

YOUR **sky**



2022 ANNUAL REPORT

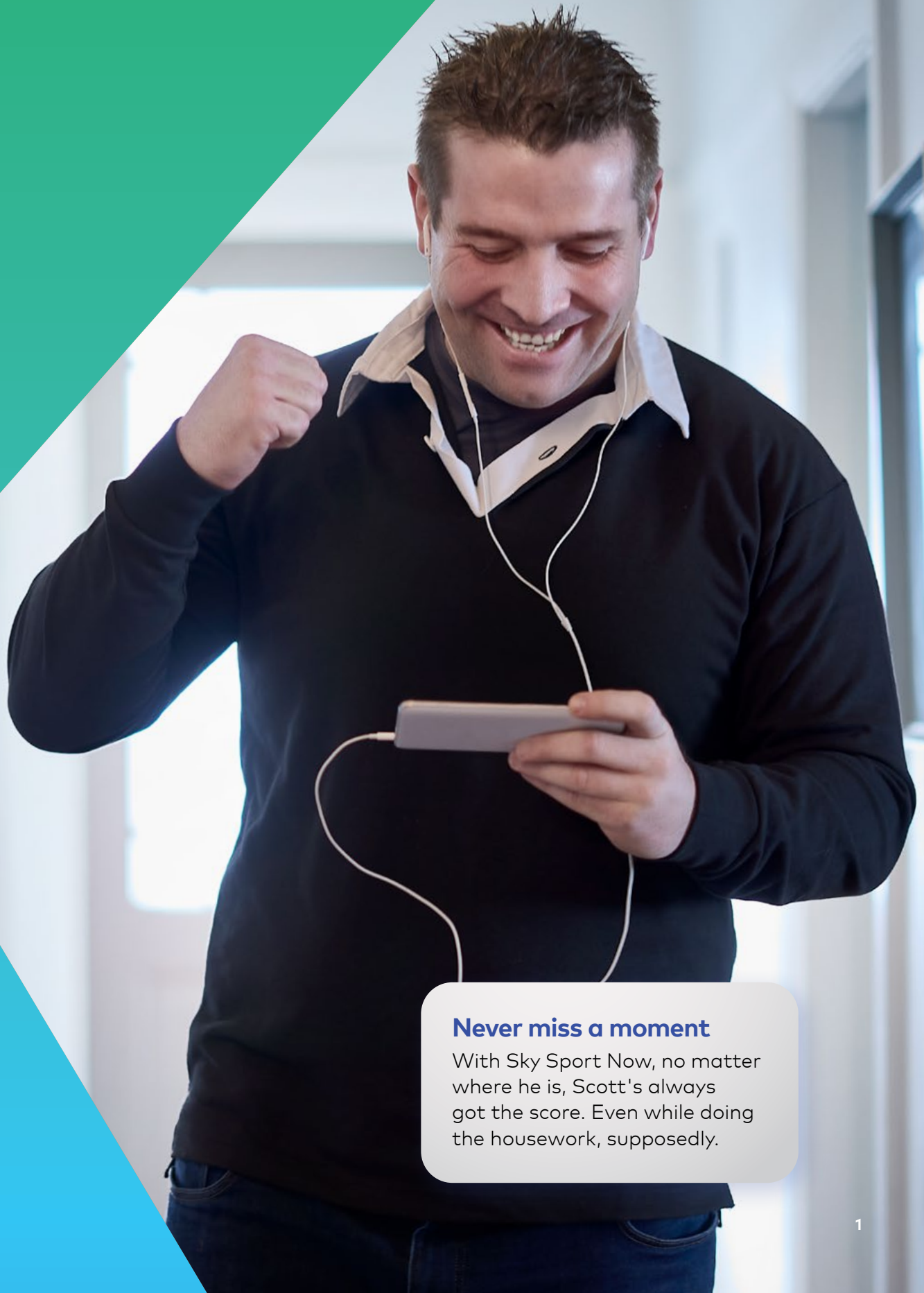
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FRONT COVER IMAGE:

Teen Titans Go! all to myself

Léla's Mum gets her set up on the iPad so she can watch her favourite content.



Never miss a moment

With Sky Sport Now, no matter where he is, Scott's always got the score. Even while doing the housework, supposedly.

Chairman's Letter



Philip Bowman
Independent Chairman

Welcome to Sky's Annual Report for 2022.

Our company has ended the financial year in a much-improved position due to the hard work by Management and all the Sky team over the last twelve months.

The strong results for the year were driven by a return to growth in core revenue, a continued focus on cost control, and an ongoing emphasis to build enduring relationships with content partners and secure the content that our customers want to view.

Against a difficult macroeconomic outlook globally, Sky's balance sheet ended the year with no borrowings, significant cash on hand (including the proceeds from the sale of our Mt Wellington campus), supported by a business delivering healthy free cashflow.

The Board and Management took time to explore Sky's capital management strategy in the context of available growth initiatives. These included the evaluation of a possible acquisition of MediaWorks, which we subsequently chose not to pursue.

Not only have we made good progress against strategy, but improved financial performance combined with greater confidence in the future has allowed the Board to declare a final dividend for FY22 of 7.3 cents per share payable in late September. In addition, the Board will propose to the Annual Shareholder Meeting a return of capital of approximately \$70 million, using the mechanism of a Court sanctioned pro rata share cancellation. Further detail on the return of capital will be provided in Sky's notice of annual meeting. These initiatives strike a careful balance between returning surplus capital, providing an income stream to shareholders, and retaining the flexibility to invest for future growth.

The momentum within the business as we entered the new financial year should deliver continued growth in customer numbers and revenue to underpin delivery of further progress against our strategy in FY23. Whilst there will be an increase in programming costs due to recent rights renewals, these will in part be mitigated by Management's ongoing focus on cost reduction opportunities. Capital investment will increase over recent levels as we deploy the new Sky Box and other products on the roadmap.

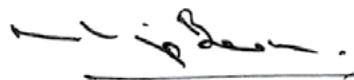
FY23 will also be a crucial year for the business, requiring the successful delivery of the new Sky Box, further investment in growth initiatives, including strengthening our advertising credentials, and continued enhancements to our technology and data analytics to improve customer experience even further. Excellence in execution will be key, especially against the local economy which continues to feel the impacts of COVID-19 restrictions, a shortage of skilled workers, escalation in wage, salary and other input costs, as well as the rapidly rising cost of living. We remain alert to the unexpected headwinds that may arise from the current economic challenges facing New Zealand consumers and businesses.

Sophie and her leadership team are highly focused on the task ahead. Delivering on the year's goals will take a lot of hard work and an absolute determination to continue to transform Sky to meet competitive pressures. The team have demonstrated their ability to overcome challenges, and to deliver improved results over the past two years, giving the Board confidence that Sky will continue to build on the positive momentum of FY22.

In closing, I would like to extend my thanks to the Board for their time, challenge, and contribution over the past year, and to formally welcome Mark Buckman who joined us as a Director in March. Geraldine McBride will stand down from the Board at the time of the Annual Shareholder Meeting, and I would like to recognise her service to Sky over the past nine years. The Board also wishes to thank Sophie and her leadership team for the value that their efforts and commitment has delivered to shareholders.

My final words are reserved for you, our investors. We value your support and acknowledge that it has been a long road back from the nadir of the capital raise to the much-improved position we are in today. Thank you for your belief in Sky through these difficult times. Having declared our first dividend for several years, the Board is committed to delivering increased dividends based on growth in free cash flow in line with the policy that we previously announced. Going forward, we will look to pay approximately 40% of the annual dividend by way of an Interim distribution, in accordance with the dividend policy.

I look forward to meeting with a number of you in person and having the opportunity to address all shareholders further at the Annual Shareholder Meeting on 2 November.



Philip Bowman
Independent Chairman

CEO's Update



Sophie Moloney
Chief Executive Officer

Dear Shareholders,

It is my pleasure to report to you on our progress in the past financial year, and to highlight our plans for FY23. Today's results reflect the hard work of the Sky team, and we are proud to share this update with you, our owners.

At the Interim Results in February I talked about Sky being at a positive inflection point in terms of our top-line growth. I'm delighted to demonstrate that this positive trend is firmly established and gaining momentum - with more opportunity ahead of us, as we deliver on key projects such as the new Sky Box.

My team and I are firmly focused on execution and FY22 has seen a number of important milestones achieved as a result. Critically, our return to revenue growth – for the first time in six years – is a strong sign of the appeal of Sky's content and the turnaround we've achieved. Of note:

- We're stabilising our Sky Box revenue, driven by improving customer tenure and average revenue per user (ARPU) growth
- We achieved impressive growth in streaming from Neon and more so in Sky Sport Now, which is really hitting its straps and is a clear #1 in sports streaming in Aotearoa New Zealand
- We are seeing the start of the recovery in our Sky Commercial Business as our hospitality and accommodation customers emerge from a challenging period.

This positive progress is supported by a sharp focus on costs as we deliver on the commitments made in our 7 December 2021 guidance upgrade. Those include locking in permanent cost savings through spending more effectively and making reductions where that makes sense.

As a result, we are pleased to report that Sky has delivered against our increased guidance forecasts, with revenue of \$736.1 million and reported net profit after tax (NPAT) of \$62.2 million. When adjusted for the impact of one-offs, including a \$14 million gain from the sale of our Mt Wellington properties, our NPAT of \$49.2 million is still slightly above the top of the guidance range.

As the Chair notes, the result of our focused effort has been a faster return to sustainable free cash flow levels that now underpins the return to dividends and will drive future growth in shareholder returns.

We are grateful for your support while we 'righted the ship' and returned Sky to this positive position but, there remains more to do.

This year we have been executing at pace on our strategic plan:

We talk often about what we're here for: to connect our customers with the sport and entertainment they love, in ways that work for them, right across the country.

We do that across just over 990k customer relationships and we are firmly focused on serving even more New Zealanders in FY23 – and serving them well.

There are four pillars that drive the execution of our plan (as set out in more detail on the following pages), alongside our 'bedrock' of rapid and sustained execution to meet or exceed our key performance targets, and continuing to be a responsible, adaptive and profitable business:

Customer

Our customers are what matter most, and in the past 12 months we have further increased our focus on meeting their needs, by securing the content they care about (as highlighted further below) and by improving our products and services:

- The launch of our transformational new Sky Box is imminent, reinforcing Sky's position as the preferred aggregator platform in New Zealand, reliably delivering Sky content, free-to-air channels and favourite apps all in one, easy place.
- We have also invested in the continued growth of our streaming services, with the new Sky Sport Now platform launched earlier this week, offering an enhanced experience for our customers.
- Sky Broadband continues to deliver on our 'untelco-like' customer promise, offering a great service to our customers. We have started to report our Sky Broadband numbers in our Results, and the good news is that the attachment rate is in line with the internal target we set - but, of course, we want to see more of our Sky Box customers enjoying this quality service.
- This year we have reinforced the importance of our free-to-

air channel Prime. Our goal is to meet all New Zealanders wherever they are, and having a strong, advertising-supported, free-to-air offering alongside our suite of paid services allows us to do that. The strong viewership of the recent Birmingham Commonwealth Games on Sky, Sky Sport Now and Prime is a great example of this approach in action.

Content

One of the challenges of writing a concise Annual Report is trying to fully capture the depth and breadth of our great sport and entertainment content! As we set out on page 20, our combined content offering is unmatched in this market.

Each week I am reminded about the power and the joy of being 'customer segment' focused, as we look at our viewership data and see the clear differences between those customers happily consuming and recording linear content via the Sky Box and those on our digital streaming services, including Sky Go. From an entertainment programming perspective, while a wonderful 'procedural' like Vera happily wins out week-on-week during recent months on the Box, Love Island UK has been the recent winner on the streaming side. This serves to confirm the power of our insights and our platform to meet customers' viewing needs whatever their life stage and preferences.

We continue to focus on securing the rights that matter to our customers. In the past year this has included important wins like the Premier League as well as securing great entertainment content from NBCUniversal, Paramount and WarnerMedia. Of course, the content market is an ever-changing landscape and, due to our aggregator platform strength, we continue to be confident about the value we can offer to partners and customers, including the opportunity for bundling direct-to-consumer apps with our core services, as well as bundling content packages, in innovative ways.

On the local front, we are proud of the work of our talented team at Sky Originals (with more details set out on page 25), and grateful for our partnerships with NZ on Air, the New Zealand Film Commission and Te Māngai Pāho. Telling local stories and supporting the local creative sector are important to us, and a core part of being a Kiwi company.

Crew

My team and I are driven by our promise to make Sky a productive place for our crew to do their best work. In the past year we have put a greater emphasis on leadership, operating in a more 'agile' way and supporting hybrid working habits.

We've made some positive progress, but the journey is ongoing.

I am immensely proud of our teams for their work this year and I'm

grateful to every crew member who has strived to deliver for our customers every day – sometimes in tough circumstances.

As set out on page 32, it is noteworthy that despite COVID-19 interruptions and restrictions (including extended periods of working from home), an intense year of technology development, and periods of change and disruption (including moving to new premises), our teams delivered great content to our customers 24 hours a day, 365 days of the year.

Capability

When we talk about 'capability', we mean deploying the right technology and data solutions (both our own and those provided by our partners) to deliver for our customers.

Our strategy is two-fold; invest in our own capability where that makes sense, and work with excellent partners when they can bring more to the table.

We have made some good progress in FY22, but there is more to be done. In FY23 we will make targeted investments in our digital advertising capability so that we can achieve a more meaningful share of New Zealand's significant advertising pie in the years to come, alongside further targeted investment to enable more sophisticated data analytics and insights.

Sustainability – and using Sky 'for Good'

I made a commitment in my letter last year that we would make more meaningful progress in this area in FY22, and I'm pleased to report that we are well on the journey.

We outline on page 37 the steps we are taking to monitor and manage our environmental

footprint (including signing up with highly-regarded Toitū Envirocare to ensure our process is robust), and we continue to make meaningful contributions to the communities in which we operate.

It is a pleasure to share our Sky for Good story with you, and I am committed to building on this work as we continue our journey.

Looking ahead

We are enthused and optimistic about the coming year, but there is also hard work to be done. My leadership team and I are very clear that FY23 is a year of delivery:

- We will deliver the new Sky Box to our customers.
- We will maintain our sharp focus on costs to ensure we can keep making the content choices we know matter to our customers.
- We will invest for future growth, including more capex to come with the Sky Box project in particular, as we roll out boxes to customers across the country.
- We will deliver new pricing and packaging to continue to meet the needs of customers at all life stages.
- We will lean in on our crew initiatives and focus on improving engagement following a disruptive year.
- And we will invest in data and technology, to power decisions, lift capability and enable new revenue streams (including in advertising) to fuel future growth.

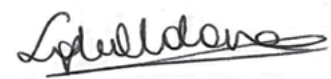
My summary of FY22 is that momentum is building, and that it's an exciting time to be at Sky. Our sights are firmly on FY24 and beyond, as we move through this inflection point and position the business to capture the opportunities we see ahead.

We couldn't do it without a number of key people:

- Our Board, and particularly Chair Philip Bowman, whose support and guidance is valued and always on point.
- My strengthened leadership team, who have added much capability and drive to achieve our strategy.
- Our valued content and business partners.
- Our hard-working Sky crew, who strive every day to deliver for our customers.
- Our customers, including the lovely group of customers who participated in our photo shoot for today's Annual Report. Thank you for your business, your loyalty, and your feedback.
- And you, our investors, for the confidence you have shown in us, and at times your patience too.

It continues to be a privilege to lead Sky at this time, and I look to FY23 with excitement, energy and determination.

Ngā mihi nui,



Sophie Maloney
CEO

Mixing my favourite things to do

Kids parked in front of Nickelodeon, Vibe on in the kitchen. Welcome to Charlotte's happy place.



FY22 at a glance

Financial

REVENUE
\$M

736.1  4%

EBITDA
\$M

169.0  6%

Adjusted ▼ 15%

NPAT
\$M

62.2  41%

Adjusted ▲ 12%

DIVIDEND
(CENTS PER SHARE)

7.3

Customer

TOTAL CUSTOMER
RELATIONSHIPS

990,761  4%

SKY BOX
CUSTOMERS

529,521

STREAMING
CUSTOMERS

436,388



WHAT MATTERS MOST?

Our Customers

WHAT DO WE DO?

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

WHAT WE'RE FOCUSING ON

1

CUSTOMERS

Nurture and grow our customer relationships

2

CONTENT

Create and secure the best sport and entertainment for our customers

3

CREW

Be a place where our crew can do their best work

4

CAPABILITY

Develop or partner for the best tech and data outcomes

THE 'BEDROCK' OF OUR BUSINESS

Rapid and sustained execution to meet or exceed our key results and continue to be a responsible, adaptive and profitable business.

1 Customers

Our customers are what matter most. We're focused on connecting them with great sport and entertainment, in ways that work for them – wherever they are, and at whatever stage of life. In recent years we have expanded the number of ways for customers to be entertained with Sky (and with more to come!), which in turn delivers on subscriber and engagement growth for Sky.

With greater customer centricity and empathy we're making it easy for more New Zealanders to be entertained in the ways they want. Whether that's a family

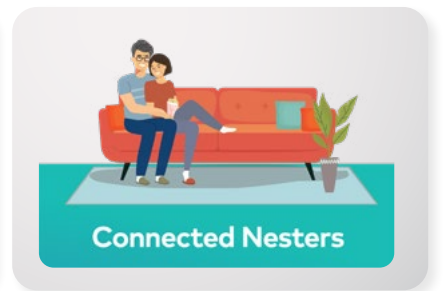
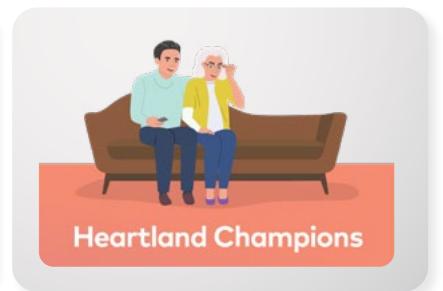
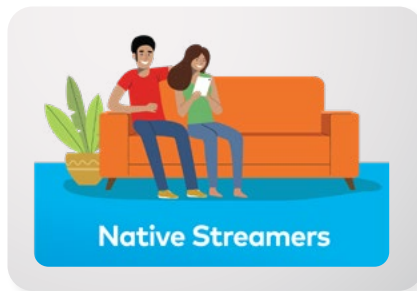
night in with Sky Box, catching the game with mates at the pub, streaming a favourite show on the go, or watching a new Sky Originals show free on Prime.

Understanding our customers

Customer centricity starts with a deep understanding of our customers, their lives and their needs.

Our life stage segmentation model¹ helps us understand where we are today and where the spaces are for growth. We have five different segments – Native Streamers, Heartland Champions, Budget Conscious Families, Connected Nesters, and Aspiring Families.

Each segment has unique needs, behaviours and opportunities and the framework is a valuable tool that helps us to create customer strategies that meet (and ideally exceed) the expectations of these consumer groups. We use this framework to guide customer-facing initiatives in designing new products, personalising our customer experiences, creating content optimisation strategies and targeted marketing.



Meeting New Zealanders, wherever they are

As the ultimate aggregator of the biggest bundle of content in the New Zealand market, it's the 'power of our platform' that enables Sky to maximise our content investments to meet our broad range of customer needs.

How do we do that? We meet New Zealanders, wherever they are:

- From the powerful reach of our advertising-supported, free-to-air channel Prime
- Through to our commercial customers (including pubs and clubs, hotels and motels, and gyms), offering another way for New Zealanders to enjoy and discover Sky content
- Then of course the ease and reliability of our existing Sky Box, as well as the impending arrival of our exciting new Sky Box, with its transformed viewing experience and access to favourite apps alongside Sky and free-to-air content
- And our streaming products Neon and Sky Sport Now – which are continually improving and attracting new audiences.



sky ADVERTISING

sky BUSINESS

sky BROADBAND

Read on for more details on how we connect New Zealanders with the sport and entertainment they love, in ways that work for them, right across the country.

