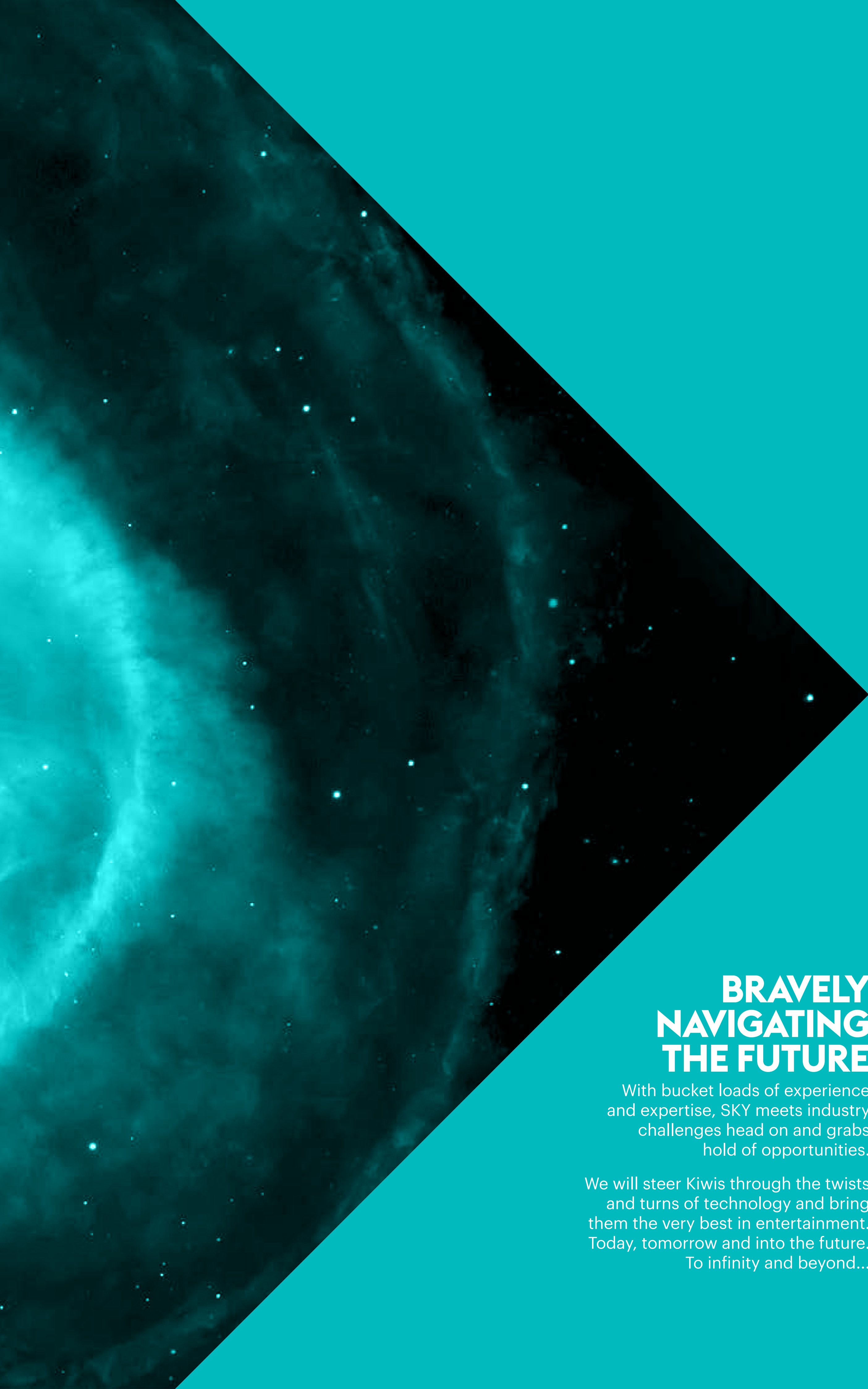
ANNUAL REPORT 2014

SKY NETWORK TELEVISION LIMITED

SKY

WE STAND ON THE EDGE OF A NEW FRONTIER OF ENTERTAINMENT

A FRONTIER OF CHALLENGES AND OPPORTUNITIES WHERE OPTIONS ABOUND FOR NEW ZEALAND CONSUMERS.



BRAVELY NAVIGATING THE FUTURE

With bucket loads of experience and expertise, SKY meets industry challenges head on and grabs hold of opportunities.

We will steer Kiwis through the twists and turns of technology and bring them the very best in entertainment. Today, tomorrow and into the future. To infinity and beyond...

COME WITH US

HIGHLIGHTS

2014:

$909m
TOTAL REVENUE

865,055
TOTAL SUBSCRIBERS

$93m
CAPITAL EXPENDITURE

$165.8m
NET PROFIT

$379m
EBITDA

$77.52
ARPU

504,713
MY SKY SUBSCRIBERS

1,192
EMPLOYEES FTEs

YEAR IN REVIEW

CHAIRMAN'S LETTER

I am pleased to report that SKY has had another very successful year. In fact we have achieved record revenue, net profit and customer numbers while costs and churn are lower than last year. John Fellet and his staff have worked tirelessly in a rapidly changing environment to ensure SKY continues to offer New Zealanders excellent entertainment and relevant services into the future.

Revenue increased by 2.7% to $909 million. This was derived from a greater ARPU (Average Revenue Per User) as customers took more services. The number of homes with MY SKY has increased to 504,713, we now have 61.1% of customers viewing on a MY SKY decoder. The television advertising market remains challenging, despite that we reported an increase of 3.7% to $70.5 million, this is another all-time high and a superb effort given market conditions. Churn is a figure we keep a close watch on. This year churn is down at 13.2% from 14.4% last year, another good result.

