INTERIM REPORT

SKY NETWORK TELEVISION LIMITED
INTERIM REPORT DECEMBER 2017

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CHIEF EXECUTIVE'S REVIEW

Dear Shareholders,

I want to update you on our results for the six month period ending 31 December 2017. My goal, as always, is to give you an insight beyond what the numbers show.

For the last few years in my letters to you I have spoken about the digital disruption that has affected all traditional media, be it newspaper, radio, free-to-air television or pay television.

The rapid growth of fast broadband opened the door to new business models. One of the immediate impacts was the skyrocketing cost of content, due to the increased demand for content rights.

The boom in the value of content has attracted more entrants who are producing more content. But, of course, even though there are more platforms and more content, there is no increase in the number of hours in the day for viewers to experience that content, resulting in all incumbents losing customers.

The challengers tend to service niche segments at a smaller price instead of the broad "cradle to grave" offerings that SKY provides. They are also based on Video on Demand, which allows for savings on content costs.

Imagine if you were programming a linear cooking channel. You would have to acquire enough content to cover 24 hours a day for 365 days of the year, or 8,760 hours. Even if you repeat the same programme four times a year and repeat it a couple of times on each day you show it, you still need 730 hours of fresh content per year. Alternatively you could probably launch a viable On Demand cooking platform for a few dollars a month with only 200 hours of content. Add a good analytics package that only surfaces the content viewers have not seen and makes recommendations based on what they have watched previously, and you have a nice business model.

We like the concept of On Demand business models and were quick to embrace them. The fastest growing parts of our business have been FAN PASS for sports and NEON for entertainment, and we will be enhancing them further this year.

However, we also cater to our core traditional customers who continue to enjoy linear channels and love MY SKY. We have already enhanced their viewing with Video on Demand. We have seen strong growth in MY SKY customers connecting their boxes to their home Wi-Fi, which, depending on the packages they subscribe to, now allows them to access over 6,000 hours of content On Demand.

Our goal is to keep delivering to our core satellite subscribers while building products and services that appeal to other customer segments. In the last six months our churn, or disconnects, have lowered to an almost all-time low – but our total subscriber count declined because we didn't attract enough new customers who find the new On Demand models appealing.

In order to return to the growth path we are planning to launch new price options, new packages and new services that will be available on more devices than ever before. The first of these is the introduction of new pricing and packaging, as outlined in Note 13 of this report, and which will be available from 1 March 2018.

Regardless of the delivery platform, in this age of "peak content" it is important to have the best content and I think we do. Don't take my word for it, but just watch any of the awards shows like the Emmys, BAFTAs or Screen Actors Guild. I cannot remember a year where our content did not win more awards than all the other competing platforms.

This content in part was sourced from the best content makers in the world such as HBO, Showtime, FX, MGM and AMC. We have established and long term relationships with each of them, and value them highly.

If there were awards ceremonies for the best sports content our position would be even stronger than in entertainment. We have exclusive contracts for the sports content that matters the most to New Zealanders.

Now I would like to talk about the story behind the numbers reported in the six month period ending 31 December 2017.

The first thing to remember is that Pay Television is a seasonal business. Anywhere in the world Pay Television operators tend to have more subscribers in the winter than they do in the summer. With this in mind and for the purpose of the narrative I will be comparing the six month period ending 31 December 2017 with the identical prior period for the six months ending 31 December 2016.

I am pleased with the increase in net profit to $66.7 million from $59.5 million the year before. However it should be known that as these types of business mature they tend to become more profitable because of lower sales commissions, and fewer trouble calls and enquiries from customers. In addition, we have shut down marginal businesses like FATSO, our mail-delivery DVD rental business. And we have taken a conscious decision to stop chasing marginal subscribers with deep discount offers. We would rather offer other products and services better suited to their situation.

Content costs have also declined from 40% of revenues to 39% of revenues. This continues to be an area we are focused on.

We have seen a jump in free cash flow from $68.4 million to $81.7 million. Most of our capital expenditure related to assisting Vodafone launch their next generation decoder, and while we were reimbursed by Vodafone it did impact on the ability of our staff to work on other internal projects. This dropped our own capital spend down to $28.2 million from $52.6 million last year.

