**241.2**	160.2	**0.5**	0.5
Employee benefits	**12.7**	14.9	**0.1**	0.1
Finance leases	**0.2**	0.4	**-**	-
Interest payable	**26.0**	25.1	**-**	-
Balance at 30 June	**280.1**	200.6	**0.6**	0.6
Non-current				
Finance leases	**0.2**	0.4	**-**	-
Balance at 30 June	**0.2**	0.4	**-**	-

Employee benefits

The group accrues employee benefits which remain unused at balance date, and amounts expected to be paid under short-term incentive plans.

18. DISTRIBUTION PAYABLES

	GROUP		PARENT	
	2023 $M	2022 $M	2023 $M	2022 $M
Current				
Distributions payable	**63.2**	62.3	**63.2**	62.3

Distribution payables

Distributions payable at reporting date is made up of the following:

Net surplus from the current year.

In accordance with the Trust Deed, the Trustees shall distribute the Trust's net surplus to beneficiaries listed on the distribution roll at the time the roll is prepared.

Trustee accumulations available for distribution.

In accordance with the Trust Deed, accumulations not distributed to beneficiaries at reporting date is held by the Trust for no more than one year. This includes unclaimed distributions that remain unclaimed after two years (per note 20).

As at 30 June 2023 no distribution roll had been struck to determine the allocation of this surplus to the beneficiaries, therefore the funds are held as distributions payable.

19. PROVISIONS

GROUP	NOTE	DISTRIBUTION TO CUSTOMERS $M	DECOMMISSIONING $M	PRODUCT WARRANTY $M	OTHER $M	TOTAL $M
Balance at 30 June 2022		18.0	5.2	2.1	1.8	27.1
Additions		**27.7**	**-**	**-**	**-**	**27.7**
Unwinding of discount	10	**-**	**0.7**	**-**	**-**	**0.7**
Payments		**(17.9)**	**-**	**-**	**(1.2)**	**(19.1)**
Reversed to profit or loss	3, 10	**(8.8)**	**-**	**(1.0)**	**(0.1)**	**(9.9)**
Balance at 30 June 2023		**19.0**	**5.9**	**1.1**	**0.5**	**26.5**
Comprising:						
Current		**19.0**	**-**	**1.1**	**0.5**	**20.6**
Non-current		**-**	**5.9**	**-**	**-**	**5.9**

Policies

The group recognises a provision when the group has a present obligation – legal or constructive – as a result of a past event, it is more likely that not that the resulting liability will be required to be settled, and the amount required to settle can be reliably estimated.

Provision for distribution to customers

The group's stated intention to distribute excess loss rental rebates not used to mitigate revenue shortfalls to customers on Vector's electricity network, gives rise to a constructive obligation that forms the basis of the provision.

Decommissioning

The decommissioning provisions represent the present value of the future expected costs for dismantling the depot assets situated at various regions in New Zealand. Timing of economic outflows represents management's best estimate of the end of the useful life of the plant and associated assets.

Product warranty

The group provides for restatement costs and warranty claims on products sold or installed. Provisions are recognised when the product is sold, or the service is provided to the customer. Initial recognition is based on historical experience and subsequently revisited at each reporting date.

Other provisions

These provisions comprise amounts that may be required to be utilised within one year or a longer period dependent on ongoing negotiations with third parties involved. There are currently no foreseeable uncertainties which would be reasonably expected to lead to material changes in the amounts provided.

20. PROVISION FOR UNCLAIMED DISTRIBUTIONS

	GROUP 2023 $M	GROUP 2022 $M	PARENT 2023 $M	PARENT 2022 $M
Balance at beginning of the reporting period	**16.0**	13.3	**16.0**	13.3
Additions	**7.6**	9.9	**7.6**	9.9
Claimed and paid	**(1.8)**	(0.8)	**(1.8)**	(0.8)
Cancelled	**(6.1)**	(6.4)	**(6.1)**	(6.4)
Balance at end of the reporting period	**15.7**	16.0	**15.7**	16.0

Policies

Unclaimed distributions represent distributions made to beneficiaries that have not been claimed for payment. The amounts payable will remain a distribution payable up to two years after the distribution, where after it will be cancelled and written back to Accumulations in accordance with the Trust Deed.

21. FAIR VALUES

GROUP	NOTE	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2 INPUTS) 2023 $M	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3 INPUTS) 2023 $M	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2 INPUTS) 2022 $M	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3 INPUTS) 2022 $M
Assets measured at fair value					
Derivative financial instruments	23	**112.1**	**-**	164.3	-
Investment in private equity	14.2	**-**	**8.8**	-	12.2
Contingent consideration	5	**-**	**60.9**	-	79.8
Balance at 30 June		**112.1**	**69.7**	164.3	92.0
Liabilities measured at fair value					
Derivative financial instruments	23	**160.8**	**-**	130.9	-
Balance at 30 June		**160.8**	**-**	130.9	-

Policies

The table above provides the fair value measurement hierarchy of the group's assets and liabilities that are measured at fair value.

The group estimates all fair values using the discounted cash flows method. All assets and liabilities for which fair value is measured and disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; or

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); or

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments

Fair value is calculated using the discounted cash flow method, estimated using observable interest yield curves and/or foreign exchange market prices. The carrying values of the financial instruments are the fair values excluding any interest receivable or payable, which is separately presented in the balance sheet in other receivables or other payables.

Investment in private equity

Fair value is calculated using the discounted cash flow method. In estimating the fair value, the group made assumptions on unobservable inputs, including, amongst others, forecasted future cash flows, an appropriate discount rate and terminal growth rate.