Sky Box customers

Our valued Sky Box customers make up 53% of our customer base, and in FY22 they accounted for a significant 70% of our revenue, including an increase in average revenue per customer (ARPU).

It's been pleasing to see the continued reduction in churn in our Sky Box customer base this financial year and we are striving to improve this further by focusing on delivering excellent experiences for customers, and by refining our acquisition and retention strategies and our customer value plans.

New Sky Box



The new Sky Box is the most transformational product we've launched since we delivered MySky in 2007. It will deliver a significant step up in viewing experience, and we can't wait to offer it to our customers.

The development process started back in 2020 when we began talking to 6,000 customers in our Sky Nation panel about what they would want to see in the product. Customer feedback has informed every step of the journey, including the design of the experience, the customer messaging, as well as Sky Rewards offers for our loyal customers.

The new Sky Box is much more than a box upgrade – it's the centre of Sky's new

connected entertainment experience. It brings together Sky TV, on demand programmes and streaming apps all in one place, with access via a personalised home screen and one remote – making it easy for our customers to find the shows and sports they love.

The hybrid box combines the reliability of satellite TV with the flexibility of internet-delivered on-demand content and streaming apps to create a customised experience.

We have a dedicated team working on the box alongside our global partners and we're looking forward to it being in market later this calendar year.

There's lots to love about the new Sky Box.



Record more.
Now you can record up to 5 shows while watching another live.



1TB Hard Drive.
With MySky you can record and keep more of what you love.



All in one.
The best of Sky Satellite TV, On Demand and streaming.



Voice Remote.
Talk to Google to control your TV using your voice.



Watch on any screen.
With Sky Go, switch between screens from TV to mobile.

Sky Rewards



With greater emphasis on retention amongst our loyal Sky Box customers, we set out to develop a rewards programme in 2021.

Sky Rewards recognises and says “thanks” to our Sky Box customers, acknowledging their support. Sky Rewards was launched in December 2021 and all Sky Box customers who have subscribed to Sky Starter for 6 months or more are automatically eligible to choose targeted rewards.

Knowing that Sky customers are with us for entertainment, we focused on how we can give them access to even more of it – with an emphasis on an easy experience. We offer benefits like channel package ‘unlocks’, free pay-per-view movies twice a year and access to MySky. From time to time we also offer additional benefits (like sports tickets, cinema premieres and merchandise).

We’ve seen some positive results from Sky Rewards so far, including an improvement in churn and customer satisfaction rates from the customers who have actively participated.

Keep watching. Anywhere.

Sometimes LJ can't tear herself away from a good show. With Neon, she doesn't need to.



Streaming

Our streaming services Neon and Sky Sport Now are going from strength to strength. In FY21 our streaming revenue grew by 24% and we set a goal of continuing this trend, with a target of 15%-25% annualised growth in streaming revenue over the following three years. In FY22 we've come in above the top of that range, with growth of +27% in our streaming revenue (to \$93m from \$73m). As well as delivering superb content to our streaming customers, our teams have been working hard over the past year to make improvements to both Sky Sport Now and Neon so that viewers have the best possible experience.

sky SPORT NOW

Sky Sport Now had an exceptional year and saw significant growth, with customer numbers increasing by an impressive 53% year on year.

Our customer insights show us that big sporting events such as the Olympics and Bathurst draw in 'casual fans', who then get a taste of the steady diet of great sport across the platform. We're constantly working towards retaining these customers and it's been pleasing to see growth in more committed sport fans this past year.

We also look for ways to partner with sporting bodies to bring in viewers to the streaming app.

We were successful in this endeavour when we partnered with NZ Football for the World Cup Qualifying match between

New Zealand and Costa Rica by introducing a \$5 football day pass for Sky Sport Now.

Securing the Premier League rights (for six seasons, starting this August) adds to the appeal of Sky Sport Now, with all 380 matches available live and on-demand, alongside a significant amount of extra fan content.

Our significant platform upgrade for Sky Sport Now (in August 2022) delivers customers an enhanced viewing experience, with significantly improved picture quality, enhanced content discovery, and features like multi-screen viewing and 'Watch from Start' (which we know from feedback is something that customers will love, particularly Premier League fans catching up on matches from the previous night).

NEON

Our premium entertainment streaming service Neon has shown strong growth in the past year.

We've had some record days in terms of viewership numbers and in February 2022 the platform had 255,301 unique viewers over the month – up 30% since our launch month. We've also added a large amount of premium content to the service from partnership deals secured over the past year, including the ViacomCBS deal announced in December 2021.

The team continuously introduces improvements to the app, and our customers notice. And when it comes to the most popular content, Yellowstone was the most viewed show of the year with 172,698 viewers, followed by the second season of breakout show Euphoria with 161,943 viewers. Season 8 of Love Island saw 83,438 viewers at the end of season which was +25% more unique viewers than Love Island UK S7 (to date). Other highlights of FY22 included a total of over 56 million hours of viewing content – 11% higher than the previous year.

Sky Broadband

Sky Broadband has been in market for just over a year, and we are pleased to celebrate not only meeting our FY22 targets with 17,975 customers (at June year end), but also the strength of our customer satisfaction scores.

We've focused from day one on delivering an 'un-telco', customer-led service, with an easy connection experience, a dedicated New Zealand-based customer support

team and great value pricing – and the customer satisfaction and NPS scores show that it's working for our customers.

In FY23 we continue to pursue growth as we focus on attachment throughout our Sky customer relationships, along with leveraging the opportunity within our Sky Sport Now and Neon customer base.

Sky Business



Our 6,877 commercial customers are an important part of the business, providing access to Sky's great content to more New Zealanders - in hotel rooms, licenced premises, gyms, rest homes, sports clubs and other venues up and down the country where New Zealanders can gather to enjoy sport and entertainment.

We recognised the hardships faced by some of our commercial customers during the COVID-19 lockdowns and border restrictions, and provided significant financial as well as moral support to help with the eventual return of their own customers.

It is great to see a strong return of New Zealanders to socialising with friends at pubs and clubs and we look forward to a similar return of international visitors in the coming period.

A moment of peace

When Mum's busy, Sky Go keeps Léla and Imola occupied. Winning all around.



2 Content

At Sky we create and secure the best sport and entertainment for our customers. Over the past 12 months we've continued to strive to make sure our customers can view the best breadth and depth of content, in ways that work for them, whenever they want. With many hundreds of content provider relationships across sport and entertainment, Sky is the largest aggregator of content in the New Zealand market.

Sport

Sport connects New Zealanders across the country and across communities of all kinds - and from grassroots to international competitions, Sky delivers.

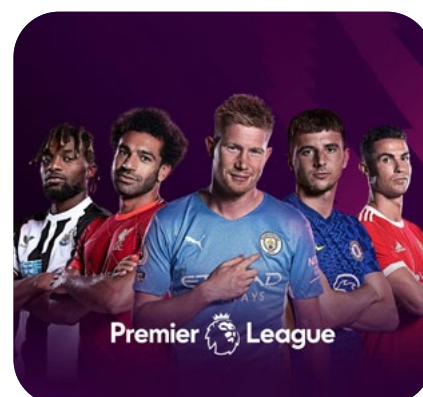
We know the important role sport plays in New Zealanders' lives. Our team delivers inspirational, compelling content and works closely with our partners to innovate and deliver our customers the best possible experiences when watching their favourite sport.

Over the last 12 months it has been a privilege to deliver to our customers the record-breaking Tokyo Olympics and the Winter Olympics from Beijing, the ICC Women's Cricket World Cup, world-class international rugby and netball, the ever-popular NRL, the Black Caps (playing internationally), the A-League and the first ever Wellington Phoenix women's team, and some of the most exhilarating golf and motorsport we've ever seen.

On the local calendar, over the past year we've welcomed the return of crowds to Super Rugby Pacific which amplified the atmosphere on screen. More than half a million New Zealanders viewed the Super Rugby Pacific Final on Sky and Prime, with an additional 120,000 watching it via our digital platforms. The All Blacks games this year so far have attracted more than 1 million viewers¹ on Sky and Prime with an additional 200,000 on Sky Go and Sky Sport Now.

With all the fantastic women's sport on offer we made a commitment this year to do even more to highlight and support every aspect of women's sport. 'See Your Possible' is our campaign encouraging everyone to see the strength, the skill and the courage of our female athletes, along with the talent and commitment of those behind the scenes. Our core commitment is to continue to offer quality women's sport on Sky and free-to-air on Prime, and we're also sharing women's stories in interviews, shows and panel discussions - often curated and produced by women. We partner with athletes, codes and organisations to support women's sport from the Black Ferns, the Farah Palmer Cup and Sky Super Rugby Aupiki, to Netball New Zealand, New Zealand Basketball, the Sky Sport White Sox, New Zealand Rugby League, the Warriors Women, the Halbergs, LockerRoom and the NZOC.

Complementing our live sport, we produce and deliver superb TV shows and documentaries, including creating highly-regarded documentaries for our partners (like 1-39 about the Highlanders, Legacy: The Maori All Blacks and All Access: Moana Pasifika).





We've been thrilled to introduce new rugby league shows; including *Once a Warrior* with Monty Betham and *The Ditch* (produced by Kava Bowl Media, and focused on the contribution Māori and Pasifika make to rugby league). *The Ditch* is attracting a strong young and diverse audience, and is the first show to be acquired by Fox League and is broadcasting in Australia, the Pacific Islands and also globally via Watch NRL.

Our team's work on Aaron Smith: All Access won a New Zealand TV Award, and Sky was awarded a Silver Olympic Ring for our documentary *One Fern: One Hundred Years*, which celebrated the history of the silver fern for Olympic athletes throughout the ages. Importantly, Sky was also awarded a Bronze Ring for Gender and Inclusion, for our all-female presentation crew and the inclusive nature of our incredible stories and content delivered from the Tokyo Games.

At the end of 2021 we announced a ground-breaking deal with Basketball New Zealand to help drive the growth of basketball in New Zealand. The five-year deal will deliver more than 300 games per year and is the biggest ever partnership in BBNZ's 41-year



history. It includes Sal's NBL, the broadcast rights to all Tall Blacks and Sky Sport Tall Ferns non-FIBA games globally and at home, and *Tauihi Basketball* – the women's national league. Our support has ensured women player payments are equal to the men's league. This is a watershed moment for women's basketball as there are very few competitions in any code around the world where this is the case.

It was a big moment for Sky when we won back the rights to the Premier League for our customers, starting with the 2022/23 season. We look forward to offering Kiwi football fans 380 live games,

along with a significant range of feature shows. Football is the most watched sport in the world, and the Premier League is the most viewed league, attracting a global cumulative audience of 3.2 billion viewers. In recent years football has grown exponentially in New Zealand, both in terms of participation (the most popular team sport for 5–17 year olds) and fan interest. The Premier League adds to a massive slate of football on Sky with the FIFA World Cup in late 2022 and the much-awaited and locally-hosted Women's World Cup in 2023.

We're excited for what's to come.

Entertainment

With over 1000 TV series and movies to watch every year, Sky has the strongest breadth of quality content in New Zealand.

From high-stakes drama that leaves viewers on the edge of their seat, to comedy movies that have people laughing their heads off, there is something for everyone.

Our strong relationships, forged over many years, with content providers across the globe have

meant we've been able to continue to bring the very best content to our customers' screens. In the last 12 months we've signed deals with some of the biggest studios in the world including WarnerMedia, ViacomCBS, Paramount Movies and many more.

Something for everyone

People are watching more entertainment content than ever, and we understand how important it is to have a wide range of content on offer for customers. In the past year we've seen a pleasing recovery of TV and blockbuster movie production after the industry was affected by COVID-19 restrictions.

More content on offer drives greater viewing engagement. We know from our data that Sky subscribers watch nearly 3 hours of linear TV content a day, much more than non-Sky subscribers who watch less than 1.5 hours a day. Over the last 12 months more than 800,000 Sky subscribers watched at least one Sky channel every day and more than 700,000 tuned into at least one of Sky's entertainment channels each day.¹

The Hitman's Wife's Bodyguard, Wrath of Man, and Wonder Woman 1984 are just a few of the blockbuster movies we've had on our platform over the past year. Our partnerships with the biggest studios in the world give us access to the most popular films across the globe.

We're home to the drama that gets people talking, and the mysteries that leave viewers wanting more. The White Lotus, Yellowstone, Peaky Blinders, Euphoria, The Gilded Age, and The Staircase are just a few of the premium shows our customers have had access to, alongside our



Sky Originals production INSIDE, which won Best-Short-Form Series at the International Emmy Awards. We're looking forward to continuing to share the best content on our screens, starting with Game of Thrones 'prequel', House of the Dragon premiering in August.

We know how much joy our kids channels bring to the little ones and we've seen the success of new show, The Patrick Star Show on Nickelodeon, as well as returning favourites on Cartoon Network Teen Titans Go! and We Baby Bears to keep the family entertained.

Our factual and lifestyle channels continue to draw big audience numbers with the likes of DNA Family Secrets, Salvage Hunters Design Classics, and Sister Wives. And when there is global breaking news, our international news channels are reliably there to keep New Zealanders connected and informed.



Spotlight on two key renewals

WarnerMedia

Our partnership with WarnerMedia gives our customers access to exclusive premium content from HBO, Warner Bros. TV & Movies, CNN and Cartoon Network, along with a new HBO Max programming deal for Sky, Neon and Prime.

This deal was the first of its kind in New Zealand as it includes a local content production component for four scripted projects. As the exclusive Home of HBO in New Zealand, our customers are entertained by shows like the highly anticipated Game of Thrones prequel House of the Dragon, along with returning seasons of Emmy-award winning shows Succession, Westworld and Euphoria on Sky's platforms.



Paramount

In December we announced a new deal with ViacomCBS (now called Paramount) that expanded our partnership and welcomed a range of content from SHOWTIME® and Paramount Television Studios for Sky Box (including Sky On Demand and streamed on Sky Go) and Neon.

Customers have access to a range of blockbuster hits like A Quiet Place Part II and Snake Eyes: G.I. Joe Origins, alongside others the whole family will love with PAW Patrol: The Movie and Clifford The Big Red Dog. They also have access to classics such as Top Gun, Forrest Gump, Pulp Fiction and many more.



Prime

Our free-to-air channel Prime delivers the best in sport, global entertainment and local content to all TV homes in New Zealand.

We entertain New Zealanders with lean-back factual entertainment and thought-provoking documentaries from here and around the world, alongside a brilliant blend of comedy, drama and blockbuster movies.

Research confirms the impressive reach Prime has. Over the past six months Prime had over 3.2 million viewers, with an average weekly reach of 1.3 million. We know that 60% of Prime viewers come from non-Sky homes, which creates opportunities to reach potential customers by giving them a taste of what's on offer across Sky's paid products and services.¹

Kiwis love watching sport and this is evident in Prime viewership numbers.

We're proud of the amount of free-to-air sport broadcast on Prime which has included the All Blacks, Super Rugby Aupiki, Super Rugby Pacific, Sal's NBL, Silver Ferns, the Winter Olympics, Australian Open Tennis and the ICC Women's Cricket World Cup.

As this report was being written, New Zealanders were also enjoying superb daily coverage of the Birmingham Commonwealth Games on Prime.

We're passionate about Kiwis being connected to sport and entertainment across the country, and Prime plays a key part in making that happen.



DELIVERING TO ALL OF NZ, FREE TO AIR

Over 2.8 million New Zealanders watched sport on Prime this year.¹

Birmingham Commonwealth Games



Sky Originals

As a New Zealand media organisation, Sky believes it's important for New Zealanders to see ourselves on our screens and to feel connected to our own personal stories.

For many years Sky has supported the creative industries in New Zealand, including through our own Sky Originals ventures.

Sky Originals produces an exciting offering of scripted and factual content that reflects the diverse faces of New Zealand. Sky is delighted to have secured a major success with the green-light of premium local crime drama series *Dark City: The Cleaner* to be shot in Christchurch in early 2023. Based on the bestselling crime novel by NZ author Paul Cleave, *The Cleaner* is produced by local industry veteran John Barnett and backed by international studio Lionsgate, NZ Film Commission, NZ On Air and Te Māngai Pāho and funded through the Screen Production Grant and Te Puna Kairangi - the Premium Productions for International Audiences Fund.

Telling diverse stories with new talented storytellers is at the heart of Sky Originals' purpose, with the return of ground-breaking Pasifika comedy series *Sis* in late 2022. Currently in production is the award-winning transgender drama *Rising Lights* (Rūrangi season 2) as well as comedy series *Bouncers*, *Not Even* and a second series of *Raised By Refugees*. These exciting new shows are in production now for Sky's various platforms – Prime, Neon, Sky Go and Sky On Demand – for release later this year and early 2023.

Sky Originals continues its run of quality documentary series with *A Brave New Zealand World*, *Waharoa: The Art Of The Pacific* and crime series *A Question Of Justice* all due for release in late 2022.

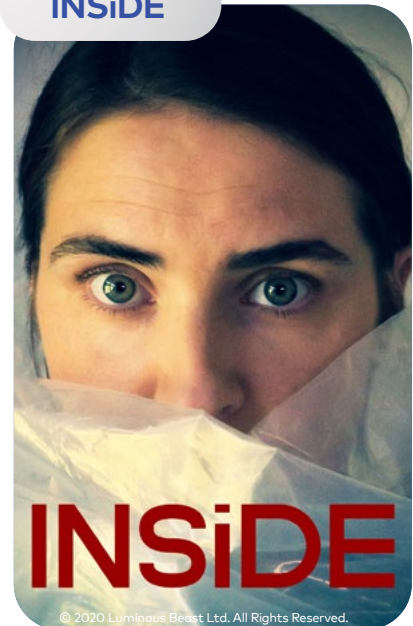
Recent green-lit announcements for 2023 include the return of hit architecture series *Designing Dreams* and the hard-hitting *A Living Hell*, which examines the leaky building crisis. On a lighter note, the multi award-winning children's animation series *Kiri* and *Lou* comes to Sky in 2023.

At the end of 2021 we were extremely proud to see a Sky Originals production win at the International Emmy Awards when *INSiDE* won in the category of Best Short-Form Series. *INSiDE* was the only Australasian nominee across all categories. Made with the support of NZ On Air, *INSiDE* was created during New Zealand's COVID-19 lockdown in 2020 and filmed under strict COVID-19 protocols.

Raised By Refugees



INSiDE



We love our family movie night

For Susan, Todd, Matthew and Sam there's always something good on Sky Movies for them to enjoy together.





3 Crew

Our Sky crew are critical to the success of our business and we all have the same goal – delivering for our customers. We love being able to deliver great sport and entertainment into the homes and lives of our customers every day, in ways that work for them, right across Aotearoa New Zealand.

Being a place where our crew can do their best work is a key part of our strategy.

The year of continued COVID-19 disruptions has brought a unique set of challenges, but it also creates opportunities to work and engage in better ways.

We set out some highlights below, and there is additional information in our Corporate Governance statement on page 106.

Our Values

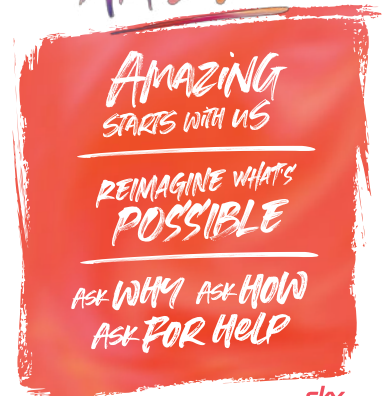
We have three core values at Sky:



sky



sky



sky

In 2022 we launched a special peer recognition programme, Sky Legends, celebrating colleagues who live our values every day.

Health, Safety and Wellbeing

A key focus for Health, Safety and Wellbeing has been our operational response to COVID-19 over the past year, and ensuring our team remain safe and our business on air.

Our work plan has included managing COVID-19 disruption by protecting on-air crew, extended periods of work-from-home, an effective vaccination policy, and maintaining social distancing and RAT testing before entering Sky sites.

Initiatives to support crew wellbeing included running, in partnership with RespectEd, a series of workshops for 50 of our leaders on having a safe workplace culture, including around inclusion, dealing with personal disclosures and giving feedback.

