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24 August 2023

Sky delivers solid result while investing in future growth

Sky Network Television Limited (Sky) delivered a solid result for the 2023 financial year, characterised by customer and revenue growth and a continuing strong focus on costs and margin improvement while investing for the future.

Revenue, EBITDA[1] and net profit after tax (adjusted for one-off items[2]) were all delivered in line with the guidance ranges provided, with capex slightly above as Sky invests in the new Sky Box and Sky Pod.

Key points of today's announcement:

- Customer relationships rose above 1 million to 1,015,125 (+2.5%).
- Revenue grew by 2.4% to $754.1m, driven by growth in customers and increased average revenue per user (ARPU) across Sky Box, Streaming, Commercial and Broadband products.
- Strategically important rights were secured.
- The expected lift in programming costs was contained to a reported net increase of $21.3m and with continued strong focus across all cost lines.
- Adjusted for one-off items, NPAT was up by +15.2%.
- A final dividend of 9 cents, with a total dividend of 15 cents or 89% of adjusted free cash flow.

Commenting on the results, Chief Executive Sophie Moloney said: "I am pleased to be sharing a solid set of results with you, following a year of significant transformation and the delivery of major initiatives at Sky. They demonstrate that we are continuing to deliver today while also investing in the areas that will see us benefit in future years. We have invested in new products and the content that customers value, and our organisational changes and outsourcing to specialist partners are transforming the way we operate."

"The launch of our new Sky experience was a key milestone, and after only three months of promotion we have around 35,000 new Sky Boxes and 13,000 Sky Pods in use in customer homes. This is pleasing progress, as is the positive feedback we have received from many customers enjoying the new experience. That said, we acknowledge that there were early teething problems with the rollout for some customers, and we have confidence that these are being rapidly addressed by the team. The benefits of the new Sky Box, particularly the enhanced content discovery and easy user interface, far outweigh these early issues, and we are accelerating the rollout of the new Sky experience in FY24 so that more customers – both existing and new – can take advantage of them."

[1] EBITDA is a non-GAAP measure. Sky uses this measure when discussing financial performance as the Company believes it provides useful information on Sky's performance.

[2] FY23 Revenue, EBITDA and NPAT adjusted for the impact of Organisational changes announced 29 March 2023 and the sale of RugbyPass completed 10 October 2022 as these items were excluded from FY23 guidance. FY22 EBITDA and NPAT adjustments largely relate to the gain on sale of the Mt Wellington properties and a provision release for Holidays Act compliance.

"Our business has remained resilient against a backdrop of inflation and high interest rates impacting on household budgets, thanks to our strategy of meeting New Zealanders where they are, in ways that work for them. Our unrivalled content offer, our multi-platform approach across satellite, streaming and free-to-access (including the launch of our new free-to-air channel Sky Open), and our 100% coverage across the country, continues to be a key competitive advantage."

Customers

Sky's customer relationships grew by 2.5%, led once again by strong gains in Streaming, with Sky Sport Now up 37% to 150,000 customers and Neon up 8% to 318,000. The Sky Box customer base continued to stabilise, despite the delay in new product delivery, with losses slowed to 2.7%. Over 18,000 Vodafone TV customers migrated to their chosen Sky Product during the second half, with 17,000 choosing the full Sky experience via the Sky Box or Sky Pod and over 1,500 streaming subscriptions added. Broadband customers closed at 26,000, up 45% and with an attachment rate to Sky Box of 5%, while Commercial customer numbers were stable at over 6,500.

Content

Sky secured a number of strategically important and disciplined rights wins during the period, including a new rights agreement for Formula 1 and a long-term partnership with World Rugby, and the recently-announced renewal with Warner Bros. Discovery that was achieved on more favourable commercial terms.

Sophie commented: "Our rich data capability means we are building deeper insights into what our customers value, which in turn informs our investment decisions. These insights were invaluable in securing key targeted rights in FY23 and are already delivering against the customer acquisition and retention objectives we set. It also means we have a robust understanding of what we don't need to hold or where exclusivity is not required, giving us confidence about where we are prioritising our investment."

Financial

Revenue growth of 2.4% to $754.1 million was driven by strong increases in Streaming and Broadband, continued stabilisation of Sky Box and positive uplift in Commercial and Advertising revenues.

Streaming revenue growth of 10.6% to $103.2 million included an impressive 50% increase for Sky Sport Now and a very healthy 19% increase for Neon. It was also achieved despite a net $6.1 million impact from extending the availability of the VTV platform until 31 March 2023, masking like for like growth of 16%. Continued improvement in Sky Box saw a net revenue decline of 0.8% - a significant improvement from the 3.4% decline in FY22. Broadband revenue grew 123% and achieved a positive contribution in FY23, whilst Commercial revenue returned to pre-Covid levels, up 13%. Advertising delivered pleasing growth of 9% against market decline of 5%, an encouraging sign as we begin to lean into this opportunity.

Carefully considered pricing increases were made during the period, reflecting the increased value of content delivered and contributing to higher average revenue per user across Sky's products.

Operating costs were held to an increase of $15 million as cost management initiatives totalling $33 million (including $13 million of programming savings) largely offset expected cost increases.

The expected step up in programming costs largely stemmed from previously-announced content wins and renewals, including the NRL which was secured in 2021 but came into effect from 1 January 2023, and new rights for Premier League and Formula 1. It also reflected increased production costs following the return of home games for New Zealand teams post Covid, including the Warriors, Phoenix and Breakers.

Increased spending associated with the cost of growth in Sky Broadband and Streaming products was $13 million, which in turn delivered a revenue and margin benefit. And one-off costs of the organisational change announced in March 2023 are expected to deliver an additional $6 million of annualised savings from FY24.

Capex of $77.4 million was slightly above the guidance range and with growth-focused capex at 61% of the total, as Sky invested in Sky Box and Sky Pod inventory in readiness for delivery to customers.

Underlying EBITDA adjusted for one-offs grew by 1.8% to $156.4 million, and above the midpoint of guidance. NPAT, while down at a reported level, grew by 15.2% to $56.7 million when adjusted on the same basis.

Capital Management and dividends

Chairman Philip Bowman said: "Sky's Board has continued to adopt a disciplined capital management strategy that places a high value on returning surplus capital: including the $70 million return completed in November 2022, the initiation of a share buy back of up to $15 million in March 2023, and delivering appropriate returns to shareholders by way of ongoing dividends."

"The Board has declared a final FY23 dividend of 9 cents that, when added to the 6 cent interim dividend paid in March 2023, brings the total dividend for FY23 to 15 cents per share, representing a payout of 89% of free cash flow adjusted for one-off items."

Outlook and Guidance

Sophie added: "While we remain conscious of economic pressure on households, Sky is expecting continued growth in customers and revenues – including through new revenue streams - and will maintain the strong focus on costs."

"The 2024 financial year will see a strong focus on the three priority areas of: Employee engagement, new revenue streams (including the opportunity in advertising), and bringing the new Sky experience to more New Zealanders."

In this regard, FY24 will see Sky accelerate its investment in the rollout of the new Sky experience to customer homes, supported by a strong investment case that includes the increased ability to demonstrate value in a customer's subscription through superior content discovery, and a significantly lower cost to serve. This will lead to a steeper but shorter period of elevated capex over FY24 and FY25 before returning to the long run target range in FY26.

Sky has released guidance for FY24 including Revenue of $765 to $795 million, EBITDA of $150 to $165 million, NPAT of $45 to $55 million, and Capex of $75 to $90 million[3].

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[3] Excludes one-off satellite mitigation capex. Sky issued a separate announcement on 24 August 2023 regarding a variation to the Optus agreement that provides Sky with security of supply over satellite capacity through to the end of the current term in November 2031.

In determining the approach for FY24 dividend guidance the Board has confirmed its intention to exclude one-off capital expenditure associated with satellite mitigation and the accelerated portion of investment in the new Sky Box and Sky Pod rollout when determining adjusted free cash flow available for FY24 dividends (in accordance with Sky's policy to pay out between 60% to 90% of free cash flow, excluding one-offs). On this basis, Sky has provided FY24 dividend guidance of at least 15 cents per share.

"This approach reflects the Board's confidence in future cash flow generation and the strength of Sky's balance sheet which has the capacity to fund both significant capital investment as well as maintain dividends to shareholders."

Sophie said: "While there are clear economic headwinds in the current financial year, we are looking with confidence to FY24 and beyond, and positioning the business to capture the opportunities that are firmly within our sights. We are determined to execute on our strategy, and have the team and plan in place to deliver. With this in mind, we have updated and refined our three-year targets to the end of FY26:

- Revenue growth (CAGR) of +3-4% p.a.
- EBITDA margin of 21-23%
- Programming as a percentage of revenue of 47-49%
- Capex returned to 7-9% of revenue
- Employee Engagement (NPS) +14pts
- Customer NPS +19pts
- Double the FY23 dividend.

ENDS

Authorised by Kirstin Jones, Company Secretary

Sky will hold a webcast briefing at 10:00am (NZT) to discuss the results. Details on how to participate are available here: https://www.nzx.com/announcements/415420

Investor queries to:

Andrew Hirst
Interim Chief Financial Officer
Andrew.Hirst@sky.co.nz

Media queries to:

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Chief Corporate Affairs Officer
Chris.Major@sky.co.nz

NZX
NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Results for announcement to the market		
Name of issuer	Sky Network Television Limited	
Reporting Period	12 months to 30 June 2023	
Previous Reporting Period	12 months to 30 June 2022	
Currency	NZD	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$754,100	2.4% increase
Total Revenue	$754,100	2.4% increase
Net profit/(loss) from continuing operations	$50,754	18.3% decrease
Total net profit/(loss)	$51,013	18.0% decrease
Final Dividend		
Amount per Quoted Equity Security	$0.09	
Imputed amount per Quoted Equity Security	$0.035	
Record Date	8 September 2023	
Dividend Payment Date	22 September 2023	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$ 0.9038	$1.1124
A brief explanation of any of the figures above necessary to enable the figures to be understood	For further explanation refer to the financial commentary and audited financial statements attached.	
Authority for this announcement		
Name of person authorised to make this announcement	Andrew Hirst	
Contact person for this announcement	Andrew Hirst	
Contact phone number	+64 21 621 114	
Contact email address	Andrew.Hirst@sky.co.nz	
Date of release through MAP	24/08/2023	

Audited financial statements accompany this announcement.

NZX NEW ZEALAND'S EXCHANGE TE PAEHOKO O AOTEAROA

Distribution Notice

Updated as at June 2022

Please note: all cash amounts in this form should be provided to 8 decimal places, including zeros (ie 0.01001000)

Section 1: Issuer information				
Name of issuer	Sky Network Television Limited			
Financial product name/description	Ordinary Shares			
NZX ticker code	SKT			
ISIN (If unknown, check on NZX website)	NZSKTE0001S6			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year	X	Quarterly	
	Half Year		Special	
	DRP applies			
Record date	08/09/2023			
Ex-Date (one business day before the Record Date)	07/08/2023			
Payment date (and allotment date for DRP)	22/09/2023			
Total monies associated with the distribution	$12,946,725			
Source of distribution (for example, retained earnings)	Retained Earnings			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution	$0.12500000			
Gross taxable amount	$0.12500000			
Total cash distribution	$0.09000000			
Excluded amount (applicable to listed PIEs)	N/A			
Supplementary distribution amount	$0.01588235			
Section 3: Imputation credits and Resident Withholding Tax				
Is the distribution imputed	**Fully imputed** X			
	Partial imputation			
	No imputation			
If fully or partially imputed, please state imputation rate as % applied	28%			
Imputation tax credits per financial product	$0.03500000			
Resident Withholding Tax per financial product	$0.00625000			

Section 5: Authority for this announcement	
Name of person authorised to make this announcement	Andrew Hirst
Contact person for this announcement	Andrew Hirst
Contact phone number	+64 21 621 114
Contact email address	Andrew.Hirst@sky.co.nz
Date of release through MAP	24/08/2023

Your way. Anywhere, anytime.

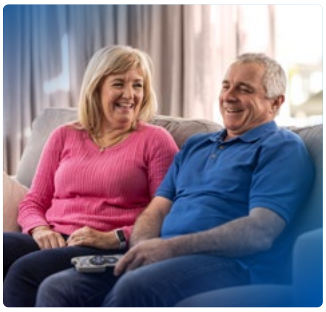
ANNUAL REPORT 2023

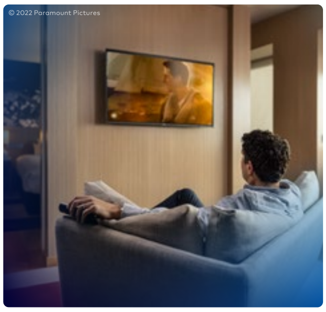
Everywhere you are

Sky is in the hands of Kiwis in ways that work for them, right across the country.

Welcome to Sky's Annual Report for 2023

Contents





FY23 at a glance

Financial

REVENUE – $M

754.1

▲ 2% (ADJUSTED UP 2%)

EBITDA – $M

148.5

▼ 12% (ADJUSTED UP 2%)

NPAT – $M

51.0

▼ 18% (ADJUSTED UP 15%)

DIVIDEND (CENTS PER SHARE)

15

▲ 105%

RETURNED TO SHAREHOLDERS OR UTILISED IN THE SHARE BUYBACK – $M

95.9

Customer

TOTAL CUSTOMER RELATIONSHIPS

1,015,125

▲ 2.5%

SKY BOX CUSTOMERS

514,982

STREAMING CUSTOMERS

467,516

Market leader in paid sport and entertainment

We connect New Zealanders with the sport and entertainment they love, in ways that work for them, right across the country.

1M+
Customer relationships

Sky Box
Only box solution in market

Leading
Content aggregator for customers and partners

#1
In Sport across Box, Streaming and free-to-air

Largest
High ARPU media company customer base

Most
Global and local partners across sport and entertainment

Sky reaches over
1 in 3
New Zealanders each month across our multi-platform services

Only provider with
100%
Coverage to all of New Zealand

Our Services

Sky Box / Sky Pod

sky
sky GO

Streaming

sky SPORT NOW
NEON

Broadband
sky BROADBAND

Commercial
sky BUSINESS

Free-to-air
sky OPEN

Advertising
sky SALES


one.nz
6
sky
SPORT
5
AUTEX

Chairman's Letter

Philip Bowman
Independent Chairman

Welcome to Sky's Annual Report for 2023.

The company achieved a solid operational and financial performance this year. FY23 Revenue, EBITDA and NPAT (adjusted for one-off items) all delivered in-line with the guidance ranges provided. Capex was slightly above guidance due to additional investment in the new Sky Box and Pod to position us for accelerated customer roll out in FY24.

Under Sophie and her team's leadership, Sky continues to deliver on its strategy whilst adapting to the ongoing change in our sector and the challenges in our economy. In particular we established critical new capabilities, secured strategically important content rights, and strengthened the customer offering that will play out in the years ahead.

We remain ambitious for Sky and believe in the company's continuing ability to play a unique role in New Zealand's evolving media sector.

Our macro environment

It is pleasing to deliver on our targets in a year when New Zealand's economy dipped into recession, with inflation and high interest rates adversely impacting many household budgets.

The business has remained relatively resilient against this backdrop, and I believe this reflects the value of our always-on, everyday relationship with our customers.

Rapid change and growing complexity continue to shape the global media sector. Nowhere is this more evident than in the international subscription video on demand (SVOD) space, as providers feel the pressure of needing to generate meaningful financial returns in the face of significantly increased costs, market saturation and customer fragmentation. Subscription prices continue to rise as studios strive to make their streaming operations profitable.

Closer to home, the market was impacted by uncertainty through the year with the proposed, and subsequently abandoned, merger of TVNZ and Radio New Zealand. In addition, New Zealand saw a weakening advertising market, impacted in part by a decline in government advertising as the high spend on COVID-19 comes to an end.

Extreme weather events in the early part of calendar 2023 also had a significant impact on the economy, and sadly on a number of our customers. These events also adversely impacted our cost base.

Looking ahead

Sky remains uniquely positioned given our ability to deliver an exceptional array of content wherever and however customers may choose, right across the country. As we continue to grow our customer numbers and maintain a healthy average revenue per customer, the value of our role as a multi-platform curator of premium content for New Zealand audiences is increasingly evident.

We have maintained a strong market position, continued to be an attractive partner for our content and advertising partners, and offer the biggest bundle of sport and entertainment content on offer in New Zealand.

Making it easier for customers to navigate the amount of content available to them continues to be a priority for us, and our new Sky Box has delivered an important step forward in addressing this. As Sophie sets out in her shareholder letter, we intend to accelerate the Sky Box rollout in FY24.

In an environment of constant change, we have maintained a strong market position, continued to be an attractive partner for our content and advertising partners, and offer the biggest bundle of sport and entertainment content in New Zealand. We made progress in moderating, and in some cases reducing, the cost of rights renewals during the period, and going forward see ongoing opportunities to continue this welcome trend.

Capital Management

We have continued to adopt a disciplined capital management strategy that places a high value on returning surplus capital and delivering appropriate returns to shareholders by way of ongoing dividends. In FY23 this saw us deliver a $70 million capital return, and declare a final FY23 dividend of 9 cents that, when added to the 6 cent interim dividend paid in March 2023, brings the total dividend for FY23 to 15 cents per share, representing a payout of 89% of free cash flow adjusted for one-off items.

In providing dividend guidance for FY24 of at least 15 cents per share, the Board has excluded one-off capital expenditure needed for satellite mitigation, as well as the accelerated portion of the investment in the new Sky Box and Sky Pod next year, when determining normalised free cash flow for the purposes of assessing FY24 dividends under Sky's current policy of distributing between 60% and 90% of free cash flow. This position reflects the Board's confidence in future cash flow generation and the strength of Sky's balance sheet which has the capacity to fund the additional investment from cash reserves.

A $15 million on-market buy back was initiated in March 2023, with 1,720,695 shares having been purchased to date at a cost of approximately $4.5 million, reducing the number of shares on issue by some 1.2%. Up to a further $10.5 million of shares can be acquired under the programme before 31 March 2024.

Board matters

Your Board continues to work diligently and effectively. As part of the Board refreshment process, we have worked hard to create a Board where all directors are fully independent and where we have the relevant skills needed to accelerate the transformation of Sky.

Belinda Rowe was appointed to the Board with effect from 1 March 2023, augmenting the existing skills on the Board. Belinda is an experienced Director and her previous executive experience in advertising, communications, and digital media has been a welcome addition. Belinda will address shareholders to seek support for her election at the annual shareholder meeting in November.

I wish to thank all of my Board colleagues for their ongoing strong commitment to challenge and support Management in the pursuit of generating value for shareholders.

I also wish to thank Sophie for her strong and focused leadership through the year. Sophie and her strengthened executive leadership team have led the business through significant and important change that has improved efficiency and restructured technology delivery and customer service that will underpin our future success. Many challenges and opportunities remain but the Board is confident that Management is well focussed on addressing these.

Finally, my thanks to you, our investors, for your continued support of Sky. I look forward to providing further updates at our annual shareholder meeting in November.

Philip Bowman
Independent Chairman

Chief Executive's Letter

Sophie Moloney
Chief Executive

Dear Shareholders,

As I write this letter, the FIFA Women's World Cup 2023™ is coming to a close here in Aotearoa New Zealand, breaking football viewership records on Sky, Sky Sport Now and Prime and involving an innovative partnership with news website Stuff. It is fantastic to see the buzz this event has created and to see our strategy coming to life in such a visible way.

We want to meet New Zealanders with our superb sport and entertainment content wherever they are – be it watching via the Sky Box, free-to-air, streaming or through our partners. Our unrivalled content offer, multi-platform approach and 100% coverage across the country is what sets us apart.

The FIFA Women's World Cup 2023™ is just one example of how this approach is opening up new audience opportunities for us and our partners, and growing New Zealanders' access to the content they love to watch. I am excited about the work we have planned in this space and look forward to sharing more updates with you in the coming year.

Delivering on our strategy

FY23 was a busy year of transformation and the delivery of key initiatives. We demonstrated that we could continue to deliver today while also investing in the areas that will see us benefit in future years.

We worked hard to deliver great sport and entertainment to our customers, who now number over 1 million relationships.

We strengthened our position as New Zealand's leading content aggregator through strategic rights renewals while maintaining a disciplined approach to securing the key content that resonates with our customers on commercial terms reflective of our market.

FY23 was a busy year of transformation and the delivery of key initiatives. We demonstrated that we could continue to deliver today while also investing in the areas that will see us benefit in future years.

The launch of our new Sky experience was a key milestone, and after only three months of promotion we have around 35,000 new Sky Boxes and 13,000 Sky Pods in use in customer homes. This is pleasing progress, as is the positive feedback we have received from many customers enjoying the new experience and improved content discovery. That said, I acknowledge that there have been early teething problems with the rollout for some customers, and I am confident that these are being rapidly addressed by the team. What is highly valuable with the new platform is that we can deliver enhancements and upgrades with ongoing software updates, which enables continuous improvements without customer disruption. Rest assured, we will continue to listen to customer feedback and make the experience even better.

The benefits of the new Sky Box, particularly the enhanced content discovery and easy user interface, far outweigh the early issues, and we aim to accelerate the rollout of the new Sky experience in FY24 so that more customers – both existing and new – can take advantage of them.

In addition to launching the new Sky Box, we also welcomed former Vodafone TV customers to Sky, with many choosing to take up our new Sky Pod product which offers the Sky experience delivered via the internet only.

Our streaming services continued to go from strength to strength, with an impressive 37% growth in customer numbers for Sky Sport Now, and 8% growth for our entertainment service Neon. We expanded our Neon subscriptions to offer a new 'basic' tier for our cost-conscious customers, and implemented an upgrade to our Sky Sport Now platform with new features.

In our advertising business, I am pleased to report some 'green shoots' of progress, with the team bucking the trend and achieving 9% growth (on a like for like basis) in a market that contracted 5%. I have made no secret of my view that we should be securing a greater share of the advertising pie than we have previously done, and with excellent new leadership and a highly motivated team we are excited by the opportunities ahead.

It is testament to the work and relationships of our Sky Business team that we have returned to pre-COVID levels in terms of customer numbers and revenue. Sky Business partners with over 6,500 commercial clients to bring our superb content to customers in pubs, clubs, motels, hotels, gyms, sports clubs and rest homes across Aotearoa New Zealand.

And in Sky Broadband, alongside the good growth in customers numbers to 26,000 nationwide, I am particularly proud of the team for achieving the "Most Satisfied Customer" award in the Canstar Blue Broadband Category.

Behind the scenes, we have been transforming the way we operate, including partnering with external specialists to enable us to be more effective and efficient.

Projects such as partnering with Pacificomm, a specialist in warehousing, freight and logistics, enable us to despatch Sky products to customers more efficiently and to support our transition to greater self-service to make our customers' lives easier. Our partnerships with Tata Consulting Services (TCS) and Probe CX also have efficiency and enhanced customer outcomes at the centre, with the Probe partnership enabling a 40% increase in staffing across specialist teams here in New Zealand and in the Philippines. The positive impact on call wait times alone has been extremely impressive, enabling the team to now focus on the qualitative aspects of that service into FY24.

Achieving strong results

We are mindful that we are operating in an economic environment that is increasingly tough for many New Zealanders, and we are alive to the strains on household budgets. Our business continues to demonstrate good signs of resilience, reinforcing our strategy to deliver to all New Zealanders in ways that work for them. The launch of our free-to-air channel Sky Open this week is an important part of that strategy and demonstrates our confident approach to free-to-air and free-to-access, to maximise our content investments by opening up new revenue streams and to meet New Zealanders where they are.

We were pleased to see growth in our customer relationship numbers which rose by 2.5% to over 1 million, in our revenue which grew by 2.4% to hit $754.1 million, and in the higher levels of ARPU we're seeing across all subscription products.

These results are even more striking when you consider that the new Sky Box was only delivered in April 2023, which impacted on our acquisition and revenue targets, along with the costs associated with extending the Vodafone TV platform and migrating customers to their chosen Sky product.

Continued over page...

We want to meet New Zealanders with our superb sport and entertainment content wherever they are – be it watching via the Sky Box, free-to-air, streaming or through our partners. Our unrivalled content offer, multi-platform approach and 100% coverage across the country is what sets us apart.

We achieved permanent savings across multiple cost lines which helped to partly offset the expected step-up in programming costs following recent content rights wins. After removing the impact of one-offs, this meant operating expenses of $600.2 million were contained to 2.5% higher than the prior year.

After adjusting for one-offs (which included the gain on sale of the Mt Wellington properties in FY22 and costs associated with organisational changes and sale of RugbyPass in FY23), the underlying EBITDA of $156.4 million was 1.8% higher than last year.

Similarly, after removing the impact of one-off expenses, adjusted profit after tax of $56.7 million was 15.2% higher than 2022.

Unrivalled content and a disciplined approach

As the biggest aggregator of sport and entertainment in New Zealand, the breadth and depth of our content portfolio is unrivalled. Two essential ingredients drive our competitive advantage: securing and creating the programming we know our customers want, and maximising the value of that content across our variety of platforms.

A key area of progress through the year was further strengthening our approach to rights renewals. Our growing data capability means we are building deeper insights into what our customers value, which informs what we need to value. These insights were crucial in our approach to securing the rights to Formula 1, our partnership with World Rugby and the renewal of our partnership with Warner Bros. Discovery, the parent company of several of our popular channels and HBO content.

With our new Sky Box and Sky Pod platform, we are excited about the opportunity to engage in a different way with our partners and customers, given the ability for apps to be available alongside our enriched Sky services.

We are clear that we do not want or need to have everything available to us. We know what customers value by what they watch and we prioritise our investment based on this existing and forecast viewership profile.

Formula 1 is a great example of this in action. We know there is a new audience for this sport off the back of the popular Netflix documentary series Drive to Survive and we chose to secure the rights with the available addressable market in mind, on apposite commercial terms. We are seeing great viewership of Formula 1 across our channels, and are particularly pleased with the uplift for our standalone streaming service Sky Sport Now.

Accessing capability and capacity

We implemented a significant programme of organisational change this year to improve the way we access the capability and capacity we need to deliver on our longer-term strategic priorities.

We entered this with a focus on taking care of our people and I am proud of the way we worked together to achieve this, despite it being a difficult process.

These changes are covered in detail in the People section of this report. I am pleased with the progress we have made since these changes were implemented. Having strong partners alongside us helps us to deliver key business processes – including customer service – in a simpler, faster and more efficient manner.

We also made some changes at the Executive team level this year and welcomed Lauren Quaintance to the new role of Chief Media and Data Officer, and Jennifer Sepull to the role of Chief Technology Officer. Lauren and Jennifer bring vast experience to these roles, which are critical areas of focus for our future strategy. I am also grateful for the excellent support and leadership of Andrew Hirst as our Interim Chief Financial Officer as we continue our recruitment for this vital role.

Making a difference in Aotearoa New Zealand

Along with the financial and operational results that we report to you today, I am proud of the ongoing contribution that we make to our country and community, as a New Zealand company with deep roots and relationships throughout Aotearoa.

As we set out on pages 36–41, we recognise the privilege we have in delivering the moments that form part of our nation's shared memories and experiences. With that privilege comes responsibility, and we're committed to making a positive contribution to our customers, our partners, our communities, our crew, our shareholders and to our environment.

Looking ahead to FY24

We have three key priority areas of focus in the business in FY24:

1. **Employee engagement**
2. **New Sky experience**
3. **New revenue streams**

Our team is the key enabler to achieving our goals. Employee engagement is always a focus for us, but in FY24 we will be putting more energy into lifting our leadership capability along with engagement across the business.

The new Sky experience will see us accelerate the rollout of the new Sky Box and Sky Pod.

The increased investment in these products is supported by a strong business case that includes an increased ability to display the value of our content investments, with a much richer user-interface and superior content curation and navigation for customers, along with a significantly lower cost to serve.

With this strategy in play, we expect to see a steeper but shorter period of elevated capex spending than previously anticipated.

At the same time, we will continue to build out new revenue streams, particularly through advertising. As noted, while we acknowledge the advertising market dynamics we continue to believe we have a significant opportunity in this space, maximising the value of our content while maintaining a premium environment for our advertising clients and subscription customers.

Three Year Targets

Being cognisant of the significant investment profile in FY24, we are excited to share our new set of three-year targets (to the end FY26), in particular the ambition to double our dividends in that period.

Targets

Revenue growth (CAGR)	+3–4%
EBITDA margin	21–23%
Programming costs as a % of revenue	Between 47–49%
Capex	Returns to 7–9% of revenue
Customer NPS	Up 19 points
Employee engagement	Up 14 points
Dividend	Doubled by FY26

These targets demonstrate the confidence we have as a management team, with the support of the Board, concerning the future free cashflow generation of this business as we keep executing on our strategy.

As we close another busy year for our team, where we have experienced all the highs and lows of being a thriving media business in New Zealand, I wish to thank Philip and the wider Board of Directors, and my executive team colleagues, for their ongoing commitment and support.

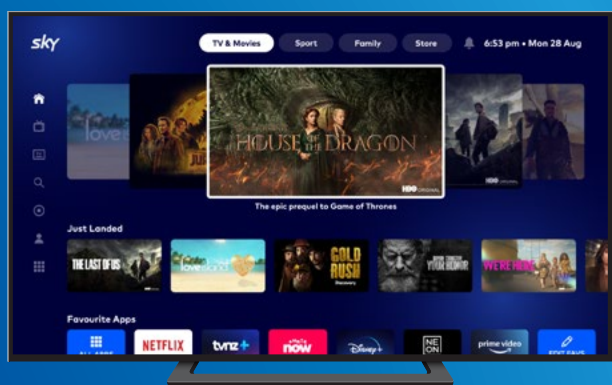
I also want to thank the Sky crew. We are extremely fortunate to have such a dedicated and talented group of people working across our business and I am grateful for the way the team has continued to deliver day in and day out for our customers this year.

And, of course, it is a big thank you to our shareholders for your ongoing support and loyalty to Sky. We remain excited about the opportunities in front of us and look forward to delivering on our goals in FY24 and beyond.

Sophie Moloney
Chief Executive

Everywhere you are. Anywhere, anytime.

Sky brings you global and local sport



the best in
and entertainment

sky GO

In the hands of Kiwis, in ways that work for them, right across the country.

Our Customers

Whether it's via satellite, streaming or free-to-air – at the pub, the gym or on the couch – we connect our customers to great sport and entertainment in ways that work for them.

OUR CUSTOMERS

Sky Box, New Sky Box and Sky Pod

At Sky we look to meet our customers' needs in ways that work for them.

Giving them the freedom to enjoy great sport and entertainment however, wherever and whenever they want.

From the full Sky Box experience in the home, to our digital platforms, our companion streaming app Sky Go, and free-to-air, we are where New Zealanders are.

This year has seen the introduction of two innovative new products – our new Sky Box and the Sky Pod, which bring a new experience and more choice for our customers.

Sky Box

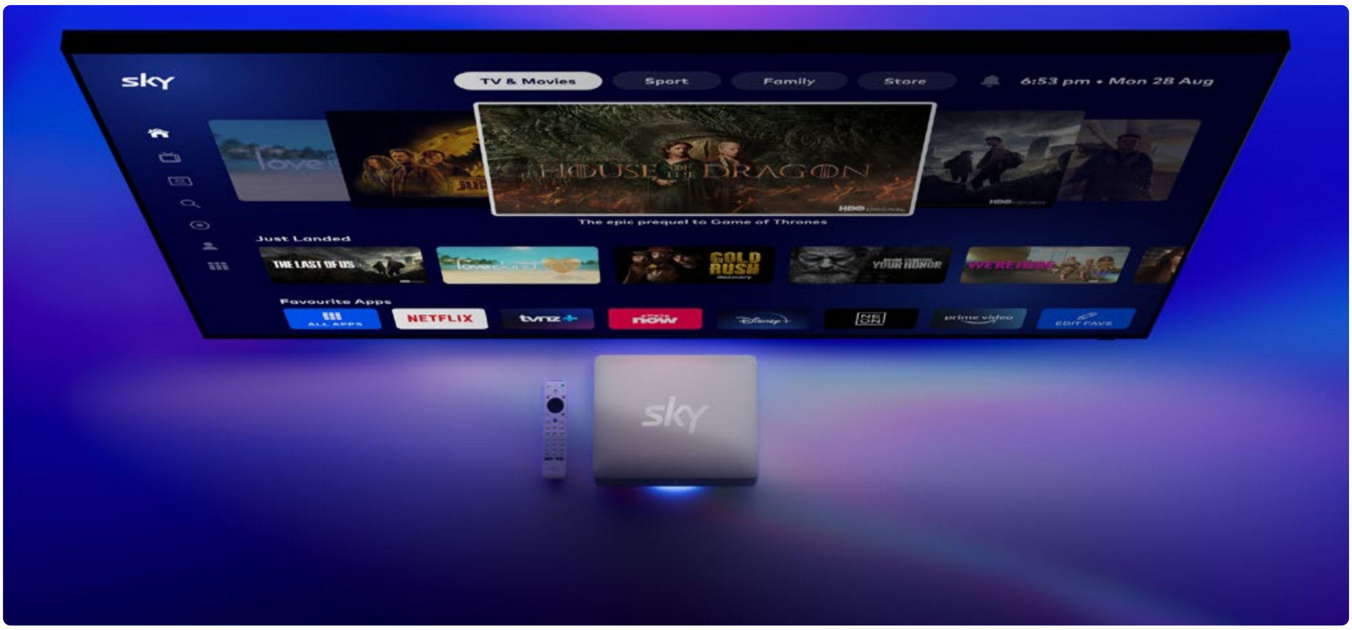
Sky Box customers make up over half of our total customer base and contributed 68% of our total revenue in FY23.

Much of our Sky Box customer base is built on long-term relationships, with 79% of Sky Box customers having been with Sky for more than five years, with very low churn of 7% for this cohort.

Meeting and exceeding the needs of these customers is a key area of focus for Sky, including delivering the content we know they want, improving our approach to customer service, and enhancing programmes like Sky Rewards which continues to offer special events and channel rewards.

Hundreds of thousands of New Zealanders currently enjoy the ease and convenience of watching what they love on the Sky Box, and its special features including My Sky and access to our companion app Sky Go continue to be popular with our customers.

Sky's premium packages have also performed well in FY23, in particular our Sport package which fulfils a year-round appetite of sport from basketball to boxing, football, rugby, golf, tennis, cricket and supercar racing, to name a few. Our customer acquisition strategy continues to focus on efficiency and effectiveness including digital targeting and more sustainable customer offers. Our growing digital focus is helping us to identify and connect potential subscribers with the content and packages most tailored to suit them.



New Sky Box

The launch of our new Sky Box in April 2023 was a major milestone. As a 'hybrid' box, it combines the best of satellite TV and streaming, and is changing the way our customers engage with our content.

The new Sky Box is the most significant technological change undertaken for our customers since the launch of My Sky in 2007. It was a challenging project at times and we have learned a lot about how we can improve our approach to technology change through this rollout.

Our primary goal with the new Sky Box is to enhance our customers' experience – and feedback indicates that we have achieved this, with the superb new image-rich homepage making it much easier for customers to find and enjoy new content, fulfilling our promise of 'less time searching, more time viewing'.

Customer centricity was at the core of the project since its inception. In 2020, we consulted with 6,000 of our customers (via our Sky Nation panel) on what they would want from a newly created product. From further in-depth interviews, with current and potential customers, we gained valuable insights into their home entertainment preferences and any barriers Sky needed to overcome to become their primary entertainment solution. Customer data and design thinking methods played a crucial role in shaping the new Sky Box.

Customer feedback continues to play a crucial part in the roll-out. The detailed feedback from customers gives valuable insights into the features and experience that they are loving, and areas for improvement.

The positives include the excellent content navigation and discovery through our new image-rich homepage.

Areas for immediate improvement are enhanced recording functionality, pay per view functionality, and closed captions which will be released in August.

A key benefit of the new Sky Box operational model is that it allows us to move at pace on development and upgrades, with a carefully-planned software release roadmap for ongoing improvements in place.

In FY24 we will be bringing the new Sky experience to more customers as we accelerate the roll-out of the new Sky Box.

About the new Sky Box

- The new Sky Box uses the combination of satellite and IP to deliver entertainment into customers' homes.
- Customers can now record up to five shows while watching another live programme, thanks to the 1TB hard drive.
- The all-new voice remote enables users to search for content and access the homepage simply by using voice commands.
- The redesigned homepage provides a seamless and unified viewing experience, allowing customers to watch and stream their favourite Sky TV channels, along with the free-to-air channels and on-demand content using a single remote.
- Android-powered device which only requires an HDMI port via the TV, a Wi-Fi network or LAN connection, and satellite dish.
- 4K-HDR enabled for future deployment.

Sky Pod

We also launched our new Sky Pod in FY23. Offered to our Vodafone TV customers in the first instance, the Sky Pod marks a first for Sky – providing access to the Sky experience (with the exception of recording capability) without the need for a satellite dish.

For some customers, especially those who may not be able to install a satellite dish, the Sky Pod is an ideal solution for accessing the full suite of Sky content through the internet, along with the ability to access other favourite apps in one place.

Initially offered to Vodafone TV customers in February 2023 (upon the closure of the VTV service) this compact IP-only device will be made available to new customers later this year.

The Sky Pod is easy for customers to set up and install at home themselves, with a fully digital sign-up and activation process. We expect the low cost to serve on this product will support our financial objectives in FY24.

OUR CUSTOMERS

Streaming

Our streaming services continue to strengthen, tailored to the needs of Kiwis who love choice and flexibility. We provide access to premium entertainment and sports content with an ever-improving product experience.

NEON

Neon, Sky's premium entertainment streaming service, is well-known for being the home of zeitgeist pop culture content in Aotearoa New Zealand. These global conversation-generating programmes underpinned Neon's content strategy and steady subscriber growth this year (increasing by 8% in FY23).

Neon benefits from Sky's vast studio relationships allowing our kiwi team, who deeply understand New Zealand's entertainment lovers, to select and deliver to Neon's customers in ways that work for them. There have been some stand-out titles this year including Top Gun Maverick, Yellowstone, House of the Dragon, The Last of Us and The White Lotus. Trends in consumer behaviour show consideration of the Neon brand continues to increase, as does positive media sentiment, with Neon performing strongly against its entertainment streaming competitors.

Average weekly unique viewers and viewing hours have seen growth, indicating wider audience reach, and engagement with movies increased by 18% year-on-year, highlighting the success of our curated movie selection. Additionally, we expanded our device compatibility, including launching our Neon app on PlayStation 5, Amazon Firestick, Hisense TVs, and the Android TV interface on the New Sky Box.

Acknowledging the cost-of-living considerations for price-conscious customers, in August we introduced a new Basic pricing tier, as an alternative to our existing Standard and Annual packages. At the same time increasing prices on Standard and Annual, reflecting the value and quality of Neon content. Our total revenue has seen marked growth increasing by 19% since last year, reflecting the success of our product and growing subscriber base.

Neon's win back strategy has increased the number of customers returning to our service, showcasing the effectiveness of our targeted digital approach and strong content offering. Retention remains crucial, and key to this is customer experience – over the last year we have made improvements to our onboarding and personalisation process. Neon has also trialled new digital acquisition channels to tap into potential customers, such as Uber, Twitch, and Spotify.

sky SPORT NOW

Ensuring New Zealanders never miss a moment of sporting action, our standalone sport streaming app Sky Sport Now is there for our customers, wherever they are.

A focus on maximising customer growth in the first half of FY23 through championing key content proved successful, with our customer base increasing by 37% this year to 150,000 New Zealanders. The last quarter of the calendar year anchored by the FIFA Men's World Cup 2022™ also saw sustained customer loyalty for Sky Sport Now, during a traditionally challenging period for sport streaming retention.

The All Blacks Northern Tour, Birmingham Commonwealth Games, Premier League and FIFA Men's World Cup 2022™ all saw solid viewership numbers, with the Ireland Tour of New Zealand achieving record viewership and a surge in growth. The agile nature of streaming also means we are able to offer bespoke event passes for specific tournaments, such as the Birmingham Commonwealth Games, in addition to our core subscription tiers. These passes have proved particularly popular with more casual and diverse audiences, whose fandom is on a more ad-hoc basis.

In August, with our technology partner Endeavour, we introduced a new platform for Sky Sport Now, migrating our existing customers from the previous version. This improved platform offers better Video On Demand (VOD) catalogue presentation and discoverability for customers, and also the option to watch Live content from the start of an event (a valued feature when a customer tunes in after an event has begun). These additions to functionality have been well-received, as well as the improved streaming quality. Access to the Sky Sport Now app has also been extended to LG and Hisense TV devices. While this upgrade was largely successful, we acknowledge that a small number of users experienced some platform migration issues.

Sky Sport Now has achieved impressive revenue results this year, with earnings up by 50% to $44 million, compared to FY22. Customers have the choice of weekly, monthly or annual passes to suit their viewing needs and this year saw a record number of week passes sold. There was also an increase in Pay Per View revenue, most notably with programming that skews to a younger demographic, such as Ultimate Fighting Championship (UFC) events. The price of the monthly pass for Sky Sport Now was increased in FY23, along with the removal of the free trial, as we continue our investment in bringing customers the local and global sport they love throughout the year.

OUR CUSTOMERS

Our free-to-air offer

As an important part of our strategy to deliver great content to all New Zealanders in ways that work for them, our free-to-air offering plays a key role in our Sky ecosystem.

In FY23 our free-to-air channel Prime delivered world-class sport, must-watch global entertainment, and award-winning Kiwi storytelling to every TV home in New Zealand.

In FY23 our free-to-air viewers enjoyed the action of the All Blacks and the Silver Ferns and the flair of the FIFA Men's World Cup 2022™, through to the opulence of The Gilded Age and the diverse voices in Rūrangi: Rising Lights.

Over the year, Prime has been watched by over 3.3 million New Zealanders[1] (cumulative reach). Our free-to-air offer and reach reinforces Sky's credentials as a strong partner for rightsholders, delivering audiences right across Aotearoa and appealing to new fans as well as existing ones.

