Annual Report 2023

CHORUS

FY23 results overview

Operating revenue

FY23 **$980m**

FY22 **$965m**

EBITDA[1]

FY23 **$672m**

FY22 **$675m**

Net profit after tax

FY23 **$25m**

FY22 **$64m**

Dividend

FY23 **42.5cps**

FY22 **35cps**

Share price

FY23 **$8.425**

FY22 **$7.22**

About this report

Our 2023 Annual Report covers the financial year ended 30 June 2023 and includes aspects of our environment, social and governance (ESG) performance. For additional ESG reporting, including emissions and climate-related information, please refer to our separate 2023 Sustainability Report available at www.chorus.co.nz/reports.

This report is dated 21 August 2023 and is signed on behalf of the Board of Chorus Limited by Mark Cross, Board Chair, and Kate Jorgensen, Chair of the Audit & Risk Management Committee.

Mark Cross
Chair

Kate Jorgensen
Chair Audit & Risk Management Committee

1 Earnings before interest, income tax, depreciation and amortisation (EBITDA) is a non-GAAP profit measure. We monitor this as a key performance indicator and we believe it assists investors in assessing the core operations of our business.

Dear investors

On behalf of your Board, I'm pleased to report that Chorus has delivered another strong financial result in a year of operating challenges and change.

Over a period of economic volatility, inflationary pressures and uncertainty, Chorus continued to prove its resilience as an essential utility provider. As the recent pandemic and extreme weather events have shown, Kiwi homes and businesses are more reliant than ever on our fast and reliable broadband connections to live, learn, work and play.

We've announced a final unimputed dividend for the year of 25.5 cents per share, bringing total dividends for FY23 to 42.5 cents per share. The dividend reinvestment plan remains paused.

This is my first annual report as Chair after six years on the Board as a director. I'm excited to be part of Chorus' transition from a successful era of building one of the world's most advanced fixed broadband networks to now operating as a digital infrastructure company that can power New Zealand's digital future.

Strategy and Core Beliefs

I think it's important for shareholders to understand what our beliefs as a board are for your company. These beliefs underpin Chorus' three strategic pillars: to win in core fibre, to optimise the non-fibre asset base and to grow new revenues.

- **Empowering our people**: One of the best investments we can make is in having the right people, empowered and appropriately incentivised. Our aspiration is for Chorus to be a diverse and inclusive employer of choice.
- **Fibre is future-proofed:** We believe fibre is the most effective technology choice for the vast majority of New Zealanders because it provides a dedicated connection that delivers fast and extremely reliable connectivity. While alternative technologies have a place in the market, fibre has a clear and easily scalable upgrade path to meet the expected growth in consumer needs far into the future.
- **Connections, connections, connections:** Chorus' long-term value is inextricably linked to fibre connections. Now that we've built a world-class network, in partnership with government, the greatest benefit to the country is to harness its potential. We've begun retiring the copper network in our urban fibre areas and this will drive fibre uptake even higher. Consumers value fibre above other technologies as a high-quality dependable service and we're willing to invest in connecting more addresses and devices (e.g. traffic cameras) where the acquisition cost is justified by the long-term value of that connection.
- **Managed exit from copper:** Our copper network is nearing the end of its technological life and alternative technologies will be needed beyond the reach of fibre. Our focus is on managing our copper costs down while deploying fibre to the maximum extent and ensuring regulation supports consumers to get the best possible services.
- **Be an active wholesaler:** As an open access wholesaler we treat all our retailer customers equally. Yet, our largest customers are also our network competitors and have direct consumer relationships where we don't. This means we need to be an active wholesaler, promoting our network services and ensuring that the regulatory regime supports a level playing field between network providers and keeps consumers fully informed.
- **Promote digital equity:** We're the provider of an essential utility service that enables New Zealanders to access an increasingly digitised world. This means Chorus can and should play its part in improving digital equity. Because we're a wholesale only provider, this requires a collaborative effort with government agencies and retail service providers.
- **Prioritise long-term value:** Capital allocation is one of our most important responsibilities. We're making investment decisions for long-term value, not short-term profit. We'll prioritise the efficient allocation of capital that grows shareholder value and supports a growing sustainable dividend through time. Our assessment of the necessary level of returns, the impact on consumer pricing, competitive market conditions, and the parameters of our dividend policy and debt limits, will guide our approach to discretionary investment.
- **A considered approach to new opportunities:** We believe generating non-regulated income streams is important, but they must pay their way. We would need to have, or build, the capability to run these businesses well. We'll tread carefully and generally steer away from businesses that our shareholders can invest in directly, unless there is a compelling adjacency to, and synergies with, our core business.
- **An appropriate capital structure:** We're committed to maintaining a capital structure reflective of a utility business. At the heart of this is the maintenance of an investment-grade credit rating (BBB or equivalent) and financial policies that support this. We've begun turning our minds to the first tranche of Crown funding that will be due in mid-2025.

Reshaping Chorus for its next phase

We've spoken in the past about the transition from a fibre rollout organisation to one that is focused more on operating that network. With the UFB rollout finished and the new regulatory regime for fibre established, Chorus is entering this new phase of its evolution.

In May, we announced the beginning of changes to our operating model to better execute our strategy, reflect the new regulatory framework and respond to a changing market environment. That environment includes the progressive withdrawal of our copper network, the emergence of new technologies and changing consumer needs.

This new operating model includes the introduction of three end-to-end value streams that are aligned to the core focus areas of our strategy: win in fibre, grow new revenues and optimise non-fibre assets. New capabilities, tools and ways of working are also being introduced so our people can deliver key initiatives with better focus and prioritisation, and ultimately provide improved consumer outcomes. This is a significant change from our historical operating model that had been built around delivering a 12-year fibre rollout and the mass uptake of fibre.

Unfortunately, it has meant the disestablishment of some executive roles.I would like to acknowledge Andrew Carroll (GM Customer & Network Operations) and Ed Hyde (Chief Customer Officer) for the significant contributions they made to Chorus. Andrew was a member of the leadership team since Chorus was listed and helped us navigate a number of significant challenges over many years. Ed was instrumental in developing our fibre proposition for consumers and ultimately reaching our target of one million connections in FY23.

Governance

Two directors, Jack Matthews and Kate Jorgensen, are scheduled to be up for re-election at this year's annual shareholders meeting, with no retirements. We've had two director changes during the year, with the retirement of Patrick Strange as Chair and the subsequent appointment of Will Irving as a director. Will has been an excellent addition to the Board, bringing a combination of regulatory, technology and operational telco experience from his roles at Telstra and the National Broadband Network in Australia.

I'd like to acknowledge Patrick for his leadership over a long period at Chorus and for the smooth handover to me. I extend that appreciation to my fellow Board members for their support to me in the Chair role and their valuable contributions.

As directors we're energised by the goals we have set for the company. I believe the Board has the right blend of experience and diversity in the broadest sense to drive the strategy of the company, and to support and challenge our management.

Becoming an all-fibre digital infrastructure company

We've provided dividend guidance of 47.5 cents per share, unimputed, for FY24. There is approximately $11 million remaining to be returned to shareholders through the $150 million share buyback programme. To date, more than 17 million shares have been bought back.

In April, we were pleased to see UniSuper receive government approval to increase its shareholding in Chorus up to 20%, should it choose to do so. We see this as a positive endorsement both of Chorus' strategy and growing investor recognition of our value as a provider of essential digital infrastructure.

The global boom in fibre rollouts gives us great confidence that we've invested in the right infrastructure for the future. Recent OECD data shows fibre already accounting for 38% of all fixed broadband subscriptions at the end of 2022, surpassing cable on 32% and copper broadband on 24%.

This shift to fibre, and the emergence of alternative wireless and satellite broadband networks in rural areas, has started the countdown on the usefulness of copper networks. Norway and Sweden, for example, are well advanced in the retirement of copper. We expect this to occur here in the next decade and we believe fibre should be extended further to help bridge the digital divide between urban and rural communities. We're exploring how we could play a part with the right investment incentives.

At the same time, we're enhancing our existing fibre footprint with upgrades to multi-gigabit Hyperfibre capability. We know we're on the right path when Singapore's latest Digital Connectivity Blueprint calls for seamless 10Gbps connectivity to be enabled within the next five years. The trends all point to exponential data growth in the coming years and the rapid rise of artificial intelligence services in the past year shows just how fast and far-reaching changes in our industry can be.

I'd like to thank our chief executive JB Rousselot, our executive team and the wider Chorus team for their outstanding efforts over the past year, particularly the way they dealt with significant operating challenges, including Cyclone Gabrielle and the ongoing technician shortages.

Finally, I would like to thank you, our shareholders, for your continued support of Chorus and we look forward to updating you at our annual meeting in November.

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Mark Cross
Chair

Operating highlights

	FY22	FY23
Fixed line connections[2]	1,304,000	**1,271,000**
Broadband connections[2]	1,189,000	**1,188,000**
Data traffic	7,140 petabytes	**7,402 petabytes**
Employee engagement score[3]	8.5 out of 10	8.7 out of 10

The completion of the government backed ultra-fast broadband (UFB) rollout provided the foundation for another strong financial performance, despite workforce constraints and extreme weather events bringing new operational challenges. Fibre connections continued to grow and were up 72,000 in the year. The migration of consumers to fibre and alternative networks saw copper connections reduce by 105,000. Overall, total fixed line connections reduced by 33,000 compared to 36,000 in the prior year.

The increase in fibre connections and ongoing growth in the uptake of high-speed fibre plans, together with inflation-linked price changes, underpinned underlying revenue growth from $959 million to $981 million.

Despite inflationary pressure on various cost lines, underlying operating expenses were held flat at $299 million.

These operating results produced underlying FY23 EBITDA of $682 million, a $22 million increase on underlying FY22 EBITDA of $660 million[4]. This was within our updated half year EBITDA guidance range of $675 million to $690 million that had excluded allowance for flood and cyclone-related impacts. Reported EBITDA was $672 million when including $10 million of one-off costs for the extreme weather events and operating model changes.

Net profit after tax (NPAT) was $25 million, down from $64 million in FY22. This reflects the effects of increasing interest rates, and higher depreciation as we progress the shutdown of our copper network in fibre areas.

Capital expenditure reduced to $454 million, down from $492 million in FY22. This was slightly above our guidance of $410 million to $450 million and reflects a record year of work completed for new property developments. Our borrowings at the end of FY23 were 4.39 times net debt to EBITDA and well within our business tolerance level of 4.75 times.

1.1 Winning in our core fibre business

	FY22	FY23
Fibre connections	959,000	**1,031,000**
Fibre uptake (UFB areas)	69%	**73%**
Average data usage (June)	567GB	**585GB**
Customer satisfaction – fault restoration	8.2 out of 10	7.8 out of 10 (target 8.2)
Customer satisfaction – intact provisioning	7.3 out of 10	7.3 out of 10 (target 7.6)

We reached a significant milestone in December when we connected the last community, Opononi in the Northland region, to fibre under our 11-year public-private partnership with the government. By the end of June, fibre uptake had reached 73% in the completed UFB rollout areas, up from 69% in FY22.

Across our wider fibre network (i.e. including fibre deployment outside the original UFB rollout footprint), fibre connections grew to 1,031,000. This surpassed our long-held target of one million connections by December 2022.

About 250,000, or 24%, of our mass market connections are on speeds of 1 gigabit per second (Gbps) or Hyperfibre (2, 4 or 8 Gbps) plans. About 620,000, or 67%, of residential connections are on our popular 300Mbps plan.

Our entry level 50 megabits per second (Mbps) Home Fibre Starter plan, intended for price conscious consumers with basic broadband needs, grew strongly to number 16,000 connections by the end of FY23. We were pleased to see some large retailers begin offering the plan at $50, compared to the $60 retail price required to attract the $35 wholesale line fee.

Workforce challenges

Like many industries, one of the unforeseen challenges we had to grapple with in FY23 was a shortage of skilled workers. Visa changes for migrant workers meant many of the technicians who carried us through the pandemic either took the opportunity to reconnect with family and friends overseas, or moved to other local industries. Strong global competition for fibre technicians was another contributor.

This saw a workforce gap of about 380 technicians emerge in the first half of FY23. Although our recruitment and training initiatives had largely bridged this gap by the end of FY23, the workforce constraints we experienced through the year meant we weren't able to meet consumer demand for installations. This shortage was compounded by the need to prioritise fault restoration work in the wake of Cyclone Gabrielle. In the second half of FY23, for example, we had more than 60 days in which field activity was subject to force majeure conditions.

2 Excludes partly subsidised education connections provided as part of Chorus' COVID-19 response.
3 Based on the average response to four key engagement questions.
4 Refer to page 13 of the FY23 investor presentation for the detailed reconciliation to EBITDA.

These workforce challenges had a negative effect on our customer experience measures. Our fibre fault restoration score dropped from 8.2 last year to 7.8 in June (rolling three-month average). This reflected the increase in the length of time taken to resolve faults. Improvements have been made that should support better outcomes in FY24. For example, we've reconfigured systems and processes through the industry so consumers can be given a four-hour timeslot for a technician visit. This is a big step forward from our long-standing practice of providing the consumer with a date and no indication of time.

Consumer satisfaction for intact connections, where consumers are seeking to activate a fibre service in premises where a fibre socket is already installed, was steady at 7.3 year on year. Workforce constraints and weather events delayed some planned improvements. Retailer automation initiatives and improvements to our network records are expected to support better outcomes in FY24.

Data demand and future-proof fibre

When we began building our fibre network just over a decade ago, average data usage was 13 gigabytes a month. Today, the average on our fibre connections is 585GB and almost 15% of consumers are using 1,000GB a month. In the United States; AT&T estimates their monthly average will grow from 900GB to 4,600GB by 2025.

What's going to make people consume so much data? Think back to the rapid rise of streaming services we've seen in the last five years. These services now drive 45% of traffic on our network.

As 4K quality content becomes more common, bandwidth demand is expected to grow exponentially. If all current streaming usage was in 4K quality, for example, monthly usage would double to about 1,200GB a month. For now, we're lagging other countries when it comes to the broadcast of mainstream sports in 4K. Sports events drive substantial peak time usage and are still largely delivered in Aotearoa via satellite or terrestrial broadcast. If all TV broadcast content was delivered online, monthly usage would be in the order of 2,000GB.

We've already had an indication of this kind of effect with the online gaming phenomenon Fortnite regularly setting data traffic records on our network. Imagine how this could snowball as video and latency requirements grow in tandem.

We're starting to see examples of augmented reality (AR) and virtual reality (VR) services being adopted by consumers. The recent pandemic spurred gym providers to develop VR body combat training options that you can do in your living room, while music fans can now join some of their favourite bands on-stage.

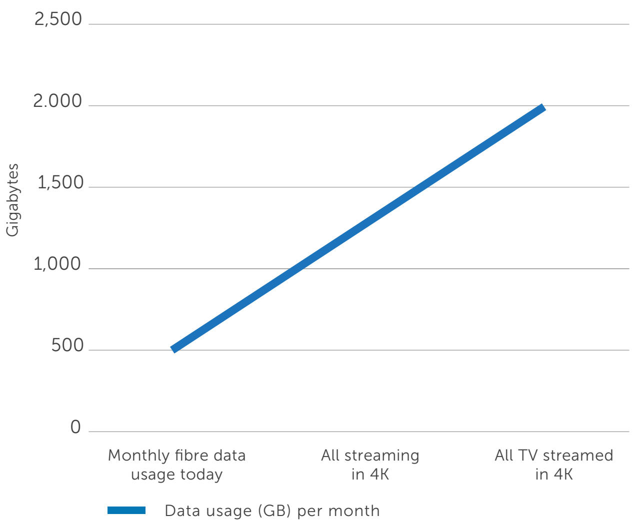
Apple has now joined Meta in developing the glasses technology that is critical to the user experience. The 'metaverse' promises virtual 3D worlds where high-quality video will be mixed with AR and VR. Fortnite provides an insight into how this could evolve, with friends meeting online in Fortnite 'world' to play games together and attend one-off events like concerts.

For Chorus' part, these emerging digital applications and services are going to need varying combinations of high bandwidth or speed, low latency and rock-solid reliability and consistency. With 99.999% reliability and latency below five milliseconds, fibre is considered the leading technology to enable this ultra-digital future.

We're already investing in this future by upgrading to 8Gbps capability. For fibre, this can be achieved by changing the electronics on either end of the fibre cable to a home or business. We've also trialled the simultaneous delivery of 25Gbps services on the same cable. Beyond 2030, the World Broadband Association is suggesting networks will need to plan for residential speeds of up to 50Gbps and enterprise speeds of up to 3.2Tbps.

Figure 1:

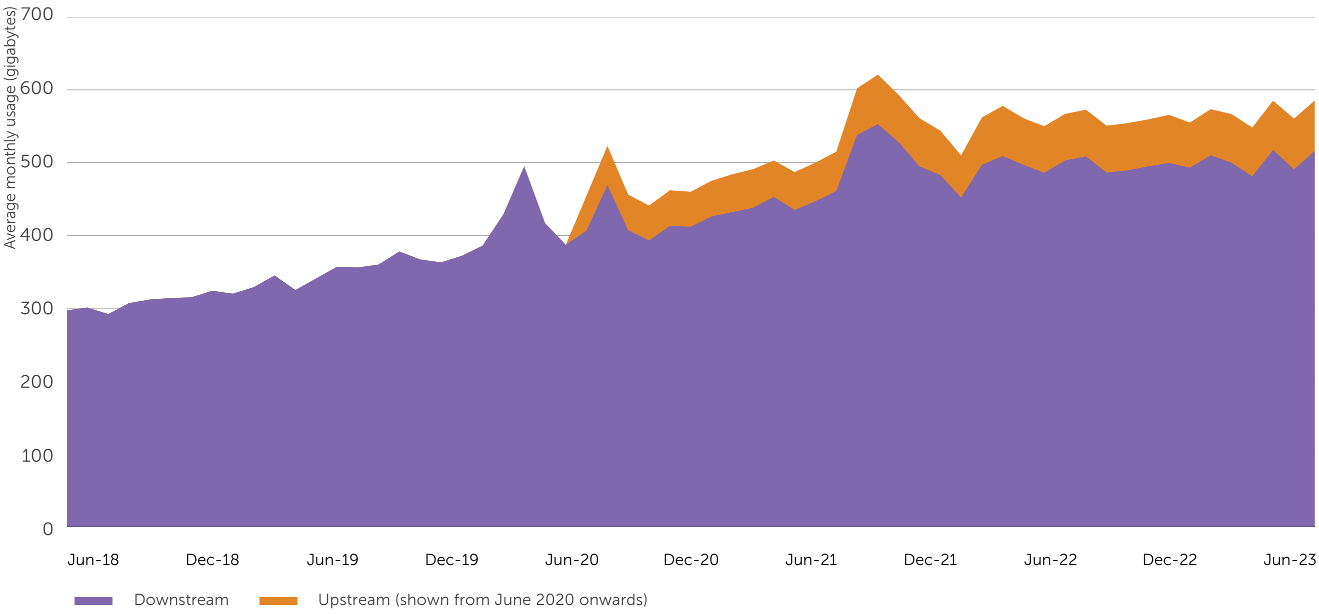
4K effect on data demand



4K streaming would use about 8GB per hour, versus 2GB per hour for Full High Definition or 1GB per hour for High Definition content.

Figure 2:

Monthly average data usage for fibre grew from 567GB to 585GB across FY23 and is almost back at peak levels seen during the COVID pandemic lockdowns.



Fibre proves its resilience

Flooding events and cyclones caused substantial damage to North Island infrastructure and homes in early 2023. At its peak, about 55,000 Chorus fixed line connections were affected by the widespread loss of electricity and network damage in the immediate aftermath of Cyclone Gabrielle. This was the largest weather event to affect our network. Five regional fibre routes were damaged by bridge washouts, or road slips, and we used helicopters to lay about five kilometres of temporary fibre cable so we could restore services.

Although the EBITDA impact of these events was $7 million, the events proved the benefits of the substantial investment we've made in fibre. Cyclone Gabrielle's effects saw copper network customers up to 10 times more likely to lose service than those on fibre and fibre services were able to be restored twice as fast as those on copper. This is because the copper network relies on powered equipment in suburban streets to transmit signals, whereas fibre is a passive network with data transmitted via light. The copper network is therefore much more susceptible to water and lightning damage.

There are lessons to be learnt from Cyclone Gabrielle and we've contributed to a telecommunications industry plan, led by the New Zealand Telecommunications Forum, to identify opportunities for enhanced network resilience and collaboration with government.

We have an ongoing programme of network resilience projects, including regional backhaul deployments supported by government.

Our asset management plans are also being shaped by the detailed assessment of flooding and sea level rise risks we've undertaken as part of our physical climate change risk analysis. For more information see the Appendix in our Sustainability Report. Consistent with this assessment, no significant exchange buildings were affected by the extreme weather events.

Earthquakes remain the primary focus for our resiliency planning and we have an ongoing programme to strengthen critical network sites. Seismologists are taking advantage of our new West Coast fibre route to analyse the South Island's Alpine Fault by using the network itself as a sensor. This study will provide valuable information to local communities and organisations so they can be better prepared.

Damage to the regional fibre route on the bridge crossing the Hikuwai River, north of Gisborne, required 800 metres of fibre to be overlaid.

1.2 Growing new revenues

FY23
Smart locations: +19%
Data centre connectivity: 7 sites
Direct fibre connections: +3%

We made good progress in our push to grow new revenues.

Our PowerSense service, launched in FY22, proved its value through the extreme weather events in early 2023. The service collects 'last gasp' signals from fibre terminals to identify when a premises loses electricity. This gave electricity lines companies real-time visibility of the weather's impact on their networks and helped support their own restoration efforts.

Direct, or dark, fibre connections continue to increase and now number more than 6,000 connections. Backhaul connections grew after we revised our Relay Connect offering for urban centres and our Data Centre Connect product now covers seven sites. Work is underway to double the number of Edge Centre racks available in our Auckland exchange and we've already received pre-orders for almost a third of this additional capacity.

Smart locations are another opportunity to increase utilisation of our network. We already have several thousand connections to non-building locations, such as traffic cameras, digital billboards and electric charging stations. This category grew by 19% in the year and demand for Internet of Things (IoT) connectivity is expected to flourish as smart city and utility requirements expand.

1.3 Optimising our non-fibre assets

FY22	FY23
345,000 copper connections remaining	240,000 copper connections remaining
10,100 withdrawal notices	30,000 withdrawal notices (cumulative)
130 broadband cabinets closed	544 broadband cabinets closed (cumulative)
14 properties and surplus leases exited	8 properties and surplus leases exited

With the UFB rollout completed, we've stepped up our efforts to optimise our copper network in areas where fibre is available to consumers.

In March 2023, we announced we were stopping the sale of new copper broadband services in both Chorus and local fibre company areas. This was extended to copper baseband voice services from June 2023. Some exceptions remain for services transferred between broadband retailers, or where a fibre connection isn't immediately available.

In Chorus' fibre areas we provided about 20,000 more consumers with at least six months' notice, as required by the Copper Withdrawal Code, that we were ending copper services to their address. This enabled us to close another 414 broadband cabinets during the year.

By the end of FY23 we had about 240,000 connections remaining on our copper network. This was down from 345,000 at the end of FY22. Of these connections, approximately 115,000 are in areas where fibre isn't available. About half of those premises have a historical Telecommunications Service Obligation (TSO) that requires us, along with Spark, to maintain telephone services. The TSO Deed recognises that additional funding may be sought from government for commercially non-viable customers.

The reality is that copper broadband is increasingly unsuited to consumers' growing bandwidth needs. Consumers are already voting with their feet and paying higher fees to satellite or government-subsidised fixed wireless providers for improved services. Mobile network operators are also partnering with low-earth-orbit satellite providers with a view to delivering mobile services well beyond current cellsite coverage. Clearly, the TSO for copper is fast approaching its use by date.

1.4 Developing our long-term future

	FY22	FY23
Electricity (gigawatt hours)	81	**77.4**
Emissions (Scope 1 & 2)	13,957	**10,661**
Waste in tonnes (% recycled)	287 (63%)	**368 (90%)**
Gender diversity (all Chorus)	41%F / 59%M	**42%F / 58%M**

We aim to 'connect Aotearoa so that we can all live, learn, work and play'. This means Chorus will invest and innovate to deliver the best possible connectivity services to help enable the environmental, economic, and social transformation ahead. Our focus on Sustainability is guided by our purpose, by Kaitiakitanga (environmental guardianship) and Manaakitanga (acts of giving and caring for).

We believe fibre can make a great contribution to reducing emissions because it can transport large volumes of data while requiring lower electricity usage than other technologies such as our copper network. In FY23, we joined the Climate Leaders Coalition and finalised our science-based target of a 62% reduction in our Scope 1 and 2 emissions by 2030, from 2020 levels.

A high proportion of renewable electricity generation in the national grid, together with growing momentum in the shutdown of our copper network electronics, helped reduce our emissions by 24% compared to FY22. Electricity usage was down 5%, even with our network carrying 4% more data traffic than the year before.

The conclusion of the UFB rollout and reduced fibre installation activity meant the number of hours worked by service companies reduced. This in turn contributed to a reduction in recordable injuries, despite having to manage Health and Safety risks in the aftermath of extreme weather events. The total number of recordable injuries for Chorus and service company people was just eight, down from 17 in FY22, and these were minor strains, sprains and lacerations.

Every person and every whanau (family) should be able to unlock the full potential of being a digital citizen. The reality today is that a significant digital divide still exists. We know that we can't solve this social issue alone and we continue to support government agency initiatives focused on digital equity. We gave close to half a million dollars to organisations and charities working within their communities to help close the digital divide.

Our people remain highly engaged. Overall engagement rose to 8.7 out of ten, up from 8.5 in FY22. This puts us within the top 10% of the international technology company sector we benchmark ourselves against. Our Net Promoter Score increased from 64 to 70, keeping us in the top 5% of the technology sector. About a third of our people took up the opportunity to participate in education programmes to increase awareness of Te Ao and Te Reo Maori during the year.

The Board sets measurable objectives to promote diversity and inclusion. Women represented 42% of employees in April 2023, up from 41% the year before. The biggest change was in the people leaders' population, with women increasing 3% to represent 39%. This is close to our objective of a 40:40:20 split of people leaders by 2023[5].

For more detail on our environmental, social and governance (ESG) performance during FY23 please see our standalone Sustainability Report at **https://company.chorus.co.nz/sustainability**

Shifting to a nimbler Chorus

As consumers' needs evolve, Chorus needs to change too. Our previous operating model was focused on cost effectively delivering large, long term, stable programmes and won't be as effective in the future as it has been to date.

With the fibre rollout completed and the regulatory framework now in place, we're adopting a new operating structure that will help us streamline the way we respond to our retailer customers and deliver better consumer outcomes. This involves changing our vertically integrated network and product business units to drive greater cross-functional collaboration.