The net subscriber count was down by 37,359 for the year from 31 December 2016 to 31 December 2017. Reporting of subscriber numbers is always a lightning rod for analysis by media pundits. And make no mistake, it is important. But to give you some colour, slightly under 30% of the decrease came from the closure of FATSO. We could have made this figure look better by keeping FATSO open.

The foundation of the FATSO business started in 2004, we acquired management control in 2008 and it has been run well and profitably by a devoted team. In this age of Ultra Fast Broadband it seems nostalgic that in December 2016 10,608 customers were still “downloading” their favourite movie and television series via NZ Post. Most of these customers lived in rural areas. Once the business stopped contributing to the group we felt it was better to reallocate resources to some of our new internet models.

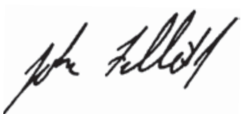
It is also important to remember that on 31 December 2016 FAN PASS subscriber numbers included individuals who had purchased FAN PASS for the night or week in the previous 90 days. Again, if the goal was to maximise the number of subscribers we should have kept the daily and weekly pass experiment going. We determined this activity actually destroyed value and discontinued it in May 2017.

I conclude with some comments about our increasingly diverse customer base. While the traditional SKY satellite package is ideal for many families, it is not suited for the entertainment needs of all Kiwis. We have already launched FAN PASS and NEON and they now represent the fastest growing areas of our business. We are focused on continually understanding and meeting the needs of the full range of Kiwi customers, and you will see us offer an increasing number of different options in the coming year.

In light of this focus, we have been conservative in our recent marketing efforts to ensure that we do not entice the wrong customer into a certain option just because we offered an aggressive discount. While this cost us subscribers in the short term, providing the right customer with the right package option will increase cash flow and lower churn in the long run.

And finally I would like to talk to you about dividends. On 28 February 2018 the Board announced it will pay a fully imputed interim dividend of 7.5 cents per share. As discussed at the October AGM, the SKY Board believes that as we continue to operate in a rapidly changing and uncertain media environment, the company needs to divert funds from dividends to further debt retirement to ensure we have the flexibility to meet competitive challenges, and have the balance sheet strength required to successfully negotiate renewal of key content deals in the future.

Thank you for your continued support of our business.



John Fellet
Chief Executive Officer

INTERIM FINANCIAL STATEMENTS TO 31 DECEMBER 2017

SUBSCRIBER BASE

The following operating data has been taken from the company records and is not audited.

	31 Dec 17	31 Dec 16	31 Dec 15	31 Dec 14	31 Dec 13
Total subscribers (1)	778,776	816,135	860,445	856,348	857,115
Average monthly revenue per residential subscriber	76.69	79.09	79.56	79.43	77.51
Gross churn (2)	15.0%	17.7%	15.4%	13.7%	13.3%

(1) Includes subscribers to SKY's non-core subscriber services IGLOO, NEON and FAN PASS.

(2) Gross churn relates to satellite subscribers only and refers to the percentage of residential subscribers over the 12-month period ended on the date shown who terminated their subscription, net of existing subscribers who transferred their service to new residences during the period.

HISTORY OF DIVIDEND PAYMENTS

By calendar year in cents per share

	2017	2016	2015	2014	2013
Interim dividend (paid in March)	15.0	15.0	15.0	14.0	12.0
Final dividend (paid in September)	12.5	15.0	15.0	15.0	12.0
Total ordinary dividend	**27.5**	**30.0**	**30.0**	**29.0**	**24.0**

On 28 February 2018 the Board announced it will pay a fully imputed interim dividend of 7.5 cents per share. As communicated to shareholders at the October AGM, the SKY Board has been considering the level of debt appropriate to meet the challenges ahead. While operating earnings increased for the half year, this was a result of tight cost control and the Summer Olympics in the corresponding prior period. The media environment continues to evolve rapidly and increasing competition for audiences from traditional media and on-line platforms continues unabated. While the Board is disappointed to reduce dividends it is essential the company further reduce debt to ensure we have the ability to meet these competitive challenges and has the balance sheet strength required to successfully negotiate the renewal of key content rights in the future.