Contingent consideration

Fair value is calculated using the discounted cash flow method. The group made assumptions on unobservable inputs including, amongst others, future raw gas volume from the Kapuni gas field, future LPG prices, future oil prices, foreign exchange rates, and an appropriate discount rate. Further details on the inputs are as follows:

- Future raw gas volume from the Kapuni gas field is based on published forecasts from the Ministry of Business, Innovation and Employment;
- Future LPG prices are based on an independent financial institution's commodity price forecasts;
- Future oil prices are based on S&P Capital IQ forecast data;
- Future natural gas prices are based on an independent expert's commodity price forecast;
- Future foreign exchange rates are based on an independent financial institution's foreign exchange rate forecasts; and
- Discount rate of 12.8% (2022: 9.7%), representing market discount rates as applicable to the remaining life of the Kapuni gas field.

21. FAIR VALUES (continued)

Description of significant unobservable inputs

The table below summarises the significant level 3 unobservable inputs used by the group in measuring fair values and related sensitivity analyses.

2023	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE AND ESTIMATES	SENSITIVITY OF VALUATION TO CHANGES IN INPUTS			
			Low	Valuation impact $M	High	Valuation impact $M
Investment in private equity	Enterprise forecast annual cashflows	-US$8.5m to US$12.0m	-10.0%	**-$0.8**	+10.0%	**+$0.8**
	Discount rate	11.7%	-1.0%	**-$1.1**	+1.0%	**+1.5**
	Terminal growth rate	2.0%	-1.0%	**-$0.6**	+1.0%	**+0.8**
Contingent consideration	Discount rate	12.8%	-1.0%	**-$2.1**	+1.0%	**+$2.2**
	Future raw gas volume	203 PJ	-2PJ per annum	**-$5.1**	+2PJ per annum	**+$5.0**
	LPG pricing (long-term)	US$525/ tonne	-US$50/ tonne	**-$5.7**	+US$50/ tonne	**+$5.7**
	Oil pricing (long-term)	US$74/ barrel	-US$7/ barrel	**-$3.7**	+US$7/ barrel	**+$3.7**

2022	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE AND ESTIMATES	SENSITIVITY OF VALUATION TO CHANGES IN INPUTS			
			Low	Valuation impact $M	High	Valuation impact $M
Investment in private equity	Enterprise forecast annual cashflows	-US$9.4m to US$10.9m	-10.0%	-$1.1	+10.0%	+$1.1
	Discount rate	9.8%	-1.0%	+$2.0	+1.0%	-$1.6
	Terminal growth rate	2.0%	-1.0%	-$0.9	+1.0%	+$1.1
Contingent consideration	Discount rate	9.7%	-1.0%	+$3.1	+1.0%	-$2.8
	Future raw gas volume	179 PJ	-2PJ per annum	-$6.0	+2PJ per annum	+$5.8
	LPG pricing (long-term)	US$525/ tonne	-US$50/ tonne	- $5.1	+US$50/ tonne	+$5.1
	Oil pricing (long-term)	US$72/ barrel	-US$7/ barrel	- $3.2	+US$7/ barrel	+$3.2

22. BORROWINGS

GROUP **2023**	CURRE NCY	MATURITY DATE	FACE VALUE $M	UNAMORTISED COSTS $M	FAIR VALUE ADJUSTMENT ON HEDGED RISK $M	CARRYING VALUE $M	FAIR VALUE $M
Bank facilities – floating rate	NZD	Sep 2022 – Jan 2025	**-**	**(0.6)**	**-**	**(0.6)**	**-**
Capital bonds – fixed rate	NZD	-	**307.2**	**(1.5)**	**-**	**305.7**	**314.3**
Wholesale bonds - fixed rate	NZD	Mar 2024 - Oct 2026	**410.0**	**0.4**	**-**	**410.4**	**387.9**
Senior notes – fixed rate	USD	Dec 2022 – Mar 2035	**1,212.9**	**(3.1)**	**(126.1)**	**1,083.7**	**1,121.9**
Senior bonds –fixed rate	NZD	May 2025 – Nov 2027	**475.0**	**(1.6)**	**(3.8)**	**469.6**	**448.1**
Balance at 30 June			**2,405.1**	**(6.4)**	**(129.9)**	**2,268.8**	**2,272.2**

GROUP **2022**	CURRE NCY	MATURITY DATE	FACE VALUE $M	UNAMORTISED COSTS $M	FAIR VALUE ADJUSTMENT ON HEDGED RISK $M	CARRYING VALUE $M	FAIR VALUE $M
Bank facilities – floating rate	NZD	Sep 2022 – Jan 2025	636.0	(1.7)	-	634.3	636.2
Capital bonds – fixed rate	NZD	-	307.2	(1.8)	-	305.4	321.2
Wholesale bonds - fixed rate	NZD	Mar 2024 - Oct 2026	410.0	1.2	-	411.2	388.9
Senior notes – fixed rate	USD	Dec 2022 – Mar 2035	1,463.4	(3.5)	(51.3)	1,408.6	1,422.1
Senior bonds –fixed rate	NZD	May 2025 – Nov 2027	475.0	(2.2)	(2.9)	469.9	449.4
Balance at 30 June			3,291.6	(8.0)	(54.2)	3,229.4	3,217.8

Policies

Borrowings are initially recorded at fair value, net of transaction costs. After initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in interest costs in profit or loss over the period of the borrowing using the effective interest rate method.

The carrying value of borrowings includes the principal converted at contract rates (face value), unamortised costs and a fair value adjustment for the component of the risk that is hedged. The fair value is calculated by discounting the future contractual cash flows at current market interest rates that are available for similar financial instruments. The fair value of all borrowings, calculated for disclosure purposes, are classified as level 2 on the fair value hierarchy.