Life at Sky



Since 2020 Sky has been using a "Life at Sky" culture and engagement survey to better understand employee sentiment and engagement, target our culture and capability investments, and track progress and performance.

Results from the surveys show the top 3 areas of strength that our crew want us to continue doing are:

- 1) Hybrid and flexible working;
- 2) Diversity and inclusion; and
- 3) Executive leadership updates and accessibility of leaders.

We know we still have work to do and we're constantly looking for ways to ensure that our crew feel informed and empowered to do their best work.

Across the next 12 months, as a result of feedback themes from the survey, we're continuing our focus on improving technology, workload resourcing and management for our crew, and refreshing our remuneration and benefits offering.

Creating spaces where our crew can do our best work

The opening of the new Sky Downtown office in May 2022, along with enhancements to Studio 1 in Mt Wellington, have created exceptional new spaces for our people to work and collaborate.

We continue to maintain a focus on flexible and hybrid working, taking the positives from the COVID-19 experience and creating options for our people to do their best

work across our sites and at home. Our employees have told us that flexible and hybrid working benefits their wellbeing and improves productivity, when balanced with 'in person' connections in the office. We know, from evidence-based research, this contributes to a more inclusive work environment, particularly for those balancing primary care responsibilities.



Diversity and Inclusion

At Sky, we value diversity of gender, age, ethnic and cultural background, sexuality, experience and beliefs. We believe that an organisation that reflects the diversity of our current and future customers will be better able to deliver personalised customer experiences that drive value, and will be key for enabling us to attract and retain the best talent. We refreshed our policy and objectives in 2022, and continued to progress initiatives to enhance our diversity of thought and develop a culture of inclusion.

Cultural Development

Through a partnership with Mataia Keapa from iKōrero Ltd (Language Consultancy) we ran a series of Te Reo Māori workshops for our on air talent and commentators, which was focused on improving pronunciation and understanding of te reo Māori.

One of our commitments is to build stronger cultural capability and understanding for our senior leaders. In the next six months we will deliver the pilot programme Te Kaa, which aims to build competency in understanding and authentically engaging with Māori.

Rainbow Pledge

Sky has taken the Pride Pledge, which is a values-based commitment that organisations and individuals can take to demonstrate dedication to the safety, visibility, and inclusion of the rainbow members of their community and workforce, both internally and externally.

Our internal Rainbow employee network helps to drive our work in this space.

Gender Equity

Sky CEO Sophie Moloney has become a 'Champion for Change' through Global Women and has taken a seat on the board of Global Woman.

'Champions for Change' is a group of over 60 leading New Zealand CEOs and Chairs, each with a personal mission to accelerate inclusive and diverse leadership in our workplaces. Champions believe in inclusive environments where employees can contribute to the success of the company as

their authentic selves, while the organisation respects and leverages their unique talents and gives them a sense of connectedness.

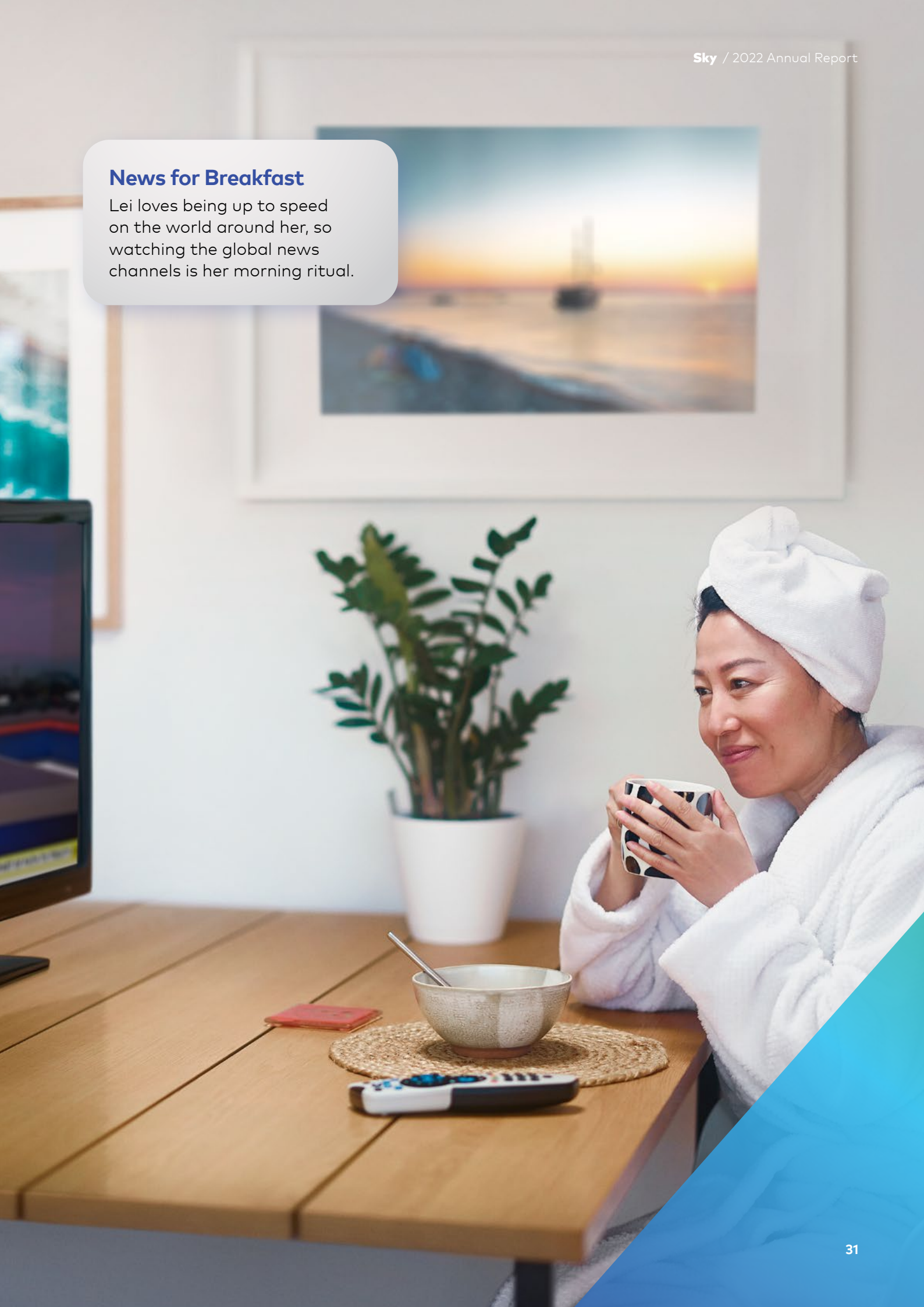
Together the Champions have formulated a programme of work centred on four focus areas: Increasing Gender Diversity, Increasing Māori and Ethnic Diversity, Leading Inclusive Cultures and Influencing the Outside World.

Sky has maintained consistent levels of gender balance amongst employees across the organisation

and in FY22 increased female representation from 44% to 47%. The gender split of leadership roles is 60% male and 39% female, and there's a 50-50 balance between male and female team members. While we aim to have more women in leadership roles than our current state, our focus means we are close to our commitment as a Champion for Change of achieving 40% Female: 40% Male: 20% of any gender. Further information is available in the Corporate Governance statement on page 106.

News for Breakfast

Lei loves being up to speed on the world around her, so watching the global news channels is her morning ritual.



4 Capability

Our Capability workstreams are all about delivering to our customers, by deploying the right tech and data – our own and our partners – to deliver the best outcomes.

We have made important progress in the past year, with the enhancement of our technical capabilities contributing to a more agile Sky, helping us to deliver an uncompromising viewing experience for our customers across our multi-product business.

There is more work to be done, but it has been a major year of

development – with an even bigger year of delivery of key new products to come. And it has been achieved whilst we continue to reliably deliver great content to our broadcast and streaming customers, 24x7, including almost 29,000 hours of live programming, all while navigating the impacts and restrictions of COVID-19.

A snapshot of our technology delivery in FY22:

Over 100 linear channels on a 24x7 basis

22,000 individual pieces of content put to air each month for Sky Box, Neon, Sky Sport Now and Sky Go

We process an average of 600,000 payment transactions every month

Using data and insights to deliver for our customers

We have a deep wealth of information about our customers and their preferences, and our investments in recent years place us in a good position to use that information to better serve our customers. We have set the foundations well, and now we will make the most of them.

Sky's viewership data helps drive decision-making around content and products, and with our hundreds of thousands of customers across Aotearoa, we are uniquely placed to understand (and meet) the viewing preferences of large numbers of New Zealanders. We have built excellent partnerships with experts like Dot Loves Data to further improve our ability to drill into and create insights from data to meet customer needs.

During the year we have also laid key foundations for the improvement in our internal data and insights capability in order to deliver more personalised services and features to our customers.

We invested in adding key talent, developing data platforms and expanding data sources to further enhance our ability to be a data-led organisation. The results of those investments will become increasingly clear in, among other things, our new products and user journeys launching in the next few months.

More investment is planned for FY23 that will allow us to accelerate our work in this rapidly advancing space, working with the best companies in AI, personalisation, and customer life-cycle management to deliver a world-class experience for our customers.

The show must go on!

COVID-19 continued to be a key consideration in the operation of our core services. Among other things, an early Delta-variant case within our crew in the days leading up to the August lockdown resulted in a shutdown of all operations in our main Mt Wellington site and isolation of most Sky staff for the first two weeks of lockdown. Nevertheless, thanks to our technology investments and the brilliant business continuity planning by numerous Sky teams, our customers continued to receive great broadcast and streaming services from Sky throughout. Not surprisingly, we will continue to make investments in these areas.

New Sky Products



Sky undertook significant development activities during the year in preparation for the launch of the new Sky Box.

As outlined on page 14, the new Sky Box aggregates the best of Sky's sport and entertainment content alongside the apps New Zealanders love – all on one state-of-the-art platform. The new hybrid (satellite and streaming) box delivers content with even more recording capability, along with favourite apps and free-to-air channels; and our Sky team is also busy working on a solution for Vodafone TV customers who prefer IP-only access to Sky.

Our development programme has taken place in the context of tremendous challenges, both in New Zealand and offshore.

Through prolonged lockdowns and COVID-19-related illness and isolation, Sky's teams have adapted to deliver on our commitments to our customers. Beyond New Zealand's borders, the impacts of COVID-19 and the war in Ukraine continue to be felt, affecting our global suppliers and offshore development teams, and with the global chip shortage impacting our manufacturing partners. Nevertheless, the efforts of Sky's teams and those of our partners mean we expect customers to be enjoying their new and improved Sky services later this calendar year.

Customer Experience

Customer platform enhancements have resulted in a modernised, simplified customer experience.

This work underpins our desire to improve the turnaround time for delivering services to our customers, as well as giving customers the ability to self-serve where they wish to do so. The improvements delivered in Sky's service include:

- Simplified user journeys for buying and upgrading Sky services including Sky Broadband
- Self-install of the Sky Box for existing customers with easy onboarding and sign-in via QR Code
- Salesforce widely deployed to customer care agents enabling

improved call handling and routing, live chat capability

- Improved call handover between specialist agents.

While good progress has been made with these enhancements, we acknowledge that there is more we can achieve. We continue to evolve, making sure our services are as easy as possible to access and enjoy.

FY23 will see a continuation of customer care and sales journey improvements to deliver greater efficiency and enhanced self-service channels, and a better experience for our customers.

Time to myself

When Teatai feels like time to himself he takes a break with Neon.



Sustainability at Sky

At Sky, we recognise we are in a privileged position with the ability to make a positive contribution for the people, communities and places our business connects with:

- Our services are in the hands and homes of hundreds of thousands of New Zealanders every day, right across the country
- Our partners – globally and at home – trust us with their reputation, representation and the engagement of their content, codes, fans, brands and technology
- We're part of communities and a nation that have a right to expect that we will act with integrity and empathy, minimising our environmental impact and earning our place as a responsible corporate citizen
- Our crew share their time and talents and deserve to be treated with respect and equality, and to have the opportunity to take part in meaningful and rewarding work
- And our shareholders have entrusted us with stewardship of their funds to invest wisely on their behalf, in ways that deliver an appropriate return in an ethical and sustainable way.

Sky's approach to sustainability takes into account the expectations and needs of each of our stakeholder groups – and we will continue to consult with them as we develop and implement our programme.

Some aspects of our work – such as our contribution to the communities in which we operate, and our strong corporate governance framework – have been part of the way we do things at Sky over many years. In others, like measuring and mitigating our environmental impact, we're at an earlier stage of our journey.

In 2022 we committed to formalising our approach to sustainability. As part of this commitment, we have refreshed our corporate social responsibility (CSR) programme, tackled some new areas within the corporate governance framework and stepped up our efforts in a number of other areas, as reported below.

In a year from now, we expect to:

- Share Sky's materiality matrix, developed in consultation with our stakeholders
- Align Sky's approach to sustainability with a recognised global reporting framework
- Report on Sky's carbon emissions and share our reduction plans.

We are committed to improving. We are proud of the contribution and work we have done to date, whilst recognising there is more to be done.

On screen presence

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 (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 2022 financial year:**

A safe and trusted presence in our customers' homes

- We took such care to meet Broadcasting Standards that we only had five complaints to the Broadcasting Standards Authority, none of which were upheld. For context, the BSA received 206 complaints in its last reported year about all New Zealand broadcasters.
- We participated alongside other broadcasters in a review and refresh of the Code of Broadcasting Standards, making the process and standards easier for New Zealand viewers to understand and engage in.



Supporting and promoting Women's Sport

- We launched our "See Your Possible" campaign to encourage everyone to see the strength, the skill and the courage of female athletes. It reinforces the value for women and girls of seeing positive sporting role models on screen and it's been exciting to see women's sport grow in 2022. In one spectacular week in March, women's sport accounted for 53% of the total viewer hours in our top 50 live events on Sky Box, Sky Go and Sky Sport Now. 14 of the top 20 rating slots on Sky Box were women's sports.
- We were thrilled to support the first all-women commentary team to bring Sky's Tokyo Olympic coverage to New Zealanders.

Te reo Maori and Pasifika languages

- Sky strives to reflect all of New Zealand. Throughout the year we continued to commit to alternative language commentary options across major sporting events, including All Blacks v Argentina with Tūmamao Harawira kō Wairangi Koopu and Silver Ferns v England's Roses with Te Rina Kowhai kō Marutawhaorere Delamere.
- We ran a series of Te Reo Māori workshops for on-air talent and commentators, focused on improving pronunciation and understanding of Te Reo Māori.

Funding the future

Every Sky customer – through their Sky subscription – helps to support New Zealand's creative and sporting sectors, funding tournaments, teams, creative projects and initiatives across the country.

We're proud to support New Zealand's sport sector, with tens of millions of dollars going to local codes, teams and initiatives

each year, from grassroots to high performance. More details are on our website, under 'About Us: Sponsorships and Community'.

Through Sky Originals, we have supported emerging and established talent in the creative sector with scripted series including Bouncers, Not Even and Rising

Lights all helping to kickstart the careers of newer storytellers in New Zealand's screen industry.

We have also helped to celebrate excellence in our sector, with Sky sponsorships of the TV Awards, Voyager Media Awards (Sport Journalist of the Year), and the Halbergs (Emerging Talent Award).

Environmental Responsibility

We are committed to measuring and reducing Sky's impact on our environment, including in relation to greenhouse gas emissions, in line with the Paris Agreement and the New Zealand Government's ambition for New Zealand to become carbon neutral by 2050. We recognise our work in this area is at an early stage, and while initial assessments indicate Sky's emissions profile is relatively low, we are committed to playing our part.

- During FY22 we have established tracking systems to capture Sky's emissions inventory data. We plan to evolve this programme in the 2023 financial year, by initiating reporting on our environmental footprint and appropriate reduction targets. To help guide and challenge our thinking we are working with ToiTū Envirocare to make sure our measurement systems are robust, and to provide our stakeholders with assurance on our outcomes.
- The work we have begun this year will advance our sustainability strategy and reporting on climate impacts, and we expect to outline our carbon reduction plans in 2023 in line with our participation in ToiTū's Carbon Reduce programme.
- Sky's environmental footprint includes Scope 3 emissions from air travel, particularly in relation to sporting events. One of our learnings during the COVID-19 period was the ability of our commentary teams to call some games 'down the tube', rather than always travelling to events – with no impact on the audience. We're conscious of the need to minimise our footprint and will continue to look for ways to adapt our approach.
- Other initiatives include:
 - Prioritising waste minimisation programmes, including partnering with IT Recycle Limited to recycle end-of-life Sky modems, set-top boxes, remotes and batteries.
 - Designing our new Sky Box with longer-lasting batteries and a reusable box, with a longer lifetime than our existing box.
 - Continuously looking for ways to reduce our environmental footprint in our day-to-day programmes. For example, our recent CAR process cooler upgrade saw us realise ~50kW of energy savings for the same cooling load, and the removal of air conditioning cooling towers significantly lowered water consumption.

Taking a stand

As a publicly listed company we are committed to upholding the standards set by both the NZX Corporate Governance Code and the ASX Corporate Governance Principles and Recommendations (4th edition) to deliver effective governance of Sky for the benefit of our stakeholders – including through our policies and practices.

Sky's 2022 Corporate Governance Statement is available on our website. In FY22 we have worked on:

- Sky's latest Modern Slavery Statement (filed with the Australian Border Force, under the Australian Modern Slavery Act 2018) strengthened measures to reduce the risk of modern slavery practices across the group's operations and supply chain through proactively scanning for potential risks.
- We also introduced a Supplier Code of Conduct, affirming Sky's commitment to ethical, responsible and sustainable business conduct. The next steps in this work will be to engage directly with key suppliers to ascertain their ability to assess and address their modern slavery risks and to then incorporate the learnings into Sky's Procurement Policy and working practices.
- We introduced an Anti-Bribery and Corruption Policy which sets out the minimum standards of conduct to ensure Sky complies with all relevant anti-bribery and corruption legislation in all jurisdictions in which we operate.

Sky for Good

Our Sky for Good programme is about using our platform, our people, and our presence in the community – as well as meaningful and targeted financial contributions – to make a difference.

As a business we connect New Zealanders with the sport and entertainment they love, in ways that work for them, right across the country. Our initiatives with Sky for Good align with this business strategy by using our entertainment and sport to enhance the lives of New Zealanders in need, whether it be by providing free Sky services in children's hospitals and to air ambulance staff, free tickets to sport matches, or providing a fun-filled day for under-privileged children at one the Special Children's Christmas Parties.

Please visit the Sky for Good page on the Sky website for full details, and here are three examples:

- **Sky has been a longstanding supporter of the Special Children's Christmas Parties involving nearly 10,000 Kiwi children with special needs, or challenging life or health circumstances.** Held across 6 regions, we've been supporting the parties for 18 years. It's not just about a donation for us – it's also an important opportunity for a number of our crew to contribute

their time and talent by volunteering on the party days.

- Our relationship with Starship - New Zealand's first hospital built exclusively for children and young people and their health needs – is another opportunity to give back. Starship's prime focus is on delivering family-centred care in a child friendly environment and we've been a sponsor since 2001. **For the last 22 years we've provided Sky in Starship bedrooms to ensure kids are entertained and have something to take their minds off hardships they may be facing.** We also donate airtime to help Starship spread their message of the great work they do.
- This year we were also proud to get behind a special initiative called **Tries for Tonga** (in conjunction with New Zealand Rugby and Rugby Australia), which raised over \$100,000 during the DHL Super Rugby Pacific for the Red Cross and their work to support Tonga communities following the Hunga Tonga–Hunga Ha'apai eruption and tsunami.

Put life on pause

Ron and Annette never miss the good parts thanks to MySky. Ron reckons that's why he always has the remote.



Board of Directors



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, Kathmandu 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.



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.



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 Chair of listed company Goodman (NZ) Limited (the Manager of Goodman Property Trust) and is a director of several other private companies. He is a past President of the Chartered Accountants Australia and New Zealand.



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 director 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.