It plays an important part in maximising the value of Sky's expansive content offering, bringing top-tier sporting events, premium drama, insightful documentaries, and entertainment to new audiences.

Local storytelling is a key part of Sky's free-to-air promise, and our Sky NZ Originals commissioning team works closely with Kiwi creatives and funding bodies to bring these narratives to our screens. Central to this commissioning strategy is our long-standing relationship with New Zealand On Air, who have supported and funded a number of Prime shows this year.

In FY23 our local highlights included:

- Rūrangi: Rising Lights
- The Black Ferns: Wāhine Toa
- Brave New Zealand World
- Topp Class

Prime's viewers enjoy a wide range of entertainment, most notably across factual entertainment, documentaries and news. And, of course, there is sport.

In FY23, more than 2.8 million New Zealanders watched free-to-air sport on Prime. More than 1,000 hours of sport were showcased on the channel, including over 25% of coverage dedicated to women's sport.

Highlights of our free sport on Prime in FY23 included:

- Birmingham Commonwealth Games
- Rugby Championship, Bledisloe Cup, Challenge Cup and Steinlager Series
- FIFA Men's World Cup 2022™
- Wimbledon, Australian Open
- Constellation Cup, Cadbury Netball Series
- NRL 2023 Telstra Premiership, including 21 Warriors matches
- Super Rugby Pacific, Farah Palmer Cup, Sky Super Rugby Aupiki

1. Source: Nielsen TAM data, 1 Jul 2022 – 24 Jun 2023, consolidated data up to 18/06/2023. Based on Prime AP5+ cume reach.

Free-to-air Rugby snapshot

Confirming we are a nation of devoted rugby lovers, Prime's audience reach for Super Rugby Pacific grew 32% year-on-year. Prime also had live coverage from every round of Sky Super Rugby Aupiki, including all playoff matches, as well as coverage of every Moana Pasifika fixture (live and delayed).

Sky Open

As recently announced, Prime is changing to Sky Open. We welcome all of New Zealand to an entertaining, informative and refreshed local channel, showcasing world-class sport, uniquely Kiwi stories and global entertainment. Sky Open will play an important role in building audiences and engaging more New Zealanders in the great sport and entertainment content we have to offer on Sky, with a bold and distinctive channel identity that is directly connected to Sky. Sky Open is a key part of our strategy to deliver superb content to New Zealanders in ways that work for them.

You can read more information at: sky.co.nz/-/sky-open-comes-to-all-of-aotearoa-new-zealand

OUR CUSTOMERS

Sky Business

Sky Business partners with over 6,500 commercial clients to bring our superb content to even more Kiwis in licensed premises, hotel and motel rooms, rest homes, gyms, sports clubs and other venues the length of New Zealand.

Having supported licensed venues during the COVID-19 pandemic, Sky's commercial business has returned to pre-COVID levels and it is pleasing to report revenue growth in this area.

Sky continues to be a leading content provider, delivering entertainment that draws customers into venues.
The All Blacks, NRL and Super Rugby Pacific consistently attract patrons, with the addition of the English Premier League and FIFA Men's World Cup 2022™ also proving popular in FY23. These tentpole sports events, combined with an ever-increasing Ultimate Fighting Championship (UFC) fanbase, have all contributed to strong revenue growth within this sector.

Sky's market share of hotel and motel rooms in New Zealand held at 80%, with further opportunities on the horizon due to a regeneration in the development of new hotels. With the return of international tourists, our focus is on meeting the evolving needs of this market. In response to these needs, 85% of Sky's hotel and motel rooms are fully digital, with an increasing number also offering a compendium service with over a dozen Sky channels and secure casting capabilities. There is also notable growth in grassroots sports clubs, with the introduction of membership size-based tiering providing opportunities for communities of all sizes to engage with their local sports clubs.

This year, Sky's quiz events company, Believe it or Not (BION) was delighted to bring TV personality Shaun Wallace to New Zealand. Shaun has become a brand ambassador for BION, bringing his well-honed quiz master skills to a number of Believe it or Not charity quizzes across the country, which included an event in Hawkes Bay to raise money for cyclone relief.

The introduction of the new Sky Box and Sky Pod present an opportunity to innovate in these sectors. Following the customer rollout of these devices, Sky Business will develop solutions leveraging these devices for existing customers and new market opportunities.

OUR CUSTOMERS

Sky Broadband

Sky Broadband has delivered a steady performance in FY23, growing to 26,000 customers nationwide. Our broadband offer continues to be an important service within our broader entertainment offering and continues to bundle seamlessly with other Sky subscriptions.

In FY23 we achieved an attachment rate to Sky Box of 5%, with a 10% attachment rate on new Sky Box acquisitions.

We're delivering great speeds to and throughout the home.

Our Fibre Pro (1Gbps) offer remains our most popular product and our superior WiFi6 devices, included in plan prices, continue to deliver exceptional broadband experiences.

A key achievement during FY23 was becoming the preferred broadband partner for seven Summerset retirement villages, achieving a conversion rate of 76%. We will continue to explore opportunities for growth in high-demand facilities like these in the future.

We were also delighted to receive the number 1 position and highest rating for customer satisfaction in consumer comparison service Canstar Blue's Broadband Category in May 2023. Sky Broadband was the only provider to achieve a five-star rating in the Overall Satisfaction rankings in this survey.

This was the first time our service had been rated in the Canstar Blue comparison tables and we were pleased to see our positive broadband customer experience reflected in this result. Our own net promotor score echoes this sentiment and also pegs our service above other industry ratings.

Looking ahead, our focus in FY24 and beyond is to continue to grow uptake across our own subscriber base and through partnership opportunities.

Sky Sales

Growing our revenue from advertising continues to be a strategic priority. We built the foundations for longer-term growth in FY23, with a focus on the people and capability we need to have in place to deliver on our goals.

Advertising

The advertising market has experienced reduced demand through the second half of FY23 as Government advertising returned to more normal levels post-COVID-19 and with economic headwinds building. Standard Media Index (SMI) data shows a decline in national linear television advertising spending of 9.03% in the 10 months to May 2023 compared to the same period in the previous year.

Despite this challenging macro-environment, we continue to believe we have a strong opportunity to grow our advertising market share in the coming years through a focus on more innovative advertising products and partnerships. We expect to start FY24 in a strong position with the FIFA Women's World Cup 2023™ and Rugby World Cup as early highlights on our viewing calendar.

During the year we welcomed Lauren Quaintance as our Chief Media and Data Officer. In this role, Lauren is leading the growth and innovation strategy for advertising sales, including the introduction of advertising onto Sky's streaming platforms.

We are reshaping the advertising sales function more widely and have increased resources for FY24 to support the growth strategy, including the appointment of a new Head of Advertising Sales, Ben Gibb, who has commenced in the role with a clear mandate for growth and innovation. We have also created a number of new roles that specifically address the need for capability in trade marketing, content integration and branded content, and will be welcoming these new team members over the coming weeks.

A key part of our focus in FY24 will be exploring brand-funded content opportunities for advertisers, creating integration and sponsorship opportunities in key sporting properties, delivering collaborations with complementary media partners, and introducing advertising on our streaming platforms.

The strategic use of high-quality data will be critical to our future success in advertising. Our growing data capability will enable us to generate deep insights about our audiences and build meaningful and engaging opportunities for advertising partners. We look forward to progressing these strategies in FY24 and connecting quality brands to a highly engaged audience across our platforms.

Our Content

As New Zealand's largest aggregator of sport and entertainment content, the breadth and depth of Sky's content portfolio is unrivalled. Two essential ingredients keep us ahead in this space: securing and creating the programming we know our customers want and making it easy to view this across our variety of platforms.

To deliver the sport and entertainment that resonates with our varied customer demographics, we focused in FY23 on growing our capability in the use of data and insights to deeply understand what Kiwis are watching. This is enabling us to sharpen our focus on showcasing the channels and programmes that matter most to our customers, and it informs our content rights and partnerships strategy as we continue to evolve our approach.

Our partnership approach includes regularly exploring mutually-beneficial opportunities within the New Zealand media landscape. A great example of this is our partnership with Warner Bros. Discovery to sublicense Game 1 of State of Origin in both 2022 and 2023 to their New Zealand free-to-air channel, Three.

The partnership helped us deliver on our commitment to grow interest in rugby league, and it also presented an opportunity to lift visibility and engagement with our Sky Sport package and Sky Sport Now digital offering. In FY23 Sky Sport achieved a 37% year-on-year increase in audience for the first game of State of Origin (all 5+ Sky Sport channels), with Sky Sport Now attracting 34.5k viewers.

We also optimise the use of our own free-to-air channel to deliver the moments that matter to all New Zealanders. As we set out on page 21, Prime showcased more than 1,000 hours of live and delayed sport in FY23, driving greater engagement in and awareness of the sports in the Sky world.

Our content strategy is underpinned by our unique ability to maximise access to our content across multiple platforms: satellite, streaming and free-to-air. This ability helps us drive value for both our customers and our partners, and to make sound investment decisions.

Sport

Aotearoa New Zealand is a nation of proud sports-lovers and at Sky we match that level of passion.

In FY23 we delivered world-class sporting action from across the globe including the Birmingham Commonwealth Games 2022, FIFA Men's World Cup 2022™, ICC Men's and Women's T20 World Cups, Fast5 Netball World Series, HSBC World Sevens Series, State of Origin, Supercars Championship, Premier League, Formula 1, UFC, NBA, Super Bowl LVII, Tour de France, tennis grand slams and golf majors.

We celebrated local teams with coverage of the All Blacks, Black Ferns, Silver Ferns, Black Caps, White Ferns, All Whites, Football Ferns, New Zealand Warriors, Sky Sport New Zealand Breakers and Wellington Phoenix. Fan favourite competitions include Super Rugby Pacific, Super Rugby Aupiki, NRL Premiership, ANZ Premiership netball, Men's and Women's A-League, ASB Classic tennis, New Zealand Open Golf, Bunnings NPC, Farah Palmer Cup, Sal's NBL and Tauihi Basketball Aotearoa.

Aside from showcasing the best in local and international tournaments, we've also been working hard to ensure that we secure the rights to New Zealand's favourite sports for years to come. In a significant announcement in October, we confirmed we had secured the rights to the Rugby World Cup (both men's and women's) until 2029, in a wide-ranging partnership with World Rugby. We also secured a multi-year deal with Formula 1 for Sky Sport and our free-to-air channel, in a sport that is enjoying renewed viewer interest.

Sky's commitment to women in sport remains as strong as ever, helping girls and women to 'See the Possible' through a variety of sport content across Sky platforms. The past 12 months have seen the likes of the Black Ferns, White Ferns, Silver Ferns, Football Ferns and Sky Sport Tall Ferns represent New Zealand at some of the world's biggest events in their respective codes. Off the field, we expanded our content offering with The Women's Game, which kicked off in February 2023. This brand-new in-studio series put women's sport at the forefront of the action. Made by women, for women, it featured an array of familiar female Kiwi sporting figures, building the presence of women's sport on Sky.

Formula 1 snapshot

Renewed consumer interest in Formula 1, off the back of a popular Netflix docuseries, has played a pivotal role in exposing the sport to a new and younger audience base beyond the traditional motorsport fan. This, combined with the current driver grid also being much younger than previous years, means we are excited about the potential of a growing audience for this sport.

Formula 1 has also taken a bold approach, by bringing races to new cities as part of their continued effort to grow the appeal of the sport beyond traditional markets.

Our Formula 1 coverage has seen strong viewership across both our linear and digitals platforms:

- 13% of all New Zealanders (aged 5+) watched Formula 1 across Sky Sport and on free-to-air Prime in 2023.
- We've seen a 77% increase in linear reach since Sky previously screened Formula 1 in 2018.
- 40% of the viewers are within the 25–54 age group demographic.
- There is strong interaction from Sky Sport Now customers to Formula 1, with subscribers using Video On Demand (VOD) catch up, replays and highlights to keep up to date with the latest races.

Super Rugby Pacific snapshot

Over 1.8 million Kiwis watched Super Rugby Pacific across Sky Sport and Prime in 2023, a 10% year-on-year increase on 2022, with 728,000 viewers watching the final game across our channels. Super Rugby Pacific VOD saw a 28% viewership increase on Sky Go for the year, powered by stronger engagement with the Highlights programme. There was a 31% lift in viewers across Sky Sport Now compared to the previous year, with customers keen to watch live matches, as well as replays, highlights, and content on-demand in general.

Entertainment

Engagement in premium television shows no signs of abating. In FY23 we welcomed dragons, post-apocalyptic worlds, Kiwis navigating their coming-of-age moments, luxury resort dwellers, corporate family sagas, newly crowned monarchs, and much more.

While passion reigns supreme in the sporting world, we know fandoms within the entertainment genre excite our customers just as much. Our well-established strategy of delivering international content as soon as possible to New Zealand audiences (often simulcast), is essential for helping Sky customers be part of a global viewing experience.

The White Lotus and Succession returned for seasons two and four respectively. Both series delivered global talkability and form part of the content slate derived from our rights agreement with Warner Bros. Discovery. In July 2023 we announced that Sky had secured a new multi-year deal with the company, continuing our access to HBO, Max Originals, Warner Bros. movies titles, in addition to eight entertainment channels including Discovery, Living and CNN.

British content continues to be popular with our audiences, and we delivered a Death in Paradise pop-up channel on BBC UKTV alongside other engaging new content in FY23. Elsewhere, we welcomed a Quantum Leap reboot on Sky 5 and critically-acclaimed dramedy Funny Woman on Vibe.

The passing of Queen Elizabeth II and Coronation of King Charles III were two major global television events in FY23. Sky customers were able to curate their coverage of these events via our strong selection of news and current affairs channels, including BBC News.

Sky remains committed to sharing more diverse stories through our Sky Originals NZ commissioned programmes, Sky Arts and Rialto. In FY23, we renewed our partnership with the New Zealand-owned and operated Rialto Channel, and Sky Arts' Semele won Best Entertainment Programme at the New Zealand TV Awards.

Greater content choice for customers drives increased engagement. Our Sky customers enjoy over two and a half hours of linear television programming per day, compared to just over an hour of viewing for non-Sky subscribers. Over 800,000 Sky customers engaged with at least one Sky channel every day in the last 12 months, with nearly 700,000 tuning into at least one of our entertainment channels.

Our People

Our crew are critical to the success of our business and we have had a strong focus on them in FY23.

We have invested in our people and cultural capability, reshaped the business to align our organisational design with our strategic priorities and progressed key initiatives to make Sky a great place to work.

Who we are

At Sky, we value diversity of thought and innovation which comes from having a team that comes from all walks of life. At 30 June 2023, our crew included 679 permanent employees, with 294 women, 376 men, nine people who are gender diverse or prefer not to say their gender. 59% of our people are aged under 45 years.

Organisation design

We undertook significant change in FY23 to sharpen our focus on strategically important opportunities. We rebalanced our operating model to ensure clear accountabilities for our leaders and better cross-functional working across our teams. This included creating two new roles in the Executive and changes in our operating model to drive improvements in our technology, customer care, warehousing and logistics, and content operations teams.

These changes were made to help us better access the right technology, capacity and capability we need to deliver on our strategic priorities. We also needed to improve service levels in our Contact Centre and how we get new products to market.

The key changes included:

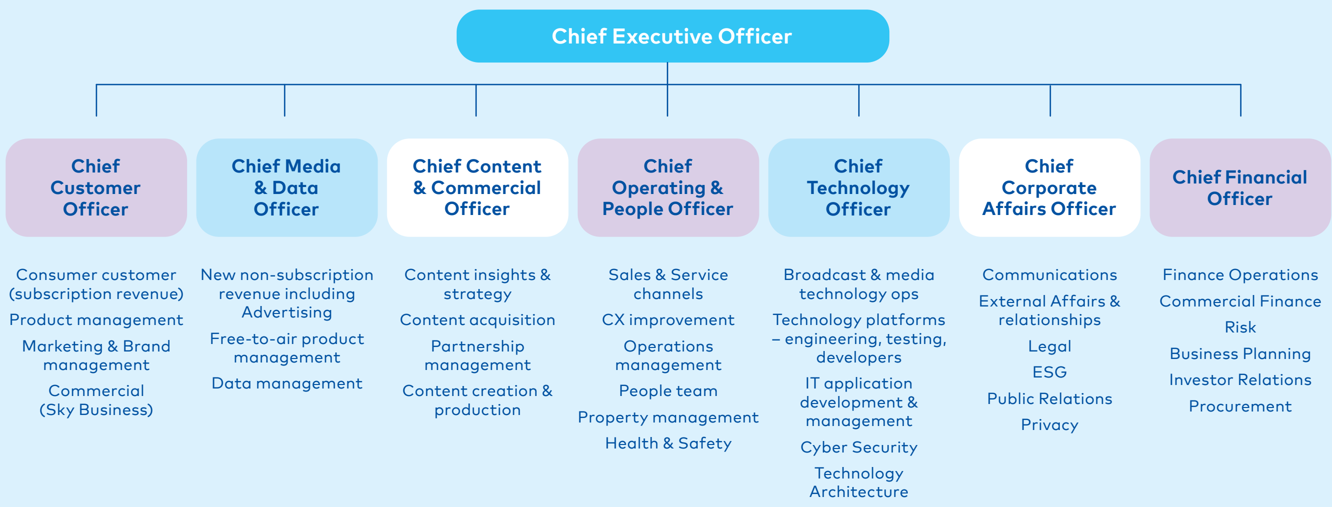
- A new leadership structure at Executive Team and senior leader level.
- Outsourcing our Warehouse, Logistics and Repairs operations to Pacificomm enabling the introduction of direct-to-consumer services.
- Outsourcing some of our work in technology and content operations to experienced international provider Tata Consultancy Services (TCS).
- Adopting a hybrid model in our Contact Centre through our existing partner Probe CX Group, which has seen the creation of new customer care teams based in the Philippines to further supplement our New Zealand-based care team.

Through these changes, around 190 employees were made redundant in FY23. We retained 128 team members in our New Zealand Contact Centre and added 228 front line roles and 33 supporting and leadership roles in the Philippines, leading to a boost in customer service capacity by 50% across the two teams.

These changes were complex to deliver and we are very proud of the way our crew worked together through the process.

Our approach was grounded in care for our affected team members. We took steps to ensure people had access to practical support (with a 100% participation rate). We held a career fair on site, where affected team members had the opportunity to meet with prospective employers. This, in part, helped 89% of impacted team members step into new roles.

Sky Executive Team



Increasing our capacity and capability

Customer Service

Following our disappointing call centre performance in late 2022 and early 2023, due to the difficulties in recruiting sufficient quality staff, the changes we have made are delivering early benefits as a result of the increased capacity in our call centres.

Response times are improving significantly, with a five-fold improvement in the time that calls are answered. We know there is more to be done in this area, and we have identified further opportunities for continued improvement in service and support delivered through the call centre. The team is working proactively to achieve this.

With the launch of the new Sky Box in early 2023, we also recognised that we needed to support our in-field technicians with a direct-to-customer self-service model. We chose to partner with Pacificomm, a specialist in 3PL warehousing, freight and logistics, to provide these services on Sky's behalf.

Building our technology capability

We are growing our technology capability to help us deliver excellent experiences for our customers across all our products and services.

Jennifer Sepull joined Sky as Chief Technology Officer in March 2023. Jennifer is an accomplished executive with over 25 years' experience in technology leadership roles and a strong track record of delivering high quality technology solutions and leveraging technology to drive innovation. A key priority for Jennifer and her team is collaborating well with our international partner, Tata Consultancy Services. Key roles such as a Head of Architecture were recruited in FY23 as part of this.

Fostering an inclusive workplace

As part of our commitment to making Sky a great place to work, in FY23 we formed an Inclusion Working Group, which helps us foster an inclusive, diverse workplace for our colleagues and ensure that we are "walking the talk". The group is focused on raising awareness, engagement and support across: Pride, Women in Sport, Pasifika and te ao Māori.

Strengthening our connection to Aotearoa

This year we piloted several initiatives to increase our understanding of how te ao Māori (the Māori worldview) can enhance employee engagement and business performance, including:

- Kuaka Māori Leadership Programme for kaimahi Māori (Māori employees).
- Te Kaa Cultural Capability Programme for senior leaders, including the Executive Team.
- Sports Production Mahere (strategy) which focuses on Te Reo Māori (The Māori Language), Tikanga Māori (Māori practices), Kanohi Ora (Supporting our On Air Presenters).

We engaged a strategic advisor to help us develop Kia Rere, a strategy to weave te ao Māori throughout the organisation in a culturally appropriate, safe and meaningful way.

As we head into FY24, our commitment is to ensure the appropriate, accurate and safe execution of te reo Māori me onā tikanga (the Māori language and its practices) for our people, through our broadcasts and in the community. Core to this commitment is continuing to partner with Māori as a trusted and valued media partner and broadcaster.

Igniting cultural confidence

In FY23, 24 of our executive, senior leaders and Māori staff participated in Te Kaa, a dedicated programme to build a base level of understanding of te ao Māori (the Māori worldview). The programme introduced our people to key concepts of te ao Māori, improved te reo Māori pronunciation and concluded with a cultural experience at Ōrākei Marae. Te Kaa is delivered by Maurea.

Our Māori leadership programme Kuaka was also introduced to support these aspirations. Kuaka unlocks and enhances the leadership potential and capability, grounded in a Māori world view. The program is delivered by partners Indigenous Growth Limited.

Demonstrating Pride at Sky

Our Sky Pride Network continued to grow in FY23.

The network led company-wide celebrations in February to mark the start of Pride Month. A Rainbow flag was installed permanently at our Mt Wellington site to support our celebration of Pride at Sky. As part of Pride month, we adopted Pride email signatures and supported our Crew to learn how use pronouns correctly. We held an all staff 'Pink Shirt Day' event in May 2023 that coincided with our monthly Sky Kōrero.

Life at Sky

We regularly conduct our 'Life at Sky' culture and engagement survey to hear directly from our crew.

The surveys help us target our culture and capability investments, and track employee sentiment, progress and performance. In FY23, our survey pointed to our top strengths as being:

- Leaders demonstrating care and support for their people.
- Enabling a strong work/home balance through our flexible working approach.

The survey also provided us with good direction on where we need to keep improving in FY24, particularly in areas such as enablement, learning and development, and leadership.

We were disappointed to not see an uplift in engagement in FY23 and improving this will be a key priority for Sky in FY24.

Investing in our leadership

In FY23 we invested in the growth of our leadership capability and added two new roles to the Executive team (Chief Technology Officer and Chief Media and Data Officer).

These appointments reflect our focus on recruiting and retaining talented leaders to deliver on our strategic goals and saw us achieve a 50/50 gender balance on our Executive team for the first time.

We have also invested in key leadership roles across the wider Sky leadership group, particularly in the areas of operations, technology, marketing, advertising sales, and organisational development and culture.

Leadership Boost

Sky piloted a leadership development programme in FY23 with good feedback from participants.

We are rolling this programme out to all (100+) people leaders. Leadership Boost is a 10-month programme that provides leaders with a common set of practical skills and tools. It combines classroom training sessions with practice and ongoing peer support.

Health, safety and wellbeing

We have a strategic focus on safeguarding the wellbeing of our crew by providing a safe and inclusive workplace, fulfilling all safety obligations and committing to continual improvement and organisational resilience at all levels.

We are pleased to report we achieved a zero Lost Time Injury Rate (LTIFR) with permanent crew for FY23. We worked with contracting partners on continuous improvement safety initiatives and carried out 474 field audits.

A significant step forward for crew wellbeing in FY23 was updating our paid parental leave policy to provide three months at full pay or six months at half pay for the primary caregiver, with Kiwisaver contributions continuing during the parental leave.

We also offer additional family support including providing flexible working arrangements and offering our crew 'special circumstances' leave to care for family members where there is significant change in the household.

In FY23 we also commenced an initiative to enable Sky crew to give back to their communities through a paid volunteer day, and we look forward to supporting this initiative with our Sky for Good partners in FY24.

Remuneration

Sky continues to place a strong focus on pay equity and in FY23 we undertook a remuneration review to ensure identified inequity is addressed.

This has been particularly important in a year where the macro-economic picture has continued to present challenges for New Zealand households.

In FY23 we opted to weight salary increases towards employees on lower salaries, with an 8% increase for those in the lowest salary band compared to an increase of 4% for those in the top band (and an average of 6.4% across the company).

We made a commitment that no employees would be paid less than the living wage, and we maintained this commitment in FY23.

Sustainability at Sky

Sky's business is grounded in Aotearoa New Zealand. Our work entertains, informs and inspires – delivering moments that form part of our nation's shared memories and experiences.

We are privileged to hold this position and we recognise the responsibility that comes with it – to our customers, our partners, our communities, our crew and to our shareholders. We're committed to making a positive contribution.

Over the past year we've continued to use our platform for good in the community, we've worked with Toitū Envirocare to understand how we can contribute to the environmental challenges being faced globally and locally, and in everything we do we've endeavoured to stay true to the ethical foundations that underpin a long-term sustainable business.

We recognise there will always be more to do. We will continue to evolve our approach as we progress on our sustainability journey – including completing our materiality matrix as part of Sky's overall sustainability framework.

Environmental Responsibility

Sky is committed to playing our part in caring for the environment. This year that has seen us stepping up our efforts to measure our impact and establish a path towards reducing our footprint. It's also seen us embrace opportunities to innovate and look for meaningful ways to make a difference.

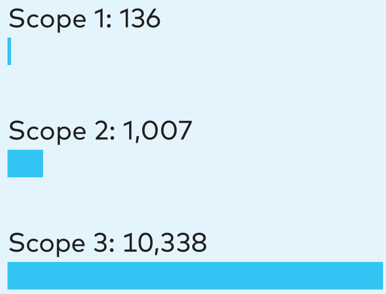
Sky's Greenhouse Gas (GHG) emissions profile

One important step in taking action to reduce our environmental impact has involved working closely with our suppliers and expert advisors to understand and measure Sky's GHG emissions inventory. Through this process we've established baseline data from which we are setting science-based targets and will be able to measure the progress of our reduction plans.

As we expected, our Scope 1 and Scope 2 emissions – such as the fuels we use directly in company owned vehicles and indirect emissions from imported electricity that powers our workplaces – are relatively low.

When it comes to measuring the indirect upstream and downstream emissions sources where we have less control, the team has worked hard to capture a significant portion of our value chain. This includes freight, staff commuting, business travel, waste and use of Sky products – our Sky Boxes, Sky Pods and Sky Broadband routers – in customer homes.

Scope 1, 2 and measured Scope 3 Emissions (tCO2e)2



TOITŪ CARBON REDUCE ISO 14064-1 ORGANISATION

As well as establishing our baseline data, the process of capturing our 2023 emissions inventory has uncovered opportunities that will now be used to set our science-based reduction targets to achieve carbon neutrality by 2050 – a process we are working through with Toitū Envirocare.

As an example, we have a unique opportunity to accelerate our reduction plan through the rollout of our new Sky Box and Sky Pod. The improved efficiency of these products will have a direct impact on reducing Scope 3 electricity emissions – an outcome that's good news for our customers and the environment.

The work we've been doing to identify and track our emissions and develop our reduction plans will also form part of our response when we report against the Aotearoa New Zealand Climate standards for the first time in FY24.

Reducing and avoiding waste

Responsible packaging

The rollout of Sky's new products has led to a number of opportunities to innovate for a better environmental outcome. One of these involves the dispatch process, where we've prioritised environmentally friendly packaging options.

We have taken steps to keep the use of plastics to a minimum by designing snug, reusable cardboard packaging to protect new Sky Boxes in transit to customer homes. Rather than using plastic or polystyrene fill, this has meant we've been able to introduce a paper void option. And while we are using a recyclable soft plastic dispatch bag for inter-island deliveries, we have been able to avoid the need for more intensive bubble options through this approach, and our deliveries to North Island homes are able to be completed without the need for a plastic bag.

Life-cycle management providing opportunity

Sky has been taking a responsible approach to managing the lifecycle of our Sky Box decoders for many years through a comprehensive repair and refurbishment programme that has prevented needless waste and extended the useful life of the decoder fleet – creating a positive environmental and financial outcome. And when the time came, considering end-of-life outcomes has also been an important part of our approach.

With the rollout of the new Sky Box, our recycling efforts are stepping up to a whole new level. The refresh of our decoder fleet is providing a unique opportunity to create one of the largest scale recycling programmes in the country as we retire the Pace decoders that have served our customers well over many years.

Working with our partners at IT Recycla we have begun an ambitious recycling programme that will ensure the components of these boxes are able to be put to further use. By stripping the boxes down into their component parts – steel, plastic, copper etc. – a staggering 97% of each box is able to be recycled and put to an alternative use.

In total we've recycled close to 40,000 boxes during FY23 and in the last quarter alone 32,500 boxes were recycled, diverting 108,900 kilograms of waste from landfill and avoiding 48,265 kg of greenhouse gas emissions.

Social Impact

We recognise that Sky has a trusted place in the homes and lives of New Zealanders. We are committed to honouring that trust with products and experiences that reflect and contribute to positive outcomes for individuals and the wider communities we serve.

Women in Broadcasting – See Your Possible

Sky has been shining a light on what's possible for women in sport in every facet of the game: athlete, coach, producer, presenter, commentator, camera, sound, analyst, governance, promotion and management.

We're committed to raising awareness and participation in sport by girls and women, through our See Your Possible campaign, across all of Aotearoa New Zealand, ensuring more people can see their possible.

As part of this commitment, we broadcast and stream more women's sport (local and global) than anyone else in New Zealand – including free-to-air and free-to-access. In FY23 that's included over 290 hours of content on Prime dedicated to women's sport, covering a range of sporting codes such as International Cricket, Football, Golf, Domestic and International Netball, Domestic and International Rugby, Rugby League, Rugby Sevens, Tauihi Basketball Aotearoa and Tennis – as well as the Birmingham Commonwealth Games.

Responsible broadcaster

We take our role as a trusted broadcaster very seriously. We are committed to upholding broadcasting standards, including under the Code of Broadcasting Standards (for our Pay TV and free-to-air content), and the codes for Commercial Video on Demand (CVOD, for Neon), and the Advertising Standards Authority – but also in terms of providing a positive impact on our communities by reflecting the people and cultures we represent.

In the 2023 financial year:

- We took such care to meet Broadcasting Standards that we only had four complaints to the Broadcasting Standards Authority, of which only one was upheld. For context, the BSA received 185 complaints in its last reported year about all New Zealand broadcasters.
- We made significant efforts to work towards full compliance with the new CVOD regime, which we anticipate achieving by December 2023. No complaints were made to the Office of Film and Literature Classification for Neon.

Diversity on screen

Reflecting our audiences through our broadcasting platform and within our workforce presents a significant opportunity to fulfil our role as a responsible business.

We are proud to have world-class and globally-recognised presenters and commentators here in Aotearoa New Zealand who enable Kiwis to see and hear local role models that can inspire.

Increasing confidence and capability in te reo Māori me onā tikanga (the Māori language and its practices) on air has been a key focus for our sport production team, working with our partners: iKōrero, Pacific Media Network and Maurea Consulting. Taking this one step further in FY23, we have developed a talent and development strategy that aims to:

- incorporate tikanga Māori into our production and planning processes;
- increase the use and accuracy of te reo Māori on air; and
- increase the confidence and capability of our presenters to use te reo Māori safely and accurately on our sports broadcasts.

Through our Sky Originals NZ commissioning team, and supported by New Zealand On Air, we have showcased a range of diverse Kiwi voices through local stories including: Raised By Refugees, Brave New Zealand World, Not Even, Rūrangi: Rising Lights, Topp Class, The Black Ferns: Wāhine Toa, and Waharoa: Art of the Pacific (see page 29 for more on Sky Originals NZ).

Sky For Good

Sky supports a range of charitable initiatives aligned with our purpose and values to enhance the lives of New Zealanders in need. Our relationship with some goes back over many years, including:

Starship

Starship, New Zealand's first hospital built exclusively for children and young people and their health needs, where Sky has been a sponsor since 2001. Our support includes providing free Sky content in all Starship bedrooms, and giving the Starship Foundation airtime on our platforms for its campaigns.

Special Children's Christmas Parties

Special Children's Christmas Parties, involving nearly 10,000 Kiwi children with special needs or challenging life or health circumstances each year, where Sky has been a sponsor since 2002. Our involvement includes financial support as well as on-the-ground volunteer help from our crew at the charity's party events.

Wellington Hospitals Foundation

In the past year we've added an important new relationship with **Wellington Children's Hospital**, which Sky began supporting in August 2022. Similar to our agreement with Starship we are providing free Sky in hospital bedrooms.

Support for Cyclone Relief

In response to the devastation caused by Cyclone Gabrielle, Sky partnered with New Zealand Rugby (NZR) to support the New Zealand Red Cross Disaster Fund relief effort.

Sky and NZR pledged $500 for every point scored during the Super Rugby opening round matches (both Super Rugby Pacific and Sky Super Rugby Aupiki) featuring Aotearoa-based teams. Across six matches, **this initiative generated $194,500, which we then topped up to bring the total amount raised to $250,000.**

This significant donation supports communities affected by Cyclone Gabrielle and will assist with the ongoing recovery process.

Halberg Foundation

Sky has proudly supported the **Halberg Foundation** over many years, with Sky Sport an associate sponsor of the ISPS Handa Halberg Awards – the country's pre-eminent event to honour and celebrate New Zealand sporting excellence.

The Awards are the major fundraising event for the Halberg Foundation – which aims to enhance the lives of young physically disabled New Zealanders by enabling them to participate in sport and recreation.

This year – following the passing of the much loved and respected founder, Sir Murray Halberg – we were honoured to have Sky Sport presenters Storm Purvis and Karl Te Nana hosting the awards ceremony and sharing the event with New Zealand through coverage on Sky Sport and Prime.

Shaun Wallace

Sky's commercial quiz company, Believe It Or Not, had an excellent time in May and June 2023, working with Shaun Wallace of The Chase fame – also known as The Dark Destroyer – to support New Zealand causes via a five-city charity quiz tour. The tour was a success, selling a combined 1,800 seats across the five events, and raising approx. $110,000 for New Zealand charities ($38k for Sir John Walker's Find Your Field Of Dreams Foundation, $33k for Hawke's Bay Foundation's Cyclone Relief Fund, $17k for Life Flight, $12k for Youthline Southland and $10k for Kaiapoi Promotion Association).

Sustainable governance

Sky places great importance on upholding the high standards of corporate governance and day-to-day business practices expected of a publicly listed company.

Governance practices

This year we've refreshed our corporate governance statement to reflect recent updates to the NZX Corporate Governance Code.

We have also carried out comprehensive reviews, strengthened policies and increased the level of disclosure on key matters of interest to our stakeholders, including Remuneration and Risk Management.

Our Corporate Governance Statement is available within this report (beginning on page 47), and copies of our policy documents are publicly available on Sky's corporate website.

Ethical procurement

As part of our commitment to ethical responsible and sustainable business conduct, Sky filed its second annual Modern Slavery Statement with the Australian Border Force (under the Modern Slavery Act 2018 (Australia)).

We have also taken additional steps to embed our Supplier Code of Conduct into procurement processes with the next phase of this work being to further engage with key suppliers to ascertain their ability to assess and address their modern slavery risks. The learnings will be incorporated into our Procurement Policy, processes and supplier management practices.

Supporting a sustainable workplace environment

Sky undertook a number of initiatives during the financial year to support diversity, cultural and skills development, wellbeing, health and safety and equity efforts.

You can read more about these in the People section of this report (on pages 30–35) and within our Corporate Governance Statement (beginning on page 47).

Board of Directors

1. Philip Bowman

Independent Chairman

Philip was appointed Chair of Sky in September 2019. Philip is a distinguished businessman who has led several major global companies and served on the board of a significant number of public and private companies. Philip brings knowledge of the media sector, including having served on the board of Sky UK for ten years. Other roles include Group Finance Director of Bass, CEO of Bass Retail, CEO of Allied Domecq, CEO of Scottish Power, CEO of Smiths Group, senior non-executive director of Burberry, Chairman of Liberty, Chairman of Coral Eurobet, Chairman of Miller Group, and non-executive director of Scottish & Newcastle. He currently sits on the boards of two other listed companies, KMD Brands and Ferrovial SA. Philip has a degree with honours in Natural Sciences (University of Cambridge) and Master in Natural Sciences (University of Cambridge). He is also a Fellow of the Institute of Chartered Accountants of England and Wales.

2. Joan Withers

Independent Director

Joan was appointed to the board in September 2019. She brings a wealth of experience spanning a 25–year career in the media industry, including CEO positions at Fairfax and the Radio Network as well as being the former Chair of TVNZ. Joan's depth of governance experience includes her current roles as Chair of The Warehouse Group, a director of ANZ Bank New Zealand, Origin Energy Ltd and she has previously held Chair positions at Auckland International Airport and Mercury NZ Ltd. Joan is a Trustee of the Louise Perkins Foundation, and is Chair of a steering committee working to increase the percentage of South Auckland Maori and Pacific Island students taking up roles in the health sector. She holds a Masters Degree in Business Administration from the University of Auckland. In 2015 Joan was named Supreme Winner in the Women of Influence Awards and was named as Chairperson of the Year in the Deloitte Top 200 Management Awards.

3. Mike Darcey

Independent Director

With an extensive track record of strategy and delivery across television, publishing and technology, Mike was appointed to the board in September 2017. A New Zealander, he has lived and worked in the UK since 1989. Fifteen of those years were spent at Sky UK, initially as the Director of Strategy, then six years as Chief Operating Officer. He played a prominent role in most of Sky UK's major strategic decisions and its major commercial and regulatory dealings during this period. From 2013 to 2015 Mike was CEO of News UK. Since 2015, Mike has had a series of non-executive roles and these currently include Chairman of British Gymnastics and Chairman of Arqiva Group Limited (the UK's main independent provider of television broadcast infrastructure). He is also active as a strategy advisor to a series of major players in the media sector.

4. Keith Smith

Independent Director

Keith was appointed to the board in April 2020. He has a long-standing record of leadership as a director and advisor to companies in a diverse range of industries, including the energy sector, rural services, printing, media and exporting. Keith is a director of listed company Goodman (NZ) Limited (the Manager of Goodman Property Trust) and a director of several other private companies. He is a past President of the Chartered Accountants Australia and New Zealand.

5. Belinda Rowe

Independent Director

Belinda was appointed to the board in March 2023. She has held Global C Level business leadership roles in marketing, communications, digital and media, including with Publicis Media, Zenith, Mojo and O2 Telefonica. Belinda also successfully led the creation of a compelling content marketing and sport sponsorship practice across 32 markets. Belinda's governance experience includes current non-executive director roles at ASX-listed Australian media company ARN Media Ltd, Temple & Webster Group and 3P Learning Ltd. She is also on the board of AFL club, Sydney Swans.

6. Mark Buckman

Independent Director

Mark was appointed to the board in March 2022. Mark is a highly skilled business leader based in Australia with a deep background in technology digital innovation, marketing, media and broadcasting, and customer engagement. His executive career has spanned North America, UK/Europe, and APAC, with roles at Foxtel, Telstra, the Commonwealth Bank of Australia and McCann. He is a Senior Advisor to Accenture, and his governance credentials include the boards of OzTAM, the Australian free-to-air television consortium, technology start-ups and social enterprises.

Leadership team

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1. Sophie Moloney
Chief Executive

Sophie is an accomplished New Zealand media leader who brings deep international experience to the Chief Executive role. She joined Sky UK in 2003 and has held senior commercial, legal and strategic roles at Sky New Zealand, Sky UK, Sky News Arabia, Abu Dhabi Media and OSN.

Sophie returned to New Zealand with her family in 2018 and, prior to being appointed Chief Executive, was the company's Chief Commercial Officer. Sophie is proud to lead Team Sky.

She is deeply committed to creating an environment for talented people to thrive, no matter their backgrounds, and to ensuring Sky continues to thrive as a responsible and sustainably profitable, Aotearoa-focused business.

4. Daniel Kelly
Chief Customer Officer

Starting at Sky in October 2020, Dan was our inaugural Head of Broadband and quickly made his mark leading the successful launch of Sky Broadband. His leadership of Sky Broadband and later the Sky Box programme saw him move into the position of Chief Customer Officer in November 2021. In this role Dan is responsible for Sky's Products and Marketing teams to deliver the products and services that matter most to our customers.

Prior to joining Sky, Dan gained a wealth of experience within Australia's telecommunications industry, working for premier Australian telco's such as Telstra, Optus, and Vocus. During his time there, he achieved several notable career milestones including leading the marketing launch of Telstra's pioneering IPTV product, played a pivotal leadership role in managing the largest consumer broadband business in Australia and the delivery of Australia's largest Wi-Fi network.

2. Andrew Hirst
Interim Chief Financial Officer

Andrew is a Deloitte Corporate Finance Partner on secondment to Sky as Interim Chief Financial Officer. Andrew is a highly experienced strategic corporate financial advisor, and in his 17 years as a Deloitte partner has advised a wide range of New Zealand and offshore corporate clients including a number of NZX and offshore listed companies. Prior to joining Deloitte as a partner in 2006, Andrew had 13 years of investment banking experience in New Zealand and the UK with organisations such as ABN Amro and Deutsche Bank.

5. Jennifer Sepull
Chief Technology Officer

Jennifer joined Sky as Chief Technology Officer in March 2023. Jennifer is an accomplished executive with over 25 years in technology leadership roles. She has a strong track record for developing trusted strategic relationships and collaborating across all value chains to deliver strong technology solutions. Jennifer has significant experience in leveraging technology to drive innovation, and leading large and complex teams in the US, Latin America, Asia, Africa, Indonesia, India, the Middle East, and in New Zealand. Prior to Sky, Jennifer was Chief Digital Officer at Air New Zealand, CIO at Honda Motor Co., CIO at Kimberly-Clark, CIO at USAA Financial Services, and a member of the Technical Advisory Group to the London Stock Exchange.