22. BORROWINGS (continued)

Bank facilities	On 30 June 2023, the balance of drawn facilities was repaid, and facilities cancelled where no longer required. The remaining facilities are undrawn at 30 June 2023.
Capital bonds	Capital bonds of $307.2 million are perpetual subordinated bonds with the next election date set as 15 June 2027. The interest rate was fixed at 6.23% at the previous election date of 15 June 2022.
Wholesale bonds	$240.0 million of fixed rate wholesale bonds were issued at a fixed rate of 4.996% maturing in March 2024. $170.0 million of fixed rate wholesale bonds were issued at a fixed rate of 1.575% maturing in October 2026.
Senior bonds	$250.0 million of fixed rate senior bonds were issued at a fixed rate of 3.45% maturing in May 2025. $225.0 million of fixed rate senior bonds were issued at a fixed rate of 3.69% maturing in November 2027.

Senior notes

The tranches of USD denominated senior notes and the corresponding NZD values are shown below:

Date issued	NZ $M	US $M	Date of Maturity
March 2020	573.9	360.0	October 2032
	223.2	140.0	October 2035
October 2017	277.2	200.0	October 2027
	138.6	100.0	October 2029

The following tranche was repaid during the year:

Date issued	NZ $M	US $M	Date of Maturity
December 2010	250.5	182.0	December 2022

Covenants

All borrowings are unsecured and are subject to negative pledge arrangements and various lending covenants. These have all been met for the years ended 30 June 2023 and 30 June 2022.

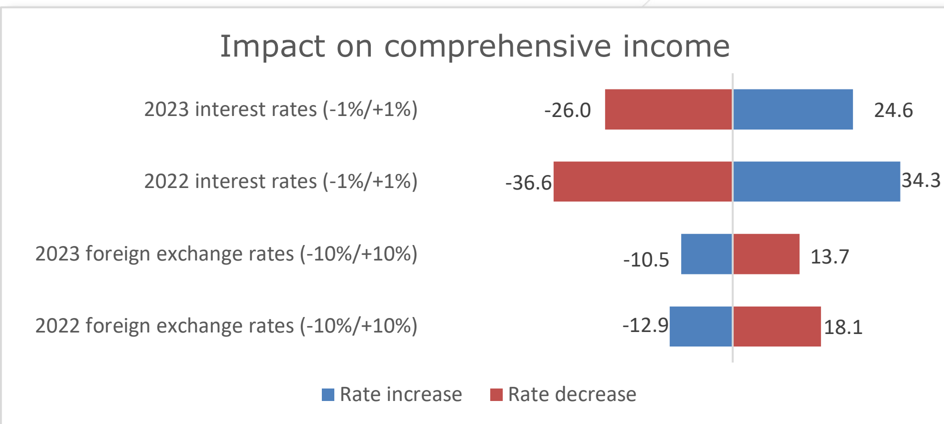
23. DERIVATIVES AND HEDGE ACCOUNTING

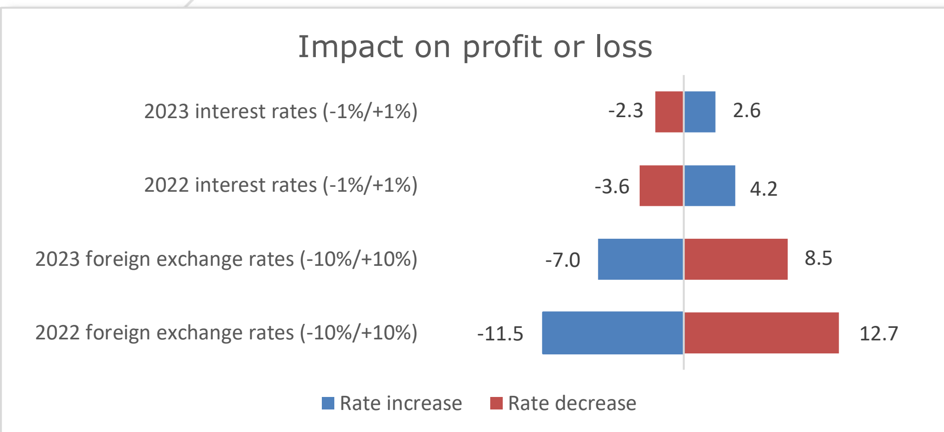
GROUP	CASH FLOW HEDGES 2023 $M	CASH FLOW HEDGES 2022 $M	FAIR VALUE HEDGES 2023 $M	FAIR VALUE HEDGES 2022 $M	COST OF HEDGING 2023 $M	COST OF HEDGING 2022 $M	TOTAL 2023 $M	TOTAL 2022 $M
Derivative assets								
Cross currency swaps	**-**	-	**31.2**	84.8	**(3.0)**	(2.8)	**28.2**	82.0
Interest rate swaps	**83.8**	78.0	**-**	-	**-**	-	**83.8**	78.0
Forward exchange contracts	**0.1**	4.3	**-**	-	**-**	-	**0.1**	4.3
Total	**83.9**	82.3	**31.2**	84.8	**(3.0)**	(2.8)	**112.1**	164.3
Derivative liabilities								
Cross currency swaps	**24.4**	13.2	**(177.7)**	(141.8)	**(2.9)**	1.0	**(156.2)**	(127.6)
Interest rate swaps	**-**	(3.3)	**(3.7)**	-	**-**	-	**(3.7)**	(3.3)
Forward exchange contracts	**(0.9)**	-	**-**	-	**-**	-	**(0.9)**	-
Total	**23.5**	9.9	**(181.4)**	(141.8)	**(2.9)**	1.0	**(160.8)**	(130.9)

Key observable market data for fair value measurement	2023	2022
Foreign currency exchange (FX) rates as at 30 June		
NZD-USD FX rate	**0.6126**	0.6243
Interest rate swap rates		
NZD	**4.51% to 5.82%**	2.39% to 4.11%
USD	**3.75% to 5.76%**	1.79% to 3.30%

Sensitivity to changes in market rates

The graphs below illustrate the impact on derivative valuations of possible changes in interest rates and foreign exchange rates, assuming all other variables are held constant.