Viewing of SKY channels has increased by 5% this year. Our share of television viewing has risen from 28.7% to 29.4%. We attribute some of this increase to the SKY pop up channels that proved popular across several genres including sport, children's movies and themed movies.

The SoHo channel, crafted in-house by SKY, screens the best of international drama and continues to show good customer growth. The channel strives to bring New Zealanders the latest episodes as close to international release times as possible, sometimes within the hour. This strategy is paying dividends and highlights the strength of the in-house programming and technical teams.

WE KNOW THE FUTURE INVOLVES NEW TECHNOLOGIES AND IDEAS **AND SKY EMBRACES CHANGE IN SCOPING AND DELIVERING RELEVANT PRODUCTS AND SERVICES FOR NEW ZEALANDERS TO ENJOY IN THE FUTURE**

Despite the commoditisation of movies with their many and varied means of enjoying this form of entertainment, the SKY MOVIES tier has maintained strong subscription numbers. The movies tier now offers six genre based channels with regular pop up additions including a popular family movies channel for the duration of school holidays. This is complemented with other pop up channels during the year, last year True Blood, Valentines, Clint Eastwood, Boardwalk Empire and Twilight channels featured. SKY SPORT also featured pop up channels like Formula One and the Australian Open with good customer feedback.

SKY has four dedicated charities and sponsorships. This year $200,000, as part of our $1 million dollar pledge to the Christchurch Earthquake Appeal Trust, was directed to the rebuilding of West Spreydon Primary School's swimming pool that is enjoyed by the wider community. SKY NEXT was launched, our programme that supports 18 young talented athletes as they strive to perform on the world stage. The athletes selected exceeded our expectations with four golds and a silver medal in the Glasgow Commonwealth Games. We continue to be a strong supporter of the Starship Foundation and Special Children's Christmas Parties.

We know the future involves new technologies and ideas and SKY embraces change in scoping and delivering relevant products and services for New Zealanders to enjoy in the future. SKY customers have taken to using SKY GO with around 160,000 downloads of this app at the end of the financial year. The 2015 financial year will see MY SKY decoders connected to the internet and able to access a wealth of on-demand content and a new electronic programme guide downloaded over the satellite that will change and improve the face of SKY in homes nationwide.

At our annual results we announced a plan to replace all legacy digital decoders with a decoder featuring the same software as the current MY SKY 2. Personal recording capability and internet connectivity will feature in every SKY home when the roll out is complete in 2016. This will give access to video On Demand content to every SKY customer and importantly doubles our expensive satellite capacity as we are essentially dual broadcasting content to the two decoder types currently.

I can assure you that your board and the management team led by John Fellet are committed to continuing to grow shareholder value while nurturing the future growth of the company.

On behalf of all members of the SKY board I thank every shareholder for their support. I am pleased to announce a final dividend of 15 cents per share.

To chief executive John Fellet, the senior management team, all SKY staff and contractors thank you for your hard work and congratulations on the strong results this year.

Peter Macourt
Chairman

CHIEF EXECUTIVE'S ADDRESS

TO KEEP THRIVING SKY HAS TO BE THE **MOST TRUSTED BRAND IN THE HOME ENTERTAINMENT SPACE**

20.9%
PROFIT INCREASE

10.6%
INCREASE IN
MY SKY SUBSCRIBERS

Dear shareholders

It is my pleasure to write this 13th CEO letter for shareholders. My goal, as always, is to craft this letter assuming the reader gleans all their knowledge about the company from this annual report.

The financial information contained in this report is detailed but still only provides a financial snapshot of the business. Here I will highlight several important industry trends you should be across.

If I was asked to give a description of SKY, I would say we are more than a pay television company or for that matter a satellite company. We are an entertainment company delivering a range of content like television series, music, sport, documentaries, news and much more to our customers every day.

There has never been a more fascinating yet challenging time to be in this industry. Our customers are very diverse. A report by AC Nielsen said households in the United States with multi-channel pay television watch on average 17.5 channels. Each household has a different selection of channels they watch. For this reason, some customers would like SKY to offer their content on a channel by channel basis. Other customers fall under the 'SoHo Channel effect'. SoHo is a successful premium channel that we launched just over two years ago. It is not a channel for everyone's tastes and because of its high cost we made it a standalone channel so only those customers wanting it, pay for it. Conversely, other customers feel all channels should be on a Basic tier.

Not only does each customer have a viewpoint on what their channel line-up should look like, diverse opinion exists on how they wish to view content. Some only want to watch their shows on a 70 inch HD television set. At the same time we are getting numerous requests for content for new fourth generation smart phones.

Along with customising the Basic package and having viewing options to watch content, our customers also want to explore which business model best suits them. As an example Apple TV's business model sells you a device and then sells all of its content on a pay-per-view basis. Recently I have been pitched a business model that has customers receiving pay-per-view content for free when they sit through two 30 second commercials.

Now more than ever households enjoy the choice of numerous entertainment viewing options. To survive and thrive SKY has to be the most trusted brand in the home entertainment space.

We have a great deal of unique and successful experience that we are leveraging to achieve this aim. SKY was the first company to offer satellite content that covered 100% of New Zealand. We were the first to announce we were going to offer high definition services. We were the first to offer channels over mobile phones. We were also the first New Zealand broadcaster to stream channels over the internet.