7. Chris Major
Chief Corporate Affairs Officer

Chris joined Sky in 2013 as Director of Government Relations and took on the Corporate Affairs portfolio in 2017. She is responsible for crew, media and stakeholder engagement, legal and government relations, and Sky's sustainability work programme, including our Sky for Good and See Your Possible commitments.

Prior to Sky Chris was Head of Communications at The Treasury and Ministerial Advisor for Rugby World Cup 2011. She worked in the Beehive for a number of years and spent five years at law firm Chapman Tripp as Head of Business Development. She is on the board of Blues Rugby.

3. Jonny Errington
Chief Content and Commercial Officer

Jonny brings 25 years of media and legal experience to the Chief Content & Commercial Officer role. Since joining Sky over ten years ago, Jonny's passion for content and the nurturing of commercial partnerships has led to him overseeing the teams responsible for content strategy, partnerships, creation and operations. Jonny has negotiated a number of our key Sport and Entertainment deals, along with leading out on strategic commercial activities. Jonny's prior experience includes roles at Warner Bros., Xerox and Spark, along with legal roles in Europe.

6. Lauren Quaintance
Chief Media and Data Officer

Lauren joined Sky in March 2023 as Chief Media and Data Officer. Lauren is highly experienced at leading teams and embedding an entrepreneurial culture in organisations and has previously held executive roles at Fairfax Media in Australia where she was involved in developing new streams of revenue and accelerating the shift to digital. As a co-founder of a content marketing business (later acquired by NewsCorp) she honed her understanding of client needs working closely with major brands such as IAG, Microsoft and Telstra. Lauren was recognised as Entrepreneur of the Year at the B&T Women in Media Award in Australia. A former journalist, she has a long-held interest in the business of media which she studied on a fellowship at Oxford University in the UK and while obtaining a master's degree from Columbia University in New York. She is a director on the Crusaders (Super Rugby) board and NZX-listed Turners Automotive Group.

8. Antony Welton
Chief Operations & People Officer

Antony joined Sky in February 2022 as Chief Operations & People Officer, with a key focus on continuing to transform Sky's ways of working and empowering our people to do their best work. He is a highly skilled executive with extensive experience in operations, people and strategy, including a number of years with Vodafone New Zealand. Prior to joining Sky, Antony was Chief Employee Experience Officer at Whakarongorau Aotearoa, a call centre business providing Telehealth services.


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Corporate Governance Statement

Corporate Governance Statement

The following disclosures and compliance statements are provided in accordance with the NZX Corporate Governance Code (dated 1 April 2023) (NZX Code) and the ASX Corporate Governance Principles and Recommendations (4th edition) (ASX Recommendations). This corporate governance statement is current as at 24 August 2023, and has been approved by the Board. All key governance policies and charters referred to below are available on Sky's website www.sky.co.nz/investor-centre/corporate-governance.

NZX and ASX Corporate Governance Best Practice Codes

The NZX Code and the ASX Recommendations set standards for effective corporate governance in New Zealand and Australia, respectively, and Sky is committed to reporting against these standards. The Board considers that Sky has complied with the NZX and ASX corporate governance best practice codes in all material respects during the 2023 financial year, except where otherwise indicated.

1. A culture of acting lawfully, ethically and responsibly

Directors should set high standards of ethical behaviours, model this behaviour, and hold management accountable for delivering these standards throughout the organisation.

Statement of Values

Sky's values were developed through a collaborative workshop process, led by Sky Culture Champions and endorsed by the Board. Collectively, the values "Be Yourself", "Create Something Amazing" and "Make Someone's Day" create a common understanding of the expectations Directors, executives and employees have of each other and themselves.

Code of Ethics

Sky has a Code of Ethics which provides a practical set of guiding principles for a code of ethical behaviours in respect of various matters including conflicts of interest, gifts and entertainment, corporate opportunities, confidentiality, insider trading and dealing with corporate assets, in addition to emphasising the requirement to comply with applicable laws and regulations.

The Code of Ethics applies to Sky's directors, senior executives, employees and other persons, and is available on Sky's website. All potential breaches of the Code of Ethics are to be notified to Sky's Chief Financial Officer or Chief Executive (or the Chair of the Sky Board of Directors if the Chief Financial Officer or Chief Executive are potentially implicated), and any material breaches will be notified to the Board.

Sky managers are responsible for providing appropriate training and ensuring that all Sky employees are aware of and adhere to Sky's Code of Ethics.

Sky is in the process of designing a Conduct and Ethics framework, with input from internal stakeholders to clearly set out the expectations regarding behaviours of its people and stakeholders throughout the business. Sky anticipates that this framework will be adopted during the course of 2024. Once adopted, Sky's Code of Ethics will be updated where necessary to reflect this framework and Sky intends to provide training sessions to all employees on the new framework and revised Code of Ethics.

Whistleblowing/Protected Disclosures

Sky's Protected Disclosures Policy (or Whistleblower Policy) provides a process for staff and any other persons to report any serious wrongdoing and gives protection to the person making the disclosure in accordance with the policy. The policy outlines types of behaviour that may be considered serious wrongdoing, when and how a person can make a disclosure and how they are protected. This includes access to an independent, third party, qualified to provide comprehensive advice and access to support.

A thorough review of the policy and underlying processes was undertaken in 2023 to review and strengthen the framework and ensure Sky's procedures continue to reflect best practice and compliance with the Protected Disclosures (Protection of Whistleblowers) Act 2022 introduced in July 2022 and ASX Recommendation 3.3. The Protected Disclosures Policy is posted on Sky's website. Any material incidents reported under the Policy will be notified to Sky's People and Performance Committee and/or the Board and this process is formalised in the Protected Disclosures Policy.

Securities Trading

Sky has a formal Securities Trading Policy, which is posted on Sky's website. Sky's Securities Trading Policy includes robust procedures to minimise the risk of insider trading. The policy outlines that directors, officers, employees and contractors of Sky may not buy or sell securities in Sky, nor may they tip others, while in the possession of material information which is not generally available to the market.

Additional restrictions apply to key management personnel who are prohibited from trading during prohibited periods (other than in exceptional circumstances) and must at all times (including outside prohibited periods) obtain written consent to trade from the Chief Financial Officer, Chair of the Board or the Chair of the Audit and Risk Committee (as applicable).

Sky's Securities Trading Policy affirms the law relating to insider trading contained in the Financial Markets Conduct Act 2013 and the Australian Corporations Act 2001 (Cth) and complies with ASX Listing Rule 12.12 (*Content of Trading Policy*).

Anti-bribery and Corruption Policy

Sky introduced an Anti-Bribery and Corruption Policy during the 2022 financial year to specifically set the minimum standards of conduct expected of Sky (including its directors, senior managers, employees, contractors and consultants or any other person who represents Sky or is engaged to carry out work for Sky and its subsidiaries) to ensure Sky complies with all relevant anti-bribery and corruption legislation in all jurisdictions in which it operates or has dealings. This policy is in line with ASX Recommendation 3.4 and builds on the existing strong framework established through Sky's Code of Ethics to reinforce Sky's standards, including appropriate controls around offering and accepting gifts or entertainment.

Breaches of the Anti-Bribery Policy must be reported to the Chief Executive Officer, and the Board will be informed of any material incidents of bribery or corruption. No breaches of the Anti-Bribery Policy were reported during the 2023 financial year.

Modern Slavery

Sky filed its second Modern Slavery Statement covering the period 1 July 2021 to 30 June 2022 with the Australian Border Force (under the Modern Slavery Act 2018 (Australia)), with the next filing due by 31 December 2023.

This year Sky strengthened its measures to reduce the risk of modern slavery practices across the group's operations and supply chain through proactively managing suppliers identified as being potential risks. In addition, Sky further embedded the Supplier Code of Conduct into the procurement process, affirming Sky's commitment to ethical, responsible and sustainable business conduct. The next steps in this work will be to further engage with key suppliers to ascertain their ability to assess and address their modern slavery risks. All learnings from this process will be incorporated into Sky's Procurement Policy, processes and supplier management practices.

A review of Sky's contracting arrangements also resulted in Sky incorporating contractual clauses in supplier contracts that place obligations on the counterparty to manage and notify Sky of their modern slavery risks, thereby setting expectations and allowing a mechanism for identifying and addressing issues.

In FY24 Sky's new Human Resources Information Portal (ELMO) will provide access to ASX compliant modern slavery awareness training modules to all staff.

Sky is monitoring the progression of the New Zealand Government's Ministry of Business, Innovation and Employment work to develop modern slavery legislation for New Zealand.

2. Board composition and performance

To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Board of Directors – Composition

Sky's Board is appointed or ratified by the shareholders of Sky by ordinary resolution. The NZX Listing Rules provide for a minimum of three directors, and Sky's constitution provides for a maximum of ten directors. As at 30 June 2023, the Board consisted of six directors whose relevant skills, experience and expertise are outlined in their biographies on page 43.

The Board operates under a written charter (Board Charter), which sets out the respective roles and responsibilities of the Board, the Chair and management, and (together with the delegated authorities policy) those matters expressly reserved to the Board and those delegated to management. A copy of the Board Charter is available on Sky's website.

Nomination and Appointment

The Board gives consideration to the Board's skills, experience and diversity when evaluating potential board candidates. The objective is to have a mix of skills represented on the Board that are relevant to Sky's business and strategy. The Board is also responsible for board succession planning generally.

During the financial year ending 30 June 2023, the Board appointed Belinda Rowe to Sky's Board. Sky enters into a written agreement with each of its newly appointed directors establishing the terms and conditions of their appointment.

The Board may appoint directors to fill casual vacancies that occur or add persons to the Board up to the maximum number prescribed by Sky's constitution. At each annual meeting all directors appointed by the Board since the last annual meeting must retire and seek re-election, if eligible. Directors must also not hold office (without re-election) past the third annual meeting following the director's appointment or 3 years, whichever is longer. Directors' fees have been set at a maximum amount of $950,000 per annum since October 2015.

As at 30 June 2023 the Board is comprised of:

	Appointed
Philip Bowman (Independent Chair)	1 September 2019
Keith Smith (Independent Director and Deputy Chair)	21 April 2020
Michael Darcey (Independent Director)	19 September 2017
Joan Withers (Independent Director)	17 September 2019
Mark Buckman (Independent Director)	21 March 2022
Belinda Rowe (Independent Director)	1 March 2023

Before appointing directors to the Board, or putting candidates forward at annual meetings for re-election, the Board ensures that appropriate checks are carried out to ensure candidates have the necessary skills to act for Sky. Material information that is relevant to a decision on whether or not to elect or re-elect the director is provided to shareholders. Written agreements are in place with each Board member and senior executive setting out the terms of their appointment.

New Board members receive induction training so as to gain an understanding of Sky's business and operations including its financial, strategic and risk management position as well as a director's rights, duties and responsibilities, the role of the Board, the Board committees and the executive management team. It is expected that all directors will be required to stay informed of changes to, and emerging issues in, director duties and responsibilities. In addition, visits to specific company operations, when appropriate, and briefings from key executives and industry experts will be arranged. The Board will periodically review whether there is a need for existing directors and/or the Board as a whole to undertake professional development to maintain the skills and knowledge to perform their roles as directors effectively and to deal with new and emerging business and governance issues. Sky will reimburse directors for reasonable costs incurred in attending appropriate conferences and training courses.

Sky ensures that a majority of its Board are independent directors and that the role of Chair of the Board and Chief Executive are separate. At 30 June 2023 all of the directors of Sky were considered to be independent directors, having regard to the factors in NZX Recommendation 2.4 and ASX Recommendation 2.3 (none of which apply to the directors of Sky). The Chair of Sky's Board is Philip Bowman, an independent director (and is not the Chief Executive of Sky).

Role of the Board

The Board oversees Sky's business and is responsible for its corporate governance. The Board sets corporate policies and the strategic direction of Sky and oversees management with the objective of enhancing the interests of shareholders. Management is responsible for the implementation of the corporate policies set by the Board, as well as the day-to-day running of Sky's business including risk management and controls and liaising with the Board about these matters.

Various information reports are sent to the Board in order to keep them informed about Sky's business including reports during the financial year ended 30 June 2023 on the effectiveness of the management of material legal and business risks. Directors also receive operating and financial reports, and access to senior management at Board and committee meetings.

The Board also established a number of ad-hoc committees during the 2023 financial year to assist the Board in fulfilling its responsibilities in relation to specific matters.

Delegations

To enable the effective functioning of the day-to-day business of Sky, the Board has delegated certain of its powers to Sky's Chief Executive and senior management. Those powers are set out in Sky's delegated authorities policy (with treasury management delegations set out in the Treasury Policy) and relate to how Sky employees are able to authorise any transaction with a financial implication, or to perform other functions relating to human resource matters or finance and legal matters. Specifically, Board approval is required for:

- any action or transaction that exceeds the limits delegated to the Chief Executive; and
- appointing or removing authorised signatories to bank accounts, entering into overdraft facilities or similar credit arrangements, or entering into loans, mortgages, debentures or other financial instruments.

There is no delegation to any person to raise capital or to specifically borrow money by any means whatsoever. Such transactions may only be performed with Board approval. The Board is responsible for monitoring those delegations and approving all changes to the delegated authorities policy and the Treasury Policy from time to time (the Board may amend or withdraw delegations at its sole discretion at any time). All delegated authorities are exercised on the Board's behalf in accordance with relevant company policies and procedures.

Meetings

The Board has regularly scheduled meetings and also meets when a matter of particular significance arises. During the year between 1 July 2022 and 30 June 2023, there were 10 Board meetings. Attendance was as follows:

	Board meetings held while a director	**Attendance at Board meetings**
Philip Bowman	10	10
Keith Smith	10	9
Geraldine McBride[1]	5	4
Michael Darcey	10	10
Joan Withers	10	10
Mark Buckman	10	10
Belinda Rowe[2]	2	2

(1) Geraldine McBride retired from the Board 2 November 2022.
(2) Belinda Rowe was appointed to the board on 1 March 2023.

Directors Skills and Experience

The aim of the Board is to have a mix of skills represented on the Board that are relevant to Sky's business. The skills matrix for the directors is set out below:

● Primary skills ○ Secondary skills

Skills attribute	Philip Bowman	Joan Withers	Keith Smith	Mike Darcey	Mark Buckman	Belinda Rowe
Pay Television and Media Industry – including experience in overseas markets	●	●	●	●	●	●
Strategic content partnerships	○		○	●	○	●
Customer Experience development	○	●	○		●	●
Technology, Data and Innovation	○	○		○	●	●
Public Company Governance including Risk and Sustainability Management	●	●	●	○	●	●
Finance/Accounting and Commercial including Corporate Transactions	●	○	●	●	○	○
CEO and Executive Experience	●	●	○	●	●	●
People Management and Culture	●	●	○	○	●	●

Board Performance

Board performance, including the performance of Board committees and individual directors, is reviewed and evaluated periodically and as the need arises in accordance with the process set out in the Board Charter. A formal evaluation exercise was completed during the 2023 financial year.

Executive Performance

Executive performance is reviewed and evaluated on a continual basis (and in any case at least once every financial year) by the Board and Chief Executive, and periodically as the need arises, in accordance with the People and Performance Committee Charter and the Remuneration Policy, principally as part of annual salary reviews and through participation in Sky's short-term incentive (STI) scheme. The components of Sky's STI scheme consider in the first instance a participation gateway regarding Health and Safety performance. Assessment criteria include financial performance, employee engagement and customer satisfaction. A formal evaluation of senior executive performance for the 2023 financial year is being undertaken following the completion of that period.

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary is Kirstin Jones.

Independent Advice

Sky has a procedure for Board members to seek independent legal advice at Sky's expense (as set out in the Board Charter).

Diversity

Sky recognises diversity and inclusion as a strategic asset for Sky's current and future success. Sky values diversity of gender, age, ethnic and cultural background, sexuality, experience and beliefs. Sky's Board and management believe that an organisation that reflects the diversity of its current and future customers will be able to deliver more personalised customer experiences, and customer value, to continue to grow successfully, and to attract and retain the best talent.

Sky's Diversity Policy reflects a continuing commitment to diversity and inclusion. Sky proactively considers diversity in all recruitment activities, with a particular focus on leadership roles with the most recent review of the policy reflecting this commitment. Over the course of the 2023 financial year Sky has actively considered diversity through recruitment, promotion and organisational change.

The Board acknowledges the importance of diversity both on boards and within companies, and as noted in Sky's Board Charter, this is one of the characteristics that is considered when evaluating new director candidates. As at 30 June 2023, Sky's Board had two female directors and four male directors.

Sky's officers (being a person who is concerned or takes part in the management of Sky and reports to the Board, or to a person who reports to the Board) includes four female officers and four male officers. The officers include the Chief Executive and the members of Sky's executive leadership team who report directly to the Chief Executive.

Sky takes a holistic approach to diversity and Sky is committed to building measurable objectives comparable in market for all senior leadership roles in FY24.

During the 2023 financial year Sky focused on creating the foundations to support diversity within the workplace and ensure a more sustainable holistic solution to creating meaningful pathways for everyone. This included the introduction of paid parental leave inclusive of KiwiSaver benefits, innovative and flexible working arrangements, consideration of intergenerational family household circumstances in pay and leave, and paid gender transition support leave. Sky considers these building blocks are critical to providing an environment that encourages and supports inclusivity with a view to more clearly identifying future meaningful metrics of success.

The chart below represents Sky's gender and age diversification as at 30 June 2023:

2023	Board Level	Officers[1]	All staff
Women	2	4	290
Men	4	4	372
Gender diverse	0	0	1
Prefer not to say	0	0	8
Total number	6	8	671
Over 45	100%	100%	41%
2022			
Women	2	2	423
Men	4	5	475
Total number	6	7	898
Over 45	100%	86%	35%

(1) For the purpose of Recommendation 1.5(c)(3) of the ASX Corporate Governance Principles and Recommendations (4th edition), "senior executives" has the same meaning as the "officers" referred to in the chart above as defined under the NZX Listing Rules.

The table below provides a detailed breakdown of the age diversification of Sky's workforce:

Age	2023	2022
<30	13%	20%
30 - 39	30%	32%
40 - 49	32%	28%
50 - 59	20%	15%
60 - 69	4%	4%
>70	1%	1%

3. Board committees

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

The Board has established the following committees to act for, and/or make recommendations to, the full Board on certain matters as described below. The Content Rights Committee was established during 2023 in recognition of the importance and time commitment required of directors for this aspect of the Board's duties.

Audit and Risk Committee

The Audit and Risk Committee is responsible for overseeing the financial and accounting activities of Sky including accounting and reporting, external and internal auditors, tax planning and compliance, treasury and general risk management. The committee operates under a formal Audit and Risk Committee Charter which is available on Sky's website.

The Charter also contains the External Audit Independence Group Policy, the object of which is to ensure that audit independence is maintained, such that Sky's external financial reporting is viewed as being highly reliable and credible.

As at 30 June 2023, the members of the Committee, who are independent non-executive directors, are Keith Smith (ARC Chair, Board Deputy Chair), Philip Bowman (Board Chair), and Joan Withers.

All directors who are not members of the Audit and Risk Committee may attend Audit and Risk Committee meetings without invitation. A standing invitation exists for the Chief Executive Officer and the Chief Financial Officer to attend Audit and Risk Committee meetings.

People and Performance Committee

The People and Performance Committee is responsible for providing recommendations regarding the appointment, compensation levels and evaluation of Sky's directors, Chief Executive and senior executives, overseeing Sky's people and performance strategy and policies, including remuneration, compliance with legislative and listing requirements, and ensuring the health, safety and wellbeing of all employees. The Committee also ensures that before appointing executives, appropriate checks are carried out to ensure candidates have the necessary skills to act for Sky.

The current members, who are independent non-executive directors, are Mark Buckman (PPC Chair), Joan Withers and Michael Darcey. The Committee's Charter is available on Sky's website. Sky management may only attend Committee meetings by invitation.

Content Rights Committee

The Content Rights Committee is responsible for (a) providing guidance, challenge, strategic input and counsel to Sky's management in relation to content rights arrangements; (b) approving Sky's pursuit and negotiation of content rights arrangements; and (c) where applicable authority has been delegated to the Committee by the Board, approving Sky's entry into and modification of content rights arrangements in accordance with such delegated authority. The current members, who are independent non-executive directors, are Philip Bowman (CRC Chair, Board Chair), Keith Smith (Board Deputy Chair), and Michael Darcey. The Committee's Charter is available on Sky's website. Sky management may only attend Committee meetings by invitation.

Ad-hoc Committees

The Board established a number of ad-hoc committees during the 2023 financial year to assist the Board in fulfilling its responsibilities in relation specific matters. Each such committee was established by Board resolution (clearly prescribing the membership of the committee and the role of the committee) and required to regularly report back to the Board on proceedings. The Board retained ultimate responsibility for the relevant matters.

Board Membership

Sky's Board is responsible for ensuring the balance of skills, knowledge, experience, independence and diversity of directors remains relevant to Sky's business and strategy and enables the Board to discharge its duties and responsibilities effectively. The Board gives consideration to these factors when assessing board succession and in evaluating potential board candidates.

The Board does not have a formal nomination committee constituted by a Board committee charter. The Board or a nominations sub-committee of the Board (which is distinct from the People and Performance Committee) evaluates potential Board candidates to be considered for appointment. To be eligible for appointment as directors, candidates must demonstrate appropriate qualities and experience. Directors will be selected based on all of the above factors including the needs of the Board at the time.

Committee Meetings

During the financial year ended 30 June 2023 attendance at committee meetings were as reflected in the table below:

	Committee meetings held while a Committee member	Attendance at Committee meetings
Audit and Risk Committee		
Keith Smith (Chair)	4	4
Joan Withers	4	4
Philip Bowman	4	4
People and Performance Committee		
Mark Buckman (Chair)[1]	7	7
Geraldine McBride (former Chair)[2]	2	2
Joan Withers	7	7
Michael Darcey	7	7
Keith Smith		1[3]
Content Rights Committee		
Philip Bowman (Chair)	2	2
Keith Smith	2	0
Michael Darcey	2	2

(1) Mark Buckman was appointed to the People and Performance Committee on 1 September 2022 and was appointed Chair on 2 November 2022.
(2) Geraldine McBride retired from the Board 2 November 2022.
(3) Keith Smith is not a usual member of the People and Performance Committee but attended 1 meeting.

Takeover Protocol

The Sky Board has approved a Takeover Protocol that outlines the procedures when dealing with takeover offers. This is available on Sky's website.

4. Reporting and disclosure

The Board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures.

Sky endeavours to provide investors and stakeholders with financial and non-financial reporting that is clear, meaningful, timely and balanced. All key governance documents and policies, as well as all material stock exchange announcements, interim and annual reports and investor presentations are available online at www.sky.co.nz/investor-centre.

Financial Reporting

The Audit and Risk Committee oversees the preparation of Sky's financial statements, including materiality guidance and setting policy to ensure the information presented is useful for investors and other stakeholders.

Sky endeavours to prepare financial statements that are easy to read by using clear, precise language and by structuring the report so that it is logically presented, and that policies and related notes are combined in a format that is consistent and logical.

Directors, Chair and Board Committees' Confirmation of Financial Statements

Each year Sky's Chief Executive and Chief Financial Officer confirm in a written statement to the Board that the financial statements are true and correct, are prepared in accordance with applicable accounting standards and present fairly Sky's financial position. Although the wording of that statement is not exactly the same as the wording set out in section 295A of the Australian Corporations Act 2001, in substance the statement meets the requirements of ASX Recommendation 4.2.

Continuous Disclosure

Sky is committed to keeping shareholders and the wider market informed of material information relating to its business, financial performance and strategy to ensure that trading in Sky's securities takes place in an efficient well-informed market at all times.

When Sky provides a substantive investor or analyst presentation, such as those prepared for investor results briefings, shareholder meetings, or investor day events, a copy of the material to be presented is released to the NZX and ASX ahead of the presentation.

Sky has a Continuous Disclosure Policy that is available on Sky's website. The policy sets out the responsibilities of Sky in relation to its continuous disclosure obligations under the NZX and ASX Listing Rules and the Financial Markets Conduct Act 2013. The policy establishes the procedures required to fulfil Sky's obligations and details the process to appropriately identify and determine any material information that may require disclosure.

In most circumstances, material market announcements are approved by the full Board prior to their release. Copies of all material market announcements are promptly circulated to the Board after they have been made.

5. Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

Sky's Remuneration Framework

Sky is committed to being an innovative employer, presenting fair, market comparable and inclusive remuneration strategies to ensure the strongest talent is attracted to, remains with and remains attracted to the future growth of the business.

Sky's approach to remuneration demonstrates the intention to ensure clear alignment between remuneration and sustainable, long-term stakeholder interests. Sky's remuneration policy provides detailed information regarding the company's remuneration framework and the approach to Board and key management personnel (KMP) remuneration. A copy of the policy is available on Sky's website.

Stakeholder views and interests were considered in the design of Sky's remuneration framework to ensure an appropriate focus on performance which supports the delivery of business strategy. This is achieved through targeting the delivery of key performance indicators (KPIs) as a core component of Sky's remuneration plans.

The People and Performance Committee is responsible for providing recommendations regarding the appointment, compensation levels and evaluation of Sky's directors, Chief Executive and senior executives, overseeing Sky's people and performance strategy and policies, including remuneration, compliance with legislative and listing requirements, and ensuring the health, safety and wellbeing of all employees.

The Board approves Sky's Remuneration Policy and all components of remuneration, including Director fees, fixed remuneration, the quantum and terms of short term incentives (STI) and the quantum and terms of any long term incentives (LTI).

Fixed Remuneration

Fixed remuneration includes base salary and benefits, including KiwiSaver. The salary component of fixed remuneration is reviewed on an annual basis while benefits are reviewed as appropriate. Executive KMP fixed remuneration is reviewed annually and tested against relevant independent external benchmark data, with any increases approved by the PPC and the Board.

In considering changes to fixed remuneration during the 2023 financial year Sky's Board and management were conscious of the challenging impact of inflationary pressures and this was reflected in the decision to once again focus salary increases towards staff at the lower end of the salary ranges. In FY23, the average salary increase was 6.4%, effective from 1 October 2022.

Salary range	Percentage of workforce	Percentage increase
Up to $100,000	70%	8%
$100,001 – $250,000	29%	5%
From $250,001	1%	4%
Blended increase		6.4%

Employee Benefits

Changes were made to employee benefits during FY23 following employee feedback and consultation.

The revised benefits offering includes a broader range of benefits:

- The introduction of paid parental leave of 3 months at full pay or 6 months at half pay with KiwiSaver contributions included.
- Family support beyond parenting, including flexible working arrangements above the legislative requirements and leave associated with intergenerational family units to care for in the home.
- The ability to give back to the community with a volunteer day.
- More inclusive gender policies and the introduction of gender transition leave paid.
- Provision of a range of free and discounted Sky services.

Short Term Incentive Plan

Sky's Short Term Incentive plan (STI) provides a direct link between delivery of strategic or performance objectives (both financial and non-financial) and remuneration outcomes. The Chief Executive, the Executive Team and direct reports to the Executive Team are eligible to take part in Sky's STI plan.

The STI framework and specific metrics are considered by the People and Performance Committee and recommended to the Board for approval on an annual basis. The Board retains discretion to deny an award under Sky's STI plan, where it would reward conduct that is contrary to Sky's values or risk appetite.

The entitlement percentage for the FY23 period was set at 45% of base salary for the Chief Executive and 35% of base salary for other executives. Other eligible staff are entitled to 15% of base salary. The STI measures were updated to include a composite rolling average of Total Company Net Promoter Score (NPS) rather than Sky Box NPS as the metric for assessing Customer Satisfaction performance to better represent company performance for all Sky customers. In addition, STI metric weightings were changed to better reflect the strategic importance of satisfying and retaining customers to the long-term success of the business.

Sky's STI programme includes an overarching Health and Safety hurdle whereby the STI will be forfeited in the case of a successful prosecution under the Health and Safety at Work Act 2015.

Short Term Incentive (STI) achievement FY23

Measure	Weighting	Achievement	Overall Performance
EBITDA	35%	88%	
Free Cash Flow	15%	0%	
Subscriber Nos.	15%	75%	42%
Customer Satisfaction	25%	0%	
Employee Engagement	10%	0%	

Long Term Incentive Plan

There was no Long Term Incentive plan (LTI) in place during FY23. This was identified as a major gap in the executive remuneration strategy and led to the development of an LTI plan that will operate from FY24. The purpose of the LTI is to incentivise performance and retention of Sky's key executives and create further alignment with shareholders' interests, consistent with contemporary market standards.

The LTI is structured as a performance rights plan with a three-year vesting period with service rights conditions. The performance conditions are set by the Board, having regard to Sky's medium and longer-term performance objectives with key measures being total shareholder returns (based upon a cost of equity metric) and relative total shareholder return. Each metric will contribute 50% towards the total. Participants in the LTI will be prohibited from entering into transactions to hedge or otherwise limit the economic risk of participating in the plan.

As part of the implementation plan, no increase will be applied to Chief Executive and executive fixed remuneration in the 2024 financial year. In this way, Sky's remuneration costs will only increase if performance achieves the targets set by the Board. The percentage of potential LTI will vary by role with the Chief Executive's LTI set at a maximum of 50% of fixed remuneration and executive participation set at a maximum of 25% of fixed remuneration.

Sky Executive KMP Remuneration Objectives

Shareholder value creation through equity components.	An appropriate balance of 'fixed' and 'at risk' components.	Creation of reward differentiation to drive performance culture and behaviours.	Attract, motivate and retain executive talent required at each stage of development.

Total Annual Remuneration (TAR) or Total Target Remuneration (TTR) is set by reference to relevant market benchmarks

Fixed	At Risk	
Fixed Annual Remuneration (FAR)	**Short Term Incentives (STI)**	**Long Term Incentives (LTI)**
Fixed remuneration is set based on relevant market relativities, as determined by the Board but will reflect role and responsibilities, performance, qualifications, experience and geographic location.	STI key performance indicators (KPI) will be determined by the Board based on key Financial and Non-Financial criteria aligned to deliver Sky's priority business strategies.	Performance conditions will be set by the Board and linked to a selected matrix of Earnings, Total Shareholder Return or other objectives that the Board will align executive KMP interests with shareholder interests.
Remuneration will be delivered as		
Base salary plus any allowances (includes Superannuation or equivalent).	Paid, as cash, on completion of the relevant performance period. Deferral of a portion of the STI into equity (performance rights) will be considered.	Awarded as equity and will vest (or not) at the end of the performance period which will be a minimum of three years.
Strategic intent and market positioning		
FAR for executive KMP will typically be positioned between the median and 75th percentile (+/-) compared to relevant market data considering expertise, competitive tensions and performance in the role.	Performance incentive is directed to achieving key strategic or financial targets. FAR and STI opportunity is targeted to be positioned at about the 75th percentile of the relevant benchmark group.	LTI is intended to align executive KMP with shareholder interests. LTI opportunity should ideally be positioned at or about the 75th percentile.

Total Annual Remuneration (TAR) or Total Target Remuneration (TTR)

TAR or TTR is intended to be positioned in the upper 3rd quartile compared to relevant market based comparisons. 4th quartile TAR or TTR may be derived if demonstrable out performance is achieved by Sky.

Chief Executive Remuneration

Sky's Chief Executive, Sophie Moloney has a permanent employment agreement with Sky. The agreement includes a period of notice from the individual of 6 months and allows for a provision of consultative agreed termination notice from the company, referred to as the "No Fault Termination Clause". This clause allows for the agreed termination of the contract with six months' pay and six months' notice. In addition, there is the provision for a redundancy payment of 44 weeks.

Under the terms of the employment agreement signed at the time of the Chief Executive's appointment in December 2020, a review was undertaken in the prior financial year resulting in a salary increase of 4%, effective from 1 July 2022. The timing of subsequent reviews will now revert to the standard annual review cycle. Market comparison data is independently reviewed by external remuneration consultants to benchmark the Chief Executive and executive remuneration to ensure it remains fair and competitive. The PPC and Board are confident the Chief Executive and executive team are appropriately paid for their roles and fall within Sky's policy guidelines.

The Chief Executive's remuneration for the years ending 30 June 2022 and 30 June 2023, is illustrated in the table below:

$	2023	2022
Base salary[1]	969,423	932,500
STI	182,785	330,568
Total remuneration	**1,152,208**	**1,263,068**

(1) Sophie Moloney's base salary is $970,000 per annum. Other benefits paid to the CEO were as follows: FY23 KiwiSaver employer contribution: $37,895 and FY22 KiwiSaver employer contribution: $37,902.

The Chief Executive has a significant portion of remuneration 'at risk' and linked to performance. In FY23 the Chief Executive was entitled to participate in the STI scheme based on 45% of base salary (44% of fixed remuneration). For the financial year ended 30 June 2023 the Chief Executive's STI was awarded at 16% of total remuneration.

From FY24, as a result of a market benchmark and review process, the Chief Executive STI proportion will increase to 50% of base salary (49% of fixed remuneration). In addition, the Chief Executive will participate in the LTI scheme from FY24 at 50% of base salary (49% of fixed remuneration).

Pay Equity and Diversity

Sky continues to place a strong focus on diversity, equity and inclusion and undertakes annual remuneration reviews to ensure identified inequity is addressed.

As mentioned above under Fixed Remuneration, the decision to weight FY24 salary increases towards staff on lower salaries resulted in an 8% increase for those in the lowest salary band compared to an increase of 4% for those in the top band (and an average of 6.4% across the company).

Sky has committed to paying all employees at least the living wage. At 30 June 2023 the living wage in New Zealand was $23.65 per hour and no Sky employees were paid less than the living wage.

Median Pay Gap

The median pay gap represents the number of times greater the CEO remuneration is to an employee paid at the median of all Sky employees. At 30 June 2023 the Chief Executive's base salary of $970,000 (on an annualised basis) was 11.2 times that of the median employee at $86,400. On a total remuneration basis, including STI, the median pay gap was 14.6 times.

Employee Remuneration

The following table shows the number of employees and former employees of Sky and its subsidiaries whose remuneration and benefits for the year ended 30 June 2023 were within the specified bands above $100,000.

The remuneration figures shown in the table include all monetary payments actually paid during the year ended 30 June 2023, including severance and STI payments. The table does not include amounts paid post 30 June 2023 that relate to the 2023 financial year, such as STI bonuses.

Remuneration range ($)	Number of employees
100,000 - 110,000	58
110,001 - 120,000	35
120,001 - 130,000	40
130,001 - 140,000	38
140,001 - 150,000	28
150,001 - 160,000	20
160,001 - 170,000	13
170,001 - 180,000	12
180,001 - 190,000	9
190,001 - 200,000	6
200,001 - 210,000	4
210,001 - 220,000	9
220,001 - 230,000	3
230,001 - 240,000	3
240,001 - 250,000	4
250,001 - 260,000	7
260,001 - 270,000	3
270,001 - 280,000	1
280,001 - 290,000	2
290,001 - 300,000	1
300,001 - 310,000	1
310,001 - 320,000	3
350,001 - 360,000	1
360,001 - 370,000	1
400,001 - 410,000	1
460,001 - 470,000	2
500,001 - 510,000	1
510,001 - 520,000	1
520,001 - 530,000	1
860,001 - 870,000	1
1,260,001 - 1,270,000	1
Total	**310**

Director Remuneration

Directors do not receive any performance or equity-based remuneration, superannuation or retirement benefits (for their role as directors). This reflects the role of the directors which is to provide oversight and guide strategy, whereas the role of management is to operate the business and execute Sky's strategy.

The directors' fee pool available has been set at a maximum amount of $950,000 per annum since it was last approved by shareholders in October 2015.

Annual Fee Structure ($)	Year ended 30 June 2023	Year ended 30 June 2022
Board fees		
Board Chair	$210,000	$200,000
Deputy Chair	$136,500	$130,000
Non-executive Director	$105,000	$100,000
Board Committee Fees		
Audit and Risk Committee		
Chair	$20,000	$20,000
Member	$12,000	$12,000
People and Performance Committee		
Chair	$12,000	$12,000
Member	$8,000	$7,500
Content Rights Committee[1]		
Member	$5,000	-

(1) The Content Rights Committee was formed during FY23.

Fees paid to Sky Directors in the year ended 30 June 2023 are set out in the table below:

Name	Board Fees	Audit and Risk Committee	People and Performance Committee	Content Rights Committee	Total Remuneration
Philip Bowman (Chair)[1]	210,000	-	-	3,315	213,315
Keith Smith (Deputy Chair)	136,500	20,000	-	3,315	159,815
Michael Darcey	105,000	-	8,000	3,315	116,315
Joan Withers	105,000	12,000	8,000	-	125,000
Mark Buckman[2]	105,000	-	9,333	-	114,333
Geraldine McBride[3]	35,641	-	4,000	-	39,641
Belinda Rowe[4]	35,000	-	-	-	35,000
Totals	**732,141**	**32,000**	**29,333**	**9,945**	**803,420**

(1) The Board Chair is a member of the Audit and Risk Committee, (and is not the Chair of the Committee), however he does not receive a separate fee for this role.
(2) Mark Buckman joined the People and Performance Committee during the financial year, effective 1 September, and became Chair of the Committee, effective 2 November.
(3) Geraldine McBride resigned from the Board during the financial year, effective 2 November 2022.
(4) Belinda Rowe joined the Board during the financial year on 1 March 2023.

Fee structure from 1 July 2023

The People and Performance Committee commissioned an independent review of Director Remuneration to benchmark the current settings against comparable market peers. On the basis of that review, the board fee pool will remain unchanged, and board fees will increase by 5%, effective 1 July 2023.

6. Risk management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and relevant risks.

Sky's risk management framework is overseen and monitored by both the Board and the Audit and Risk Committee. The Audit and Risk Committee in conjunction with management regularly report to the Board on the effectiveness of the management of Sky's risks and whether the risk management framework and systems of internal compliance and control are operating efficiently and effectively in all material respects.

Sky has a Controlling and Managing Risk Policy which provides an overview of Sky's risk management process. The Policy outlines Sky's risk management objectives and guidelines and provides a framework to identify, manage and report on risks both financial and non-financial. The Audit and Risk Committee reviews Sky's risk management framework with management at least annually to satisfy itself that it continues to be sound and to ensure that Sky is operating with due regard to the risk appetite set by the Board. A review of Sky's risk management framework was undertaken in the 2023 financial year.

Sky recognises that having a robust and well-documented enterprise-wide risk management framework is critical to support the management of risks across Sky. Management, with oversight by the Audit and Risk Committee, continue to identify and implement improvements to Sky's risk management processes in line with the enterprise-wide risk management framework, while maintaining its focus on managing both near and long-term risk to best support Sky's current and future business and operating goals.

Sky's internal audit function is outsourced to Ernst & Young (EY). An annual internal audit plan is presented and approved by the Audit and Risk Committee and the Audit and Risk Committee receives internal audit reports during the year and monitors completion of action items that arise. Sky's internal audit function assists it to better accomplish its objectives by bringing a systemic, disciplined approach to evaluating and continually improving the effectiveness of Sky's risk management and internal control processes.

Material Exposure to Economic, Environmental and Social Sustainability Risks

Sky identifies and assesses material exposure to economic, environmental and social sustainability risks on an annual basis as part of the overall framework of assessing risk to satisfy itself that its risk management framework continues to be sound and that Sky is operating with due regard to the risk appetite set by the Board. A summary of the key economic, environmental and social sustainability risks it faces, and how Sky intends to manage those risks is included in the Controlling and Managing Risk Policy on Sky's website.

Sky's high level assessment of exposure to climate related risk has been captured within the company's detailed risk assessment framework. Sky's climate related risks are broadly contained within the principal risk areas of legislative and regulatory compliance and adverse natural events. Sky will build on the initial risk identification work by documenting the key physical and transitional risks (and opportunities) associated with climate change in more detail, and by completing scenario analysis, in line with the requirements of the Aotearoa New Zealand Climate Related Disclosures.

Sky has identified the following strategic risks that could affect results and performance:

Strategic risks	Description	Mitigation
Critical infrastructure	Reliability and continuity of the provision of services is fundamental to the sustainability and reputation of Sky's business.	Sky has robust Business Continuity Management and Disaster Recovery plans which are regularly reviewed, tested and updated. This includes review by independent advisors.
Cybersecurity	Cybersecurity risk mitigation is important for the safe and reliable operation of Sky's business, including to protect sensitive data.	Sky has a comprehensive cybersecurity programme that includes tools and systems designed to prevent and detect potential threats to cyber security, privacy and data breaches. This programme is continually monitored, tested and improved.
Acquiring and retaining market leading content	Acquiring and retaining great content at the right price is critical to Sky's future.	In recent years, Sky has secured significant multi-year content rights deals and it continually reviews what is important to its customers and the evolving content and rights landscape, utilising data-based insights and research to ensure its content remains market leading while ensuring financial sustainability.
Strategy Execution	Failure to execute strategic initiatives could impact Sky's reputation and ability to meet financial goals.	In conjunction with the Board, Sky's executive team have clearly defined Sky's strategic goals and have a clear path to achieving those goals. This includes engaging with the Sky team more broadly to ensure the whole business is aligned.
Legislative and regulatory compliance	The ever changing legal and regulatory landscape within which Sky operates together with Sky's evolving product mix and delivery methods creates a risk that Sky could inadvertently fail to comply.	Sky has robust policies and procedures covering compliance with key legal and regulatory requirements. Sky's internal legal team monitors changes and proposed amendments to its compliance obligations. Sky also engages external legal advisors to ensure it remains compliant.
Adverse natural event	Extreme climatic events and natural disasters could significantly impact Sky's ability to deliver its great content and could impact demand for its services from impacted customers.	As noted above, Sky has robust Business Continuity and Disaster Recovery plans to ensure it is best placed to withstand climatic events and natural disasters. Sky also has comprehensive plans to assist customers impacted by these events.
Ability to attract, retain and engage key talent	Attracting, retaining and engaging employees is key to achieving Sky's strategic goals.	Sky continues to invest in its people and culture programmes including building leadership capability across the business, improving access to the tools, systems and process needed to enable employees to achieve their potential, and implementing a Talent Strategy to identify and retain key talent. Sky has also focused significantly on Te Ao Māori and the opportunities presented by imbedding its principles within Sky.
Competition	Sky operates within an extremely competitive market with New Zealanders now able to access the content they want to watch more easily than ever before.	If Sky fails to respond to new competitors or changes to customers' needs, it could fail to meet strategic and financial goals. While Sky is focused on delivering its strategic goals, it continually monitors its market environment using customer feedback and data insights to ensure its content and delivery approach remain relevant and in demand. Sky remains focused on connecting New Zealanders with the sport and entertainment they love, in ways that work for them, right across the country.