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2017 (unaudited)

IN NZD 000	Notes	31 Dec 2017 (6 months)	31 Dec 2016 (6 months)	30 Jun 2017 (1 year) (audited)
Total revenue	4	433,085	458,183	893,485
Expenses				
Programming		166,907	181,553	349,426
Subscriber related costs		41,974	48,937	100,161
Broadcasting and infrastructure		46,117	50,374	97,578
Depreciation and amortisation		51,224	52,207	105,148
Other costs		24,583	27,456	53,980
		330,805	360,527	706,293
Operating profit		**102,280**	**97,656**	**187,192**
Finance costs, net		9,552	9,310	19,620
Profit before tax		**92,728**	**88,346**	**167,572**
Income tax expense		26,028	28,887	51,228
Profit for the period		**66,700**	**59,459**	**116,344**
Attributable to:				
Equity holders of the Company		66,562	59,300	116,026
Non-controlling interests		138	159	318
		66,700	**59,459**	**116,344**
Earnings per share				
Basic and diluted earnings per share (cents)		17.10	15.24	29.82
OTHER COMPREHENSIVE INCOME				
Profit for the period		66,700	59,459	116,344
Items that may be reclassified subsequently to profit and loss				
Cash flow hedges		13,865	7,008	(5,486)
(Loss)/gain on available for sale investments		(219)	2,142	2,147
Income tax effect		(3,821)	(2,562)	935
Other comprehensive income for the period, net of income tax		**9,825**	**6,588**	**(2,404)**
Total comprehensive income for the period		**76,525**	**66,047**	**113,940**
Attributable to:				
Equity holders of the Company		76,387	65,888	113,622
Non-controlling interests		138	159	318
		76,525	**66,047**	**113,940**

CONSOLIDATED INTERIM BALANCE SHEET

As at 31 December 2017 (unaudited)

IN NZD 000	Notes	31 Dec 2017	31 Dec 2016	30 Jun 2017 (audited)
Current assets				
Cash and cash equivalents	10	22,362	30,074	5,444
Trade and other receivables	10	64,452	68,424	69,475
Programme rights inventory		71,276	64,898	79,003
Derivative financial instruments	10	4,515	2,334	176
		162,605	165,730	154,098
Non-current assets				
Property, plant and equipment		224,401	270,409	238,066
Intangible assets	11	1,478,843	1,482,358	1,488,273
Available for sale investment	9	6,758	6,905	6,552
Derivative financial instruments	10	1,384	8,785	211
		1,711,386	1,768,457	1,733,102
Total assets		**1,873,991**	**1,934,187**	**1,887,200**
Current liabilities				
Trade and other payables	10	177,406	179,672	186,187
Income tax payable		7,867	8,752	21,770
Derivative financial instruments	10	2,435	6,011	9,038
		187,708	194,435	216,995
Non-current liabilities				
Bank loans		190,755	254,578	199,685
Bonds	7/10	99,115	98,843	98,978
Derivative financial instruments	10	2,100	7,746	5,981
Deferred tax		38,553	39,986	37,683
		330,523	401,153	342,327
Total liabilities		**518,231**	**595,588**	**559,322**
Equity				
Share capital		577,403	577,403	577,403
Hedging reserve		921	(66)	(9,062)
Retained earnings		776,008	759,888	758,247
Total equity attributable to equity holders of the Company		1,354,332	1,337,225	1,326,588
Non-controlling interest		1,428	1,374	1,290
Total equity		1,355,760	1,338,599	1,327,878
Total equity and liabilities		**1,873,991**	**1,934,187**	**1,887,200**

Peter Macourt
Chairman
For and on behalf of the board 27 February 2018

Susan Paterson
Director

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017 (unaudited)