To keep going and thriving we must continue to be seen as the "expedition leader" for New Zealand households. For this to happen SKY's management will have to be flexible and strategic.

Operationally it was a good year as measured by the majority of our key performance indicators. Net profit, cash flow, customer growth and customer services all reached record levels.

Our existing business model has been successful in attracting about half of the homes in New Zealand. To continue to grow SKY must look at evaluating and potentially launching new business models. This process started with the purchase of our online DVD delivery business called DVD Unlimited. It continued when we launched IGLOO which is designed to offer no frills prepay television delivered via a terrestrial digital signal. Later this year SKY will launch a Subscription Video On Demand (SVOD) service. All of these business models face the primary challenge of the limited New Zealand population.

During the year SKY purchased the shares of the minority interests of two joint ventures. Joint ventures are beneficial; they bring collaboration and shared risk especially when entering new markets.

In 2004 we purchased a very small online DVD rental service called DVD Unlimited. In fact we were able to ship all the assets of the business (DVDs) in several shoe boxes back to SKY. After a few years it was merged with two other struggling firms in the same field, Movie Shack formed by the MacAvoy family and Fatso which was run by Rob Berman and chaired by Brian Mockridge. The three way merger was a poster child for collaboration. We kept the name and management from one partner, the software IP from another partner and the marketing strength from the third.

NEW SVOD SET TO LAUNCH **ALONG WITH NEW ZEALAND'S FIRST SCIENCE FICTION/FANTASY CHANNEL**

The one united company was far more successful than any of the individual companies. While still performing well, the minority shareholders were looking to exit. On 30 June 2014 we purchased the remaining shares of Fatso. The existing management will remain with the mandate to continue to drive shareholder value.

Likewise in November 2011 we established the IGLOO joint venture with TVNZ. As stated earlier, the idea around IGLOO was an attempt to market a pay television service to a limited market segment who found Freeview lacking and SKY too expensive. The key success to the business plan lay in taking advantage of the conversion by New Zealand from analogue to digital spectrum or the 'digital switch over'. During this conversion every household who was not connected to a digital viewing device was forced to make a decision to convert the television signal. The hope was that many would make the conversion to IGLOO. Sadly, however the IGLOO box was not perfected early enough to take advantage of the conversion.

During the financial year TVNZ wanted to direct their interest elsewhere and SKY acquired their interest. We enjoyed the collaboration and we are already looking at other future options for IGLOO.

During the year we purchased 51% of "the trivia firm" Believe It or Not. The firm was established in 1988 and has grown to become the gold standard for corporate trivia nights and pub quizzes. Right now Believe It or Not operates in about one fifth of the pubs that SKY does. Naturally we hope the business will see solid growth throughout New Zealand.

Late in the year we launched another joint venture called SKY Arena. The purpose of the venture is to create more events in New Zealand which will also be shown on SKY and available to purchase as pay-per-view events. SKY has formed a joint venture with John McCrae who has been involved in some of the biggest events to take place in NZ.

TRENDS IN THE INDUSTRY – CONTENT COSTS ESCALATION

Last year I wrote at length about content costs. As I said then, good content has always been expensive and it always will be. There are two economic forces going head to head. While movie production is down I suspect that there has never been a more golden era for television series. Historically 90% of all English speaking television series were produced for half a dozen networks in the US and the UK. The other 10% of series were made for networks in Australia and New Zealand.

Over recent years there has been an explosion in series production. It started a few years ago with HBO. If nature abhors a vacuum then capitalism abhors a company with high margins and they soon started attracting competitors. The dominant US premium movie channel started to see competitors trying to invade their turf. To differentiate their movie channels from others they started producing their own television series like 'Sex in the City' and 'The Sopranos'. The other pay TV networks in the UK and US where there is scale, started to produce their own unique television series. Now there is an explosion of content that is coming from every basic and premium network from Showtime to History Channel.

Even business models that did not exist a few years ago such as Netflix and Amazon are now producing content. There are even television series that are only produced for the internet by 'You Tube'.

Technology has added to the competition for eyeballs. As I write this there are 301 recordings for shows on the family MY SKY waiting for my wife and/or I to view. In our household not only do I have more than 100 SKY channels I can watch, I have in theory another 301 options on the MY SKY. It is not unusual for families to have more than one MY SKY. Every time SKY adds a channel, another option is available.

In New Zealand both TVNZ and MediaWorks operate catch up services with hundreds of additional options. Throw in piracy and viewers have never had more options to view.

In normal classic economics the flood of additional content pouring over a fairly static number of households should result in a marginal decline in the value of each piece of content.

At the same time there is an economic force moving content prices in the opposite direction – competition. New Zealand is perhaps one of the most competitive markets in the world. There are no barriers to entry. You require no licence to launch a pay television network or another free-to-air channel on Freeview. Locally Choice TV and Summit Sports, two new Freeview channels, routinely outbid their pay TV equivalents for content.

The take up of the ultra-fast broadband has introduced many new business models that will need content to survive.

There are already cracks that are starting to appear in the free-to-air segment that our Prime TV channel operates in. Advertising for this industry peaked in 2008, right before the global financial crisis. Unfortunately, the cost of programming content has continued to grow at a compound rate of 10% a year. This dynamic pushed MediaWorks into receivership. MediaWorks has recently successfully emerged as a leaner competitor after making some hard calls on some content deals. Without the funding of local television shows from New Zealand on Air I suspect the whole free-to-air segment would probably experience negative cash flow.