We've created three new teams focused on key 'value streams':

- Access - responsible for our high-volume products and tasked with maximising fibre uptake
- Infrastructure – charged with leveraging our network and assets to grow new revenues
- Fibre Frontier – directing the extension of our fibre coverage and eventual retirement of our regional copper network

In addition, accountability for strategy, enterprise performance, customer experience and marketing has been combined with Finance under an expanded Chief Operating Officer role. This is led by Mark Aue. He joined us in April and was previously chief executive of retail service provider and mobile network operator 2degrees. Other senior executives will continue to lead our Technology, Network Operations, People and Culture, Legal, Regulatory and Stakeholder Engagement functions.

5 40% men, 40% women, 20% of any/either gender.

Outlook

Market dynamics

We're focused on continuing to grow uptake of our network so its socio-economic benefits can help power Aotearoa's digital future. Our copper withdrawal programme will keep driving fibre uptake in our urban areas and we're continuing to be an active wholesaler. Our latest *New Zealand runs on fibre* advertising campaign showcases some of the ways fibre is now used by about three million Kiwis. Market data shows that consumers value fibre's reliability and speeds.

We're cognisant that there are shadows over the wider economy. We see inflationary pressures across our business through direct labour costs and our service companies. There are signs too that our housing development pipeline is slowing from its recent peak. We know consumers face economic pressures and, although we're increasing prices on some fibre plans by inflation from 1 October, we'll again hold the wholesale price of our entry level 50Mbps Home Fibre Starter plan at its current level.

While Commerce Commission reporting shows no other technology beats fibre for reliability and capability, we know that the evolution of 5G fixed wireless will bring more competition from mobile network operators. The Commission's oversight of marketing practices will be integral to ensuring that vertically integrated providers don't use their direct consumer relationships to unfairly undermine the open access fibre regime the government created in 2011.

The gap between network capability and in-home Wi-Fi performance is another area that requires ongoing focus from the industry and government. The age and quality of home Wi-Fi devices is a potential handbrake on consumers enjoying the full benefits of the investment made in fibre. While some retailers are providing Wi-Fi 6 capable mesh devices, the next generation of Wi-Fi 6E devices could enable peak speeds of 2Gbps by using 6GHz spectrum to provide greater bandwidth.

Leading tech countries have already taken the step to release the entire 6GHz band for this purpose, because they recognise Wi-Fi is critical to the consumer experience and ongoing technology innovation. However, to date, the New Zealand government has opted to release only the lower 6GHz band for Wi-Fi and other unlicensed use.

Regulatory framework

We're now halfway through our first three-year regulatory period under a utility-style framework for fibre. In May, we lodged our Information Disclosure reporting for the 2022 calendar year showing the regulated asset base had grown from $5.4 billion to $5.7 billion and that we under-earned our allowable revenue by about $47 million.

In October 2023, we'll submit our proposal for the expenditure and investment we anticipate for the next four-year regulatory period from 2025 to 2029. This is a significant undertaking as we seek to forecast consumer demands and expectations.

As we know from the effect of Netflix and Fortnite on peak-time bandwidth, it only takes one new application to change consumer behaviour almost overnight.

That's why we've been surveying consumers as part of our proposal development and to help evaluate longer-term opportunities for investment.

Long-term planning about the management of our assets is also a key consideration. We're enhancing our asset management capability and practices to provide a strong focus on network operation and lifecycle management. At the same time, the extreme weather events in early 2023 have given our network planning team some valuable insights into how we could develop our approach to network resilience.

An opportunity to take fibre further

In December, the Government released its Lifting Connectivity in Aotearoa New Zealand paper, setting out their intent to improve digital connectivity over the next decade. The paper highlights the need to provide enduring solutions that can meet future growth in demand for increased speed and capacity.

A report we commissioned from the New Zealand Institute of Economic Research calculated a $16.5 billion benefit for rural homes and businesses over the next decade if they had high-capacity broadband. That equates to a $6,500 annual benefit to households better able to access broader employment opportunities and the ability to use online services for telemedicine, banking and government agencies.

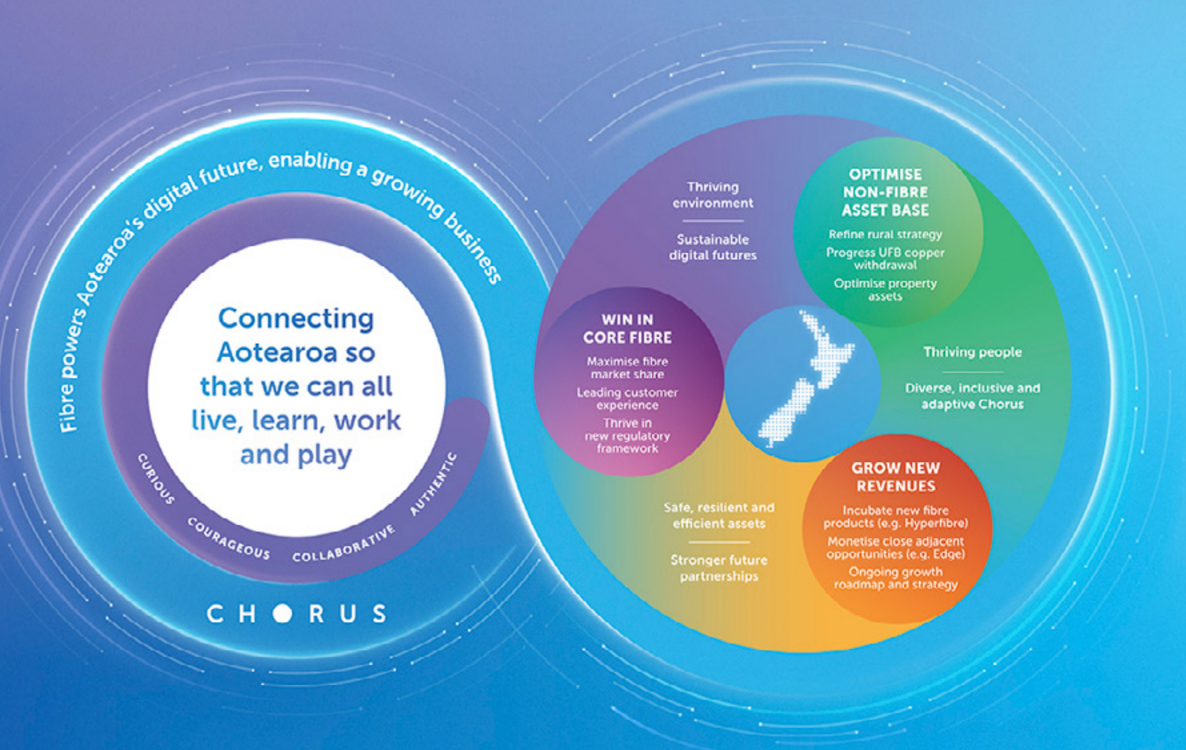
Europe's ambition is gigabit coverage for all households by 2030, with some countries targeting 99% population coverage with fibre. That's probably too high for New Zealand given our challenging topography and generally lower population density, but we believe we could reach at least 90% of Kiwis with fibre under the right regulatory and policy settings. That would require an investment in the order of $500 million to reach 75,000 premises.

We believe it's time for a broader discussion about the right mix of private and public investment that can achieve the government's goals and close the digital divide for more Kiwis.

JB Rousselot
Chief Executive

Our strategic focus

Sustainability is integrated into our business strategy, with three pillars representing our commitment to improving environmental, social, and governance performance: Thriving Environment; Sustainable Digital Futures; and Thriving People.



While the three pillars of our Sustainability strategy are enduring, the activities within them will evolve over time to ensure we continue to be responsive to changing operating environment and the needs of our stakeholders. Our Sustainability strategy sits alongside our Diversity, Equity and Inclusion Strategy which informs how we develop strong connections with Māori and builds our understanding of Te Ao Māori.

Management commentary

Management commentary

	2023 $M	2022 $M
Operating revenue	980	965
Operating expenses	(308)	(290)
Earnings before interest, income tax, depreciation and amortisation	**672**	**675**
Depreciation and amortisation	(446)	(427)
Earnings before interest and income tax	**226**	**248**
Net finance expense	(195)	(142)
Net earnings before income tax	**31**	**106**
Income tax expense	(6)	(42)
Net earnings for the year	**25**	**64**

In summary

We report earnings before interest, income tax, depreciation, and amortisation (EBITDA) of $672 million for the year ended 30 June 2023 (FY23), a decrease of $3 million from FY22 EBITDA of $675 million. When $10 million of costs for extreme weather events and operating model change are excluded, underlying EBITDA for FY23 was $682 million. This was a $22 million increase on underlying FY22 EBITDA of $660 million.

Revenues increased by $15m to $980 million. This was driven by an inflation-related price increase to some services in October 2022 and growing uptake of higher value Hyperfibre and 1Gbps services. Consumers were provided with $1 million of credits for disrupted service due to Cyclone Gabrielle.

Operating expenses of $308 million were $18 million greater than FY22. FY22 included the benefit of a $9 million release of a holiday pay provision. FY23 costs for extreme weather events were $6 million and operating model change costs were $3 million.

Net profit after tax was $25 million compared to $64 million in FY22. This decrease reflected interest rate rises and increased depreciation expense due to the accelerated depreciation of copper cables in areas where fibre is available.

Capex spend was $454 million for FY23. This was a $38 million decrease from FY22, largely due to the end of the UFB rollout.

We will pay a final unimputed dividend of 25.5 cents per share on 10 October 2023 resulting in a full-year dividend of 42.5 cents per share.

	Connections 2023	Connections 2022	Connections 2021
Fibre broadband (GPON)	1,021,000	949,000	860,000
Fibre premium (P2P)	10,000	10,000	11,000
Copper VDSL	83,000	118,000	157,000
Copper ADSL	84,000	122,000	163,000
Data services over copper	1,000	2,000	2,000
Unbundled copper	-	1,000	10,000
Baseband copper	72,000	102,000	137,000
Total fixed line connections[1]	**1,271,000**	**1,304,000**	**1,340,000**

1 Partly subsidised education connections are excluded from this data.

Revenue commentary

	2023 $M	2022 $M
Fibre broadband (GPON)	622	548
Copper based broadband	117	153
Fibre premium (P2P)	68	66
Copper based voice	39	52
Field services products	70	71
Value added network services	26	27
Infrastructure	31	30
Data services over copper	4	6
Other	3	12
Total revenue	**980**	**965**

Revenue overview

Chorus' product portfolio encompasses a range of wholesale broadband, data and voice services across a mix of regulated and commercial products. Revenues of $980 million increased by $15 million from $965 million in FY22. This increase reflects a growing base of fibre connections and inflation-related price increases.

In our fibre areas broadband connections grew by 22,000, with total broadband connections nationally remaining steady at 1,188,000. We ended the year with 1,271,000 fixed line connections, down 33,000 lines compared with a reduction of 36,000 lines in FY22. Most of this reduction is in areas where Chorus does not have fibre available.

Fibre broadband (GPON)

Fibre broadband revenues continue to grow as customers migrate to our fibre network. Fibre broadband connections grew by 72,000 to 1,021,000, with 91% of residential and business connections on plans of 300Mbps and above. Average fibre monthly revenue per user grew from $50.67 to $53.25 in FY23. This was driven by an inflation related price increase to some services in October 2022 and uptake of the higher value 1Gbps service, which is now 24% of our fibre connection base.

Field services products

Field services revenue remained stable in FY23, decreasing by $1 million relative to $71 million in FY22. New property revenues grew from $28 million in FY22 to $33 million in FY23. This was offset by a reduction in roadworks, installation and chargeable maintenance activity.

Fibre premium (P2P)

Fibre premium (point to point) revenues increased slightly in FY23 as demand grew for Direct Fibre Access Service, mobile access and other backhaul connections.

Value added network services

Value added network services revenue was slightly lower in FY23 due to reduced demand for legacy backhaul products.

Infrastructure

Demand for new equipment space in exchanges contributed to a $1 million increase in revenues. This offset the decline in demand for legacy copper-related space.

Data services over copper

Data services over copper connections continue to decline as consumers migrate from legacy services to cheaper fibre based or alternative services.

Other

Other income was lower in FY23 because FY22 included $9 million of favourable one-off transactions.

Expenditure commentary

Operating expenses

	2023 $M	2022 $M
Labour	76	64
Network maintenance	60	59
Information technology	42	50
Other network costs	37	29
Rent, rates and property maintenance	26	28
Electricity	19	17
Advertising	13	11
Provisioning	1	1
Insurance	5	4
Consultants	9	8
Regulatory levies	9	9
Other	11	10
Total operating expenses	**308**	**290**

Total operating expenses of $308 million in FY23 increased by $18 million compared to $290 million in FY22. This difference largely reflects a $6m impact from extreme weather events in FY23, $3 million of operating model change costs and a $9m holiday pay provision recognised in FY22.

Labour

Labour costs increased by $12 million in FY23 from $64 million in FY22. FY22 included a one-off benefit of $9 million after a judicial ruling on the interpretation on the Holidays Act.

At 30 June 2023, we had 846 permanent and fixed term employees representing a 6% increase from 799 employees at 30 June 2022. The increase largely reflects additional resourcing to support the implementation of the new fibre regulatory framework and IT contractors becoming full-time employees.

We capitalise labour costs and the associated overheads in relation to build and connection activity.

Network maintenance

Network maintenance costs increased by $1 million from FY22. FY23 includes $3 million of expenditure in relation to extreme weather events. Overall fault volumes continued to trend down as customers migrate to the fibre network, while average fault costs increased with changes in mix to more expensive faults and inflationary cost increases.

Information technology

Information technology costs were $42 million, down $8 million compared to FY22. This largely reflects the release of a software provision initially recognised in FY22 and savings from migration off legacy systems.

Other network costs

Other network costs were $8 million higher than FY22. This was due to costs for extreme weather events and network and property optimisation costs as we exit copper assets. Other network costs include costs associated with service partner contracts, fibre access from third parties, roadworks and other network relocation projects, fibre order cancellations, network spares, and network and property optimisation costs.

Electricity

Electricity costs were up $2 million in FY23 from $17 million in FY22.

Rent, rates and property maintenance

Extreme weather event costs of $1m were incurred for property maintenance.

Advertising

Advertising costs were $13 million in FY23, up from $11 million in FY22 when COVID-19 reduced in-market activity.

Depreciation and amortisation expense

	2023 $M	2022 $M	Estimated useful life (years)	Weighted average useful life (years)
Depreciation				
Fibre cables	128	122	20–30	20
Ducts, poles and manholes	64	61	20–50	49
Copper cables	76	61	10–25	22
Cabinets	18	22	5–20	19
Network electronics	67	62	2–25	10
Right of use assets	13	15	4–50	28
Other	14	15	4–25	15
Buildings	4	4	50	50
Less: Crown funding	(29)	(27)		
Total depreciation	**355**	**335**		
Amortisation expense				
Software	61	62	2-10	4
Customer retention	30	30	1-4	4
Total amortisation expense	**91**	**92**		
Total depreciation and amortisation expense	**446**	**427**		

During FY23, $454 million of expenditure on network assets and software was capitalised. The 'UFB communal' and 'Fibre connections and fibre layer 2' included in 'fibre' capital expenditure was largely capitalised against the network assets categories of fibre cables (30%) and ducts, poles and manholes (26%). The average depreciation rate for UFB communal infrastructure spend is based on an estimated life of 41 years, reflecting the very high proportion of long-life assets constructed.

With the commencement of Chorus' copper withdrawal programme, Chorus has revised the depreciation profile for copper assets in areas where fibre is available. Depreciation of copper cables is accelerated so those in Chorus UFB areas will be fully depreciated by June 2025, and those in local fibre company areas by June 2026. Depreciation of copper related ducts in local fibre company areas is accelerated from FY24 so they will be fully depreciated by June 2026.

Software and other intangibles largely consist of the software components of billing, provisioning and operational systems, including spend on Spark owned systems.

Chorus expects that incremental costs incurred in acquiring new contracts with new and existing customers are recoverable. These costs are capitalised as customer retention assets and amortised against revenue or within amortisation expense, depending on their nature. In the period to 30 June 2023, $30 million was recognised to amortisation expense.

The offset of Crown funding against depreciation will continue to amortise as a credit to the associated depreciation expense.

The weighted average useful life represents the useful life in each category weighted by the net book value of the assets.

Finance income and expense

(Income)/expense	2023 $M	2022 $M
Finance income	**(4)**	**–**
Finance expense		
Interest on syndicated bank facility	2	6
Interest on Euro Medium Term Notes (EMTN)	93	51
Interest on fixed rate NZD bonds	32	32
Other interest expense	35	23
Capitalised interest	(1)	(2)
Interest costs	**161**	**110**
Ineffective portion of changes in fair value of cash flow hedges	(7)	(7)
Total finance expenses excluding securities (notional) interest	**154**	**103**
CIP securities (notional) interest	45	39
Total finance expense	**199**	**142**

Finance expense increased by $57 million from FY22 due to increasing interest rates and refinancing activities during FY23.

Interest costs increased by $51 million year on year with the weighted effective interest rate on debt increasing to 5.40% from 3.77% in FY22.

EUR 291 million of the 2023 EMTN was repurchased in September 2022 and a EUR 500 million EMTN, maturing in 2029, was issued. Chorus fully hedges the foreign exchange exposure on all EMTN with cross-currency interest rate swaps. Approximately two-thirds of floating interest rate exposure is hedged using interest rate swaps.

Other interest expense includes lease interest of $11 million (FY22: $15 million) and amortisation arising from the difference between fair value and proceeds realised from interest rate swap resets of $7 million (FY22: $7 million).

Taxation

The FY23 effective tax rate is 19% (FY22: 39%). The decrease reflects a deferred tax re-assessment in relation to Chorus' buildings, following the implementation of a revaluation policy. Excluding the deferred tax re-assessment, the normalised effective tax rate for FY23 was 51%, higher than the statutory tax rate of 28% due to permanent differences between tax and accounting arising from the tax treatment of the CIP securities, Crown funding for the Rural Broadband Initiative (RBI) and the West Coast and Southland Network (WCSN).

The interest expense and depreciation credit recognised in the profit and loss in relation to CIP securities are non-taxable as confirmed via binding rulings issued by the IRD. RBI and WCSN assets are funded by non-taxable government grants and the amortisation of the government grants along with the accounting depreciation recognised in the profit and loss are non-taxable and no tax depreciation is claimed on the assets.

Capital expenditure commentary

	2023 $M	2022 $M
Fibre	355	403
Copper	33	38
Common	66	51
Gross capital expenditure	**454**	**492**

Gross capital expenditure for FY23 was $454 million, down $38 million from FY22. Fibre spend decreased $48 million largely due to the completion of the UFB rollout. Copper related expenditure reduced by $5 million from FY22 as copper connections continue to reduce. Crown funding of $39 million was recognised for the UFB rollout and $2 million for the WCSN build.

Fibre capital expenditure

	2023 $M	2022 $M
UFB communal	5	77
Fibre installations and fibre layer 2[2]	193	195
Fibre products and systems	10	12
Other fibre and growth	105	79
Network sustain	12	13
Customer retention costs	30	27
Total fibre capital expenditure	**355**	**403**

UFB communal network spend was $5 million in FY23, down from $77 million in FY22.

Fibre installations and layer 2 expenditure was $193 million. About 92,000 fibre installations were completed nationwide. The average cost per premises installation in UFB areas was $1,067[3], which was within the FY23 guidance range of $1,000 to $1,115.

$32 million was invested in 'backbone' network to enable the connection of multiple customers located along rights of way and multi dwelling units.

Other fibre and growth increased $26 million compared to FY22, mainly due to strong new property development demand and upgrades to core and metro transport electronics.

Customer retention costs increased by $3 million due to more market activity in FY23 than the prior year.

2 Layer 2 equipment, such as gigabit capable passive optical network ports, is installed ahead of demand as the UFB footprint expands.
3 Excluding layer 2 and backbone costs for multi dwelling units and rights of way and including standard installations and some non-standard single dwellings and service desk costs.

Copper capital expenditure

	2023 $M	2022 $M
Network sustain	27	27
Copper connections	1	1
Copper layer 2	1	3
Customer retention costs	4	7
Total copper capital expenditure	**33**	**38**

Copper capital expenditure decreased by $5 million in FY23, largely due to lower customer retention costs.

Common capital expenditure

	2023 $M	2022 $M
Information technology	44	32
Building and engineering services	22	19
Total common capital expenditure	**66**	**51**

Information technology spend increased by $12 million in FY23 due to lifecycle upgrade of equipment and investment enabling reduced reliance on third party legacy systems.

Long term capital management

We will pay a final unimputed dividend of 25.5 cents per share on 10 October 2023 to all shareholders registered at 5.00pm 12 September 2023. The shares will be quoted on an ex-dividend basis from 11 September 2023. As the dividend is unimputed, there will be no supplementary dividend payable to shareholders outside of New Zealand.

The dividend reinvestment plan will not be available for the final dividend.

Dividend guidance for FY24 has been set at 47.5 cents per share, subject to no material adverse changes in circumstance or outlook. The FY24 dividend will be unimputed.

The Board considers that a 'BBB' or equivalent credit rating is appropriate for a company such as Chorus. It intends to maintain capital management and financial policies consistent with these credit ratings. It is Chorus' intention that in normal circumstances the ratio of net debt to EBITDA will not materially exceed 4.75 times.

At 30 June 2023, we had a long-term credit rating of BBB/stable outlook by Standard & Poor's and Baa2/stable by Moody's Investors Service.

Consolidated financial statements

Independent auditor's report

To the shareholders of Chorus Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Chorus Limited (the 'company') and its subsidiaries (the 'Group') on pages 25 to 57 present fairly, in all material respects:

i. the Group's financial position as at 30 June 2023 and its financial performance and cash flows for the year ended on that date;

ii. in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

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

— the consolidated income statement, statements of other comprehensive income, changes in equity and cash flows for the year then ended;and

— notes, including a summary of significant accounting policies.

Basis for opinion

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

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

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

Our firm has also provided other services to the group in relation to regulatory assurance. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $8.5 million determined with reference to a benchmark of Group revenue. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Recoverability of assets	
Refer to Note 1 and 2 to the Financial Statements. Capitalisation and the carrying value of assets are a key audit matter due to the significance of assets to the Group's consolidated statement of financial position, and due to the judgement involved in determining the carrying value of the assets, principally: — decision to capitalise or expense costs relating to the network. This depends on whether the expenditure is to enhance the network (capitalise) or to maintain the current operating capability of the network (expense); — estimation of the stage of completion of assets under construction; — estimation of the useful life of the asset once the costs are capitalised; — obsolescence and impairment risk; and — uncertainty of the impact of ongoing technological change,transitioning to a new regulated model, movement towards a fibre future and RSP/LFC behaviour.	Our audit procedures included: — examining that the controls to recognise capital projects in the fixed asset register and to monitor labour costs capitalised throughout the year and the approval of the asset life annual review are effective. — assessing the nature of costs incurred in capital projects by checking a sample of costs to invoice to determine whether the description of the expenditure met the capitalisation criteria. — assessing, on a sample basis, whether labour rates applied in capitalising employee and contractor time were consistent with employee career level and contracts or invoices. — examining, on a sample basis, that labour costs capitalised, at an individual employee/contractor level did not exceed an individual's salary or invoiced time. Evaluating a sample of assets under construction in which no costs had been incurred in the final six months of the financial reporting period. We challenged the status of those assets under construction to determine whether they remained appropriately capitalised. — assessing, on a sample basis, whether the accruals recorded for assets under construction were calculated in accordance with the progress of construction and the arrangements with external suppliers. — assessing the useful economic lives of the assets, by comparing to our knowledge of the business and its operations and industry benchmarks.
Revaluation of land and buildings	
Refer to Note 1 to the Financial Statements. Chorus has adopted a change in accounting policy, effective 30 June 2023, whereby land and buildings are recorded at fair value. As at 30 June 2023 the fair value of the revalued assets was $357 million (30 June 2022 carrying value at cost: $75 million). The change in accounting policy and valuation of these assets is considered a key audit matter due to the magnitude, complexity and judgement involved in the determining the assets current fair value and the significance of the assets to the Group's consolidated statement of financial position.	Our audit procedures included: — assessing the support for the change in accounting policy. — assessing the competency, objectivity, and independence of external valuer engaged by management. — assessing that the valuation methodology applied is in accordance with valuation and accounting standards and suitable for determining the fair value of the assets, by comparing to our understanding of the business and industry practices. — reconciling the asset holdings in the Group's fixed asset register to the listing of assets valued by external valuer to confirm all relevant land and buildings have been included in the valuation exercise. — evaluating the valuation of a sample of assets and assessing the inputs used in the valuation of the assets. On a sample basis we compared key assumptions to market evidence and applicable source data. — examining that the valuation adjustments have been correctly accounted for within the Revaluation Reserve and Statement of Comprehensive Income. — assessing the disclosures in the financial statements to determine whether these are in accordance with the applicable accounting standard.
Chorus Funding	
Refer to Note 4, 6, 7 and 19 to the Financial Statements. At 30 June 2023, Chorus had external borrowings of $2,528 million (30 June 2022: $2,322 million), Crown funding of $948 million (30 June 2022: $936 million), CIP securities of $697 million (30 June 2022: $613 million) and net derivative financial assets of $65 million (30 June 2022: Net derivative financial assets of $19 million). The external borrowings, CIP securities, cross-currency and interest rate derivatives are a key audit matter due to their significance to the Group's consolidated statement of financial position and the complexity and judgement involved in determining the appropriate valuation and accounting treatment for the CIP securities and cross-currency and interest rate derivatives.	Our audit procedures to assess the valuation and accounting treatment for the Group's interest rate derivatives and CIP securities included: — Our financial instrument specialists re-valuing all interest rate derivatives using valuation models and inputs independent from those utilised by management. — Agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty. — Examining the hedge documentation for new debt instruments and associated derivatives against the requirements of IFRS 9. — Evaluating the hedge effectiveness of the interest rate derivatives hedging the EUR denominated Euro Medium Term Notes, the NZD Bond 2028 and the NZD Bond 2030. In all instances, our financial instrument specialists assessed the effectiveness of these hedges by independently modelling the future changes in the value of these instruments to assess whether the underlying derivatives were effective. — Assessing the accounting treatment of the CIP securities. We read the underlying loan agreement and analysed the various features of the loan agreement to determine whether the CIP securities were a debt or equity instrument. — Evaluating the valuation of the CIP securities. Our valuation specialists assessed the methodology used by management for determining the amounts allocated to debt and government grant. — Assessing the inputs used in the valuation of the CIP securities. On a sample basis we compared interest rates and credit spreads to independent sources of information to determine an acceptable range of valuation inputs. — Confirming debt to external support, sighting repayments and reviewing compliance with covenant requirements.

Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report information includes Chorus' operating, marking and regulatory overviews, management commentary and disclosure relating to corporate governance and statutory information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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 materially misstated. If, based on the work we have performed, 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.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

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

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

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

Our objective is:

— to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

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

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

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

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

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

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

For and on behalf of

KPMG

KPMG
Wellington
21 August 2023

Consolidated income statement

For the year ended 30 June 2023

	Notes	2023 $M	2022 $M
Operating revenue	9	980	965
Operating expenses	10	(308)	(290)
Earnings before interest, income tax, depreciation and amortisation		**672**	**675**
Depreciation	1,7	(355)	(335)
Amortisation	2,3	(91)	(92)
Earnings before interest and income tax		**226**	**248**
Finance income		4	–
Finance expense	4	(199)	(142)
Net earnings before income tax		**31**	**106**
Income tax expense	14	(6)	(42)
Net earnings for the year		**25**	**64**
Earnings per share			
Basic earnings per share (dollars)	17	0.06	0.14
Diluted earnings per share (dollars)	17	0.05	0.11

Consolidated statement of comprehensive income

For the year ended 30 June 2023

	Notes	2023 $M	2022 $M
Net earnings for the year		25	64
Other comprehensive income			
Movements in effective cash flow hedges	19	3	96
Amortisation of de-designated cash flow hedges transferred to consolidated income statement	19	5	5
Movement in cost of hedging reserve	19	(3)	10
Items that will be reclassified subsequently to Income statement when specific conditions are met net of tax		**5**	**111**
Net revaluation of land and buildings		265	–
Items that will not be reclassified subsequently to Income statement when specific conditions are met net of tax		**265**	–
Total comprehensive income for the year net of tax		**295**	**175**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2023

	Notes	2023 $M	2022 $M
Current assets			
Cash and call deposits	15	76	88
Trade and other receivables	11	153	125
Derivative financial instruments	19	43	9
Assets held for sale		1	–
Total current assets		**273**	**222**
Non-current assets			
Derivative financial instruments	19	116	120
Trade and other receivables	11	–	1
Customer retention assets	3	60	59
Software and other intangible assets	2	146	152
Network assets	1	5,213	5,190
Land and buildings	1	357	75
Total non-current assets		**5,892**	**5,597**
Total assets		**6,165**	**5,819**
Current liabilities			
Trade and other payables	12	280	264
Lease payable	5	13	13
Derivative financial instruments	19	1	–
Debt	4	368	190
Total current liabilities excluding Crown funding		**662**	**467**
Crown funding	7	28	27
Total current liabilities		**690**	**494**
Non-current liabilities			
Trade and other payables	12	11	16
Deferred tax liability	14	363	342
Derivative financial instruments	19	93	110
Lease payable	5	168	174
Debt	4	2,160	2,132
Total non-current liabilities excluding CIP and Crown funding		**2,795**	**2,774**
Crown Infrastructure Partners (CIP) securities	6	697	613
Crown funding	7	920	909
Total non-current liabilities		**4,412**	**4,296**
Total liabilities		**5,102**	**4,790**
Equity			
Share capital	16	589	682
Reserves		331	60
Retained earnings		143	287
Total equity		**1,063**	**1,029**
Total liabilities and equity		**6,165**	**5,819**

The accompanying notes are an integral part of these consolidated financial statements.

The consolidated financial statements are approved and signed on behalf of the Board.

Mark Cross
Chair
Authorised for issue on 21 August 2023

Kate Jorgensen
Chair, Audit and Risk Management Committee

Consolidated statement of changes in equity

For the year ended 30 June 2023

	Notes	Share capital $M	Revaluation reserve $M	Other reserves $M	Retained earnings $M	Total $M
Balance at 1 July 2021		**689**	**–**	**(51)**	**351**	**989**
Comprehensive income						
Net earnings for the year		–	–	–	64	64
Other comprehensive income						
Movement in cash flow hedge reserve	19	–	–	96	–	96
Amortisation of de-designated cash flow hedges transferred to Income statement	19	–	–	5	–	5
Movement in cost of hedging reserve	19	–	–	10	–	10
Total comprehensive income		**–**	**–**	**111**	**64**	**175**
Contributions by and (distributions to) owners:						
Dividends	16	–	–	–	(128)	(128)
Supplementary dividends		–	–	–	(14)	(14)
Tax credit on supplementary dividends		–	–	–	14	14
Dividend reinvestment plan	16	31	–	–	–	31
Share buy-back	16	(38)	–	–	–	(38)
Total transactions with owners		**(7)**	**–**	**–**	**(128)**	**(135)**
Balance at 30 June 2022		**682**	**–**	**60**	**287**	**1,029**
Comprehensive income						
Net earnings for the year		–	–	–	25	25
Other comprehensive income						
Movement in cash flow hedge reserve	19	–	–	3	–	3
Amortisation of de-designated cash flow hedges transferred to Income statement	19	–	–	5	–	5
Movement in cost of hedging reserve	19	–	–	(3)	–	(3)
Movement in revaluation reserve	1,14	–	265	–	–	265
Total comprehensive income		**–**	**265**	**5**	**25**	**295**
Contributions by and (distributions to) owners:						
Dividends	16	–	–	–	(169)	(169)
Dividend reinvestment plan	16	9	–	–	–	9
Share buy-back	16	(101)	–	–	–	(101)
Shares issued under LTI scheme	16	(1)	–	1	–	–
Total transactions with owners		**(93)**	**–**	**1**	**(169)**	**(261)**
Balance at 30 June 2023		**589**	**265**	**66**	**143**	**1,063**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2023

	Notes	2023 $M	2022 $M
Cash flows from operating activities			
Cash was provided from/(applied to):			
Receipts from customers		973	977
Payment to suppliers and employees		(311)	(295)
Interest paid		(138)	(98)
Interest received		4	–
Taxation paid		(4)	(14)
Net cash flows provided from operating activities		**524**	**570**
Cash flows applied to investing activities			
Cash was provided from/(applied to):			
Purchase of network and intangible assets		(495)	(518)
Disposal of network and intangible assets		–	3
Capitalised interest paid		(1)	(2)
Net cash flows applied to investing activities		**(496)**	**(517)**
Cash flows from financing activities			
Cash was provided from/(applied to):			
Payment of lease liabilities		(15)	(14)
Crown funding (including CIP securities)		84	81
Proceeds from debt		811	50
Repayment of debt		(659)	–
Repurchase of shares		(101)	(38)
Dividends paid		(160)	(97)
Net cash flows applied to financing activities		**(40)**	**(18)**
Net cash flows		**(12)**	**35**
Cash at the beginning of the year		88	53
Cash at the end of the year	15	**76**	**88**

Reconciliation of net earnings to net cash flows from operating activities

	Notes	2023 $M	2022 $M
Net earnings for the year		**25**	**64**
Adjustment for:			
Depreciation of network assets	1	384	362
Amortisation of Crown funding	7	(29)	(27)
Amortisation of software and other intangible assets	2	61	62
Amortisation of customer retention assets	3	33	34
Deferred income tax	14	2	45
Ineffective portion of changes in fair value of cash flow hedges	4	(7)	(7)
Amortisation of non-cash finance expenses		10	10
CIP securities (notional) interest	4	45	39
Other		5	(3)
		529	**579**
Change in current assets and liabilities:			
Increase in trade and other receivables	11	(27)	(2)
Increase in operating trade payables	12	22	10
Increase in income tax receivable		–	(4)
Decrease in income tax payable		–	(13)
		(5)	**(9)**
Net cash flows from operating activities		**524**	**570**

The accompanying notes are an integral part of these consolidated financial statements.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Debt $M	Crown funding $M	CIP securities $M	Lease payable $M	Share capital $M	Retained earnings $M
Balance at 1 July 2021	**2,373**	**906**	**545**	**264**	**689**	**351**
Movements from financing cash flows						
Payment of lease liabilities	–	–	–	(14)	–	–
Proceeds from debt	50	54	27	–	–	–
Repurchase of shares	–	–	–	–	(38)	–
Dividends paid	–	–	–	–	–	(97)
Total changes from financing cash flows	**50**	**54**	**27**	**(14)**	**(38)**	**(97)**
Other cash flows						
Interest paid on leases	–	–	–	(15)	–	–
Non-cash movements						
Movements in fair value (including foreign exchange rates)	(105)	–	–	–	–	–
Transaction costs and amortisation related to financing	(4)	(27)	39	–	–	–
Accruals	–	3	2	–	–	–
Dividend reinvestment plan	–	–	–	–	31	(31)
Lease movements	–	–	–	(48)	–	–
Net earnings for the year ended 30 June 2022	–	–	–	–	–	64
Balance at 30 June 2022	**2,322**	**936**	**613**	**187**	**682**	**287**
Movements from cash flows						
Payment of lease liabilities	–	–	–	(15)	–	–
Proceeds from debt	811	45	39	–	–	–
Repayment of debt	(659)	–	–	–	–	–
Repurchase of shares	–	–	–	–	(101)	–
Dividends paid	–	–	–	–	–	(160)
Total changes from financing cash flows	**152**	**45**	**39**	**(15)**	**(101)**	**(160)**
Other cash flows						
Interest paid on leases	–	–	–	(11)	–	–
Non-cash movements						
Movements in fair value (including foreign exchange rates)	50	–	–	–	–	–
Transaction costs and amortisation related to financing	4	(29)	45	–	–	–
Accruals	–	(4)	–	–	(1)	–
Dividend reinvestment plan	–	–	–	–	9	(9)
Lease movements	–	–	–	20	–	–
Net earnings for the year ended 30 June 2023	–	–	–	–	–	25
Balance at 30 June 2023	**2,528**	**948**	**697**	**181**	**589**	**143**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Reporting entity and statutory base

Chorus includes Chorus Limited together with its subsidiaries.

Chorus is New Zealand's largest fixed line communications infrastructure business. It maintains and builds a network predominantly made up of fibre and copper cables, local telephone exchanges and cabinets.

Chorus Limited is a profit-oriented company registered in New Zealand under the Companies Act 1993 and is a FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. Chorus Limited was established as a standalone, publicly listed entity on 1 December 2011, upon its demerger from Spark New Zealand Limited (Spark, previously Telecom Corporation of New Zealand Limited). The demerger was a condition of an agreement with Crown Infrastructure Partners Limited (previously Crown Fibre Holdings) to enable Chorus Limited to provide the majority of the Crown's Ultra-Fast Broadband (UFB) network. Chorus Limited is listed and its ordinary shares are quoted on the NZX main board equity security market (NZX Main Board) and on the Australian Stock Exchange (ASX) and has bonds quoted on the NZX and ASX debt markets. American Depositary Shares, each representing five ordinary shares (and evidenced by American Depositary Receipts), are not listed but are traded on the over-the-counter market in the United States.

These consolidated financial statements ("financial statements") have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and Part 7 of the Financial Markets Conduct Act 2013. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities, and with International Financial Reporting Standards.

These financial statements are expressed in New Zealand dollars. All financial information has been rounded to the nearest million, unless otherwise stated.

The measurement basis adopted in the preparation of these financial statements is historical cost, modified by the revaluation of financial instruments and land and buildings as identified in the specific accounting policies below and the accompanying notes.

Accounting policies and standards

Accounting policies that summarise the measurement basis used which are relevant to the understanding of the financial statements are provided throughout the accompanying notes.

The accounting policies adopted and methods of computation have been applied consistently throughout the periods presented in these financial statements, except for the below change in accounting policy.

Change in accounting policy

Chorus has adopted a revaluation policy for measuring land and building at fair value, as at 30 June 2023. Previously, Chorus measured land and buildings at depreciated historical cost. This change in accounting policy applies prospectively and the revaluation movement has been recognised in the current year in the Consolidated statement of comprehensive income (refer to note 1).

Climate impact

In preparing the financial statements, management has considered climate-related matters and disclosed as required when the effect of those matters is material in the context of the financial statements taken as a whole. In the year ended 30 June 2023 there was no material impact of climate related matters. Although there was no material impact in the year, extreme weather events occurred. Individually, these events did not have a material impact on the financial statements.

Accounting estimates and judgements

In preparing the financial statements, management has made estimates and assumptions about the future that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated and are based on experience and other factors, including macro-economic and market factors, and expectations of future events that may have an impact on Chorus. All judgements, estimates, and assumptions are believed to be reasonable based on the most current set of circumstances available to Chorus. The principal areas of judgement in preparing these financial statements are set out below.

Network assets (note 1)

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

Land and buildings (note 1)

Land and buildings are recorded at fair value. Fair value relating to land and buildings is determined based on a periodic independent valuation using a combination of an optimised depreciated replacement cost, capitalised income, and a market valuation approach. The valuation technique applied to each asset is determined by the independent valuer, with input and review by Chorus management who are familiar with the nature of the assets. Valuations are performed every three years, or more frequently where indicators exist that the carrying amount of the asset materially differs from its fair value at the end of the reporting period. This may be the result of external factors (e.g. a volatile property market) or internal factors. In these instances where indicators of material difference exist, a desktop valuation may be obtained to appropriately adjust the carrying value of the assets. The underlying assumptions used in the valuation are reviewed at each reporting date to ensure the carrying value is not materially different from the fair value.

Customer retention assets (note 3)

Assessing the carrying value of customer retention assets for impairment considerations which includes assessing the appropriateness of useful life, contract terms, revenue and customer connections data.

Leases (note 5)

A significant portion of lease contracts contain options for extension, which in turn require management to apply judgement in assessing if these extensions are likely to be exercised.

Crown Infrastructure Partners (CIP) securities (note 6)

Determining the fair value of the CIP securities requires assumptions on expected future cash flows and discount rates based on future long dated swap curves.

Financial risk management (note 19 and 20)

Accounting judgements have been made in determining hedge designation and the fair value of derivatives and borrowings. The fair value of derivatives and borrowing are determined based on valuation models that use forward-looking estimates and market observable data, to the extent that it is available.

Non-GAAP measures

Chorus use non-GAAP measures that are not prepared in accordance with NZ IFRS. Chorus believes these non-GAAP measures provide useful information to users of the financial statements to assist in understanding the financial performance of Chorus. These measures are also used internally to evaluate the performance of Chorus and monitored for compliance against debt covenants.

These measures should not be viewed in isolation or as a substitute for measures reported in accordance with NZ IFRS as they are not uniformly defined or utilised by all companies in New Zealand or the telecommunications industry.

Earnings before interest and income tax (EBIT) and earnings before interest, income tax, depreciation and amortisation (EBITDA)

Chorus calculate EBIT by adding back finance expense and income tax to, and subtracting finance income from, net earnings. EBITDA adds back depreciation and amortisation expense to EBIT. A reconciliation of EBIT and EBITDA is provided below and based on amounts taken from, and consistent with, those presented in the financial statements.

Year ended 30 June	2023 $M	2022 $M
Net earnings for the year reported under NZ IFRS	25	64
Add back: income tax expense	6	42
Add back: finance expense	199	142
Subtract: finance income	(4)	–
EBIT	**226**	**248**
Add back: depreciation	355	335
Add back: amortisation	91	92
EBITDA	**672**	**675**

Note 1 – Network assets, land and buildings

In the Consolidated statement of financial position, network assets, except land and buildings, are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of additions to network assets and work in progress constructed by Chorus includes the cost of all materials used in construction, direct labour costs specifically associated with construction, interest costs that are attributable to the asset, resource management consent costs and attributable overheads.

Repairs and maintenance costs are recognised in the Consolidated income statement as incurred. If the useful life of the asset is extended or the asset is enhanced then the associated costs are capitalised.

Land and buildings

Land and buildings are carried at a revalued amount. The revalued amount represents the fair value of each land and building asset at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in the Consolidated statement of comprehensive income and accumulated within the revaluation reserve in equity. An increase shall be recognised in the Consolidated income statement to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease is first recognised in the Consolidated statement of comprehensive income (and the revaluation reserve) to the extent any credit balance exists in relation to that asset. Any additional decrease in the asset's carrying amount is recognised in the Consolidated income statement as an expense. The attributable revaluation surplus remaining in the asset revaluation reserve relating to land or buildings disposed of, net of any related deferred taxes, is transferred directly to retained earnings on the derecognition of the relevant asset. Deferred tax, if any, resulting from the revaluation of land and buildings are recognised and disclosed in accordance with NZ IAS 12 Income Taxes.

The Company adopted fair value approach on 30 June 2023. The movement in fair value of $282 million (excluding deferred tax) has been recognised as at that date. The prior year comparatives are recognised at historical cost less accumulated depreciation.

Estimating useful lives and residual values of network assets and buildings

The determination of the appropriate useful life for a particular asset requires management to make judgements about, amongst other factors, the expected period of service potential of the asset, the likelihood of the asset becoming obsolete as a result of technological advances, and the likelihood of Chorus ceasing to use the asset in business operations.

Where an item of network assets or buildings comprises major components having different useful lives, the components are accounted for as separate items of network assets or buildings.

Where the remaining useful lives or recoverable values have diminished due to technological, regulatory or market condition changes, depreciation is accelerated. The assets' residual values, useful lives, and methods of depreciation are reviewed annually and adjusted prospectively, if appropriate.

Depreciation is charged on a straight-line basis to write down the cost of network assets and buildings to their estimated residual value over their estimated useful life. Estimated useful lives are as follows:

Fibre cables	20–30 years
Ducts, manholes and poles	20–50 years
Copper cables	10–25 years
Cabinets	5–20 years
Buildings	50 years
Network electronics	2–25 years
Right of use assets	4–50 years
Other	4–25 years

Other network assets include motor vehicles, test instruments, furniture and fittings, tools and plant.

An item of network assets and any significant part is derecognised upon disposal or when no future economic benefits are expected from its use. Where network assets are disposed of, the profit or loss recognised in the Consolidated income statement is calculated as the difference between the sale price and the carrying value of the asset.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Land and work in progress are not depreciated. Work in progress is reviewed on a regular basis to ensure that costs represent future assets.

30 June 2023	Fibre cables $M	Ducts, manholes, and poles $M	Copper cables $M	Cabinets $M	Network electronics $M	Right of use assets $M	Other $M	Work in progress $M	Land and buildings $M	Total $M
Gross carrying amount										
Balance at 1 July 2022	2,663	3,160	2,424	731	1,762	234	295	141	184	11,594
Additions	134	119	2	17	78	7	7	158	5	527
Disposals	–	–	–	–	(8)	(1)	(3)	–	(1)	(13)
Transfers from work in progress	–	–	–	–	–	–	–	(122)	–	(122)
Net revaluations through other comprehensive income	–	–	–	–	–	–	–	–	169	169
Other	–	–	–	–	–	4	–	–	–	4
Balance at 30 June 2023	**2,797**	**3,279**	**2,426**	**748**	**1,832**	**244**	**299**	**177**	**357**	**12,159**
Accumulated depreciation							–			
Balance at 1 July 2022	(964)	(778)	(2,172)	(525)	(1,495)	(84)	(202)	–	(109)	(6,329)
Depreciation	(128)	(64)	(76)	(18)	(67)	(13)	(14)	–	(4)	(384)
Disposals	–	–	–	–	8	1	2	–	–	11
Net revaluations through other comprehensive income	–	–	–	–	–	–	–	–	113	113
Other	–	–	–	–	–	–	–	–	–	–
Balance at 30 June 2023	**(1,092)**	**(842)**	**(2,248)**	**(543)**	**(1,554)**	**(96)**	**(214)**	**–**	**–**	**(6,589)**
Net carrying amount	**1,705**	**2,437**	**178**	**205**	**278**	**148**	**85**	**177**	**357**	**5,570**

30 June 2022	Fibre cables $M	Ducts, manholes, and poles $M	Copper cables $M	Cabinets $M	Network electronics $M	Right of use assets $M	Other $M	Work in progress $M	Land and buildings $M	Total $M
Cost										
Balance at 1 July 2021	2,497	2,965	2,415	715	1,872	301	284	179	179	11,407
Additions	166	195	9	16	50	7	12	181	5	641
Disposals	–	–	–	–	(160)	(10)	(1)	–	–	(171)
Transfers from work in progress	–	–	–	–	–	–	–	(219)	–	(219)
Other	–	–	–	–	–	(64)	–	–	–	(64)
Balance at 30 June 2022	**2,663**	**3,160**	**2,424**	**731**	**1,762**	**234**	**295**	**141**	**184**	**11,594**
Accumulated depreciation							–			
Balance at 1 July 2021	(842)	(717)	(2,111)	(503)	(1,593)	(79)	(188)	–	(105)	(6,138)
Depreciation	(122)	(61)	(61)	(22)	(62)	(15)	(15)	–	(4)	(362)
Disposals	–	–	–	–	160	10	1	–	–	171
Balance at 30 June 2022	**(964)**	**(778)**	**(2,172)**	**(525)**	**(1,495)**	**(84)**	**(202)**	**–**	**(109)**	**(6,329)**
Net carrying amount	**1,699**	**2,382**	**252**	**206**	**267**	**150**	**93**	**141**	**75**	**5,265**

There are no restrictions on Chorus' network assets or any network assets pledged as securities for liabilities.

At 30 June 2023 the contractual commitments for acquisition and construction of the network assets was $50 million (30 June 2022: $79 million).

Land and buildings at historical cost

If land and buildings were stated on an historical cost basis, the amounts would be as follows:

Year ended 30 June	2023 $000's
Land and buildings (at cost)	188
Buildings accumulated depreciation	(113)
Net carrying amount	**75**

Note 1 – Network assets, land and buildings (cont.)

Crown funding

Chorus receives funding from the Crown to finance the capital expenditure associated with the development of the UFB network and other services. Where funding is used to construct assets, it is offset against depreciation over the life of the assets constructed.

Refer to note 7 for information on Crown funding.

Impairment

The carrying amounts of non-financial assets including network assets, land and buildings, software and other intangibles and customer retention assets are reviewed at the end of each reporting period for any indicators of impairment.

If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised in earnings whenever the carrying amount of an asset exceeds its estimated recoverable amount. Should the conditions that gave rise to the impairment loss no longer exist, and the assets are no longer considered to be impaired, a reversal of an impairment loss would be recognised immediately in earnings. In the period to 30 June 2023, there was no impairment in relation to the costs capitalised (30 June 2022: no impairment).

The recoverable amount is the greater of an assets value in use and fair value less costs to sell. Chorus' assets do not generate independent cash flows and are therefore assessed from a single cash-generating unit perspective. In assessing the recoverable amount, the estimates of future cash flows are discounted to their net present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the business.

Capitalised interest

Finance costs are capitalised on qualifying items of network assets and software assets at an annualised rate of 4.00% (30 June 2022: 4.00%). Interest is capitalised over the period required to complete the assets and prepare them for their intended use. In the current year finance costs totalling $1 million (30 June 2022: $2 million) have been capitalised against network assets and software assets.

Right of use assets

A right of use asset is recognised on commencement of a lease. The right of use asset is initially measured at cost, which is made up of the initial lease liability amount adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.
The right of use asset is subsequently depreciated using the straight-line method until the assumed end of the lease term. The right of use asset is periodically adjusted for certain remeasurements of the lease liability.

Movements in right of use assets for the period are presented below:

Right of use assets

	Fibre cables $M	Ducts, manholes, and poles $M	Property $M	Total $M
Balance 1 July 2021	**8**	**47**	**167**	**222**
Additions	–	5	2	7
Relinquishments and modifications	–	–	(64)	(64)
Depreciation charge	(1)	(4)	(10)	(15)
Balance at 30 June 2022	**7**	**48**	**95**	**150**
Additions	–	4	3	7
Disposals	–	–	(1)	(1)
Other	–	–	4	4
Depreciation charge	(1)	(4)	(7)	(12)
Balance at 30 June 2023	**6**	**48**	**94**	**148**

Property exchanges

Chorus has leased exchange space and commercial co-location space owned by Spark which is subject to lease arrangements (included within right of use assets). Chorus in turn leases exchange space and commercial co-location space owned by Chorus to Spark under an operating lease arrangement.

Note 2 – Software and other intangible assets

Software and other intangible assets are initially measured at cost. The direct costs associated with the development of network and business software for internal use are capitalised where project success is probable and the capitalisation criteria is met. Following initial recognition, software and other intangible assets are stated at cost less accumulated amortisation and impairment losses. Software and other intangible assets with a finite life are amortised from the date the asset is ready for use on a straight-line basis over its estimated useful life which is as follows:

Software	2–10 years
Other intangibles	20–35 years

Other intangibles mainly consist of land easements.

Where estimated useful lives or recoverable values have diminished due to technological change or market conditions, amortisation is accelerated.

There are no restrictions on software and other intangible assets, or any intangible assets pledged as securities for liabilities.

30 June 2023	Software $M	Other intangibles $M	Work in progress $M	Total $M
Cost				
Balance at 1 July 2022	918	6	17	941
Additions	44	–	55	99
Disposals	(7)	–	–	(7)
Transfers from work in progress	–	–	(44)	(44)
Balance at 30 June 2023	**955**	**6**	**28**	**989**
Accumulated amortisation				
Balance at 1 July 2022	(788)	(1)	–	(789)
Amortisation	(61)	–	–	(61)
Disposals	7	–	–	7
Balance at 30 June 2023	**(842)**	**(1)**	**–**	**(843)**
Net carrying amount	**113**	**5**	**28**	**146**

30 June 2022	Software $M	Other intangibles $M	Work in progress $M	Total $M
Cost				
Balance at 1 July 2021	873	6	22	901
Additions	55	–	50	105
Disposals	(10)	–	–	(10)
Transfers from work in progress	–	–	(55)	(55)
Balance at 30 June 2022	**918**	**6**	**17**	**941**
Accumulated amortisation				
Balance at 1 July 2021	(736)	(1)	–	(737)
Amortisation	(62)	–	–	(62)
Disposals	10	–	–	10
Balance at 30 June 2022	**(788)**	**(1)**	**–**	**(789)**
Net carrying amount	**130**	**5**	**17**	**152**

At 30 June 2023 the contractual commitment for acquisition of software and other intangible assets was $4 million (30 June 2022: $2 million).

Note 3 – Customer retention assets

Customer retention costs are incremental costs incurred in acquiring new contracts with new and existing customers that Chorus expects are recoverable and are capitalised as customer retention assets. These represent various costs including commissions and incentives for customers to connect to the fibre network. Following initial recognition, customer retention assets are stated at cost less accumulated amortisation and impairment losses. Customer retention assets have a finite life and are amortised from the month that costs are capitalised on a straight-line basis over the average connection life which is as follows:

New connections and migrations	1–4 years
Customer incentives	1 year

Customer retention assets are amortised to the Consolidated income statement, either as amortisation expense or against operating revenue, based on the nature of the specific costs capitalised.

	New connections and migrations $M	Customer incentives $M	Total $M
Balance at 1 July 2021 (net carrying amount)	**57**	**2**	**59**
Additions	31	3	34
Amortisation to amortisation expense	(30)	–	(30)
Amortisation to operating revenue	–	(4)	(4)
Balance at 30 June 2022 (net carrying amount)	**58**	**1**	**59**
Additions	30	4	34
Amortisation to amortisation expense	(30)	–	(30)
Amortisation to operating revenue	–	(3)	(3)
Balance at 30 June 2023 (net carrying amount)	**58**	**2**	**60**

Note 4 – Debt

Debt is classified as non-current liabilities except for those with maturities less than 12 months from the reporting date, which are classified as current liabilities.

Debt is initially measured at fair value, less any transaction costs that are directly attributable to the issue of the instruments. Debt is subsequently measured at amortised cost using the effective interest method. Some borrowings are designated in fair value hedge relationships, which means that any change in market interest and foreign exchange rates result in a change in the fair value adjustment on that debt.

The weighted effective interest rate on debt including the effect of derivative financial instruments and facility fees was 5.40% (30 June 2022: 3.77%).