Health and safety

Sky has a comprehensive Health & Safety Strategic plan supported by Health and Safety Policies and a Procedures Manual. A Health and Safety update is provided at Sky's monthly Risk Management Steering committee meeting and regular reports are provided to the Audit and Risk Committee, and People and Performance Committee and to the Board to ensure that Sky fully complies with its health and safety obligations. Sky's strategic approach to health and safety is to:

- safeguard the wellbeing of its people by providing a safe and inclusive workplace environment;
- fulfil all safety obligations within the business, in line with the strategic intent, corporate objectives and legislative requirements; and
- share a vision and commitment to a safety culture that drives continual improvement and organisational resilience at all levels within Sky.

Over the course of the financial year, Sky has held a zero Lost Time Injury Rate (LTIFR) with permanent crew and has worked with contracting partners on continuous improvement initiatives. Sky carried out 474 field audits, with over 44% of those audits being conducted with its contracting technician partners. In the 2024 financial year Sky will include additional Health and Safety aspects in the internal audit cycle and introduce external Health and Safety audits.

7. Auditors

The Board should ensure the quality and independence of the external audit process.

External audit

The role of the external auditor is critical for the integrity of Sky's financial reporting. PricewaterhouseCoopers (PwC) is Sky's external auditor. The Audit and Risk Committee is responsible for reviewing and recommending to the Board the engagement of the external auditors, for reviewing any regulatory requirements, for agreeing the scope of the audit, ensuring no management restrictions are placed on the auditors and for evaluating the performance of the external auditors. Sky's Audit and Risk Committee Charter (available on Sky's website), contains the policy for External Audit Independence which sets out the framework for ensuring that independence of the external auditor is maintained.

A copy of the most recent audit report, relating to the 2023 financial year is included on page 122.

Sky undertakes an internal process of verification for periodic materials released to the NZX and ASX where these have not been audited or reviewed by the external auditor, to ensure the accuracy and integrity of the material prior to release. This process includes the following:

- reports are prepared by or under the supervision of subject matter experts;
- material statements in the report are reviewed for accuracy and appropriately interrogated; and
- all announcements (other than administrative announcements) must be approved by Sky's Disclosure Committee.

Where considered appropriate Sky requests an external review from a suitably qualified advisor to provide an additional level of independent review.

Internal audit

Sky currently outsources to EY its internal audit function which is tasked with monitoring Sky's internal control systems and risk management. Internal audit operates with and independently of management and reports directly to the Audit and Risk Committee.

The Audit and Risk Committee reviews the internal audit plan annually as well as the internal audit reports. The internal audit reports are made available to the external auditors.

8. Shareholder relations

The Board should respect the rights of the shareholders and foster relationships with shareholders that encourage them to engage with the issuer.

Investor communication

Sky is committed to facilitating effective two-way communication with its shareholders and other stakeholders. Sky's approach to investor relations is designed to keep both Sky's shareholders and the broader market properly informed. Sky's Investor Communications Policy outlines the steps that it takes to enable shareholders to engage with Sky in an informed manner and to allow them to make informed assessments of Sky's value and future prospects and vote on major decisions where appropriate. A copy of this policy is available on Sky's website.

In addition to information provided to the market via NZX and ASX, Sky uses the following methods to communicate with its investors:

Investor centre website

Sky's website (www.sky.co.nz/investor-centre) includes copies of documents that have been released to the market to enable investors and stakeholders' access to all information about Sky and its governance in one place. This includes copies of annual reports, presentations, market announcements, media releases and corporate governance documents. In addition, information may be requested directly from Sky by emailing investorrelations@sky.co.nz to which Sky is committed to responding to in a timely manner.

Electronic communications

Sky is committed to improving the efficiency, timeliness, and sustainability of communications with its shareholders by encouraging them to receive communications material electronically via Sky's share registry, Computershare Investor Services Limited.

Annual shareholder meeting

Shareholders are encouraged to attend Sky's Annual Shareholder Meeting, whether this is held in person, virtually or as a hybrid meeting. Details of the Annual Shareholder Meeting, and the ways that shareholders can participate, are available in the Notice of Meeting which is dispatched to shareholders at least 20 working days prior to the Annual Shareholder Meeting in accordance with NZX Corporate Governance recommendations, and made available on Sky's website. Sky ensures that shareholder meetings are held at a reasonable time and place and ensures that all resolutions at a shareholders' meeting are decided by a poll.

Notices of shareholder meetings include explanatory information regarding the resolutions to be considered by Sky's shareholder meetings. These are provided in sufficient time to enable shareholders to form a reasoned judgement on the matters to be voted upon. Sky's external auditors, legal representatives and share registrar attend the Annual Shareholder Meeting. Directors, management and external auditors are available to answer any questions from shareholders at the Annual Shareholder Meeting. Details of how shareholders unable to attend the Annual Shareholder Meeting can submit questions in advance are included in the Notice of Meeting.

Company Information

Interests Register

Disclosures of Interest – General Notices

Directors have given general notices disclosing interests in various entities pursuant to section 140(2) of the Companies Act 1993. Those notices which remain current as at 30 June 2023 are as follows:

Director	Entity	Relationship
Philip Bowman	Better Capital PCC Limited	Director
	KMD Brands Limited (listed)	Director
	Tegel Group Holdings Limited	Chair
	Ferrovial SA (listed)	Director
	Majid al Futtaim Holding LLC	Director
	Majid al Futtaim Properties LLC	Chair
	Majid al Futtaim Capital LLC	Director
	Tom Tom Holdings, Inc.	Director
	Vinula Pty. Limited	Director
	Vinula Super Fund Pty. Limited	Director
Michael Darcey	Arqiva Group Limited[1]	Chair
	British Gymnastics	Chair
	Premier League Basketball UK	Shareholder
Geraldine McBride (resigned 2 November 2022)	My Wave Holdings Limited	Director, CEO
	My Wave Limited	Director
	Fisher & Paykel Healthcare Corporation Limited	Director
Keith Smith	Anderson & O'Leary Limited and associated companies	Chair
	Enterprise Group Holdings Limited and associated companies	Chair
	Goodman (NZ) Limited and associated companies[1]	Director
	H J Asmuss & Co Limited and associated companies	Chair
	Healthcare Holdings Limited and associated companies	Chair
	Mobile Health Group Limited	Chair
	Tax Traders Limited	Member of Advisory Board
	Gwendoline Holdings Limited (non-trading)	Director
Joan Withers	The Warehouse Group Limited and associated companies	Chair
	ANZ Bank New Zealand Limited	Director
	Louise Perkins Foundation	Trustee
	On Being Bold Limited	Director
	Origin Energy Limited	Director
Mark Buckman	OzTAM Pty. Limited	Chair
	Barangaroo Advisory Pty. Limited	Director
	Honed Real Estate Pty. Limited	Shareholder and advisor
	MSVN Technologies, LLC[2]	Shareholder and advisor
Belinda Rowe	Soprano Design Limited[2]	Nominated Director
	ARN Media Limited[1]	Non-Executive Director
	Sydney Swans Limited[1]	Non-Executive Director
	Temple & Webster Group Limited[1]	Non-Executive Director
	Belinda Rowe Consulting Pty. Limited[1]	Director
	Rowe-Cuthbert Nominees Pty. Limited[1]	Director
	3P Learning Limited[1]	Non-Executive Director

(1) Entries added or updated during the period from 1 July 2022 to 30 June 2023.
(2) Entries removed by notices given by the directors during the period from 1 July 2022 to 30 June 2023.

Disclosures of Interest – Particular Transactions / Use of Company Information

During the year to 30 June 2023, in relation to Sky:

- no specific disclosures were made in the Interests Register under section 140(1) of the Companies Act 1993; and
- no entries were made in the Interests Register as to the use of company information under section 145 of the Companies Act 1993.

Disclosures of Relevant Interests in Securities

During the year to 30 June 2023, the following disclosures were made in the Interests Register in relation to Sky's directors and senior managers acquiring a relevant interest in Sky's shares under section 148 of the Companies Act 1993 and under the Financial Markets Conduct Act 2013:

- Philip Bowman (Director and Chair) made the following disclosures on (i) 12 October 2022 regarding the acquisition of 125,000 ordinary shares in Sky,[1] (ii) 14 October 2022 regarding the acquisition of 50,000 ordinary shares in Sky,[1] (iii) 7 March 2023 regarding the acquisition of 10,842 ordinary shares in Sky, (iv) 7 March 2023 regarding the acquisition of 39,158 ordinary shares in Sky, and (v) 6 April 2023 regarding the acquisition of 100,000 ordinary shares in Sky.
- Sophie Moloney (CEO) made the following disclosures on (i) 12 October 2022 regarding the acquisition of 21,000 ordinary shares in Sky,[1] and (ii) 6 March 2023 regarding the acquisition of 38,000 ordinary shares in Sky.

(1) Sky implemented a Court Approved return of capital on 22 November 2022. As part of the capital return, 1 ordinary share for every 6 ordinary shares held by shareholders on 21 November was cancelled, with fractions rounded up or down to the nearest whole share (with 0.5 rounded up).

Insurance and Indemnities

Sky has in place directors' and officers' liability insurance to cover risks normally covered by such policies arising out of acts or omissions of Sky directors or employees in that capacity.

Sky has entered into a deed of indemnity pursuant to which it has agreed to indemnify directors, senior management and officers of Sky against liability incurred from acts or omissions of such directors, senior management or officers, subject to certain exceptions which are normal in such indemnities.

Sky Subsidiaries' Interests Registers

During the year to 30 June 2023, in relation to Sky's subsidiaries, no specific notices were made in the Interests Register pursuant to section 140 of the Companies Act 1993.

Company Information

Directors Holding, Commencing and Ceasing Office during the year

- Philip Bowman (Chair)
- Keith Smith (Deputy Chair)
- Michael Darcey
- Joan Withers
- Mark Buckman
- Belinda Rowe (appointed 1 March 2023)
- Geraldine McBride (resigned 2 November 2022)

Statement of Directors' Interests

For the purposes of NZX Listing Rule 3.7.1(d), the following table sets out the quoted financial products in which each director had a relevant interest as at 30 June 2023:

Relevant interests	Shares[1]
Philip Bowman	400,000
Michael Darcey	125,000
Keith Smith[2]	21,260
Joan Withers	Nil
Mark Buckman	Nil
Belinda Rowe	Nil

(1) Sky implemented a Court Approved return of capital on 22 November 2022. As part of the capital return, 1 ordinary share for every 6 ordinary shares held by shareholders on 21 November 2022 was cancelled, with fractions rounded up or down to the nearest whole share (with 0.5 rounded up).

(2) 6,253 shares jointly held by Keith Smith and his brother Robert Smith as trustees of the Gwendoline Trust (in which Keith Smith has no beneficial interest); 6,610 shares held by Gwendoline Holdings Limited (Keith Smith is a discretionary beneficiary of a trust which owns Gwendoline Holdings Limited); and 8,333 shares held by Keith Smith's partner Lily Wong.

Subsidiaries

At 30 June 2023, Sky had the following subsidiary companies:

Subsidiary	Director(s)	Business during FY23
Believe It Or Not Limited	Anabelle Lochead Brendan Lochead Christopher Shaw Jonathon Errington	Quizzes for the hotel entertainment industry.
Lightbox New Zealand Limited	Sophie Moloney	Streaming services within New Zealand.
Media Finance Limited	Sophie Moloney	Did not trade.
Non-Trading PS Limited	Sophie Moloney	Did not trade.
Screen Enterprises Limited	Sophie Moloney	Did not trade.
Sky DMX Music Limited	Steven Hughes Sophie Moloney Malcolm McRoberts Jonathon Errington	Operated the Sky DMX music business.
Sky Investment Holdings Limited	Sophie Moloney	Holding company for the investment in RugbyPass Limited (Ireland) and RugbyPass Asia Pte Limited (Singapore).
Sky Network Services Limited	Sophie Moloney	Sky Broadband business.
Sky Ventures Limited	Sophie Moloney	Did not trade.
Sports Analytics Pty Ltd (incorporated in South Africa)	Jonathan Errington Kevin Bouwer	Sports data collection and analysis.

Following the sale of RugbyPass to World Rugby (effective 10 October 2022), RugbyPass Limited and RugbyPass UK Limited are no longer subsidiaries of Sky.

The remuneration of Sky's employees acting as directors of subsidiary companies is disclosed in the relevant banding for employee remuneration. In the case of Sophie Moloney remuneration is disclosed under the heading of "Chief Executive Remuneration".

No director of any subsidiary company received directors' fees or extra benefits by virtue of the fact that they are acting as directors of subsidiary companies.

Shareholders

Substantial Product Holders

According to notices given to Sky under the Financial Markets Conduct Act 2013 and the ASX Listing Rules the following persons were substantial product holders in Sky as at 30 June 2023 and 17 July 2023:

Substantial Product Holder Name	Date of Substantial Product Holder Notice	Number of Shares in Substantial Product Holding at 30 June 2023 and at 17 July 2023[1]	% held at 30 June 2023 and at 17 July 2023[1]
Jupiter Asset Management Limited and its related bodies corporate[2,3]	15 September 2020	15,802,241	9.040
Accident Compensation Corporation[3]	9 December 2022	13,845,508	9.511

(1) Based on disclosures to the company.
(2) Since the date of this disclosure the number of shares held has been adjusted to reflect the 1 for 10 share consolidation which was completed on 17 September 2021. Sky has also implemented a Court approved capital return of approximately $70 million on 21 November 2022 through which 1 ordinary share for every 6 ordinary shares held by shareholders on 21 November 2022 was cancelled, with fractions rounded up or down to the nearest whole share (with 0.5 rounded up). On a like-for-like basis, excluding the impact of any shares bought or sold by the substantial product holder since the date of this disclosure, the number of shares held would be 13,168,534.
(3) Since the date of this disclosure Sky initiated a share buyback programme for a maximum aggregate of $15 million in purchase price and up to a maximum of 8,734,416 shares, with a total of 1,720,695 shares having been acquired through the programme by 30 June 2023.

At Sky's 30 June 2023 year end and at 17 July 2023 the total number of ordinary shares on issue was 143,852,496.

Twenty Largest Shareholders as at 17 July 2023

Name	Number of Shares	% of Issued Capital
Accident Compensation Corporation	13,872,772	9.6
Citibank Nominees (New Zealand) Limited	11,670,651	8.1
HSBC Custody Nominees (Australia) Limited	9,486,633	6.6
HSBC Nominees (New Zealand) Limited	8,808,854	6.1
BNP Paribas Nominees (NZ) Limited	8,478,652	5.9
HSBC Nominees (New Zealand) Limited A/C State Street	6,519,685	4.5
National Nominees Limited	5,355,426	3.7
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	4,921,533	3.4
BNP Paribas Nominees (NZ) Limited	4,812,646	3.3
New Zealand Depository Nominee Limited <A/C 1 Cash Account>	4,781,292	3.3
BNP Paribas Nominees (NZ) Limited	4,503,257	3.1
National Nominees Limited	3,603,922	2.5
Hobson Wealth Custodian Limited	3,581,989	2.5
BNP Paribas Nominees (NZ) Limited	3,491,539	2.4
Jpmorgan Chase Bank NA NZ Branch-Segregated Clients Acct	2,950,335	2.1
TEA Custodians Limited Client Property Trust Account	2,041,655	1.4
New Zealand Rugby Union Incorporated	1,816,777	1.3
Custodial Services Limited	1,628,159	1.1
JBWere (NZ) Nominees Limited	1,612,544	1.1
BNP Paribas Nominees Pty Ltd	1,520,805	1.1
	105,459,126	**73.1**

Distribution of Ordinary Shares and Shareholdings as at 17 July 2023

Range	No. of Shareholders	Number of shares held	% of Issued Capital
1 – 1,000	5,106	1,391,642	1.0
1,001 – 5,000	1,702	4,215,178	2.9
5,001 – 10,000	453	3,297,189	2.3
10,001 – 100,000	519	13,579,678	9.4
100,001 and over	74	121,368,809	84.4
Total	**7,854**	**143,852,496**	**100.0**

Non-Marketable Parcels of Shares

As at 17 July 2023, 3,950 shareholders in Sky had non-marketable parcels of shares for the purposes of ASX Listing Rule 4.10.8.

Other Information

For the purposes of ASX Listing Rule 4.10.14, as at 17 July 2023 there were no restricted securities or securities subject to voluntary escrow on issue.

For the purposes of ASX Listing Rule 4.10.18, as at 17 July 2023 there was an on-market buyback in place. The programme was initiated on 31 March 2023, and an ASX Appendix 3C notice was issued on that date. The programme is for a maximum aggregate of $15 million in purchase price and up to a maximum of 8,734,416 shares. At 17 July 2023 a total of 1,720,695 shares had been acquired for total consideration of $4,489,781.

Number of Holders of Equity Securities

The only class of equity securities on issue in Sky is ordinary shares. As at 17 July 2023 there were 7,854 holders of a total of 143,852,496 ordinary shares in Sky.

Voting Rights Attached to Shares

The only class of equity securities on issue in Sky which carries voting rights is fully paid ordinary shares. On a poll, each ordinary share entitles the holder to one vote.

Unquoted Equity Securities

As at 17 July 2023, Sky did not have any unquoted equity securities on issue.

Donations

During the financial year ending 30 June 2023, Sky made cash donations totalling $260,000. No donations were made to political parties. Sky's subsidiaries did not make any donations.

Auditors

The auditors of Sky and its subsidiaries were PricewaterhouseCoopers. The amount paid to PricewaterhouseCoopers by Sky in the year to 30 June 2023 for statutory audit services and for other assurance services was:

	Statutory audit services ($000)	Other assurance and non-assurance services ($000)
Sky	859	75

Sky's subsidiaries did not pay PricewaterhouseCoopers any fees.

Waivers and Information

Current and Ongoing Waivers

The following is a summary of all waivers which were relied upon by Sky in the year to 30 June 2023. These were:

1. A waiver from ASX Listing Rule 6.10.3 to the extent necessary to permit Sky to set the "specified time" to determine whether a security holder is entitled to vote at a shareholders' meeting in accordance with the requirements of relevant New Zealand legislation.
2. A waiver from ASX Listing Rule 15.7 to permit Sky to provide announcements simultaneously to both ASX and NZX.
3. A waiver from ASX Listing Rule 14.3 to the extent necessary to allow Sky to receive director nominations between the date three months and the date two months before the annual meeting.

Admission to the official list of the Australian Securities Exchange

In connection with Sky's admission to the official list of the ASX, the following information is provided:

1. Sky is incorporated in New Zealand.
2. Sky is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 dealing with the acquisition of shares (such as substantial holdings and takeovers).
3. Limitations on the acquisition of the securities imposed by New Zealand law are as follows:
   (a) In general, Sky securities are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.
   (b) The New Zealand Takeovers Code creates a general rule under which the acquisition of more than 20% of the voting rights in Sky or the increase of an existing holding of 20% or more of the voting rights in Sky can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of Sky shares.
   (c) The New Zealand Overseas Investment Act 2005 (and associated regulations) regulates certain investments in New Zealand by overseas persons. In general terms, consent is likely to be required where an 'overseas person' acquires shares or an interest in shares in Sky that amount to more than 25% of the shares issued by Sky or, if the overseas person already holds more than 25%, the acquisition increases that holding.
   (d) The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring Sky shares if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

Share Market and Other Information

Share Market Listing Details

New Zealand

Sky's ordinary shares are quoted on the NZX Main Board and trade under the code SKT. Sky's International Security Identification Number (ISIN) issued for the Company by the NZX is NZSKTE0001S6.

NZX Limited

Level 1, NZX Centre
11 Cable Street
Wellington 6011, New Zealand

Mailing address:
PO Box 2959
Wellington 6140, New Zealand

Tel: +64 4 472 7599
Website: nzx.com

Australia

Sky's ordinary shares are also quoted on the ASX and trade under the code SKT.

ASX Limited

Exchange Centre
20 Bridge Street, Sydney
NSW 2000, Australia

Mailing address
PO Box H224
Australia Square, Sydney
NSW 1215, Australia

Tel: +61 2 9338 0000

Registry Details

Shareholders should direct questions relating to share certificates, notify changes of shareholder details or address any administrative questions to Sky's share registrar.

Shareholders are able to independently manage a range of queries regarding their holdings by using Computershare's secure website: www.investorcentre.com/nz. This website enables holders to view balances, view and change address, payment and tax information, and update payment instructions and communication options.

Direct payment to a bank account is the only means available for shareholders to receive dividend payments. Shareholders are strongly encouraged to provide bank account details to ensure they are able to receive any future dividend payments.

Sky continually strives to improve the efficiency of its communications with investors and stakeholders and encourages all shareholders to elect to receive communications from Sky electronically. This minimizes costs, ensures prompt delivery and importantly, supports Sky's efforts to reduce its environmental impact.

New Zealand

Computershare Investor Services Limited
Level 2/159 Hurstmere Road,
Takapuna, Auckland
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Auckland 1142

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Australia

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Telephone Australia: +61 3 9415 4083

Email: enquiry@computershare.co.nz
Website: www.computershare.com/nz

Our 2023 Financials

For the year ended 30 June 2023

Financial Overview

Summary

Sky recorded solid financial results in 2023 while also delivering on a number of significant strategic and operational initiatives, including investing in new products and new content to drive future growth, as well as continuing to transform the business.

Sky continued to grow customer relationships reaching above one million, which along with strengthening average revenue per user (ARPU) contributed to solid revenue growth. Total reported revenue of $754.1 million was 2.4% higher than the prior year (with adjusted revenue 2.3% higher) and achieved against a backdrop of economic challenges facing New Zealand.

The company continues to maintain a sharp focus on costs with the expected step-up in programming costs following recent content rights wins being partly offset by permanent savings achieved across multiple cost lines. Total reported operating expenses increased to $609.1 million (a 4.3% increase on the prior year). After removing the impact of one-off expenses incurred during the year, total adjusted operating expenses of $600.2 million was only 2.5% higher than the prior year.

Reported profit after tax of $51.0 million was 18.0% lower than the prior year. However, again after removing the impact of one-off expenses, adjusted profit after tax of $56.7 million was 15.2% higher than the 2022 adjusted result of $49.2 million.

During the period Sky's Board executed a number of capital management initiatives, including a capital return in November 2022 of approximately $70 million through a court approved scheme, and the initiation of a share buyback in March 2023 for up to $15 million, with $4.5 million of this deployed by 30 June 2023. In addition, Sky returned to paying dividends, with a final dividend for the 2022 financial year of 7.3 cents per share paid to shareholders in September 2022 and an interim dividend of 6.0 cents per share paid in March 2023. In total, $95.9 million was returned to shareholders or utilised in the share buyback during the 2023 financial year.

As at 30 June 2023 Sky had $56.1 million of cash on hand and an undrawn banking facility of $150.0 million.

Non-GAAP Financial Information

Sky uses non-GAAP profit measures when discussing financial performance. The directors and management believe that these measures provide useful information on the underlying performance of the Group. They are used internally to evaluate performance, analyse trends, and allocate resources. Non-GAAP financial measures are not prepared in accordance with NZ IFRS and are not uniformly defined and therefore should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.

Group Consolidated Results for the years ended 30 June

In NZD millions	2023 (adjusted)	2023 (reported)	2022 (adjusted)	2022 (reported)	Adjusted % inc/(dec)
Financial performance data					
Total revenue	753.1	754.1	736.1	736.1	2.3
Other income	3.5	3.5	2.9	16.8	20.7
Total operating expenses	600.2	609.1	585.3	583.9	2.5
EBITDA	**156.4**	**148.5**	**153.7**	**169.0**	**1.8**
Less					
Depreciation amortisation and impairment	74.1	74.1	80.2	80.2	(7.6)
Net operating profit before interest, income tax and impairment of goodwill	**82.3**	**74.4**	**73.5**	**88.8**	**12.0**
Impairment of goodwill	-	-	-	2.0	-
Finance income	2.6	2.6	0.8	0.8	225.0
Finance expense	6.1	6.1	6.9	6.9	(11.6)
Profit before tax	**78.8**	**70.9**	**67.4**	**80.7**	**16.9**
Income tax expense	22.1	19.9	18.2	18.5	21.4
Profit after tax	**56.7**	**51.0**	**49.2**	**62.2**	**15.2**

Summary of Adjustments

2023 adjustments include one-off expenses totalling $6.8 million in relation to organisational changes and a net loss on operations of $1.1 million in relation to RugbyPass (consisting of $1.0 million of advertising revenue offset by $2.1 million of expenses).

2022 adjustments include net one-off expenses of $0.5 million, comprising $1.2 million of programming impairments and a $2.0m impairment of goodwill relating to RugbyPass, which were partly offset by a $2.7 million provision release for Holidays Act compliance. 2022 other income also included a $14.0 million gain related to the sale of the Mt Wellington properties.

In NZD millions	30-Jun-23	30-Jun-22
Statutory profit after tax	51.0	62.2
Adjustments to earnings as follows:		
Non-recurring income included in revenue	(1.0)	-
Content write-offs	-	1.2
Non-recurring costs included in costs	8.9	(2.7)
Non-recurring income included in other income	-	(14.0)
Impairment of goodwill	-	2.0
Tax effect of adjustments	(2.2)	0.5
Total adjustments	**5.7**	**(13.0)**
Adjusted profit after tax	**56.7**	**49.2**

Customers

Total customer relationships continued to grow during 2023, increasing by 2.5% to finish the year at 1,015,125.

Sky Box customer relationships stood at 514,982 at year end, down 2.7% year on year. This includes customers who access their Sky content through the traditional Sky Box as well as the new hybrid (satellite and internet) Sky Box, and the new Sky Pod. In the second half of 2023 customers of Vodafone TV (VTV) who subscribed for Sky packages were migrated to their choice of a new Sky product with approximately 17,000 choosing a Sky Box or Sky Pod. Prior to migration, these customers had been counted within the Streaming category given their Sky content was delivered via IP only.

Annualised Sky Box churn of 10.3% was broadly consistent with the prior year and is considered low when comparing to international peers. Acquisitions were lower than anticipated due to the delayed launch of Sky's new products which had a flow on impact on the timing of marketing activity, and the migration of VTV customers. Disconnections were consistent year on year, suggesting a resilience of in-home entertainment despite a high inflationary environment leading to pressure on household wallets.

Streaming customer relationships increased to 467,516, up 7.1% on the prior year or 15.4% on a like for like basis for Streaming product, being Sky Sport Now and Neon and excluding VTV customers in the prior period (who were included within the Streaming category in the prior period). Sky Sport Now customer relationships increased by 36.7% while Neon customer relationships increased by 7.5%.

Commercial customer relationships include licensed premises, pubs, clubs, accommodation providers and businesses such as gyms, retirement villages and retail outlets. Commercial customer relationships were broadly stable year on year.

Sky Broadband customer relationships increased to 26,089, up 45.1% and with a 5.0% attachment rate to Sky Box customers, an increase from 3.3% a year ago.

	2023	2022	2021	2020	2019
Customer relationships					
Sky Box customers[1]	514,982	529,521	554,690	576,704	609,837
Total Streaming customers	467,516	436,388	393,179	404,321	159,767
Sky Sport Now	149,516	109,365	71,312	30,460	20,999
Neon	318,000	295,720	259,229	142,592	95,178
Other Streaming[2]	-	31,303	62,638	231,269	43,590
Commercial customers	6,538	6,877	7,299	8,544	9,436
Sky Broadband customers	26,089	17,975	1,930	-	-
Total customer relationships	**1,015,125**	**990,761**	**957,098**	**989,569**	**779,040**
Customer metrics					
Sky Box net customer growth	-3%	-5%	-4%	-5%	-6%
Sky Box acquisition	39,304	29,028	47,273	41,510	49,952
Sky Box churn	(53,848)	(54,197)	(69,287)	(74,443)	(92,041)
Streaming net customer growth (Sky Sport Now and Neon)	15%	23%	91%	49%	56%
Sky Broadband attachment rate[3]	5.0%	3.3%	-	-	-
Average revenue per month (ARPU)					
Sky Box ARPU[4]	81.05	78.84	78.40	82.03	83.46
Total Streaming ARPU (blended)[5]	17.78	18.28	17.46	19.80	n/a
Sky Sport Now ARPU	36.82	36.71	n/a	n/a	n/a
Neon ARPU	15.05	14.25	11.90	11.91	15.36
Sky Broadband ARPU[6]	72.14	72.13	-	-	-

(1) Sky Box customers comprise residential Sky Box and Sky Pod customers, including Vodafone Reseller customers prior to migrating to a direct relationship with Sky during 2021.
(2) Other Streaming customers comprise VTV/Retransmission customers receiving Sky content via VTV until its closure in March 2023, and RugbyPass subscription customers.
(3) Sky Broadband attachment rate measures the percentage of Sky Box customers that also have Sky Broadband.
(4) Sky Box ARPU is the monthly average revenue for residential Sky Box and Sky Pod customers, calculated as the average ARPU for the period, excluding any revenue related to access fees for the new Sky products. Exclusive of GST.
(5) Total Streaming ARPU is the blended ARPU for all Streaming products, including Sky Sport Now, Neon, VTV/Retransmission, and in prior years RugbyPass and Lightbox wholesale. Exclusive of GST.
(6) Sky Broadband ARPU is the monthly average revenue for Sky Broadband customers, including add-ons such as land line, calling plans, Wi-Fi boosters and static IP fees and excludes CPE revenue. Exclusive of GST.

Revenue Analysis

Sky's total revenue was $754.1 million, comprised of:

In NZD millions	2023	2022	% inc/(dec)
Sky Box subscriptions[1]	509.8	514.0	(0.8)
Broadband subscriptions	19.6	8.8	122.7
Streaming subscriptions[2]	103.2	93.3	10.6
Commercial revenue	53.4	47.3	12.9
Total subscription revenue	**686.0**	**663.4**	**3.4**
Advertising	48.1	47.6	1.1
Installation and other revenue	20.0	25.1	(20.3)
Total other revenue	**68.1**	**72.7**	**(6.3)**
Total revenue	**754.1**	**736.1**	**2.4**

(1) Sky Box subscription revenue in 2023 relates to all Sky Box and Sky Pod subscriptions and includes access fees associated with the new Sky products. 2022 Revenue relates to Sky Box subscriptions only.
(2) Streaming subscription revenue relates to Sky Sport Now and Neon and includes VTV/Retransmission subscription revenue net of fees prior to these customers migrating to a Sky Box or Sky Pod product.

Sky Box revenue was $509.8 million. This represented a year on year reduction of 0.8%, compared to a reduction of 3.4% in the prior year. 2023 revenue benefitted from the full-year impact of a $3 price increase to the sport package from 1 May 2022 and a part-period impact from a further $3 price increase from 1 March 2023, noting both price increases are quoted inclusive of GST.

ARPU increased by 2.8% to $81.05, benefitting from sport package price rises, consistent levels of sports penetration at approximately 70%, and the positive impact from reduced levels of discounting. These positive factors more than offset the lower average ARPU associated with Sky Pod customers (with no MySky recording fees), and reduced penetration in multi-room and some higher value entertainment packages.

Sky Broadband revenue more than doubled to $19.6 million (a 122.7% increase), as a result of increasing customer relationships in 2023 and the full year benefit of customer growth that occurred in the prior year. A $6 line fee increase (including GST) was passed on from November 2022. ARPU remained at a consistent level despite the appeal of lower speed plans, as Sky benefitted from strong attachment of add-ons such as land lines and calling plans.

Streaming revenue grew strongly, up 10.6% year on year to $103.2 million. This result was achieved despite one-off costs associated with extending the operation of the VTV platform prior to migration to Sky Box or Sky Pod ($10.1 million in 2023 and $4.0m in 2022), with revenue recorded net of these costs. Excluding this impact, revenue growth would have been 16.4% year on year.

Sky Sport Now revenue rose 50.4%, benefiting from significant growth in customer numbers and the part year benefit of a price increase of $5 (12.5%) for the monthly pass, introduced from 1 March 2023. Neon revenue grew by 19.2%, benefitting from customer growth and an August 2022 price rise of $2 (12.5%) on the standard monthly pass and $20 on the annual pass, and despite the introduction of a lower tier 'basic' product which was successfully launched at the same time as the standard product price rise.

Commercial revenue of $53.4 million was 12.9% higher year on year and marked a return to pre-COVID levels, albeit with lower customer numbers, following the end of COVID related support for accommodation providers from 1 July 2022 and increases in value-based tiered pricing for licensed premise customers.

Advertising revenue was $48.1 million, up 1.1%. Excluding the impact of RugbyPass advertising revenue (due to the sale of this business in October 2022) the underlying increase was 9.4%. While the advertising market was generally softer, Sky's revenue market share[1] rose to 9.5% from 8.3% in the prior year and the growth in Sky's advertising revenue was achieved despite a 5% decline in total market spend.

Installation and other revenues reduced to $20.0 million, down 20.3%, largely due to a one-off revenue uplift in 2022 from on-sold programming rights including Summer Olympic sub-licencing to TVNZ. Revenue associated with Sky Box and Sky Broadband installations and satellite access fees remained stable.

(1) Source: Quarterly Performance Comparison Report, PwC.

Expense Analysis

A breakdown of Sky's operating expenses is provided below:

	30-Jun-23				30-Jun-22		
In NZD millions	**Adjusted**	**Reported**	**% inc/(dec) (adjusted)**	**% of revenue (adjusted)**	**Adjusted**	**Reported**	**% of revenue (adjusted)**
Programming	386.1	386.6	6.0	51.2	364.1	365.3	49.5
Subscriber related costs	87.8	90.4	(5.8)	11.6	93.2	93.2	12.7
Broadcasting and infrastructure	77.5	79.8	9.8	10.3	70.6	70.6	9.6
Other costs	48.8	52.3	(15.0)	6.5	57.4	54.7	7.8
Depreciation, amortisation and impairment	74.1	74.1	(7.6)	9.8	80.2	80.2	10.9
Total operating expenses	**674.3**	**683.2**	**1.3**	**89.4**	**665.5**	**664.0**	**90.4**

Programming costs consist of two main categories: programming rights and programming operating costs. Programming rights costs include sports and entertainment rights, pass through channel rights (e.g. ESPN, Living Channel, UKTV etc.), movies (including pay per view movies), streaming and on-demand rights, and music rights. Programming operating costs include production costs for live sports events, expenses related to satellite and fibre linking, and costs associated with creating original studio productions.

Programming costs increased to $386.1 million on an adjusted basis, up 6.0% on the prior period, primarily due to the impact of known rights deals previously communicated to the market (such as the NRL and English Premier League) and the impact from increased sports production costs following the return of some teams to New Zealand after an extended period of being based offshore due to COVID-19 (such as the Warriors, Breakers and Phoenix).

Subscriber related costs include the costs of servicing and monitoring equipment installed at customers' homes, indirect installation costs, the costs of Sky's customer support services, sales and marketing activities and general administrative costs associated with managing customer relationships.

Subscriber-related costs reduced by 5.8% to $87.8 million on an adjusted basis, through a focus on cost control and increased efficiency. Sky outsourced a portion of its non-technical customer care team during the second half of the period, to improve access to additional customer service capacity in a more cost-effective way.

Broadcasting and infrastructure costs are related to the transmission and linking of Sky and Prime content from Sky's studios to devices in customers' homes. This includes both satellite transmission and streaming over IP, as well as other distribution platforms. Local fibre company input costs for Sky's Broadband service are also included in this cost line, as well as costs associated with operating Sky's studio facilities and providing work environments for employees in Central Auckland, Mt Wellington and Albany (excluding any lease costs).

Broadcasting and infrastructure costs increased by 9.8% on an adjusted basis, to $77.5 million, largely driven by the rise in input costs stemming from growth in Sky Broadband and Sky's streaming products.

Other costs include advertising and overhead costs relating to corporate management of the Group, including consultancy costs. After adjusting for the impact of costs associated with organisational changes and the removal of RugbyPass, other costs of $48.8 million were 15.0% lower than the prior period due to reduced consultancy costs.

Depreciation, amortisation and impairment costs include depreciation charges relating to capitalised installation costs, subscriber equipment for satellite dishes and decoders owned by Sky, fixed assets such as the studio facilities, amortisation of the right-of-use lease assets created under NZ IFRS 16 and amortisation of computer software and intangible assets. Depreciation of property, plant and equipment remained relatively flat with the majority relating to capitalised installation costs of broadcast assets as existing decoders have largely reached the end of their useful lives whilst depreciation on new products only began from 1 March 2023. Amortisation of intangibles decreased as Lightbox intangibles were fully amortised during 2023 and RugbyPass was held as an asset held for sale meaning depreciation and/or amortisation ceased, and RugbyPass was then subsequently sold to World Rugby in October 2022. A decrease in depreciation of right-of-use assets was driven by the Optus satellite following a reassessment of lease term and changes to the payment plan, partially offset by the depreciation of Sky's Mt Wellington and Central Auckland leased sites.

Depreciation, amortisation, and impairment costs are summarised below:

In NZD millions	2023	2022
Depreciation of property, plant and equipment	26.6	27.3
Amortisation of Intangibles	20.7	22.2
Deprecation of right-of-use assets	26.8	30.7
Total depreciation, amortisation and impairment	**74.1**	**80.2**

Finance income and finance expense

Interest income increased to $2.6 million from $0.8 million in the prior year, and finance expense reduced from $6.9 million to $6.2 million.

Capital Expenditure

Sky's capital expenditure is summarised as follows:

In NZD millions	2023	2022
Subscriber equipment	28.7	1.0
Installation costs	12.0	11.6
Projects under development	2.0	14.1
Software	30.0	13.4
Other	4.7	4.6
Capital expenditure	**77.4**	**44.7**

Capital expenditure was weighted towards growth focused areas in 2023, in connection with the continued development of the new Sky Box and Sky Pod products. This includes acquiring sufficient inventory of these new products ahead of deployment to customers' homes.

Financial Performance Trends

IN NZD 000	2023	2022	2021	2020	2019
For the year ended 30 June					
Income statement					
Total revenue and Other income	757,615	752,864	724,754	747,646	795,126
Total operating expenses	609,107	583,848	544,377	583,395	564,958
EBITDA [1]	**148,508**	**169,016**	**180,377**	**164,251**	**230,168**
Depreciation, amortisation and impairment [2]	74,098	80,171	106,496	119,318	131,103
Impairment of goodwill	-	2,000	-	177,500	670,000
Interest income	2,639	814	226	161	275
Interest expense	5,110	5,772	11,941	16,020	13,895
Losses/(gains) on currency and other	1,042	1,136	(1,179)	(2,120)	(1,178)
Net profit/(loss) before income tax	**70,897**	**80,751**	**63,345**	**(146,306)**	**(583,377)**
Balance sheet					
Property, plant and equipment, intangibles and right-of-use assets	192,599	180,394	215,621	287,962	213,702
Goodwill	244,264	244,264	255,245	256,312	395,331
Total assets	690,174	776,850	696,929	837,936	771,353
Interest bearing loans and liabilities	49,313	71,714	72,321	212,513	193,662
Working capital [3]	47,711	21,918	23,842	(20,386)	4,324
Total liabilities	249,568	282,357	272,928	462,966	419,785
Total equity	440,606	494,493	424,001	374,970	351,568
Cash flow					
Net cash from operating activities	117,021	119,638	101,169	157,300	178,026
Net cash (used in)/from investing activities	(71,380)	17,897	(38,148)	(74,627)	(69,780)
Lease repayments [4]	(29,109)	(32,144)	(37,503)	(36,901)	-
Free cash flow available to shareholders [5]	16,532	105,391	25,518	45,772	108,246
Capital expenditure					
Capital expenditure	71,380	44,683	45,032	56,458	76,300
Assets acquired by way of business combination [6]	-	-	203	16,354	-
Assets disposed of in the period [6]	(11,000)	(34,195)	(9,095)	-	-
	60,380	10,488	36,140	72,812	76,300

(1) Earnings before income tax, interest expense, depreciation, amortisation and impairment, unrealised gains and losses on currency and interest rate swaps.
(2) The FY23 year includes depreciation on right-of-use assets of $26.8 million (FY22: $30.7 million).
(3) Working capital excludes cash and cash equivalents, current borrowings, derivative financial instruments, available for sale financial assets, contract liabilities and lease liabilities.
(4) Lease repayments prior to FY20, and the adoption of NZ IFRS 16, were included within net cash from operating activities.
(5) Free cash flow is after lease repayments for the period that are categorised in financing cash flows, but before other financing activities.
(6) RugbyPass and Lightbox acquired in FY20 were the only substantial acquisitions in the last five years. RugbyPass was sold on 10 October 2022 for non-cash consideration (refer note 28). The Mt Wellington properties in Auckland were sold on 18 March 2022 (refer note 13). The OSB business was sold in the 2021 financial year.

Directors' Responsibility Statement

The directors of Sky Network Television Limited (Sky) are responsible for ensuring that the consolidated financial statements of Sky and its subsidiaries (the Group) present fairly the financial position of the Group as at 30 June 2023 and the results of its operations and cash flows for the year ended on that date.

The directors consider that the consolidated financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the consolidated financial statements with the Financial Markets Conduct Act 2013.

The directors consider they have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors present the consolidated financial statements of the Group for the year ended 30 June 2023.

The Board of Directors of Sky authorise these consolidated financial statements for issue on 23 August 2023.

For and on behalf of the Board of Directors.