		ATTRIBUTABLE TO OWNERS OF THE PARENT					
IN NZD 000	Notes	Share capital	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 July 2017		577,403	(9,062)	758,247	1,326,588	1,290	1,327,878
Profit for the period		-	-	66,562	66,562	138	66,700
Loss on available for sale investment, net of tax	9	-	-	(158)	(158)	-	(158)
Cash flow hedges, net of tax		-	9,983	-	9,983	-	9,983
Total comprehensive income for the period		-	9,983	66,404	76,387	138	76,525
Transactions with owners in their capacity as owners							
Dividend paid		-	-	(48,643)	(48,643)	-	(48,643)
Supplementary dividends		-	-	(6,836)	(6,836)	-	(6,836)
Foreign investor tax credits		-	-	6,836	6,836	-	6,836
		-	-	(48,643)	(48,643)	-	(48,643)
Balance at 31 December 2017		**577,403**	**921**	**776,008**	**1,354,332**	**1,428**	**1,355,760**
For the six months ended 31 December 2016 (unaudited)							
Balance at 1 July 2016		577,403	(5,112)	757,417	1,329,708	1,215	1,330,923
Profit for the period		-	-	59,300	59,300	159	59,459
Gain on available for sale investment, net of tax	9	-	-	1,542	1,542	-	1,542
Cash flow hedges, net of tax		-	5,046	-	5,046	-	5,046
Total comprehensive income for the period		-	5,046	60,842	65,888	159	66,047
Transactions with owners in their capacity as owners							
Dividend paid		-	-	(58,371)	(58,371)	-	(58,371)
Supplementary dividends		-	-	(7,532)	(7,532)	-	(7,532)
Foreign investor tax credits		-	-	7,532	7,532	-	7,532
		-	-	(58,371)	(58,371)	-	(58,371)
Balance at 31 December 2016		**577,403**	**(66)**	**759,888**	**1,337,225**	**1,374**	**1,338,599**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 31 December 2017 (unaudited)

		ATTRIBUTABLE TO OWNERS OF THE PARENT					
IN NZD 000	Notes	Share capital	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
For the year ended 30 June 2017 (audited)							
Balance at 1 July 2016		577,403	(5,112)	757,417	1,329,708	1,215	1,330,923
Profit for the year		-	-	116,026	116,026	318	116,344
Gain on available for sale investment, net of tax	9	-	-	1,546	1,546	-	1,546
Cash flow hedges, net of tax		-	(3,950)	-	(3,950)	-	(3,950)
Total comprehensive income for the period		-	(3,950)	117,572	113,622	318	113,940
Transactions with owners in their capacity as owners							
Dividend paid		-	-	(116,742)	(116,742)	(243)	(116,985)
Supplementary dividends		-	-	(15,330)	(15,330)	-	(15,330)
Foreign investor tax credits		-	-	15,330	15,330	-	15,330
		-	-	(116,742)	(116,742)	(243)	(116,985)
Balance at 30 June 2017		**577,403**	**(9,062)**	**758,247**	**1,326,588**	**1,290**	**1,327,878**

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017 (unaudited)

IN NZD 000	31 Dec 2017 (6 months)	31 Dec 2016 (6 months)	30 Jun 2017 (1 year) (audited)
Cash flows from operating activities			
Profit before tax	92,728	88,346	167,572
Adjustment for non-cash items:			
Depreciation and amortisation	51,224	52,207	105,148
Unrealised foreign exchange (gain)/loss	286	(490)	(212)
Interest expense	9,573	10,588	21,010
Bad debts and movement in provision for doubtful debts	394	578	1,732
Amortisation of bond issue costs	137	226	361
Other non-cash items	(2,680)	(1,934)	54
Movement in working capital items:			
Decrease/(increase) in receivables	2,215	(550)	(2,204)
Decrease in payables	(8,630)	(14,283)	(7,749)
Decrease in programme rights	7,727	14,867	762
Cash generated from operations	**152,974**	**149,555**	**286,474**
Interest paid	(7,147)	(10,361)	(22,704)
Income tax paid	(36,000)	(18,200)	(18,509)
Net cash from operating activities	**109,827**	**120,994**	**245,261**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	16	24	42
Acquisition of property, plant, equipment and intangibles	(28,163)	(52,640)	(79,682)
Net cash used in investing activities	**(28,147)**	**(52,616)**	**(79,640)**
Cash flows from financing activities			
Advances received – bank loan	62,000	220,000	261,000
Repayment of borrowings – bank loan	(71,000)	(15,000)	(111,000)
Repayment of bonds	-	(200,000)	(200,000)
Payment of bank facility fees	(283)	(264)	(725)
Dividend paid to minority shareholders	-	-	(243)
Dividends paid	(55,479)	(65,903)	(132,072)
Net cash used in financing activities	**(64,762)**	**(61,167)**	**(183,040)**
Net increase/(decrease) in cash and cash equivalents	16,918	7,211	(17,419)
Cash and cash equivalents at beginning of the period	5,444	22,863	22,863
Cash and cash equivalents at end of the period	**22,362**	**30,074**	**5,444**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2017 (unaudited)

1. GENERAL INFORMATION

SKY Network Television Limited ("SKY") is a company, incorporated and domiciled in New Zealand. The address of its registered office is 10 Panorama Road, Mt Wellington, Auckland, New Zealand. The consolidated interim financial statements of the Group for the six months ended 31 December 2017 comprise SKY and its subsidiaries.