	Due date	2023 $M	2022 $M
Syndicated bank facilities	Jul 2022	–	190
Euro medium term notes EUR	Oct 2023	368	828
Euro medium term notes EUR	Dec 2026	473	464
Euro medium term notes EUR	Sep 2029	853	–
Fixed rate NZD Bonds	Dec 2027	200	200
Fixed rate NZD Bonds	Dec 2028	500	500
Fixed rate NZD Bonds	Dec 2030	153	154
Less: facility fees		(19)	(14)
Total Debt		**2,528**	**2,322**
Current		**368**	**190**
Non-current		**2,160**	**2,132**

Syndicated bank facilities

As at 30 June 2023 Chorus had a $450 million committed syndicated facility on market standard terms and conditions (30 June 2022: $350 million). The facility is held with banks that are rated A to AA-, based on Standard & Poor's ratings. As at 30 June 2023 nil was drawn down (30 June 2022: $190 million).

Note 4 – Debt (cont.)

Euro Medium Term Note (EMTN)

Face value	Interest rate	2023 $M	2022 $M
EUR 209 million	1.13%	368	828
EUR 300 million	0.88%	473	464
EUR 500 million	3.63%	853	–

EMTN 2023 tender

In September 2022, Chorus repurchased EUR 291 million ($457 million) of the 2023 EMTN for 99.202% of face value. Concurrently, an equal nominal amount of cross-currency interest rate swaps (CCIRS) which hedged the debt were exited to ensure the hedging relationship remains fully effective.

Costs incurred in repurchasing the debt and terminating the CCIRS have been recognised in the consolidated income statement within finance expenses, offset by the discount on repurchase of the notes.

EMTN 2029 issuance

Chorus also issued EUR 500 million of EMTN in September 2022 for a term of 7 years at an interest rate of 3.625%. Consistent with the Chorus Treasury Policy, the debt has been fully hedged with CCIRS to hedge the foreign currency exposure, which entitle Chorus to receive EUR 500 million and EUR fixed coupon payments for NZD 820 million principal and NZD floating interest payments.

Transaction costs directly associated with the issuance of the notes have been capitalised and will be amortised over the term of the debt to the consolidated income statement.

Chorus has in place cross currency interest rate swaps to hedge the foreign currency exposure to the EMTN. The cross currency interest rate swaps entitle Chorus to receive EUR principal and EUR fixed coupon payments for NZD principal and NZD floating interest payments. The EUR cross currency interest rate swaps (notional amount EUR 1,009 million) are partially hedged for the NZD interest payments using interest rate swaps.

The EUR 500 EMTN cross currency interest rate swaps (notional amount EUR 500 million) are partially hedged for the NZD interest payments using interest rate swaps. The EUR 300 cross currency interest rate swaps (notional amount EUR 300 million) are fully hedged for the NZD interest payments using interest rates swaps. The EUR 209 cross currency swaps (notional amount EUR 209 million) are fully hedged for the NZD interest payments using interest rate swaps.

The following table reconciles EMTN at hedged rates to EMTN carrying value based on spot rates as reported under NZ IFRS. EMTN at hedged rates is a non-GAAP measure and is not defined by NZ IFRS:

	2023 EUR 500 $M	2022 EUR 500 $M	2023 EUR 300 $M	2022 EUR 300 $M	2023 EUR 209 $M	2022 EUR 500 $M
EMTN (at carrying value)	853	–	473	464	368	828
Impact of fair value hedge	38	–	62	40	4	11
Impact of hedged rates used	(71)	–	(21)	10	(44)	(54)
EMTN at hedged rates (non-GAAP measure)	**820**	**–**	**514**	**514**	**328**	**785**
EMTN at fair value	**868**	**–**	**475**	**461**	**369**	**837**

The fair value of EMTN's is calculated based on the present value of future principal and interest cash flows, discounted at market interest rates at balance date and is determined using Level 2 of the fair value hierarchy as described in note 20.

Fixed rate NZD bonds

	Due date	Interest rate	2023 $M	2022 $M
Fixed rate NZD Bonds	Dec 2027	1.98%	200	200
Fixed rate NZD Bonds	Dec 2028	4.35%	500	500
Fixed rate NZD Bonds	Dec 2030	2.51%	153	154
Total fixed rate NZD Bonds			**853**	**854**

The fixed rate on the 2030 NZD Bonds has been swapped to a floating rate using interest rate swaps, creating a fair value hedge which has a fair value of $153 million at balance date (notional amount $200 million). This hedging relationship was entered to comply with the Chorus Treasury Policy which does not allow for greater than 70% of term debt to be subject to fixed interest rates beyond a three year time period.

At 30 June 2023, Chorus had $900 million of unsecured, unsubordinated debt securities (30 June 2022: $900 million).

Note 4 – Debt (cont.)

Schedule of maturities

	2023 $M	2022 $M
Current	368	190
Due one to two years	–	828
Due three to four years	673	–
Due four to five years	–	464
Due over five years	1,506	854
Total due	**2,547**	**2,336**
Less: facility fees	(19)	(14)
	2,528	**2,322**

No debt has been secured against assets, however there are financial covenants and event of default triggers as defined in the various debt agreements. During the current year Chorus complied with the requirements set out in its financing agreements (30 June 2022: complied).

Refer to note 20 for information on financial risk management.

Finance expense

	2023 $M	2022 $M
Interest on syndicated bank facility	2	6
Interest on EMTN	93	51
Interest on fixed rate NZD bonds	32	32
Ineffective portion of changes in fair value of cash flow hedges	(7)	(7)
Other interest expense	35	23
Capitalised interest	(1)	(2)
Total finance expense excluding CIP securities (notional) interest	**154**	**103**
CIP securities (notional) interest	45	39
Total finance expense	**199**	**142**

Other interest expense includes $11 million lease interest expense (30 June 2022: $15 million), $11 million of expense recognised for the partial repurchase of the 2023 EMTN and $7 million of amortisation arising from the difference between fair value and proceeds realised from the swaps reset (30 June 2022: $7 million).

Note 5 – Leases

Chorus is a lessee of certain network assets under lease arrangements. For all leases Chorus recognises assets and liabilities in the Consolidated statement of financial position, except those determined to be short-term or low value.
On inception of a new lease, the lease payable is measured at the present value of the remaining lease payments, discounted at Chorus' incremental borrowing rate at that date. Lease costs are recognised through interest expense over the life of the lease. The corresponding right of use asset incurs depreciation over the estimated useful life of the asset.

Chorus' discounted cash flows by category are summarised below:

	2023 $M	2022 $M
Fibre cables	11	11
Ducts, manholes and poles	52	51
Property	118	125
Total lease payable	**181**	**187**
Current	**13**	**13**
Non-current	**168**	**174**

Extension options

Most leases contain extension options exercisable by Chorus up to one year before the end of the non-cancellable contract period. Where practicable, Chorus seeks to include extension options in new leases to provide operational flexibility.
The extension options held are exercisable only by Chorus and not by the lessors. Chorus assesses at lease commencement whether it is reasonably certain the extension options will be exercised, and where it is reasonably certain, the extension period has been included in the lease liability calculation. Chorus reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The amounts recognised in the Consolidated income statement and the Consolidated statement of cash flows relating to leases are summarised below:

	2023 $M	2022 $M
Amounts recognised in Consolidated income statement:		
Interest on lease payable	11	15
Amounts recognised in Consolidated statement of cash flows:		
Principal payments	(15)	(14)
Lease interest	(11)	(15)

Note 6 – Crown Infrastructure Partners (CIP) securities

Ultra-Fast Broadband (UFB)

Chorus received Crown funding to finance construction costs associated with the development of the UFB network. Funding was received for every premise passed and certified by CIP.

Funding was received over two phases. Phase one of the build (UFB1) was completed in December 2019 with a total of $924 million of funding received. Phase two (UFB2 and UFB2+) was completed in December 2022 with a total of $411 million of funding received.

In return for funding under both phases, CIP equity securities and CIP debt securities are issued. Under UFB1 CIP warrants were also issued. Under the UFB2 and UFB2+ arrangement, Chorus can elect the mix of securities to be issued, up to a maximum of $306 million of equity securities. This maximum was reached during the year ended 30 June 2022.

The CIP equity and debt securities were recognised initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortised cost using the effective interest method. The fair value is derived by discounting the equity securities and debt securities per premises passed by the effective rate based on market rates. The difference between funding received and the fair value of the securities is recognised as Crown funding. Over time, the CIP debt and equity securities increase to face value and the Crown funding is released against depreciation and reduces to nil.

CIP debt securities

CIP debt securities are unsecured, non-interest bearing and carry no voting rights at meetings of holders of Chorus ordinary shares. Chorus is required to redeem the CIP debt securities in tranches from 2025 by repaying the face value to the holder.

The principal amount of CIP debt securities consists of a senior portion and a subordinated portion. The senior portion ranks equally with all other unsecured, unsubordinated creditors of Chorus, and has the benefit of any negative pledge covenant that may be contained in any of Chorus' debt arrangements. The subordinated portion ranks below all other Chorus indebtedness but above ordinary shares of Chorus. The initial value of the senior portion is the present value of the sum repayable on the CIP debt securities, and the initial subordinated portion will be the difference between the issue price of the CIP debt security and the value of the senior portion.

CIP equity securities

CIP equity securities are a class of non-interest bearing security that carry no right to vote at meetings of holders of Chorus ordinary shares but entitle the holder to a preferential right to repayment on liquidation and additional rights that relate to Chorus' performance under its construction contract with CIP.

For UFB1 equity securities, dividends will become payable on a portion of the CIP equity securities from 2025 onwards, with the portion of CIP equity securities that attract dividends increasing over time. For UFB2 and UFB2+ equity securities, dividends will become payable from 2030.

CIP equity securities can be redeemed by Chorus at any time by payment of the issue price or issue of new ordinary shares (at a 5% discount to the 20-day volume weighted average price) to the holder. In limited circumstances CIP equity securities may be converted by the holder into voting preference or ordinary shares.

The CIP equity securities are required to be disclosed as a liability until the liability component of the compound instrument expires.

CIP warrants

Under UFB1 Chorus issued warrants to CIP for nil consideration along with each tranche of CIP equity securities. Each CIP warrant gives CIP the right, on a specified exercise date, to purchase at a set strike price a Chorus share to be issued by Chorus. The strike price for a CIP warrant is based on a total shareholder return of 16% per annum on Chorus shares over the period December 2011 to June 2036.

At 30 June 2023, Chorus had issued a total 15,662,325 warrants which had a fair value and carrying value that approximated zero (30 June 2022: 15,138,187 warrants issued). The number of fibre connections made by 30 June 2023 impacts the number of warrants that could be exercised.

The fair value has been calculated using discount rates from market rates at balance date and is a level 2 valuation of the fair value hierarchy as described in note 20.

At 30 June 2023, the component parts of CIP debt and equity instruments, including notional interest, were:

	2023			2022		
	CIP debt securities $M	CIP equity securities $M	Total CIP securities $M	CIP debt securities $M	CIP equity securities $M	Total CIP securities $M
Fair value on initial recognition						
Balance at 1 July	189	250	439	176	234	410
Additional securities recognised at fair value	39	–	39	13	16	29
Balance at 30 June	**228**	**250**	**478**	**189**	**250**	**439**
Accumulated notional interest						
Balance at 1 July	78	96	174	63	72	135
Notional interest	18	27	45	15	24	39
Balance at 30 June	**96**	**123**	**219**	**78**	**96**	**174**
Total CIP securities	**324**	**373**	**697**	**267**	**346**	**613**
CIP at fair value	**320**	**375**	**695**	**260**	**333**	**593**

Note 6 – Crown Infrastructure Partners (CIP) securities (cont.)

Key assumptions in calculations on initial recognition

On initial recognition, a discount rate between 6.16% to 7.36% was used for the CIP debt securities (30 June 2022: 5.71% and 7.31%), and no CIP equity securities were issued in the year ended 30 June 2023 (30 June 2022: 6.26% to 7.80%). The discount rate was used for the CIP equity securities and to discount the expected cash flows, based on the NZ swap curve. The swap rates were adjusted for Chorus specific credit spreads (based on market observed credit spreads for debt issued with similar credit ratings and tenure). The discount rate on the CIP equity securities was capped at Chorus' estimated cost of (ordinary) equity.

Note 7 – Crown funding

Crown funding is recognised at fair value where there is reasonable assurance that the funding is receivable and all attached conditions will be complied with. Crown funding is then recognised in earnings as a reduction to depreciation expense on a systematic basis over the useful life of the asset the funding was used to construct.

	2023					2022				
	UFB $M	WCSNB $M	RBI $M	Other $M	Total $M	UFB $M	WCSNB $M	RBI $M	Other $M	Total $M
Fair value on initial recognition										
Balance at 1 July	821	40	242	16	1,119	780	24	242	16	1,062
Additional funding recognised at fair value	39	2	–	–	41	41	16	–	–	57
Balance at 30 June	**860**	**42**	**242**	**16**	**1,160**	**821**	**40**	**242**	**16**	**1,119**
Accumulated amortisation of funding										
Balance at 1 July	(112)	–	(61)	(10)	(183)	(92)	–	(54)	(10)	(156)
Amortisation	(20)	(1)	(8)	–	(29)	(20)	–	(7)	–	(27)
Balance at 30 June	**(132)**	**(1)**	**(69)**	**(10)**	**(212)**	**(112)**	**–**	**(61)**	**(10)**	**(183)**
Total Crown funding	**728**	**41**	**173**	**6**	**948**	**709**	**40**	**181**	**6**	**936**
Current					**28**					**27**
Non-current					**920**					**909**

Ultra-Fast Broadband (UFB)

Chorus received Crown funding to finance construction costs associated with the development of the UFB network. During the period Chorus has recognised funding for 39,820 premises where the premises was passed and tested by CIP under UFB 2 and UFB 2+ (30 June 2022: 37,000). This brings the total number of premises passed and tested by CIP at 30 June 2023 to approximately 1,053,820 (30 June 2022: 1,014,000).

West Coast Southland Network Build (WCSNB)

Chorus received funding to finance capital expenditure associated with the development of the West Coast Southland Network. One dollar of funding can be claimed for each dollar of allowable costs incurred by Chorus, up to a maximum funding limit agreed with CIP. During the period, the build was completed, with $42 million claimed from CIP.

Other and RBI

Chorus has received funding in the past towards school lead-ins and extending the network coverage to rural areas.

Note 8 – Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and for which operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.

Chorus' Chief Executive Officer (CEO) has been identified as the chief operating decision maker for the purpose of segmental reporting.

Chorus has determined that it operates in one segment providing nationwide fixed line communications infrastructure. The determination is based on the reports reviewed by the CEO in assessing performance, allocating resources and making strategic decisions.

All of Chorus' operations are provided in New Zealand, therefore no geographic information is provided.

Three Chorus customers met the reporting threshold of 10 percent of Chorus' operating revenue in the year to 30 June 2023. The total revenue for the year ended 30 June 2023 from these customers was $330 million (30 June 2022: $354 million), $198 million (30 June 2022: $171 million) and $146 million (30 June 2022: $116 million).

Note 9 – Operating revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Chorus recognises revenue when it transfers control of a product or service to a customer and cash collection is considered probable. Revenue is presented net of rebates and customer incentives.

Chorus services provided to customers	Nature, performance obligation and timing of revenue
Fibre and copper connections	Providing access to the Chorus fixed lines network to enable connections to the internet. Chorus recognises revenue as it provides this service to its customers at a point in time. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided. Revenue is deferred in respect of the portion of fixed monthly charges that have been billed in advance.
Value added network services	Providing enhanced access to the Chorus fixed line network to enable internet access, through backhaul and handover link services to connect across wider areas and to higher quality levels. Recognition is the same as described for fibre and copper connections above.
Infrastructure	Providing physical storage and site-sharing rental services for co-location of third party or shared assets. This is billed and recognised on a monthly basis, based on a point in time.
Field services products	Providing services in the field to protect, strengthen, and increase the available network – for example, installation services, wiring and consultation services. This is billed and recognised as the service is provided over time. Revenue from installation of connections is recognised upon completion of the connection.

Revenue by service

	2023 $M	2022 $M
Fibre broadband (GPON)	622	548
Copper based broadband	117	153
Fibre premium (P2P)	68	66
Copper based voice	39	52
Field services products	70	71
Value added network services	26	27
Infrastructure	31	30
Data services copper	4	6
Other	3	12
Total operating revenue	**980**	**965**

Amounts collected on behalf of third parties

Revenue above is exclusive of amounts collected on behalf of third parties, which totalled $19 million in the year (30 June 2022: $26 million). Any amounts collected but not yet passed to the third party are recognised within trade and other payables.

Note 10 – Operating expenses

	2023 $M	2022 $M
Labour	76	64
Network maintenance	60	59
Information technology costs	42	50
Other network costs	37	29
Electricity	19	17
Rent and rates	12	14
Property maintenance	14	14
Advertising	13	11
Regulatory levies	9	9
Consultants	9	8
Insurance	5	4
Provisioning	1	1
Other	11	10
Total operating expenses	**308**	**290**

Labour

Labour of $76 million (30 June 2022: $64 million) represents employee costs which are not capitalised.

Pension contributions

Included in labour costs are payments to the New Zealand Government Superannuation Fund of $297,000 (30 June 2022: $275,000) and contributions to KiwiSaver of $3.3 million (30 June 2022: $2.9 million). At 30 June 2023 there were 11 employees in New Zealand Government Superannuation Fund (30 June 2022: 11 employees) and 758 employees in KiwiSaver (30 June 2022: 724 employees). Chorus has no other obligations to provide pension benefits in respect of employees.

Charitable and political donations

Other costs include charitable donations of $407,000 towards digital inclusion and health initiatives (30 June 2022: $138,000 towards digital inclusion and health initiatives). Chorus has not made any political donations (30 June 2022: nil).

Auditor remuneration

Included in other expenses are fees paid to auditors:

	2023 $000s	2022 $000s
Audit and review of statutory financial statements	**640**	**589**
Regulatory audit and assurance work	490	209
Other assurance services[1]	–	30
Total other services	**490**	**239**
Total fees paid to the auditor	**1,130**	**828**

1 No other assurance services in the year ended 30 June 2023 (30 June 2022: Other assurance services relate to EMTN refresh comfort letters).

Note 11 – Trade and other receivables

Trade and other receivables are initially recognised at the fair value of the amounts to be received, plus transaction costs (if any). They are subsequently measured at amortised cost (using the effective interest method) less impairment losses.

	2023 $M	2022 $M
Trade receivables	98	97
Other receivables	37	17
Prepayments	18	12
Trade and other receivables	**153**	**126**
Current	**153**	**125**
Non-current	**–**	**1**

Included within other receivables is $37 million of interest receivable (30 June 2022: $11 million).

Trade receivables are non-interest bearing and are generally on terms of 20 working days or less.

Chorus applies the simplified approach in providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. The provision for impairment losses are either individually or collectively assessed based on number of days overdue. Chorus takes into account the historical loss experience and incorporates forward looking information and relevant macroeconomic factors.

Chorus maintains a provision for impairment losses when there is objective evidence of its customers being unable to make required payments and makes provision for doubtful debt where debt is more than 60 days overdue. There have been no significant individual impairment amounts recognised as an expense during the period. Trade receivables are net of allowances for disputed balances with customers.

The ageing profile of trade receivables is as follows:

	2023 $M	2022 $M
Not past due	94	92
Past due 1–30 days	4	5
	98	**97**

Chorus has a concentrated customer base consisting predominantly of a small number of retail service providers. The concentrated customer base heightens the risk that a dispute with a customer, or a customer's failure to pay for services, will have a material adverse effect on the collectability of receivables.

Any disputes arising that may affect the relationship between the parties will be raised by relationship managers and follow a dispute resolution process. Chorus has $4 million of accounts receivable that are past due but not impaired (30 June 2022: $5 million). The carrying value of trade and other receivables approximates the fair value. The maximum credit exposure is limited to the carrying value of trade and other receivables.

Note 12 – Trade and other payables

Trade and other payables are initially recognised at fair value less transaction costs (if any). They are subsequently measured at amortised cost using the effective interest method. Trade and other payables are non-interest bearing and are normally settled within 30 day terms. The carrying value of trade and other payables approximates their fair values.

	2023 $M	2022 $M
Trade payables	66	61
Operating expenditure accruals	79	54
Capital expenditure accruals	38	49
Personnel accruals	18	17
Revenue billed in advance	90	99
Trade and other payables	**291**	**280**
Current	**280**	**264**
Non-current	**11**	**16**

Note 13 – Commitments

Capital expenditure

Refer to note 1 and note 2 for details of capital expenditure commitments.

Lease commitments

Refer to note 5 for details of lease commitments.

Note 14 – Taxation

Income tax expense

Income tax expense for the current year comprises current and deferred tax, and is recognised in the Consolidated income statement, except to the extent it relates to items recognised in the Consolidated statement of other comprehensive income or directly in equity. In these cases, income tax expense is recognised in the Consolidated statement of other comprehensive income or directly in equity.

	2023 $M	2022 $M
Recognised in Consolidated income statement		
Net earnings before tax	31	106
Tax at 28%	9	30
Tax effect of adjustments		
Other non-taxable items	7	6
Adjustments in respect of prior periods	–	6
Building life reassessment	(10)	–
Tax expense recognised in Consolidated income statement	**6**	**42**
Comprising:		
Current tax expense/(benefit)		
– Current year	5	5
– Adjustments in respect of prior periods	(1)	(8)
Deferred tax expense		
– Adjustments in respect of prior periods	1	14
– Depreciation, provisions, accruals, leases & other	1	31
	6	**42**
Recognised in other comprehensive income		
Net movement in hedging related reserves	2	43
Net revaluation of buildings	17	–
Tax expense recognised in other comprehensive income	**19**	**43**

Note 14 – Taxation (cont.)

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of the deferred tax is based on the expected manner of realisation of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at reporting year end. A deferred tax asset is recognised only to the extent it is probable it will be utilised.

The movement in the deferred tax assets and liabilities for the period, is presented below.

Deferred tax liability/(asset)

	Changes in fair value of hedging reserves $M	Finance leases $M	Network, software, customer retention and other intangible assets $M	Other $M	Unused tax credits $M	Total deferred tax liability $M
Balance at 1 July 2021	**(21)**	**(72)**	**356**	**18**	**(10)**	**271**
Prior period adjustment	–	–	–	14	–	14
Recognised in Consolidated statement of financial position	–	–	–	–	(17)	(17)
Recognised in Consolidated income statement	–	22	(1)	10	–	31
Recognised in Consolidated statement of comprehensive income	43	–	–	–	–	43
Balance at 30 June 2022	**22**	**(50)**	**355**	**42**	**(27)**	**342**
Prior period adjustment	–	–	–	1	–	1
Recognised in Consolidated income statement	–	1	5	5	–	11
Recognised in Consolidated statement of comprehensive income	2	–	17	–	–	19
Building life reassessment	–	–	(10)	–	–	(10)
Balance at 30 June 2023	**24**	**(49)**	**367**	**48**	**(27)**	**363**

Imputation credits

Chorus has an imputation credit account balance of $135,000 as at 30 June 2023 (30 June 2022: negative $3,683,000). The account balance was positive as at 31 March 2023 and 31 March 2022.

Note 15 – Cash, call deposits, and cash overdraft

Cash and call deposits are held with bank and financial institution counterparties rated at a minimum of A, based on rating agency Standard & Poor's ratings.

There are no cash or call deposit balances held that are not available for use. Chorus has a $10 million overdraft facility which is used in the normal course of operations.

The carrying values of cash and call deposits approximate their fair values. The maximum credit exposure is limited to the carrying value of cash and call deposits.

Cash and call deposits denominated in foreign currencies are retranslated into New Zealand dollars at the spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the Consolidated income statement.

Cash flow

Cash flows from derivatives in cash flow and fair value hedge relationships are recognised in the Consolidated statement of cash flows in the same category as the hedged item.

For the purposes of the Consolidated statement of cash flows, cash is considered to be cash on hand, in banks and cash equivalents, including bank overdrafts and highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in values.

Note 16 – Equity

Share capital

Movements in Chorus Limited's issued ordinary shares were as follows:

	2023 Number of shares (millions)	2022 Number of shares (millions)
Balance 1 July	447	447
Dividend reinvestment plan	1	5
Share buyback	(12)	(5)
Balance at 30 June	**436**	**447**

Chorus Limited has 435,334,308 fully paid ordinary shares (30 June 2022: 446,512,440). The issued shares have no par value. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of Chorus Limited. Under Chorus Limited's constitution, Crown approval is required if a shareholder wishes to have a holding of 10% or more of Chorus Limited's ordinary shares, or if a shareholder who is not a New Zealand national wishes to have a holding of 49.9% or more of ordinary shares.

Chorus Limited issues securities to CIP based on the number of premises passed. CIP securities are a class of security that carry no right to vote at meetings of holders of Chorus Limited ordinary shares but carry a preference on liquidation. Refer to note 6 for additional information on CIP securities.

Should Chorus Limited return capital to shareholders, any return of capital that arose on demerger may be taxable as Chorus Limited had zero available subscribed capital on demerger.

Dividends

On 11 October 2022 and 11 April 2023, dividends of 21 cents per share and 17 cents per share respectively were paid to shareholders. These two dividend payments totalled $169 million (30 June 2022: 28.5 cents, $128 million).

The dividend reinvestment plan was available for the October 2022 dividend for eligible shareholders (those resident in New Zealand or Australia). A total of 1,160,865 shares with a value of $9 million (30 June 2022: 4,687,851, $31 million) were issued in lieu of dividends.

Share buyback

In February 2022, Chorus commenced an on-market share buyback programme. The programme will purchase up to $150 million of shares with shares being acquired through the NZX and ASX. As at 30 June 2023, 17,539,292 shares had been repurchased from the market for a total of $139 million.

Long-term performance share scheme

Chorus operates a long-term performance share scheme for selected key management personnel. Under the legacy option plan, selected key management personnel were issued shares. This was superseded by a new long-term performance share scheme in July 2019 under which key senior management are issued share-rights instead of issuing shares.

The new scheme is equity settled and treated as an option plan for accounting purposes. Each tranche of each grant is valued separately. The absolute performance hurdle is valued using Monte Carlo simulations.

In August 2022, Chorus issued a tranche of share rights under the new scheme. The shares have a vesting date of 26 August 2025 and an expiry date of 26 August 2026. The grant has an absolute performance hurdle (Chorus' actual total shareholder return equalling or being greater than 7% per annum compounding) ending on the vesting date, with provision for monthly retesting in the following twelve-month period. A total of 132,084 share rights were issued in the tranche.

The combined option cost for the year ended 30 June 2023 of $524,000 has been recognised in the Consolidated income statement (30 June 2022: $546,000).

Reserves

Refer to note 19 for information on the cash flow hedge reserve and cost of hedging reserve.