Also, the strong NZ dollar over the last five years tended to help mask the problem to some degree. Since most international content is priced in US dollars expect greater headwinds as the NZ dollar starts to return to long term averages with the US dollar.

We have been fortunate to date by being willing to pass on content if we believed it was too expensive. But there are issues we will need to manage closely. We have announced that it is our intention to launch a Subscription Video On Demand (SVOD) business as it is known as in the industry.

An SVOD business requires the owner to acquire a pool of content on day one without one customer. If all goes well, the business should generate enough customers to cover the cost of the content within a couple of years. But during the first few years the costs are higher than the revenue.

SKY has announced plans to launch a science fiction/fantasy channel called THE ZONE. Like the SVOD business all content for THE ZONE is acquired up front and the benefits accrue as viewership increases along with advertising support.

Finally don't forget to attend the AGM which will take place at the Langham Hotel in Auckland on Friday 24 October commencing at 2pm.

John Fellet
Chief Executive Officer

EXECUTIVE COMMITTEE

01 GREGORY DRUMMOND
Director of Broadcasting and Media

02 MATTHEW ORANGE
Director of Strategy and Products

03 TRAVIS DUNBAR
Director of Entertainment Programming

04 MEGAN KING
Director of Content: Strategy, Planning and Delivery

05 RAWINIA NEWTON
Director of Advertising Sales

06 MARTIN WRIGLEY
Director of Operations

07 JOHN FELLET
Chief Executive Officer

08 KIRSTY WAY
Director of Corporate Communications

09 RICHARD LAST
Director of Sport

10 JASON HOLLINGWORTH
Chief Financial Officer and Company Secretary

11 CATHRYN OLIVER
Chief of Staff

12 CHARLES INGLEY
Director of Technology

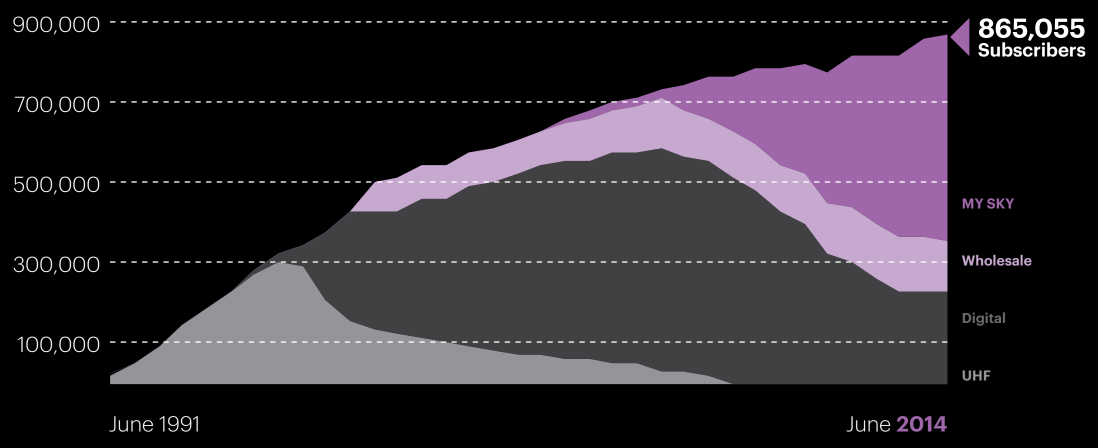
13 MICHAEL WATSON
Director of Marketing

14 CHRIS MAJOR
Director of Government Relations

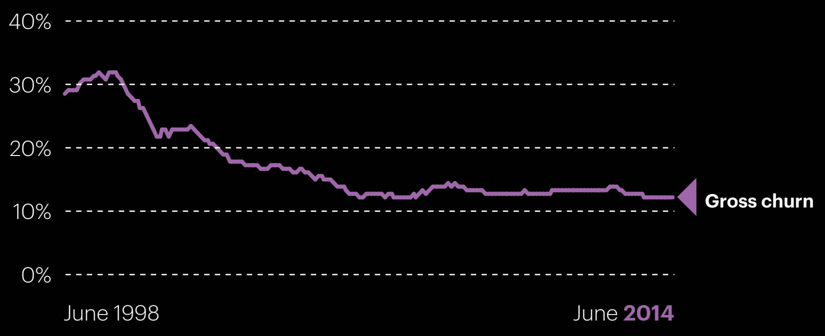
OUR TEAM
STEERING KIWIS THROUGH THE NEW WORLD