SKY is a company registered under the Companies Act 1993 and is a reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

SKY is a leading media company in New Zealand and operates as a provider of multi-channel, pay-per-view and free-to-air television services in New Zealand.

These consolidated interim financial statements were approved by the Board of Directors on 27 February 2018.

2. BASIS OF PREPARATION

These consolidated interim financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013, the NZX Main Board Listing Rules and the ASX Listing Rules.

These consolidated interim financial statements of SKY are for the six months ended 31 December 2017. They have been prepared in accordance with generally accepted accounting practice in New Zealand, NZ IAS 34 Interim Financial Reporting and International Accounting Standard 34 (IAS 34). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2017. For the purposes of financial reporting SKY is a profit-oriented entity.

The preparation of interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments (including derivative instruments).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2017.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017 (unaudited)

4. REVENUE

IN NZD 000	31 Dec 2017 (6 months)	31 Dec 2016 (6 months)	30 Jun 2017 (1 year) (audited)
Residential satellite subscriptions	350,689	371,214	725,066
Other subscriptions	42,710	42,182	82,247
Advertising	31,461	35,086	68,084
Other revenue	8,225	9,701	18,088
	433,085	**458,183**	**893,485**

5. GROUP STRUCTURE

At 31 December 2017 SKY had the following subsidiaries:

- SKY Ventures Limited
- IGLOO Limited (non-trading)
- Media Finance Limited (non-trading)
- Outside Broadcasting Limited
- Screen Enterprises Limited (non-trading)
- SKY DMX Music Limited (50.5%)
- Believe It or Not Limited (51.0%)

6. RELATED PARTY TRANSACTIONS

There were no loans to directors by the Group or associated parties at any of the reporting dates above.

The gross remuneration of directors and key management personnel during the period was $7,844,000 (31 December 2016: $7,827,000; 30 June 2017: $12,504,000).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017 (unaudited)

7. BORROWINGS

Bonds

Terms and conditions of outstanding bonds are as follows:

Bonds	31 Dec 2017	31 Dec 2016	30 Jun 2017 (audited)
Nominal interest rate	6.25%	6.25%	6.25%
Market yield	5.07%	4.57%	4.92%
Issue date	31 Mar 14	31 Mar 14	31 Mar 14
Date of maturity	31 Mar 21	31 Mar 21	31 Mar 21
in NZD 000			
Carrying amount	99,115	98,843	98,978
Face value	100,000	100,000	100,000
Fair value	103,520	106,460	104,529

8. CAPITAL EXPENDITURE

The Group acquired the following property, plant and equipment and intangibles during the period;

IN NZD 000	31 Dec 2017 (6 months)	31 Dec 2016 (6 months)	30 Jun 2017 (1 year) (audited)
Capital projects in progress	9,690	11,508	5,228
Land and buildings	35	59	711
Broadcasting and studio equipment	151	899	3,457
Plant and equipment and other	879	2,084	4,234
Decoders	8,171	13,634	15,929
Installation costs	9,305	17,241	29,355
Intangibles	67	3,317	16,447
	28,298	**48,742**	**75,361**
Movement in capital expenditure creditors	(135)	3,898	4,321
Cash outflow in the period	**28,163**	**52,640**	**79,682**

9. AVAILABLE FOR SALE INVESTMENT

In March 2016 SKY Ventures acquired a 15.79% interest in 90 Seconds Limited (a cloud video production company) for a cost of $4.8 million. This investment was subsequently diluted to 13.54%. This investment is classified as an available for sale financial asset recognised initially and subsequently at fair value with changes in fair value recognised in other comprehensive income. The fair value as at 31 December 2017 was $6,758,107. (31 December 2016 $6,905,225; 30 June 2017 $6,552,176).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017 (unaudited)

10. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk) credit risk and liquidity risk.

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, they should be read in conjunction with the Group's annual financial statements as at 30 June 2017. There have been no changes in any risk management policies since year end.