Philip Bowman
Director and Chair

Date: 23 August 2023

Keith Smith
Director and Chair of Audit and Risk Committee

Contents

Consolidated Income Statement

For the year ended 30 June 2023

In NZD 000	Notes	30-Jun-23	30-Jun-22
Revenue	4	754,100	736,111
Other income	5	3,515	16,753
Expenses			
Programming		386,614	365,347
Subscriber related costs		90,376	93,233
Broadcasting and infrastructure		79,777	70,586
Depreciation, amortisation and impairment of assets	6	74,098	80,171
Other costs		52,340	54,682
Total expenses		**683,205**	**664,019**
Impairment of goodwill	16	-	2,000
Finance income	19	2,639	814
Finance expense	19	6,152	6,908
Profit before tax		**70,897**	**80,751**
Income tax expense	8	19,884	18,539
Profit for the year		**51,013**	**62,212**
Attributable to			
Equity holders of the Company	7	50,754	62,145
Non-controlling interests		259	67
		51,013	**62,212**
Earnings per share			
Basic and diluted earnings per share (cents)	7	**32.37**	**35.57**

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

In NZD 000	30-Jun-23	30-Jun-22
Profit for the year	51,013	62,212
Items that may be reclassified to profit or loss		
Exchange difference on translation of foreign operations	(247)	318
Deferred hedging gains transferred to operating expenses during the year	1,651	12,785
Income tax effect	(462)	(3,580)
Net other comprehensive income to be reclassified to profit or loss, net of income tax	**942**	**9,523**
Items that may not be reclassified to profit or loss		
Deferred hedging losses transferred to non-financial assets during the year	(12,786)	(1,535)
Income tax effect	3,579	430
Net other comprehensive loss not being reclassified to profit or loss, net of income tax	**(9,207)**	**(1,105)**
Total comprehensive profit for the year	**42,748**	**70,630**
Attributable to:		
Equity holders of the Company	42,489	70,563
Non-controlling interest	259	67
	42,748	**70,630**

Consolidated Balance Sheet

As at 30 June 2023

In NZD 000	Notes	30-Jun-23	30-Jun-22
Current assets			
Cash and cash equivalents		56,051	138,916
Trade and other receivables	9	52,123	55,359
Programme rights inventory	10	134,812	121,407
Derivative financial instruments	22	5,234	14,345
		248,220	**330,027**
Non-current assets			
Property, plant and equipment	13	91,918	71,393
Right-of-use assets	14	39,399	57,301
Intangible assets	15	61,282	51,700
Deferred tax asset	8	3,617	4,919
Goodwill	16	244,264	244,264
Derivative financial instruments	22	1,474	4,464
		441,954	**434,041**
Assets held for sale	12	-	12,782
Total assets		**690,174**	**776,850**
Current liabilities			
Interest bearing loans and borrowings	17	-	1,035
Lease liabilities	18	25,665	31,244
Trade and other payables	11	134,367	151,711
Contract liabilities	11	57,532	52,505
Income tax payable		4,857	3,306
Derivative financial instruments	22	2,201	-
		224,622	**239,801**
Non-current liabilities			
Lease liabilities	18	23,648	39,435
Trade and other payables	11	601	1,146
Derivative financial instruments	22	697	-
		24,946	**40,581**
Liabilities associated with assets held for sale	12	-	1,975
Total liabilities		**249,568**	**282,357**
Equity			
Share capital	20	693,720	768,766
Reserves	21	1,188	9,453
Retained deficit		(255,728)	(284,995)
Total equity attributable to equity holders of the Company		**439,180**	**493,224**
Non-controlling interest		1,426	1,269
Total equity		**440,606**	**494,493**
Total equity and liabilities		**690,174**	**776,850**

Philip Bowman
Director and Chair

Keith Smith
Director and Chair of Audit and Risk Committee

For and on behalf of the Board 23 August 2023.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

		Attributable to owners of the parent					
In NZD 000	Notes	Share capital	Reserves	Retained deficit	Total	Non-controlling interest	Total equity
For the year ended 30 June 2023							
Balance at 1 July 2022		768,766	9,453	(284,995)	493,224	1,269	494,493
Net profit for the year		-	-	50,754	50,754	259	51,013
Exchange difference on translation of foreign operations		-	(247)	-	(247)	-	(247)
Cash flow hedges, net of tax	21	-	(8,018)	-	(8,018)	-	(8,018)
Total comprehensive income for the year		**-**	**(8,265)**	**50,754**	**42,489**	**259**	**42,748**
Transactions with owners in their capacity as owners							
Share capital returned [1]	20	(69,876)	-	-	(69,876)	-	(69,876)
Share Buyback [2]	20	(4,490)	-	-	(4,490)	-	(4,490)
Transaction costs	20	(680)	-	-	(680)	-	(680)
Dividend paid [3]		-	-	(21,487)	(21,487)	(102)	(21,589)
Supplementary dividends		-	-	(1,727)	(1,727)	-	(1,727)
Foreign investor tax credits		-	-	1,727	1,727	-	1,727
		(75,046)	-	(21,487)	(96,533)	(102)	(96,635)
Balance at 30 June 2023		**693,720**	**1,188**	**(255,728)**	**439,180**	**1,426**	**440,606**
For the year ended 30 June 2022							
Balance at 1 July 2021		768,766	1,035	(347,140)	422,661	1,340	424,001
Net profit for the year		-	-	62,145	62,145	67	62,212
Exchange difference on translation of foreign operations		-	318	-	318	-	318
Cash flow hedges, net of tax	21	-	8,100	-	8,100	-	8,100
Total comprehensive income for the year		**-**	**8,418**	**62,145**	**70,563**	**67**	**70,630**
Transactions with owners in their capacity as owners							
Dividend paid		-	-	-	-	(138)	(138)
		-	-	-	-	(138)	(138)
Balance at 30 June 2022		**768,766**	**9,453**	**(284,995)**	**493,224**	**1,269**	**494,493**

(1) Sky implemented a capital return of $69.9 million on 21 November 2022, with 1 ordinary share for every 6 ordinary shares held by shareholders on 21 November 2022 cancelled.
(2) On 31 March 2023 Sky commenced an on market share buyback (refer note 20). The buyback programme may run for up to 12 months to 31 March 2024, and the Company will acquire shares through the NZX and ASX at the prevailing market price from time to time in that period. At 30 June 2023 1,720,695 shares had been acquired at an average price of $2.61 and a total consideration of $4,490,000.
(3) Sky paid dividends of 7.3 cents per ordinary share on 23 September 2022 and 6.0 cents per ordinary share on 24 March 2023.

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

In NZD 000	Notes	30-Jun-23	30-Jun-22
Cash flows from operating activities			
Profit before tax		70,897	80,751
Adjustments for:			
Depreciation and amortisation	6	74,098	80,171
Impairment of goodwill	16	-	2,000
Impairment of programme rights	10	-	1,152
Unrealised foreign exchange loss	19	3,055	618
Interest expense	19	5,110	5,772
Interest income	19	(2,639)	(814)
Bad debts and movement in provision for loss allowance	6	1,351	1,291
Other non-cash items		(1,108)	(798)
Movement in working capital items:			
Decrease in receivables		1,885	229
Decrease in payables		(18,383)	(3,759)
Increase in programme rights		(4,574)	(19,517)
Cash generated from operations		**129,692**	**147,096**
Interest paid		(5,085)	(5,547)
Interest received		2,639	814
Bank facility fees paid		(25)	(225)
Income tax paid		(10,200)	(22,500)
Net cash from operating activities		**117,021**	**119,638**
Cash flows from investing activities			
Acquisition of property, plant, and equipment	13	(42,010)	(19,812)
Acquisition of intangibles	15	(29,370)	(24,871)
Proceeds from disposal of Mt Wellington properties	13	-	55,580
Proceeds from disposal of OSB business		-	7,000
Net cash (used in)/from investing activities		**(71,380)**	**17,897**
Cash flows from financing activities			
Capital returned to shareholders	20	(69,876)	-
Acquisition of ordinary shares through on-market share buyback	20	(4,490)	-
Transactions costs incurred	20	(680)	-
Repayment of other borrowings	17	(1,035)	(1,137)
Payments for lease liability principal	18	(29,109)	(32,144)
Dividend paid to minority shareholders		(102)	(138)
Dividends paid		(23,214)	-
Net cash used in financing activities		**(128,506)**	**(33,419)**
Net (decrease)/increase in cash and cash equivalents		(82,865)	104,116
Cash and cash equivalents at beginning of year		138,916	34,800
Cash and cash equivalents at end of year		**56,051**	**138,916**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

1. General Information

This section sets out the Group's accounting policies that relate to the consolidated financial statements as a whole. They have been presented in a structure which is intended to make them more relevant to shareholders. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

Sky Network Television Limited (Sky) is a company incorporated and domiciled in New Zealand. The address of its registered office is 10 Panorama Road, Mt Wellington, Auckland, New Zealand. The consolidated financial statements for the year ended 30 June 2023 comprise Sky Network Television Limited and its subsidiaries (the Group).

Sky is a company registered under the Companies Act 1993 and is a reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The consolidated financial statements of the Group have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the NZX Listing Rules.

The Group's primary activity is to operate as a provider of sport and entertainment media services and telecommunications in New Zealand and overseas.

These consolidated financial statements were authorised for issue by the Board on 23 August 2023.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a for-profit entity for the purpose of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

These consolidated financial statements are prepared on the basis of historical cost except where otherwise identified.

The consolidated financial statements are presented in New Zealand dollars.

Group structure

The Group has a majority share in the following subsidiaries:

Name of Entity	Principal Activity	Country of Incorporation	Parent	Interest held Jun-23	Interest held Jun-22
Sky DMX Music Limited	Commercial music	New Zealand	Sky	50.50%	50.50%
Sky Ventures Limited	Non-trading	New Zealand	Sky	100.00%	100.00%
Media Finance Limited	Non-trading	New Zealand	Sky	100.00%	100.00%
Non Trading PS Limited (previously Outside Broadcasting Limited)	Non-trading	New Zealand	Sky	100.00%	100.00%
Screen Enterprises Limited	Non-trading	New Zealand	Sky	100.00%	100.00%
Sky Network Services Limited (previously Igloo Limited)	Broadband services	New Zealand	Sky	100.00%	100.00%
Believe It Or Not Limited	Entertainment quizzes	New Zealand	Sky	51.00%	51.00%
Sky Investment Holdings Limited	Investment	New Zealand	Sky	100.00%	100.00%
RugbyPass Limited[2]	Content generation, subscriptions and marketing	Ireland	Sky Investment Holdings Limited	-	100.00%
Lightbox New Zealand Limited	Streaming services	New Zealand	Sky	100.00%	100.00%
Sports Analytics Pty Limited (acquired 1 January 2021)[1]	Data analytics for sports	South Africa	Sky Investment Holdings Limited	81.00%	81.00%
RugbyPass UK Limited (incorporated 26 Jan 2021)[2]	Management services	United Kingdom	Sky Investment Holdings Limited	-	100.00%

(1) In April 2023, Sports Analytics (Pty) Limited commenced a Business Rescue Process, a statutory procedure under South African Law, which facilitates the winding up of company structures, which is still in progress at 30 June 2023.

(2) On 10th October 2022 Sky completed an agreement with World Rugby to sell the shares of RugbyPass Limited and RugbyPass UK Limited (The RugbyPass Entities) for $11.0 million (refer note 28).

2. Basis of Consolidation

The Group financial statements consolidate the financial statements of Sky and its subsidiaries. The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition date fair value of the assets transferred and the liabilities incurred. Each identifiable asset and liability is generally measured at its acquisition date fair value except if another NZ IFRS requires another measurement basis. The excess of the consideration of the acquisition and the amount of any non-controlling interest in the acquired company, less the Group's share of the identifiable assets acquired, and the liabilities assumed, is recognised as goodwill. Acquisition related costs are expensed as incurred.

Subsidiaries

Subsidiaries are entities that are controlled, either directly or indirectly, by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns from its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains unless the transaction provides evidence of an impairment of the asset transferred.

Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3. Significant Accounting Policies and Critical Judgements and Estimates

Significant accounting judgements, estimates and assumptions

In the application of the Group's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The table below lists areas of key estimates and judgements:

Key estimates and judgements	Note
Agent versus principal revenue recognition	4. Segment and Revenue Information
Revenue recognition for new Sky Box and Sky Pod	4. Segment and Revenue Information
Unused tax losses	8. Taxation
Estimated life of technical assets	13. Property, Plant and Equipment
Impairment testing of definite useful life intangible assets	15. Intangible Assets
Assumptions underlying annual goodwill impairment assessment	16. Goodwill
Determining the lease term	18. Lease Liabilities
Transmission lease reassessment	18. Lease Liabilities

Significant accounting policies

The accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The significant accounting policies which are pervasive throughout the financial statements are set out below. Other significant accounting policies which are specific to transactions or balances are disclosed within the note to which they relate.

Foreign currency translation

Functional and presentation currency: The Group's consolidated financial statements are presented in New Zealand dollars (NZD or $) which is the Group's functional and presentation currency.

Transactions and balances: Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign operations: The income statements of foreign operations are translated into the Group's reporting currency at average exchange rates for the period and the assets and liabilities of foreign operations are translated into NZD at the exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated into NZD at the exchange rates at the dates of the transactions.

Foreign exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

Goods and services tax (GST)

The consolidated statement of comprehensive income and consolidated statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the consolidated balance sheet are stated net of GST with the exception of receivables and payables, which include GST invoiced.

Going concern

The Group's consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

The directors are satisfied that there will be adequate cash flows generated from operating and financing activities to meet the obligations of the Group for the foreseeable future from the time of approving the consolidated financial statements, after taking into consideration the current trading results and the fact that the Group has available cash of $56.1 million and an undrawn banking facility of $150 million at 30 June 2023 (refer note 17).

Environmental, Social and Governance (ESG) reporting

The Group as part of its enterprise risk management framework continues to monitor its exposure to risk, including those relating to ESG matters, on an annual basis. Sky's initial high level assessment of exposure to climate related risk has been captured within the company's detailed risk assessment framework, with climate related risks broadly contained within the principal risk areas of legislative and regulatory compliance and adverse natural events. The Group is undertaking a thorough review to document the key physical and transitional risks (and opportunities) associated with climate change and complete scenario analysis to understand the short, medium and longer term implications, including financial implications, for Sky's business. The directors and management consider that the potential financial impact from near term physical and transitional risks arising from climate change is unlikely to be significant to Sky's business. The Group is working towards publishing its first climate disclosure under New Zealand's Climate Related Disclosure (CRD) framework. That work is ongoing and has not resulted in significant changes to the judgements made to date.

IFRIC – Configuration and Customisation in a Cloud Computing Arrangement

In April 2021 the IFRS Interpretations Committee (IFRIC) issued an agenda decision on Configuration and Customisation costs in a Cloud Computing Arrangement. The Group has completed a review of relevant cloud computing arrangements and has implemented the interpretation to reflect the guidance published by IFRIC.

New accounting interpretations applicable to the Group

In May 2023 XRB released an amendment to paragraph 139U within NZ IAS 1 Presentation of Financial Statements. The amendment applies to the reporting and classification of liabilities containing covenants. As the Group has no liabilities containing covenants, the amendment has not been early adopted.

4. Segment and Revenue Information

In NZD 000	30-Jun-23	30-Jun-22
Sky Box subscriptions	509,771	514,029
Broadband subscriptions	19,623	8,782
Streaming subscriptions	103,174	93,266
Commercial revenue	53,465	47,379
Advertising	48,087	47,592
Other revenue	19,980	25,063
	754,100	**736,111**

Description of revenue streams

The Group has several revenue streams within its operating business segment which include the following:

Sky Box revenue: This includes all revenue related to Sky's subscription services for its Sky Box customers. Subscription fees are invoiced to customers on a monthly basis in advance and customer contracts are normally for a period of 12 months with monthly renewals thereafter. Early termination fees apply to 12 month contracted customers only. Subscription revenue is recognised over the period to which the subscription relates.

During the second half of the year, the new Sky Box was launched and offered to new and existing customers. The Sky Pod was also launched and offered to those customers previously using Vodafone TV (which ceased at the end of March 2023). As Sky continues to own the Sky Box and Sky Pod hardware over the subscription period, customers are required to pay a non-refundable, upfront access fee, or they can choose to pay the access fee monthly in order to access the subscription services. The upfront access fee is recognised on a straight-line basis over the customer's deemed contract period, and the monthly fee is recognised on a monthly basis as invoiced.

Unearned subscriptions and deferred revenues are revenues that have been invoiced relating to services not yet performed and are reported as contract liabilities (refer note 11). Contract liabilities also include the portion of one-off upfront fees whereby the customer's deemed contract period has not been completed.

Broadband revenue: This includes revenue from Sky's Broadband service which is provided primarily to Sky Box customers. Customers are invoiced in advance on a monthly basis either on a twelve month or rolling monthly contract. Early termination fees apply to 12 month contracted customers only. Revenue is allocated across the performance obligations on a relative standalone-selling price basis, using market-based approaches as follows:

- The provision of broadband connectivity – recognised on a straight-line basis over the contract term (as billed monthly).
- The provision of a voucher for Disney+ – recognised at a point in time when the voucher is issued.
- Voice services – recognised either on a straight-line basis over the term (for bundles) or as incurred (additional calls), consistent with billing.
- Cost incremental to obtaining a contract are expensed as incurred.

Streaming revenue: This includes content sold to third parties for retransmission and revenue from streaming services such as Neon and Sky Sport Now. This revenue is recognised over time based on the timing of the services provided. Contracts vary in length, including daily, weekly, monthly, annually and are payable in advance. Retransmission revenue was billed in arrears until 1 March 2022, when invoicing in advance commenced.

Contracts with wholesale customers, where some of the Group's services including Neon and Sky Sport Now, are combined with the customer's products and sold as part of a bundled service have differing provisions such that the Group has been determined to be either the principal or the agent depending on the wholesale contract terms. Customers are invoiced in advance on a monthly basis and contracts are normally for a period of 12 months with monthly renewals thereafter.

Commercial revenue: This includes commercial revenue earned from Sky subscriptions at businesses throughout New Zealand. Customers are invoiced in advance on a monthly basis and contracts are normally for a period of 12 months with monthly renewals thereafter.

Advertising revenue: This relates to revenue received from customers in return for advertising placed on the Group's services. This revenue is recognised at a point in time when the advertisement is screened. Contract terms and rates vary depending on the customer and services provided. Customers are billed monthly in arrears.

Other revenue: This includes revenue from installation services, transmission services, and various other non-subscriber related revenue. This revenue is recognised when the product or service has been delivered to the customer at a point in time or when the performance obligation is received by the customer.

Revenue from the lease of Broadband equipment to the customer is recognised on a straight-line basis over the contract term, consistent with monthly billing.

Key estimates and judgements

Agent versus principal revenue recognition

If the Group has control of goods or services when they are delivered to a customer, then the Group is the principal in the sale to the customer, otherwise the Group is acting as an agent. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating flows.

New Sky Box and Sky Pod revenue recognition

The following are the key judgements in determining how to recognise revenue:

- **Predetermined use** – both devices have a predetermined use governed by Sky which supports the fact that the contract arrangements for use of the new Sky Box or Sky Pod do not constitute a lease arrangement.
- **Customer contract terms** – judgement has been applied in determining each customer's contract term which becomes the period over which the access fee is recognised.
- **Existing customers on rolling monthly contracts** – do not gain a material right from obtaining a new Sky Box following payment of the upfront access fee. If they were to gain a material right, then this would require consideration in determining the customer contract term.

Sky operates in a single operating segment comprising the provision of sport, entertainment media and telecommunication services in New Zealand. This operating segment is reported in a manner consistent with the internal reporting to Sky's executive team who are the chief operating decision makers. Sky's executive team is responsible for allocating resources and assessing performance of the operating segment.

The table below shows the disaggregation of the Group's revenue from contracts with customers on the basis of when revenue is recognised for its principal revenue streams as described below.

In NZD 000	Sky Box & Sky Pod subscriptions	Broadband subscriptions	Streaming subscriptions	Commercial revenue	Advertising	Other revenue	Total revenue from contracts with customers
For the year ended 30 June 2023							
Revenue from customers	509,771	19,623	103,174	53,465	48,087	19,980	754,100
Total revenue	**509,771**	**19,623**	**103,174**	**53,465**	**48,087**	**19,980**	**754,100**
Timing of revenue recognition							
At a point in time	4,507	162	-	-	48,087	9,655	62,411
Over time	505,264	19,461	103,174	53,465	-	10,325	691,689
	509,771	**19,623**	**103,174**	**53,465**	**48,087**	**19,980**	**754,100**
For the year ended 30 June 2022							
Revenue from customers	514,029	8,782	93,266	47,379	47,592	25,063	736,111
Total revenue	**514,029**	**8,782**	**93,266**	**47,379**	**47,592**	**25,063**	**736,111**
Timing of revenue recognition							
At a point in time	5,195	366	-	-	47,592	7,467	60,620
Over time	508,834	8,416	93,266	47,379	-	17,596	675,491
	514,029	**8,782**	**93,266**	**47,379**	**47,592**	**25,063**	**736,111**

5. Other Income

Other income includes:

In NZD 000	Note	30-Jun-23	30-Jun-22
Government grant R&D tax credits		1,219	1,972
Gain on sale of Mt Wellington properties[1]	13	-	13,981
Other		2,296	800
		3,515	**16,753**

(1) The prior year includes $6.1 million gain on sale relating to the sale and leaseback of the Group's land and buildings located at 10 Panorama Road, Mt Wellington and a $7.8 million gain on sale of land and buildings located at 16 and 34 Leonard Road, Mt Wellington.

Other: Income not related to revenue from contracts with customers (which is required to be disclosed separately, refer note 4), and primarily includes Government grant R&D tax credits, investment income and gains on the disposal of assets.

6. Operating Expenses

Profit before tax includes the following separate expenses:

In NZD 000	Notes	30-Jun-23	30-Jun-22
Depreciation, amortisation and impairment			
Depreciation and impairment of property, plant and equipment[1]	13	26,623	27,276
Amortisation of intangibles	15	20,654	22,181
Depreciation of right-of-use assets	14	26,821	30,714
Impairment of goodwill	16	-	2,000
Total depreciation, amortisation and impairment		**74,098**	**82,171**
Credit loss			
Movement in provision		(923)	316
Net write-off		2,274	975
Total credit loss	9	**1,351**	**1,291**
Audit and review of financial statements[2]		859	661
Non-audit assurance services provided by principal auditors			
Non-audit assurance engagement in relation to the Telecommunications Development Levy		13	9
Non-audit non-assurance services provided by principal auditors			
Agreed upon procedures in relation to the Broadcasting Standards Authority Levy		10	9
Director fee benchmarking		17	-
Chief Executive Officer and executive remuneration benchmarking		35	-
Total fees to external auditors		**934**	**679**
Employee costs[3]		76,620	75,294
KiwiSaver employer contributions		2,275	2,280
Donations[4]		260	84
Operating lease and rental expenses		1,069	941

(1) The majority of depreciation and amortisation relates to broadcasting assets (refer note 13).
(2) The audit fee includes the fee for both the annual audit of the financial statements and the review of the interim financial statements.
(3) Employee costs include $3.9m of redundancy expenses and operating expenses include $2.9m of other consultancy and one-off costs related to the organisational changes announced on 29 March 2023.
(4) Sky partnered with New Zealand Rugby in 2023 to support the New Zealand Red Cross Disaster Relief Fund, set up to respond to the devastation caused by Cyclone Gabrielle. $250,000 was donated to assist communities affected by the Cyclone.

Employee entitlements include salaries, wages and annual leave, to be settled within 12 months of the reporting date. These entitlements represent present obligations resulting from employee services provided up to the reporting date and are calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

Incentive plans are recognised as a liability and an expense for discretionary short-term incentives (STIs) based on a formula that takes into account the economic value added by employees during the reporting period. The Group recognises this provision where contractually obliged or where there is a past practice that has created a constructive obligation.

7. Earnings per Share

Basic and diluted earnings per share

	30-Jun-23	30-Jun-22[3]
Profit after tax attributable to equity holders of the parent (NZD 000)	50,754	62,145
Weighted average number of ordinary shares on issue (thousands)	156,778	174,688
Basic and diluted earnings per share (cents)	**32.37**	**35.57**
Issued ordinary shares at the beginning of the year	174,688,323	174,688,323
Ordinary shares cancelled[1]	(29,115,132)	-
Ordinary share buyback[2]	(1,720,695)	-
Total number of shares on issue	143,852,496	174,688,323
Weighted average number of ordinary shares on issue	**156,778,235**	**174,688,323**

(1) On 21 November 2022 Sky cancelled 29,115,000 ordinary shares as part of a capital return (refer note 20).
(2) On 31 March 2023 Sky commenced an on market share buyback (refer note 20). The buyback programme may run for up to 12 months to 31 March 2024 and the Company will acquire shares through the NZX and ASX at the prevailing market price from time to time in that period. At 30 June 2023 1,720,695 shares had been acquired at an average price of $2.61 and a total consideration of $4,490,000.
(3) Prior year balances have been restated to reflect the share consolidation on 17 September 2021 (refer note 20).

Basic earnings or loss per share

Basic earnings or loss per share is calculated by dividing the profit attributable to equity holders of Sky by the weighted average number of ordinary shares on issue during the year.

Diluted earnings per share

Diluted earnings or loss per share is calculated by adjusting the weighted average of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Sky had no dilutive potential ordinary shares during the current or prior period.

8. Taxation

Income tax expense

The total charge for the year can be reconciled to the accounting profit as follows:

In NZD 000	30-Jun-23	30-Jun-22
Profit before tax	70,897	80,751
Prima facie tax expense at 28%	19,851	22,610
Non-assessable income	(1,004)	(6,652)
Non-deductible expenses	1,377	1,984
Prior year adjustment	489	(644)
Recognise tax losses previously not recognised	(1,497)	-
Tax loss not recognised	298	614
Effect of foreign tax rates	370	627
Income tax expense	**19,884**	**18,539**
Allocated between:		
Current tax	15,465	20,124
Deferred tax	4,419	(1,585)
Income tax expense	**19,884**	**18,539**

Current income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax, except to the extent that it relates to items recognised directly in other comprehensive income, in which case the tax expense is also recognised in other comprehensive income. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the rates that have been enacted or substantively enacted by the balance date.

Imputation credits

In NZD 000	30-Jun-23	30-Jun-22
Imputation credits available for subsequent reporting periods based on a tax rate of 28%	200,733	189,788

The above amounts represent the balance of the imputation credit account as at the end of the reporting period adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax.
- Imputation debits that will arise from the payment of dividends. Availability of these credits is subject to continuity of ownership requirements.

Deferred tax assets and (liabilities)

The following are the major deferred tax liabilities and assets and the movements thereon during the current and prior reporting periods.

In NZD 000	Fixed assets	Leased assets	Other	Recognised directly in equity	Total
For the year ended 30 June 2023					
At 1 July 2022	721	3,739	4,037	(3,578)	4,919
NZ IFRS 9 hedging adjustment recognised through other comprehensive income	-	-	-	3,117	3,117
Recognise tax losses previously not recognised	-	-	1,497	-	1,497
Prior period adjustments recognised	(518)	-	(353)	-	(871)
Credited/(charged) to profit and loss	(2,691)	(964)	(1,390)	-	(5,045)
Balance at 30 June 2023	**(2,488)**	**2,775**	**3,791**	**(461)**	**3,617**
For the year ended 30 June 2022					
At 1 July 2021	2,575	(1,669)	5,629	(548)	5,987
Disposal of Mt Wellington properties	377	-	-	-	377
NZ IFRS 9 hedging adjustment recognised through other comprehensive income	-	-	-	(3,150)	(3,150)
Prior period adjustments recognised	-	-	-	120	120
Credited/(charged) to profit and loss	(2,231)	5,408	(1,592)	-	1,585
Balance at 30 June 2022	**721**	**3,739**	**4,037**	**(3,578)**	**4,919**

Certain deferred tax assets and liabilities have been offset as allowed under NZ IAS 12 where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and liabilities are levied by the same taxation authority.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction neither affects accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Key estimates and judgements

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits.

During FY23, the Group recognised $5,347,000 ($1,497,000 tax effected) of previously unrecognised tax losses from Sky Network Services Limited (previously Igloo Limited) based on management's estimates of customer base and profitability of the entity in the next three to five years. There are a further $5,672,000 ($1,588,000 tax effected) of unrecognised losses remaining in this entity (30 June 2022: $11,850,000 ($3,318,000 tax effected)). These tax losses will be carried forward for use against future taxable profits of the entity subject to meeting the requirements of the income tax legislation, including shareholder continuity.

9. Trade and Other Receivables

In NZD 000	Note	30-Jun-23	30-Jun-22
Trade receivables		33,443	35,416
Less provision for loss allowance		(665)	(1,588)
Trade receivables – net		**32,778**	**33,828**
Other receivables		9,956	11,966
Prepaid expenses		9,389	9,565
Balance at end of year		**52,123**	**55,359**
Deduct receivables not classified as financial assets[1]		(12,796)	(11,945)
Financial instruments	26	**39,327**	**43,414**

(1) Receivable not classified as financial instruments include prepaid expenses, tax receivable and facility fees.

Impairment of trade receivables

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses trade receivables have been grouped based on the shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of revenue over the prior 24 months and the corresponding historical credit losses experienced within this period.

The impairment of trade receivables as at 30 June 2023 is as follows:

	30-Jun-23		30-Jun-22	
In NZD 000	**Gross**	**Impairment**	**Gross**	**Impairment**
Residential subscribers	21,018	(493)	22,408	(1,072)
Commercial subscribers	4,864	(39)	4,783	(176)
Wholesale customers	832	-	1,345	-
Advertising	3,795	-	4,731	(7)
Other	2,934	(133)	2,149	(333)
	33,443	**(665)**	**35,416**	**(1,588)**

As at 30 June 2023, the ageing analysis of trade receivables is as follows:

	30-Jun-23			30-Jun-22		
In NZD 000	**Expected loss rate[1]**	**Gross carrying amount**	**Loss allowance**	**Expected loss rate[1]**	**Gross carrying amount**	**Loss allowance**
Not past due	0.2%	29,512	72	0.2%	28,999	72
Past due 0-30 days	2.6%	2,794	72	3.1%	3,397	107
Past due 31-60 days	7.3%	464	34	7.5%	1,302	97
Past due 61-90 days	50.1%	361	181	42.0%	638	268
Greater than 90 days	98.1%	312	306	96.8%	1,080	1,044
		33,443	**665**		**35,416**	**1,588**

(1) The differences in the expected loss rates reflect variations in the composition of trade receivables year on year.

Movements in the provision for impairment of receivables were as follows:

In NZD 000	Note	30-Jun-23	30-Jun-22
Opening balance		1,588	1,272
Charged during the year	6	1,351	1,291
Utilised during the year		(2,274)	(975)
Closing balance		**665**	**1,588**

The provision charged and the amount utilised for impaired receivables has been included in subscriber related costs in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of receiving additional cash, usually ninety days after a customer has been disconnected. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable. The Group holds collateral of $1.0 million (30 June 2022: $1.1 million) in the form of deposits for Sky Box customers.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An impairment loss is recognised based on expected credit losses for each trade receivable group.

10. Programme Rights Inventory

In NZD 000	30-Jun-23	30-Jun-22
Opening balance	121,407	103,154
Acquired during the year	343,365	329,888
Written off during the year	-	(1,152)
Charged to programming expenses	(329,960)	(310,483)
Balance at end of year	**134,812**	**121,407**

Programme rights for broadcast are stated at the lower of cost and net realisable value, and net of the accumulated expense charged to the income statement to date. Such programming rights are included as inventory when the legally enforceable licence period commences, and all of the following conditions have been met: (a) the cost of each programme is known or reasonably determinable; (b) the programme material has been accepted by the Group in accordance with the conditions of the rights; and (c) the programme is available for its first showing.

Prior to being included in inventories, the programming rights are classified as television programme rights not yet available for transmission and not recorded as inventories on the Group's balance sheet and are instead disclosed as contractual commitments (refer note 30).

The cost of television programme inventory is recognised as programming rights in the income statement, over the period the Group utilises and consumes the programming rights, applying linear-broadcast and time-based methods of amortisation depending on the type of programme right and taking into account the circumstances primarily as described below.

These circumstances may change or evolve over time and, as such, the Group regularly reviews and updates the method used to recognise programming expense.

Sports – the majority or all of the cost is recognised in the income statement on the first broadcast or, where the rights are for multiple seasons or competitions, such rights are recognised principally on a straight-line basis across the contracted broadcast period or season.

Movies – the cost is recognised in the income statement on an "as played" basis over the period for which the broadcast rights are licensed.

Pass through channels – the cost is amortised in the month of activity.

Entertainment streaming content – the cost is amortised on a straight-line basis over the licence period.

The Group regularly reviews its programming rights for impairment. Where programme broadcast rights are surplus to the Group's requirements, and no gain is anticipated through a disposal of the rights, or where the programming will not be broadcast for any other reason, a write-down to the income statement is made. Any reversals of inventory write-downs are recognised as reductions in operating expense.

11. Trade and Other Payables and Contract Liabilities

In NZD 000	Notes	30-Jun-23	30-Jun-22
Trade payables		90,108	100,682
Employee entitlements		8,331	9,412
Tax payables		4,548	5,465
Accruals		30,798	34,746
Provisions	27	1,183	2,552
Balance at end of year		**134,968**	**152,857**
Current		134,367	151,711
Two to five years		601	1,146
		134,968	**152,857**
Less			
Payables not classified as financial instruments[1]		(14,062)	(17,429)
Financial instruments	25	**120,906**	**135,428**

(1) Tax payables, provisions and employee benefits do not meet the definition of a financial instrument and have been excluded from the "Financial instruments" category.

Trade and other payables, other than contingent consideration, which is measured at fair value, are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Contract liabilities

In NZD 000	30-Jun-23	30-Jun-22
Deferred revenue	57,532	52,505

Contract liabilities of $52,505,000 were released into revenue during the year ended 30 June 2023 (30 June 2022: $52,267,000).

Contract liabilities are not classified as financial instruments.

Contract liabilities are payments received from customers in advance and are recognised in revenue over the service period. Sky invoices customers in advance for both residential and commercial subscriptions. Contract liabilities recognised at the end of the financial year are recognised as revenue in the following year.

12. Assets Held For Sale

In May 2022, the Group commenced negotiations to sell the RugbyPass business for non-cash consideration of $11.0 million to Rugby World Cup Ltd as part of a wide ranging multi-year partnership. Those negotiations were completed on 10 October 2022 (refer note 28).

The assets and liabilities classified as held for sale on 30 June 2022 relate to the sale of RugbyPass business.

Assets classified as held for sale are reported at their book value, there are no assets held for sale at 30 June 2023.

In NZD 000	Notes	30-Jun-23	30-Jun-22
Assets			
Trade and other receivables	9	-	1,737
Other intangible assets	15	-	2,064
Goodwill	16	-	8,981
Assets held for sale		**-**	**12,782**
Liabilities			
Trade and other payables		-	1,612
Deferred tax liability		-	363
Liabilities associated with assets held for sale		**-**	**1,975**

13. Property, Plant and Equipment

In NZD 000	Land, buildings & leasehold improvements	Broadcasting & studio equipment	Decoders & associated equipment	Capitalised installation costs	Other plant & equipment	Projects under development	Total
For the year ended 30 June 2023							
Cost							
Balance at 1 July 2022	10,278	111,915	246,686	239,370	76,485	2,978	687,712
Transfer between categories	796	1,616	510	-	1,110	(4,032)	-
Additions[1,2]	1,587	1,031	28,659	12,034	1,905	1,944	47,160
Disposals	-	(14,043)	(22,405)	(19,742)	(4,845)	-	(61,035)
Balance at 30 June 2023	**12,661**	**100,519**	**253,450**	**231,662**	**74,655**	**890**	**673,837**
Accumulated depreciation							
Balance at 1 July 2022	3,854	104,839	241,189	206,650	59,787	-	616,319
Depreciation for the year (note 6)	738	2,414	3,201	13,968	6,302	-	26,623
Disposals	-	(14,032)	(22,405)	(19,742)	(4,844)	-	(61,023)
Balance at 30 June 2023	**4,592**	**93,221**	**221,985**	**200,876**	**61,245**	**-**	**581,919**
Net book value at 30 June 2023	**8,069**	**7,298**	**31,465**	**30,786**	**13,410**	**890**	**91,918**
For the year ended 30 June 2022							
Cost							
Balance at 1 July 2021	43,799	110,718	254,055	245,178	77,827	1,666	733,243
Transfer between categories	101	1,071	-	-	94	(1,266)	-
Additions	948	1,027	977	11,605	2,677	2,578	19,812
Disposals	(34,570)	(901)	(8,346)	(17,413)	(4,113)	-	(65,343)
Balance at 30 June 2022	**10,278**	**111,915**	**246,686**	**239,370**	**76,485**	**2,978**	**687,712**
Accumulated depreciation							
Balance at 1 July 2021	16,717	103,066	247,750	208,134	57,384	-	633,051
Depreciation for the year (note 6)	725	2,334	1,785	15,930	6,502	-	27,276
Disposals	(13,588)	(561)	(8,346)	(17,414)	(4,099)	-	(44,008)
Balance at 30 June 2022	**3,854**	**104,839**	**241,189**	**206,650**	**59,787**	**-**	**616,319**
Net book value at 30 June 2022	**6,424**	**7,076**	**5,497**	**32,720**	**16,698**	**2,978**	**71,393**

(1) Additions to Decoders and associated equipment includes purchase of New Sky Box, Pod and Broadband equipment.
(2) Total additions of $47,160,00 include creditor accruals of $5,150,00 which are excluded from the $42,020,00 disclosed as acquisition of PPE in the Consolidated Statement of Cash flows.

Land, buildings, and leasehold improvements at 30 June 2023 includes land with a cost of $1,600,000 (30 June 2022: $1,600,000). Depreciation related to broadcasting assets (including decoders and capitalised installation costs) of $19,583,000 (30 June 2022: $20,049,000) accounts for the majority of the total depreciation charge.

Disposals include the removal of both the cost and accumulated depreciation of fully depreciated assets that are no longer utilised by the Group.

Sale and Leaseback of Mt Wellington Land and Buildings

On 18 March 2022, the Group completed the sale and leaseback of its Mt Wellington land and building located at 10 Panorama Road known as Studio 1 which had a book value of $20.8 million at the time of sale. Total net proceeds were $34.3 million resulting in a gain on sale of $13.5 million of which $6.1 million was recognised in other income in the prior period.

The unrecognised $7.4 million portion of the gain to be allocated to the Studio 1 right of use asset, reflecting the proportion of the previous carrying amount of the land and building that relates to the right of use asset transferred to the lessor, and to be amortised over the life of the lease. The leaseback gave rise to a right of use asset of $6.2 million, a lease liability of $13.6 million and a deferred tax asset of $2.1 million.

On 18 March 2022, the Group also completed the sale of two properties known as Studio 2 and Studio 3 located at 34 and 16 Leonard Road, Mt Wellington. Total net proceeds were $21.3 million resulting in a gain of $7.8 million which was recognised as other income in the prior period.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except land which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Capitalised installation costs are represented by the cost of satellite dishes, installation costs and direct labour costs. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The cost of additions to plant and other assets constructed by the Group consist of all appropriate costs of development, construction and installation, comprising material, labour, direct overhead and transport costs. For qualifying assets directly attributable interest costs incurred during the period required to complete and prepare the asset for its intended use are capitalised as part of the total cost. All other costs are recognised in profit or loss as an expense is incurred. Additions in the current year include $225,000 of capitalised labour costs (30 June 2022: $234,000).

Projects under development comprise expenditure on partially completed assets. The projects include items of property, plant and equipment and intangible assets. At completion of the project the costs are allocated to the appropriate asset categories and depreciation or amortisation commences.

Costs may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recognised in other costs.

Depreciation

Property, plant and equipment are depreciated using the straight-line method so as to allocate the costs of assets to their residual values over their estimated useful lives as follows:

Leasehold improvements	5-50 years
Buildings	50 years
Broadcasting and studio equipment	5-10 years
Decoders and other customer premises equipment	4-6 years
Other plant and equipment	3-10 years
Capitalised installation costs	5 years

Depreciation commences when the property, plant and equipment is considered available for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Key estimates and judgements

The estimated life of technical assets such as decoders and other broadcasting assets is based on management's best estimates. Changes in technology may result in the economic life of these assets being different from that estimated previously. The Board and management regularly review economic life assumptions of these assets as part of management reporting procedures.

Management has assessed the estimated useful life of the new Sky Box and Sky Pod launched in the second half of the year to be 6 years. This customer equipment is disclosed as decoders and associated equipment.

14. Right-of-Use Assets

In NZD 000	Transmission	Property	Equipment	Motor Vehicles	Total
Right-of-use assets					
Balance at 1 July 2022	28,530	16,154	12,581	36	57,301
Additions	-	-	3,006		3,006
Lease modification/reassessment[1]	6,413	(782)	288	(61)	5,858
Terminations	-	-	-	55	55
Depreciation	(17,223)	(2,600)	(6,970)	(28)	(26,821)
Balance at 30 June 2023	**17,720**	**12,772**	**8,905**	**2**	**39,399**
Right-of-use assets					
Balance at 1 July 2021	52,696	3,452	8,018	106	64,272
Additions	-	14,186	11,210	7	25,403
Lease modification	(1,003)	-	-	-	(1,003)
Terminations	(657)	-	-	-	(657)
Depreciation	(22,506)	(1,484)	(6,647)	(77)	(30,714)
Balance at 30 June 2022	**28,530**	**16,154**	**12,581**	**36**	**57,301**

(1) On 1 April 2023 the Group performed a reassessment of its current satellite lease which led to a change in payments profile and a change to the current lease term, which impacted the Transmission right-of-use asset (refer note 18).

Right-of-use assets are measured at cost which includes the initial measurement of the lease liability, plus any lease payment made before the commencement date, initial direct costs and restoration costs less any lease incentives received. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group leases various premises, transmission equipment, motor vehicles and sundry equipment. Rental contracts vary between one and five years with some office leases containing renewal options. The Group has incorporated renewal options into the lease term where it is reasonably certain that the lease will be extended.