Geraldine McBride
Independent Director

Geraldine was appointed to the board in September 2013. A renowned Enterprise Business Technology and AI thought leader with a science background, Geraldine's global career spans 30 years, with senior executive roles in IBM, Dell and SAP. Her most recent roles were President & CEO of SAP North America and SAP Asia Pacific Japan. Geraldine is a Director of Fisher and Paykel Healthcare Corporation. She is also CEO & Director of MyWave.AI (My Wave Holdings Limited), a market leading Enterprise AI company focused on Intelligent Personalisation by putting the customer at the centre of business.



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.

Our 2022 Financials

For the year ended 30 June 2022

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Financial Overview

Summary

The 2022 financial year delivered a strong result for Sky as customer numbers continued to climb and revenue returned to growth for the first time in six years, driven by a strong performance in streaming, continued stabilisation in Sky Box revenues, an initial contribution from Sky Broadband and recovery in Commercial and Advertising revenues.

While FY22 saw an expected step-up in programming costs, a firm focus on cost control enabled the Company to significantly increase EBITDA and NPAT guidance in December 2021, and reductions in depreciation, amortisation and financing costs delivered a 7.3% improvement in adjusted profit before tax.

Following a competitive bidding process, Sky sold its Mt Wellington properties for \$56.0 million, with the sale completed in March 2022. The agreement includes a ten-year leaseback of the building known as Studio One and a one-year leaseback over the building known as Studio Three. The sale resulted in a non-recurring gain on sale of \$14.0 million.

Reported profit after tax of \$62.2 million was 40.7% higher compared to the \$44.2 million achieved in the prior year. On an adjusted basis per the table below, net profit after tax of \$49.2 million was 12.0% higher than the prior year.

As at 30 June 2022 Sky had \$139.0 million in cash on hand and an undrawn banking facility of \$150.0 million.

Non-GAAP Financial Information

Sky has used 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.

The results and adjustments are summarised below:

Group Consolidated Results for the years ended 30 June

In NZD millions	2022 (adjusted)	2022 (reported)	2021 (adjusted)	2021 (reported)	Adjusted % inc/(dec)
Financial performance data					
Total revenue	736.1	736.1	711.2	711.2	3.5
Other income	2.9	16.8	2.7	13.5	7.4
Total operating expenses	585.3	583.9	534.1	544.4	9.6
EBITDA	153.7	169.0	179.8	180.3	(14.5)
Less					
Depreciation, amortisation and impairment	80.2	80.2	106.5	106.5	(24.7)
Net operating profit before interest, income tax and impairment of goodwill	73.5	88.8	73.3	73.8	0.3
Impairment of goodwill	-	2.0	-	-	-
Net finance costs	6.1	6.1	10.5	10.5	(41.9)
Profit before tax	67.4	80.7	62.8	63.3	7.3
Income tax expense	18.2	18.5	19.0	19.1	(4.6)
Profit after tax	49.2	62.2	43.8	44.2	12.3

Summary of Adjustments

2022 adjustments included one-off expenses totalling \$0.5 million, comprising \$1.2 million of programming impairments (refer note 10), provision release for Holiday Act compliance of (\$2.7) million (refer note 27) and impairment of goodwill relating to RugbyPass of \$2.0 million (refer note 16). Other income includes \$14.0 million relating to the gain on the sale of Sky's Mt Wellington properties (refer note 5).

Prior year adjustments were \$7.5 million, relating to programming impairments, \$2.8 million of costs associated with the mutually agreed exit of the former CEO and other income adjustments of (\$10.8) million relating to the gain on sale of Outside Broadcasting assets of \$5.8 million, the settlement of the RugbyPass earnout resulting in a provision release of \$3.6 million, and a RugbyPass provision release of \$1.5 million (refer note 5).

The adjustments above do not include the impacts of COVID-19.

Financial Commentary (Continued)

In NZD millions	30 - Jun - 22	30 - Jun - 21
Statutory profit after tax	62.2	44.2
Adjustments to earnings as follows:		
Content write-offs	1.2	7.5
Non-recurring costs included in other costs	(2.7)	2.8
Non-recurring income included in other income	(14.0)	(10.8)
Impairment of goodwill	2.0	-
Tax effect of adjustments	0.5	0.1
Total adjustments	(13.0)	(0.4)
Adjusted profit after tax	49.2	43.8

Customers

Sky's total customer relationships grew 4% during FY22. Sky Box customer retention continued to improve, with annualised churn reducing by 17% year on year (annualised churn of 10% in FY22 from 12% in FY21). Activations were lower due to the optimisation of acquisition strategy improving lifetime value through lower discounting and higher tenure inflow. In addition, volumes were suppressed by extended Auckland lockdown in the first half of the year. Average revenue per user (ARPU) returned to growth, including through the unwinding of the Reseller migration one month free offer, lower levels of discounting and the May 2022 sports package price increase – the first increase for Sky Box since April 2019.

Streaming customers continued the recent trend of strong growth, rising 11% in absolute terms and by 18% when adjusted for the impact of discontinuation of streaming services in the RugbyPass business. Of note, within the Streaming category, Neon and Sky Sport Now customer numbers grew by 14% and 53% respectively, with the strong growth in Sky Sport Now, combined with the full 12 month impact of the May 2021 Neon price rise contributing to an improved ARPU result.

Sky Broadband customers were close to 18,000 by year end following the first full year in market, achieving an attachment rate (to Sky Box) of 3.3%. Commercial customers remained relatively stable despite a challenging period for some hospitality and accommodation providers.

Following the announcement Vodafone was shutting down its television service, Retransmission customers (who stream Sky content through Vodafone TV) migrated to a direct billing relationship with Sky in March 2022 and are being offered a migration path to Sky products.

	2022	2021	2020	2019	2018
Sky Box customers ¹	529,521	554,690	576,704	609,637	651,726
Streaming customers ²	436,388	393,179	404,321	159,767	106,366
Commercial customers ³	6,877	7,299	8,544	9,436	9,635
Sky Broadband customers ⁴	17,975	1,930	-	-	-
Total customer relationships	990,761	957,098	989,569	778,840	767,727
Sky Box net customer growth	-5%	-4%	-5%	-6%	-6%
Sky Box acquisition ⁵	29,028	47,273	41,510	49,952	59,603
Sky Box churn ⁵	(54,197)	(69,287)	(74,443)	(92,041)	(103,394)
Streaming net customer growth	11%	-3%	153%	50%	-4%
Sky Broadband attachment rate	3.3%	-	-	-	-
Sky Box ARPU (\$ monthly) ⁶	78.84	78.40	82.08	83.46	84.54
Streaming ARPU (\$ monthly) ⁷	18.19	17.46	19.80	-	-
Sky Broadband ARPU ⁸	72.13	-	-	-	-

(1) Sky Box customer groups comprise residential satellite customers including Reseller customers prior to migration during 2021.

(2) Streaming currently comprises Neon, Sky Sport Now, RugbyPass and Retransmission customers.

(3) Commercial customers include licensed premises and hospitality venues, accommodation providers and other commercial businesses.

(4) Sky Broadband customer relationships include customers that attach Broadband to their Sky Box and Broadband only customers.

(5) Sky Box activations, disconnections and churn is for residential customers only, including Reseller customers in prior years.

(6) Sky box subscription ARPU is average revenue per user for residential customers, including Reseller customers in prior years, calculated exclusive of GST, as average for the twelve-month period.

(7) Streaming subscription ARPU is the blended rate, exclusive of GST, across Neon, Sky Sport Now and Retransmission, and in prior years RugbyPass and Lightbox.

(8) Sky Broadband ARPU is the average monthly revenue attributable to broadband related services, including Wi-Fi and voice services, exclusive of GST.

Revenue Analysis

Sky's total revenue was \$736.1 million, as follows:

In NZD millions	2022	2021	% inc/(dec)
Sky Box subscriptions ¹	514.0	532.1	(3.4)
Broadband subscriptions	8.8	0.1	n/a
Streaming subscriptions ²	93.3	73.3	27.3
Commercial revenue	47.3	43.6	8.2
Total subscription revenue	663.4	649.1	2.2
Advertising	47.6	44.9	6.0
Installation and other revenue	25.1	17.2	45.9
Total other revenue	72.7	62.1	17.1
Total revenue	736.1	711.2	3.5

(1) Sky Box subscriptions relates to Sky Box customers (including Reseller customers in 2021).

(2) Streaming subscriptions include Neon, Sky Sport Now, Retransmission and included RugbyPass in 2021.

Sky Box revenue decline slowed markedly in FY22, down by 3.4%, compared to an 8.6% decline in FY21, as churn levels continued to reduce and more, higher value customers chose to stay. The overall reduction in revenue was mainly due to the loss in Sky Box customers, although notably churn rates continued to improve to 10.0% from 12.2% year on year and average ARPU returned to growth.

Sky Broadband revenue increased following solid growth in customer numbers through the first full year since launch.

Streaming revenue continued to deliver a strong performance, increasing by 27.3% year on year, despite revenue from RugbyPass declining following the strategic move away from streaming. The revenue increase was driven by customer growth in Neon and Sky Sport Now as well as the impact of a May 2021 increase in Neon pricing and the return of sport content and success of shorter-term event passes, such as the Olympics and Cricket World Cup for Sky Sport Now.

Commercial revenue included revenue from Sky Box subscriptions for licensed premises, accommodation providers and other commercial businesses such as retirement villages. Following an extended period impacted by COVID-19, in which Sky provided support to customers, revenue showed continuing signs of recovery in FY22, growing by 8.2% year on year.

Advertising revenue grew by 6%, despite the impact of advertising on Discovery channels transitioning from Sky to Discovery in February 2021.

Installation and other revenue rose by 45.9% due to on-sold programming rights (including a sub-licence for the Olympics) and through revenue from Sky Box and Broadband installations and satellite access fees.

Financial Commentary (Continued)

Expense Analysis

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

In NZD millions	30 - Jun - 22				30 - Jun - 21		
	Adjusted	Reported	% inc/(dec) adjusted	% of revenue adjusted	Adjusted	Reported	% of revenue adjusted
Programming	364.1	365.3	13.1	49.5	321.8	329.3	45.2
Subscriber related costs	93.2	93.2	0.1	12.7	93.1	93.1	13.1
Broadcasting and infrastructure	70.6	70.6	5.8	9.6	66.7	66.7	9.4
Other costs	57.4	54.7	9.3	7.8	52.5	55.3	7.4
Depreciation, amortisation and impairment	80.2	80.2	(24.7)	10.9	106.5	106.5	15.0
Total operating expenses	665.5	664.0	3.9	90.4	640.6	650.9	90.1

Programming costs comprise the costs of programme rights and programme operating costs. Programme rights costs include sport rights, pass-through channel rights (e.g. ESPN, Living Channel, National Geographic etc.), movies (including pay-per-view), streaming and on demand rights, and music rights. Programme operating costs include the production of live sport events, satellite and fibre linking costs and original studio productions.

Programming costs increased by 10.9% on a reported basis, in part due to an expected COVID-19 impact on live sports events and competitions in the prior year, an expected step up in rights costs and both the Summer and Winter Olympics in July 2021 and February 2022 respectively, as well as more significant Covid-related equitable reductions in the prior year.

Adjusted programming costs in both 2022 and 2021 have been adjusted for one-off impairments mentioned earlier.

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

Subscriber related costs remained flat year on year while driving growth in streaming products and through the launch of broadband, due to a continued emphasis on cost control and cost efficiencies.

Broadcasting and infrastructure costs mainly consist of transmission and linking costs for transmitting Sky and Prime's content from its studios in Auckland to customers over satellite to devices in the home, streaming content over IP, and other distribution platforms and the costs of operating Sky's television stations and employee working environments at Mt Wellington, Albany and the Auckland CBD. These costs have increased year on year, driven primarily by the increased Broadband subscriber base.

Other costs were 1.1% lower on a reported basis in 2022. Costs include advertising costs, and overhead costs relating to corporate management of the Sky Group including consultancy costs. Adjustments in 2021 related to the termination benefits paid to the former CEO and in 2022 the Holidays Act compliance provision release.

Depreciation, amortisation and impairment costs include depreciation charges relating to subscriber equipment for satellite dishes and decoders owned by Sky, fixed assets such as television station facilities, amortisation of the right-of-use assets created under NZ IFRS 16 and amortisation of computer software and intangible assets. Depreciation of property, plant and equipment decreased as decoders reached the end of their useful life. Amortisation of intangibles is lower than FY21 due to higher rates of amortisation for Sky Sport Now and SkyGo infrastructure in the prior year. Depreciation of right-of-use assets reduced due to lower monthly costs for Optus lease payments from mid-November 2021.

Depreciation and amortisation costs are summarised below:

In NZD millions	2022	2021
Depreciation of property, plant and equipment	27.3	36.4
Amortisation of intangibles	22.2	33.9
Depreciation of right-of-use assets	30.7	36.2
Total depreciation and amortisation	80.2	106.5

Financial Commentary (Continued)

Finance costs, net

Finance costs decreased from \$10.5 million to \$6.1 million due to the repayment of the \$100 million bond in March 2021.

Capital expenditure

Sky's capital expenditure is summarised as follows:

In NZD millions	2022	2021
Subscriber equipment	1.0	3.5
Installation costs	11.6	14.8
Projects under development	14.1	2.0
Software	13.4	18.2
Other	4.6	6.8
Total capital expenditure	44.7	45.3

Capital expenditure has continued to transition towards a greater emphasis on growth focused areas, including migration of platforms and services to the cloud, improvements in data management services and the implementation of Sky's broadband service. A number of these investments have been foundational to the development of the new Sky Box. Investments in Sky's satellite delivery platform have been reducing and Sky continues to move towards a less capital intensive operating model.

Financial Performance Trends

In NZD 000	2022	2021 ⁷	2020	2019	2018
For the year ended 30 June					
Income statement					
Total revenue and other income	752,864	724,754	747,646	795,126	852,710
Total operating expenses	583,848	544,377	583,395	564,958	566,900
EBITDA¹	169,016	180,377	164,251	230,168	285,810
Depreciation, amortisation and impairment ²	80,171	106,496	119,318	131,103	102,414
Impairment of goodwill	2,000	-	177,500	670,000	360,000
Net interest expense and financing charges	4,958	11,715	15,859	13,650	17,576
Losses/(gains) on currency and other	1,136	(1,179)	(2,120)	(1,208)	(66)
Net profit/(loss) before income tax	80,751	63,345	(146,306)	(583,377)	(194,114)
Balance sheet					
Property, plant, and equipment, intangibles and right-of-use assets	180,394	215,621	287,962	213,702	268,925
Goodwill	244,264	255,245	256,312	395,331	1,065,331
Total assets	776,850	696,929	837,936	771,353	1,503,002
Interest bearing loans and liabilities	71,714	72,321	212,513	193,662	235,344
Working capital ³	21,918	23,842	(20,386)	4,324	4,344
Total liabilities	282,357	272,928	462,966	419,785	476,315
Total equity	494,493	424,001	374,970	351,568	1,026,687
Cash flow					
Net cash from operating activities	119,638	101,169	157,300	178,026	213,613
Net cash from/(used in) investing activities	17,897	(38,148)	(74,627)	(69,780)	(58,194)
Lease repayments ⁴	(32,144)	(37,503)	(36,901)	-	-
Free cash flow available to shareholders ⁵	105,391	25,518	45,772	108,246	155,419
Capital expenditure					
Capital expenditure	44,683	45,032	56,458	76,300	58,200
Assets acquired by way of business combination ⁶	-	203	16,354	-	-
Assets disposed of in the period ⁶	(34,195)	(9,095)	-	-	-
	(10,488)	36,140	72,812	76,300	58,200

(1) Earnings before income tax, interest expense, depreciation, amortisation and impairment, unrealised gains and losses on currency and interest rate swaps.

(2) The FY22 year includes depreciation on right-of-use assets of \$30.7 million (FY21: \$36.2 million).

(3) Working capital excludes current cash and cash equivalents, current borrowing, bonds, 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 the FY20 were the only substantial acquisitions in the last five years. 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.

(7) Prior year restated for Optus Lease and SaaS adjustments (refer note 30).

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 2022 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.

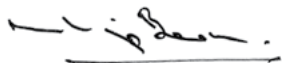
The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the consolidated financial statements with the Financial Markets Conduct Act 2013.

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 2022.

The Board of Directors of Sky authorise these consolidated financial statements for issue on 24 August 2022.

For and on behalf of the Board of Directors.



Philip Bowman
Director and Chair



Keith Smith
Director and Chair of Audit and Risk Committee

Date: 24 August 2022

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Consolidated Income Statement

For the year ended 30 June 2022

In NZD 000	Notes	30-Jun-22	30-Jun-21 ¹
Revenue	4	736,111	711,234
Other income	5	16,753	13,520
Expenses			
Programming		365,347	329,354
Subscriber related costs		93,233	93,070
Broadcasting and infrastructure		70,586	66,694
Depreciation, amortisation and impairment of assets	6,30	80,171	106,496
Other costs		54,682	55,259
Total expenses		664,019	650,873
Impairment of goodwill	16	2,000	-
Finance costs (net)	19	6,094	10,536
Profit before tax		80,751	63,345
Income tax expense	8	18,539	19,070
Profit for the year		62,212	44,275
Attributable to			
Equity holders of the Company	7	62,145	43,957
Non-controlling interests		67	318
		62,212	44,275
Earnings per share			
Basic and diluted earnings per share (cents)	7	35.57	25.17

(1) Comparative balances have been restated (refer note 30).

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

In NZD 000	30-Jun-22	30-Jun-21 ¹
Profit for the year	62,212	44,275
Items that may be reclassified to profit or loss		
Exchange difference on translation of foreign operations	318	(291)
Deferred hedging gains transferred to operating expenses during the year	12,785	1,056
Income tax effect	(3,580)	(296)
Net other comprehensive income to be reclassified to profit or loss, net of income tax	9,523	469
Items that may not be reclassified to profit or loss		
Deferred hedging losses transferred to non-financial assets during the year	(1,535)	(367)
Income tax effect	430	103
Net other comprehensive loss not being reclassified to profit or loss, net of income tax	(1,105)	(264)
Total comprehensive profit for the year	70,630	44,480
Attributable to:		
Equity holders of the Company	70,563	44,162
Non-controlling interest	67	318
	70,630	44,480

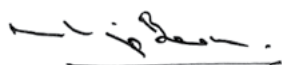
(1) Comparative balances have been restated (refer note 30).

Consolidated Balance Sheet

As at 30 June 2022

In NZD 000	Notes	30-Jun-22	30-Jun-21 ¹
Current assets			
Cash and cash equivalents		138,916	34,800
Trade and other receivables	9	55,359	65,615
Programme rights inventory	10	121,407	103,154
Derivative financial instruments	22	14,345	1,347
		330,027	204,916
Non-current assets			
Property, plant and equipment	13	71,393	100,192
Right-of-use assets	14	57,301	64,272
Intangible assets	15	51,700	51,157
Deferred tax asset	8,30	4,919	5,987
Goodwill	16	244,264	255,245
Derivative financial instruments	22	4,464	1,724
		434,041	478,577
Assets held for sale	12	12,782	13,436
Total assets		776,850	696,929
Current liabilities			
Interest bearing loans and borrowings	17	1,035	1,137
Lease liabilities	18	31,244	39,074
Trade and other payables	11	151,711	137,077
Contract liabilities	11	52,505	52,267
Income tax payable		3,306	7,850
Derivative financial instruments	22	-	1,495
		239,801	238,900
Non-current liabilities			
Interest bearing loans and borrowings	17	-	1,035
Lease liabilities	18	39,435	31,075
Trade and other payables	11	1,146	1,576
Derivative financial instruments	22	-	342
		40,581	34,028
Liabilities associated with assets held for sale	12	1,975	-
Total liabilities		282,357	272,928
Equity			
Share capital	20	768,766	768,766
Reserves	21	9,453	1,035
Retained deficit		(284,995)	(347,140)
Total equity attributable to equity holders of the Company		493,224	422,661
Non-controlling interest		1,269	1,340
Total equity		494,493	424,001
Total equity and liabilities		776,850	696,929

(1) Comparative balances have been restated (refer note 30).