Financial assets of the Group include cash, and cash equivalents, trade and other receivables, available for sale investment and derivative financial assets. Financial liabilities of the Group include trade and other payables, borrowings, bonds and derivative financial liabilities. The Group does not hold or issue financial instruments for trading purposes.

Based on NZ IFRS 13 Fair Value Measurement, the fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active market for identical assets and liabilities;

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

Level 3: Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs), for example discounted cash flow.

SKY's financial assets and liabilities carried at fair value are valued on a level 2 basis other than the available for sale investment (refer note 9) that is valued on a level 3 basis.

Financial instruments measured at fair value

The following financial instruments are subject to recurring fair value measurements:

IN NZD 000	31 Dec 2017	31 Dec 2016	30 Jun 2017
Derivative financial instruments (Level 2)			
Current assets	4,515	2,334	176
Non-current assets	1,384	8,785	211
Current liabilities	(2,435)	(6,011)	(9,038)
Non-current liabilities	(2,100)	(7,746)	(5,981)
	1,364	**(2,638)**	**(14,632)**
Available for sale investment (Level 3)			
Non-current assets	6,758	6,905	6,552

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017 (unaudited)

Financial instruments not measured at fair value

The following financial instruments are not measured at fair value in the consolidated interim financial statements. These had the following fair values as at December 2017:

	31 Dec 2017		31 Dec 2016		30 Jun 2017	
IN NZD 000	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	22,362	22,362	30,074	30,074	5,444	5,444
Trade and other receivables	57,680	57,680	62,614	62,614	63,098	63,098
	80,042	**80,042**	**92,688**	**92,688**	**68,542**	**68,542**
Financial liabilities						
Trade and other payables	(85,901)	(85,901)	(86,284)	(86,284)	(96,887)	(98,667)
Bank borrowings	(190,755)	(186,227)	(254,578)	(269,281)	(199,685)	(198,037)
Bonds	(99,115)	(103,520)	(98,843)	(106,460)	(98,978)	(104,529)
	(375,771)	**(375,648)**	**(439,705)**	**(462,025)**	**(395,550)**	**(401,233)**

Prepaid expenses, deferred revenue, unearned subscriptions, tax payables and employee benefits do not meet the definition of a financial instrument and have been excluded from the "Trade and other receivables" and "Trade and other payables" categories above. Prior period balances for trade and other payables have been restated to exclude tax payables and employee benefits so as to be consistent with the current period.

Due to their short-term nature, the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables is assumed to approximate their fair value.

The fair value of long-term borrowings are estimated by discounting future cash flows using current market interest rates offered to the Group for debt with substantially the same characteristics and maturities. The interest rates used in estimating the fair value of long-term debt were as follows:

Interest Rates

	31 Dec 2017	31 Dec 2016	30 Jun 2017
Bond B	5.07%	4.57%	4.92%
Bank Borrowings	3.37%	3.88%	3.84%

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable inputs. The fair value of forward foreign exchange contracts is based on market forward foreign exchange rates at period end.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017 (unaudited)

11. INTANGIBLE ASSETS

The Directors have completed an assessment of the carrying value of goodwill using a fair value less cost to sell basis to determine the recoverable amount consistent with the approach taken by the Group in its consolidated financial statements for the year ended 30 June 2017.

In determining the recoverable amount of goodwill the Board and Management have taken into account the likely impact of the recently announced changes to the pricing and product offering. These price changes affect some of the key assumptions used to evaluate the carrying amount of goodwill, in particular those assumptions relating to subscriber numbers, churn and ARPU. The impact of these changes on the recoverable amount of goodwill is expected to be positive and the Board's assessment is that fair value less cost to sell continues to support the existing carrying value of goodwill.

However, due to the uncertainty around the impact of the new pricing regime and product offering planned results may not be achieved and actual results may be materially different from the plan. Adverse changes in the key assumptions in particular churn, subscriber numbers and ARPU could give rise to an impairment of goodwill. The Board will reassess the carrying value of goodwill at year end when there will be more evidence of impact of the price changes on subscriber numbers, churn and ARPU.

12. CONTINGENT LIABILITIES

The Group is subject to litigation incidental to its business, none of which is expected to be material. No provision has been made in the Group's financial statements in relation to any current litigation and the directors believe that such litigation will not have a significant effect on the Group's financial position, results of operations or cash flows.