15. Intangible Assets

In NZD 000	Notes	Software	Other intangibles	Projects under development	Total
For the year ended 30 June 2023					
Cost					
Balance at 1 July 2022		207,436	2,921	11,674	222,031
Transfer from projects under development		9,192	-	(9,192)	-
Additions[1]		29,918	-	318	30,236
Disposals		(6,560)	-	-	(6,560)
Balance at 30 June 2023		**239,986**	**2,921**	**2,800**	**245,707**
Accumulated amortisation					
Balance at 1 July 2022		167,484	2,847	-	170,331
Amortisation for the year		20,580	74	-	20,654
Disposals		(6,560)	-	-	(6,560)
Balance at 30 June 2023		**181,504**	**2,921**	**-**	**184,425**
Net book value at 30 June 2023		**58,482**	**-**	**2,800**	**61,282**
For the year ended 30 June 2022					
Cost					
Balance at 1 July 2021		198,984	7,283	1,648	207,915
Transfer from projects under development		1,476	-	(1,476)	-
Additions		13,369	-	11,502	24,871
Disposals		(3,382)	-	-	(3,382)
Assets held for sale	12	(3,011)	(4,362)	-	(7,373)
Balance at 30 June 2022		**207,436**	**2,921**	**11,674**	**222,031**
Accumulated amortisation					
Balance at 1 July 2021		153,093	3,665	-	156,758
Amortisation for the year		20,400	1,781	-	22,181
Disposals		(3,298)	-	-	(3,298)
Assets held for sale	12	(2,711)	(2,599)	-	(5,310)
Balance at 30 June 2022		**167,484**	**2,847**	**-**	**170,331**
Net book value at 30 June 2022		**39,952**	**74**	**11,674**	**51,700**

(1) Total additions of $30,236,000 include creditor accruals of $866,000 which are excluded from the $29,370,000 disclosed as acquisition of intangibles in the Consolidated Statement of Cash flows.

Software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives (generally three to five years). Direct costs associated with the development of broadcasting and business software for internal use are capitalised where it is probable that the asset will generate future economic benefits. Capitalised costs include external direct costs of materials and services consumed and direct payroll-related costs for employees (including contractors) directly associated with the project and interest costs incurred during the development stage of a project. Additions in the current year to software include capitalised labour costs of $13,393,000 (30 June 2022: $5,650,000) and no interest was capitalised.

Costs associated with cloud computing arrangements not controlled by Sky are expensed as incurred. Customisation and configuration costs are capitalised if they are directly attributable to identifiable intangible assets which are controlled by Sky and are generated or acquired during implementation. These assets are amortised over their estimated useful lives (generally three to five years). Customisation and configuration costs are otherwise expensed as incurred unless they relate to services performed by the SaaS vendor which are assessed as not distinct from the SaaS offering, in which case they are capitalised as a prepayment and expensed over the service contract period.

Projects under development comprise expenditure on partially completed assets. The projects include items of property, plant and equipment and intangible assets. At completion of the project the costs are allocated to the appropriate asset categories and depreciation or amortisation commences.

Key estimates and judgements

Assets that are subject to amortisation and depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

16. Goodwill

In NZD 000	Notes	30-Jun-23	30-Jun-22
Opening balance		244,264	255,245
Transfer to held for sale	12	-	(8,981)
Impairment	6	-	(2,000)
Closing balance		**244,264**	**244,264**

Assets that have an indefinite useful life are not subject to amortisation and are tested at each reporting date for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment tests are performed by assessing the recoverable amount of each individual asset or cash generating unit (CGU). The recoverable amount is determined as the higher amount calculated under a value-in-use or a fair value less costs of disposal calculation. Both methods utilise pre-tax future cash flows which are included in the Group's five-year business plan.

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition and the fair value of the non-controlling interest in the acquired subsidiary. Prior to 30 June 2020 the goodwill balance had been allocated to the Group's single reportable segment. The majority of goodwill arose as a result of the acquisition of Sky by Independent Newspapers Limited (INL) in 2005. Subsequent acquisitions have resulted in increases to goodwill, including in August 2019 with the acquisition of RugbyPass and associated goodwill of $38.5 million.

From the year ended 30 June 2020, RugbyPass was reported as a separate CGU, albeit it continued to be included as part of the Group's single reportable segment. In separating out the RugbyPass CGU from the remainder of the Group, all of the RugbyPass goodwill of $38.5 million was allocated to the RugbyPass CGU as it was management's view that the existing Sky business had not received any material synergy benefits from the acquisition of RugbyPass. The RugbyPass goodwill was subsequently impaired by $27.5 million at 30 June 2020. At 30 June 2022 the remaining goodwill was further impaired by $2.0 million, and RugbyPass was recorded as an asset held for sale. The RugbyPass business, including the remaining $9.0 million of goodwill associated with the operation, was subsequently disposed of on 10 October 2022. Following the disposal, the Group was reduced to a single CGU (the Sky CGU).

In performing impairment testing, if the carrying values exceed the recoverable amounts for the CGU, then the goodwill is considered to be impaired and an impairment expense is recognised in the income statement. The recoverable amount of the Sky CGU for the year ended 30 June 2023 has been determined based on fair value less cost of disposal calculation using the discounted cash flow (DCF) model. For the year ended 30 June 2023 management has utilised the same valuation approach used in the prior year for calculating the recoverable amount of the Sky CGU. This valuation methodology uses level three inputs in terms of the fair value hierarchy in NZ IFRS 13.

The fair value less cost of disposal calculation includes benefits of future changes to the cost structure as the Group leverages new technologies and continues to refine its operating models. Some of these changes would not be included if value-in-use calculations were used to determine the recoverable amounts of the Sky CGU and therefore fair value less cost of disposal calculations leads to the highest recoverable amount for the Sky CGU.

Key estimates and judgements

The determination of CGUs and the allocation of goodwill to these CGUs requires a degree of judgement by management and this has been outlined above.

The forecasts used in impairment testing also requires assumptions and judgements about the future, such as discount rates, terminal growth rates, forecast revenues, and assumptions around programming rights, and other costs and capital expenditure to which the impairment models are very sensitive, and which are inherently uncertain. Actual results may differ materially from those forecast or implied. The forecasts are not, and should not be read as, a forecast of, or guidance as to, the future financial performance and earnings of the Group.

Cash flows over the forecast period (FY24 to FY28)

Forecast cash flows are prepared based on management's current expectations, with consideration given to internal information and relevant external industry data and analysis. The cash flow assumptions for the purposes of the impairment testing, referred to as the goodwill impairment test model, were approved by the Board on 20 June 2023.

In determining the cash flows for the goodwill impairment test model, the Board acknowledges that there continues to be ongoing uncertainties surrounding factors such as:

- the heightened impact of the economic environment (inflation and rising interest rates) as customers rationalise household spending;
- the quantum and timing of subscription revenues including expected acquisition and retention rates for streaming and Sky Box customers;
- timing of live sports across the various sporting codes and delivery of rights according to contract, or delivery of equivalent content, and assumptions around the cost of renewing key rights agreements in the future; and
- expansion of content delivery by means other than satellite, specifically the growth of broadband services.

While the core strategy and direction of the business remains broadly the same as the previous five-year plan, which was the basis of the impairment testing at 30 June 2022, the goodwill impairment test model reflects any changes in the business since that time, as well as areas where there has been a shift in focus such as:

- the trading performance for the year ended 30 June 2023;
- further high growth in streaming revenues on the back of securing long term partnerships such as Warner Bros. Discovery (incl. HBO), The Premier League and Formula One.
- Sky Box stabilisation delayed reflecting the economic uncertainty impacting household spend and delayed timing of the launch of the new Sky Box and Pod products;
- a less aggressive growth outlook in broadband;
- changes to sport and entertainment costs to reflect new and/or revised rights deals (e.g. securing the long-term partnerships such as Warner Bros. Discovery (incl. HBO), The Premier League and Formula One) and revised assumptions around content renewals in the future; and
- other structural changes, including the offshoring of certain programming operations, customer care and technology functions.

Valuation approach

For the year ended 30 June 2023, management has utilised the same valuation approach used in the prior year, other than refreshing the discount rate and reconfirming the terminal growth rate based on independent expert advice and adopted a revised five-year plan scenario (referred to as the Goodwill impairment case, which was approved by the Board on 20 June 2023), and removal of the RugbyPass CGU following the sale of that business on 10 October 2022.

Key cash flow assumptions include the following:

Residential Sky Box and streaming revenues have been forecast based on management's current expectations of subscriber numbers and average revenues per user (ARPU). In forming these expectations, management has referenced past churn and acquisition performance, and factored in management interventions and planned growth strategies, specifically plans for a new Sky Box and Pod, initiatives focused on customer retention and loyalty, and for streaming, continued growth with Neon and Sky Sport Now having secured and/or renewed key content such as Warner Bros. Discovery (incl. HBO), The Premier League and Formula One.

Broadband revenues reflect continued growth following the launch of the business in the 2021 financial year and are estimated based on management's expectations of Sky's market penetration with reference to relevant industry data and Sky's expected ARPU.

Programming expenses include both programming rights and programming costs. Programming rights expenses have been forecast with reference to contractual arrangements for content currently in place and management's expectations of future renewal of content arrangements. Programming costs largely comprise of sports production costs and are forecast with reference to the latest sporting calendar and management's expectations of future events and renewal assumptions.

Broadcasting and infrastructure expenses are forecast with reference to historical trends with assumed cost savings as Sky continues to refine its operational activities through a period of transformational change and right-sizes its cost base.

Capital expenditure is forecast with reference to revenue consistent with historical trends and the changing nature of the Group's asset base, and specifically growth capital expenditure associated with the roll-out of the new Sky Box and Pod products, as well as one-off capital expenditure associated with satellite mitigation.

Discount rates and terminal growth rates

The terminal growth rate and discount rate used in the 30 June 2023 impairment assessment calculations (and the equivalent assumptions for 30 June 2022) are detailed below. Costs of disposal are assumed to be 1% (30 June 2022: 1%) of the enterprise value.

	30-Jun-23	30-Jun-22	
	Sky CGU	**Sky CGU**	**RugbyPass CGU**
Terminal growth rate	2.0%	2.0%	N/a
Discount rate (post-tax)	11.1%	10.6%	N/a
Discount rate (pre-tax)	15.4%	14.7%	N/a

The terminal growth rate for the Sky CGU takes into account the surety of content supply from entering into long term content supply agreements in the current financial year, the changing balance of future revenues with streaming and other subscription revenue that are likely to more than offset any decline of residential Sky Box revenues. Any risks of not achieving long term growth rate have been adequately factored into the discount rate.

The discount rate represents the current assessment of the risks specific to the Sky CGU, considering the time value of money and risks of achieving the cash flow estimates. The discount rate calculation is based on the specific circumstances of Sky and is derived from its weighted average costs of capital (WACC).

The terminal growth rate and discount rate have been sourced from independent expert advice, and are based on prevailing economic, market and other conditions, which can change significantly over relatively short periods of time. Recent interest rate volatility and the current economic outlook have created increased uncertainty with respect to the valuation of the business. Recognising these factors, the valuation outcomes arrived at may be more susceptible to change than would normally be the case.

Conclusion

Management and the directors have assessed the recoverable amount for the Sky CGU, and also considered whether there are any events or changes in circumstances that may indicate impairment and have concluded that no such indicators of impairment exist.

		30-Jun-23	30-Jun-22	
In NZD 000	**Notes**	**Sky CGU**	**Sky CGU**	**RugbyPass CGU**
Opening balance		244,264	244,264	10,981
Impairment		-	-	(2,000)
Transfer to assets held for sale	12	-	-	(8,981)
Closing balance		**244,264**	**244,264**	**-**

Sensitivities

The recent launch of the new Sky Box and Pod product offerings, proposed price changes and market changes arising from competition make it difficult to estimate subscriber numbers with a high degree of accuracy, and therefore there is significant uncertainty in the level of future subscriber numbers. Actual results may be materially different from the plan due to changes in the key assumptions. In particular changes in the quality, pricing or retention of key content contracts, subscriber numbers and ARPU could give rise to impairment of goodwill.

The key forecast cash flow assumptions are outlined in the following table. For each key assumption management has identified what a reasonable possible change may be, based on expected ranges which would significantly impact the recoverable amount. The expected impacts on the CGU recoverable amount which result from a sensitivity to subscribers also captures the change in the directly attributable variable costs caused by the increase/decrease to subscribers. The expected impact on the CGU recoverable amount from the cost sensitivities do not capture any changes in revenue which may result if costs were to increase/decrease.

	Sensitivity	Expected impact on CGU recoverable amount Upside $million	Downside $million
Sky CGU			
Residential Sky box revenues	+/-10% change to subscribers[1]	242.6	(242.6)
	+/-10% change to ARPU[1]	252.4	(252.4)
Streaming revenues	+/-10% change to subscribers	97.1	(97.1)
	+/-10% change to ARPU	97.4	(97.4)
Sky CGU costs	+/-10% change to programming cost renewals[1]	225.7	(225.7)
	+/-1% change to capex as % of revenue	68.9	(68.9)
DCF assumptions	+/-1% change to discount rate	89.7	(71.8)
	+/-1% change to terminal growth rate	65.1	(52.2)

(1) For the most material forecast cashflow assumptions, namely Sky Box subscriber numbers, Sky Box ARPU, and programming cost renewals, the sensitivity levels at which Sky CGU goodwill headroom reduces to nil are: Sky Box subscriber numbers (10.1)%, Sky Box ARPU (10)%, and programming costs renewals 10.8%. For other sensitivities shown the reasonably possible changes would not result in an impairment.

Market capitalisation comparison

The Group compares the carrying amount of net assets with its market capitalisation value at each reporting balance date. The share price as at 30 June 2023 was $2.44 equating to a market capitalisation of $351 million, and the share price on the day the financial statements were signed was $2.52 equating to a market capitalisation of $363 million. This market value excludes any control premium and may not reflect the value of the Group's net assets. The carrying amount of the Group's net assets as at 30 June 2023 was $441 million ($3.07 per share). Based on the fair value less cost of disposal valuation method there are no indicators that the goodwill balance at 30 June 2023 is impaired.

17. Borrowings

	30-Jun-23			30-Jun-22		
In NZD 000	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Borrowings[1]	-	-	-	1,035	-	1,035
	-	**-**	**-**	**1,035**	**-**	**1,035**

(1) Borrowings include third party loans only.

Bank loans

The Group has a revolving credit bank facility of $150 million expiring 31 July 2025 from a syndicate of banks comprising Bank of New Zealand, Commonwealth Bank of Australia, and Westpac New Zealand Limited.

The facility arrangements (together with certain hedging arrangements) take the benefit of shared security granted by certain members of the Group, including:

- a general security deed granted by each of Sky Network Television Limited, Sky Network Services Limited and Sky Investment Holdings Limited;
- real property mortgages granted over certain real property interests of Sky Network Television Limited.

As is customary for facilities of this nature, the loan facility is subject to certain covenant clauses whereby the Group is required to meet certain key financial ratios and other performance indicators.

There have been no breaches of covenant clauses in the 2023 financial year and no breaches are anticipated within the next 12 months.

Bank overdrafts of $771,000 (30 June 2022; $825,000) have been set off against cash balances.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings, using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Changes in liabilities arising from financing activities

In NZD 000	1 July 2022	Additions	Repayment	Fees	Reclass	Other movements[1]	30 June 2023
Current liabilities							
Third party loan	1,035	-	(1,035)	-	-	-	-
Lease liabilities	31,244	-	-	-	(5,563)	(16)	25,665
Non-current liabilities							
Lease liabilities	39,435	3,103	(29,109)	-	5,563	4,656	23,648
	71,714	**3,103**	**(30,144)**	**-**	**-**	**4,640**	**49,313**

In NZD 000	1 July 2021	Additions	Repayment	Fees	Reclass	Other movements[1]	30 June 2022
Current liabilities							
Third party loan	1,137	-	(1,137)	-	1,035	-	1,035
Lease liabilities	39,074	-	-	-	(7,830)	-	31,244
Non-current liabilities							
Third party loan	1,035	-	-	-	(1,035)	-	-
Lease liabilities	31,075	33,068	(32,144)	-	7,830	(394)	39,435
	72,321	**33,068**	**(33,281)**	**-**	**-**	**(394)**	**71,714**

(1) Other movements include exchange differences, changes in fair value and satellite lease reassessment (refer note 18).

18. Lease Liabilities

This note provides information for leases where the Group is a lessee.

In NZD 000	Transmission	Property	Equipment	Motor vehicles	Total
For the year ended 30 June 2023					
Balance at 1 July 2022	33,958	23,894	12,789	38	70,679
Additions for the period	-	93	3,010	-	3,103
Lease modifications/reassessments[1]	4,801	(782)	288	9	4,316
Terminations	-	-	-	(16)	(16)
Add interest for period	939	1,328	469		2,736
Less repayments	(20,388)	(4,120)	(7,308)	(29)	(31,845)
Foreign currency revaluation	200	-	140	-	340
Balance at 30 June 2023	**19,510**	**20,413**	**9,388**	**2**	**49,313**
Current	16,652	2,846	6,165	2	25,665
Two to five years	2,858	9,522	3,223	-	15,603
More than five years	-	8,045	-	-	8,045
Balance at 30 June 2023	**19,510**	**20,413**	**9,388**	**2**	**49,313**

In NZD 000	Transmission	Property	Equipment	Motor vehicles	Total
For the year ended 30 June 2022					
Balance at 1 July 2021	58,146	4,015	7,879	109	70,149
Additions for the period[1]	-	21,792	11,269	7	33,068
Lease modifications and terminations	(1,647)	-	-	-	(1,647)
Add interest for period	1,591	556	401	4	2,552
Less repayments	(24,955)	(2,469)	(7,190)	(82)	(34,696)
Foreign currency revaluation	823	-	430	-	1,253
Balance at 30 June 2022	**33,958**	**23,894**	**12,789**	**38**	**70,679**
Current	22,429	2,772	6,006	37	31,244
Two to five years	11,529	10,284	6,783	1	28,597
More than five years	-	10,838	-	-	10,838
Balance at 30 June 2022	**33,958**	**23,894**	**12,789**	**38**	**70,679**

(1) On 1 April 2023 the Group performed a reassessment of its current satellite lease which led to a change in payments profile and a change to the current lease term, which impacted the transmission lease liability.

Short term lease costs included in expenses in the consolidated statement of comprehensive income are $2,365,000 (30 June 2022: $3,715,000). No leases were terminated or assigned to other parties during the period or in the prior period.

The Group leases various properties, transmission equipment, motor vehicles and sundry equipment. Rental contracts vary between one and ten years with some office leases containing renewal options. Sky has incorporated renewal options into the lease term where it is reasonably certain that the lease will be extended.

For higher value contracts the Group adjusts the borrowing rate after considering the effect of the lease term, the currency and value of the lease, any security given, and the economic environment in which the Group operates.

For leases where there are renewal options the lease payments may change. When lease payments are adjusted, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period.

Key estimates and judgements

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a renewal option. Renewal options are only included in the lease term if the option is reasonably certain to be exercised.

Most of the Group's property leases contain renewal options, and generally where it is likely that these options will be exercised, they have been included in the calculation of the lease liability. Management reassesses the likelihood of exercising termination options at each reporting date or when there is any significant change in circumstances. Any changes in the lease term or value affect the valuation of the liability and the right-of-use asset and are adjusted accordingly.

In the prior period a change in the strategic direction of Sky has resulted in a reassessment of some of its property leases resulting in cancelling the lease or shortening the lease term. This has resulted in a reduction in the lease liability and right-of-use asset (refer note 14), with the resulting loss being recorded as an impairment charge.

Reassessment of transmission lease

During the year the Group entered into renegotiations for the satellite transmission services. The negotiations resulted in an extension in the term of the current lease from December 2023 to August 2024 reflecting the present value of the lease liability based on the appropriate discount rate and agreed payment terms. These changes are reflected in the Transmission Lease liability in the table above and also in the Right-of-use Asset (refer note 14). The directors are comfortable that Sky continues to have access to satellite transmission services required in order to deliver content to its customers now and in the foreseeable future based on the most recently renegotiated satellite transmission agreement and intended future satellite arrangements.

19. Finance Income and Costs

In NZD 000	30-Jun-23	30-Jun-22
Finance income		
Interest income	2,639	814
Finance expense		
Interest expense on bank loans	2,056	2,765
Lease interest	2,749	2,587
Bank facility finance fees	305	420
Total interest expense	**5,110**	**5,772**
Unrealised exchange (gain)/loss – foreign currency payables	(455)	5,433
Unrealised exchange loss/(gain) – foreign currency hedges	3,510	(4,815)
Realised exchange (gain)/loss – foreign currency payables	(2,013)	518
Total foreign exchange expense	**1,042**	**1,136**
Total finance expense	**6,152**	**6,908**

Interest income is recognised on a time-proportion basis using the effective interest method, which is the rate that exactly discounts estimated future cash flow receipts through the expected life of the financial asset to that asset's net carrying amount.

Borrowing costs directly attributable to acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurs with the borrowing of funds.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are translated to New Zealand dollars at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except where hedge accounting is applied and foreign exchange gains and losses are deferred in other comprehensive income.

20. Share Capital

	30-Jun-23		30-Jun-22	
	Number of shares (000)	Ordinary shares (NZD 000)	Number of shares (000)	Ordinary shares (NZD 000)
Shares on issue at beginning of year	174,688	768,766	174,688	768,766
Ordinary shares cancelled on 21 November 2022 [1]	(29,115)	(70,547)	-	-
Share Buyback [2]	(1,721)	(4,499)	-	-
	143,852	**693,720**	**174,688**	**768,766**

(1) Capital return included $671,000 of transaction costs.
(2) The share buyback includes $9,000 of transaction costs.

Share Buyback

On 6 April 2023 Sky commenced an on-market share buyback programme for a maximum aggregate of $15 million in purchase price and up to a maximum of 8,734,416 shares.

At 30 June 2023 1,720,695 shares had been acquired at an average price of $2.61 and a total consideration of $4,490,000. Shares bought back have been cancelled upon acquisition so the number of shares on issue has reduced accordingly.

Capital return

The Group completed a capital return to shareholders on 21 November 2022, cancelling 1 share in every 6 held. The share cancellation reduced the share capital by 29,115,132 ordinary shares and shareholders received a cash sum of $2.40 for each share cancelled, total $70.5 million including transaction costs, on 29 November 2022.

Share Consolidation

On 25 August 2021 Sky announced to the NZX and ASX its intention to consolidate every 10 shares held at 5:00pm on 16 September 2021 into 1 share. The consolidation was completed on 17 September 2021. After the share consolidation completion the total issued capital of shares was 174,688,323.

21. Reserves

In NZD 000	Notes	Hedge reserve	Currency translation reserve	Total reserves
As at 30 June 2023				
Balance as at 1 July 2022		9,206	247	9,453
Translation of subsidiary		-	(247)	(247)
Cash flow hedges (net of tax)				
Revaluation		1,651	-	1,651
Reclassification to profit or loss		(12,786)	-	(12,786)
Deferred tax	8	3,117	-	3,117
Balance at 30 June 2023		**1,188**	**-**	**1,188**
As at 30 June 2022				
Balance as at 1 July 2021		1,106	(71)	1,035
Translation of subsidiary		-	318	318
Cash flow hedges (net of tax)				
Revaluation		12,785	-	12,785
Reclassification to profit or loss		(1,535)	-	(1,535)
Deferred tax	8	(3,150)	-	(3,150)
Balance at 30 June 2022		**9,206**	**247**	**9,453**

22. Derivative Financial Instruments

		30-Jun-23			30-Jun-22		
In NZD 000	Notes	Assets	Liabilities	Notional amounts	Assets	Liabilities	Notional amounts
Forward foreign exchange contracts – cash flow hedges	25	5,369	(2,770)	303,846	13,546	-	235,194
Forward foreign exchange contracts – dedesignated	25	1,339	(128)	56,712	5,263	-	81,667
Total forward foreign exchange derivatives		**6,708**	**(2,898)**	**360,558**	**18,809**	**-**	**316,861**
Analysed as:							
Current		5,234	(2,201)	254,258	14,345	-	199,141
Non-current		1,474	(697)	106,300	4,464	-	117,720
		6,708	**(2,898)**	**360,558**	**18,809**	**-**	**316,861**

Foreign exchange rates

Foreign exchange rates used at balance date for the New Zealand dollar are:

	30-Jun-23	30-Jun-22
USD	0.6086	0.6214
AUD	0.9181	0.9031
GBP	0.4823	0.5117
EUR	0.5602	0.5939
JPY	87.9346	84.7455

Sensitivity analysis for foreign exchange

A 10% strengthening or weakening of the NZD against the following currencies as at 30 June 2023 would have resulted in changes to equity (hedging reserve) and unrealised gain/losses (before tax) as shown below. Based on historical movements, a 10% increase or decrease in the NZD is considered to be a reasonable estimate. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the prior year.

	10% rate increase		10% rate decrease	
In NZD 000 Gain/(loss)	Equity	Profit or loss	Equity	Profit or loss
As at 30 June 2023				
Foreign currency payables				
USD	-	4,012	-	(4,904)
AUD	-	3,915	-	(4,785)
Foreign exchange hedges				
USD	(13,253)	(2,117)	16,199	2,587
AUD	(13,880)	(1,692)	16,965	2,069
	(27,133)	**4,118**	**33,164**	**(5,033)**
As at 30 June 2022				
Foreign currency payables				
USD	-	3,627	-	(4,433)
AUD	-	6,276	-	(7,671)
Foreign exchange hedges				
USD	(10,768)	(2,325)	13,162	2,842
AUD	(11,291)	(2,605)	13,800	3,184
	(22,059)	**4,973**	**26,962**	**(6,078)**

Interest rates

During the year ended 30 June 2023, interest rates on borrowings varied in the range of 3.34% to 7.25% (30 June 2022: 3.34% to 6.4%).

The Group's interest rate structure is as follows:

In NZD 000	Notes	30-Jun-23 Effective interest rate	30-Jun-23 Current	30-Jun-23 Non-current	30-Jun-22 Effective interest rate	30-Jun-22 Current	30-Jun-22 Non-current
Assets							
Cash and cash equivalents		5.50%	56,051	-	2.00%	138,916	-
Liabilities							
Borrowings	17	-	-	-	5.42%	(1,035)	-
Lease liabilities	18	5.99%	(25,665)	(23,648)	4.22%	(31,244)	(39,435)
			30,386	**(23,648)**		**106,637**	**(39,435)**

Gains and losses on interest rate hedges recognised in the hedging reserve in equity (refer note 21) are released to profit or loss within finance cost until the repayment of the bank borrowings.

As at 30 June 2023 the Group does not hold any variable rate loans, nor any interest rate hedges.

Derivative financial instruments

Derivative financial instruments are used to hedge the Group's exposure to foreign exchange and interest rate risks. The Group does not hold or issue derivatives for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are re-measured at their fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

At inception the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. All derivatives are designated as hedges on a portfolio basis to specific firm commitments or forecast transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Derivatives consist of currency forwards and interest rate swaps. The fair value is recognised in the hedging reserve within equity until such time as the hedged items will affect profit or loss. The amounts accumulated in equity are either released to profit or loss or used to adjust the carrying value of assets purchased. For example, when hedging forecast purchase of programme rights in foreign currency, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the programme rights. The deferred amounts are ultimately recognised in programme rights' expenses in profit or loss.

Amounts accumulated in the hedging reserve in equity on interest rate swaps are recycled in profit or loss in the periods when the hedged item affects profit or loss (for example when the forecast interest payment that is hedged is made). The gain or loss relating to any ineffective portion is recognised in profit or loss as "interest rate swaps – fair value" in finance costs. The gain or loss relating to interest rate swaps which do not qualify for hedge accounting is recognised in profit or loss within the interest expense charge in "finance costs, net". Currently Sky does not hold any interest rate derivatives as it has no variable debt.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

23. Financial Risk Management – Market Risk

Financial risk management objectives

The Group undertakes transactions in a range of financial instruments which include cash and cash equivalents, receivables, payables, derivatives and various forms of borrowings including bank loans.

These activities result in exposure to financial risks that include market risk (foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of currency and interest rate risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provides written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports monthly to the Board. The Audit and Risk Committee (a standing committee of the Board) is responsible for developing and monitoring the Group's risk management policies and advising the Board in this respect.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board. In general, the Group seeks to apply hedge accounting in order to manage income statement volatility.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Australian dollar and the United States dollar in relation to purchases of programme rights, Sky Boxes and the lease of transponders on the satellite. Foreign exchange risk arises when purchases are denominated in a currency that is not the entity's functional currency. The net position in each foreign currency is managed by using forward currency contracts and foreign currency options and collars to limit the Group's exposure to currency risk.

The Group's risk management policy is to hedge foreign capital expenditure (Capex FX) and foreign operating expenditure (Transactional FX) in accordance with the following parameters. Twelve-month forecasts by currency are updated on a rolling monthly basis.

		Percentage of net exposure hedged FEC[1], Collars and Options	
	Period	**Minimum**	**Maximum**
Year rolling 12 months	1	80%	100%
	2	50%	100%
	3	0%	90%
	4	0%	50%
	5	0%	50%
	6 – 10	0%	25%

(1) Forward exchange contracts.

The Group's exposure to foreign currency risk that has been covered by forward foreign exchange contracts is as follows:

	30-Jun-23			30-Jun-22		
In NZD 000	**USD**	**AUD**	**Other**	**USD**	**AUD**	**Other**
Foreign currency payables	(26,862)	(39,537)	(313)	(24,793)	(62,346)	(1,002)
De-designated forward exchange contracts	23,476	33,236	-	23,960	57,707	-
Net balance sheet exposure	**(3,386)**	**(6,301)**	**(313)**	**(833)**	**(4,639)**	**(1,002)**
Forward exchange contracts (for forecasted transactions)	147,793	156,053	-	110,875	124,319	-
Total forward exchange contracts	**171,269**	**189,289**	**-**	**134,835**	**182,026**	**-**

(b) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain its borrowings in fixed rate instruments as follows:

	Period	Minimum hedging	Maximum hedging
Variable rate borrowings	1-3 years	30%	90%
	4-6 years	0%	75%
	7-10 years	0%	60%

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. The Group also enters into fixed-to-floating interest rate swaps to hedge fair value interest rate risk arising where it has borrowed at fixed rates.

24. Financial Risk Management – Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from cash and cash equivalents, deposits with banks, derivative financial instruments and the Group's receivables from customers. The carrying amount of these financial assets represents the maximum exposure to credit risk at year end.

Credit control assesses the credit quality of the customer, taking into account, its financial position, past experience and other factors. In monitoring customer credit risk, customers are grouped according to their classification and their credit characteristics and the existence of any previous financial difficulties.

Credit risk with respect to individual residential and commercial customer receivables is limited due to the large number of subscribers included in the Group's subscriber base. The credit risk for advertising and wholesale customers is assessed individually and trade receivables aging is reviewed monthly. In addition, receivables balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant. The Group establishes an impairment loss that represents its estimate of expected credit losses in respect of trade receivables. The main component of the impairment loss is based on a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets (refer note 9).

As a result of the uncertain future outlook and the heightened impact of the economic environment (inflation and rising interest rates) the Group has maintained the increased expected loss rates adopted as a result of COVID-19 for its residential and commercial Sky Box and broadband customers.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution. The maximum exposure to credit risk on the derivative financial instruments is the value of the derivative assets' receivable portion of $6,708,000 (30 June 2022: $18,809,000).

25. Financial Risk Management – Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available. The Group continues to focus on managing working capital, including increase in control around accounts payable, more frequent review of cash balances, and a higher level of interaction with customers having overdue balances.

Management monitors the Group's cash requirements, on a daily basis, against expected cash flows based on a rolling daily cash flow forecast for at least 90 days in advance. In addition, management compares actual cash flow reserves against forecast and budget on a monthly basis.

The Group has an undrawn facility balance of $150,000,000 as at 30 June 2023 (30 June 2022: $150,000,000) that can be drawn down to meet short-term working capital requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payments in respect of financial liabilities and the net settled interest rate derivatives that are in a loss position at balance date. Balances due within 12 months equal their carrying value as the impact of discounting is not significant.

In NZD 000	Notes	Carrying amount	Contractual cash flows	Less than one year	1-2 years	>3 years
At 30 June 2023						
Non derivative financial liabilities						
Lease liabilities	18	49,313	(55,577)	(27,763)	(12,786)	(15,028)
Trade and other payables	11	120,906	(120,524)	(119,923)	(425)	(176)
Derivative financial liabilities						
Forward exchange contracts used for hedging – net outflow/inflow[1]	22	2,898	(2,898)	(2,201)	(697)	-
		173,117	**(178,999)**	**(149,887)**	**(13,908)**	**(15,204)**
At 30 June 2022						
Non derivative financial liabilities						
Third party loans	17	1,035	(1,047)	(1,047)	-	-
Lease liabilities	18	70,679	(78,920)	(33,795)	(20,683)	(24,442)
Trade and other payables	11	135,428	(135,428)	(134,282)	(430)	(716)
		207,142	**(215,395)**	**(169,124)**	**(21,113)**	**(25,158)**

(1) The table excludes the contractual cash flows of the forward exchange contracts which are included in assets.

The table below analyses the Group's foreign exchange derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Inflows have been calculated using balance date spot rates.

In NZD 000	Exchange rate	Contractual cash flows foreign exchange amount	Contractual cash flows	Less than one year	1-2 years
At 30 June 2023					
Forward foreign exchange contracts					
Outflow (at FX hedge rate)					
USD			(171,270)	(127,289)	(43,981)
AUD			(189,288)	(126,970)	(62,318)
Inflow (at year end market rate)					
USD	0.6086	103,920	170,753	125,822	44,931
AUD	0.9181	166,898	181,786	120,386	61,400
			(8,019)	**(8,051)**	**32**
At 30 June 2022					
Forward foreign exchange contracts					
Outflow (at FX hedge rate)					
USD			(134,835)	(93,301)	(41,534)
AUD			(182,026)	(105,840)	(76,186)
Inflow (at year end market rate)					
USD	0.6214	91,842	147,799	104,049	43,750
AUD	0.9031	168,853	186,970	109,077	77,893
			17,908	**13,985**	**3,923**

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure.

The capital structure of the Group consists of debt which includes the borrowings disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of Sky comprising share capital, reserves and retained earnings as disclosed in note 20.

The Board reviews the Group's capital structure on a regular basis. The Group has a facility agreement in place with a syndicate of banks. The Group's bank loan facility is subject to a number of covenants, including interest and debt cover ratios, calculated, and reported quarterly, with which it has complied for the entire year reported (2022: complied).

As at 30 June 2023 the Group's debt excluding lease liabilities is $nil (30 June 2022: $1.0 million).

Fair value estimation

The methods used to estimate the fair value of financial instruments are as follows:

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

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

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs), for example discounted cash flow.

The Group's financial assets and liabilities carried at fair value are valued on a level 2 basis.

In NZD 000	**Notes**	**30-Jun-23**	**30-Jun-22**
Assets measured at fair value			
De-designated forward exchange contracts	22	1,339	5,263
Derivatives used for hedging – cash flow hedges	22	5,369	13,546
Total assets		**6,708**	**18,809**
Liabilities measured at fair value			
De-designated forward exchange contracts	22	(128)	-
Derivatives used for hedging – cash flow hedges	22	(2,770)	-
Total liabilities		**(2,898)**	**-**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The Group uses a variety of methods and assumptions that are based on market conditions existing at each balance date. Techniques, such as estimated discounted cash flows, are used to determine the fair value of financial instruments. The fair value of forward exchange contracts is based on market forward foreign exchange rates at year end. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates, observable yield curves and the current creditworthiness of the swap counterparties.

26. Classification of Financial Instruments

Financial assets are classified in the following categories: those to be measured subsequently at fair value through other comprehensive income or profit or loss, and those to be measured at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risk and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The following table presents the Group's financial assets and liabilities according to classifications:

		30-Jun-23		30-Jun-22	
In NZD 000	**Notes**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets at amortised cost					
Cash and cash equivalents		56,051	56,051	138,916	138,916
Trade and other receivables	9	39,327	39,327	43,414	43,414
Financial assets at fair value through profit or loss					
Derivatives designated as hedging instruments (cash flow hedges)	22	5,369	5,369	13,546	13,546
Derivatives not designated as hedging instruments	22	1,339	1,339	5,263	5,263
		102,086	**102,086**	**201,139**	**201,139**
Financial liabilities at amortised cost					
Other loans	17	-	-	1,035	902
Lease liabilities	18	49,313	48,989	70,679	70,752
Trade and other payables	11	120,906	120,906	135,428	135,428
Financial liabilities at fair value through OCI					
Derivatives designated as hedging instruments (cash flow hedges)	22	2,770	2,770	-	-
Derivatives not designated as hedging instruments (fair value hedges)	22	128	128	-	-
		173,117	**172,793**	**207,142**	**207,082**

Prepaid expenses, contract liabilities, unearned subscriptions, tax payables and employee benefits do not meet the definition of a financial instrument and have been excluded from the "Trade and other receivables" and "Trade and other payables" categories above.

The fair values of financial assets and financial liabilities are determined as follows:

- Cash and cash equivalents, trade and other receivables carried at amortised cost, trade and other payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of loans from banks and lease liabilities is estimated on a level 3 basis by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Impairment of financial assets

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised costs and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by NZ IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (refer note 9 for further details).

27. Provisions

In NZD 000	Note	30-Jun-23	30-Jun-22
Holidays Act 2003 compliance provision [1]		327	582
Provision for onerous contracts [2]		856	1,970
Balance at 30 June	11	**1,183**	**2,552**

(1) arose from leave entitlement calculation issues under the Holidays Act 2003 and represents management's estimate of outstanding remediation payments to the current and former staff.
(2) is for a life of series entertainment content commitment which management considers to be an onerous contract.

The movements in provisions are as follows:

In NZD 000	Notes	Holidays Act 2003 compliance provision	Onerous contracts	Total
Balance at 1 July 2022	11	582	1,970	2,552
Utilised/paid out		(255)	(214)	(469)
Release of provisions [1]		-	(900)	(900)
Balance at 30 June 2023		**327**	**856**	**1,183**
Current – within one year	11	327	255	582
Long term – later than one year		-	601	601
		327	**856**	**1,183**

(1) The reassessment of the provision for onerous contracts has resulted in a $0.9 million release to programming expenses.

Provisions are recognised when:

- there is a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of economic resources will be required to settle the obligation;
- the amount can be reliably estimated.

Measurement is the present value of the expenditure expected to be required to settle the obligation.

28. Business Acquisitions and Disposals

Acquisitions

There were no business acquisitions in the 2023 financial year or the prior year.

Disposals – Financial year 2023

RugbyPass

On 10 October 2022 Sky entered into an agreement with World Rugby to sell the shares of RugbyPass Limited and RugbyPass UK Limited (RugbyPass Entities) for $11.0 million. The consideration was part of the media rights agreement for exclusive rights to premium competitions, including Rugby World Cups for seven years with World Rugby (the licence period 29 June 2023 to 30 June 2030).

The cost of the programming rights acquired (which are held at the lower of cost and net realisable value as per note 10) comprises both cash paid in the deal and the fair value of the shares in the RugbyPass Entities transferred to World Rugby as non-cash consideration.

The RugbyPass Entities accumulated losses remain with RugbyPass after disposal. No deferred tax asset had been recognised for those losses so no disposal adjustment to deferred tax is required.

The RugbyPass entities comprised a disposal group classified as held-for-sale at 30 June 2022, measured at fair value of $11.0 million. Control of these entities was transferred to World Rugby Limited on 10 October 2022.

The book values of the assets and liabilities derecognised as a result of the disposal are as follows:

	In NZD 000
Disposal consideration	
Contracted price	11,000
Less costs to sell	(547)
Net selling price	**10,453**
Assets and liabilities disposed of	
Cash	235
Trade receivables	777
Goodwill	8,981
Other intangible assets	1,765
Trade payables	(777)
Deferred tax	(309)
Net assets disposed of	**10,672**
Disposal price	**10,453**
Loss on sale	**219**

Disposals – Financial year 2022

There were no business disposals in the 2022 financial year.

29. Related Parties

There were no loans to directors by the Group or associated parties at any of the reporting dates.

Related party transactions include the following:

In NZD 000	30-Jun-23	30-Jun-22
Income statement		
Remuneration of key personnel (included in employee costs)[1]	4,959	5,762
Dividend payments (included in dividends paid)	83	-
Directors' fees	803	716
My Wave Limited (included in subscriber related costs)	-	1,692
Total related party transactions through consolidated income statement	**5,845**	**8,170**

(1) The year ending 30 June 2023 includes the cost of termination benefits paid to key personnel of $430,000.

The Group's directors and key management personnel collectively hold shareholdings of 821,665 shares (30 June 2022: 530,355 shares) which carry the normal entitlement to dividends. Share transactions undertaken by directors can be found as part of the statutory disclosures in the annual report.

During the 2021 financial year Sky entered into a commercial agreement with My Wave Limited, a software company that provides interactive device solutions, as disclosed above. Geraldine McBride was a Director of the Group (until 2 November 2022) as well as a Director of My Wave Limited.

30. Commitments

In NZD 000	30-Jun-23	30-Jun-22
Lease commitments		
Year 2	16,872	13,563
Year 3	22,861	23,251
Year 4	22,861	23,251
Year 5	22,861	23,251
Later than year 5	80,012	102,632
	165,467	**185,948**
Contracts for transmission services:		
Year 1	2,254	2,171
Year 2	1,753	759
Year 3	771	368
Year 4	95	95
Year 5	95	95
Later than year 5	357	452
	5,325	**3,940**
Contracts for future programmes:		
Year 1	337,319	312,175
Year 2	278,770	273,287
Year 3	153,588	205,065
Year 4	69,930	113,832
Year 5	33,139	42,123
Later than year 5	17,429	23,590
	890,175	**970,072**
Capital expenditure commitments:		
Property, plant and equipment		
Year 1	41,474	35,866
Year 2	-	1,197
	41,474	**37,063**
Other services commitments:[1]		
Year 1	57,159	43,564
Year 2	29,536	23,193
Year 3	22,683	17,660
Year 4	14,968	15,909
Year 5	13,641	15,779
Later than year 5	38,100	52,326
	176,087	**168,431**

(1) Comprise technology, service and external production related support and maintenance.