23. DERIVATIVES AND HEDGE ACCOUNTING (continued)

Policies

Vector initially recognises derivatives at fair value on the date the derivative contract is entered into, and subsequently they are re-measured to their fair value at each balance date. All derivatives are classified as level 2 on the fair value hierarchy explained in note 21.

Vector designates certain derivatives as either:

- Fair value hedges (of the fair value of recognised assets or liabilities or firm commitments); or
- Cash flow hedges (of highly probable forecast transactions).

At inception each transaction is documented, detailing:

- The economic relationship and the hedge ratio between hedging instruments and hedged items;
- The risk management objectives and strategy for undertaking the hedge transaction; and
- The assessment (initially and on an ongoing basis) of whether the derivatives that are used in the hedging transaction are highly effective in offsetting changes in fair values or cash flows of hedged items.

The underlying risk of the derivative contracts is identical to the hedged risk component (i.e. the interest rate risk and the foreign exchange risk) therefore the group has established a one-to-one hedge ratio. Effectiveness is assessed by comparing the changes of the hedged items and hedging instruments.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting.

Fair value hedges

Vector has entered into cross currency interest rate swaps and interest rate swaps (the hedging instruments) to hedge the interest rate risk and foreign currency risk (the hedged risk) arising in relation to its USD senior notes and NZD senior bonds (the hedged items). These transactions have been designated into fair value hedges.

The following are recognised in profit or loss:

- The change in fair value of the hedging instruments; and
- The change in fair value of the underlying hedged items attributable to the hedged risk.

Once hedging is discontinued, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised through profit or loss from that date through to maturity of the hedged item.

Cash flow hedges

Vector has entered into interest rate swaps and cross currency interest rate swaps (the hedging instruments) to hedge the variability in cash flows arising from interest rate and foreign currency exchange rate movements in relation to its NZD floating rate notes and USD senior notes.

The effective portion of changes in the fair value of the hedging instruments are recognised in other comprehensive income.
The following are recognised in profit or loss:

- any gain or loss relating to the ineffective portion of the hedging instrument; and
- fair value changes in the hedging instrument previously accumulated in other comprehensive income, in the periods when the hedged item is recognised in profit or loss.

Once hedging is discontinued, any cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss either:

- at the same time as the forecast transaction; or
- immediately if the transaction is no longer expected to occur.

Market rate sensitivity

All derivatives are measured at fair value. A change in the market data used to determine fair value will have an impact on Vector's financial statements.

The graphs on the previous page show the sensitivity of the financial statements to a range of possible changes in market data at balance date.

23. DERIVATIVES AND HEDGE ACCOUNTING (continued)

GROUP	2023 $M DERIVATIVES POSITION AS PER BALANCE SHEET	2023 $M AMOUNT AFTER APPLYING RIGHTS OF OFFSET UNDER ISDA AGREEMENTS	2022 $M DERIVATIVES POSITION AS PER BALANCE SHEET	2022 $M AMOUNT AFTER APPLYING RIGHTS OF OFFSET UNDER ISDA AGREEMENTS
Derivative assets	**112.1**	**45.0**	164.3	64.4
Derivative liabilities	**(160.8)**	**(93.7)**	(130.9)	(31.0)
Net amount	**(48.7)**	**(48.7)**	33.4	33.4

Rights to offset

Vector enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the balance sheet for accounting purposes. This is because Vector does not have any currently legally enforceable right to offset recognised amounts. Under the ISDA agreements the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. The potential net impact of this offsetting is disclosed in column 'amount after applying rights of offset under ISDA agreements. Vector does not hold and is not required to post collateral against its derivative positions.

Managing interest rate benchmark reform

The group has no derivative that has been affected by the interbank offered rates ("IBOR") reform as at 30 June 2023. However, the financial modelling of the fair values for cross currency interest rate swaps and certain hedge relationships will shift from applying USD LIBOR to an alternative benchmark interest rate when the transition happens on 1 July 2023. No significant impact is expected from the transition.

23.1 Effects of hedge accounting on the financial position and performance

The tables below demonstrate the impact of hedged items and the hedging instruments designated in hedging relationships:

- The NZD floating rate exposure includes $1,190.0 million arising from hedging the USD senior bonds (2022: $1,230.0 million) as allowable under NZ IFRS 9 *Financial Instruments*;
- The fixed rate interest rate swaps include $50.0 million of forward starting swaps (2022: $200.0 million).