BUSINESS OVERVIEW

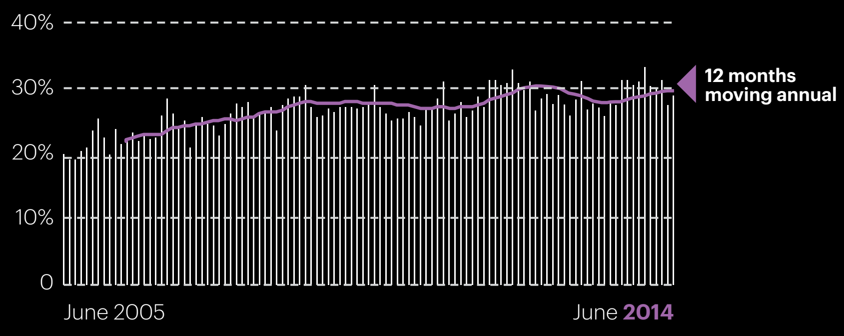
01 Subscribers



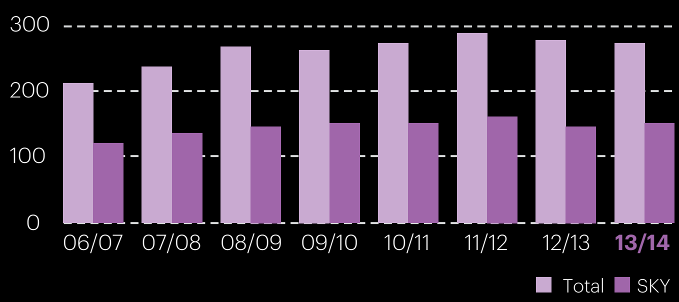
02 Rolling annual gross churn



03 SKY TV % share of viewing in NZ homes



04 Average hours viewing SKY Digital per month, per subscription



SUBSCRIBERS (CHART 01)

SKY has continued to increase its total subscriber base in the year to 30 June 2014 by adding a net 9,157 subscribers.

There were a total of 865,055 subscribers at 30 June 2014, with 826,448 being residential subscribers on SKY's satellite platform. Residential subscribers increased overall by 3,903 subscribers and the decrease in wholesale subscribers is attributable to the transfer of Telecom subscribers to SKY residential subscribers.

SKY has continued to promote its MY SKY decoders and, at 30 June 2014 the number of subscribers receiving their pay television services via a MY SKY decoder were 504,713 compared to 456,419 subscribers at 30 June 2013. This represents 61.1% of SKY's residential subscribers compared to 55.5% of residential subscribers at 30 June 2013. There were 29,547 "other" subscribers at 30 June 2014 which includes subscribers to SKY's commercial music business SKY DMX Music, SKY's DVD rental business, Fatso, and residential subscribers to IGLOO launched in December 2012.

CHURN (CHART 02)

Churn is a measure of the percentage of subscribers who disconnect their service, either voluntarily or due to a failure to pay their account. SKY calculates churn on a rolling gross annual basis, which means that each month we calculate the subscribers who have disconnected as a percentage of the average subscribers for that month and total these monthly percentages over the preceding 12 months.

Annual gross churn is 13.2% as at 30 June 2014 which is a decrease from the 14.4% churn for the year to 30 June 2013. MY SKY churn has increased from 10.4% in the prior year to 10.9% in the current year while churn on standard digital decoders has decreased to 16.8% from 17.9% last year.

VIEWING (CHART 03/04)

During the 2014 year SKY's share of total subscriber, television viewing in all New Zealand increased from 28.7% to 29.4%. Viewership hours have increased from 151 hours per month in the prior year to 158 hours per month in the current year mainly as a result of the success seen on the SKY pop up service introduced during the 2014 year. Overall subscriber television viewing information collected has shown a decline in total viewing of 1% from 283 hours to 280 hours per month. Information for these numbers is collected from the Nielsen TAM audience measurement system and SKY's subscriber base.

PPV BUYS

SKY continues to offer pay-per-view (PPV) programming on its satellite platform, with 12 scheduled PPV channels plus an "on-demand" movie service that is offered to MY SKY subscribers. Buy rates, which measure the percentage of subscribers who purchase a title each month, have decreased from 13.6% in 2013 to 11.9% in the current year. In 2014 a total of 1,121,389 PPV buys were purchased compared to 1,272,561 buys purchased in 2013.

PROGRAMMING INITIATIVES

The past financial year has seen a number of programming initiatives across SKY's entertainment offering.

The introduction at the end of the last financial year of JONES!, a classic series channel in the SKY Basic package, proved that despite a flurry of activity in serialised drama these past few years, there still remains a home for the best of classic television for a core of our audience who want a blast of nostalgia, or to simply just be entertained.

That aside, SKY's premium drama channel SoHo continued to be the destination of choice for lovers of the best modern premiere television drama, from both the US and UK. Game of Thrones continues to be a programming juggernaut for SoHo, and an industry leader in pushing the boundaries of scripted drama. SoHo also broke new dramas like Ray Donovan, Penny Dreadful, Masters of Sex, and The Leftovers this last financial year. SoHo also introduced the stacking of entire series in the form of dedicated pop up channels, including all previous seasons of Game Of Thrones, and True Blood. With a Boardwalk Empire pop up on its way, these innovations are aligned with the established "box set" Saturday offering on SoHo, where subscribers can access all existing episodes of a specific season and show. Fast-tracking, HD broadcast, and a slate of new shows coming (including The Knick, Halt & Catch Fire, and The Affair), position SoHo as the best premium drama channel in New Zealand, and the one with the most Emmy award winning and nominated dramas.

The value and viewership in the SKY MOVIES offering has increased with expansion of the SKY MOVIES tier with the introduction of additional channels. These changes have virtually doubled the number of movies on offer to SKY MOVIES subscribers. New channels include a premiere blockbuster movie channel (SKY MOVIES PREMIERE), a dedicated premiere drama channel (SKY MOVIES EXTRA), a dedicated action channel (SKY MOVIES ACTION), the introduction of SKY MOVIES CLASSICS, an ongoing school holiday family movie service (SKY MOVIES FAMILY), and an continuing series of "POP-UP" channels; from the entire Twilight movie series, to a Clint Eastwood movie marathon. These innovations will continue over the next financial year, including the streaming of SKY MOVIES EXTRA to SKY GO this August (accompanying SKY MOVIES PREMIERE), and a mixture of pop up movie channels streaming to the service. Along with these initiatives, plans are afoot to give SKY MOVIES subscribers the ability to access their SKY MOVIES tier on a more on-demand (VOD) basis. In short, if you love movies, SKY MOVIES is the place to be.