Note 17 – Earnings per share

The calculation of basic earnings per share at 30 June 2023 is based on the net earnings for the year of $25 million (30 June 2022: $64 million), and a weighted average number of ordinary shares outstanding during the period of 443 million (30 June 2022: 448 million), calculated as follows:

Basic earnings per share	2023	2022
Net earnings attributable to ordinary shareholders ($ millions)	25	64
Denominator – weighted average number of ordinary shares (millions)	443	448
Basic earnings per share (dollars)	**0.06**	**0.14**
Diluted earnings per share		
Net earnings attributable to ordinary shareholders ($ millions)	25	64
Weighted average number of ordinary shares (millions)	443	448
Ordinary shares required to settle CIP equity securities (millions)	95	114
Ordinary shares required to settle CIP warrants (millions)	16	15
Denominator – diluted weighted average number of shares (millions)	554	577
Diluted earnings per share (dollars)	**0.05**	**0.11**

The number of ordinary shares that would have been required to settle all CIP equity securities and CIP warrants on issue at 30 June has been used for the purposes of the diluted earnings per share calculation.

Note 18 – Related parties

Subsidiaries

The financial statements include Chorus Limited and it subsidiaries as listed below:

Name of entity	Location	2023 ownership	2022 ownership
Chorus New Zealand Limited	New Zealand	100%	100%
Chorus LTI Trustee Limited	New Zealand	Removed	100%

All day-to-day operations of the business occur within Chorus New Zealand Limited including the building and maintenance of the network, sales and marketing, and the supporting corporate function.

Transactions with related parties

Key management personnel are defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, and include the Directors, the Chief Executive, and his direct reports. Certain key management personnel have interests in a number of companies that Chorus has transactions within the normal course of business.

Key management personnel compensation

	2023 $000s	2022 $000s
Short term employee benefits	7,672	6,738
Share based payments	1,638	527
	9,310	**7,265**

This table includes gross remuneration of $1.1 million paid to Directors (30 June 2022: $1.1 million) and $8.2 million paid to key management personnel for the year (30 June 2022: $6.2 million).

Refer to note 16 for details of long-term incentives.

Note 19 – Derivatives and hedge accounting

Chorus uses derivative financial instruments to reduce its exposure to fluctuations in foreign currency exchange rates, interest rates and the spot price of electricity. The use of hedging instruments is governed by the Treasury Policy approved by the Board. Derivatives are held at fair value with an adjustment made for credit risk in accordance with NZ IFRS 9: Financial Instruments. The derivatives are considered Level 2 investments as defined in note 20.

Treatment of any fair value gains or losses depends on whether the derivative is designated as a hedging instrument. If the derivative is not designated as a hedging instrument, the remeasurement gain or loss is recognised immediately in the Consolidated income statement.

Hedge accounting

Chorus designates derivatives held for hedging as either:

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

At inception each hedge relationship is formalised in hedge documentation.

Derivatives in hedge relationships are designated based on a 1:1 hedge ratio. In these hedge relationships ineffectiveness is generally driven by the effect of the credit risk on the fair value of the derivatives, which is not reflected in the change in the fair value of the hedged item attributable to changes in foreign exchange and interest rates. Ineffectiveness is also recognised in relation to the restructured interest rate swaps – refer below for further information.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. On discontinuation, any cumulative gain or loss previously recognised in Other comprehensive income is recognised in the Consolidated income statement either at the same time as the forecast transaction, or immediately if the transaction is no longer expected to occur.

Cash flow hedges

Under a cash flow hedge, the effective portion of gains or losses from remeasuring the fair value of the hedging instrument is recognised in Other comprehensive income and accumulated in the cash flow hedge reserve. Accumulated gains or losses are subsequently transferred to the Consolidated income statement when the hedged item affects the Income statement, or when the hedged item is a forecast transaction that is no longer expected to occur. Alternatively, when the hedged item results in a non-financial asset or liability, the accumulated gains and losses are included in the initial measurement of the cost of the asset or liability.

Differences in the hedged values will flow to finance expense in the Income statement over the life of the derivatives as ineffectiveness. Neither the magnitude or direction of these differences can be predicted as they are influenced by external market factors. In the current year, ineffectiveness was credit $7 million across the hedge relationships (30 June 2022: credit $7 million) Refer to note 4.

As long as the existing cash flow hedge relationships remain effective, any future gains or losses will be processed through the hedge equity reserves.

A reconciliation of movements in the cash flow hedge reserve is outlined below:

	2023 $M	2022 $M
Balance at 1 July	**(63)**	**38**
Changes in cash flow hedges	(3)	(133)
Amortisation of de-designated cash flow hedges transferred to Income statement	(7)	(7)
De-designated swaps reclassified to the income statement	(1)	–
Tax expense	3	39
Closing balance at 30 June	**(71)**	**(63)**

Fair value hedges

Under a fair value hedge, the hedged item is revalued at fair value in respect of the hedged risk. This revaluation is recognised in the Consolidated income statement to offset the mark-to-market revaluation of the hedging derivative, except for any adjustment on the hedging derivative relating to credit risk.

Once hedging is discontinued, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised through the Consolidated income statement from that date through to maturity of the hedged item. If the hedged item is derecognised any corresponding fair value hedge adjustment is immediately recognised in the Consolidated income statement.

To hedge the interest rate risk and foreign currency risk on the EUR EMTNs, Chorus uses cross currency interest rate swaps. For hedge accounting purposes, these swaps were aggregated and designated as two cash flow hedges and a fair value hedge. Chorus hedges the EUR EMTNs for Euro fixed rate interest to Euro floating rate interest via a fair value hedge. In this case, the change in the fair value of the hedged risk is also attributed to the carrying value of the EMTNs (refer to note 4).

Note 19 – Derivatives and hedge accounting (cont.)

Cost of hedging

The cost of hedging reserve captures changes in the fair value of the cost to convert foreign currency to NZD of Chorus' cross currency interest rate swaps on the EUR EMTNs.

A reconciliation of movements in the cost of hedging reserve is outlined below:

	2023 $M	2022 $M
Balance at 1 July	**3**	**13**
Change in currency basis spreads (when excluded from the designation)	7	(14)
De-designated swaps reclassified to the income statement	(3)	–
Tax (benefit)/expense	(1)	4
Closing balance at 30 June	**6**	**3**

Derivatives

Interest rate swaps

As at 30 June 2023 Chorus holds all interest rate swaps in designated hedging relationships.

All interest rate swaps which are designated as cash flow hedges are held in effective hedging relationships and their unrealised gains or losses are recognised in the cash flow hedge reserve.

Chorus has also entered into two interest rate swaps which are designated as fair value hedges. They have a combined face value of $200 million and were entered in conjunction with the 10 year NZD bonds issued on 2 December 2020, with the intention of swapping the interest exposure from a fixed to a floating rate.

Restructured interest rate swaps

Three interest rate swaps have been restructured: two in December 2018 and one in February 2020.

The two December 2018 restructured interest rate swaps have a combined face value of $500 million and were reset in conjunction with the resettable NZD fixed rate bond issued in December 2018 to hedge interest rate exposure from December 2023. As part of the restructure the original hedge relationship was discontinued and on termination there was a net present value of $14 million recognised in the cash flow hedge reserve. This amount was held in the cash flow hedge reserve as the hedged item still exists and is amortised over the original hedge period. The unamortised balance of the original fair values at 30 June 2023 is $6 million (30 June 2022: $8 million).

The interest rate swap restructured in February 2020 had a face value of $200 million and was reset to be in conjunction with the EUR 300 million EMTN issued in December 2019 to hedge interest rate exposure from April 2020. The original hedge relationship was discontinued and on termination had a net present value of $27 million. This amount was held in the cash flow hedge reserve as the hedged item still exists and will be amortised over the original hedge period. The unamortised balance of the original fair values at 30 June 2023 was $12 million (30 June 2022: $17 million).

Cross-currency interest rate swaps

Chorus enters into cross-currency interest rate swaps to hedge the foreign currency and foreign interest rate risks on the EUR EMTNs. Using the cross-currency interest rate swaps, Chorus will pay New Zealand Dollar floating interest rates and receive EUR nominated fixed interest with coupon payments matching the underlying notes.

In September 2022, Chorus repurchased EUR 291 million ($457 million) of the 2016 EMTN issuance for 99.202% of face value. Concurrently, an equal nominal amount of cross-currency interest rate swaps (CCIRS) which hedged the debt were exited to ensure the hedging relationship remains fully effective. The residual EUR 209 million payable in October 2023 remains fully hedged with cross-currency interest rate swaps.

Chorus also issued EUR 500 million of EMTN in September 2022 for a term of 7 years at an interest rate of 3.625%. Consistent with the Chorus Treasury Policy, the debt has been fully hedged with CCIRS to hedge the foreign currency exposure, which entitle Chorus to receive EUR 500 million and EUR fixed coupon payments for NZD 820 million principal and NZD floating interest payments.

Chorus continues to hold cross currency interest rate swaps in relation to the EMTN EUR 300 million issued in December 2019. This is unchanged in the current year.

Chorus designated the EMTN and cross-currency interest rate swaps into three-part hedging relationships for each issue:

- a fair value hedge of EUR benchmark interest rates,
- a cash flow hedge of margin, and
- a cash flow hedge of the principal exchange.

Under the cross-currency swaps Chorus will pay and receive the following on maturity:

	Maturity	Principal – receive leg (EUR M)	Principal – pay leg ($M)
EUR EMTN 209	Oct 2023	209	328
EUR EMTN 300	Dec 2026	300	514
EUR EMTN 500	Sep 2029	500	820

Note 19 – Derivatives and hedge accounting (cont.)

Hedging instruments used (pre-tax):

				Life to date values as at 30 June 2023					Year to date values recognised during the year ended 30 June 2023			
					Carrying amount of the hedging instrument				Hedge effectiveness in reserves		Hedge effectiveness	Hedge ineffectiveness
	Currency	Maturity years	Average rate	Nominal amount of the hedging instrument $M	Assets $M	Liabilities $M	Change in value used for calculating hedge ineffectiveness $M	Cost of hedging reserve $M	Cash flow hedge (OCI) $M	Cash flow hedge reclassified to the Income statement $M	Fair value hedge recognised in the Income statement $M	Recognised in the Income statement $M
Cash flow hedges												
Interest rate swaps (including forward starting)	NZD	1-7	2.53%	1,464	89	–	89	–	12	–	–	–
Restructured interest rate swaps 2018 (forward starting)	NZD	6	4.41%	500	2	–	19	–	11	2	–	–
Restructured interest rate swap 2020	NZD	4	3.35%	200	10	–	38	–	1	4	–	4
Forward exchange rate contracts	NZD:USD	1-2	0.6202	36	1	–	1	–	1	(6)	–	–
Electricity futures	NZD	1-2	NA	NA	–	(2)	–	–	(2)	(3)	–	–
Fair value hedges												
Interest rate swaps	NZD	8	Floating	200	–	(45)	(45)	–	–	–	–	–
Fair value and cash flow hedges												
Cross currency interest rate swaps	NZD:EUR	<1	Floating	328	39	–	40	(1)	22	(21)	1	–
Cross currency interest rate swaps	NZD:EUR	4	Floating	514	–	(47)	(45)	(2)	31	(31)	(21)	2
Cross currency interest rate swaps	NZD:EUR	7	Floating	820	18	–	22	(5)	60	(71)	(38)	1
Total hedged derivatives				**4,062**	**159**	**(94)**	**119**	**(8)**	**136**	**(126)**	**(58)**	**7**
Current					**43**	**(1)**						
Non-current					**116**	**(93)**						

Note 19 – Derivatives and hedge accounting (cont.)

				Life to date values as at 30 June 2022					Year to date values recognised during the year ended 30 June 2022			
					Carrying amount of the hedging instrument				Hedge effectiveness in reserves		Hedge effectiveness	Hedge ineffectiveness
	Currency	Maturity years	Average rate	Nominal amount of the hedging instrument $M	Assets $M	Liabilities $M	Change in value used for calculating hedge ineffectiveness $M	Cost of hedging reserve $M	Cash flow hedge (OCI) $M	Cash flow hedge reclassified to the Income statement $M	Fair value hedge recognised in the Income statement $M	Recognised in the Income statement $M
Cash flow hedges												
Interest rate swaps (including forward starting)	NZD	2-7	1.50%	864	77	–	77	–	65	–	–	–
Restructured interest rate swaps 2018 (forward starting)	NZD	7	4.41%	500	–	(9)	7	–	42	2	–	2
Restructured interest rate swap 2020	NZD	5	3.35%	200	5	–	33	–	20	5	–	5
Forward exchange rate contracts	NZD:USD	1-2	0.7065	6	6	–	6	–	6	–	–	–
Electricity futures	NZD	1-3	NA	NA	4	–	4	–	2	(4)	–	–
Fair value hedges												
Interest rate swaps	NZD	9	Floating	200	–	(45)	(45)	–	–	–	(27)	–
Fair value and cash flow hedges												
Cross currency interest rate swaps	NZD:EUR	2	Floating	785	37	–	42	(5)	(9)	9	(20)	–
Cross currency interest rate swaps	NZD:EUR	5	Floating	514	–	(56)	(56)	–	(4)	6	(42)	–
Total hedged derivatives				**3,069**	**129**	**(110)**	**68**	**(5)**	**122**	**18**	**(89)**	**7**
Current					**9**	**–**						
Non-current					**120**	**(110)**						

All hedging instruments can be found in the derivative finance assets and liabilities within the Consolidated statement of financial position. Items taken to the Consolidated income statement have been recognised in finance expenses (refer note 4).

Credit risk associated with derivative financial instruments is managed by ensuring that transactions are executed with counterparties with high quality credit ratings along with credit exposure limits for different credit classes. The counterparty credit risk is monitored and reviewed by the Board on a regular basis.

Note 20 – Financial risk management

Chorus' activities expose it to a variety of financial risks, including market risk (currency risk, electricity price risk and interest rate risk) credit risk and liquidity risk. Financial risk management for currency and interest rate risk is carried out by the treasury function under policies approved by the Board. Chorus' Treasury Policy, approved by the Board, provides the basis for overall financial risk management.

Chorus uses derivatives to hedge its financial risk exposures and does not hold or issue derivative financial instruments for trading purposes. The risk associated with these transactions is the cost of replacing these agreements at the current market rates in the event of default by a counterparty.

A summary of the financial risks that impact Chorus, how they arise and how they are managed is presented below:

Nature and exposure to Chorus	How the risk is managed
Market risk	
Electricity price risk Chorus is exposed to electricity price volatility through the purchase of electricity at spot prices.	Chorus has entered into fixed electricity futures contracts to reduce the exposure to electricity spot price movements. These contracts are designated as cash flow hedge relationships. A 10% increase or decrease in the spot price of electricity, with all other variables held constant, would have minimal impact on profit and equity reserves of Chorus.
Currency risk Chorus' exposure to foreign currency fluctuations predominantly arises from foreign currency debt and future commitments to purchase foreign currency denominated assets. The primary objective in managing foreign currency risk is to protect against the risk that Chorus' assets, liabilities and financial performance will fluctuate due to changes in foreign currency exchange rates. Chorus has EUR 1,009 million foreign currency debt in the form of EMTN.	Chorus enters into forward foreign exchange contracts and cross currency interest rate swaps to manage the foreign exchange exposure. The EUR EMTN has in place cross currency interest rate swaps under which Chorus receives principal and fixed coupon payments in EUR for principal and floating NZD interest payments. The exchange gain or loss resulting from the translation of EMTN denominated in foreign currency to NZD is recognised in the Income statement. The movement is offset by the translation of the principal value of the related cross-currency interest rate swap. As at 30 June 2023, Chorus did not have any significant unhedged exposure to currency risk (30 June 2022: no significant unhedged exposure to currency risk). A 10% increase or decrease in the exchange rate, with all other variables held constant, would have minimal impact on profit and equity reserves of Chorus.
Interest rate risk Chorus is exposed to interest rate risk arising from the cross-currency interest rate swaps converting the foreign debt into a floating rate NZD obligation as well as loans under the syndicated bank facility which are subject to floating interest rates. Chorus is also exposed to changes in the fair value of the fixed interest 2030 NZD Bond due to fluctuations in the benchmark interest rate.	Where appropriate, Chorus aims to reduce the uncertainty of changes in interest rates by entering into interest rate swaps to fix the effective interest rate to minimise the cost of net debt and manage the impact of interest rate volatility on earnings. The interest rate risk on a portion of the EUR cross currency interest rate swaps has been hedged using interest rate swaps. Refer to note 19 for further information.
Other risks	
Credit risk In the normal course of business, Chorus incurs counterparty credit risk from financial instruments, including cash, trade and other receivables, and derivatives.	Credit risk is managed by entering into contracts with creditworthy financial institutions. Refer to individual notes for additional information on credit risk. Chorus has certain derivative transactions that are subject to bilateral credit support agreements that require Chorus or the counterparty to post collateral to support the value of certain derivatives. As at 30 June 2023 no collateral was posted.
Liquidity risk Liquidity risk is the risk that Chorus will encounter difficulty raising liquid funds to meet commitments as they fall due or foregoing investment opportunities, resulting in defaults or excessive debt costs. Prudent liquidity risk management implies maintaining sufficient cash and the ability to meet its financial obligations.	Chorus manages liquidity risk by ensuring sufficient access to committed facilities, continuous cash flow monitoring and maintaining prudent levels of short-term debt maturities.

Note 20 – Financial risk management (cont.)

Interest rate risk

Analysis of Chorus' interest rate repricing is outlined below:

30 June 2023	Within 1 Year $M	1–2 Years $M	2–3 Years $M	3–4 Years $M	4–5 Years $M	Greater than 5 years $M	Total $M
Floating rate							
Debt (after hedging)	370	–	–	–	–	–	370
Fixed rate							
Debt (after hedging)	328	–	–	514	200	1,150	2,192
CIP securities	–	–	150	–	–	547	697
	698	**–**	**150**	**514**	**200**	**1,697**	**3,259**
30 June 2022							
Floating rate							
Debt (after hedging)	635	–	–	–	–	–	635
Fixed rate							
Debt (after hedging)	190	350	–	–	514	700	1,754
CIP securities	–	–	–	140	–	473	613
	825	**350**	**–**	**140**	**514**	**1,173**	**3,002**

Interest rate sensitivity analysis

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	2023 $M Profit/(loss)	2023 $M Equity (increase) /decrease	2022 $M Profit/(loss)	2022 $M Equity (increase) /decrease
100 basis point increase	1	1	1	(6)
100 basis point decrease	(1)	(2)	(1)	7

Credit risk

The maximum exposure to credit risk at the reporting date was as follows:

	Notes	2023 $M	2022 $M
Cash and call deposits	15	76	88
Trade and other receivables	11	153	126
Derivative financial instruments	19	159	129
Maximum exposure to credit risk		**388**	**343**

Refer to individual notes for additional information on credit risk.

Note 20 – Financial risk management (cont.)

Liquidity risk

Chorus manages liquidity risk by ensuring sufficient access to committed facilities, continuous cash flow monitoring and maintaining prudent levels of short-term debt maturities. At balance date, Chorus had available $450 million under the syndicated bank facilities (30 June 2022: $350 million). Nil of the facilities have been drawn down as at 30 June 2023 (30 June 2022: $190 million).

The gross (inflows)/outflows of derivative financial liabilities disclosed in the table below represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement (for example forward exchange contracts).

30 June 2023	Carrying amount $M	Contractual cashflow $M	Within 1 Year $M	1–2 Years $M	2–3 Years $M	3–4 Years $M	4–5 Years $M	5+ Years $M
Non-derivative financial liabilities								
Trade and other payables	291	291	280	11	–	–	–	–
Leases (net settled)	181	310	24	23	22	21	19	201
Debt	2,528	2,114	751	31	31	328	226	747
CIP securities	697	1,338	–	171	–	–	–	1,167
Derivative financial liabilities								
Interest rate swaps								
Outflows	45	55	10	9	7	6	6	17
Cross currency interest rate swaps:								
Inflows	–	(589)	(5)	(5)	(5)	(574)	–	–
Outflows	47	635	39	36	31	529	–	–
Forward exchange contracts:								
Inflows	–	(13)	(13)	–	–	–	–	–
Outflows	–	12	12	–	–	–	–	–

30 June 2022	Carrying amount $M	Contractual cashflow $M	Within 1 Year $M	1–2 Years $M	2–3 Years $M	3–4 Years $M	4–5 Years $M	5+ Years $M
Non derivative financial liabilities								
Trade and other payables	280	280	264	16	–	–	–	–
Leases (net settled)	187	113	11	10	10	10	9	62
Debt	2,322	2,487	45	1,409	14	14	585	420
CIP securities	613	1,259	–	–	171	–	–	1,088
Derivative financial liabilities								
Interest rate swaps								
Outflows	54	65	6	7	8	9	9	26
Cross currency interest rate swaps:								
Inflows	–	(593)	(4)	(5)	(5)	(5)	(576)	–
Outflows	56	649	28	31	31	30	529	–
Forward exchange contracts:								
Inflows	–	(3)	(3)	–	–	–	–	–
Outflows	–	21	21	–	–	–	–	–

Note 20 – Financial risk management (cont.)

Master netting arrangements

Chorus enters into derivative transactions under the International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the Statement of financial position, as Chorus does not currently have any legally enforceable right to offset recognised amounts. Under the ISDA agreements the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. The potential net impact of this offsetting is shown below. Chorus does not hold, and is not required to post, collateral against its derivative positions.

Net derivatives after applying rights of offset under ISDA agreements are as below:

30 June 2023	Gross amounts of financial instruments in the statement of financial position $M	Related financial instruments that are not offset $M	Net amount $M
Financial assets			
Other investments including derivatives			
Interest rates swaps	89	(45)	44
Cross currency interest rate swaps	57	(47)	10
Restructured interest rate swaps	12	–	12
Forward exchange contracts	1	–	1
	159	**(92)**	**67**
Financial liabilities			
Interest rates swaps	(45)	45	–
Cross currency interest rate swaps	(47)	47	–
Electricity futures	(2)	–	(2)
	(94)	**92**	**(2)**
30 June 2022			
Financial assets			
Other investments including derivatives			
Interest rates swaps	77	(45)	32
Cross currency interest rate swaps	37	(37)	–
Restructured interest rate swaps	5	(5)	–
Forward exchange contracts	6	–	6
Electricity futures	4	–	4
	129	**(87)**	**42**
Financial liabilities			
Interest rates swaps	(45)	45	–
Cross currency interest rate swaps	(56)	37	(19)
Restructured interest rate swaps	(9)	5	(4)
	(110)	**87**	**(23)**

Note 20 – Financial risk management (cont.)

Fair value

Financial instruments are either carried at amortised cost, less any provision for impairment losses, or fair value. The only significant variances between instruments held at amortised cost and their fair value relate to the EMTN and the 2030 NZD Bond.

For those instruments recognised at fair value in the statement of financial position, fair values are determined as follows:

Level 1	Fair value is determined using unadjusted quoted prices from an active market for identical assets and liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, a dealer, a broker, an industry group, a pricing service or a regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
Level 2	Fair value is determined using observable inputs – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets. Where quoted prices are not available, the fair value of financial instruments is valued using models where all significant inputs are observable.
Level 3	Fair value is determined using significant non-observable inputs. Financial instruments are valued using models where one or more significant inputs are not observable.

All financial instruments held at fair value are Level 2 instruments. Relevant financial assets and financial liabilities and their fair values are detailed in note 19.

Valuation of level 2 derivatives

The fair values of level two derivatives are determined using discounted cash flow models. The key inputs in the valuation models are:

Instrument	Valuation input
Cross-currency interest rate swaps	Forward curve for the relevant interest rate and foreign exchange rate
Interest rate swaps	Forward interest rate curve
Electricity swaps	ASX forward price curve
Foreign exchange contracts	Forward foreign exchange rate curves

Hedge accounting

Chorus designates and documents the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. At hedge inception (and on an ongoing basis), hedges are assessed to establish if they are effective in offsetting changes in fair values or cash flows of hedged items.

Hedges are classified into two primary types: cash flow hedges and fair value hedges. Refer to note 19 for additional information on cash flow and fair value hedge reserves.

Capital risk management

Chorus manages its capital considering shareholders' interests, the value of its assets and credit ratings. The capital Chorus manages consists of cash and debt balances.

The Chorus Board's broader capital management objectives include maintaining an investment grade credit rating with headroom. In the longer term, the Board continues to consider a 'BBB' rating appropriate for a business such as Chorus.

Note 21 – Contingent liabilities

There are no contingent liabilities as at 30 June 2023.

Note 22 – Subsequent events

Dividends

On 21 August 2023 Chorus declared an unimputed dividend of 25.5 cents per share in respect of the year ended 30 June 2023.

Governance and disclosures

Corporate governance framework

This statement outlines the key aspects of our corporate governance framework and was approved by our Board on 18 August 2023.

As a New Zealand company listed on the NZX, our corporate governance policies and practices meet or exceed the standards of that market. We have adopted and fully followed the recommendations set out in the NZX Corporate Governance **(Code)**. We are reporting against the 1 April 2023 edition of the Code.

Although we have an ASX "foreign exempt" listing status[1] we also continue to take the ASX Corporate Governance Code into account in our governance practices and policies.

Our Board regularly reviews and assesses our governance policies, processes and practices to identify opportunities for enhancement.

Chorus is, for the third year, publishing its sustainability report (Sustainability Report), reflecting our ambition to support New Zealand in its transition to be more sustainable. The Sustainability Report contains information on our sustainability strategy, including our environmental focus, our commitment to strengthening the digital capability in Aotearoa, and our commitment to helping our people thrive. Aotearoa is also in the process of implementing mandatory climate-related disclosures for many large companies, including Chorus. We continue to refine our climate-related risk and reporting framework to help New Zealand meet its international obligations and to provide stakeholders with meaningful climate-related information.

Our corporate governance practices and reporting against the recommendations set out in the Code, are outlined on the following pages (refer to the index below), in our Sustainability Report and available at **www.chorus.co.nz/governance.**

Our Board's role

Our Board is appointed by shareholders and has overall responsibility for strategy, culture, health and safety, governance and performance.

Board membership

Our Board's skills, experience and composition support effective governance and decision making, positioning it to add value.

Our Board regularly assesses its composition utilising a skills matrix and annual evaluation processes. Training is provided or recruitment undertaken if new or additional skills or experience is required. This ensures diversity of thought, skills and expertise and that our Board remains aligned with our strategic direction.

Our constitution provides for a minimum of five and a maximum of 12 directors.

As at 30 June 2023 we had seven directors all of whom are independent directors. We have four male directors and three female directors. Our CEO is not a director on our Board.

Directors are not appointed for specified terms. However, the NZX listing rules compulsorily require that no director term exceeds three years, requiring all directors to stand again for re-election before their third anniversary. Due to Chorus' succession planning, Chorus has at least one director standing for re-election each year. Mark Cross and Sue Bailey both stood for re-election in 2022, while Will Irving stood for election as a new director. Patrick Strange retired and Mark Cross was appointed as Chair in his place. Jack Matthews and Kate Jorgensen are due to stand for re-election in 2023.

We recognise that women and ethnic minorities are still under-represented in the leadership of New Zealand businesses and our Board remains actively conscious of this in its succession planning. More information on our approach to diversity is set out on page 79 and in our Sustainability Report, available at www.company.chorus.co.nz/sustainability.