GROUP 2023	FACE VALUE $M	WEIGHTED AVERAGE RATE	ACCUMU-LATED FAIR VALUE HEDGE ADJUST-MENTS $M	CARRYING AMOUNT ASSETS/ (LIABILITIES) $M	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVE-NESS – CASHFLOW HEDGE $M	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVE-NESS – FAIR VALUE HEDGE $M	HEDGING (GAIN) OR LOSS RECOGNISED IN CASH FLOW HEDGE RESERVE $M	(GAIN) OR LOSS RECOGNISD IN COST OF HEDGING $M
Cash flow hedge - Interest risk								
Hedged item: NZD floating rate exposure on borrowings	**(1,190.0)**				**84.0**			
Hedging instrument: Fixed rate interest rate swaps	**(1,240.0)**	**2.1%**		**83.7**	**83.7**		**(6.0)**	**-**
Cash flow and fair value hedge - Interest and exchange risks								
Hedged item: USD fixed rate exposure on borrowings	**(1,212.9)**			**(1,083.6)**	**19.4**	**90.0**		
Hedging instrument: Cross currency swaps	**(1,212.9)**	**floating**	**126.1**	**(127.9)**	**24.4**	**(89.5)**	**1.5**	**(4.1)**
Fair value hedge - Interest risk								
Hedged item: NZD fixed rate exposure on borrowings	**(50.0)**		**3.8**	**(46.1)**		**0.8**		
Hedging instrument: Interest rate swap	**(50.0)**	**floating**		**(3.7)**		**(0.9)**		
				Ineffectiveness	**5.0**	**0.4**		

23. DERIVATIVES AND HEDGE ACCOUNTING (continued)

23.1 Effects of hedge accounting on the financial position and performance (continued)

GROUP 2022	FACE VALUE $M	WEIGHTED AVERAGE RATE	ACCUMU-LATED FAIR VALUE HEDGE ADJUST-MENTS $M	CARRYING AMOUNT ASSETS/ (LIABILITIES) $M	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVE-NESS – CASHFLOW HEDGE $M	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVE-NESS – FAIR VALUE HEDGE $M	HEDGING (GAIN) OR LOSS RECOGNISED IN CASH FLOW HEDGE RESERVE $M	(GAIN) OR LOSS RECOGNISED IN COST OF HEDGING $M
Cash flow hedge - Interest risk								
Hedged item: NZD floating rate exposure on borrowings	(1,230.0)				78.1			
Hedging instrument: Fixed rate Interest rate swaps	(1,430.0)	2.3%		77.6	77.6		(111.0)	
Cash flow and fair value hedge - Interest and exchange risks								
Hedged item: USD fixed rate exposure on borrowings	(1,463.4)			(1,408.5)	5.7	122.0		
Hedging instrument: Cross currency swaps	(1,463.4)	floating	51.4	(45.6)	13.2	(124.1)	(6.6)	8.3
Fair value hedge - Interest risk								
Hedged item: NZD fixed rate exposure on borrowing	(50.0)			(46.9)		2.9		
Hedging instrument: Interest rate swap	(50.0)	floating	2.9	(2.9)		(2.9)		
				Ineffectiveness	7.5	(2.1)		

Hedging instruments and hedged items are included in the line items "Derivatives" and "Borrowings" respectively in the balance sheet. The source of ineffectiveness is largely due to counterparty credit risk on the derivative instruments. Hedge ineffectiveness is included in the "Fair value change on financial instruments" in the profit or loss. Please refer to the asset and liability positions of the hedging instruments in Note 22 derivatives and hedge accounting table above.

23.2 Fair value changes on financial instruments

GROUP	NOTE	2023 $M	2022 $M
Recognised in profit or loss			
Fair value movement on hedging instruments		**(90.4)**	(127.0)
Fair value movement on hedged items		**90.9**	124.9
Fair value movement on unhedged items		**(0.5)**	0.5
Ineffectiveness from cash flow hedge relationships		**(2.5)**	7.5
Fair value change on contingent consideration	5	**(10.7)**	(2.3)
Total gains/(losses)		**(13.2)**	3.6

23. DERIVATIVES AND HEDGE ACCOUNTING (continued)

23.3 Reconciliation of changes in hedge reserves

Hedge reserves

GROUP **2023**	CASHFLOW HEDGE RESERVE $M	COST OF HEDGING $M	TOTAL $M
Opening balance	**(60.0)**	**1.3**	**(58.7)**
Hedging gains or losses recognised in OCI - Interest rate swaps	**(24.2)**	**-**	**(24.2)**
Hedging gains or losses recognised in OCI - Cross currency swaps	**27.4**	**4.1**	**27.4**
Hedging gains or losses recognised in OCI – Forward exchange contracts	**(1.0)**	**-**	**(1.0)**
Transferred to profit or loss – Interest rate swaps	**18.2**	**-**	**18.2**
Transferred to profit or loss – Cross currency swaps	**(25.9)**	**-**	**(25.9)**
Recognised as basis adjustment to non-financial assets	**5.5**	**-**	**5.5**
Deferred tax on change in reserves	**-**	**(1.1)**	**(1.1)**
Closing balance	**(60.0)**	**4.3**	**(55.7)**

Hedge reserves

GROUP **2022**	CASH FLOW HEDGE RESERVE $M	COST OF HEDGING $M	TOTAL $M
Opening balance	27.5	7.3	34.8
Hedging gains or losses recognised in OCI - Interest rate swaps	(93.0)	-	(93.0)
Hedging gains or losses recognised in OCI - Cross currency swaps	(5.5)	(8.3)	(13.8)
Hedging gains or losses recognised in OCI – Forward exchange contracts	(6.0)	-	(6.0)
Transferred to profit or loss – Interest rate swaps	(18.0)	-	(18.0)
Transferred to profit or loss – Cross currency swaps	(1.1)	-	(1.1)
Recognised as basis adjustment to non-financial assets	2.0	-	2.0
Deferred tax on change in reserves	34.1	2.3	36.4
Closing balance	(60.0)	1.3	(58.7)

24. FINANCIAL RISK MANAGEMENT

Risk management framework

Vector has a comprehensive treasury policy, approved by the board, to manage financial risks arising from business activity. The policy outlines the objectives and approach that the group applies to manage:

- Interest rate risk;
- Credit risk;
- Liquidity risk;
- Foreign exchange risk; and
- Funding risk.