Philip Bowman
Director and Chair



Keith Smith
Director and Chair of Audit and Risk Committee

For and on behalf of the Board 24 August 2022

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

In NZD 000	Notes	Attributable to owners of the parent					Non-controlling interest	Total equity
		Share capital	Reserves	Retained deficit	Total			
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)	
Balance at 30 June 2022		768,766	9,453	(284,995)	493,224	1,269	494,493	
For the year ended 30 June 2021								
Balance at 1 July 2020		767,608	991	(394,875)	373,724	1,246	374,970	
Restatement of adoption of new accounting standard	3,30	-	-	3,778	3,778	-	3,778	
Balance at 1 July 2020 (restated)		767,608	991	(391,097)	377,502	1,246	378,748	
Net profit for the year ¹	30	-	-	43,957	43,957	318	44,275	
Exchange difference on translation of foreign operations		-	(291)	-	(291)	-	(291)	
Cash flow hedges, net of tax	21	-	496	-	496	-	496	
Total comprehensive income for the year		-	205	43,957	44,162	318	44,480	
Transactions with owners in their capacity as owners								
Dividend paid		-	-	-	-	(224)	(224)	
CEO share based remuneration	29	1,158	(161)	-	997	-	997	
		1,158	(161)	-	997	(224)	773	
Balance at 30 June 2021		768,766	1,035	(347,140)	422,661	1,340	424,001	

(1) Comparative balances have been restated (refer note 30).

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

In NZD 000	Notes	30-Jun-22	30-Jun-21 ¹
Cash flows from operating activities			
Profit before tax	30	80,751	63,345
Adjustments for:			
Depreciation and amortisation	6,30	80,171	106,496
Impairment of goodwill	16	2,000	-
Impairment of programme rights	10	1,152	7,466
Unrealised foreign exchange loss/(gain)	19	618	(656)
Interest expense	19	5,772	11,941
Bad debts and movement in provision for loss allowance	6	1,291	1,454
Other non-cash items		(798)	(259)
Movement in working capital items:			
Decrease/(increase) in receivables		229	(9,283)
Decrease in payables		(3,759)	(39,237)
(Increase)/decrease in programme rights		(19,517)	5,052
Cash generated from operations		147,910	146,319
Interest paid		(5,547)	(11,250)
Bank facility fees paid		(225)	(900)
Income tax paid		(22,500)	(33,000)
Net cash from operating activities		119,638	101,169
Cash flows from investing activities			
Acquisition of property, plant, and equipment	13	(19,812)	(25,657)
Acquisition of intangibles	15,30	(24,871)	(19,375)
Proceeds from disposal of Mt Wellington properties	13	55,580	-
Proceeds from disposal of OSB business	28	7,000	6,884
Net cash from/(used in) investing activities		17,897	(38,148)
Cash flows from financing activities			
Repayment of borrowings - bonds	17	-	(100,000)
Repayment of other borrowings	17	(1,137)	(1,171)
Payments for lease liability principal	18	(32,144)	(37,503)
Dividend paid to minority shareholders		(138)	(224)
Net cash used in financing activities		(33,419)	(138,898)
Net increase/(decrease) in cash and cash equivalents		104,116	(75,877)
Cash and cash equivalents at beginning of year		34,800	110,677
Cash and cash equivalents at end of year		138,916	34,800

(1) Comparative balances have been restated (refer note 30).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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 2022 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 24 August 2022.

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-22	Jun-21
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	Content generation, subscriptions and marketing	Ireland	Sky Investment Holdings Limited	100.00%	100.00%
RugbyPass Asia Pte Ltd ¹	Non-trading	Singapore	RugbyPass Limited	-	100.00%
Lightbox New Zealand Limited	Streaming services	New Zealand	Sky	100.00%	100.00%
Sports Analytics Pty Limited (acquired 1 January 2021)	Data analytics for sports	South Africa	Sky Investment Holdings Limited	81.00%	81.00%
RugbyPass UK Limited (incorporated 26 Jan 2021)	Management services	United Kingdom	Sky Investment Holdings Limited	100.00%	100.00%

(1) At the request of the Group, RugbyPass Asia Pte Ltd was struck off the Register of Companies on 10 January 2022.

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

Impact of COVID-19

There continues to be uncertainties due to the COVID-19 epidemic that affect the Group's key estimates and judgements including:

Intangible assets and goodwill – the ability to achieve future forecasts and the consequential impact on the carrying value of goodwill and other finite life intangibles. Management and the directors have assessed the recoverable amounts for each cash generating unit for potential impairment at 30 June 2022, and also considered whether there are any events or changes in circumstances since the signing of the 2021 financial statements and Interim 2022 financial statements that may indicate further impairment by considering factors such as:

- the Group's results for the year, which have exceeded the prior year and plan;
- the improvement in the Group's share price between 30 June 2021 and 30 June 2022; and
- the premium of net assets to market capitalisation has reduced significantly from the position as at 30 June 2021, noting that this market capitalisation excludes any control premium,

and have concluded that there is a \$2.0 million impairment of RugbyPass goodwill at 30 June 2022 (refer note 16).

Programming rights – the ability to monetise prepaid and future sports programming rights. During the ordinary course of business, the Group continues to negotiate sports rights and equitable reductions from our content partners. On 18 February 2022 the Group announced it had entered into a contract with the English Premier League for six years, starting with the upcoming 2022/23 season. Management continues to exercise judgement in assessing both the value and estimated future amortisation profile of programming rights costs in response to uncertainty that COVID-19 has created around the value of certain major sports competitions, some of which may be delayed or postponed. During the year, the Group received credit notes for cancelled events during the Auckland lockdown totalling \$7.8 million. Management further considered the valuation of the programming rights arising from the share issue to the NZ Rugby Union and assessed the carrying value as appropriate as the future economic benefit is still expected to be realised.

Capital Structure – As at 30 June 2022 the Group had working capital of \$90.4 million compared to negative working capital of \$28.8 million at 30 June 2021. The \$100 million bond was repaid on 31 March 2021 out of the Group's cash reserves (refer note 17).

Despite the continuing impact of COVID-19 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 a period of at least 12 months from approving the consolidated financial statements after taking into consideration the current trading results, the cash available of \$139 million and the undrawn banking facility of \$150 million as at 30 June 2022 (refer note 17).

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 2021 apart from the Group adopting the interpretation to reflect the April 2021 IFRS Interpretations Committee (IFRIC) agenda decision on Configuration and Customisation costs in a Cloud Computing Arrangement. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Significant Accounting Policies and Critical Judgements and Estimates (Continued)

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.

Comparatives

Certain comparative amounts have been reclassified to better reflect consistency with the current period.

The Group has adjusted the prior period in respect of configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements. The Group has also adjusted an overstatement of the lease liability as at the date of adoption of NZ IFRS 16 Leases to reflect the contractual payment terms. The impact of these changes on the Group financial statements is summarised in note 30.

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.

New Accounting interpretations applicable to the Group

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 new guidance published by IFRIC.

The interpretation requires that configuration and customisation costs are expensed as incurred unless the activities either provide Sky with control of an intangible asset, or, if undertaken by the Software as a Service (SaaS) vendor, comprise a service that is not distinct from the provision of the SaaS arrangement. The change has been retrospectively applied as detailed in note 30.

Note 15 describes the entity's interpretation in respect of configuration and customisation costs incurred in implementing Software as a Service arrangements. In applying the entity's accounting policy, the Group made the following key judgements that may have the most significant effect on the amounts recognised in financial statements:

Capitalising configuration and customisation costs in SaaS arrangements

Configuration and customisation activities undertaken in implementing SaaS arrangements may entail the development of software code that enhances, modifies, or creates additional capability to the existing on-premise software to enable it to connect with the cloud-based software applications (referred to as integrations). Judgement was applied in determining whether the additional code meets the definition of and recognition criteria for an intangible asset in NZ IAS 38 Intangible Assets. The Group has recognised \$16 million in FY21 and \$12.3 million in FY22 of configuration and customisation costs as intangible assets.

Determining whether configuration and customisation services are distinct from the SaaS

Where the SaaS vendor provides both implementation services and the SaaS arrangement, the Group have applied judgement to determine whether these services are distinct from each other or not, and therefore, whether the implementation services are expensed as the software is configured or customised (i.e. upfront), or over the SaaS contract term. Where the configuration and customisation activities significantly modify or customise the cloud software, these activities will not be distinct from the access to the cloud software over the contract term. Judgement has been applied in determining whether the degree of customisation and modification of the cloud based software would be deemed significant. The Group has recognised \$0.8 million in FY21 and \$nil in FY22 as prepayments in respect of implementation services performed by SaaS vendors.

Environmental, Social and Governance (ESG) reporting

The Group as part of its enterprise risk management framework continues to monitor its exposure to risk, including climate related risk and related regulatory reporting requirements. Sky intends to specifically review and report on exposure to climate related risk, and potential opportunities in line with legislative requirements currently under development and likely to reflect the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) requirements. Emissions measurement systems are in place, and these will continue to be further refined with a view to initiating reporting in the 2023 financial year.

We do not at this stage consider there to be any significant financial impact for the Group from climate change but will continue to monitor as our strategic framework, systems and processes evolve and as regulatory frameworks are finalised and introduced.

4. Segment and Revenue Information

In NZD 000	30-Jun-22	30-Jun-21
Sky Box subscriptions	514,029	532,122
Broadband subscriptions	8,782	71
Streaming subscriptions	93,266	73,267
Commercial revenue	47,379	43,679
Advertising	47,592	44,866
Other revenue	25,063	17,229
	736,111	711,234

Description of revenue streams

With its operating business segment Sky has several revenue streams which it reports against. These include:

Sky Box revenue: This includes revenue from Sky's subscription services linked to its Sky Box customers. Customers are invoiced on a monthly basis in advance and contracts are normally for a period of 12 months with monthly renewals thereafter. Early termination fees apply. Revenue is recognised over the period to which the subscription relates.

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).

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 stand-alone-selling price basis, using market-based approaches as follows:

- the provision of broadband connectivity – recognised on a straight-line basis over the contract term (i.e. 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.
- costs 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, Sky Sport Now and RugbyPass. This revenue is recognised over time based on the timing of the services provided. Contracts vary in length, including daily, weekly, monthly and are payable in advance. In the prior year retransmission revenue was billed in arrears, which continued 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 wholesale customer 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 when the advertisement is screened. Contract terms and rates vary depending on the customer and services provided. Customers are billed monthly in arrears. Revenue is earned at a point in time.

Other revenue: This includes revenue from installation services, transmission services, and various other non-subscriber related revenue. This revenue is recorded 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.

Segment and Revenue Information (Continued)

Key estimates and judgements

Gross versus net presentation 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. This assessment includes the determination of control over pricing and products and these judgements may have an effect on the reported revenue and operating cash flows.

Operating segments are reported in a manner consistent with the internal reporting provided 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 segments. Sky operates in a single operating segment comprising the provision of sport, entertainment media and telecommunication services in New Zealand. RugbyPass has been identified as a separate operating segment and is a separate cash generating unit for the year ended 30 June 2022. For financial reporting purposes and with reference to the aggregation criteria in the accounting standards RugbyPass is aggregated with the Sky business operating segment for the purposes of reporting segment disclosure.

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 subscriptions	Broadband subscriptions	Streaming subscriptions	Commercial revenue	Advertising	Other revenue	Total revenue from contracts with customers
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
For the year ended 30 June 2021							
Revenue from customers	532,122	71	73,267	43,679	44,866	28,874	722,879
Inter-segment revenue	-	-	-	-	-	(11,645)	(11,645)
Total revenue	532,122	71	73,267	43,679	44,866	17,229	711,234
Timing of revenue recognition							
At a point in time	5,291	-	-	-	44,866	7,644	57,801
Over time	526,831	71	73,267	43,679	-	9,585	653,433
	532,122	71	73,267	43,679	44,866	17,229	711,234

Inter-segment revenue relates to intergroup services relating to sports productions provided by OSB until 31 March 2021, when OSB was sold to NEP Limited (refer note 28).

5. Other Income

Other income includes:

In NZD 000	Notes	30-Jun-22	30-Jun-21
Government grant R&D tax credit		1,972	1,752
Gain on sale of OSB	28	-	5,787
RugbyPass content provision release	27	-	1,476
RugbyPass earnout release	27	-	3,553
Gain on sale of Mt Wellington properties ¹	13	13,981	-
Other income		800	952
		16,753	13,520

(1) Includes \$6.1 million gain on sale relating to the sale and leaseback of the groups 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: Income not related to revenue from contracts with customers is required to be disclosed separately in the financial statements and includes investment income, gains or losses on disposal of assets, lessor revenue and other income not related to customer contracts.

6. Operating Expenses

Profit before tax includes the following separate expenses:

In NZD 000	Notes	30-Jun-22	30-Jun-21
Depreciation, amortisation and impairment			
Depreciation and impairment of property, plant and equipment ¹	13	27,276	36,355
Amortisation of intangibles ²	15	22,181	33,901
Depreciation and impairment of right-of-use assets	14	30,714	36,240
Impairment of goodwill	16	2,000	-
Total depreciation, amortisation and impairment		82,171	106,496
Credit loss			
Movement in provision		316	374
Net write-off		975	1,080
Total credit loss	9	1,291	1,454
Fees paid to external auditors			
Audit fees paid to principal auditors ³		661	589
Regulatory reporting		18	9
Non-assurance services by principal auditors			
Treasury related financial markets risk analysis and commentary		-	9
Total fees to external auditors		679	607
Employee costs ⁴		75,294	82,416
Kiwisaver employer contributions		2,280	2,134
Donations		84	187
Operating lease and rental expenses		941	922

(1) The majority of depreciation and amortisation relates to broadcasting assets (refer note 13).

(2) Comparative balance has been restated (refer note 30).

(3) The audit fee includes the fee for both the annual audit of the financial statements and the review of the interim financial statements.

(4) The decrease in employee costs in 2022 is primarily due to the release of the Holidays Act 2003 compliance provision of \$2.7 million, lower employee head count and termination benefits of \$1.8 million paid to the former CEO in the prior period.

Operating Expenses (Continued)

Employee entitlements to salaries, wages and annual leave, to be settled within 12 months of the reporting date represent present obligations resulting from employee services provided up to the reporting date, 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

	30-Jun-22	30-Jun-21 ¹
Profit after tax attributable to equity holders of the parent (NZD 000) ²	62,145	43,957
Weighted average number of ordinary shares on issue (thousands)	174,688	174,648
Basic and diluted earnings per share (cents)	35.57	25.17
Issued ordinary shares at the beginning of the year	174,688,323	174,628,323
Ordinary shares issued on 1 March 2021	-	60,000
Total number of shares on issue	174,688,323	174,688,323
Weighted average number of ordinary shares on issue	174,688,323	174,648,378

(1) Prior year balances have been restated to reflect the share consolidation on 17 September 2021 (refer note 20).

(2) Comparative balance has been restated (refer note 30).

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-22	30-Jun-21 ¹
Profit before tax	80,751	63,345
Prima facie tax expense at 28%	22,610	17,737
Non-assessible income	(6,652)	(1,268)
Non-deductible expenses	1,984	710
Prior year adjustment	(644)	371
Adjustment for change to building depreciation	-	153
Tax loss not recognised	614	611
Effect of foreign tax rates	627	756
Income tax expense	18,539	19,070
Allocated between:		
Current tax payable	20,124	25,143
Deferred tax	(1,585)	(6,073)
Income tax expense	18,539	19,070

(1) Comparative balance has been restated (refer note 30).

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-22	30-Jun-21
Imputation credits available for subsequent reporting periods based on a tax rate of 28%	189,788	161,341

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.

Taxation (Continued)

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	Notes	Fixed assets	Leased assets	Other	Recognised directly in equity	Total
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 through equity		-	-	-	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
For the year ended 30 June 2021						
At 1 July 2020		(1,899)	(6,878)	9,348	(355)	216
Disposal of subsidiaries	28	-	66	-	-	66
NZ IFRS 9 hedging adjustment recognised through other comprehensive income	21	-	-	-	(193)	(193)
Prior period adjustments recognised through equity ¹		1,273	(1,448)	-	-	(175)
Credited/(charged) to profit and loss		3,201	6,591	(3,719)	-	6,073
Balance at 30 June 2021		2,575	(1,669)	5,629	(548)	5,987

(1) Comparative balance has been restated (refer note 30).

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. No deferred tax asset has been recognised in relation to the Rugby Pass accumulated losses of \$23,724,000 (30 June 2021: \$19,412,000) and Sky Network Services Limited's (previously Igloo Limited) accumulated losses of \$11,850,000 (30 June 2021: \$12,150,000). These tax losses can be carried forward for use against future taxable profits of both entities subject to meeting the requirements of the income tax legislation in the local tax jurisdiction including shareholder continuity.

9. Trade and Other Receivables

In NZD 000	Note	30-Jun-22	30-Jun-21
Trade receivables		35,416	37,694
Less provision for loss allowance		(1,588)	(1,272)
Trade receivables - net		33,828	36,422
Other receivables		11,966	8,847
Owing by NEP	28	-	7,000
Prepaid expenses		9,565	13,346
Balance at end of year		55,359	65,615
Deduct receivables not classified as financial assets ¹		(11,945)	(13,601)
Financial instruments	26	43,414	52,014

(1) Receivables 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 2022 is as follows:

In NZD 000	30-Jun-22		30-Jun-21	
	Gross	Impairment	Gross	Impairment
Residential subscribers	22,408	(1,072)	24,326	(1,099)
Commercial subscribers	4,783	(176)	4,759	(32)
Wholesale customers	1,345	-	1,004	-
Advertising	4,731	(7)	4,680	(60)
Other	2,149	(333)	2,925	(81)
	35,416	(1,588)	37,694	(1,272)

Trade and Other Receivables (Continued)

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

In NZD 000	30-Jun-22			In NZD 000	30-Jun-21		
	Expected loss rate	Gross carrying amount	Loss allowance		Expected loss rate	Gross carrying amount	Loss allowance
Not past due	0.2%	28,999	72	Not past due	0.2%	31,483	75
Past due 0-30 days	3.1%	3,397	107	Past due 0-30 days	2.3%	3,832	87
Past due 31-60 days	7.5%	1,302	97	Past due 31-60 days	7.3%	1,075	79
Past due 61-90 days	42.0%	638	268	Past due 61-90 days	55.8%	557	311
Greater than 90 days	96.7%	1,080	1,044	Greater than 90 days	96.4%	747	720
		35,416	1,588			37,694	1,272

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

In NZD 000	Note	30-Jun-22	30-Jun-21
Opening balance		1,272	898
Charged during the year	6	1,291	1,454
Utilised during the year		(975)	(1,080)
Closing balance		1,588	1,272

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 \$1.1 million (30 June 2021: \$1.2 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	Note	30-Jun-22	30-Jun-21
Opening balance		103,154	115,672
Acquired during the year		329,888	266,348
Written off during the year		(1,152)	(7,466)
Charged to programming expenses		(310,483)	(271,400)
Balance at end of year		121,407	103,154

Programme rights inventories 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 inventories 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 31).

The cost of television programme inventories 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, 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 and linear entertainment channels – 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 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-22	30-Jun-21
Trade payables		100,682	83,710
Employee entitlements		9,412	10,560
Tax payables		5,465	7,377
Accruals		34,746	31,119
Provisions ¹	27	2,552	5,887
Balance at end of year		152,857	138,653
Current		151,711	137,077
Two to five years		1,146	1,576
		152,857	138,653
Less			
Payables not classified as financial instruments ¹		(17,429)	(23,824)
Financial instruments	25	135,428	114,829

(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-22	30-Jun-21
Deferred revenue	52,505	52,267

Contract liabilities of \$52,267,000 were released into revenue during the year ended 30 June 2022 (30 June 2021: \$51,180,000).

Contract liabilities are not classified as financial instruments.