1 An ASX foreign exempt listing is based on the principle of substituted compliance. This means our primary obligation is to comply with the NZX listing rules (as our home exchange). As a result we do not need to follow or report against compliance with the ASX Corporate Governance Code.

Board composition and performance

(Code Recommendations 2.1 - 2.10)

Board Charter

(Code Recommendation 2.1)

The Board has a written charter outlining the roles and responsibilities of the Board and management.
A copy of the Board Charter is available at **www.chorus.co.nz/governance**.

Summary[1] of our Board's roles and responsibilities:	
Strategic objectives and financial performance	• Approving strategies developed by Management in support of Chorus' purpose to achieve its strategic objectives • Monitoring the execution of strategies by Management • Approving the annual budget and financial plans • Approving major corporate initiatives • Approving expenditure or actions that exceed the limits delegated to the CEO
Culture	• Overseeing the effectiveness of Management plans to build and support a corporate culture that champions safe, fair and inclusive workplaces • Receiving reports from Management regarding Chorus' culture, including employee wellbeing
Risk management	• Overseeing the process for identifying significant risks facing Chorus • Overseeing systems of risk management and internal control and compliance (including compliance with Chorus' legal and regulatory obligations) • Satisfying itself that appropriate controls, monitoring and reporting mechanisms are in place • Overseeing the effective monitoring and management of health and safety
Financial reporting	• Approving Chorus' financial statements • Overseeing the integrity of Chorus' accounting and corporate reporting systems including liaising with Chorus' external auditor
Monitoring Management's performance and succession planning	• Assessing the performance of the CEO • (In addition to the CEO) considering the appointment and replacement of the CFO and the Chief Corporate Officer & General Counsel • Overseeing succession plans for the CEO and their direct reports
Board performance and succession planning	• Reviewing the needs, size, independence, qualifications, skills, experience and composition of the Board to ensure the right Directors with the right skills sit around the boardroom table • Identifying and nominating (or appointing) Director candidates and overseeing Director induction and ongoing Director professional development • Carrying out Board succession planning, including for the Board Chair • Establishing, developing and overseeing evaluation processes to annually assess Board, Board Committee and individual Director performance
Continuous Disclosure	• Overseeing the process for making timely and balanced disclosure of all material information concerning Chorus
Remuneration	• Approving Chorus' remuneration policy and framework and satisfying itself that Chorus' remuneration policy is aligned with Chorus' purpose, values, strategic objectives, and risk appetite • Approving material changes to employee short and long term incentive plans
Governance and Sustainability	• Monitoring the effectiveness of Chorus' governance policies and practices including satisfying itself that an appropriate framework exists for information to be reported by Management to the Board • Approving Chorus' sustainability strategy • Overseeing the social, ethical, and environmental impact of Chorus' activities
Stakeholder Management	• Monitoring the relationships between Chorus and key stakeholders to ensure they are productive and healthy.

1 Summary primarily drawn from the Board Charter.

Our Board

(Code Recommendation 2.4)

Mark Cross
BBS (Accounting & Finance), CA

Chair
Director since 1 November 2016
Independent

Mark is an experienced director with more than 20 years of international experience in corporate finance and investment banking.

Mark is currently a director of Xero and a board member and investment committee chair of Accident Compensation Corporation (ACC). He is also a former chair of Milford Asset Management and former director of Z Energy, Genesis Energy, and Argosy Property.

Mark is a member of Chartered Accountants Australia and New Zealand, a chartered member of the Institute of Directors NZ and a member of the Australian Institute of Company Directors.

He was chair of our Audit and Risk Management Committee, and was on our Nominations and Corporate Governance Committee.

Mark has been appointed as the new Chair of Chorus following Patrick Strange's resignation. His appointment took effect from the end of the annual shareholders' meeting in October 2022.

Kate Jorgensen
MTF, BBus, CA

Director since 1 July 2020
Independent

Kate brings a wealth of experience in strategic, financial, and audit matters, with several senior leadership positions held in NZ's telecommunications, infrastructure, and construction industries. Her focus on governance, risk management and sustainability has earned her the respect of stakeholders.

Kate also serves on the boards of Suncorp NZ and Kiwibank. She has held senior positions as CFO of Vodafone NZ, KiwiRail, and Fletcher Building's infrastructure division. Kate is an impact coach with the Springboard Trust and was a member of the Sustainable Business Council Advisory Board.

She holds a Masters in Technological Futures and a Bachelor of Business, is a Chartered Accountant of Australia and New Zealand, and a Chartered Member of the Institute of Directors.

Kate is chair of our Audit and Risk Management Committee.

Murray Jordan
MProp

Director since 1 September 2015
Independent

Murray has extensive experience in the management of highly customer focused organisations and in navigating extremely complex environments, including as managing director of Foodstuffs North Island, one of New Zealand's largest companies.

Murray has also previously held various general manager positions at Foodstuffs and management roles in the property investment and development sectors. He is a director of Deakin TopCo Pty Ltd (trading as Levande), Metlifecare, Metcash Limited, Southern Cross Medical Care Society, Southern Cross Healthcare Limited, Stevenson Group, and a Board trustee of Starship Foundation.

Murray is chair of our People, Performance and Culture Committee.

Sue Bailey
Graduate Diploma in Marketing (with Distinction) from RMIT University

Director since 31 October 2019
Independent

Sue has over 30 years experience in telecommunications, across fixed telephony, mobile and broadband. She has worked for Telstra, Virgin Mobile and most recently for Optus (one of Australia's largest telecommunication operators with mobile, cable and fibre networks) where she was a member of the executive leadership team.

From 2010 to 2013, Sue was the CEO for Virgin Mobile Australia, a fully owned subsidiary of Optus. Prior to that, she was a Senior Vice President at Virgin Mobile USA where her responsibilities included product marketing, customer lifecycle management and analytics. Sue's career began in Telstra, where she held a range of marketing and product roles. Sue is a director of CareFlight and a member of the Australian Institute of Company Directors.

Sue is on our People, Performance and Culture Committee.

Our Board and management are committed to ensuring our people act ethically, with integrity and in accordance with our policies and values.

Miriam Dean
CNZM, KC

Director since
27 October 2021
Independent

As a King's Counsel and independent director, Miriam has extensive experience in commercial dispute resolution and governance, with a specialty in competition, consumer and regulatory law.

Miriam also has significant experience in the infrastructure and regulatory sectors, most notably as a current director of Rau Paenga Limited (previously Ōtākaro Limited), tasked with supporting and delivering infrastructure around Aotearoa for various government agencies, a former director of Crown Infrastructure Partners, a former deputy chair of Auckland Council Investments, and a former deputy chair of the Commerce Commission.

Miriam is currently chair of the Banking Ombudsman Scheme, deputy chair of the Real Estate Institute of New Zealand, and a member of a number of central and local government-related advisory boards.

Miriam is on our People, Performance and Culture Committee.

Will Irving
LL.B. (Hons), BCom

Director since
26 October 2022
Independent

Will has more than 25 years of telecommunications industry experience having held a range of senior roles in the telecommunications industry in Australia ranging across strategy, wholesale, small and medium business customer sales and service and as a lawyer.

Currently, he is the Chief Strategy and Transformation Officer at NBN Co Limited in Australia, the company established to design, build and operate Australia's wholesale broadband access network.

Prior to this role, Will held wholesale and retail customer sales and service roles as Interim CEO of Telstra InfraCo, Group Executive of Telstra Wholesale and Group Managing Director of Telstra Business. Prior to his commercial management roles, Will was Group General Counsel of Telstra and before that held a range of legal roles, having commenced his legal career at what is now King & Wood Mallesons.

Will is a member of our Audit and Risk Management Committee.

Jack Matthews
BA Philosophy, College of William and Mary

Director since 1 July 2017
Independent

Jack is an experienced director who has held a number of senior leadership positions within the media, telecommunications and technology industries in Australia and New Zealand.

Jack has extensive telecommunications industry experience having been CEO of TelstraSaturn during the period they deployed their HFC network in New Zealand, as well as a former director of Crown Fibre Holdings, the Crown agency overseeing the rollout of New Zealand's fibre infrastructure network.

Formerly, Jack was CEO of Fairfax Media's Metro Division, CEO of Fairfax Digital and Chief Operating Officer of Jupiter TV (Japan).

Jack is currently the chair of Lodestone Energy and a director of New Zealand Golf Network Limited and a former director of Plexure Group, The Network for Learning, APN Outdoor Group and Trilogy International.

Jack is a member of our Audit and Risk Management Committee.

Figure 3:

Director tenure

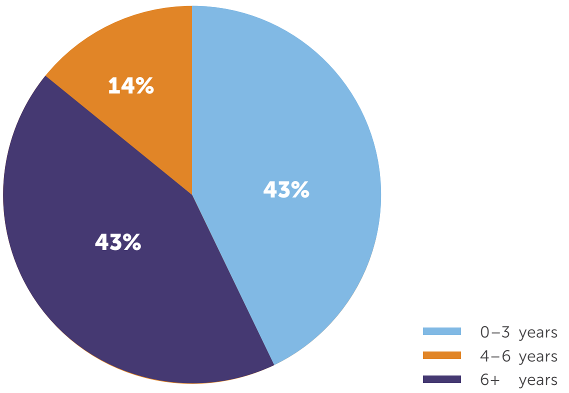
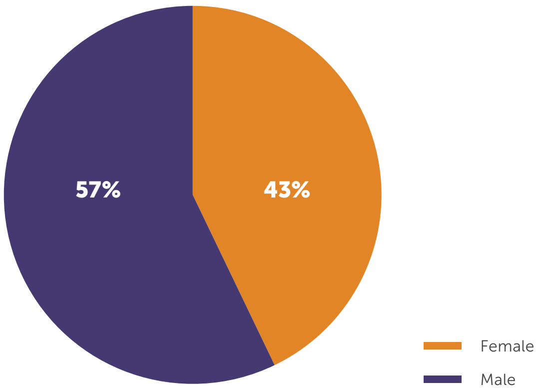


Figure 4:

Board gender diversity



Director	Appointed	Last elected at ASM
Murray Jordan	2015	2021
Mark Cross	2016	2022
Jack Matthews	2017	2020
Sue Bailey	2019	2022
Kate Jorgensen	2020	2020
Miriam Dean	2021	2021
Will Irving	2022	2022

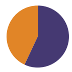
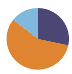
Jack Matthews and Kate Jorgensen are retiring by rotation and standing for re-election at our 2023 Annual Shareholders' Meeting (ASM).

Our Board has determined that collectively its directors have a broad range of managerial, financial, accounting and industry skills and experience in the key areas set out on the following page.

A summary of current directors skills, experience and qualifications is set out on our website at www.chorus.co.nz/governance.

As the Chorus business evolves, so too does the Board. Chorus' beginnings were focused on infrastructure build and project management. With the success of the build, we are now focused on connecting customers and their experience as well as future connectivity and non-regulated revenue opportunities. The Board is also focused on the increasing risks and impacts of climate change, and how that fits into Chorus' overall strategy. The Board considers it is important to balance both specialist expertise and the ongoing need for strong general commercial expertise.

The following table reflects the strengths of the current Board based on a mix of key skills and experiences that are currently relevant for Chorus.

Skill/experience	Description	Combined Board
Capital markets and investment	Experience in, and understanding of, capital markets, market regulation, capital investment and the investor experience	
Communications connectivity and technology	Understanding, expertise and/or experience in communications connectivity, adopting new technologies, leveraging and implementing technologies	
Governance – financial, audit, legal, listed company	Experience with, and a commitment to, high corporate governance standards including in listed companies Understanding financial business drivers, and/or experience implementing or overseeing financial accounting, external reporting and internal financial controls	
Physical infrastructure and operations including contracting, safety and risk	Experience in leading, and/or understanding of, physical infrastructure operations, including contracting Commitment and experience in management of workplace safety Experience anticipating and identifying key risks and monitoring the effectiveness of risk management frameworks and controls	
Governance – executive experience in large businesses	Executive experience in leading large businesses, developing and implementing strategy and strategic objectives, assessing business plans and driving execution	
Infrastructure regulation	Understanding the current and developing regulatory environment, complexities and actual and potential impacts Expertise identifying and managing legal, regulatory, public policy and corporate affairs issues	
Customer experience	Experience in customer-led transformation, customer focus (at both a retailer and consumer level) and/or customer centric organisations in competitive industries	

Substantial experience   Moderate experience   Some experience

Appointment

(Code Recommendations 2.2 & 2.3)

Our Board may appoint additional directors to our Board or to fill a casual vacancy. Any director appointed by the Board is required to stand for election at the next ASM.

The independence, qualifications, skills and experience needed for the future and those of existing Board members are reviewed by the Board before appointing new directors. External advisors are also engaged to identify potential candidates.

To be eligible for selection, candidates must demonstrate appropriate qualities and satisfy our Board they will commit the time needed to be fully effective in their role.

Appropriate checks are undertaken before a candidate is appointed or recommended for election as a director, including as to the person's character, experience, education, criminal record and bankruptcy history.

Shareholders may also nominate candidates for appointment to our Board. In addition, under the agreements entered into with CIP relating to our UFB programme, CIP is entitled to nominate one person as an independent director, however CIP have never exercised this entitlement. Should this occur, our Board must consider this nomination in good faith, but the appointment (and removal) of any such person as a director is to be made by shareholders in the same way as other directors.

We have written agreements with each non-executive director setting out the terms of their appointment, including obligations and responsibilities, compliance with our policies (including code of ethics and securities trading) and ongoing professional development.

No person who is an 'associated person' (as defined in Chorus' Constitution) of a telecommunications services provider in New Zealand may be appointed or hold office as a director.

Minimum shareholding policy

Chorus' Minimum Shareholding Policy sets the expectation on directors to hold, at a minimum, shares equal in value to one year's director base fee (after tax). If not held at their date of appointment, the policy expects directors to accumulate this holding over the first three years from that date.

Diversity, equity and inclusion policy

(Code Recommendation 2.5)

Information about Chorus' approach to diversity,equity and inclusion is found on page 79 of this report.

Director induction and professional development

(Code Recommendation 2.6)

Our director induction programme ensures new directors are appropriately introduced to management and our business, provides directors with relevant industry knowledge and familiarises them with key governance documents and key stakeholders.

Our directors are expected to continue ongoing professional development to ensure they maintain appropriate expertise to effectively perform their duties.

We hold dedicated Board education sessions covering a range of topical matters, both technical and cultural.

Visits to our operations, briefings from key management, industry experts and key advisers, together with educational and stakeholder visits, are also arranged for our Board.

Review and evaluation of Board performance
(Code Recommendation 2.7)

Our Board evaluates its performance each year. As part of this process our chair meets with directors individually to discuss performance.

Our Board also formally engages in annual reviews of our Board chair, and chairs of our standing Board committees.

In addition to Board performance reviews, our Board takes a future focused approach to future Board capability, composition and the potential contribution of each existing director.

Independent advice

A director may, with our chair's prior approval, obtain independent professional advice (including legal advice) and request the attendance of advisers at Board and Board committee meetings. No external advice was sought this year.

Independence
(Code Recommendations 2.4 & 2.8)

All our directors, including our Board chair, are independent directors.

When assessing independence, our Board will consider whether a director is free of material relationships with Chorus (other than as a director) and other relationships that could influence, or could reasonably be perceived to influence, the director's capacity to bring an independent view to decisions about Chorus.

Our Board has not set financial materiality thresholds for determining independence but considers materiality in the context of each relationship and from the perspective of the parties to that relationship.

Delegation of authority

Our Board has overall responsibility for strategy, culture, health and safety, governance and performance.

Implementation of our Board approved strategy, business plan and governance frameworks, and responsibility for developing our culture and health and safety practices, is delegated by the Board to management through the CEO.

As such our CEO (with the support of his executive team) is responsible for Chorus' day-to-day management, operations and leadership, reporting to the Board on key performance, management and operational matters.

Our CEO sub-delegates authority to his executive team and they sub-delegate their authority to other Chorus employees within specified financial and non-financial limits.

Formal policies and procedures govern the parameters and operation of these delegations.

Our CEO is not a director on our Board.

Director interests and trading
(Code Recommendation 2.4)

As at 30 June 2023, directors had a relevant interest (as defined in the Financial Markets Conduct Act 2013) in approximately 0.059% of shares as follows:

Current Directors

	Interest as at 30 June 2023		Transactions during the reporting period			
Director	Shares	Interest	Number of shares	Nature of transaction	Consideration	Date
Mark Cross	30,711	Beneficial owner as beneficiary of Alpha Investment Trust; power to exercise voting rights and acquire/dispose of financial products as director of trustee.	555	Acquisition of shares on reinvestment of dividends under Chorus' dividend reinvestment plan	$4,239.09	11 October 2022
Kate Jorgensen	12,975	Registered holder and beneficial owner	–	–	–	–
Murray Jordan	124,010	Registered holder and beneficial owner of ordinary shares as trustee and beneficiary of Endeavour Trust	2,243	Acquisition of shares on reinvestment of dividends under Chorus' Dividend Reinvestment Plan	$17,132.03	11 October 2022
Sue Bailey	35,000	Registered holder and beneficial owner	5,000	On market acquisition	$38,520.43	14 March 2023
Miriam Dean	5,000	Registered holder and beneficial owner of ordinary shares as trustee and beneficiary of the Miriam Dean Trust	5,000	On market acquisition	$40,070.50	31 August 2022
Will Irving	30,000	Registered holder and beneficial owner	15,000	On market acquisition	$119,973	21 February 2023
			15,000	Initial Disclosure Notice	–	26 October 2022
Jack Matthews	19,881	Registered holder and beneficial owner	360	Acquisition of shares on reinvestment of dividends under Chorus' Dividend Reinvestment Plan	$2,749.68	11 October 2022

As at 30 June 2023, directors had a relevant interest (as defined in the Financial Markets Conduct Act 2013) in approximately 0.024% of Chorus' NZX bonds maturing December 2028 as follows:

	Interest as at 30 June 2023		Transactions during the reporting period			
Director	Bonds	Interest	Number of bonds	Nature of transaction	Consideration	Date
Murray Jordan	100,000	Registered holder and beneficial owner as trustee and beneficiary of Endeavour Trust	–	–	–	–
Miriam Dean	20,000	Registered holder and beneficial owner as trustee and beneficiary of the Miriam Dean Trust	–	–	–	–

Changes in Director interests

Mark Cross	Retired as a director of Milford Asset Management Limited, Milford Capital Investments Limited, Milford Funds Limited, Milford Private Equity Limited, Milford Prived Wealth Limited, Mitre Peak Nominee 1 Limited, MPE II GP Limited, MPE III GP Limited.[1]
Murray Jordan	Became a board member of Deakin TopCo Pty Ltd (trading as Levande).[2]
Jack Matthews	Retired as a director of Plexure Group.[3]
Sue Bailey	None
Miriam Dean	None
Patrick Strange	Retired as a director of Chorus Limited and Chorus New Zealand Limited.[4]
Kate Jorgensen	Became a board member of Suncorp Group (Vero Liability Insurance Ltd, Asteron Life Ltd, and Vero Insurance NZ Ltd.).[5] Became a board member of Kiwibank Limited.[6] Retired as a board member of the Graeme Dingle Foundation.[7]
Will Irving	None

Notes:

1 From 1 July 2022.
2 From 29 July 2022.
3 From 20 September 2022.
4 From 26 October 2022.
5 From 1 September 2022.
6 From 1 June 2023.
7 From 22 June 2023..

Board chair

(Code Recommendations 2.9 & 2.10)

Our chair is elected by the Board and must be a non-executive, independent director.

The chair's responsibilities include:

- Leading the Board;
- Setting the agenda for Board meetings in consultation with the CEO;
- Facilitating the effective contribution of all directors;
- Promoting constructive relationships between directors and management; and
- Leading stakeholder relationships

The chair's other commitments must not hinder his or her effective performance in the role.

Board and Board committee meeting attendance in the year ended 30 June 2023 (Code Recommendation 2.4)

	Regular Board meetings	Other Board meetings[1]	ARMC	PPCC	Regulatory Sub-Committee
Total number of meetings held	8	4	4	4	4
Mark Cross[2]	7	3	1		4
Kate Jorgensen	8	4	4		4
Murray Jordan	8	4		4	4
Sue Bailey	8	4		4	4
Miriam Dean	8	4		4	4
Will Irving[3]	7	2	3		3
Jack Matthews	8	4	4		4
Patrick Strange[4]	2	3			1

JB Rousselot is not a director, but has attended 100% of all Board meetings (except for director-only sessions).

Notes:

1 Includes dedicated Board education, and strategy and business planning, meetings. Directors also have health and safety site visits each year.
2 Mark Cross, as Board chair, attends all Board committee meetings. As he is no longer a formal member of the ARMC or PPCC (following his appointment as Board Chair in October 2022), that attendance is not noted in the table following his appointment date.
3 Will Irving was elected to the Board effective 26 October 2022. He attended 1 regular and one other meeting as an observer.
4 Patrick Strange retired from the Board effective 26 October 2022.

Board committees

(Code Recommendations 3.1 - 3.6)

Two standing Board committees and one ad-hoc sub-committee also assist our Board in carrying out its responsibilities. Some Board responsibilities, powers and authorities are delegated to those committees.

Board committees assist our Board by focusing on specific responsibilities in greater detail than is possible for the Board as a whole. Each standing Board committee and the ad-hoc sub-committee has a Board approved charter and chair. Committee members are appointed by our Board. Chorus employees only attend Committee meetings at the invitation of the Committee.

Other committees may be established and specific responsibilities, powers and authorities delegated to those committees and/or to particular directors.

(Code Recommendations 3.4)

The Nominations and Corporate Governance Committee was disestablished in 2022, with its' responsibilities for director appointment, evaluation, succession planning, education and Board governance now undertaken by the Board. It was disestablished to streamline the governance framework following an internal review of the committees.

It is planned to disestablish the Regulatory Sub-Committee in the first quarter of FY24, with future regulatory responsibilities being undertaken by the Board.

Audit and Risk Management Committee (ARMC)
(Code Recommendations 3.1)

Role	Our ARMC assists our Board in overseeing our risk and financial management, accounting, audit and financial reporting
Members	Kate Jorgensen (chair), Jack Matthews, Will Irving
Independence	All committee members are non-executive independent directors. The Board chair cannot also be the ARMC chair.
Responsibilities	• Overseeing the quality and integrity of external financial reporting, financial management, internal controls and accounting policy and practice • Regularly reviewing principal risk reporting • Recommending to our Board the appointment, and if necessary removal, of the external auditor • Assessing the adequacy of the external audit and independence of the external auditor • Reviewing and monitoring the internal audit plan and reporting • Overseeing the independence and objectivity of the internal audit function • Reviewing compliance with applicable laws, regulations and standards • Overseeing and monitoring progress in the implementation of Chorus' climate strategy.

People, Performance and Culture Committee (PPCC)
(Code Recommendation 3.3)

Role	Our PPCC assists our Board in overseeing people, culture and related policies and strategies
Members	Murray Jordan (chair), Miriam Dean, Sue Bailey
Independence	All committee members are non-executive independent directors
Responsibilities	• Reviewing people and remuneration strategies, structures and policies • Approving annual remuneration increase guides and budgets • Reviewing candidates for, and the performance and remuneration of, our CEO • Approving, on the recommendation of our CEO, the appointment of our CEO's executive direct reports (except our CFO and Chief Corporate Officer & General Counsel whose appointment is approved by our Board) • Reviewing our CEO's performance evaluation of his executive direct reports • Developing and annually reviewing and assessing diversity, equity and inclusion and its reporting • Overseeing recruitment, retention and termination policies and procedures for senior management • Making recommendations (including proposing amendments) to our Board with respect to senior executive (including CEO) incentive remuneration plans / policies • Annually reviewing non-executive director remuneration.

Ad-hoc Regulatory Sub-Committee
(Code Recommendation 3.5)

Role	Our Regulatory Sub-Committee assists the Board in overseeing Chorus' regulatory strategies and meeting Director certification obligations required by Chorus' regulator from time to time
Members	Mark Cross (chair), Kate Jorgensen, Miriam Dean, Jack Matthews, Sue Bailey, Murray Jordan, Will Irving
Independence	All committee members are non-executive independent directors
Responsibilities	• Oversee strategy for Chorus as it relates to Chorus' general regulatory settings and environment both inside and outside of the Price Quality and Information Disclosure (PQID) regulatory regime • Oversee strategy for Chorus as it transitions to the PQID regulatory regime (which took effect from 1 January 2022) including the business transformation required to operate effectively under PQID • Oversee a regulation evolution strategy to support changing commercial circumstances including regulatory settings outside of Chorus' PQID requirements • Provide certifications to accompany mandatory reporting to the regulator, consider regulatory risk management, and review any decisions or findings of the regulator regarding the regulatory regime.

Takeovers protocol
(Code Recommendation 3.6)

We have a takeovers protocol setting out the procedure to be followed if there is a takeover offer, including managing communications between insiders and the bidder and engagement of an independent adviser. The protocol includes the option of establishing an independent takeover committee, and the likely composition and implementation of that committee.

Ethical standards

(Code Recommendations 1.1 & 1.2)

Codes of ethics

(Code Recommendation 1.1)

Directors and employees are expected to act honestly and with high standards of personal integrity. Codes of ethics for our directors and employees set the expected minimum standards for professional conduct. These codes facilitate behaviours and decisions that are consistent with our values, business goals and legal and policy obligations, including in respect of:

- Conflicts of interest;
- Gifts and personal benefits;
- Anti-bribery and corruption;
- Use of corporate property, opportunities and information;
- Confidentiality;
- Compliance with laws and policies; and
- Reporting unethical behaviour.

We have communicated our codes of ethics and provided annual training to our directors and employees. Our people are also encouraged to report any unethical behaviour, including quarterly reporting of any potential conflicts.

This process is subject to internal audit. All reported breaches are investigated.

Chorus also has a dedicated whistle-blower email address and phone number monitored by PwC as part of our risk management framework to allow confidential reporting of serious misconduct or wrongdoing and suspected fraud or corruption. For more information, see the 'Thriving People' section of our Sustainability Report available at **http://company.chorus.co.nz/reports**

Trading in Chorus securities

(Code Recommendation 1.2)

All trading in Chorus securities by directors and employees must be in accordance with our Securities Trading Policy. That policy prohibits trading in Chorus securities while in possession of inside information and requires, amongst other things:

- Directors to notify, and obtain consent from, the chair (or in the chair's case, the ARMC chair) before trading; and
- Employees identified as potentially coming across market sensitive information in the course of their employment ("restricted persons"), to obtain consent from our Chief Corporate Officer & General Counsel (or in our Chief Corporate Officer & General Counsel's case, our Board chair) before trading.

Trading in Chorus shares or NZX listed bonds by directors is disclosed to our Board, the NZX and ASX. Trading by "senior managers" is disclosed to the NZX.

Reporting and disclosure

(Code Recommendations 4.1 - 4.4)

Chorus reviews its disclosure regularly as a key measure of good governance.

The Board's aim is to improve our disclosures each year, including our remuneration reporting, based on market research and feedback from investors and other stakeholders.