Finally, at time of writing, we had just announced an exciting new concept launching in this new financial year. THE ZONE is a dedicated channel for lovers of sci-fi, horror, paranormal, cult and graphic-novel content. Free to all SKY Basic subscribers, THE ZONE will feature a mix of premiere and classic series, all aimed at the pop culture audience and fan.

SKY GO

SKY GO was launched in December 2013 as SKY's online TV service brand across personal computers, mobile and tablet devices. SKY's existing online service iSKY was rebranded with the extension of services to mobile devices across the iOS and Android platforms. The SKY GO service offers a wide variety of viewing options beyond the set top box including the streaming of ten live channels across sport, movies, entertainment and news, plus the ability to catch up on recently broadcast content on skygo.co.nz. This includes access to catch-up content from thirty four channels including SKY's free-to-air channel Prime.

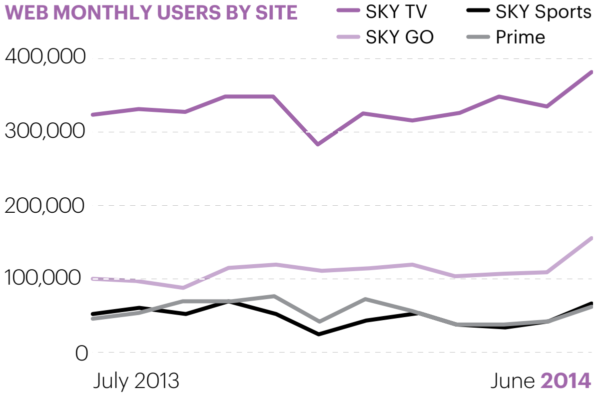
At 25 July 2014 there have been 159,700 downloads of the SKY GO App. In June 2014, there were 393,714 SKY households with access to SKY GO who made approximately 1.4 million media requests to view content across all SKY GO platforms during that month.

MY SKY

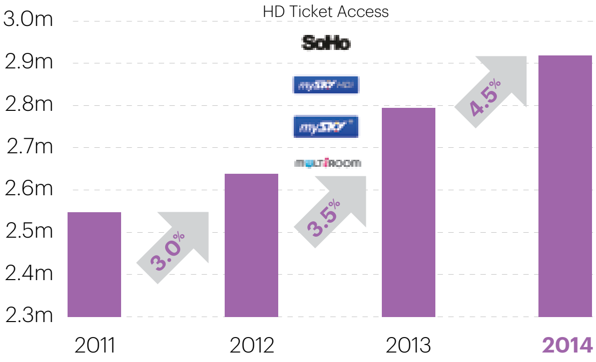
The MY SKY HDi decoder which was first launched in August 2008 and MY SKY+ which launched in 2011 continue to be highly successful products for SKY. At 30 June 2014, there were 504,713 MY SKY subscribers. This represents 61.1% of SKY's residential subscriber homes. This is an increase of 10.6% from the 456,419 MY SKY subscribers at 30 June 2013. In 2014, 42% of MY SKY installs were to new SKY subscribers compared to 27% last year.

MY SKY HDi and MY SKY+ subscribes have the option of paying $10 and $15 per month (incl. GST) respectively to receive SKY's HD channels, or paying $25 per month (incl. GST) for a multi-room decoder including access to SKY's HD channels. At 30 June 2014, 14.1% of MY SKY HDi subscribers had opted to purchase the SKY HD channels and 27.9% had installed multi-room. This means 42% of the MY SKY subscribers were receiving HD services. The ARPU from MY SKY subscribers to 30 June 2014 was $87.22 compared to $86.89 on 30 June 2013.

WEB MONTHLY USERS BY SITE



SKY PREMIUM PRODUCTS



VALUE

To be successful SKY must offer value to its subscribers. Every month subscribers make a value assessment and decide whether to continue to pay for their SKY television service.

The monthly retail prices (incl. GST) of SKY's most popular packages at 30 June were as follows:

PRICE PER MONTH	2014	2013	% inc
	$	$	
Basic	**48.07**	46.92	**2.5**
Basic + Movies	**69.00**	67.62	**2.0**
Basic + Sport	**74.75**	73.37	**1.9**
Basic + Sport + Movies	**95.68**	94.07	**1.7**

Subscribers can alter the packages to which they subscribe, so there is always movement in the number of subscribers subscribing to different services. The following table summarises the percentage of subscribers to each of SKY's core services at 30 June.

SUBSCRIBERS BY TIER	2014	2013
Basic + Sport + Movies	**29%**	31%
Basic + Sport	**42%**	41%
Basic + Movies	**7%**	8%
Other	**22%**	20%

The percentage of subscribers to SKY's premium package of "Basic + Sport + Movies" has dropped by 2% this year while penetration of the "Basic + Sports" package has increased by 1%. A total of 560,567 subscribers were subscribing to the SKY Sports tier at 30 June, compared to 560,303 last year.

MY SKY TIER PENETRATION	2014	2013
Basic + Sport + Movies	**33%**	35%
Basic + Sport	**42%**	40%
Basic + Movies	**8%**	9%
Other	**17%**	16%

While there are fewer MY SKY subscribers purchasing the premium package of "Basic + Sport + Movies" this year, there are still a greater proportion of MY SKY subscribers purchasing the premium package compared to the penetration of this premium package amongst digital subscribers.