For each risk type, any position outside the policy limits requires the prior approval of the board. Each risk is monitored on a regular basis and reported to the board.

24.1 Interest rate risk

Interest rate exposure
GROUP

2023	< 1 YEAR $M	1 - 2 YEARS $M	2 - 5 YEARS $M	> 5 YEARS $M	TOTAL $M
Interest rate exposure: borrowings	**240.0**	**250.0**	**979.4**	**935.7**	**2,405.1**
Derivative contracts:					
Interest rate swaps	**(860.0)**	**110.0**	**700.0**	**50.0**	**-**
Cross currency swaps	**1,212.9**	**-**	**(277.2)**	**(935.7)**	**-**
Net interest rate exposure	**592.9**	**360.0**	**1,402.2**	**50.0**	**2,405.1**

Interest rate exposure
GROUP

2022	< 1 YEAR $M	1 - 2 YEARS $M	2 - 5 YEARS $M	> 5 YEARS $M	TOTAL $M
Interest rate exposure: borrowings	886.5	240.0	727.2	1,437.9	3,291.6
Derivative contracts:					
Interest rate swaps	(1,140.0)	280.0	710.0	150.0	-
Cross currency swaps	1,212.9	-	-	(1,212.9)	-
Net interest rate exposure	959.4	520.0	1,437.2	375.0	3,291.6

Policies

Vector is exposed to interest rate risk through its borrowing activities.

Interest rate exposures are managed primarily by entering into derivative contracts. The main objectives are to minimise the cost of total borrowings, control variations in the interest expense of the borrowings from year to year, and where practicable to match the interest rate risk profile of the borrowings with the risk profile of the group's assets.

The board has set and actively monitors maximum and minimum limits for the net interest rate exposure profile.

24. FINANCIAL RISK MANAGEMENT (continued)

24.2 Credit risk

Policies

Credit risk represents the risk of cash flow losses arising from counterparty defaults. Vector is exposed to credit risk in the normal course of business from:

- Trade receivable transactions with business and mass market residential customers; and
- Financial instruments transactions with financial institutions.

The carrying amounts of financial assets represent the group's maximum exposure to credit risk.

The group has credit policies in place to minimise the impact of exposure to credit risk and associated financial losses:

- The board must approve placement of cash, short-term cash deposits or derivatives with financial institutions whose credit rating is less than A+. As at 30 June 2023, all financial instruments are held with financial institutions with credit rating above A+;
- The board sets limits and monitors exposure to financial institutions; and
- Exposure is spread across a range of financial institutions. Where we deem there is credit exposure to energy retailers and customers, the group minimises its risk by performing credit evaluations and/or requiring a bond or other form of security.

24.3 Liquidity risk

Contractual cash flows maturity profile

GROUP 2023	PAYABLE <1 YEAR $M	PAYABLE 1-2 YEARS $M	PAYABLE 2-5 YEARS $M	PAYABLE >5 YEARS $M	TOTAL CONTRACTUAL CASH FLOWS $M
Non-derivative financial liabilities					
Distribution payable	**63.2**	**-**	**-**	**-**	**63.2**
Trade payables from exchange transactions and deferred payables	**241.2**	**-**	**-**	**-**	**241.2**
Unclaimed distributions	**8.1**	**7.6**	**-**	**-**	**15.7**
Contract liabilities	**3.7**	**3.6**	**3.7**	**-**	**11.0**
Borrowings: interest	**89.9**	**77.7**	**174.4**	**114.7**	**456.7**
Borrowings: principal	**240.0**	**250.0**	**1,028.7**	**979.4**	**2,498.1**
Derivative financial (assets)/liabilities					
Cross currency swaps: inflow	**(39.1)**	**(39.1)**	**(437.8)**	**(1,094.0)**	**(1,610.0)**
Cross currency swaps: outflow	**93.9**	**86.8**	**489.2**	**1,178.1**	**1,848.0**
Forward exchange contracts: inflow	**(18.9)**	**(6.0)**	**-**	**-**	**(24.9)**
Forward exchange contracts: outflow	**19.3**	**6.5**	**-**	**-**	**25.8**
Net settled derivatives					
Interest rate swaps	**(41.0)**	**(28.0)**	**(22.4)**	**(1.0)**	**(92.4)**
Group contractual cash flows	**660.3**	**359.1**	**1,235.8**	**1,177.2**	**3,432.4**

24. FINANCIAL RISK MANAGEMENT (continued)

24.3 Liquidity risk (continued)

Contractual cash flows maturity profile

GROUP **2022**	PAYABLE <1 YEAR $M	PAYABLE 1-2 YEARS $M	PAYABLE 2-5 YEARS $M	PAYABLE >5 YEARS $M	TOTAL CONTRACTUAL CASH FLOWS $M
Non-derivative financial liabilities					
Distribution payable	62.3	-	-	-	62.3
Trade payables from exchange transactions and deferred payables	161.1	-	-	-	161.1
Unclaimed distributions	6.1	9.9	-	-	16.0
Contract liabilities	6.4	5.6	7.1	-	19.1
Borrowings: interest	101.8	89.2	212.5	149.4	552.9
Borrowings: principal	927.5	240.0	727.2	1,506.4	3,401.1
Derivative financial (assets)/liabilities					
Cross currency swaps: inflow	(336.1)	(38.2)	(114.9)	(1,426.7)	(1,915.9)
Cross currency swaps: outflow	324.0	72.7	206.8	1,504.0	2,107.5
Forward exchange contracts: inflow	(62.5)	(1.3)	(0.6)	-	(64.4)
Forward exchange contracts: outflow	58.4	1.3	0.6	-	60.3
Net settled derivatives					
Interest rate swaps	(15.2)	(22.7)	(33.1)	(1.5)	(72.5)
Group contractual cash flows	1,233.8	356.5	1,005.6	1,731.6	4,327.5

Contractual cash flows

The above table shows the timing of non-discounted cash flows for all financial instrument liabilities and derivatives.