Contract liabilities are recognised for payments received from Sky Box, Commercial, Streaming and Broadband customers in advance and are recognised in revenue over the service period. 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 consideration of \$11.0 million to Rugby World Cup Ltd as part of a wide ranging multi-year partnership. Those negotiations are progressing positively, and settlement is expected to be completed within the next 12 months.

The assets and liabilities classified as held for sale on 30 June 2022 relate to the sale of RugbyPass business. The assets classified as held for sale at 30 June 2021 related to the properties known as Studio 2 and Studio 3 only.

The assets classified as held for sale have been reported at their book value.

In NZD 000	Note	30-Jun-22	30-Jun-21
Assets			
Property, plant and equipment (net)	13	-	13,436
Trade and other receivables	14	1,737	-
Other intangible assets	15	2,064	-
Goodwill	16	8,981	-
Assets held for sale		12,782	13,436
Liabilities			
Trade and other payables		1,612	-
Deferred tax liability		363	-
Liabilities associated with assets held for sale		1,975	-

The movements in assets held for sale are:

In NZD 000	Property, plant and equipment	Goodwill	Other intangible assets	Current Assets	Current liabilities	Other non-current liabilities	Total
Balance at 1 July 2021	13,436	-	-	-	-	-	13,436
Additions	20,759	8,981	2,064	1,737	(1,612)	(363)	31,566
Disposals (note 13)	(34,195)	-	-	-	-	-	(34,195)
Balance at 30 June 2022	-	8,981	2,064	1,737	(1,612)	(363)	10,807

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 ending 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
For the year ending 30 June 2021							
Cost							
Balance at 1 July 2020	70,763	100,645	304,083	251,921	92,542	2,386	822,340
Transfer between categories	(222)	8,709	-	32	(10,108)	(1,532)	(3,121)
Assets held for sale (note 12)	(19,701)	-	-	-	-	-	(19,701)
Additions	1,122	1,468	2,030	14,846	5,379	812	25,657
Disposals	(8,163)	(104)	(52,058)	(21,621)	(9,986)	-	(91,932)
Balance at 30 June 2021	43,799	110,718	254,055	245,178	77,827	1,666	733,243
Accumulated depreciation							
Balance at 1 July 2020	28,522	99,868	296,107	209,893	63,365	-	697,755
Transfer between categories	-	747	(3)	19	(3,885)	-	(3,122)
Depreciation for the year (note 6)	2,371	2,555	3,703	19,843	7,883	-	36,355
Assets held for sale (note 12)	(6,265)	-	-	-	-	-	(6,265)
Disposals	(7,911)	(104)	(52,057)	(21,621)	(9,979)	-	(91,672)
Balance at 30 June 2021	16,717	103,066	247,750	208,134	57,384	-	633,051
Net book value at 30 June 2021	27,082	7,652	6,305	37,044	20,443	1,666	100,192

Land, buildings, and leasehold improvements at 30 June 2022 includes land with a cost of \$1,600,000 (30 June 2021: \$2,625,000). The land and buildings at Mt Wellington were sold on 18 March 2022 and have been recognised as disposals. Depreciation related to broadcasting assets (including decoders and capitalised installation costs) of \$20,049,000 (30 June 2021: \$26,101,000) accounts for the majority of the total depreciation charge.

Property, Plant and Equipment (Continued)

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 and leaseback of \$13.5 million of which \$6.1 million was recognised in other income in the current period.

The unrecognised \$7.4 million portion of the sale and leaseback gain is 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 on sale of \$7.8 million which was recognised as other income in the year.

The gain on sale for the Mt Wellington properties is as follows:

In NZD 000	Studio 1	Studio 2	Studio 3	Total
Net book value	20,800	3,378	10,017	34,195
Sale proceeds	34,321	7,503	13,756	55,580
Financing adjustment	(7,404)	-	-	(7,404)
Gain on sale	6,117	4,125	3,739	13,981

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 \$234,000 of capitalised labour costs (30 June 2021: \$207,450).

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	4-5 years
Other plant and equipment	3-10 years
Capitalised installation costs	5 years

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.

14. Right-Of-Use Assets

In NZD 000	Transmission	Property	Equipment	Motor vehicles	Total
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
Right-of-use assets					
Balance at 1 July 2020	79,432	9,597	7,587	205	96,821
Additions	652	-	5,181	-	5,833
Lease modification	-	(1,794)	4,035	178	2,419
Terminations	-	(2,696)	(1,719)	(146)	(4,561)
Depreciation	(27,388)	(1,655)	(7,066)	(131)	(36,240)
Balance at 30 June 2021	52,696	3,452	8,018	106	64,272

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.

A review of Sky's property portfolio has resulted in a reassessment of some of its property leases resulting in cancelling the lease or shortening the lease term.

Due to COVID-19 restrictions in the prior year, some lessors have provided the Group with lease concessions by way of reduction or postponement of monthly payments, for periods of up to three months. These concessions have not resulted in any changes in either the lease asset or the lease liability (refer note 18). The value of lease concessions received for property leases is nil (30 June 2021: \$29,000). These are recorded as a deduction from operating expenses.

15. Intangible Assets

In NZD 000	Notes	Software	Other intangibles	Projects under development	Total
For the year ending 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
For the year ending 30 June 2021					
Cost					
Balance at 1 July 2020		181,742	9,057	9,291	200,090
Transfer between categories		-	(369)	-	(369)
SaaS adjustment ¹		(6,039)	-	-	(6,039)
Transfer from projects under development		8,907	-	(8,907)	-
Acquired as part of the acquisition of Sports Analytics		12	192	-	204
Additions		24,150	-	1,264	25,414
Disposals		(9,788)	(1,597)	-	(11,385)
Balance at 30 June 2021		198,984	7,283	1,648	207,915
Accumulated amortisation					
Balance at 1 July 2020		130,751	2,783	-	133,534
Transfer between categories		-	(369)	-	(369)
SaaS adjustment ¹		(1,495)	-	-	(1,495)
Amortisation for the year		33,325	2,071	-	35,396
Disposals		(9,488)	(820)	-	(10,308)
Balance at 30 June 2021		153,093	3,665	-	156,758
Net book value at 30 June 2021		45,891	3,618	1,648	51,157

(1) Restatement in prior period (refer note 30).

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 \$5,706,000 of accumulated capitalised labour costs (30 June 2021: \$8,556,000), \$5,650,000 of which was incurred in the current year (30 June 2021: \$6,975,000) and \$Nil capitalised interest (30 June 2021; \$242,000).

Costs associated with cloud computing arrangements not controlled by Sky are expensed as incurred. Configuration and customisation 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). Configuration and customisation 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.

Intangible Assets (Continued)

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-22	30-Jun-21
Opening balance		255,245	256,312
Disposal of OSB	28	-	(1,067)
Transfer to held for sale	12	(8,981)	-
Impairment	6	(2,000)	-
Closing balance		244,264	255,245

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 has been reported as a separate CGU, albeit it continues to be included as part of the Group's single reportable segment (refer note 4). Subsequent to the December 2019 reporting date, the Board had reassessed their view of the Group's CGUs and determined that the separation of Sky and RugbyPass into individual CGUs represented the lowest level for which there are separately identifiable cash inflows largely independent of the cash inflows from other assets. This reassessment was largely driven by COVID-19 and the uncertainty it caused in the global sporting rights market. This uncertainty had led the Board to pivot the RugbyPass strategy away from content rights monetisation through streaming to the monetisation of its audience reach and self-generated content through advertising, sponsorship, and lower priced subscriptions. This meant the forecast revenue model for RugbyPass largely differed from that of Sky's which continued to primarily be subscriber-based content rights monetisation. In 2021 the Group sold the streaming business of RugbyPass to Premier Sports Ltd (refer note 28).

In separating out the RugbyPass CGU from Sky's, all of the Rugby Pass acquisition goodwill of \$38.5 million was allocated to the RugbyPass CGU as it was management's view that, in conjunction with the factors described above, the existing Sky business had not received any material synergy benefits from the acquisition of RugbyPass. This goodwill was subsequently impaired by \$27.5 million at 30 June 2020.

On 31 March 2021, the Group disposed of Outside Broadcasting Limited (OSB) (refer note 28). NZ IAS 36 requires that any goodwill associated with an operation that has been disposed must also be disposed of.

In performing impairment testing, if the carrying values exceed the recoverable amounts of the CGU, then the goodwill allocated to each of these units is considered to be impaired and an impairment expense is recognised in the income statement. The recoverable amounts of the Sky CGU and the RugbyPass CGU for the year ended 30 June 2022 have been determined based on fair value less cost of disposal calculation using the discounted cash flow (DCF) model and the price a willing buyer would pay for the RugbyPass business. For the year ended 30 June 2022 management has utilised the same valuation approach and model 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 calculations include 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 amounts 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 (FY23 to FY27)

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 July 2022.

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 ongoing uncertainty caused by the COVID-19 pandemic;
- 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;
- 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 2021, the goodwill impairment test model reflects changes in the business since that time, as well as areas where there has been a shift in focus such as:

- the better than expected trading performance for the year ended 30 June 2022;
- higher growth in streaming revenues on the back of securing key partnerships with HBO and EPL;
- Sky Box stabilisation delayed reflecting the economic uncertainty impacting household spend;
- 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 with HBO and EPL) and revised assumptions around content renewals in the future; and
- other structural changes

Valuation approach

For the year ended 30 June 2022, Management has utilised the same valuation approach and model used in the prior year for the Sky CGU, other than refreshing the discounts rates and terminal growth rates (referred to as the Goodwill impairment test case approved by the Board on 20 July 2022).

Key cash flow assumptions include the following:

Sky CGU

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 set top box, initiatives focused on customer retention and loyalty, and for streaming, continued growth with Neon and Sky Sport Now following the HBO renewal and securing the EPL.

Broadband revenues represent a new revenue stream for Sky following its launch 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.

Goodwill (Continued)

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. Management assumes the continuity of rugby content supply as envisioned in the short form agreements ("NZR Agreements") entered into by Sky, SANZAAR and NZ Rugby in October 2019. The parties continue to negotiate relevant updates to the NZR Agreements reflecting changes to rugby content and competitions as a result of restrictions arising from COVID-19 or as mutually agreed by the contractual parties. Management has assumed that sufficient volume and quality of rugby content will be delivered for the length of the contracted period and that the applicable contracted payments will be made. 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

Within both CGUs is forecast with reference to revenue consistent with historical trends and the changing nature of the Group's asset base.

Discount rates and terminal growth rates

The terminal growth rates and discount rates used in the 30 June 2022 impairment assessment calculations (and the equivalent assumptions for 30 June 2021) are detailed below. Costs of disposal are assumed to be 1% (30 June 2020: 1%) of enterprise value.

	30-Jun-22		30-Jun-21	
	Sky CGU	RugbyPass CGU	Sky CGU	RugbyPass CGU
Terminal growth rate	2.0%	N/A	1.4%	2.0%
Discount rate (post-tax) ¹	10.6%	N/A	14.3%	35.0%
Discount rate (pre-tax) ¹	14.7%	N/A	19.9%	48.6%

(1) The Sky CGU discount rate has reduced from the prior year reflecting the successful launch of Broadband.

The 2% 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 the decline of residential Sky Box revenues.

The discount rates represent the current assessment of the risks specific to each 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 the CGUs and is derived from its weighted average costs of capital (WACC).

RugbyPass CGU

The Rugby Pass business is being marketed for sale and accordingly has been classified as held for sale at 30 June 2022. The fair value has been assessed as \$11 million based on market data and accordingly a \$2 million impairment has been recognised.

Conclusion

As outlined in note 3, Management and the directors have assessed the recoverable amounts for each CGU, and also considered whether there are any events or changes in circumstances that may indicate impairment and concluded that a \$2 million impairment of the carrying value of RugbyPass goodwill is required at 30 June 2022.

In NZD 000	Notes	30-Jun-22		30-Jun-21	
		Sky CGU	RugbyPass CGU	Sky CGU	RugbyPass CGU
Opening balance		244,264	10,981	245,331	10,981
Impairment		-	(2,000)	-	-
Disposal of OSB	28	-	-	(1,067)	-
Transfer to assets held for sale	12	-	(8,981)	-	-
Closing balance		244,264	-	244,264	10,981

Goodwill (Continued)

Sensitivities

The impact of planned new 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, the continued uncertainty regards COVID-19, subscriber numbers and ARPU could give rise to impairment of goodwill.

The key forecast cash flow assumptions by CGU 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	272.1	(277.2)
	+/-10% change to ARPU ¹	399.9	(398.6)
Streaming revenues	+/-10% change to subscribers	91.3	(91.4)
	+/-10% change to ARPU	109.1	(109.0)
Sky CGU costs	+/-20% change to programming cost renewals ¹	579.3	(579.3)
	+/-1% change to capex as % of revenue	94.8	(94.8)
DCF assumptions	+/-2% change to discount rate	172.7	(107.2)
	+/-1% change to terminal growth rate	56.3	(44.4)

(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 (8.9)%, Sky Box ARPU (6.3)%, and programming costs renewals 4.1%. 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 2022 was \$2.36 equating to a market capitalisation of \$412 million, and the share price on the day the financial statements were signed was \$2.59 equating to a market capitalisation of \$452.4 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 2022 was \$496.5 million (\$2.84 per share). Management and the Directors have considered the market capitalisation and net assets and concluded there is no indicator of impairment.

17. Borrowings

In NZD 000	30-Jun-22			30-Jun-21		
	Current	Non-current	Total	Current	Non-current	Total
Borrowings ¹	1,035	-	1,035	1,137	1,035	2,172
	1,035	-	1,035	1,137	1,035	2,172

(1) Borrowings include third-party loans only.

Bank loans

On 2 July 2020, the Group signed a renegotiated bank facility with a syndicate of banks comprising Bank of New Zealand, Commonwealth Bank of Australia and Westpac NZ Limited securing a facility of \$200 million maturing on 31 July 2023.

On 18 March 2022, the Group renegotiated the bank facility to reduce the limit to \$150 million and extend the facility to 31 July 2025.

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, RugbyPass Limited, Sky Network Services Limited, Sky Investment Holdings Limited;
- real property mortgages granted over certain real property interests of Sky Network Television Limited; and
- a spectrum mortgage granted over certain spectrum.

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 2022 financial year and no breaches are anticipated within the next 12 months.

Bank overdrafts of \$825,000 (30 June 2021; \$1,511,000) 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.

Bonds

The \$100 million bonds, issued by the Group on 31 March 2014, were fully repaid on 31 March 2021.

Borrowings (Continued)

Changes in liabilities arising from financing activities

In NZD 000	1 July 2021	Additions	Repayment	Fees	Reclass	Other ¹ movements	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

In NZD 000	1 July 2020	Additions	Repayment	Fees	Reclass	Other ¹ movements	30 June 2021
Current liabilities							
Third party loan	970	-	(1,171)	-	1,137	201	1,137
Bonds	99,795	-	(100,000)	205	-	-	-
Lease liabilities	36,562	-	-	-	2,512	-	39,074
Non-current liabilities							
Borrowings	(289)	-	-	88	-	201	-
Third party loan	2,172	-	-	-	(1,137)	-	1,035
Lease liabilities	68,077 ²	5,181	(37,503)	-	(2,512)	(2,168)	31,075
	207,287	5,181	(138,674)	293	-	(1,766)	72,321

(1) Other movements include exchange differences and changes in fair value (refer note 30).

(2) Lease liability opening balance is restated for the adjustment to lease standard adoption (refer note 30).

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 ending 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
For the year ending 30 June 2021					
Balance at 1 July 2020	91,438	10,688	7,532	207	109,865
Additions for the period	-	-	5,181	-	5,181
Lease modifications and terminations	10	(4,503)	2,337	31	(2,125)
Add interest for period	2,658	424	384	11	3,477
Less repayments	(30,971)	(2,594)	(7,275)	(140)	(40,980)
Foreign currency revaluation	237	-	(280)	-	(43)
Lease liability restatement ²	(5,226)	-	-	-	(5,226)
Balance at 30 June 2021	58,146	4,015	7,879	109	70,149
Current	32,694	1,492	4,815	73	39,074
Two to five years	25,452	2,523	3,064	36	31,075
Balance at 30 June 2021	58,146	4,015	7,879	109	70,149

(1) Property additions include the \$7.4 million sale and leaseback adjustment to the Right-of-use asset refer notes 13 & 14.

(2) Comparative balance has been restated (refer note 30).

Short term lease costs included in expenses in the consolidated statement of comprehensive income are \$3,715,000 (30 June 2021: \$3,172,000). No leases were terminated or assigned to other parties during the period resulting in a lease gain of \$Nil (30 June 2021: \$197,000) which is recorded in other income in the consolidated income statement.

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.

Lease Liabilities (Continued)

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.

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.

19. Finance Costs, Net

In NZD 000	30-Jun-22	30-Jun-21
Finance income		
Interest income	(814)	(226)
Finance expense		
Interest expense on bank loans	2,765	3,036
Interest expense on bonds	-	4,688
Lease interest	2,587	3,527
Amortisation of bond costs	-	205
Bank facility finance fees	420	485
Total interest expense	5,772	11,941
Unrealised exchange loss/(gain) - foreign currency payables	5,433	(2,510)
Unrealised exchange (gain)/loss - foreign currency hedges	(4,815)	1,854
Realised exchange loss/(gain) - foreign currency payables	518	(523)
	6,094	10,536

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-22		30-Jun-21	
	Notes	Number of shares (000)	Ordinary shares (NZD 000)	Number of shares (000) ¹	Ordinary shares (NZD 000)
Shares on issue at beginning of year		174,688	768,766	174,628	767,608
Shares issued to Chief Executive	29	-	-	60	1,158
		174,688	768,766	174,688	768,766

(1) Prior year balances have been restated to recognise the share consolidation on 17 September 2021.

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 the 17th September 2021.

After the share consolidation completion the total issued capital of shares is 174,688,323, the amount is slightly higher than the 174,687,956 estimated prior to commencing the consolidation due to rounding of fractional entitlements to shares.

On 21 February 2020, 20,000 ordinary shares (200,000 pre share consolidation) were issued to Sky's former Chief Executive Martin Stewart as part of Mr Stewart's employment agreement. On 1 March 2021, the remaining 60,000 ordinary shares (600,000 pre share consolidation) included in Sky's former Chief Executive Martin Stewart's employment contract were issued in accordance with his employment agreement (refer note 29) at a value of \$1.93 per share.

21. Reserves

In NZD 000	Notes	Hedge reserve	Share based compensation reserve	Currency translation reserve	Total reserves
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
As at 30 June 2021					
Balance as at 1 July 2020		610	161	220	991
Translation of subsidiary		-	-	(291)	(291)
Employee share scheme	29	-	997	-	997
Credit to equity for equity-settled share based payment	20	-	(1,158)	-	(1,158)
Cash flow hedges (net of tax)					
Revaluation		1,056	-	-	1,056
Reclassification to profit or loss		(367)	-	-	(367)
Deferred tax	8	(193)	-	-	(193)
Balance at 30 June 2021		1,106	-	(71)	1,035

22. Derivative Financial Instruments

In NZD 000	Notes	30-Jun-22			30-Jun-21		
		Assets	Liabilities	Notional amounts	Assets	Liabilities	Notional amounts
Forward foreign exchange contracts - cash flow hedges	25	13,546	-	235,194	2,525	(615)	192,951
Forward foreign exchange contracts - dedesignated	25	5,263	-	81,667	546	(1,222)	92,443
Total forward foreign exchange derivatives		18,809	-	316,861	3,071	(1,837)	285,394
Analysed as:							
Current		14,345	-	199,141	1,347	(1,495)	161,445
Non-current		4,464	-	117,720	1,724	(342)	123,949
		18,809	-	316,861	3,071	(1,837)	285,394

Foreign exchange rates

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

	30-Jun-22	30-Jun-21
USD	0.6214	0.7002
AUD	0.9031	0.9311
GBP	0.5117	0.5058
EUR	0.5939	0.5883
JPY	84.7455	77.3772

Sensitivity analysis for foreign exchange

A 10% strengthening or weakening of the NZD against the following currencies as at 30 June 2022 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.