Market disclosures

(Code Recommendation 4.1)

We are committed to providing timely, factual and accurate information to the market consistent with our legal and regulatory obligations.

We have a Board approved Disclosure Policy and a CEO approved Market Disclosure Policy setting out our disclosure practices and processes in more detail.

Our disclosure policies are designed to ensure:

- Roles of directors, executives and employees are clearly set out.
- Appropriate reporting and escalation mechanisms are established.
- There are robust and documented confidentiality protocols in place where appropriate.
- Only authorised spokespersons comment publicly, within the bounds of information which is either already publicly known or non-material.

Key Governance Documents

(Code Recommendation 4.2)

Chorus' website has a dedicated governance section that contains information about our Board, the Board committees (including the Board and committee charters) and key policies that outline our core governance structures and processes. These include policies and codes covering areas such as ethics, health & safety, modern slavery, diversity, equity and inclusion, compliance, remuneration, risk management and whistle blowing. The governance section can be found at https://company.chorus.co.nz/governance

Reporting

(Code Recommendation 4.3)

Chorus' financial reports are prepared in a manner that is balanced, clear and objective. The financial statements in this Annual Report are prepared in accordance with NZ GAAP and comply with NZ IFRS.

Non-financial disclosures

(Code Recommendation 4.4)

In addition to the Annual Report containing our financial statements, we publish a sustainability report which contains information on our sustainability strategy, including our environmental focus, our commitment to strengthening the digital capability in Aotearoa, and our commitment to helping our people thrive.

Further information about our approach to sustainability and the Sustainability Report can be found at https://company.chorus.co.nz/sustainability

Our approach to tax

We take our tax obligations seriously and work closely with Inland Revenue to ensure we meet our tax obligations.

We obtain external advice and Inland Revenue's views (through informal correspondence, determinations or rulings) in respect of unusual or material transactions.

As we operate only in New Zealand all our tax is paid in New Zealand at the prevailing corporate tax rate (currently 28%). We have paid all taxes we owe and all tax compliance obligations are up to date.

Remuneration and performance

(Code Recommendations 5.1 - 5.3)

Our remuneration model

(Code Recommendation 5.1)

Our remuneration model is designed to enable the achievement of our strategy, whilst ensuring that remuneration outcomes are aligned with employee and shareholder interests.

The PPCC supports the Board to fulfil their remuneration obligation by overseeing our remunerating strategy and policy.

There were no material changes to Chorus' remuneration strategy or policy in FY23. The policy is designed around six guiding principles:

	Remuneration principles		What does this mean?
1	**Fair** to all – employees and shareholders, sharing in the success of Chorus.	=	Commitment to pay equity and alignment with our shareholders' expectations.
2	Supports a **Performance** focused culture.	=	Rewards aligned with performance.
3	**Valued** by our people.	=	We have a diverse workforce and aim to provide an appropriate suite of rewards that provide value, now and in the future.
4	**Simple** to understand and administrate.	=	Simplicity promotes understanding, clarity and perceptions of fairness.
5	**Market** — aligned with our competitors.	=	We ensure we are not over or underpaying our people through robust market analysis that guides our decisions on remuneration.
6	**Point of difference** — how we know it is Chorus.	=	Supports Chorus' strategy, values, purpose and employee value proposition.

Our remuneration policy sets out our approach to remuneration for both directors and employees (including the CEO and his direct reports).

(Code Recommendation 5.2)

The CEO and members of the executive leadership team have the potential to earn a long term incentive (LTI) and short term incentive (STI). Both STI and LTI are deemed at risk because the outcome is determined by performance against a combination of pre-determined financial and non-financial objectives.

Fixed remuneration

Fixed remuneration (not at risk) consists of base salary and other benefits including KiwiSaver. Fixed remuneration is adjusted each year based on data from independent remuneration specialists. Employees' fixed remuneration is based on a matrix of their own performance and their current position when compared to the market.

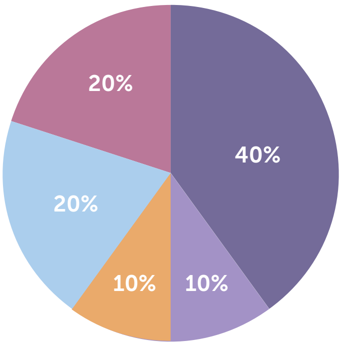
Short term incentive

Senior employees were invited to participate in the FY23 STI scheme. The FY23 STI is an at risk component payment, that is set as a percentage of fixed remuneration, from 15% to 35% based on the complexity of the role (the CEO's STI is a higher percentage of fixed remuneration). STI payments are determined following a review of company and individual performance and paid out at a multiplier of between 0x and 1.25x for the CEO and executive leadership team, and between 0x and 1.4x for all other employees.

Company performance goals are set and reviewed annually by our Board to align with shareholder value. A continued emphasis on customer experience was supplemented by a new focus on revenue growth for the FY23 STI measures. See figure 5.

Figure 5:

FY23 STI Goals



Measures	FY23 target	FY23 actual	FY23 achieved
EBITDA: gateway hurdle of $625m[1] EBITDA. Year end target aligned with objective of modest underlying EBITDA growth.	$665m[1]	$682m[1]	**Exceeded target**
Customer experience – fibre fault restoration as measured by average consumers' scores (target of 8.2 over three months to 30 June)	8.2	7.8	**Did not meet target**
Customer experience – intact fibre connection as measured by average consumers' scores (target of 7.6 over three months to 30 June)	7.6	7.3	**Did not meet target**
Revenue growth: grow FY22 revenue by at least 1%	$965m +1%	$980m (+1.6%)	**Exceeded target**
Strategy and execution: qualitative assessment by Board based on long-term business initiatives including progress of RP2 proposal, non fibre initiatives, growth and Diversity, Equity, and Inclusion.	Various	As assessed by the Board	**Met target**

1 The FY23 Gateway hurdle, FY23 target and FY23 actual figures represent underlying EBITDA (for more information on underlying FY23 EBITDA, refer to the investor presentation released to the market on or about 21 August 2023).

The Board has agreed the FY24 STI scheme will have similar focus areas and weightings as the FY23 scheme, with the addition of climate-related targets as a new focus area.

A gateway goal is fundamental to the STI structure. This ensures a preliminary threshold of financial success and affordability, before any other measures can be considered for potential STI payments. If the gateway goal is not achieved, no STI is payable.

The STI payment is at the ultimate discretion of the Board and is based on performance against key financial and non-financial measures. Some of the non-financial measures include targets associated with health and safety, overall team engagement scores (including both DE&I and Health and Wellbeing scores), and gender balance and mix of teams.

As an example of how the STI is calculated, an employee with fixed remuneration of $100,000 and an STI element of 15% may receive between $0 and $29,400 depending on the level of company performance (0x to 1.4x multiplier) multiplied by their individual performance (0x to 1.4x multiplier). Individual performance is assessed by what employees achieve within their role (70%) and how they perform their role (30%).

Long term incentives

We offer an executive LTI share scheme to align the interests of executives and shareholders and encourage longer term decision making. This at risk payment is described in Note 16 of the financial statements on page 47.

To further align executive and shareholder interests,a minimum shareholding policy was introduced in 2019. This requires executives to hold a minimum of 25% of their after tax base remuneration in Chorus shares. The CEO is required to hold 30% of their after tax base remuneration in Chorus shares.

The LTI scheme remained unchanged for the 2022 grant. It is an absolute rather than a relative return based scheme. A blended total shareholder return rate was adopted to reflect the regulated WACC set for Chorus' fibre assets. This incorporates a weighted cost of equity calculation, proportional to the regulated versus non-regulated components of the business and based on relative enterprise value. A 0.75% stretch percentage was added to the weighted cost of equity calculation to determine the three-year performance hurdle.

The Board has commissioned an independent review of the 2023 grant and one of the considerations is the removal of the current retesting provision, as well as changing the vesting method from the current cliff method where a grant 100% vests on reaching the performance hurdle, to a progressive vesting scale where the grant vests in stages on meeting agreed hurdles.

Chief Executive Officer employment agreement and remuneration

(Code Recommendation 5.3)

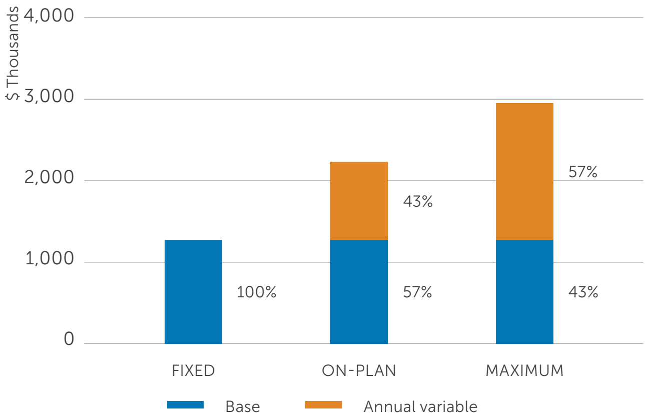
JB Rousselot's employment agreement reflects standard conditions that are appropriate for a senior executive of a listed New Zealand company. The employment agreement may be terminated by:

- either he or Chorus giving six months' notice in writing;
- Chorus without notice in the case of serious misconduct, serious breach (including substantial non-performance) or other cause justifying summary dismissal; or
- Chorus immediately, if the Board forms the view that substantial incompatibility and/or irreconcilable differences have developed with him, or the Board otherwise wishes to terminate his employment when he is not at fault (including a redundancy situation or medical incapacity).

Our CEO has a significant portion of his remuneration linked to performance and at risk. His total remuneration is determined using a range of external factors, including advice from remuneration specialists, and is annually reviewed by the PPCC and Board.

CEO remuneration performance and pay

The scenario chart below demonstrates the elements of the CEO remuneration design in the year ended 30 June 2023.



The chart does not include any income from the LTI scheme. The CEO has received four LTI grants ($319,829 in 2019, which vested in August 2022; $412,500 in 2020; $420,750 in 2021; and $441,788 in 2022) with the 2020 grant being tested for vesting in August 2023.

CEO remuneration for FY22 and FY23 was:

		Fixed remuneration	STI	LTI	Total remuneration
J B Rousselot	FY23	1,338,750	1,138,607	532,369[1]	3,009,726
J B Rousselot	FY22	1,275,000	1,147,500	–	2,442,500

Other benefits paid to JB Rousselot: Chorus KiwiSaver contribution FY23 $76,207.99 and FY22 $61,355.

1 The 2019 LTI grant of $319,829 worth of share rights vested in August 2022 at a value of $532,369.

Five year summary of CEO remuneration:

CEO		Total remuneration	% STI awarded against maximum	% LTI awarded against maximum	Span of LTI performance period
J B Rousselot	FY23	$3,009,726	65%	100%	2019-2022
	FY22	$2,442,500	67%	–	–
	FY21	$2,018,750	47%	–	–
	FY20[2]	$1,425,253	66%	–	–
Kate McKenzie	FY20[3]	$588,325	–	–	–
	FY19	$2,068,560	53%	–	–

2 Pro-rated from start date of 20 November 2019.
3 Pro-rated to end date of 20 December 2019.

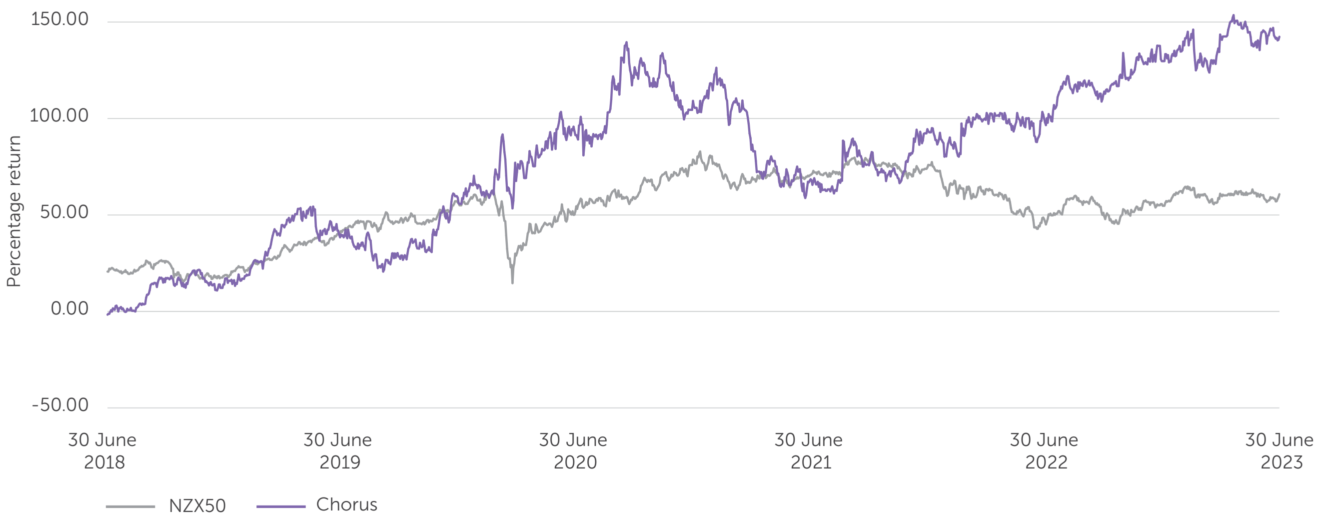
STI & LTI Schemes

The table below outlines the CEO's STI and LTI schemes for the performance period ending 30 June 2023[1]:

	Description	Performance measures	Percentage achieved
STI	Set at 75% of base remuneration. Based on key financial and non-financial performance measures.	• Company performance – see FY23 STI Goals on page 76 for weightings. • Individual performance – based on business fundamentals (both financial and non-financial), customer experience and strategic initiatives including health and safety and DE&I.	65%
LTI – 2019	Three-year grant made November 2019, equivalent to 33% of base remuneration.	• Chorus TSR performance over grant period must exceed 10.35% on an annualised basis, compounding.	100% vested in August 2022.
LTI – 2020	Three-year grant made August 2020, equivalent to 33% of base remuneration.	• Chorus TSR performance over grant period must exceed 9.65% on an annualised basis, compounding.	Assessed August 2023 with possible retesting[3] up to August 2024.
LTI – 2021	Three-year grant made August 2021, equivalent to 33% of base remuneration.	• Chorus TSR performance over grant period must exceed 6.2%[2] on an annualised basis, compounding.	Assessed August 2024 with possible retesting[3] up to August 2025.
LTI – 2022	Three-year grant made August 2022, equivalent to 33% of base remuneration.	• Chorus TSR performance over grant period must exceed 7%[2] on an annualised basis, compounding.	Assessed August 2025 with possible retesting[3] up to August 2026.

1 The STI payments for FY23 will be paid in FY24.
2 A blended rate which incorporates a weighted cost of equity calculation proportional to the regulated versus non regulated components of the business, based on relative Enterprise Value has been used. A 0.75% stretch percentage is added to determine the three-year performance hurdle.
3 If the performance hurdles are not met by the initial vesting date, they are assessed monthly for a period of 12 months (noting the hurdle continues to increase).

Total Shareholder Return (TSR) performance



The graph above shows Chorus' TSR performance against the NZX50 between 30 June 2018 and 30 June 2023.

Executive shareholding

For the year ended 30 June 2023, Chorus executives held shares in Chorus as shown in the table below.

Executive	Current Holdings[1]	Shares Rights Eligible to Convert in 2023[2]
Andrew Carroll[3]	109,011	19,897
Ed Hyde[3]	30,858	16,033
Elaine Campbell	28,589	14,572
Ewen Powell	76,914	13,776
JB Rousselot	41,968	58,947
Shaun Philp[3]	38,796	12,918
Total	**326,136**	**136,143**

1 As at 30 June 2023.
2 If the 2020 LTI hurdles are met, the share rights will be converted to shares in Q2 FY24. In addition, this will also include any share rights in lieu of dividends not yet distributed.
3 Executives are leaving in FY24 and have been granted good leaver status for the 2020 Grant

Diversity, Equity and Inclusion

(Code Recommendation 2.5)

Chorus' Diversity and Inclusion Policy (available in the Governance section of our website) provides a framework for our current and future diversity and inclusion initiatives. Each year, the Chorus Board sets measurable objectives to promote diversity and inclusion. An overview of the agreed FY23 D,E & I measures and the outcomes achieved can be found in our Sustainability Report.

We had four male and three female directors at 30 June 2023 (30 June 2022: four male and three female directors).

Our executive (officers or senior managers) comprising our CEO and his leadership team had six males and one female at 30 June 2023 (30 June 2022: six males and one female).

Based on the annual review of effectiveness of our Diversity, Equity & Inclusion (D,E&I) Policy and our measurable diversity metrics and objectives, our Board considers that overall we are making good progress towards achieving our D,E&I objectives and that we have performed well against the policy generally. We continue to consciously focus on this as we support a culture of inclusion at Chorus.

Median Pay Gap

The median pay gap was 11 times and represents the number of times greater the CEO's base salary of $1,338,750 (annualised) was to an employee paid $121,826 (i.e. the median of all Chorus employees). The gap was 19.2 times when including STI payments for FY23 for the CEO.

Gender pay equity

We monitor and report on remuneration outcomes by gender to ensure pay equity at Chorus and have supported pay gap campaigns led by "Mind the Gap" and Global Women.

We conduct gender pay equity analysis for like positions each year and no indications of gender bias across similar positions were identified in FY23.

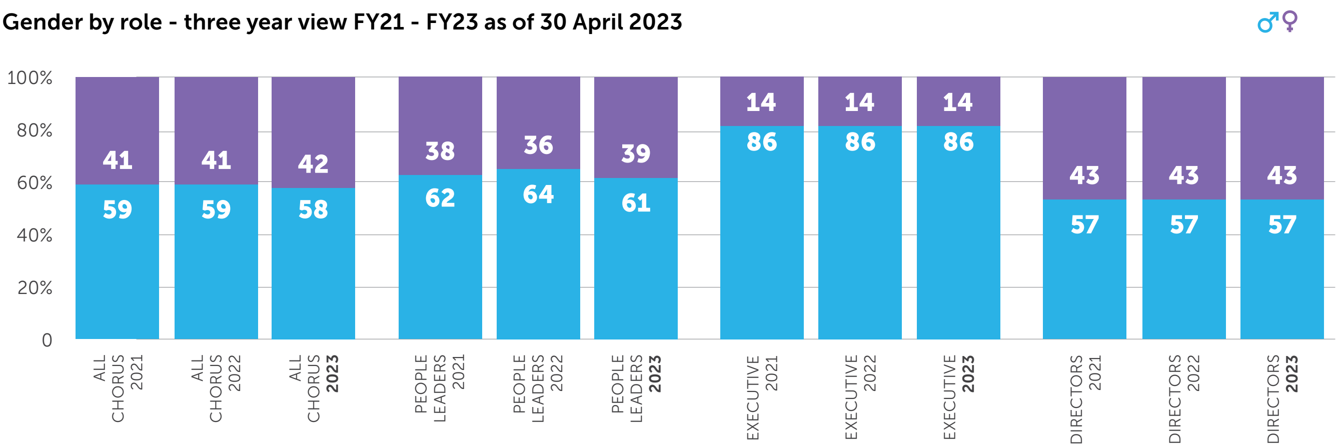
We report on gender pay gap via two different methods. First, at a total company level, where we compare the median hourly rate for women to the rate for men – irrespective of role. By this measure, as of 30 April 2023, the median, gender pay gap was an aggregate total of -19%, compared to -19.1% in the same period last year.

The second method is by career level, comparing the median hourly rate for women to the rate for men, across our nine career levels (salary bands). Our target is a pay gap no greater than -2% at each career level. We achieved this in seven of the nine career levels. In three of the nine career levels, on average females are paid higher than males.

We've committed to report our ethnicity pay gap publicly once a standard, consistent methodology is determined in Aotearoa.

Figure 6:

Gender by role - three year view FY21 - FY23 as of 30 April 2023



40:40:20 split of employees by 2023 / 40:40:20 split of Career level 8-11 by 2025 / 40:40:20 split of People Leaders by 2023.
40:40:20 split of Executive by 2023 / 40:40:20 Board split by 2023.

Employee remuneration range during the year ended 30 June 2023

The table below shows the number of employees and former employees who received remuneration and other benefits in excess of $100,000 during the year ended 30 June 2023. This includes STI and LTI paid during FY23, as well as other benefits such as insurance and a broadband concession. The table excludes any benefits that do not have an attributable value and contributions employees may receive towards:

— the Marram Trust - a community healthcare and holiday accommodation provider

— the Government Superannuation Fund - a legacy benefit provided to a small number of employees

— KiwiSaver accounts - 3% of gross earnings

The remuneration paid to, and other benefits received by, JB Rousselot in his capacity as CEO are detailed on pages 77 to 78, and are excluded from the table below.

Chorus does not have any permanent employee earning less than the 2022/2023 Living Wage of $23.65 per hour.

Remuneration range $ (Gross)	Number of employees in the year ended 30 June 2023
Actual Payment	Rem + STI + LTI + insurance + concession
1,050,000-1,060,000	1
870,001-880,000	1
820,001-830,000	1
750,001-760,000	1
730,001-740,000	1
480,001-490,000	1
420,001-430,000	1
400,001-410,000	1
390,001-400,000	4
370,001-380,000	2
360,001-370,000	2
350,001-360,000	4
340,001-350,000	2
320,001-330,000	1
310,001-320,000	2
300,001-310,000	3
290,001-300,000	4
280,001-290,000	3
270,001-280,000	4
260,001-270,000	4
250,001-260,000	6
240,001-250,000	4
230,001-240,000	16
220,001-230,000	20
210,001-220,000	19
200,001-210,000	19
190,001-200,000	13
180,001-190,000	16
170,001-180,000	28
160,001-170,000	30
150,001-160,000	39
140,001-150,000	50
130,001-140,000	48
120,001-130,000	55
110,001-120,000	63
100,000-110,000	53
Grand Total	**522**

Director remuneration
(Code Recommendation 5.1)

Fee structure

Total remuneration available to directors (in their capacity as such) in the year ended 30 June 2023 was fixed at our 2019 annual shareholders' meeting at $1,169,042.

Annual fee structure	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Board fees:		
Board chair	223,650	223,650
Non-executive director	114,000	114,000
Board committee fees:		
Audit and Risk Management Committee		
Chair	32,600	32,600
Member	16,300	16,300
People, Performance and Culture Committee		
Chair	22,900	22,900
Member	11,750	11,750
Nominations and Corporate Governance Committee		
Chair	–	–
Member	8,880	8,880
Regulatory Sub-Committee		
Chair	–	–
Member	2,400	2,400

Notes:
1 The Board chair receives Board chair fees only. Other directors receive committee fees in addition to their Board fees.
2 Directors do not participate in a bonus or profit-sharing plan, do not receive compensation in share options, and do not have superannuation or any other scheme entitlements or retirement benefits.
3 Directors are paid $2,400 per meeting of the Regulatory Sub-Committee. The Regulatory Sub-Committee meets on an ad-hoc basis.
4 Directors may be paid an additional daily rate of $2,400 for additional work as determined and approved by our chair and where the payment is within the total fee pool available. There were no such fees paid in the year to 30 June 2023. There was also no increase in director and committee base fees in the year to 30 June 2023.

Fees paid to Directors (in their capacity as such) in the year ended 30 June 2023

Director	Total fees $	Board fees	ARMC	PPCC	NCGC	Regulatory Sub-Committee
Mark Cross	204,798	189,187	10,382	–	2,828	2,400
Kate Jorgensen	153,904	114,000	27,476	–	2,828	9,600
Murray Jordan	146,500	114,000	–	22,900	–	9,600
Sue Bailey	135,350	114,000	–	11,750	–	9,600
Miriam Dean	135,350	114,000	–	11,750	–	9,600
Will Irving	96,268	77,926	11,142	–	–	7,200
Jack Matthews	139,900	114,000	16,300	–	–	9,600
Patrick Strange	71,844	71,844	–	–	–	–
	1,083,914	**908,957**	**65,300**	**46,400**	**5,656**	**57,600**

Notes:
1 Amounts are gross and exclude GST (where applicable).
2 Patrick Strange retired as a director effective 26 October 2022. Mark Cross was appointed as chair, effective 26 October 2022. As a result, he received Board Chair fees only from that date. Prior to that date, he received Committee fees in addition to his Board fee.
3 Directors did not receive any fees or other benefits for additional work during the year ended 30 June 2023.
4 Directors are entitled to be reimbursed for travel and incidental expenses incurred in performance of their duties in addition to the above fees.
5 The total fee pool available to directors is $1,169,042.
6 The NCGC was disestablished during the year ended 30 June 2023.

Fee structure from 1 July 2023

Our PPCC reviews non-executive director remuneration annually based on criteria developed by that committee including internal benchmarking analysis. Director fees have not been increased since 2018 and the Board has accepted the committee's recommendation that a 5% increase in individual directors' fees (base and committee fees) is reasonable for the period since 2018. This will be accommodated within the existing director fee pool, with the Regulatory Sub-committee no longer required once Chorus submits its RP2 proposal in 2023. The annualised impact of the 5% increase and removal of the Regulatory Sub-committee fee will be a net reduction in individual directors fees. The Board will undertake an independent review of the director fee pool in 2024.

Risk managment

(Code Recommendations 6.1 & 6.2)

Like all businesses, we are exposed to a range of risks. Our risk management activities aim to ensure we identify, prioritise and manage key risks so we can execute our strategies and achieve our goals.

Risk management

(Code Recommendation 6.1)

No business can thrive without taking on risk. Effective risk management is about informed risk taking and appropriate and active management of risks.

We seek to understand and respond to our current and future business environment, and to actively seek and robustly evaluate opportunities and initiatives which protect and achieve our business strategies. We strive to understand, meet and appropriately balance stakeholders' expectations to deliver value to shareholders and a sustainable environment for Chorus in the long term.

Our Board

Our Board is ultimately responsible for risk management governance:

- Annually setting risk appetite and determining principal risks;
- Participating in discussions concerning elements of risk including emerging and unforeseen risks;
- Approving and regularly reviewing our Managing Risk Policy and supporting framework;
- Promoting a culture of managing risk; and
- Through our ARMC, providing risk oversight and monitoring.

Risk appetite

Our risk appetite sets our tolerable levels of risk. It forms a dynamic link between strategy, target setting and risk management and sets boundaries for day-to-day decision making and reporting.

Risk management processes

Our Managing Risk Policy sets out how we manage our risks, including by:

- Having a single risk management framework;
- Providing the CEO and executive team with discretion to manage risk within the guidance provided in our framework;
- Balancing the level of control implemented to mitigate identified risks with our commitment to comply with external regulation and governance requirements and Chorus' value and growth aspirations; and
- Meeting good practice standards for risk management processes and related governance.

Principal risks

Principal risks are owned by relevant executives. This promotes integration into operations and executives planning and a culture of proactive risk management. Notwithstanding individual ownership, our CEO and executive hold collective responsibility for considering how risk and events interrelate and for managing our overall risk profile.

Principal risks are reported to our ARMC quarterly and, if necessary, also by exception. Principal Risk owners support the regular reporting from the Head of Risk, Internal Audit & Compliance by providing updates on the risks they own. Our ARMC reports to our Board.