The cash flows for bank facilities, included in borrowings, are disclosed on the basis of their contractual repayment terms for the individual drawdowns.

The cash flows for capital bonds, included in borrowings, are disclosed as payable within 2-5 years year as the next election date set for the capital bonds is 15 June 2027 (2022: 2-5 year, with the election date of the last rollover as 15 Jun 2027) and the bonds have no contractual maturity date.

Policies

The group and Vector are exposed to liquidity risk where there is a risk that the group may encounter difficulty in meeting its day to day obligations due to the timing of cash receipts and payments.

The objective is to ensure that adequate liquid assets and funding sources are available at all times to meet both short-term and long-term commitments. The board has set a minimum headroom requirement for committed facilities over Vector's anticipated 18-month peak borrowing requirement.

At balance date, Vector has access to undrawn funds of $575.0 million (2022: $644.0 million).

24.4 Foreign exchange risk

Policies

The group and Vector are exposed to foreign exchange risk through its borrowing activities, and foreign currency denominated expenditure.

Foreign exchange exposure is primarily managed through entering into derivative contracts. The board requires that all significant foreign currency borrowings and expenditure are hedged into NZD at the time of commitment to drawdown or when the exposure is highly probable. Hence, at balance date there is no significant exposure to foreign currency risk.

24.5 Funding risk

Policies

Funding risk is the risk that the group will have difficulty refinancing or raising new debt on comparable terms to existing facilities. The objective is to spread the concentration of risk so that if an event occurs the overall cost of funding is not unnecessarily increased. Details of borrowings are shown in note 22.

The group has set the maximum amount of debt that may mature in any one financial year.

25. CASH FLOWS

25.1 Reconciliation of net profit/(loss) to net cash flows from/(used in) operating activities

Reconciliation of net surplus/(deficit) to net cash flows from/(used in) operating activities including discontinued operations	GROUP 2023 $M	GROUP 2022 $M	PARENT 2023 $M	PARENT 2022 $M
Net surplus/(deficit)for the period	**1,711.6**	155.9	**121.2**	120.8
Transactions with beneficiaries				
Distribution to beneficiaries	**(122.1)**	(118.6)	**(122.1)**	(118.6)
Distributions payable	**0.9**	(2.2)	**0.9**	(2.2)
	(121.2)	(120.8)	**(121.2)**	(120.8)
Items associated with sale of discontinued operations				
Gain on sale of discontinued operations classified as investing activities	**(1,509.9)**	-	**-**	-
Costs of sale of discontinued operations classified as operating activities	**(30.1)**	-	**-**	-
Items classified as investing activities				
Gain on sale of investment in associate	**-**	(7.1)	**-**	-
Items associated with investing activities	**(31.6)**	24.4	**-**	-
Non-cash items				
Depreciation and amortisation	**248.8**	279.9	**-**	-
Non-cash portion of interest costs (net)	**(5.3)**	(7.9)	**-**	-
Fair value change on financial instruments	**13.2**	(3.6)	**-**	-
Impairment	**-**	40.2	**-**	-
Increase/(decrease) in deferred tax	**56.9**	53.1	**-**	-
Increase/(decrease) in provisions	**(0.6)**	(2.9)	**-**	-
Other non-cash items	**0.2**	9.9	**-**	-
	313.2	368.7	**-**	-
Changes in assets and liabilities				
Trade and other payables from exchange transactions	**97.1**	(41.2)	**-**	(0.1)
Contract liabilities	**(31.7)**	20.2	**-**	-
Contract assets	**(2.1)**	(2.3)	**-**	-
Inventories	**3.1**	(11.8)	**-**	-
Trade and other receivables from exchange transactions	**(28.1)**	(4.3)	**(0.6)**	(0.2)
Income tax	**10.0**	(0.1)	**1.6**	0.1
Distributions payable	**0.9**	(2.2)	**0.9**	(2.2)
Provision for unclaimed distributions	**(0.3)**	2.6	**(0.3)**	2.6
	48.9	(39.1)	**1.6**	0.2
Net cash flows from/(used in) operating activities	**380.9**	382.0	**1.6**	0.2

25.2 Reconciliation of movement of liabilities to cash flows arising from financing activities

Reconciliation of movement of liabilities to cash flows arising from financing activities	BORROWINGS	DERIVATIVES	TOTAL
Balance at 1 July 2022	3,229.4	(33.4)	3,196.0
Net repayments	**(886.5)**	**-**	**(886.5)**
Financing cash flows	**(886.5)**	**-**	**(886.5)**
Cost of debt raising	**(0.4)**	**-**	**(0.4)**
Fair value changes	**(75.6)**	**82.1**	**6.5**
Borrowing fees paid	**(6.6)**	**-**	**(6.6)**
Amortisation of debt raising costs	**9.4**	**-**	**9.4**
Premium released	**(0.9)**	**-**	**(0.9)**
As at 30 June 2023	**2,268.8**	**48.7**	**2,317.5**

26. EQUITY

26.1 Share Capital

Trust Distributions	The Trust's net distribution of $334 per beneficiary will be paid in September 2023 (2022: $273). The Group recognises distributions as a payable in the financial statements on the date the dividend is declared and in accordance with note 18 – Distribution Payables.
Shares	Vector Limited's total number of authorised and issued shares is 1,000,000,000 (2022: 1,000,000,000). All ordinary issued shares are fully paid, have no par value and carry equal voting rights and equal rights to a surplus on winding up of the parent. At balance date 26,343 shares (2022: 26,343) are allocated to the employee share purchase scheme.