In NZD 000 Gain/(loss)	10% rate increase		10% rate decrease	
	Equity	Profit or loss	Equity	Profit or loss
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)
As at 30 June 2021				
Foreign currency payables				
USD	-	2,876	-	(3,515)
AUD	-	7,836	-	(9,577)
Foreign exchange hedges				
USD	(8,193)	(1,730)	10,103	2,115
AUD	(9,489)	(3,008)	11,598	3,676
	(17,682)	5,974	21,701	(7,301)

Derivative Financial Instruments (Continued)

Interest rates

During the year ended 30 June 2022, interest rates on borrowings varied in the range of 3.34% to 6.4% (30 June 2021: 2.1% to 6.25%). The Group's interest rate structure is as follows:

In NZD 000	Notes	30-Jun-22			30-Jun-21		
		Effective interest rate	Current	Non-current	Effective interest rate	Current	Non-current
Assets							
Cash and cash equivalents		2.00%	138,916	-	0.25%	34,800	-
Liabilities							
Borrowings	17	5.42%	(1,035)	-	5.42%	(1,137)	(1,035)
Lease liabilities	18	4.22%	(31,244)	(39,435)	4.00%	(39,074)	(31,075)
			106,637	(39,435)		(5,411)	(32,110)

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 2022 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 ongoing 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 bonds and 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 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		
	Period	Minimum	Maximum
Year rolling 12 months	1	80%	100%
	2	70%	100%
	3	0%	90%
	4	0%	50%
	5	0%	50%
	6 – 10	0%	25%

(1) Forward exchange contracts

Financial Risk Management - Market Risk (Continued)

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

In NZD 000	30-Jun-22			30-Jun-21		
	USD	AUD	OTHER	USD	AUD	OTHER
Foreign currency payables	(24,793)	(62,346)	(1,002)	(22,152)	(80,252)	(587)
De-designated forward exchange contracts	23,960	57,707	-	21,607	70,836	-
Net balance sheet exposure	(833)	(4,639)	(1,002)	(545)	(9,416)	(587)
Forward exchange contracts (for forecasted transactions)	110,875	124,319	-	88,877	104,074	-
Total forward exchange contracts	134,835	182,026	-	110,484	174,910	-

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. The Board approved short term exemptions for interest rate hedging parameters while the long-term capital structure is revisited.

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 COVID-19 pandemic the Group has increased its expected loss rates due to the uncertain future outlook for its residential and commercial Sky Box customers. The ability of these customers to settle receivables in the near future is not currently considered to relate to the recent historical credit risk characteristics of those 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 \$18,809,000 (30 June 2021: \$3,071,000).

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. During COVID-19 the Group has strengthened its 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 2022 (30 June 2021: \$200,000,000) that can be drawn down to meet short-term working capital requirements. The facility limit at 30 June 2022 is \$150 million, and 30 June 2021 was \$200 million.

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 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)
Contingent consideration	28	-	-	-	-	-
Derivative financial liabilities						
Forward exchange contracts used for hedging - net outflow/inflow ¹	22	-	-	-	-	-
		207,142	(215,395)	(169,124)	(21,113)	(25,158)
At 30 June 2021						
Non derivative financial liabilities						
Third party loans	17	2,172	(2,219)	(1,172)	(1,047)	-
Lease liabilities	18	70,149	(78,451)	(38,672)	(25,811)	(13,968)
Trade and other payables	11	114,658	(114,658)	(113,082)	(430)	(1,146)
Contingent consideration	28	171	(171)	(68)	(68)	(35)
Derivative financial liabilities						
Forward exchange contracts used for hedging - net outflow/inflow ¹	22	1,837	(1,841)	(1,495)	(233)	(113)
		188,987	(197,340)	(154,489)	(27,589)	(15,262)

(1) The table excludes the contractual cash flows of the forward exchange contracts which are included in assets.

Financial Risk Management - Liquidity Risk (Continued)

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	3-5 years
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	-
At 30 June 2021						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD			(110,483)	(65,425)	(42,799)	(2,259)
AUD			(174,910)	(96,020)	(71,032)	(7,858)
Inflow (at year end market rate)						
USD	0.7002	77,438	110,594	65,492	42,842	2,260
AUD	0.9311	162,974	175,034	96,088	71,082	7,864
			235	135	93	7

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. In May 2020 the Group conducted an equity raise comprised of a placement of shares to institutional investors and a pro-rata non-renounceable entitlement offer of shares to eligible shareholders of 2.83 new shares for every 1 existing at the record date at an offer price of 12 cents per share (the Offer). The Offer was fully underwritten and raised a total of approximately \$157 million. The Offer was conducted to help ensure the Group is well capitalised to withstand the impacts of COVID-19 and positioned to execute on future growth opportunities as conditions improve. On 31 March 2021 the Group repaid its bond of \$100 million out of cash reserves (refer note 17).

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 (2021: complied).

As at 30 June 2022 the Group's debt excluding lease liabilities is \$1.0 million (30 June 2021: \$2.0 million) This is covered by cash reserves of \$138.9 million (30 June 2021; \$34.8 million).

Financial Risk Management - Liquidity Risk (Continued)

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	Note	30-Jun-22	30-Jun-21
Assets measured at fair value			
De-designated forward exchange contracts	22	5,263	546
Derivatives used for hedging - cash flow hedges	22	13,546	2,525
Total assets		18,809	3,071
Liabilities measured at fair value			
Contingent consideration	27.28	-	(171)
De-designated forward exchange contracts	22	-	(1,222)
Derivatives used for hedging - cash flow hedges	22	-	(615)
Total liabilities		-	(2,008)

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

Contingent consideration is valued on a level 2 basis at market value less an appropriate discount rate (refer note 27).

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.

Regular way 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:

In NZD 000	Notes	30-Jun-22		30-Jun-21	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortised cost					
Cash and cash equivalents		138,916	138,916	34,800	34,800
Trade and other receivables	9	43,414	43,414	52,014	52,014
Financial assets at fair value through profit or loss					
Derivatives designated as hedging instruments (cash flow hedges)	22	13,546	13,546	2,525	2,525
Derivatives not designated as hedging instruments	22	5,263	5,263	546	546
		201,139	201,139	89,885	89,885
Financial liabilities at amortised cost					
Other loans	17	1,035	902	2,172	2,046
Lease liabilities	18	70,679	70,752	75,375	70,023
Trade and other payables	11	135,428	135,428	114,829	114,829
Financial liabilities at fair value through OCI					
Derivatives designated as hedging instruments (cash flow hedges)	22	-	-	615	615
Derivatives not designated as hedging instruments (fair value hedges)	22	-	-	1,222	1,222
		207,142	207,082	194,213	188,735

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 quoted notes and bonds is based on price quotations at the reporting date being a level 1 basis. 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. Contingent Consideration and Provisions

In NZD 000	Note	30-Jun-22	30-Jun-21
Contingent consideration ¹	28	-	171
Provision for holiday pay ²		582	3,400
Provision for onerous contracts ³		1,970	1,970
Provision for restructuring		-	346
Balance at 30 June 2022	11	2,552	5,887

(1) Contingent consideration

Contingent consideration on the acquisition of Sports Analytics (refer note 28) was initially assessed at \$171,000. This consideration has been written off as the financial targets related to the liability are not expected to be met.

(2) Holidays Act 2003 compliance provision

Included within other provisions is a provision for holiday pay of \$0.6 million (30 June 2021: \$3.4 million). This provision 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. A \$2.7 million release in the current year was due to a reduction in the discretionary bonus estimate.

(3) Onerous contract provision

The provision is for a life of series entertainment content commitment which management consider to be an onerous contract.

The movements in provisions are as follows:

In NZD 000	Notes	Contingent consideration	Holidays Act 2003 compliance provision	Other provisions	Total
Balance at 1 July 2021	11	171	3,400	2,316	5,887
Utilised/paid out		-	(118)	-	(118)
Release of provisions ¹		(171)	(2,700)	(346)	(3,217)
Balance at 30 June 2022		-	582	1,970	2,552
Current - within one year	11	-	582	824	1,406
Long term - later than one year		-	-	1,146	1,146
		-	582	1,970	2,552

(1) The contingent consideration and Holidays Act 2003 provisions have been released to Other income and Other costs respectively.

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 - Financial year 2021

On 1 January 2021 the Group, through its subsidiary Sky Investment Holdings Limited, acquired 81% of the share capital of Sports Analytics Pty Limited, a company registered in South Africa. Sports Analytics specialises in deep-data analysis, trend identification and data leveraging.

The purchase price comprises a payment of 50% share of profits after tax for a period of three years. Based on the three-year forecasts provided by the vendor the contingent consideration was assessed at a value of \$171,000 (refer Note 27). The fair value of the assets acquired include working capital of \$32,000 and \$203,000 of intangible assets less attributable deferred tax of \$64,000.

Disposals - Financial year 2021

Outside Broadcasting Limited (OSB)

On 11 August 2020 Sky entered into an agreement with NEP New Zealand Limited (NEP) to sell the assets and liabilities of OSB business to NEP for approximately \$14.2 million. The sale was subject to Commerce Commission approval that was subsequently granted on 4 February 2021, with completion of the sale occurring on 31 March 2021.

The book values of the assets and liabilities derecognised as a result of the disposal are as follows:

Disposal consideration	Notes	In NZD 000
Contracted price		14,248
Less employee accruals		(248)
Plant & equipment adjustment		(116)
Net selling price		13,884
Less cash received at completion		(6,884)
Owing by NEP (due 30 September 2021)	9	7,000

Assets and liabilities disposed of	Notes	In NZD 000
Plant & equipment		7,192
Right-of-use assets		929
Goodwill		1,067
Lease liabilities		(1,157)
Deferred Tax	8	66
Net assets disposed of		8,097
Disposal price		(13,884)
Gain on sale	5	5,787

RugbyPass streaming business

In January 2021 RugbyPass signed an agreement to sell its streaming business to Premier Sports Ltd. The fair value of the consideration is based on a sharing of forecast revenues for the period 1 December to 31 December 2021 and has been assessed at \$813,000. The book value of the assets disposed of was \$998,000 resulting in a loss on sale of \$185,000 included in other income.

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-22	30-Jun-21
Income statement		
Remuneration of key personnel (included in employee costs)	5,762	8,131
CEO share based remuneration (refer note 20)	-	997
Directors' fees	716	737
My Wave Limited (included in subscriber related costs)	1,692	256
Total Related Party transactions included in the income statement	8,170	10,121
Balance Sheet		
My Wave Limited (included in prepayments)	-	1,192
Total Related Party transactions through consolidated balance sheet	-	1,192

The Group's directors and key management personnel collectively hold shareholdings of 530,355 shares (30 June 2021: 351,827 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 the Group entered into a commercial agreement with My Wave Limited, a software company that provides interactive device solutions, as disclosed above. Geraldine McBride is a Director of the Group as well as a Director of My Wave Limited.

On 1 December 2020 Martin Stewart left by mutual agreement and Sophie Moloney was appointed the new CEO on that date.

The year ending 30 June 2021 includes the cost of termination benefits associated with the former CEO of \$1,453,000 and accrued short-term employee benefits of \$340,000 which was based on achieving targets for the year to 30 June 2021.

On 21 February 2020, 200,000 ordinary shares vested to the former CEO as part of a contractual entitlement to receive a total of 800,000 ordinary shares. As a result of the CEO's decision to leave by mutual agreement the 600,000 ordinary shares vested in March 2021. This equity-settled share scheme is accounted for and measured based on the fair value at grant date (1 February 2019) of \$1.93 per share (\$1,158,000).

30. Prior Period Adjustments

Software as a service

As outlined in Note 3, the Group applied the IFRIC interpretation in respect of configuration and customisation costs in cloud computing arrangements.

The change has been applied retrospectively and resulted in adjustments to the previously reported results for the year ended 30 June 2021, refer table below.

Lease liability

The Group has adjusted an overstatement of the lease liability as at the date of adoption of NZ IFRS 16 Leases to reflect the contractual payment terms, refer table below.

In NZD 000	Notes	30-Jun-21 Restated	Lease Liability	SaaS	Previously Reported
Consolidated Statement of Comprehensive Income For the year ending 30 June 2021					
Depreciation, amortisation and impairment of assets	6	106,496	-	(1,495)	107,991
Broadcasting and infrastructure		66,694	-	6,039	60,655
Income tax expense	8	19,070	-	(1,273)	20,343
Profit attributable to equity holders		43,957	-	(3,271)	47,228
Basic and diluted earnings per share (cents)		25.17	-	22.47	2.70
Consolidated Balance Sheet As at 30 June 2021					
Intangible assets	15	51,157	-	(4,544)	55,701
Deferred tax asset	8	5,987	(1,448)	1,273	6,162
Total Assets		696,929	(1,448)	(3,271)	701,648
Lease liabilities	18	31,075	(5,226)	-	36,301
Total Liabilities		272,928	(5,226)	-	278,154
Retained deficit		(347,140)	3,778	(3,271)	(347,647)
Total Liabilities and Equity		696,929	(1,448)	(3,271)	701,648
Consolidated Statement of Cashflows For the year ending 30 June 2021					
Profit before tax		63,345	-	(4,544)	67,889
Depreciation and amortisation	6	106,496	-	(1,495)	107,991
Cash generated from operations		101,169	-	(6,039)	107,208
Acquisitions of intangibles		(19,375)	-	6,039	(25,414)
Net cash used in investing activities		(38,148)	-	6,039	(44,187)

31. Commitments

in NZD 000	30-Jun-22	30-Jun-21
Lease commitments		
Year 2	13,563	-
Year 3	23,251	13,149
Year 4	23,251	22,552
Year 5	23,251	22,552
Later than year 5	102,632	122,098
	185,948	180,351
Contracts for transmission services:		
Year 1	2,171	637
Year 2	759	668
Year 3	368	668
Year 4	95	283
Year 5	95	-
Later than year 5	452	-
	3,940	2,256
Contracts for future programmes:		
Year 1	312,175	299,002
Year 2	273,287	266,550
Year 3	205,065	225,998
Year 4	113,832	193,366
Year 5	42,123	97,121
Later than year 5	23,590	49,964
	970,072	1,132,001
Capital expenditure commitments:		
Property, plant and equipment		
Year 1	35,866	7,132
Year 2	1,197	901
Year 3	-	556
	37,063	8,589
Other services commitments:		
Year 1	43,564	25,398
Year 2	23,193	17,667
Year 3	17,660	15,459
Year 4	15,909	12,289
Year 5	15,779	12,172
Later than year 5	52,326	57,292
	168,431	140,277

32. Contingent Assets and Liabilities

The Group has no undrawn letters of credit at 30 June 2022 (30 June 2021: \$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.

33. Subsequent Events

Dividend

On 24 August 2022 the Board of Directors announced that it will pay a fully imputed dividend of 7.3 cents per share with the record date being 9 September 2022. A supplementary dividend of 1.2882 cents per share will be paid to non-resident shareholders subject to the foreign tax credit regime.

Capital Return

On the 24 August 2022 the Board of Directors approved a capital return of \$70 million to shareholders by way of a High Court approved scheme of arrangement with shareholder approval being sought at Sky's Annual Meeting on 2 November 2022. If approved by 75% or more of voting shareholders, final High Court approval is expected on or about 11 November 2022.

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 2022, 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 2022;
- 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 and agreed upon procedures and assurance services in the areas of regulatory reporting. 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.

Description of the key audit matter	How our audit addressed the key audit matter
<p>Goodwill impairment assessment</p> <p>The carrying amount of Sky CGU goodwill as at 30 June 2022, as concluded on note 16, amounted to \$244 million (2021: \$244 million).</p> <p>The carrying value of goodwill is an area of focus for the audit and a key audit matter as it is a significant amount in the consolidated balance sheet, is dependent on future cash flows, and there have been impairments recognised in previous years.</p> <p>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.</p> <p>The future cash flows in the FVLCD models were prepared based on the Board approved five year forecast cash flows.</p> <p>The key assumptions used in the impairment model are the following:</p> <ul style="list-style-type: none"> • residential Sky Box and streaming revenues (including subscriber numbers and average revenue per user (ARPU)); • broadband revenues; • programming expenses; • broadcasting and infrastructure expenses; • capital expenditure; • cost of disposal; • discount rates; and • terminal growth rates. <p>Reasonably possible changes in key assumptions that could result in an impairment are disclosed in note 16 to the consolidated financial statements.</p>	<p>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.</p> <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • 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; • reviewing analyst reports to understand their views on the Group's forecasts and any implications on our audit work; • 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; • obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes and also considered alternative possible scenarios; and • considered the appropriateness of the disclosures in note 16 to the consolidated financial statements against the requirements of the accounting standards.


Description of the key audit matter
Recognition of revenue

The Group's total revenue for the year ended 30 June 2021 amounted to \$736 million (2021: \$711 million).

There has been a significant focus by management on retaining and growing its customer base.

Given this revenue recognition was an area of audit focus which required significant audit attention and therefore is a key audit matter.

Refer to note 4 of the consolidated financial statements for disclosures on revenue streams and business segments.

How our audit addressed the key audit matter

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 controls around restricted access to the revenue billing system;
- testing the controls over subscriber additions, disconnections, and refunds in the revenue billing system by ensuring they are reviewed and approved in line with the Group's policy; and
- performing a recalculation of Sky Box and broadband subscription revenue.

On a sample basis, we also:

- verified revenue against supporting documentation and customer contracts;
- tested 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;
- validated the pricing and payment of advertising and other revenue transactions to customer contracts;
- tested whether revenue transactions recorded near year end were recognised in the correct period; and
- checked 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: \$4.2 million, which represents 2.5% of earnings before interest, taxes, depreciation and amortisation (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 13 entities.

As reported above, we have two key audit matters, being:

- Goodwill impairment assessment
- Recognition of revenue

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 do 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 the work we have 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of 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 financial statements, including the disclosures, and whether the 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 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 we identify during the audit.

We also provide those charged with governance with a statement that we have 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 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 the auditor's 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:

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

Chartered Accountants
24 August 2022

Auckland

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Corporate Governance

Sky's Board is committed to fulfilling its corporate governance obligations and maintaining high ethical standards. The Board regularly reviews Sky's corporate governance framework to ensure it is consistent with best practice.

This section of our annual report includes key information about Sky's corporate governance policies and practices. You will find a more detailed corporate governance statement online at <https://www.sky.co.nz/investor-centre/corporate-governance> which provides further information covering all of the required disclosures under the ASX Corporate Governance Principles and Recommendations (4th edition) (ASX Recommendations) and the NZX Corporate Governance Code (NZX Code). The corporate governance statement has been approved by the Board.

Board Of Directors

Committees

The Board operates two permanent board committees, namely the Audit and Risk Committee and the People and Performance Committee. The members of the Audit and Risk Committee are Keith Smith (Chair, Board Deputy Chair), Philip Bowman (Board Chair) and Joan Withers. The members of the People and Performance Committee are Geraldine McBride (Chair), Joan Withers and Michael Darcey.

Independent and Executive Directors

At 30 June 2022 all of the directors of Sky were considered to be independent directors. Each of the directors is considered independent because they are not an "Employee" of Sky and do not have any "Disqualifying Relationship" (as defined by the NZX Listing Rules), and the factors contained in NZX Recommendation 2.4 and ASX Recommendation 2.3 have been considered by the Board in determining the independence of each director.

In considering the factors in NZX Recommendation 2.4 and ASX Recommendation 2.3, the Board has continued to have careful regard to whether Geraldine McBride's status as an independent Director has changed by virtue of her interests and position in MyWave Limited (MyWave), which supplies services to Sky in support of Sky's fan experience platform (noting this interest first arose in the year ending 30 June 2021 and was noted in both Sky's Annual Report for the period ending 30 June 2021 and Interim Report for the period ending 31 December 2021).

In particular, Geraldine McBride is the CEO and Director of MyWave (and its holding company, MyWave Holdings Limited), and currently holds shares in MyWave Holdings Limited. Under ASX Recommendation 2.3, the relationship between Sky and MyWave is likely to be considered a 'material business relationship' and, given that Geraldine McBride is an officer of MyWave (as a CEO and Director of MyWave), Geraldine McBride's interest and position in MyWave notionally falls within one of the examples set out in Box 2.3 of the ASX Recommendations.