Principal risks are assessed with each responsible executive and collectively with the executive team before being reported to the ARMC. This allows for constructive challenge and debate. Underlying risk assessment and monitoring practices are undertaken by each principal risk owner with assistance from our Risk, Internal Audit & Compliance team.

Our Board also receives management and other internal and external reporting over risk positions and our risk management operation (including from internal audit plans approved by the ARMC) through our overall governance framework.

The risk and control environment

Principal risks are our key risks to the achievement of our strategy. These are assessed on a risk profile identifying likelihood of occurrence and potential severity of impact. Current principal risk categories are identified via a comprehensive enterprise risk management framework encompassing financial and non-financial risks.
They include anticipating and responding to:

- Health, safety and wellbeing risks: Working to keep safe the people we owe duties to.
- Commercial and financial sustainability risks: Maintaining appropriate capital management and credit settings.
- Core services risks: Core service availability and network resilience.
- People and skills risks: Ensuring Chorus attains and retains employees with the capabilities to achieve its strategic objectives.
- Legal, regulatory and contractual risks: Working within the regulatory and legal environment.
- Stakeholder and customer confidence / reputation risks: Attaining and retaining a positive reputation with key stakeholders and customers.
- Innovation risks: Identify and pursue innovation and opportunities that will enhance Chorus.

Our risk management framework has also been applied to our climate change risks (see our Sustainability Report).

In addition to Principal Risks, the Chorus Board or ARMC regularly receive updates on, and discuss with the Executive:

- Unforeseen risks which are 'black swan' events which have not been otherwise identified through normal risk processes;
- Emerging risks which are risks that are known to some degree but are not likely to materialise or have an impact in the near term;
- Business unit risks which are risks to the achievement of functional area strategies. The risks are managed at the business unit level and reported to the ARMC if a material risk is out of risk tolerance level.

(Code Recommendation 6.2)

Reporting on our management of health and safety risks is included in our Sustainability Report.

Auditors

(Code Recommendations 7.1 - 7.3)

External auditor

(Code Recommendation 7.1)

Our Board and ARMC monitor the ongoing independence and quality of our external auditor (KPMG). Our ARMC also meets with our external auditor without management present at least once per year.

Our ARMC charter and External Auditor Independence Policy amongst other things:

- Prohibit the provision of certain non-audit services by our external auditor;
- Require ARMC approval of all audit and permitted non-audit services;
- Require our client services partner and lead/engagement partner to be rotated every five years (with a five year cooling off period) and other audit partners to be rotated every seven years (with a two year cooling off period);
- Require our ARMC to review our external auditor's fees half yearly (including the ratio of fees for audit vs. non-audit services); and
- Impose restrictions on the employment of former external audit personnel.

Our external auditor KPMG did not provide any non-audit assurance services in the year to 30 June 2023. Any additional non-audit services would be provided in accordance with our ARMC charter and External Auditor Independence Policy. They should not affect KPMG's independence, including because:

- They are approved only where we are satisfied the services would not compromise KPMG's independence; and
- They do not involve KPMG acting in a managerial or decision-making capacity.

KPMG confirm their independence via independence declarations every six months.

(Code Recommendation 7.2)

Our external auditors attend our ASM each year.

Internal audit

(Code Recommendation 7.3)

We operate a co-sourced internal audit model with our Head of Risk, Internal Audit & Compliance and her team supported by external advisors PricewaterhouseCoopers to provide additional resource and specialist expertise as required.

The responsibilities of our internal audit function include:

- Assisting our ARMC and Board in their assessment of internal controls and risk management;
- Developing an internal audit plan for review and approval by the ARMC each year;
- Executing the plan and reporting progress against it, significant changes, results and issues identified; and
- Escalating issues as appropriate (including to our ARMC and/or Board chairs).

Our executive team and ARMC monitor key outstanding internal audit issues and recommendations as part of regular reporting and review, including the timeliness of resolution.

Our ARMC has direct and unrestricted access to our internal audit function, including meeting them without management.

Our Head of Risk, Internal Audit & Compliance has a management reporting line to our Chief Corporate Officer & General Counsel and a direct reporting line to our ARMC, attending every ARMC meeting.

Our ARMC reviews the remuneration and incentive arrangements of our Head of Risk, Internal Audit & Compliance and our Risk & Assurance Manager each year.

Shareholder rights and relations

(Code Recommendations 8.1 - 8.3)

We are committed to fostering constructive and open relationships with shareholders:

- Communicating effectively with them;
- Giving ready access to balanced and understandable information;
- Making it easy for shareholders to participate in general meetings; and
- Maintaining an up to date website providing information about our business.

Our investor relations programme is designed to further facilitate two-way communication with shareholders, provide them and other market participants with an understanding of our business, governance and performance and an opportunity to express their views. As part of this programme we enable investors and other interested parties to ask questions and obtain information. We meet with investors and analysts and undertake formal investor presentations.

Our annual and half year results presentations are made available to all investors via webcast.

Our website

(Code Recommendation 8.1)

Our key financial, operational and governance information is available at www.company.chorus.co.nz/investors

Annual shareholder's meeting

(Code Recommendations 8.2 & 8.3)

The 2022 annual shareholders meeting was our first hybrid meeting, where we held a physical meeting in Wellington, a webcast to enable shareholders to view and hear proceedings online, and we facilitated voting and the asking of questions online.

At the time of this Annual Report, the Board has indicated that the 2023 ASM is likely to be a hybrid meeting.

We enable shareholders to vote by proxy ahead of meetings without having to physically attend or participate in those meetings and adopt the one share one vote principle, conducting voting at shareholder meetings by poll.

We consider that shareholders should be entitled to vote on decisions which would change the essential nature of our business.

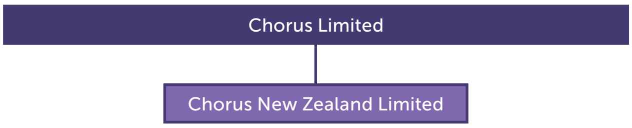
Shareholders are also able to ask questions of, and express their views in respect of, our Board, management and auditors (including via appointed proxies) at and before annual meetings.

We encourage shareholders to communicate with us and our share registrar electronically, including by providing email communication channels and online contact details and instructions on our website.

Additional disclosures

Group structure

As at 30 June 2023, Chorus Limited has one wholly owned subsidiary: Chorus New Zealand Limited (CNZL).



Chorus Limited is the entity listed on the NZX and ASX. It is also the borrowing entity under the group's main financing arrangements and the entity which has partnered with the Crown for the UFB build.

CNZL undertakes (and is the contracting entity for) Chorus' operating activities and is the guarantor of Chorus Limited's borrowing. CNZL also employs all Chorus people. CNZL has its own constitution but its Board is the same as the Chorus Limited Board.

Disclosures in respect of CNZL are set out in the "Subsidiaries" section on page 91.

Indemnities and insurance

Chorus indemnifies directors under our constitution for liabilities and costs they may incur for their acts or omissions as directors (including costs and expenses of defending actions for actual or alleged liability) to the maximum extent permitted by law. We have also entered into deeds of indemnity with each director under which:

- Chorus indemnifies the director for liabilities incurred in their capacity as a director and as officers of other Chorus companies.
- Directors are permitted to access company records while directors and after they cease to hold office (subject to certain conditions).

Deeds of indemnity have also been entered into on similar terms with certain senior employees for liabilities and costs they may incur for their acts or omissions as employees, directors of subsidiaries or as directors of non-Chorus companies in which Chorus holds interests.

We have a directors' and officers' liability insurance policy in place covering directors and senior employees for liability arising from their acts or omissions in their capacity as directors or employees on commercial terms. The policy does not cover dishonest, fraudulent, malicious or wilful acts or omissions.

Director changes

Patrick Strange resigned as director effective 26 October 2022. Will Irving was appointed as a director at the ASM on 26 October 2022.

Director restrictions

No person who is an 'associated person' of a telecommunications services provider in New Zealand may be appointed or hold office as a director. NZX has granted a waiver to allow this restriction to be included in our constitution.

Securities and security holders

Ordinary shares

Chorus Limited's shares are quoted on the NZX and on the ASX and trade under the 'CNU' ticker. There were 435,334,308 ordinary shares on issue at 30 June 2023. Each share confers on its holder the right to attend and vote at a shareholder meeting (including the right to cast one vote on a poll on any resolution).

Constitutional ownership restrictions

As part of the establishment of Chorus we inherited an obligation to obtain Crown approval prior to any person:

- Having a relevant interest in 10% or more of our shares; or
- Other than a New Zealand national, having a relevant interest in more than 49.9% of our shares.

On each request the Crown has provided approval, currently:

- L1 Capital Pty Ltd can hold a relevant interest in up to 15% of our shares.
- AMP Capital Holdings Limited can hold a relevant interest in up to 15% of our shares, and
- UniSuper Limited can hold a relevant interest in up to 20% of our shares.

If our Board or the Crown determines there are reasonable grounds for believing a person has a relevant interest in our shares in excess of the ownership restrictions, our Board may, after following certain procedures, prohibit the exercise of voting rights (in which case the voting rights vest in our chair) and may force the sale of shares. Our Board may also decline to register a transfer of shares if it reasonably believes the transfer would breach the ownership restrictions.

NZX has granted waivers allowing our constitution to include the power of forfeiture, the restrictions on transferability of shares and our Board's power to prohibit the exercise of voting rights relating to these ownership restrictions. ASX has also granted a waiver in respect of the refusal to register a transfer of shares which is or may be in breach of the ownership restrictions.

Shareholder distribution as at 30 June 2023

Holding	Number of holders	% of holders	Total number of shares held	% of shares issued
1 to 999	10,318	52%	4,221,190	0.97%
1,000 to 4,999	6,284	32%	14,650,855	3.37%
5,000 to 9,999	1,729	9%	11,489,562	2.64%
10,000 to 99,999	1,282	6.5%	26,682,217	6.13%
100,000 and over	89	0.5%	378,290,484	86.90%
Total	19,702	100%	435,334,308	100%

Substantial holders

We have received substantial product holder notices from shareholders as follows:

	Notices received as at 30 June 2023	
	Number of ordinary shares held	% of shares on issue
UniSuper Limited	37,948,874	8.72%
L1 Capital Pty Ltd	36,463,390	8.38%
Mitsubishi UFJ Financial Group, Inc	22,196,561	5.10%

Twenty largest shareholders as at 30 June 2023

Rank	Holder name	Holding	%
1	JP Morgan Nominees Australia Limited	44,850,593	10.28
2	HSBC Custody Nominees (Australia) Limited	41,833,724	9.59
3	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	38,791,993	8.89
4	Citicorp Nominees Pty Limited	34,017,082	7.79
5	Citibank Nominees (New Zealand) Limited – NZCSD <CNOM90>*	20,862,498	4.78
6	BNP Paribas Nominees (NZ) Limited – NZCSD <BPSS40>*	20,405,631	4.68
7	Accident Compensation Corporation – NZCSD <ACCI40>*	14,979,612	3.43
8	HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>*	14,438,187	3.31
9	JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct – NZCSD <CHAM24>*	12,220,338	2.80
10	National Nominees Limited	11,654,677	2.67
11	HSBC Nominees (New Zealand) Limited A/C State Street – NZCSD <HKBN45>*	9,305,406	2.13
12	New Zealand Depository Nominee Limited <A/C 1 Cash Account>	8,453,815	1.94
13	JBWere (NZ) Nominees Limited <NZ Resident A/C>	7,674,862	1.76
14	Custodial Services Limited <A/C 4>	7,467,666	1.71
15	Forsyth Barr Custodians Limited <1-Custody>	6,595,987	1.51
16	HSBC Custody Nominees (Australia) Limited <GSI EDA A/C>	6,502,999	1.49
17	ANZ Wholesale Australasian Share Fund – NZCSD <PNAS90>*	6,290,572	1.44
18	Generate Kiwisaver Public Trust Nominees Limited <NZCSD> <NZPT44>*	6,264,684	1.44
19	FNZ Custodians Limited	5,862,331	1.34
20	National Nominees Limited – NZCSD <NNLZ90>*	5,606,790	1.28

* Held through New Zealand Central Securities Depository Limited (NZCSD). NZCSD provides a custodial service that allows electronic trading of securities by its members. As at 30 June 2023, 130,743,875 Chorus ordinary shares (or 29.96% of the ordinary shares on issue) were held through NZCSD.

Twenty largest bondholders (December 2027) as at 30 June 2023

Rank	Holder name	Holding	%
1	Custodial Services Limited <A/C 4>	60,697,000	30.35
2	FNZ Custodians Limited	25,412,000	12.71
3	BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>*	22,102,000	11.05
4	Forsyth Barr Custodians Limited <1-CUSTODY>	16,112,000	8.06
5	HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>*	8,600,000	4.30
6	PIN Twenty Limited <Kintyre A/C>	7,000,000	3.50
7	National Nominees Limited – NZCSD <NNLZ90>*	5,000,000	2.50
8	Mint Nominees Limited – NZCSD <NZP440>*	4,953,000	2.48
9	JBWere (NZ) Nominees Limited <NZ USA A/C>	3,975,000	1.99
9	FNZ Custodians Limited <DTA Non Resident A/C>	3,456,000	1.73
11	JBWere (NZ) Nominees Limited <NZ Resident A/C>	3,099,000	1.55
12	Citibank Nominees (New Zealand) Limited – NZCSD <CNOM90>*	3,050,000	1.53
13	Investment Custodial Services Limited <A/C C>	3,007,000	1.50
14	ANZ Wholesale NZ Fixed Interest Fund – NZCSD*	2,499,000	1.25
15	TEA Custodians Limited Client Property Trust Account – NZCSD <TEAC40>*	2,250,000	1.13
16	Forsyth Barr Custodians Limited <Account 1 E>	1,617,000	0.81
17	Bank Of New Zealand - Treasury Support <BNZW40>	1,506,000	0.75
18	Adminis Custodial Nominees Limited	1,500,000	0.75
19	JBWere (NZ) Nominees Limited <NR USA AIL A/C>	1,470,000	0.74
20	Forsyth Barr Custodians Limited <A/C 1 NRLAIL>	1,468,000	0.73

* Held through New Zealand Central Securities Depository Limited (NZCSD).

Twenty largest bondholders (December 2028) as at 30 June 2023

Rank	Holder name	Holding	%
1	Custodial Services Limited <A/C 4>	101,933,000	20.39
2	Forsyth Barr Custodians Limited <1-CUSTODY>	66,438,000	13.29
3	JBWere (NZ) Nominees Limited <NZ RESIDENT A/C>	39,516,000	7.90
4	HSBC Nominees (New Zealand) Limited O/A Euroclear Bank – NZCSD <HKBN95>*	30,279,000	6.06
5	Hobson Wealth Custodian Limited <Resident Cash Account>	26,655,000	5.33
6	FNZ Custodians Limited	24,314,000	4.86
7	ANZ Wholesale NZ Fixed Interest Fund – NZCSD*	22,875,000	4.58
8	Citibank Nominees (New Zealand) Limited - NZCSD <CNOM90>*	15,074,000	3.01
9	JBWere (NZ) Nominees Limited <RES INST A/C>	15,000,000	3.00
10	BNP Paribas Nominees (NZ) Limited - NZCSD <COGN40>*	14,527,000	2.91
11	TEA Custodians Limited Client Property Trust Account – NZCSD <TEAC40>*	13,839,000	2.77
12	Generate Kiwisaver Public Trust Nominees Limited <NZCSD> <NZPT44>*	9,187,000	1.84
13	BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>*	7,922,000	1.58
14	Forsyth Barr Custodians Limited <Account 1 E>	6,318,000	1.26
15	Bank Of New Zealand - Treasury Support <BNZW40>	4,721,000	0.94
16	JBWere (NZ) Nominees Limited <44625 A/C>	4,600,000	0.92
17	HSBC Nominees (New Zealand) Limited A/C State Street -NZCSD <HKBN45>*	4,250,000	0.85
18	JBWere (NZ) Nominees Limited <44625 A/C>	4,000,000	0.80
19	RGTKMT Investments Limited	3,000,000	0.60
20	Mint Nominees Limited – NZCSD <NZP440>*	2,977,000	0.60

* Held through New Zealand Central Securities Depository Limited (NZCSD).

Twenty largest bondholders (December 2030) as at 30 June 2023

Rank	Holder name	Holding	%
1	Accident Compensation Corporation – NZCSD <ACCI40>*	90,500,000	45.25
2	Custodial Services Limited <A/C 4>	22,368,000	11.18
3	BNP Paribas Nominees (NZ) Limited – NZCSD <COGN40>*	10,943,000	5.47
4	HSBC Nominees (New Zealand) Limited – NZCSD <HKBN90>*	9,561,000	4.78
5	TEA Custodians Limited Client Property Trust Account – NZCSD <TEAC40>*	8,434,000	4.22
6	Citibank Nominees (New Zealand) Limited – NZCSD <CNOM90>*	8,204,000	4.10
7	FNZ Custodians Limited	6,483,000	3.24
8	HSBC Nominees (New Zealand) Limited O/A Euroclear Bank – NZCSD <HKBN95>*	5,000,000	2.50
9	Westpac Banking Corporate NZ Financial Markets Group – NZCSD <WPAC40>*	4,918,000	2.46
10	Forsyth Barr Custodians Limited <1-CUSTODY>	4,292,000	2.15
11	BNP Paribas Nominees (NZ) Limited – NZCSD <COGN40>*	3,310,000	1.66
12	NZPT Custodians (Grosvenor) Limited - NZCSD <NZPG40>*	2,900,000	1.45
13	CML Shares Limited	2,800,000	1.40
14	ANZ Wholesale NZ Fixed Interest Fund – NZCSD*	2,735,000	1.37
15	Hobson Wealth Custodian Limited <Resident Cash Account>	1,556,000	0.78
16	Queen Street Nominees ACF Pie Funds – NZCSD*	1,500,000	0.75
17	Forsyth Barr Custodians Limited <1-CUSTODY>	1,093,000	0.55
18	Investment Custodial Services Limited <A/C C>	1,045,000	0.52
19	Mint Nominees Limited – NZCSD <NZP440>*	800,000	0.40
20	Woolf Fisher Trust Incorporated	500,000	0.25

* Held through New Zealand Central Securities Depository Limited (NZCSD).

Debt listings

Chorus Limited has the following bonds on issue:

- $200 million bonds traded on the NZX debt market (the NZDX) maturing December 2027;
- $500 million bonds traded on the NZX debt market maturing December 2028;
- $200 million bonds traded on the NZX debt market maturing December 2030;
- EUR 209 million EMTNs traded on the ASX maturing October 2023;
- EUR 300 million EMTNs traded on the ASX, maturing December 2026; and
- EUR 500 million EMTNs traded on the ASX, maturing September 2029.

American depositary receipts

American Depositary Shares, each representing five shares and evidenced by American Depositary Receipts, are not listed but are traded on the over-the-counter market in the United States under the ticker 'CHRYY' with Bank of New York Mellon as depositary bank. As at 30 June 2023 Chorus had 906,930 ADRs on issue.

NZX bondholder distribution as at 30 June 2023

December 2027 maturity

Holding	Number of holders	% of holders	Total number of bonds held	% of bonds issued
1 - 5,000	7	3%	35,000	0.02%
5,000 to 9,999	9	4%	63,000	0.03%
10,000 to 99,999	146	63%	4,103,000	2.05%
100,000 and over	71	30%	195,799,000	97.90%
Total	233	100%	200,000,000	100%

December 2028 maturity

Holding	Number of holders	% of holders	Total number of bonds held	% of bonds issued
1 - 5,000	49	4%	245,000	0.05%
5,000 to 9,999	27	2%	219,000	0.04%
10,000 to 99,999	1,014	81%	30,383,000	6.08%
100,000 and over	156	13%	469,153,000	93.83%
Total	1246	100%	500,000,000	100%

December 2030 maturity

Holding	Number of holders	% of holders	Total number of bonds held	% of bonds issued
1 - 5,000	11	4%	55,000	0.03%
5,000 to 9,999	10	4%	80,000	0.04%
10,000 to 99,999	220	77%	6,107,000	3.05%
100,000 and over	43	15%	193,758,000	96.88%
Total	284	100%	200,000,000	100%

Unquoted securities

Crown Infrastructure Partners (CIP) Securities

The terms of issue for the CIP1 and CIP2 securities are set out in the subscription agreements between Chorus Limited and CIP.

These terms are summarised in note 6 of our consolidated financial statements and on our website at **www.chorus.co.nz/reports**.

Security	Number issued in the year ended 30 June 2023	Total on issue at 30 June 2023	Holder	Percentage held
CIP1 equity securities	–	462,052,071	CIP	100%
CIP1 debt securities	–	462,052,071	CIP	100%
CIP1 equity warrants	524,138	15,662,325	CIP	100%
CIP2 equity securities	–	306,423,177	CIP	100%
CIP2 debt securities	81,217,080	104,852,093	CIP	100%

Other disclosures

New NZX listing rules

NZX updated its listing rules from 1 April 2023.

NZX waivers

On 28 March 2019 Chorus applied for the continuation of existing and still required waivers and rulings. On 3 April 2020 a waiver from NZX listing rule 2.3.2, 4.1.1, 4.1.2, 4.2.1, 4.14, 6.6.1, 8.1.5 and a ruling from NZX on listing rule 4.9.1 were granted.

A summary of all waivers relied on by Chorus in the 12 months ending 30 June 2023 is available on our website at **www.chorus.co.nz/investor-info**

Non-standard designation

NZX has attached a 'non-standard' designation to Chorus Limited because of the ownership restrictions in our constitution (described above).

ASX disclosures

Chorus Limited and its subsidiaries are incorporated in New Zealand.

Chorus Limited is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 dealing with the acquisition of shares (including substantial shareholdings and takeovers).

Our constitution contains limitations on the acquisition of securities, as described above.

For the purposes of ASX listing rule 1.15.3 Chorus Limited continues to comply with the NZX listing rules.

Registration as a foreign company

Chorus Limited has registered with the Australian Securities and Investments Commission as a foreign company and has been issued an Australian Registered Body Number (ARBN) of 152 485 848.

Net tangible assets per security

As at 30 June 2023, consolidated net tangible assets per share was $1.60 (30 June 2022: $1.54).

Net tangible assets per share is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS.

Revenue from ordinary activities and net profit

In the year ended 30 June 2023:

- Revenue from ordinary activities increased 1.6% to $980 million (30 June 2022: $965 million); and
- Profit from ordinary activities after tax, and net profit, attributable to shareholders decreased 60% to $25 million (30 June 2022: $64 million).

Subsidiaries

Chorus New Zealand Limited (CNZL)

Directors as at 30 June 2023: Mark Cross, Miriam Dean, Murray Jordan, Jack Matthews, Sue Bailey, Kate Jorgensen, Will Irving.

Patrick Strange resigned as a director from CNZL during the year to 30 June 2023.

Current CNZL directors are also Chorus Limited directors and do not receive any remuneration in their capacity as CNZL directors.

Chorus LTI Trustee Limited (CLTL)

Directors as at 30 June 2023: None. CLTL was removed (following application by Chorus) from the Companies Office register on 21 July 2022.

Current and former directors of CLTL did not receive any remuneration in their capacity as directors of CLTL.

Other subsidiaries

Chorus Limited has no other subsidiaries.

Glossary

Backbone network	Fibre cabling and other shared network elements required either in the common areas of multi-dwelling units to connect individual apartments/offices, or to serve premises located along rights of way.
Backhaul	The portion of the network that links local exchanges to other exchanges or retail service provider networks.
Baseband	A technology neutral voice input service that can be bundled with a broadband product or provided on a standalone basis.
Board	Chorus Limited's Board of Directors.
Building block model	A methodology used for regulating monopoly utilities. Under BBM a regulated supplier's allowed revenue is equal to the sum of the underlying components or 'building blocks', consisting of the return on capital, depreciation, operating expenditure and various other components such as tax.
Chorus	Chorus Limited and subsidiaries.
CIP	Crown Infrastructure Partners, the Government organisation that manages New Zealand's rollout of Ultra-Fast Broadband infrastructure.
Commission	Commerce Commission – the independent Crown entity whose responsibilities include overseeing the regulation of the telecommunications sector.
Constitution	Chorus Limited's Constitution.
Direct fibre access	Also known as 'dark' fibre, a fibre service that provides a point to point fibre connection and can be used to deliver backhaul connections to mobile sites.
Director	A director of Chorus Limited.
EBITDA	Earnings before interest, income tax, depreciation and amortisation.
EMTN	European Medium Term Notes.
FY	Financial year – twelve months ended 30 June. e.g. FY23 is from 1 July 2022 to 30 June 2023.
Gbps	Gigabits per second. A measure of the average rate of data transfer.
Gigabit	The equivalent of 1 billion bits. Gigabit Ethernet provides data transfer rates of about 1 gigabit per second.
GPON	Gigabit Passive Optical Network.
IT	Information Technology.
Layer 2	The data link layer, including broadband electronics, within the Open Systems Interconnection model. Layer 1 is the physical cables and co-location space.
Mbps	Megabits per second – a measure of the average rate of data transfer.
NZ IFRS	International Financial Reporting Standards – the rules that the financial statements have to be prepared by.
P2P	Where two parties or devices are connected point-to-point via fibre.
Petabyte	One million gigabytes (GB), which is a measure of data volume.
RAB	Regulatory Asset Base refers to the value of total investment by a regulated utility in the assets which will generate revenues over time.
RBI	Rural Broadband Initiative – refers to the Government programme to improve and enhance broadband coverage in rural areas between 2011 and 2016.
Share	Means an ordinary share in Chorus.
TSO	Telecommunications Services Obligation – a universal service obligation under which Chorus must maintain certain coverage and service on the copper network.
TSR	Total shareholder return.
UFB	Ultra-Fast Broadband refers to the Government programme to build a fibre to the premises network. UFB1 refers to the original phase of the rollout to 75% of New Zealanders. UFB2 and UFB2+ were subsequent phases announced in 2017.
VDSL	Very High Speed Digital Subscriber Line – a copper-based technology that provides a better broadband connection than ADSL.

Disclaimer

This annual report:

- May contain forward looking statements. These statements are not guarantees or predictions of future performance. They involve known and unknown risks, uncertainties and other factors, many of which are beyond Chorus' control, and which may cause actual results to differ materially from those expressed in the statements contained in this annual report.
- Includes statements relating to past performance. These should not be regarded as reliable indicators of future performance.
- Is current at its release date. Except as required by law or the NZX and ASX listing rules, Chorus is not under any obligation to update this annual report or the information in it at any time, whether as a result of new information, future events or otherwise.
- Contains non-GAAP financial measures, including EBITDA. These measures may differ from similarly titled measures used by other companies because they are not defined by GAAP. Although Chorus considers those measures provide useful information they should not be used in substitution for, or isolation of, Chorus' audited financial statements.
- May contain information from third parties Chorus believes reliable. However, no representations or warranties are made as to the accuracy or completeness of such information.
- Should be read in the wider context of material previously published by Chorus and released through the NZX and ASX.
- Does not constitute investment advice or an offer or invitation to purchase Chorus securities.

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