26.2 Capital Management

Policies

The Parent's objectives in managing capital are:

- To safeguard the ability of the Trust to continue as a going concern; and
- To provide an adequate level of distribution to the Trust's income beneficiaries commensurate with the level of risk.

The Parent has taken Trustee's liability insurance as part of the Trust's risk management policy.

The group's objectives in managing capital are:

- To safeguard the ability of entities within the group to continue as a going concern;
- To provide an adequate return to shareholders by pricing products and services commensurate with the level of risk; and
- Maintain an investment grade credit rating.

The group manages and may adjust its capital structure in light of changes in economic conditions and for the risk characteristics of the underlying assets. To achieve this the group may:

- Adjust its dividend policy;
- Return capital to shareholders; or
- Sell assets to reduce debt.

26.3 Reserves

Hedge reserves

Hedge reserves comprise the cash flow hedge reserve and cost of hedging.

The cash flow hedge reserve records the effective portion of changes in the fair value of derivatives that are designated as cash flow hedges.

The gain or loss relating to the ineffective portion is recorded in profit or loss within interest costs (net).

During the year, $7.7 million (2022: $19.1 million) was transferred from the cash flow hedge reserve to interest expense.

Cost of hedging records the change in the fair value of the cost to convert foreign currency into New Zealand dollars as required under NZ IFRS 9.

Other reserves

Other reserves comprise:

- A share-based payment reserve relating to the employee share purchase scheme. When shares are vested to the employee, the reserve is offset with a reduction in treasury shares.
- A foreign currency translation reserve to record exchange differences arising from the translation of the group's foreign operations.
- A reserve to record the fair value movements in the group's investments in financial assets.

27. RELATED PARTY TRANSACTIONS

	PARENT 2023 $M	PARENT 2022 $M
Transactions with Vector Limited		
Dividends received	**125.8**	125.8

Transactions with associates and other joint operations.	GROUP 2023 $M	GROUP 2022 $M	PARENT 2023 $M	PARENT 2022 $M
Transactions with associate				
Purchase of vegetation management services from Treescape Limited	**-**	1.2	**-**	-
Directors' fees from Tree Scape Limited	**-**	-	**-**	-
Transactions with directors of Vector Limited				
Directors' fees paid to Entrust trustees directors of Vector Limited	**0.2**	0.2	**-**	-
Directors' fees paid to non-trustee directors of Vector Limited	**0.9**	0.7	**-**	-
Transactions with key management personnel				
Salary and other short-term employee benefits (Entrust)	**0.4**	0.4	**0.4**	0.4
Salary and other short-term employee benefits (Vector Limited)	**8.2**	7.5	**-**	-

Trustees' remuneration:

Trustees	2023 $	2022 $
W Cairns	**98,100**	95,309
M Buczkowski	**70,200**	68,409
P Hutchison	**67,450**	65,745
A Bell	**67,450**	65,745
D Lee	**67,450**	44,564
K Sherry	**-**	18,792
	370,650	358,564

Trustees' fees are paid by the Parent.

Related parties

The Parent is the majority shareholder of the subsidiary Vector Limited. Note 13 identifies all entities including associates, partnerships and joint ventures in which the group has an interest. All of these entities are related parties of the subsidiary Vector Limited. Other than Vector Limited's directors themselves, there are no additional related parties with whom material transactions have taken place.

Key management personnel include remuneration of Vector Limited's Group CEO and the members of his Executive Team during the periods presented as well as the remuneration of the Parent's trustees and executive officer.

28. CONTINGENT LIABILITIES

Disclosures

The directors are aware of claims that have been made against entities of the group and, where appropriate, have recognised provisions for these within note 19.

No material contingent liabilities have been identified.

29. EVENTS AFTER BALANCE DATE

Loss rental rebates	On 24 August 2023, Vector's board approved the distribution of loss rental rebates to customers on the Vector electricity network at a rate of $30 per connection. The distribution is expected to take place in September 2023.
Approval	The financial statements were approved by the board on 25 August 2023.
Final dividend	On 24 August 2023, the Vector board declared a final unimputed dividend for the year ended 30 June 2023 of 14.00 cents per share, comprising an ordinary dividend of 8.50 cents per share, and a special dividend of 5.50 cents per share. On 25 August 2023, the Trustees resolved to make a net distribution to beneficiaries of $334 (2022: $273) per beneficiary. No adjustment is required to these financial statements in respect of this event.

30. GUIDELINES OF ACCESS TO INFORMATION

Disclosure

We wish to advise that, pursuant to paragraph 10.2 of the Guidelines of Access to Information by Beneficiaries of Electricity Community and Consumer Trusts, no requests for information were received by the trust office during the reporting period.

Year	No. of Requests Received	Costs incurred to process those requests and any recoveries made (includes external costs incurred and an allocation of internal costs based on Official Information Act guidelines)	No. of Trust decisions which were subject to review	Summary of outcome of those reviews and costs incurred in reviews
2023	Nil	$Nil	Nil	N/A
2022	Nil	$Nil	Nil	N/A