31. Contingent Assets and Liabilities

The Group has no undrawn letters of credit at 30 June 2023 (30 June 2022: $Nil).

The Group is subject to litigation incidental to its business, none of which is expected to be material. No provision has been made in the Group's financial statements in relation to its ongoing litigation and claims, the directors believe that such litigation and uncertainty of claims will not have a significant effect on the Group's financial position, results of operations or cash flows.

32. Subsequent Events

Dividend

On 23 August 2023 the Board of Directors resolved to pay a fully imputed dividend of 9.0 cents per share with the record date being 8 September 2023. A supplementary dividend of 1.0159 cents per share will be paid to non-resident shareholders subject to the foreign investor tax credit regime.

Independent auditor's report

To the shareholders of Sky Network Television Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Sky Network Television Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 30 June 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our firm carries out other services in respect of Director fee benchmarking, Chief Executive Officer and executive remuneration benchmarking, non-audit assurance engagement in relation to the Telecommunications Development Levy and agreed upon procedures in relation to the Broadcasting Standards Authority Levy. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The provision of these other services and relationships have not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Description of the key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment The carrying amount of Sky CGU goodwill as at 30 June 2023, as included in Note 16, amounted to $244 million (2022: $244 million). The carrying value of goodwill is an area of focus for the audit and a key audit matter as it is a significant amount on the consolidated balance sheet, it is dependent on future cash flows, and there is a high degree of management estimation involved. The Group used the Fair Value Less Costs of Disposal (FVLCD) methodology to determine the recoverable amount of the Sky CGU. The forecasts in the impairment model prepared by the Group are based on the Group's strategy, some elements of which would be excluded under a Value In Use (VIU) methodology under NZ IAS 36, *Impairment of assets*. Management has concluded that the FVLCD methodology results in a higher recoverable amount compared to VIU. The future cash flows in the FVLCD models were prepared based on the Board approved five year forecast cash flows. The key assumptions used in the impairment model are the following: ● residential Sky Box and streaming revenues (including subscriber numbers and average revenue per user (ARPU)); ● Sky Pod revenue recognition; ● broadband revenues; ● programming expenses; ● broadcasting and infrastructure expenses; ● capital expenditure; ● cost of disposal; ● discount rates; and ● terminal growth rates. Reasonably possible changes in key assumptions that could result in an impairment are disclosed in Note 16 to the consolidated financial statements.	We obtained the impairment model prepared by management and held discussions with them to understand the assumptions used in the goodwill impairment assessment. We gained an understanding of the current and forecast outlook for the industry and the strategic direction of the business and considered management's assessment of FVLCD based on market capitalisation at balance date. Our audit procedures included the following: ● obtaining an understanding of the business processes and controls applied by management in performing the impairment tests; ● assessing the appropriateness of using a FVLCD approach against NZ IAS 36; ● considering whether the identification of CGUs, and the carrying value, including the allocation of goodwill, were appropriate; ● understanding the key changes in the impairment model from the prior year; ● challenging management on the reasonableness of key cash flow assumptions, including movements in subscriber numbers, average revenue per user (ARPU) and programming costs; ● checking the mathematical accuracy of the models and reviewing the sensitivities prepared by management; ● engaging our auditor's valuation expert to assess management's valuation methodology and conclusions and key assumptions, including the discount rate, terminal growth rate and the reasonableness of the cost of disposal assumption; ● obtaining and evaluating management's sensitivity analyses to ascertain the impact of reasonably possible changes, and considering alternative possible scenarios; and ● considering the appropriateness of the disclosures in Note 16 to the consolidated financial statements against the requirements of the accounting standards. ● performing a look back procedure assessing the prior year budget check versus the actual figures for the prior three financial periods.
Revenue recognition The Group's total revenue for the year ended 30 June 2023 amounted to $754 million (2022: $736 million). There has been a significant focus by management on retaining and growing the customer base given the developing business model and the need to deliver revenue and profitability growth. This strategy has included the launch of the new Sky Box and Sky Pod devices in FY23. Given this, revenue recognition is an area requiring significant audit attention and is therefore a key audit matter. Refer to Note 4 of the consolidated financial statements for disclosures on revenue streams.	Our audit approach for revenue testing is a combination of controls and substantive testing. In order to determine whether the revenue has been recognised in accordance with the relevant accounting standards, our audit procedures included: ● updating our understanding of the systems, processes and controls in place over the recognition of revenue; ● testing the access controls to the revenue billing system and review and approval control for subscriber activations, disconnections, and refunds. ● performing a recalculation of Sky Box and broadband subscription revenue; and ● assessing the accounting treatment and key assumptions of the new Sky Box and Sky Pod. ● testing a sample of unexpected journal entry combinations that impact revenue.

Description of the key audit matter	How our audit addressed the key audit matter
	On a sample basis, other revenue procedures included: • verifying revenue against supporting documentation and customer contracts; • testing the completeness of revenue transactions recognised by haphazardly identifying Sky subscribers and checking they were active customers within the revenue billing system during the year; • validating the pricing and payment of advertising and other revenue transactions to customer contracts; • testing whether revenue transactions recorded near year end were recognised in the correct period; and • checking customer arrangements to validate management's conclusion on whether the Group is a principal or an agent and the timing of when revenue is recognised.

Our audit approach

Overview

Overall group materiality: $3.7 million, which represents approximately 2.5% of EBITDA.

Given the volatility in profit before income tax over recent years and the Group continuing to execute its growth strategy, in our judgement, EBITDA provides an appropriate benchmark for calculating materiality.

Following our assessment of the risk of material misstatement, we:

• selected the Sky Network Television Limited parent entity for a full scope audit; and

• performed specified audit and analytical review procedures on the remaining 10 entities.

As reported above, we have two key audit matters, being:

- Goodwill impairment assessment
- Revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on work performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the 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 the Directors either intend to liquidate the 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 the 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) and ISAs 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 these consolidated financial statements.

As part of an audit, in accordance with ISAs (NZ), 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, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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 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 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 Group's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

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 the auditor identifies during the audit.

We also provide those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state 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 Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants

23 August 2023

Auckland

Directory

Directors

Philip Bowman (Chair)
Keith Smith (Deputy Chair)
Joan Withers
Michael Darcey
Mark Buckman
Belinda Rowe

Officers

Sophie Moloney	Chief Executive
Andrew Hirst	Interim Chief Financial Officer
Jonny Errington	Chief Content and Commercial Officer
Daniel Kelly	Chief Customer Officer
Chris Major	Chief Corporate Affairs Officer
Jennifer Sepull	Chief Technology Officer
Lauren Quaintance	Chief Media and Data Officer
Antony Welton	Chief Operations and People Officer
Kirstin Jones	Company Secretary

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Annual Meeting

The next Annual Shareholders Meeting of Sky Network Television Limited will be held on 8 November 2023. Sky will provide further details in due course through its Notice of Annual Meeting of Shareholders.

Sky Network Television

Results Presentation
For the year ended 30 June 2023

24 August 2023

Agenda

- FY23 Overview
- Operational performance
- Financial performance
- Outlook and guidance
- Questions

FY23 Overview

Results summary
Delivered in-line with guidance while investing for growth

- Over 1 million customer relationships across our subscription product suite
- Strengthened competitive position through strategic content wins and renewals
- Significant projects delivered, including smooth transition to outsource partners
- Second consecutive year of revenue growth and with a continued focus on cost
- Adjusted results for Revenue, EBITDA and NPAT delivered within guidance, with Capex just above
- Dividend in line with full year guidance
- $91m returned to shareholders in FY23, including $70m capital return and $21m in dividends

CUSTOMER RELATIONSHIPS

1,015,125

FY22: 990,761

REVENUE

$754m

Adjusted[1]: $753m
FY22: $736m

EBITDA

$149m

Adjusted[1]: $156m
FY22 Adjusted: $154m

CAPEX

$77m

FY22: $45m

NPAT

$51m

Adjusted[1]: $57m
FY22 Adjusted: $49m

FY23 DIVIDEND

15.0cps

FY22: 7.3cps

RETURNED TO SHAREHOLDERS

$91m

FY22: NIL

1. FY23 Revenue, EBITDA and NPAT adjusted for the impact of Organisational changes announced 29 March 2023 and the sale of RugbyPass completed 10 October 2022 as these items were excluded from FY23 guidance. FY22 EBITDA and NPAT adjustments relate to one off items as disclosed on page 73 of Sky's 2023 Annual Report, including the gain on sale of Mt Wellington properties in FY22.

Multi–platform offering

Meeting customers where they are - however they choose

Sky Box & Sky Pod

515k households

New Sky Box & Sky Pod providing opportunity

Only box solution following in market

Valuable, high ARPU[1] long tenure base

Streaming

468k customers

#1 in sports streaming

NZ's only locally curated paid entertainment streaming

Strong growth and significant win-back pools

Free-to-Air

3.3m reach[2]

Sky Open (launched Aug 2023)

Ad funded with opportunity to optimise

Showcasing Sky content and maximising its value

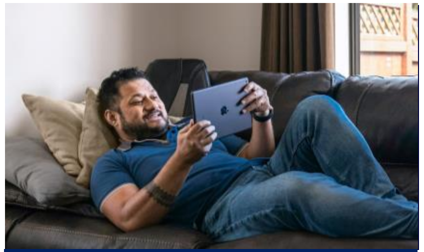
Commercial

7k businesses

#1 provider to commercial premises

High ARPU base

Significant market share



Broadband

26k households

Growing fibre broadband business

5% attachment to Sky Box; 10% on acquisition

Positive contribution from FY23

1. ARPU is: average revenue per user. 2. Nielsen TAM data, 1 Jul 2022 – 24 Jun 2023, consolidated data up to 18/06/2023. Based on Prime AP5+ cume reach.

The biggest bundle of high value content

Sport and entertainment New Zealanders' value

WORLD RUGBY

7-year deal to Jun 2030 including all mens' and womens' World Cups, U20's, HSBC & RWC Sevens and WXV

WARNER BROS. DISCOVERY

Significant multi-year renewal on more favourable commercial terms

Most viewed show on Neon in FY23 (Paramount) with 228k unique viewers[1] (4.0 million viewer hours)

Partnership with Warner Bros. Discovery and Three to simulcast Game 1 saw a 37% audience increase yoy[2] for this game across Sky Sport channels

Attracting a younger demographic; 77% increase in linear reach[3] since Sky last held Formula 1

Highest audience movie on Sky Movies Premiere[4]

Number 1 viewed movie on Neon in FY23

Best Comedy at the NZ TV Awards - November 2022 Commissioned by Sky Originals

9,000hrs broadcast on dedicated Premier League and other Sky Sport channels (5.5M viewing hours from all AP5+ viewers)[5]

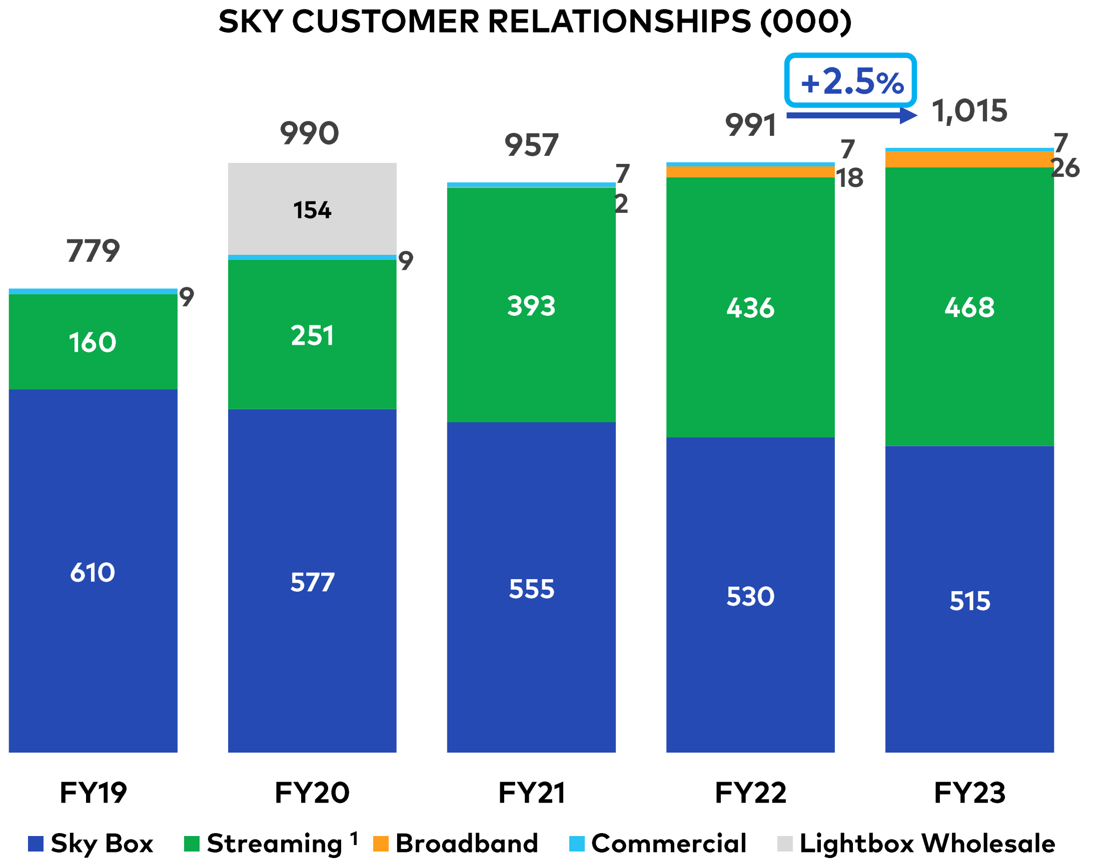
- We value what our customers value
- Significant wins and renewals of targeted content demonstrate disciplined (data driven) approach to content strategy and rights negotiations
- Sustainable and considered content acquisition strategy. Understand the balance of customer and commercial value in exclusivity, co-exclusivity and non-exclusivity within our content bundle
- Content spend focused on attracting new customers or achieving engagement and retention objectives
- Understand the power of free-to-air, social and strategic partnerships in attracting new audiences and in maximising the value of our unmatched content

1. Sky data 2.Neilsen: all 5+ Sky Sport channels. 3. Nielsen TAM AP5+ Data..4. Nielsen TAM, AP05+, AUD%, Top individual programme on Sky Movies Premiere, Q3 2022 – Q2 2023. 5.Nielsen TAM data, AP5+. Based on Cume Reach numbers.

Operational Performance

Customer Relationships

Growth continues, lifting customer numbers over 1 million



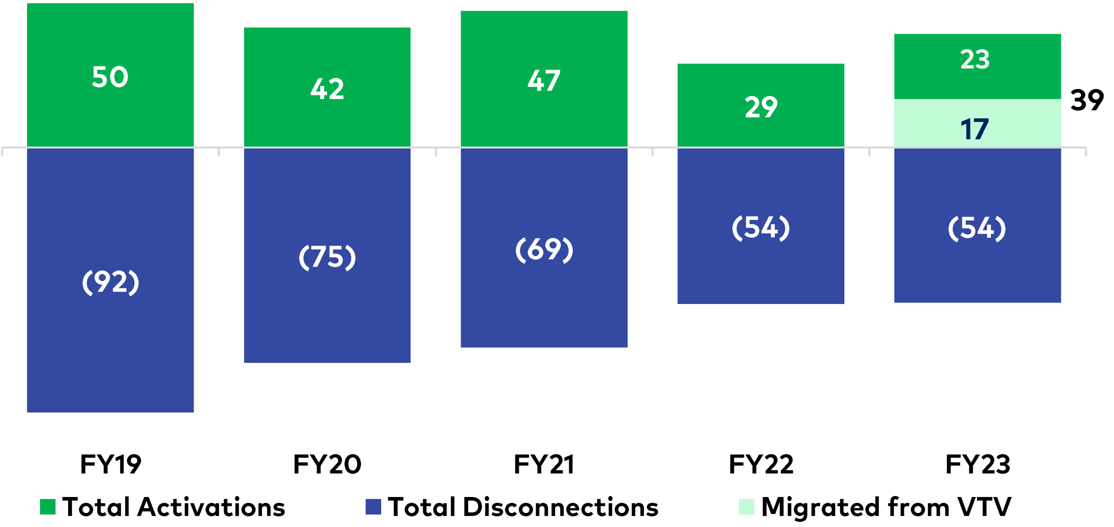
- 2.5% increase in customer relationships year on year. 7.1% growth in Streaming relationships, rising to 15.4% on a like for like basis for core Streaming products Neon and Sky Sport Now[2]
- Sky Box slowed decline of 2.7% benefits from the migration of 17k VTV customers but is softer than expected due to delayed launch of new Sky Box impact on final migration numbers and planned customer acquisition activity
- Sky Broadband relationship growth slowed in H2 due to sales resource focus on higher margin VTV migration and initial above-the-line sales of Sky Box.
- Stable Commercial customer relationships

1. Streaming customers include Neon, Sky Sport Now (and RugbyPass and Vodafone TV/Retransmission (VTV) customers in prior periods). Excludes free trials. 2. Excluding VTV and RugbyPass customers.

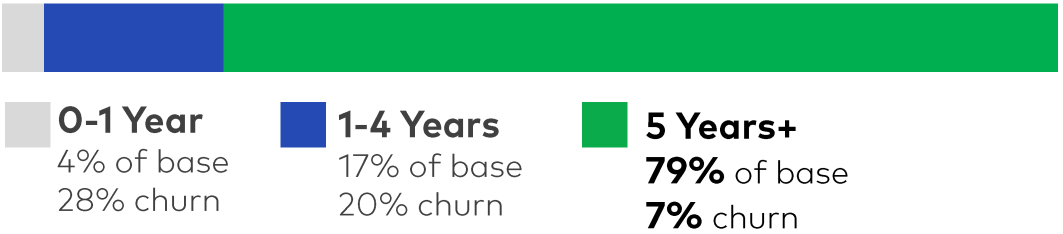
Sky Box Customer Movements

Acquisitions delayed; strong focus on margin improvement

SKY BOX CUSTOMER ACTIVATIONS / DISCONNECTIONS (000)



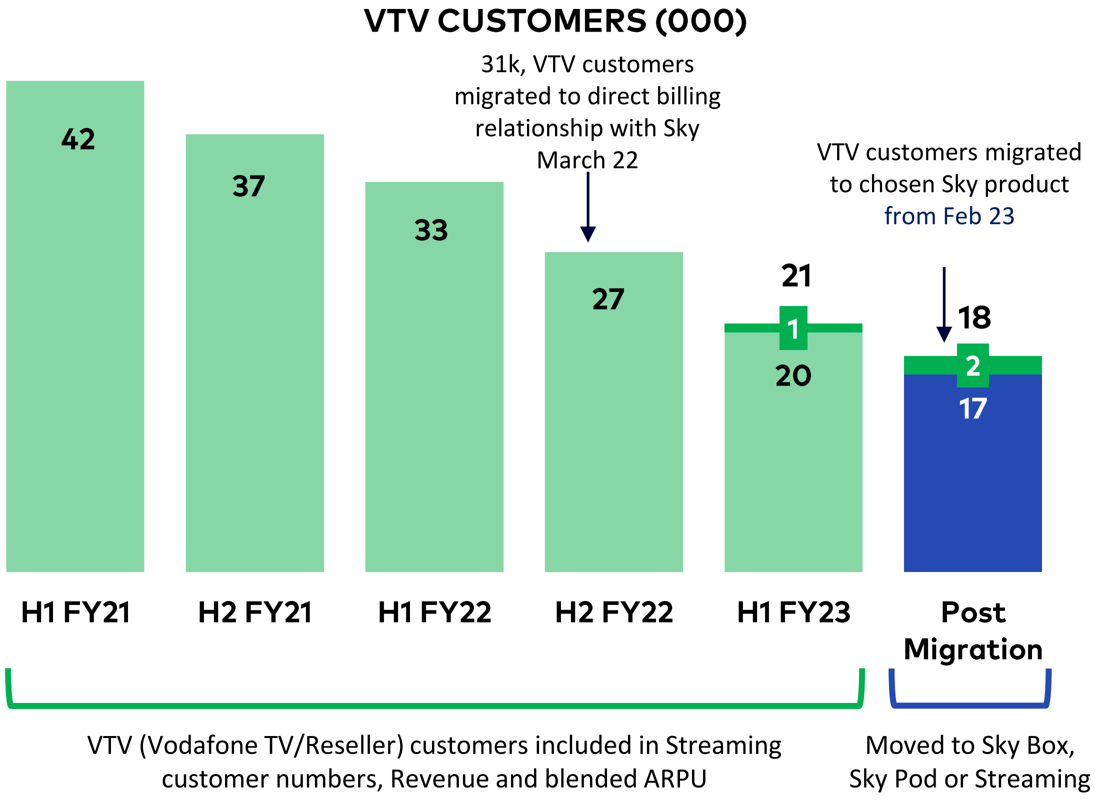
SKY BOX TENURE[2]



- Slowed momentum in FY23 acquisitions due in part to reduced marketing activity in anticipation of the new Sky Box launch - delayed to April 2023 (following release to VTV customers). New product and enhanced sales capability now in place to go after this opportunity
- Disciplined acquisition and retention strategy to lift quality and deliver margin improvements includes 43% reduction in foregone revenue[1] year on year, adding to a 9% reduction in FY 2022 vs FY 2021.
- Disconnections held flat, demonstrating resilience of in-home entertainment despite pressure on household wallets
- Decision taken to delay a changed approach to Sky packages (originally planned for H1 2024) to allow new Sky Box rollout to bed down.
- Annualised Sky Box churn of 10.3% is relatively flat (FY22: 10.0%)
- 79% of customers have been with Sky more than five years, (FY22: 76%), and with very low churn of 7%.

1. Foregone revenue is discounts provided that have been recognised in the financial period, The benefit is realised as the term of the discounts roll off and fewer discounts are applied across the base. Note that this excludes any discounts to device revenue, installation fees and associated charges. 2. Tenure data excludes migrated VTV customers.

Vodafone TV Migration
Over 18,000 VTV customers migrated to new Sky products



- Of the 31k VTV customers that migrated to a direct billing relationship with Sky in February 2022 at least 60% migrated to a Sky product
  - 17k migrated to a full Sky service (62% Sky Pod; 38% Sky Box). Now actively engaging with the 'win-back' pool
  - At least 1.5k customers added to Sky Sport Now or Neon (expectation that more customers (not captured) migrated using different email details)
- Average ARPU[1] prior to billing migration of $51 under a wholesale rate, increased to $65 following billing migration, and to $68 once migrated to new a Sky Box or Sky Pod

1. ARPU pre-new Sky Box and Sky Pod migration excludes retransmission fees..

The New Sky Experience - Sky Box & Sky Pod

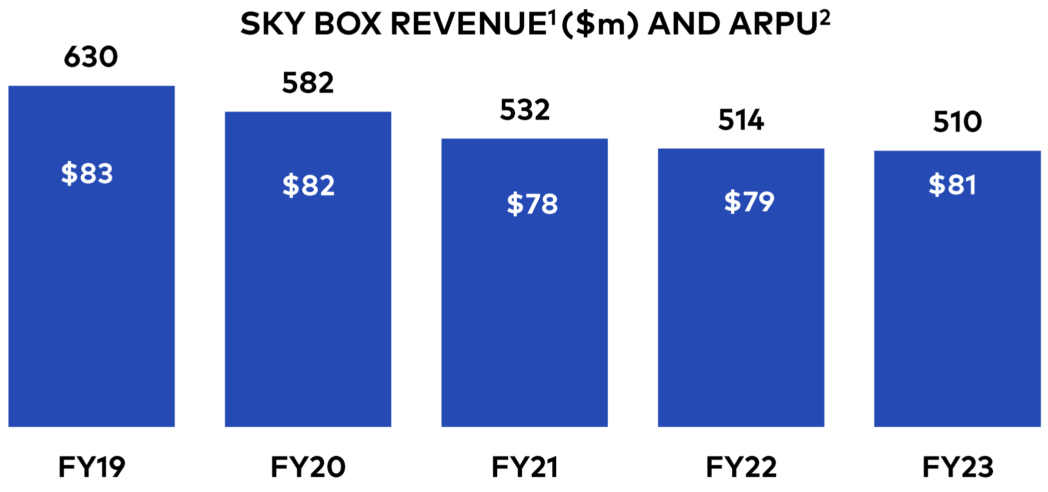
Early indicators providing confidence

- Approximately 35k new Sky Boxes and 13k Sky Pods in use at year end[1]
- New Box experience is providing confidence to accelerate rollout
  - Higher NPS scores for customers on the new Sky Box (+7ppts)
  - Significant upgrade to content discovery demonstrating customer value
  - 90% self-install with 76% finding it easy
- Recent software updates resolving initial teething issues. Now moving from resolution to enhancements
- Positive impact on costs available from refreshing the box fleet
  - Lower-cost to serve through easy self-install, and with logistics handled by 3PL partner Pacificomm
  - Short-term impact of higher truck rolls in early phase
  - Avoided cost of call-outs and repairs to maintain an aging fleet
- Further benefits available from increased data and insights to inform content decisions and advertising attribution

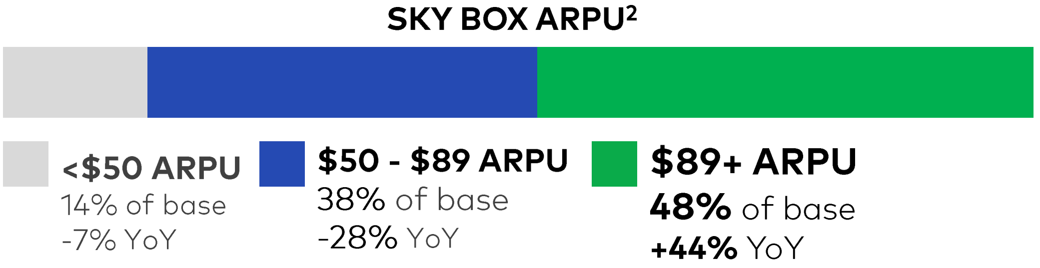
1. Sky retains ownership of the Sky Box/Pod device. One-off fee to access new Sky Box ($200) with loyalty-based offers for Sky Rewards customers. Option to pay $10 mthly in perpetuity. One-off fee to access Sky Pod ($100) Access fee revenue is included in Sky Box Revenue.

Sky Box Revenue and ARPU

ARPU growth of 2.8% as revenue stabilises



	FY19	FY20	FY21	FY22	FY23
Revenue Change	-7.6%	-7.6%	-8.6%	-3.4%	-0.8%

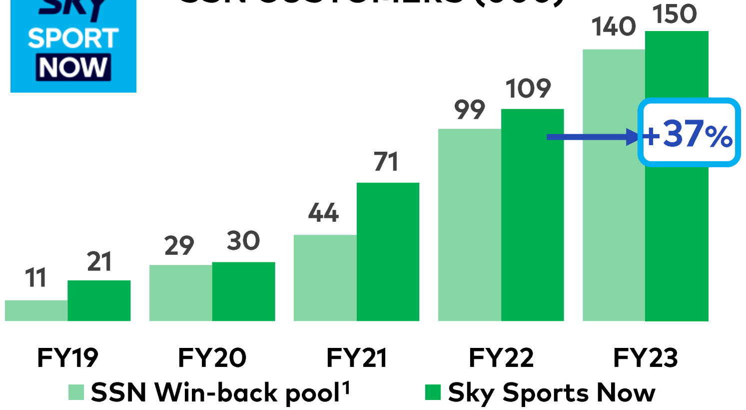


- Revenue stabilising despite lower customer numbers
- ARPU increased by $2.21 or 2.8% year on year (to $81.05 from $78.84) driven by:
  - Full year impact of the $3 sports pack price increase in May 2022 and 3-month billing impact of the $3 increase in March 2023
  - Sports penetration remaining consistent with FY22 levels at c. 70% demonstrating resilience to recent price increases
  - Further 43% reduction in foregone revenue from reduced discounting
  - And despite lower average ARPU for Sky Pod customers (no MySky recording), reduction in Multi-room and some spin down from higher value entertainment packages
- $2.50 price increase for Sky Entertainment with changes to the package composition and a slight reduction in Sky Movies pricing to come into effect from October 2023
- 48% of customers now pay $89+ per month compared to 33% a year ago, including 11% paying $125+

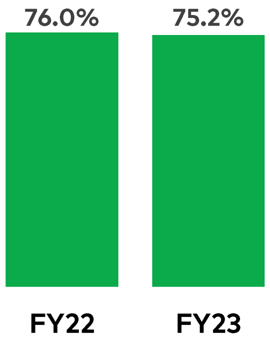
1. Sky Box and Sky Pod access fee is included in Sky Box revenue but excluded from ARPU. Sky Box revenue and ARPU data previously presented at H1 FY22 included contribution from Sky Broadband, now reported separately. 2. Sky Box ARPU is the monthly average revenue calculated as the average for the period.

Streaming Customers – Sky Sports Now (SSN)
Strong acquisition profile delivering significant growth

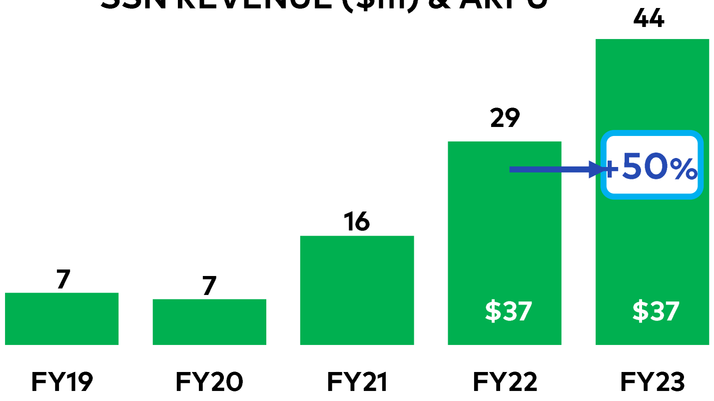
SSN CUSTOMERS (000)



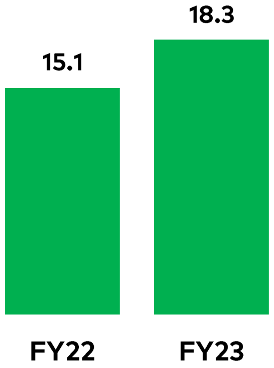
ENGAGEMENT[2]



SSN REVENUE ($m) & ARPU[3]



TENURE[4] (mths)

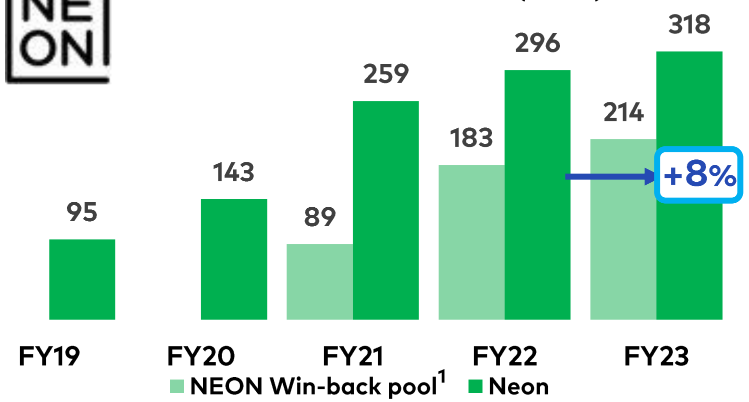


- Sky Sport Now customer growth of 37% year on year. Of the 150k SSN customers at year end, 41% were new to Sky Sport Now as strong content fuelled acquisitions
- 50% growth in revenue and with recent price rises providing further runway into FY24 (12.5% monthly pass increase from 1 March 2023 (to $44.99 incl GST) and 12.5% annual pass increase from 1 July 2023 (to $449.99 incl GST).
- Free trials were discontinued in January, increasing take-up of paid passes
- Strong viewership of Super Rugby, NRL, State of Origin, and Premier League and with ongoing strong line up ahead, including NRL final rounds and Rugby World Cup
- High Engagement levels and continuing positive trend in Tenure

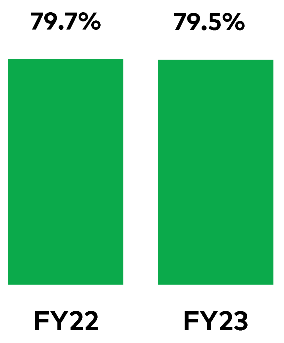
1. Win-back pool is customers subscribed to Sky Sport Now in the past 18 months but not included in the active base at year end. 2. Engagement is customers that viewed content during a month, using a 12-month weighted average. 3.ARPU is based on recurring subscribers (removing the impact of transactional passes), and includes PPV revenue. 4. Tenure is the cumulative average total tenure of the active base excluding transactional passes.

Streaming Customers - Neon
Strengthening recurring base underpins growth in Neon

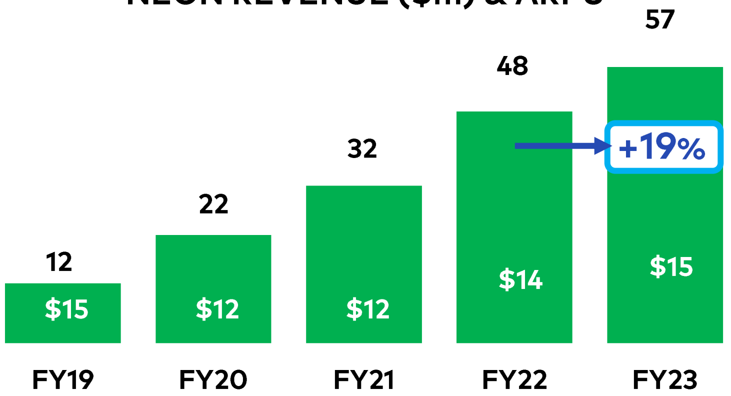
NEON CUSTOMERS (000)



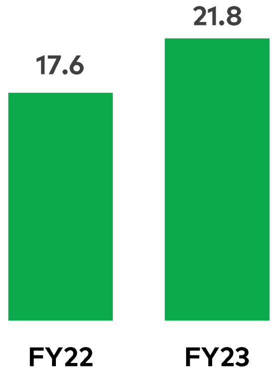
ENGAGEMENT[2]



NEON REVENUE ($m) & ARPU



TENURE[3] (mths)



- Neon growth of 8% year on year. Of the 318k Neon customers at year end, 65% were retained from FY22
- Second 'basic' tier introduced at the same time as the 12.5% August 2022 price increase in the standard product, to offer pricing flexibility and choice
- Strong content offering supported retention and maintained high engagement : Yellowstone (Paramount) with 228k unique viewers/4.0m viewer hours, The Last of Us (HBO) with 196k unique viewers/1.4m viewer hours, Top Gun Maverick (Paramount) 120k unique views.
- Consistently high engagement and 24% increase in tenure

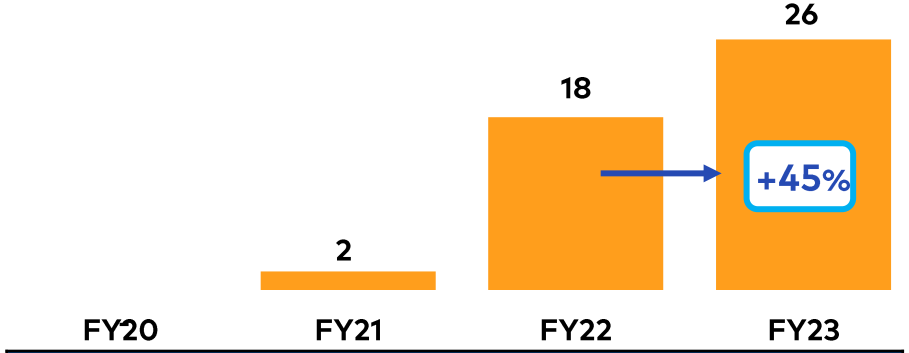
1. Win-back pool is customers subscribed to Neon as a direct customer in the past 18 months but not included in the active base at year end. 2. Engagement is customers that viewed content during a month, using a 12-month weighted average. 3. Tenure is the cumulative average total tenure of the active subscriber base.

Sky Broadband

Positive contribution from award winning Sky Broadband

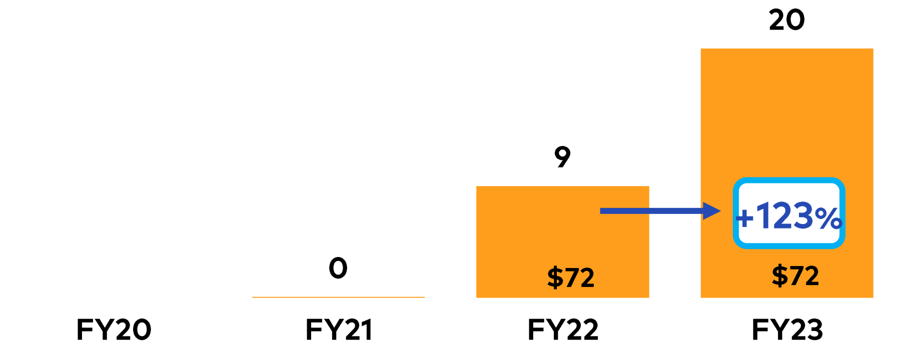
sky BROADBAND

BROADBAND CUSTOMERS (000)



	FY20	FY21	FY22	FY23
Sky Box Attachment %	0.0%	0.3%	3.3%	5.0%

BROADBAND REVENUE[1] ($m) AND ARPU[1]

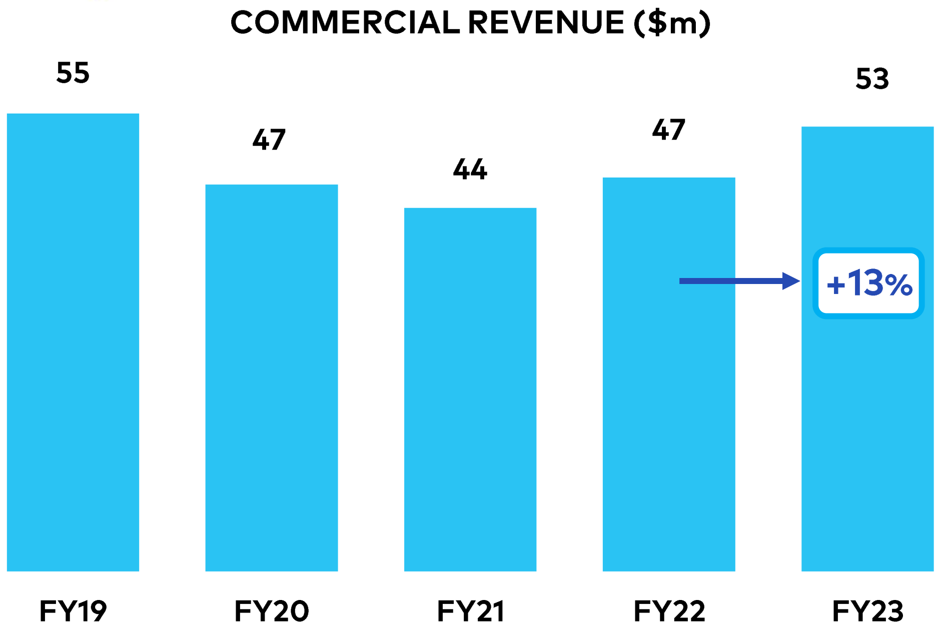


- Achieving a positive contribution from FY23
- Attachment to Sky Box increased to 5.0% (and 10% on Sky Box acquisitions). Growth slowed in H2 as sales resources redeployed to higher margin activity
- High take-up of high speed 1Gbps plans at 52% and strong attachment of add-ons such as voice/calling plans at 26% contributing to high ARPU, despite growing popularity of lower speed plans, including 50/10 package introduced March 2023
- $6 line fee increase passed on from November 2022 with a further $5 increase to take effect from 1 October 2023
- Winner of Canstar Blue 'Most Satisfied Customer' Award 2023

CANSTAR BLUE
MOST SATISFIED CUSTOMERS
BROADBAND 2023

1. Includes add-ons such as land line, calling plans, Wi-Fi boosters and static IP fees. Note: HY23 ARPU data included CPE contribution which has now been excluded.