DIGITAL TIER PENETRATION	2014	2013
Basic + Sport + Movies	**22%**	25%
Basic + Sport	**42%**	41%
Basic + Movies	**7%**	8%
Other	**29%**	26%

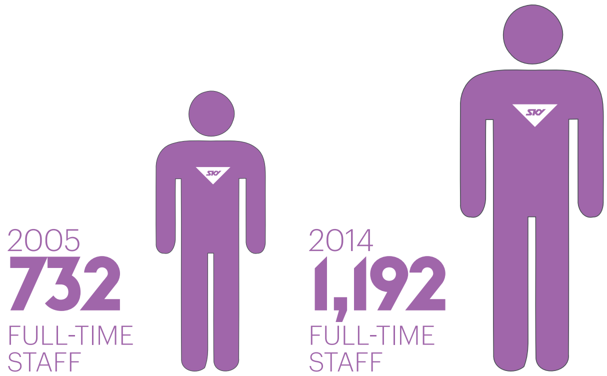
ACTIVATIONS

The level of installation activity is determined by a combination of the level of churn, net gain in new subscribers, and the number of subscribers transferring due to a change of address. The total number of subscriber activations in 2014 was 216,623 compared to 228,773 in 2013.

There are around 1.3 million homes in New Zealand that have been installed with a SKY satellite dish, which represents approximately 80% of New Zealand homes. The benefit of this is that around 80% of SKY's activations were "decoder only" installs in 2014 (75% in 2013), which are significantly cheaper than the cost of a full install that includes a dish, telephone jack, internal wiring and labour costs.

SKY is continuing to market its "Multiroom" service to subscribers, which enables subscribers to receive access to SKY services from a second decoder in their home for $25 per month (incl. GST). There has been a 7.0% growth in the number of Multiroom outlets as follows:

	2014	2013
Satellite homes	**41,006**	34,010
MY SKY homes	**165,118**	158,576
Total Multiroom	**206,124**	**192,586**



INSTALLATION COSTS

The majority of SKY's capital expenditure reflects the cost of installing new subscribers. The success of MY SKY has meant that SKY no longer has to acquire standard digital decoders as these decoders are recycled from existing subscribers migrating to the new MY SKY decoders.

In 2014, the average cost of installing new subscribers (material/labour) was $331 compared to an average of $334 in the previous year. A "decoder only" install costs $54. The average MY SKY decoder cost in 2014 was $298 compared to $320 in 2013. This reduction is due to a reduction in the USD cost of decoders.

SATELLITE

SKY is currently utilising seven transponders on the Optus D1 satellite. The satellite is located at 160º E, which is where the satellite dishes installed by SKY are positioned.

Optus launched the D2 satellite at the 152º E position in October 2007 and the D3 satellite was launched in August 2009 at the 156º E position. Both of these satellites have transponders capable of delivering direct to home (DTH) satellite services to New Zealand. SKY has agreed on a restoration plan with Optus that should see satellite capacity restored within a short time should there ever be a failure of SKY's primary D1 satellite.

To assist in the recovery of services should there ever be a failure of the D1 satellite, SKY has developed a dual LNB that is able to be electronically switched to the 156ºE orbital location. This would enable SKY to utilise the dedicated back-up transponders that are included on the Optus D3 satellite.

EMPLOYEES

SKY has increased the number of full time equivalent employees by 7% to 1,192 in the current year. SKY also employs around 300 contractors in a range of specialist areas. Sixty five employees have been with the company for more than 20 years. Of SKY's permanent staff, 52% have been with the company longer than five years. SKY has a culturally diverse work force and 48% of its employees are women.

FATSO

Fatso is an on-line DVD rental business that SKY has been operating since June 2008. Subscribers pay a monthly subscription and can access a library of DVDs. DVDs are mailed to subscribers who can keep the DVDs as long as they like. When the DVDs are returned another is mailed to the subscriber.

In June 2014 SKY acquired 49% of the company taking its shareholding to 100% of the business. At 30 June 2104 there were 19,733 Fatso subscribers, a 4% decrease from the 20,541 at 30 June 2013.

Fatso's business model is being challenged by competitors who offer a similar service via the internet, where for a fixed monthly fee subscribers can access a library of TV series and movie content that is streamed to a PC, tablet, smart TV or gaming console. SKY has announced it is also planning to launch one of these Subscription Video On Demand (SVOD) services later in the year.

WHOLESALE PARTNERSHIPS

SKY has maintained a strategy of wholesaling its pay TV services to telecommunications companies since the year 2000. Contracts have been in place with major players such as Telecom, Vodafone and TelstraClear over this period. In October 2012, Vodafone announced that they had acquired TesltraClear. In August 2013, SKY announced it had renewed its wholesale agreement with Vodafone for a period of 5 years.

In February 2014, SKY announced that Telecom had advised that it would not be renewing its wholesale agreement with SKY when it expired in May 2014. SKY successfully migrated Telecom's wholesale subscribers back to SKY at the end of the contract. Telecom has since announced that they planned to launch their own SVOD service.

SKY is now working closely with Vodafone to create bundled offerings to telecommunication and pay television services.

PRIME

SKY has continued to invest in new content for Prime, including content from a television output deal with CBS and also certain shows from Fox Studios. Prime also continued to broadcast delayed coverage of major sporting events on this channel including ten hours per day coverage of the Sochi Winter Olympics.