The Board has considered this relationship and concluded that, notwithstanding this, it is not sufficiently material so as to interfere with Geraldine McBride's capacity to bring an independent judgement to bear on issues before the Board (which will exclude matters related to MyWave) and to act in the best interest of Sky and to represent the interests of its shareholders generally rather than the interests of an individual securityholder or other party. The Board came to this view having regard to a number of matters, including that:

- the supplier relationship with MyWave is not material to Sky in the context of Sky's consolidated gross revenue and market capitalisation;
- the services being provided by MyWave relate to discrete matters only, do not relate to the Group as a whole and do not relate to Sky's core business;
- Geraldine McBride has not been part of the team from MyWave providing the services to Sky; and
- none of the other examples in Box 2.3 of the ASX Recommendations apply to Geraldine McBride.

The Board also noted that the level of Sky's committed expenditure with MyWave has not changed from the commitment disclosed in Sky's Annual Report for the period ending 30 June 2021.

For completeness, the Board notes that consistent with Geraldine McBride's interests disclosures recorded in Sky's interests register, Geraldine McBride is to be regarded as interested in Sky transactions involving MyWave and as such has not voted (and will not vote) on any Board resolutions in relation to such transactions (or be counted towards any Board quorum for any Board discussion on such transactions). In December 2021 Geraldine McBride took the additional measure of recusing herself from the Board's discussions in relation to such transactions.

Diversity

Sky recognises diversity and inclusion as a strategic asset for the company'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 experience, and customer value, to continue to grow successfully, and to attract and retain the best talent.

Sky's Diversity Policy reflects the company's continuing commitment to diversity and inclusion. This policy requires the commitment of the Board to set measurable objectives for achieving diversity in areas requiring improvement and to assess annually both the objectives and Sky's progress in achieving them. Sky proactively considers diversity in all recruitment activities, with a particular focus on leadership roles with a review of the Policy in 2022 reflecting this commitment. Sky is also committed to growing the capability of all Sky staff to leverage diversity to deliver a better employee experience, a better customer experience and improved business performance.

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 2022, Sky's Board had two female directors and four male directors (compared to two female directors and three male directors as at 30 June 2021).

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 two female officers and five male officers¹.

Sky takes a holistic approach to diversity. Sky's measurable objectives for achieving diversity are that:

- during the year ending 30 June 2022, Sky measured and reported on employee feedback regarding diversity and belonging, and delivered organisational development actions in response to this feedback in each quarter. This will continue on a biannual basis from the year commencing 1 July 2022;
- each year, the Board actively considers the composition of the Board and any opportunities for new directors to join the Board with diversity (including gender diversity) being one of the key criteria when considering new appointments;
- each year the Board compares the number of female and male employees at Sky to the previous financial year's figures to ensure that Sky is maintaining a strong level of female participation at all levels of the organisation;
- each year the Board considers the extent of age diversification at Sky by comparing the number of employees aged over and under 45 years to the previous financial year's figures, in order to ensure Sky is benefiting from a mix of experience and new ways of thinking.

For the year ended 30 June 2022, the Board is satisfied that Sky achieved its diversity objectives as follows:

- Sky maintained consistent levels of gender and age diversification amongst employees across the organisation (increasing female representation from 44% to 47%);
- with respect to diversity and inclusion measures, Sky's performance remained relatively high in comparison to the general New Zealand market, however also in line with general market trends the results were down slightly year on year, reflecting COVID-19 related challenges to employee engagement:
 - the number of staff who favourably rated "I feel I belong at Sky" moved from 68% to 63%; and
 - the number of staff who favourably rated "Sky values diversity" moved from 77% to 71%.

(1) The "Officers" include the CEO and the members of Sky's executive leadership team who report directly to the CEO.

The table below provides a breakdown of the gender and age diversification of Sky's workforce at 30 June 2022:

Board Level	Officers ¹	All Staff
No of Women: 2	No of Women: 2	No of Women: 423
Total number: 6	Total Number: 7 ²	Total Number: 898
2021	2021	2021
No of Women: 2	No of Women: 1	No of Women: 399
Total number: 5	Total Number: 4 ²	Total Number: 900
Over 45 – 100%	Over 45 – 86%	Over 45 – 35%
(2021 – 100%)	(2021 – 75%)	(2021 – 33%)

(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 referenced in the chart above as defined under the NZX Listing Rules.

(2) A restructure of the executive team in November 2021 saw the total number of executive officers change from 5 to 7. At the end of FY21, one of the of the executive officer positions was vacant and one under recruitment with a seconded partner from Deloitte filling that position.

Diversity (Continued)

The table below provides a detailed breakdown of the age diversification of Sky's workforce at 30 June 2022:

Age	2022	2021
<30	20%	18%
30 - 40	32%	32%
40 - 50	28%	29%
50 - 60	15%	16%
60 - 70	4%	4%
>70	1%	1%

In accordance with Sky's Diversity Policy, Sky has also committed to setting non-numerical objectives in respect of diversity and inclusion through recruitment and selection practices at all levels, a detailed training program to enhance the skills and knowledge of employees and enhanced flexible work practices.

Risk Management

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. The Audit and Risk Committee reviewed Sky's risk management framework during the reporting period to 30 June 2022.

Sky recognises that having a robust and well-documented enterprise-wide risk management framework is critical to support the management of risks across Sky. In keeping with its focus on managing both near and long-term risk in the 2023 financial year, the Audit and Risk Committee is overseeing an extensive management review of Sky's risk management framework across the business to identify and implement improvements to best support Sky's current and future business and operating environment.

Sky's internal audit function is outsourced to 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. 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 at <https://www.sky.co.nz/investor-centre/corporate-governance>.

Sky intends to specifically review and report on exposure to climate related risk, and potential opportunities, in line with legislative requirements currently under development and likely to reflect the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) requirements. While Sky's emissions profile is not considered to be material, the company has measurement systems in place that will be further refined and audited in the 2023 financial year with a view to initiating reporting. In this regard, Sky has engaged Toitū to assist and will be participating under Toitū's Carbon Reduce programme.

Principal risks that could affect results and performance include:

- regulatory environment;
- competition;
- programming rights;
- content protection;
- business disruption;
- investment strategy – adoption of new technology;
- financial risks;
- reputational risks and brand perception;
- ability to attract and retain key talent;
- business transformation; and
- customer value proposition.

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 2022 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
	Atropos SCI ²	Président Directeur Générale
	Tom Tom Holdings, Inc.	Director
	Vinula Pty. Limited	Director
	Vinula Super Fund Pty. Limited	Director
Michael Darcey	Arqiva Group Limited	Director
	British Gymnastics	Chair
	Premier League Basketball UK	Shareholder
Geraldine McBride	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	Chair
	H J Asmuss & Co Limited and associated companies	Chair
	Healthcare Holdings Limited and associated companies	Chair
	Mercury NZ Limited ²	Director
	Mobile Surgical Services Limited	Chair
	Tax Traders Limited ¹	Member of Advisory Board
	Tree Scape Limited ²	Director
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 ¹	Director
	Origin Energy Limited	Director
Mark Buckman	OzTAM Pty. Limited ¹	Chair
	Barangaroo Advisory Pty. Limited ¹	Director and Shareholder
	Honed Real Estate Pty. Limited ¹	Shareholder and advisor
	MSVN Technologies, LLC ¹	Shareholder and advisor

(1) Entries added during the period from 1 July 2021 to 30 June 2022.

(2) Entries removed by notices given by the directors during the period from 1 July 2021 to 30 June 2022.

Disclosures of Interest

– Particular Transactions/Use of Company Information

During the year to 30 June 2022, 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(3) of the Companies Act 1993.

Disclosures of Relevant Interests in Securities

During the year to 30 June 2022, 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 one disclosure on 7 September 2021 regarding the acquisition of 250,000 ordinary shares in Sky (which consolidated into 25,000 ordinary shares as a result of the Sky share consolidation completed on 17 September 2021).
- Sophie Moloney (CEO) made one disclosure on 31 August 2021 regarding the acquisition of 830,000 ordinary shares in Sky (which consolidated into 83,000 ordinary shares as a result of the Sky share consolidation completed on 17 September 2021).
- Andrew Hirst (Interim CFO) made one disclosure on 9 September 2021 regarding a beneficial interest in the acquisition of 117,280 ordinary shares in Sky as trustee of the Trinity Trust (which consolidated into 11,728 ordinary shares as a result of the Sky share consolidation completed on 17 September 2021).

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.

In addition, Sky has in place additional insurance in respect of directors' liability that may arise as a result of the capital raise which was announced to the market on 21 May 2020.

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

The directors of Sky's subsidiaries have given notices disclosing interests in various entities pursuant to section 140 of the Companies Act 1993. Those notices included in the interests register during the financial year ended 30 June 2022 are set out below:

- Sky DMX Music Limited: Jonathon Errington and Sophie Moloney each gave a general disclosure notice disclosing interests arising from being an employee of Sky and, in Sophie Moloney's case, a shareholder of Sky.
- Believe It Or Not Limited: Jonathon Errington and Christopher Shaw each gave a notice disclosing interests arising from being an employee of Sky. Brendan Lohead gave a general notice disclosing his interest arising from being a Director and shareholder of Mad If You Don't Limited. Annabelle Lohead gave a general notice disclosing her interest arising from being a Director and shareholder of Mad If You Don't Limited.

Company Information

Directors Holding and Commencing Office during the year

- Philip Bowman (Chair)
- Keith Smith (Deputy Chair)
- Michael Darcey
- Geraldine McBride
- Joan Withers
- Mark Buckman (appointed 21 March 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 2022:

Relevant interests	Shares
Philip Bowman	125,000
Michael Darcey	150,000
Geraldine McBride	8,815
Keith Smith ¹	25,512
Joan Withers	Nil
Mark Buckman	Nil

(1) 7,507 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); 8,005 shares held by Gwendoline Holdings Limited (Keith Smith is a discretionary beneficiary of a trust which owns Gwendoline Holdings Limited); and 10,000 shares held by Keith Smith's partner Lily Wong.

Subsidiaries

At 30 June 2022, Sky had the following subsidiary companies:

Subsidiary	Director(s)	Business during FY22
Believe It Or Not Limited	Anabelle Lohead Brendan Lohead 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	Investment in the form of acquisition of 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.
RugbyPass Limited (Incorporated in Ireland)	Neil Martin Sophie Moloney Hazel Dodd	Content generation, subscription and marketing.
RugbyPass UK Limited (incorporated in the United Kingdom)	Neil Martin Sophie Moloney Hazel Dodd	Management Services.
Sports Analytics Pty Ltd (incorporated in South Africa)	Neil Martin Kevin Bouwer	Sports data collection and analysis.

At the request of the Group, RugbyPass Asia Pte Limited (incorporated in Singapore) was struck off the Register of Companies on 10 January 2022.

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 Martin Stewart prior to his retirement, and Sophie Moloney following her appointment, their 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.

Remuneration of Directors

The total remuneration and value of other benefits received by directors of Sky during the year 1 July 2021 to 30 June 2022 was as follows:

Name	Board Fees	Audit and Risk Committee	People and Performance Committee	Total Remuneration
Philip Bowman (Chair)	200,000	-	-	200,000
Keith Smith (Deputy Chair)	122,500	20,000	-	142,500
Geraldine McBride	100,000	-	20,000	120,000
Michael Darcey	100,000	-	6,000	106,000
Joan Withers	100,000	12,000	7,275	119,275
Mark Buckman ¹	27,671	-	-	27,671
Totals	650,171	32,000	33,275	715,446

(1) Mark Buckman joined the board during the financial year on 21 March 2022.

The directors' fee pool has been set at a maximum amount of \$950,000 per annum since October 2015. The current fees paid to Sky directors are set out in the table above. Directors do not receive any performance or equity-based remuneration or 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.

Chief Executive Remuneration

The CEO's remuneration for the years ending 30 June 2021 and 30 June 2022, for both Sophie Moloney and Martin Stewart, is illustrated in the two separate tables below:

Sophie Moloney from 1 December 2020 to 30 June 2022:

	2022	2021
Base salary ¹	932,500	544,000
STI	330,568	236,000
Total remuneration	1,263,068	780,000

(1) Sophie Moloney's base salary is \$932,500 per annum.

The CEO is entitled to participate in an STI scheme based on 35% of the CEO's base salary (in FY22). The CEO's STI scheme includes a participation gateway regarding Health & Safety performance, with assessment criteria including financial performance, employee engagement and customer satisfaction. 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 is extremely cognisant of the requirement to ensure that any STI is aligned to shareholder interests.

Martin Stewart from 1 July 2020 to 1 December 2020:

	2022	2021
Base salary	-	625,000
Termination benefits	-	1,453,000
STI	-	340,000
Ordinary Shares	-	1,158,000
Total remuneration	-	3,576,000

During the year ending 30 June 2021 termination benefits associated with the former CEO of \$1,453,000 were paid.

On 21 February 2020, 200,000 ordinary shares vested to the former CEO as part of a contractual entitlement to receive a total of 800,000 ordinary shares in instalments of 200,000 on each of the first four anniversaries of commencement of employment. As a result of the CEO's decision to leave by mutual agreement the 600,000 ordinary shares were vested in March 2021 and were recognised at 30 June 2021. This equity-settled share scheme is accounted for and measured based on the fair value at grant date (1 February 2019) of \$1.93 per share (\$1,158,000). Note share numbers are reported prior to consolidation on 17 September 2021.

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 2022:

Substantial Product Holder Name	Date of Substantial Product Holder Notice	Number of Shares in Substantial Product Holding at 30 June 2022 and at 15 July 2022 ¹	% held at 30 June 2022 and at 15 July 2022 ¹
Jupiter Asset Management Limited and its related bodies corporate ²	15 September 2020	15,802,241	9.04
Accident Compensation Corporation	2 March 2022	14,584,144	8.349
Osmium Partners, LLC	27 June 2022	10,144,702	5.807

(1) Based on disclosures to the company

(2) The number of shares has been adjusted based on the 1 for 10 share consolidation which was completed on 17 September 2021

At Sky's 30 June 2022 year end and at 15 July 2022 the total number of ordinary shares on issue was 174,688,323.

Twenty Largest Shareholders as at 15 July 2022

Name	Number of Shares	% of Issued Capital
Accident Compensation Corporation	15,926,277	9.12
HSBC Nominees (New Zealand) Limited	15,769,830	9.03
Citibank Nominees (New Zealand) Limited	15,567,590	8.91
HSBC Nominees (New Zealand) Limited A/C State Street	11,334,333	6.49
BNP Paribas Nominees (NZ) Limited	8,264,253	4.73
BNP Paribas Nominees (NZ) Limited	6,706,718	3.84
JP Morgan Nominees Australia Limited	6,131,136	3.51
New Zealand Depository Nominee Limited <A/C 1 Cash Account>	5,875,236	3.36
BNP Paribas Nominees (NZ) Limited	4,856,388	2.78
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	4,486,896	2.57
National Nominees Limited	4,434,807	2.54
Hobson Wealth Custodian Limited	4,287,216	2.45
JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct	3,818,555	2.19
National Nominees Limited	3,532,315	2.02
BNP Paribas Nominees (NZ) Limited	2,943,545	1.69
New Zealand Rugby Union Incorporated	2,180,133	1.25
TEA Custodians Limited Client Property Trust Account	2,131,907	1.22
Custodial Services Limited	2,070,287	1.19
BNP Paribas Nominees Pty Limited	1,912,038	1.09
Citicorp Nominees Pty Limited	1,865,237	1.07
	124,094,697	71.04

Distribution of Ordinary Shares and Shareholdings as at 15 July 2022

Range	No. of Shareholders	Number of Shares held	% of Issued Capital
1 - 1,000	5,333	1,659,803	0.95
1,001 - 5,000	1,962	5,045,421	2.89
5,001 - 10,000	600	4,635,650	2.65
10,001 - 100,000	674	18,325,178	10.49
100,001 and over	95	145,022,271	83.02
Total	8,664	174,688,323	100.0

Non-Marketable Parcels of Shares

As at 15 July 2022, 3,982 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 15 July 2022 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 15 July 2022 there was no on-market buy back.

Number of Holders of Equity Securities

The only class of equity securities on issue in Sky is ordinary shares. As at 15 July 2022 there were 8,663 holders of a total of 174,668,323 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 15 July 2022, Sky did not have any unquoted equity securities on issue.

Employee Remuneration

The number of employees or former employees of Sky and its subsidiaries whose remuneration and benefits was within specified bands for the year to 30 June 2022 is as follows:

These figures include severance payments made during the financial year.

Remuneration \$	No. of employees
100,000 - 110,000	60
110,001 - 120,000	38
120,001 - 130,000	35
130,001 - 140,000	26
140,001 - 150,000	29
150,001 - 160,000	9
160,001 - 170,000	10
170,001 - 180,000	8
180,001 - 190,000	10
190,001 - 200,000	7
200,001 - 210,000	3
210,001 - 220,000	4
220,001 - 230,000	8
230,001 - 240,000	2
240,001 - 250,000	2
250,001 - 260,000	1
260,001 - 270,000	1
270,001 - 280,000	1
280,001 - 290,000	1
350,001 - 360,000	1
370,001 - 380,000	1
390,001 - 400,000	1
420,001 - 430,000	1
460,001 - 470,000	1
930,001 - 940,000	1

Donations

During the financial year ending 30 June 2022, Sky made cash donations totalling \$84,000. 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 2022 for statutory audit services and for other assurance services was:

	Statutory audit services (\$000)	Other assurance and non-assurance services (\$000)
Sky	661	18

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 2022. 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 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](https://www.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
Private Bag 92119
Auckland 1142

Freephone within New Zealand: 0800 222 065
Telephone New Zealand: +64 9 488 8777

Australia

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
GPO Box 2975
Melbourne Vic 3000

Freephone within Australia: 1800 501 366
Telephone Australia: +61 3 9415 4083

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

Directory

Directors

Philip Bowman (Chair)
Keith Smith (Deputy Chair)
Geraldine McBride
Joan Withers
Michael Darcey
Mark Buckman

Officers

Sophie Moloney	Chief Executive
Tom Gordon	Chief Financial Officer
Jonny Errington	Chief Content and Commercial Officer
Daniel Kelly	Chief Customer Officer
Chris Major	Chief Corporate Affairs Officer
Antony Weldon	Chief Operations and People Officer
Jason Foden	Acting Chief Digital and Innovation Officer
James Bishop	Company Secretary

New Zealand Registered Office

10 Panorama Road, Mt Wellington,
Auckland 1060, New Zealand
Tel: +64 9 579 9999 Fax: +64 9 579 8324
Website: sky.co.nz

Australian Registered Office

c/- Allens Operations Pty Limited
Level 4, Deutsche Bank Place,
126 Philip Street,
Sydney, NSW 2000, Australia
Tel: +61 2 9230 4000 Fax: +61 2 9230 5333

Auditors to Sky

PricewaterhouseCoopers
Level 27, PwC Tower
15 Customs Street West
Auckland 1010
Tel: +64 9 355 8000 Fax: +64 9 355 8001

Solicitors to Sky

Buddle Findlay
L18 HSBC Tower
188 Quay Street
Auckland 1010, New Zealand
Tel: +64 9 358 2555 Fax: +64 9 358 2055

Chapman Tripp

Level 34, PwC Tower
15 Customs Street West, Auckland 1010
Tel: +64 9 357 9000 Fax: +64 9 357 9099

Baker McKenzie

Tower One - International Towers Sydney
Level 46, 100 Barangaroo Avenue,
Sydney NSW 2000, Australia
Tel: +61 2 9225 0200 Fax +61 2 9225 1595

Annual Meeting

The next Annual Shareholders' Meeting of Sky Network Television Limited will be held on 2 November 2022, commencing at 10.00am (NZDT). Sky will provide further details in due course through its Notice of Annual Meeting of Shareholders.