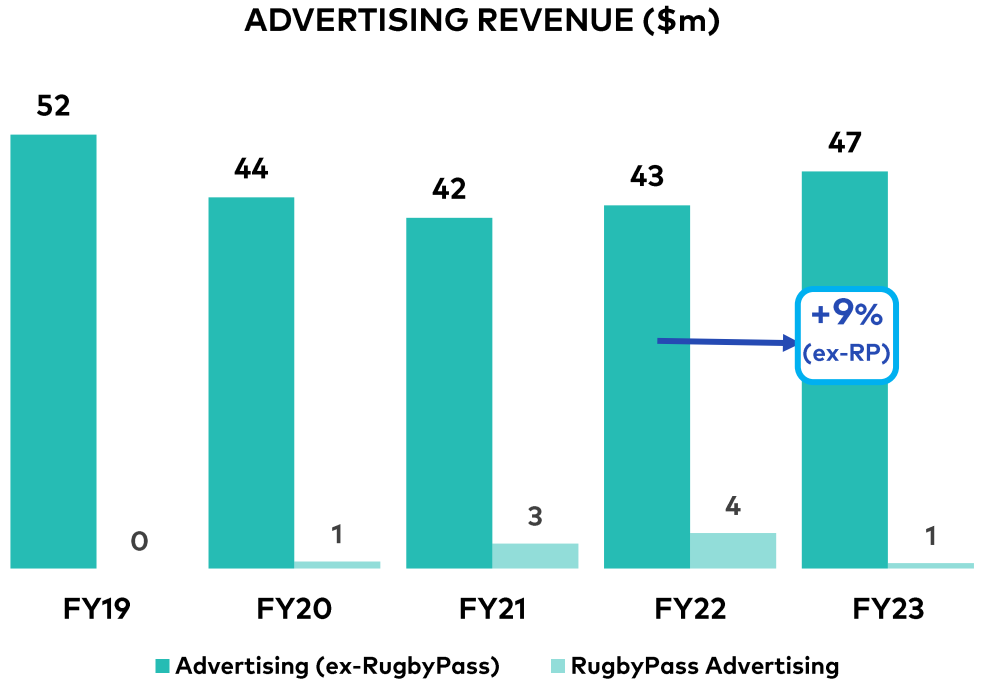
Commercial
Moving from rebound to growth



- Commercial revenue strengthening with monthly revenue now above pre-Covid levels
- Licensed premises sector delivered growth in customer numbers, revenue and ARPU, supported by strong sports content including pay-per-view events. Further step-up in value-based tiered pricing from 1 March 2023
- Accommodation sector now stabilised. FY23 includes first full 12 months of normal billing for Covid-impacted customers since H2 2020. New developments and upgrades expected to flow through
- Business customers proving resilient with growth in rest home sector and strong rebound in gyms and quiz business

Advertising
Revenue share growth an opportunity to maximise content value

sky SALES



- Sky's revenue market share[1] rose to 9.5% from 8.3% year on year.
- Annual revenue rose 9% driven by strong content and a refreshed approach (compared to a decline of 5% in total market spend)
- Leadership in place with new sales enablement roles to follow by Q2 FY23
- While the wider market may face short-term headwinds, Sky sees an opportunity to grow new revenue streams and further improve market share through:
  - New digital revenue from introducing advertising to streaming platforms in H2 FY24
  - Expanded integration and brand-funded content opportunities across entertainment and sport properties
  - Refreshed free-to-air offering with the launch of Sky Open
  - Collaborations with media and publisher partners

1. Source: Quarterly Performance Comparison Report from PWC

Financial Performance

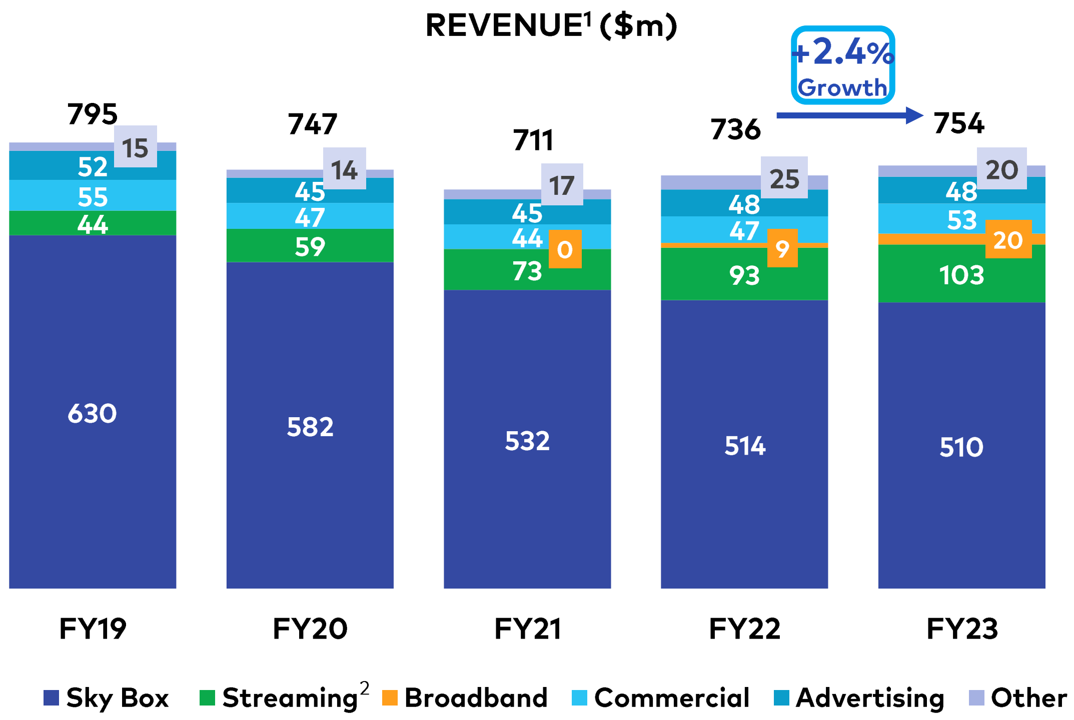
Financial performance
Key financial metrics within guidance, capex just above

$m	FY23 Guidance	FY23 Adjusted	FY23 Reported	FY22 Adjusted	Adjusted % inc/(dec)
Revenue	750 - 760	753.1	754.1	736.1	2.3%
EBITDA	150 - 160	156.4	148.5	153.7	1.8%
Net Profit after Tax	55 - 60	56.7	51.0	49.2	15.2%
CAPEX	65 - 75	77.4	77.4	44.7	73.2%

- Solid financial performance, with Revenue, EBITDA and NPAT all within guidance (on an adjusted basis, after removing RugbyPass and excluding one-off organisational change costs)
- Continued revenue growth, driven by improved ARPU across all products and continued growth in streaming customer numbers, albeit revenue was impacted by the delayed launch of the new Sky Box
- On an adjusted basis:
  - EBITDA of $156.4m grew by 1.8% YoY, and was above midpoint of guidance
  - NPAT increased by 15.2% YoY, primarily due to lower depreciation on right of use assets following reassessment of the Optus lease term, and reduced depreciation of existing Sky Box fleet which is largely fully depreciated

Revenue

Second consecutive year of revenue growth



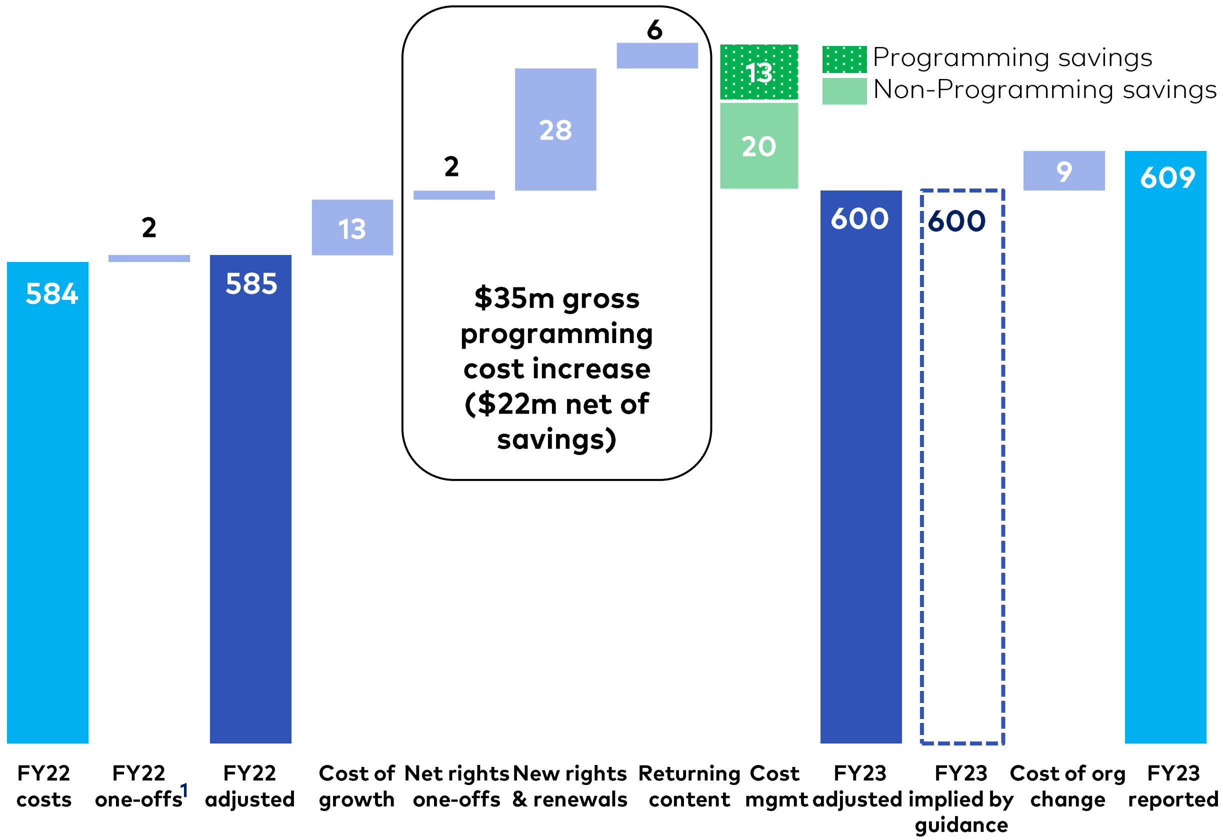
- Reported revenue growth of 2.4% year on year, rising to 4.5% on a comparable basis excluding:
  - $10.1m impact of Vodafone TV platform fees on Streaming revenue in FY23 ($4.0m in FY22). Migrated off the platform in March 2023. Excluding these fees, Streaming revenue growth of 16% on a like for like basis
  - one-off revenue in FY22 from on-sold programming rights, including Olympic sub-licencing to TVNZ
  - removing RugbyPass from both years

1. Revenue excludes Other Income. 2. Streaming revenue includes Neon, Sky Sport Now, VTV/Retransmission prior to migration to a Sky product, and in prior year's RugbyPass subscriptions

Expenses

Costs held to a net $15m increase; $33m of savings achieved

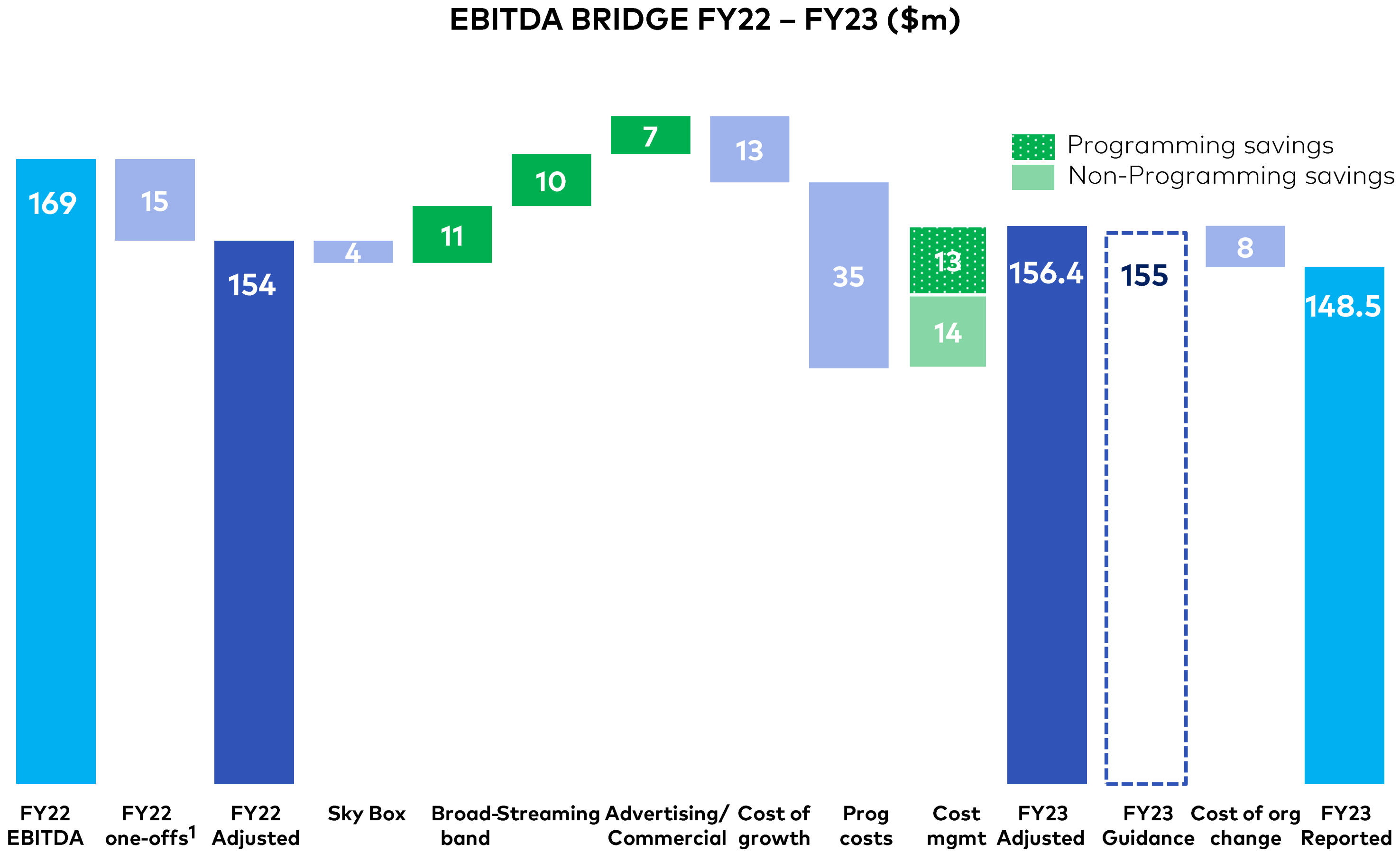
EXPENSES BRIDGE FY22 – FY23 ($m)



- $33m of cost savings, including programming savings of $13m
- Cost of growth of $13m relates to Sky Broadband and streaming growth, and establishing new 3PL partnership with Pacificomm
- Gross programming cost increase of $35m as compared to $40m indicated at FY22 year-end. After taking into account $13m of content savings, net increase of $22m
- Net rights one-offs of $2m reflects the year on year impact of one-off events between FY22 and FY23
- New rights and renewals increase of $28m includes NRL renewal from Jan-23 and a step-up in second year of Warner/HBO deal that was renewed in 2021, new rights for Premier League (from Aug-22) and Formula 1 (from Jan-23), and roll-off of tail of equitable rights reductions in FY22
- Returning content of $6m reflects production costs following the return of home games for New Zealand teams post Covid

1. FY22 one-off costs included $3m Holidays Act compliance provision release, partly offset by $1m content impairment (net impact $2m)

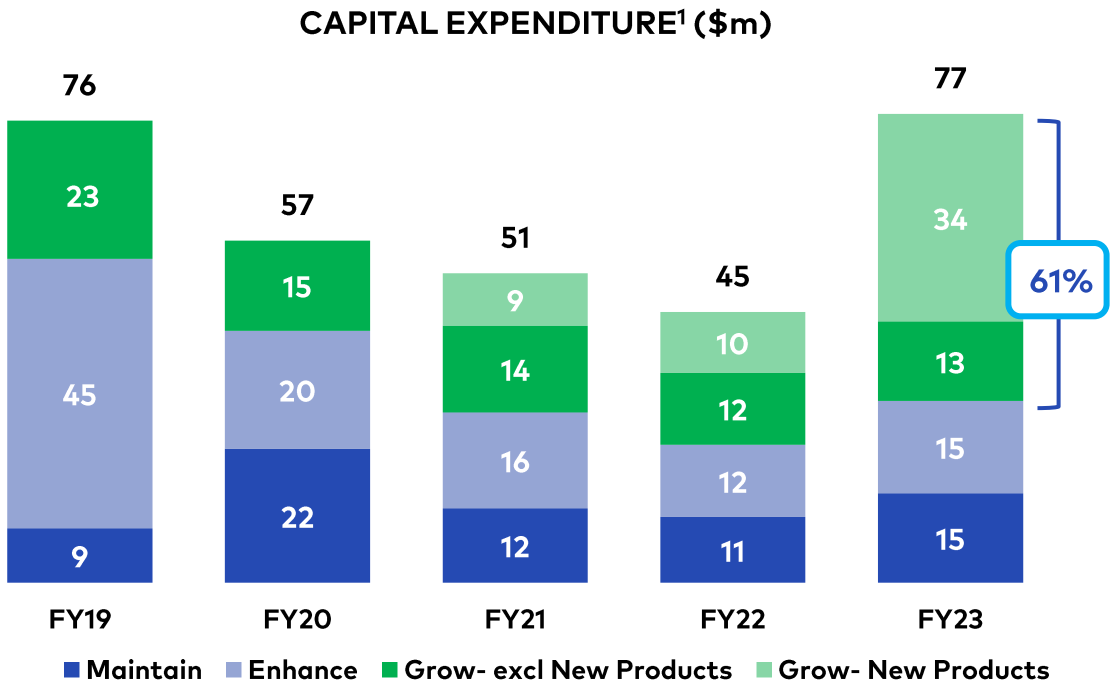
EBITDA bridge
Delivered in line with midpoint of guidance



- Streaming revenue growth again outweighed decline in Sky Box revenues
- Net revenue growth of $23m across Sky Box, broadband, streaming & advertising. Note: this was net of $6m YoY increase for Vodafone TV platform fees (ceased March 2023)
- Cost management of $27m includes full year impact of savings implemented in FY22, as well as on-going cost reviews during FY23. The $14m of non-programming savings is net of the reduction in Other revenue, primarily due to Olympics sub-licensing in FY22
- $8m cost of organisational change includes redundancy costs, career transition support, consultancy costs, and establishment costs for Sky's new outsource partners, as well as the FY23 loss for RugbyPass (as asset held for sale, sold in October 2022)

1. FY22 EBITDA included $14m gain on sale of Mt Wellington property and $3m Holidays Act compliance provision release, partly offset by $1m content impairment (net impact $15m)

Capital expenditure
Increased focus on investment for growth



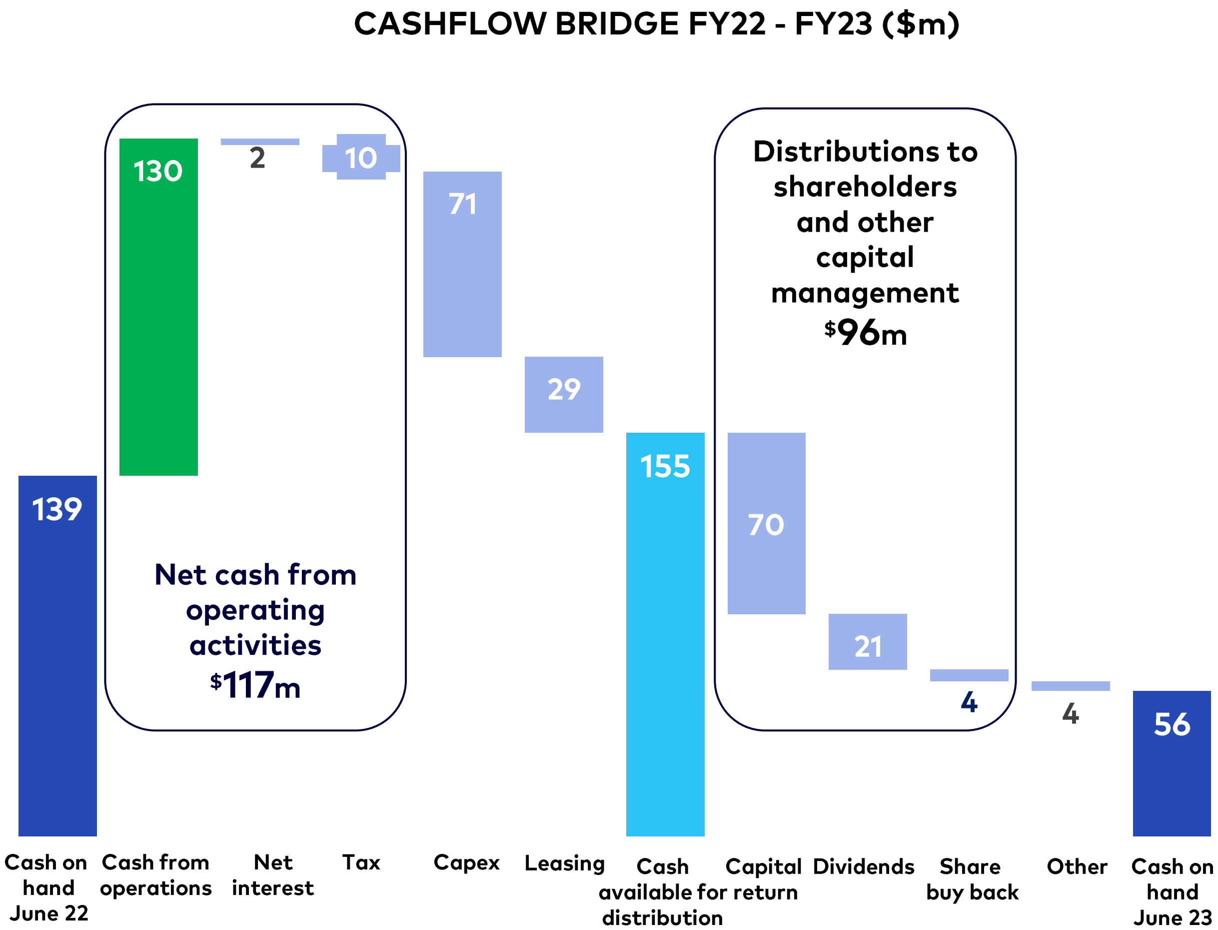
	FY19	FY20	FY21	FY22	FY23
CAPEX/Revenue %	10%	8%	7%	6%	10%
Growth Spending %	30%	26%	45%	49%	61%

- Capex as a percentage of revenue rose to 10.3% driven by investment in "grow – new products" spending, including new Sky Box and Sky Pod devices and software development
- Continued focus on growth projects, being 61% of total spend (up 12ppts year on year) reflects this development programme and building inventory ahead of new product rollout. Capital investment is expected to remain high into FY24 and FY25, with depreciation also expected to increase as a result
- Post the accelerated rollout phase, capex is expected to return to within the long-range target range of 7-9% of revenue in FY26
- Year-end inventory of new Sky Boxes ahead of deployment to customers' homes was approximately 50k

1. SaaS adjustment is reflected from FY 2022 onwards. FY 2021 adjustment in the Financial Statement relates to prior periods, hence has not been reflected.

Free Cash Flow

$96m in distributions and other capital management activity



- $117m of cash generated from operating activities, broadly in line with FY22 ($120m)
- Free cash flow available for distribution of $16.5m (or $24.4m adjusted for one-off items)
- Increase in capex to $71m (vs $45m in FY22) reflects the investment in developing new products, and building inventory in preparation for accelerated rollout in FY24
- Leasing reduction reflects benefits from the renegotiation of the Optus lease from November 2021, partly offset by full year impact of leases at Mt Wellington and central Auckland sites
- Distributions to shareholders and capital management of $96m consisted of capital return of $70m, final FY22 dividend and interim FY23 dividend paid in September and March respectively, and $4.5m deployed for the share buyback

Looking Ahead

Dividends & Capital Management

Confidence in cash generation and balance sheet strength

$m	FY23
FY23 Free Cash Flow[1]	16.5
Add back one-off items	7.9
Adjusted Free Cash Flow[2]	**24.4**
FY23 Dividends	21.7
Cents per share (cps) *	**15.0 cps**
Dividend % of Adjusted FCF	89%
* Interim (March 2023)	6 cps
* Final (September 2023)	9 cps

Dividend update

- FY23: Free cash flow has been adjusted for one-off items in determining free cash flow available for FY23 dividends (as signalled at the time of the organisational change and in our guidance)
- FY24: Intention to exclude one-off capital expenditure associated with satellite mitigation and accelerated portion of investment in new Sky Box and Sky Pod when determining adjusted free cash flow available for FY24 dividends (in accordance with 60-90% Sky's policy)
- Reflects the Board's confidence in future cash flow generation and the strength of Sky's balance sheet (i.e. capacity to fund both significant capital investment as well as maintain dividends to shareholders)

Buyback update

- Share buyback initiated in March 2023 for a maximum of $15m
- At 30 June 2023 a total of 1.7 million shares had been acquired for a total consideration of $4.5m, with potential for a further $10.5m of shares to be acquired before 31 March 2024

[1] Free Cash Flow is defined as net cash from operating activities, less net cash used in investing activities, less payments for lease liability principal. [2] Adjusted free cash flow excludes one off items related to organisational change and the cash loss of RugbyPass in FY23 (as asset held for sale, sold in October 2022)

Outlook and FY24 Guidance

$m	FY24 guidance[1]
Revenue	765 - 795
EBITDA	150 – 165
NPAT	45 - 55
Capex[2]	75 - 90
Dividend[3]	at least 15.0 cps

- Customer relationship growth expected to continue across Neon, Sky Sport Now and Broadband, with further stabilisation of Sky Box
- Revenue growth expected through customer acquisition, increased ARPU, Commercial growth and expanded opportunities in Advertising
- FY24 includes full year effect of NRL and F1 rights, the first year of the new World Rugby deal, partly offset by savings from non-renewals, recent renewals on more favourable terms, and permanent cost savings flowing through from FY23
- As a result, FY24 will be a year of EBITDA consolidation, as revenue growth is largely offset by cost of growth and final known step-ups in programming rights
- FY24 capex guidance excludes one-off capital expenditure related to satellite mitigation
- Guidance midpoints equate to capex as a percentage of revenue of 10.6%. The accelerated roll-out plan will result in a steeper, but shorter, period of elevated capex over FY24 and FY25, before returning to the long run target range of 7-9% in FY26

1. Subject to no adverse change in operating conditions, including future economic headwinds. 2. Excludes one-off satellite mitigation capex. 3. Adjusted free cash flow used for the purposes of dividend guidance in the context of Sky's 60-90% of free cash flow dividend policy excludes satellite mitigation capex and accelerated growth capex related to the rollout of the new Sky Box and Pod

FY24 Priorities and 3-year Targets

FY24 Priorities

1. Lift employee engagement

2. Roll out new Sky experience

3. New revenue streams

3-year Targets (to FY26)

- Revenue growth (CAGR) +**3-4% p.a.**
- EBITDA margin **21-23%**
- Programming as a % of revenue of **47-49%**
- Capex returned to **7-9%** of revenue
- Employee Engagement (NPS) +**14pts**
- Customer NPS +**19pts**
- **Double the FY23 dividend!**

Questions

Continuing to deliver today while investing in the areas that will see us **benefit in future years**

- Delivering on strategy with strengthened market position
- Demonstrating resilience during a period of pressure on household wallets
- Over 1 million customer relationships
- Unmatched 'biggest content bundle' - clear #1 in Sport and broadest range in paid entertainment - accessible across Sky Box, Streaming and Free-to-Air
- Lifting capex investment to accelerate rollout of the new Sky experience
- Confidence in cash generation profile driving commitment to maintain dividends

Disclaimer

This presentation has been prepared by Sky Network Television Limited and its group of companies (“the Company”) for informational purposes. This disclaimer applies to this document and the verbal or written comments of any person presenting it.

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The Company has used the non-GAAP financial measure EBITDA and has presented adjusted results when discussing financial performance, as the directors and management believe that these measures provide useful information on the underlying performance of the Company. EBITDA is defined by the Company as earnings before income tax, interest expense, depreciation, amortization and impairment, unrealized gains and losses on currency and interest rate swaps. Adjustments made to Sky’s GAAP financial measures normalised for non-recurring costs and non-cash impairments and are described in more detail herein. You should not consider this in isolation from, or as a substitute for, the information provided in the audited consolidated financial statements for the financial year ended 30 June 2023, which form part of the Company’s 2023 Annual Report at https://www.sky.co.nz/investor-centre/results-and-report.

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation. The presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any security and may not be relied upon in connection with the purchase or sale of any security. Nothing in this presentation constitutes legal, financial, tax or other advice.

Appendix 4G

Key to Disclosures
Corporate Governance Council Principles and Recommendations

Name of entity

Sky Network Television Limited

ABN/ARBN	Financial year ended:
70 653 143 224	30 June 2023

Our corporate governance statement[1] for the period above can be found at:[2]

☐	These pages of our annual report:	
☒	This URL on our website:	https://www.sky.co.nz/investor-centre/corporate-governance

The Corporate Governance Statement is accurate and up to date as at 23 August 2023 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.[3]

Date:	23 August 2023
Name of authorised officer authorising lodgement:	Kirstin Jones, Company Secretary

[1] "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of Listing Rule 4.10.3.

Under Listing Rule 4.7.3, an entity must also lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX. The Appendix 4G serves a dual purpose. It acts as a key designed to assist readers to locate the governance disclosures made by a listed entity under Listing Rule 4.10.3 and under the ASX Corporate Governance Council's recommendations. It also acts as a verification tool for listed entities to confirm that they have met the disclosure requirements of Listing Rule 4.10.3.

The Appendix 4G is not a substitute for, and is not to be confused with, the entity's corporate governance statement. They serve different purposes and an entity must produce each of them separately.

[2] Tick whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where your corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

[3] Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

See notes 4 and 5 below for further instructions on how to complete this form.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should have and disclose a board charter setting out: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	☒ and we have disclosed a copy of our board charter at: https://www.sky.co.nz/investor-centre/corporate-governance	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

[4] Tick the box in this column only if you have followed the relevant recommendation <u>in full</u> for the <u>whole</u> of the period above. Where the recommendation has a disclosure obligation attached, you must insert the location where that disclosure has been made, where indicated by the line with "*insert location*" underneath. If the disclosure in question has been made in your corporate governance statement, you need only insert "our corporate governance statement". If the disclosure has been made in your annual report, you should insert the page number(s) of your annual report (eg "pages 10-12 of our annual report"). If the disclosure has been made on your website, you should insert the URL of the web page where the disclosure has been made or can be accessed (eg "www.entityname.com.au/corporate governance/charters/").

[5] If you have followed all of the Council's recommendations <u>in full</u> for the <u>whole</u> of the period above, you can, if you wish, delete this column from the form and re-format it.

<table>
<tr><th colspan="2">Corporate Governance Council recommendation</th><th>Where a box below is ticked,[4] we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:</th><th>Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]</th></tr>
<tr><td>1.5</td><td>A listed entity should:
(a) have and disclose a diversity policy;
(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and
(c) disclose in relation to each reporting period:
(1) the measurable objectives set for that period to achieve gender diversity;
(2) the entity's progress towards achieving those objectives; and
(3) either:
(A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or
(B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.
If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</td><td>☒
and we have disclosed a copy of our diversity policy at:
https://www.sky.co.nz/investor-centre/corporate-governance (see Diversity Policy)
and we have disclosed the information referred to in paragraph (c) at:
Corporate Governance Statement (https://www.sky.co.nz/investor-centre/corporate-governance) and our Annual Report (pg 47)
and if we were included in the S&P / ASX 300 Index at the commencement of the reporting period our measurable objective for achieving gender diversity in the composition of its board of not less than 30% of its directors of each gender within a specified period.</td><td>☐ set out in our Corporate Governance Statement <u>OR</u>
☐ we are an externally managed entity and this recommendation is therefore not applicable</td></tr>
</table>

	Corporate Governance Council recommendation	**Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:**	**Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]**
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	☒ and we have disclosed the evaluation process referred to in paragraph (a) at: Corporate Governance Statement, Board Charter, Audit and Rick Committee Charter and People and Performance Committee Charter (located at https://www.sky.co.nz/investor-centre/corporate-governance), ………………………………………………………… and whether a performance evaluation was undertaken for the reporting period in accordance with that process at: Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance) …………………………………………………………	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.7	A listed entity should: (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	☒ and we have disclosed the evaluation process referred to in paragraph (a) at: Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance) ………………………………………………………… and whether a performance evaluation was undertaken for the reporting period in accordance with that process at: Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance) …………………………………………………………	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 2 - STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE			
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	☒ *[If the entity complies with paragraph (a):]* and we have disclosed a copy of the charter of the committee at: and the information referred to in paragraphs (4) and (5) at: .... *[insert location]* *[If the entity complies with paragraph (b):]* and we have disclosed the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively at: Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance) .... *[insert location]*	☐ set out in our Corporate Governance Statement **<u>OR</u>** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.	☒ and we have disclosed our board skills matrix at: ... Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance)	☐ set out in our Corporate Governance Statement **<u>OR</u>** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, affiliation or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	☒ and we have disclosed the names of the directors considered by the board to be independent directors at: ……… Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance) ………………………………………………………………… and, where applicable, the information referred to in paragraph (b) at: Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance) and our Annual Report (pg 47) ………………………………………………………………… [*insert location*] and the length of service of each director at: … Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance) …………………………………………………………………	☐ set out in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	☒	☐ set out in our Corporate Governance Statement **<u>OR</u>** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	☒	☐ set out in our Corporate Governance Statement **<u>OR</u>** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	☒	☐ set out in our Corporate Governance Statement **<u>OR</u>** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should articulate and disclose its values.	☒ and we have disclosed our values at: Our Annual Report, Sky's 24th August 2023 annual results presentation and Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance)	☐ set out in our Corporate Governance Statement
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.	☒ and we have disclosed our code of conduct at: https://www.sky.co.nz/investor-centre/corporate-governance (see Code of Ethics)	☐ set out in our Corporate Governance Statement
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	☒ and we have disclosed our whistleblower policy at: https://www.sky.co.nz/investor-centre/corporate-governance (see Protected Disclosure Policy)	☐ set out in our Corporate Governance Statement
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy.	☒ and we have disclosed our anti-bribery and corruption policy at: https://www.sky.co.nz/investor-centre/corporate-governance (see Anti-Bribery and Corruption Policy)	☐ set out in our Corporate Governance Statement

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	☒ *[If the entity complies with paragraph (a):]* and we have disclosed a copy of the charter of the committee at: https://www.sky.co.nz/investor-centre/corporate-governance (see Audit and Risk Committee Charter) and the information referred to in paragraphs (4) and (5) at: Experience and qualifications of committee members are set out in the Annual Report (see Board biographies) and the Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance). Number of committee meetings and attendance is set out in the Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance). …………………………………………………………………… *[insert location]* *[If the entity complies with paragraph (b):]* and we have disclosed the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner at: …………………………………………………………………… *[insert location]*	☐ set out in our Corporate Governance Statement
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	☒	☐ set out in our Corporate Governance Statement

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
4.3	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	☒	☐ set out in our Corporate Governance Statement
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	☒ and we have disclosed our continuous disclosure compliance policy at: https://www.sky.co.nz/investor-centre/corporate-governance (see Continuous Disclosure Policy)	☐ set out in our Corporate Governance Statement
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	☒	☐ set out in our Corporate Governance Statement
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	☒	☐ set out in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	☒ and we have disclosed information about us and our governance on our website at: https://www.sky.co.nz/investor-centre/corporate-governance	☐ set out in our Corporate Governance Statement
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	☒	☐ set out in our Corporate Governance Statement
6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	☒ and we have disclosed how we facilitate and encourage participation at meetings of security holders at: https://www.sky.co.nz/investor-centre/corporate-governance (see Investor Communications Policy)	☐ set out in our Corporate Governance Statement
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	☒	☐ set out in our Corporate Governance Statement

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	☒	☐ set out in our Corporate Governance Statement
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	☒ *[If the entity complies with paragraph (a):]* and we have disclosed a copy of the charter of the committee at: https://www.sky.co.nz/investor-centre/corporate-governance (see Audit and Risk Committee Charter) and the information referred to in paragraphs (4) and (5) at: in the Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance). .... *[insert location]* *[If the entity complies with paragraph (b):]* and we have disclosed the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework at: .... *[insert location]*	☐ set out in our Corporate Governance Statement
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	☒ and we have disclosed whether a review of the entity's risk management framework was undertaken during the reporting period at: ... Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance) .... *[insert location]*	☐ set out in our Corporate Governance Statement

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.	☒ *[If the entity complies with paragraph (a):]* and we have disclosed how our internal audit function is structured and what role it performs at: …See Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance) and Audit and Risk Committee Charter (https://www.sky.co.nz/investor-centre/corporate-governance) ………………………………………………………………………… [*insert location*] *[If the entity complies with paragraph (b):]* and we have disclosed the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes at: ………………………………………………………………………… [*insert location*]	☐ set out in our Corporate Governance Statement
7.4	A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	☒ and we have disclosed whether we have any material exposure to environmental and social risks at: … See Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance) ………………………………………………………………………… [*insert location*] and, if we do, how we manage or intend to manage those risks at: … See Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance) ………………………………………………………………………… [*insert location*]	☐ set out in our Corporate Governance Statement

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	☒ *[If the entity complies with paragraph (a):]* and we have disclosed a copy of the charter of the committee at: https://www.sky.co.nz/investor-centre/corporate-governance (see People & Performance Committee Charter) and the information referred to in paragraphs (4) and (5) at: See Corporate Governance Statement (located at https://www.sky.co.nz/investor-centre/corporate-governance) ………………………………………………………………………… *[insert location]* *[If the entity complies with paragraph (b):]* and we have disclosed the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive: ………………………………………………………………………… *[insert location]*	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	☒ and we have disclosed separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives at: https://www.sky.co.nz/investor-centre/corporate-governance (see Remuneration Policy)	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	☐ and we have disclosed our policy on this issue or a summary of it at: ... . *[insert location]*	☐ set out in our Corporate Governance Statement **OR** ☒ we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
ADDITIONAL RECOMMENDATIONS THAT APPLY ONLY IN CERTAIN CASES			
9.1	A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	☐ and we have disclosed information about the processes in place at: .... *[insert location]*	☐ set out in our Corporate Governance Statement **OR** ☒ we do not have a director in this position and this recommendation is therefore not applicable **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
9.2	A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are established in Australia and this recommendation is therefore not applicable **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
9.3	A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are established in Australia and not an externally managed listed entity and this recommendation is therefore not applicable ☐ we are an externally managed entity that does not hold an AGM and this recommendation is therefore not applicable

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	*Alternative to Recommendation 1.1 for externally managed listed entities:* The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; and (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	☐ and we have disclosed the information referred to in paragraphs (a) and (b) at: .... [*insert location*]	☐ set out in our Corporate Governance Statement
-	*Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:* An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	☐ and we have disclosed the terms governing our remuneration as manager of the entity at: .... [*insert location*]	☐ set out in our Corporate Governance Statement

Appendix 4E Release to ASX under rule 4.3A

Sky Network Television Limited
Year ended on 30 June 2023 (In NZD)

To be read in conjunction with Sky Network Television Limited financial statements for the year ended 30 June 2023

- **Results for announcement to market**

Name of issuer	Sky Network Television Limited	
Reporting Period	12 months to 30 June 2023	
Previous Reporting Period	12 months to 30 June 2022	
Currency	NZD	
	Amount (000s)	**Percentage change**
Revenue from ordinary activities	$754,100	2.4% increase
Net profit/(loss) from ordinary activities after tax attributable to security holders	$50,754	18.3% decrease
Total net profit/(loss)	$51,013	18.0% increase
Final Dividend		
Amount per security	$0.09	
Franked amount per security	Not applicable	
Record Date	8 September 2023	
Dividend Payment Date	22 September 2023	
	Current period	**Prior comparable period**
Net tangible assets per security	$0.9038	$1.1124
A brief explanation of any of the figures above necessary to enable the figures to be understood	For further explanation refer the financial commentary and audited financial statements attached.	

- **Control gained over entities**

  There were no business acquisitions in the 2023 financial year or the prior year.

- **Loss of control of entities**

  RugbyPass

  On 10 October 2022 Sky entered into an agreement with World Rugby to sell the shares of RugbyPass Limited and RugbyPass UK Limited (RugbyPass Entities) for $11.0 million. The consideration was part of the media rights agreement for exclusive rights to premium competitions, including Rugby World Cups for seven years with World Rugby (the licence period 29 June 2023 to 30 June 2030).

  The cost of the programming rights acquired (which are held at the lower of cost and net realisable value as per note 10) comprises both cash paid in the deal and the fair value of the shares in the RugbyPass Entities transferred to World Rugby as non-cash consideration.

  The RugbyPass Entities accumulated losses remain with RugbyPass after disposal. No deferred tax asset had been recognised for those losses so no disposal adjustment to deferred tax is required.

  The RugbyPass entities comprised a disposal group classified as held-for-sale at 30 June 2022, measured at fair value of $11.0 million. Control of these entities was transferred to World Rugby Limited on 10 October 2022.

  Refer note 28, Business Acquisitions and Disposals in the attached consolidated financial statements.

  Prior Year 2022

  There were no business disposals in the 2022 financial year.

- **Dividends**

  Final dividend payable: $12,946,725 (September 2023)

  Interim dividend paid: $8,734,391 (paid March 2023)

  Prior comparable period:

  Final dividend paid: $12,752,251 (September 2022)

  Interim dividend: Nil

- **Details of aggregate share of profits (losses) of associates and joint venture entities**

  Not applicable

- **Accounting standards**

  New Zealand international financial reporting standards used in compiling report.

- **Directors' Details**

  The directors of Sky Network Television Limited at any time during the year are as follows:

Philip Bowman	Chairman
Keith Smith	Director
Joan Withers	Director
Mike Darcey	Director
Mark Buckman	Director
Belinda Rowe	Director (Appointed 1 March 2023)
Geraldine McBride	Director (Resigned 2 November 2022)

- **Other information required by Listing Rule 4.3A**

  Additional Appendix 4E disclosure requirements, including commentary on significant features of the operating performance, results of segments, trends in performance and other factors affecting the results of the year are contained in the consolidated financial statements of Sky and its subsidiaries (**Group**) for the financial year ended 30 June 2023. This document should be read in conjunction with the 2023 Annual Report and any public announcements made in the period by the Group.

Directors' Declaration

The directors declare that the consolidated financial statements:

(i) comply with New Zealand International Financial Reporting Standards

(ii) give a true and fair view of the financial position of Sky Network Television Limited and its subsidiaries as at 30 June 2023 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date.

In the directors' opinion at the date of this declaration there are reasonable grounds to believe that Sky Network Television Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors and is signed for and on behalf of the Board of directors.

Dated at Auckland this 23rd day of August 2023.

Philip Bowman	Keith Smith
Director and Chair	**Director and Chair of Audit and Risk Committee**

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