13. SUBSEQUENT EVENTS

On 28 February 2018 the Board of Directors announced that it will pay a fully imputed dividend of 7.5 cents per share with the record date being 15 March 2018. A supplementary dividend of 1.3235 cents per share will be paid to non-resident shareholders subject to the foreign investor tax credit regime.

On 27 February 2018 the Board approved a change to the pricing and packaging of SKY's services. Currently all customers buy the Basic package for $49.91 per month and then add options of Sport, Movies and other premium channels. We are replacing SKY Basic with two new packages called SKY Starter (which is now our minimum package and carries a smaller number of channels at a cost of $24.91 per month) and SKY Entertainment (featuring UKTV, Discovery, Crime + Investigation and many other popular channels at a cost of $25.00 per month).

Together SKY Starter and SKY Entertainment are the same cost and channel line-up as the current Basic package, so current SKY subscribers will have no change.

The new line-up is available to new customers from 1 March 2018, and existing customers can change their packages from the same date if they wish. However, customers who continue to buy SKY Starter and SKY Entertainment as well as either SKY Sport or Movies will receive our premium drama channel SoHo as a bonus. The SoHo channel currently costs $9.99 per month.

INDEPENDENT REVIEW REPORT

to the shareholders of Sky Network Television Limited

REPORT ON THE INTERIM FINANCIAL STATEMENTS

We have reviewed the accompanying consolidated interim financial statements ("interim financial statements") of Sky Network Television Limited ("the Company") including its subsidiaries ("the Group") on pages 8 to 18, which comprise the consolidated interim balance sheet as at 31 December 2017 and the consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the period ended on that date and selected explanatory notes to the interim financial statements for the Group.

DIRECTORS' RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS

The Directors are responsible on behalf of the Company for the preparation and presentation of these interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

OUR RESPONSIBILITY

Our responsibility is to express a conclusion on the accompanying interim financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditors perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly we do not express an audit opinion on these interim financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of assurance over regulatory and trustee reporting and treasury advisory services. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The provision of these other services has not impaired our independence.

EMPHASIS OF MATTER

We draw attention to note 11 to the interim financial statements which describes the uncertainty of the impact of changes to the pricing and product offering on the key assumptions associated with value drivers subscriber numbers, churn, and ARPU within the goodwill impairment model in determining the recoverable amount. Our conclusion is not modified in respect of this matter.

INDEPENDENT REVIEW REPORT (CONTINUED)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of the Company are not prepared, in all material respects, in accordance with IAS 34 and NZ IAS 34.

WHO WE REPORT TO

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our review 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 review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS

Auckland
27 February 2018

DIRECTORS AND EXECUTIVES

DIRECTORS

John Fellet	Chief Executive
Derek Handley	
Peter Macourt	Chairman
Geraldine McBride	
Susan Paterson ONZM	
Mike Darcey	(Appointed 19 September 2017)

EXECUTIVES

John Fellet	Director and Chief Executive Officer
Jason Hollingworth	Chief Financial Officer and Company Secretary
Travis Dunbar	Director Entertainment Programming
Richard Last	Director of Sport
Chris Major	Director of External Affairs
George MacFarlane	Director of Strategy
Rawinia Newton	Director of Advertising Sales
Cathryn Oliver	Chief of Staff
Tex Texeira	Director of Broadcast and Media
Michael Watson	Director of Marketing
Julian Wheeler	Chief Product and Technology Officer
Martin Wrigley	Director of Operations

DIRECTORY

REGISTRARS

Shareholders should address questions relating to share certificates, notify changes of address or address any administrative questions to SKY's share registrar as follows:

NEW ZEALAND ORDINARY SHARE REGISTRAR

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, North Shore City 0622
New Zealand

Mailing address:

Private Bag 92119
Auckland Mail Centre
Auckland 1142
New Zealand

Tel: +64 9 488 8777 **Fax:** +64 9 488 8787
Email: enquiry@computershare.co.nz

AUSTRALIAN BRANCH REGISTER

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
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GPO Box 3329
Melbourne VIC 3001
Australia

Freephone: 1 800 501 366 (within Australia)
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Fax: +61 3 9473 2500
Email: enquiry@computershare.co.nz

BONDHOLDER TRUSTEE

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