Prime's share of the television audience (all 5+) has decreased from an average yearly audience of 5.9% for the year ended 30 June 2013 to 5.2% for the year ended 30 June 2014. There has been a 3.4% increase in Prime's advertising revenue from $26.4 million in 2013 to $27.3 million in 2014. The total TV advertising market increased by 1.1% for the year to 30 June 2014.

IGLOO LIMITED (IGLOO)

IGLOO was established in November 2011 with SKY and Television New Zealand Limited (TVNZ) as the shareholders. IGLOO commenced broadcasting in December 2012. SKY acquired TVNZ's remaining 34% shareholding in June 2014 and now owns 100% of IGLOO. IGLOO offers subscribers a low cost pay television service on a pre-pay basis via a set top box that will be purchased by the subscriber. IGLOO broadcasts 11 linear channels over a digital terrestrial network and the set top box receives the Freeview free-to-air digital channels. IGLOO also offers live sport on a pay- per-view basis and the set top box is internet enabled so that subscribers can purchase video On Demand content. Other features of the set top box include "live pause" capability and a media player for viewing personal videos and photos.

At 30 June 2014 IGLOO had 8,760 paying subscribers and had sold 30,974 decoders.

COMMERCE COMMISSION

The Commerce Commission concluded its investigation into SKY's content and agreements with retail service providers ("RSPs"). In October 2013, the Commission issued a warning letter to SKY but no further action was taken. The Commission stated that sufficient content of all types appears to be available outside of SKY's contracts to enable an appealing pay TV package to be put together by a competitor. The Commission also stated that it will continue to monitor SKY's existing or new contracts with RSPs and warned that it may have concerns in the future if SKY were to sign further contracts with RSPs and not provide reasonable exemptions from any "key commitment" provisions in new or existing contracts.

CHARITABLE CONTRIBUTIONS

SKY supports various charitable organisations including the Starship Foundation, Christchurch Earthquake Appeal Trust, Special Children's Christmas Parties, Ronald McDonald House Charitable Trust and Kids First Hospital. We offer free advertising on SKY and Prime channels to numerous other registered charities. The total value of subscriptions and free advertising for the 2014 year was approximately $1,345,000.

FINANCIAL OVERVIEW

NET PROFIT AFTER TAX **INCREASED TO $165.8 MILLION**

SUMMARY

The net profit after tax attributable to equity holders of SKY has increased to $165.8 million for the year ended 30 June 2014, a 20.9% increase on the previous year's net profit after tax of $137.2 million.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 7.3% to $379.0 million.

The results are summarised as follows:

For the years ended 30 June

IN NZD MILLIONS	2014	2013	% inc/(dec)
Financial performance data			
Total revenue	**909.0**	885.0	2.7
Total operating expenses	**530.0**	531.9	(0.4)
EBITDA	**379.0**	**353.1**	**7.3**
Less			
Depreciation and amortisation	**126.1**	134.3	(6.0)
Net interest expense and financing charges	**27.1**	29.1	(6.9)
Unrealised losses on currency and other	**1.3**	0.7	85.7
Net profit before income tax	**224.5**	**189.0**	**18.8**
Income tax expense	**63.1**	56.8	11.1
Profit after tax	**161.4**	132.2	22.1
Non-controlling interest	**(4.4)**	(5.0)	(12.0)
Attributable to equity holders of the company	**165.8**	**137.2**	**20.9**

A more detailed commentary on these results is provided overleaf.

REVENUE ANALYSIS

SKY's total revenue increased by 2.7% to $909.0 million as follows:

For the years ended 30 June

IN NZD MILLIONS	2014	2013	% inc/(dec)
Residential	**753.5**	733.0	2.8
Commercial	**44.5**	42.8	4.0
SKYWATCH	**11.4**	12.5	(9.0)
Total subscription revenue	**809.4**	**788.3**	**2.7**
Advertising	**70.5**	68.0	3.7
Installation, programme sales and other	**29.1**	28.7	1.4
Total other revenue	**99.6**	**96.7**	**3.0**
Total revenue	**909.0**	**885.0**	**2.7**

Residential subscription revenue increased 2.8% to $753.5 million, mainly due to subscribers taking up more services resulting in a 2.2% increase in average revenue per subscriber ("ARPU"). ARPU is a measure of the average revenue that SKY earns from subscribers each month.

The following table provides a summary of the change in average monthly revenue per residential subscriber:

IN NZD	2014	2013	% inc/(dec)
DBS excluding wholesale	**61.56**	62.53	(1.6)
Wholesale	**66.84**	67.08	(0.4)
MY SKY	**87.22**	86.89	0.4
Total DBS and MY SKY including wholesale	**77.52**	**75.83**	**2.2**

Commercial revenue is the revenue earned from SKY installations at hotels, motels, restaurants and bars throughout New Zealand. This revenue increased 4.0% to $44.5 million in 2014.

SKYWATCH is SKY's monthly programme guide that is sold for $2.66 per month (incl. GST). Revenue from the guide continues to decrease as more viewers transfer to MY SKY boxes with its easy access programme guide.

Advertising sales revenue increased 3.7% to $70.5 million in 2014. Pay television advertising revenues increased from $41.6 million in 2013 to $43.2 million in 2014, an increase of 3.8%, and Prime advertising revenues increased from $26.4 million in 2013 to $27.3 million in 2014, partly due to additional revenue from the Sochi Olympics.

Installation, programme sales and other revenues increased by 1.4% to $29.1 million in 2014. While installation revenue remains low due to promotion initiatives offering free installation during a large part of the current financial year, the increase in other revenue is mainly attributable to sales of IGLOO set top boxes.

EXPENSE ANALYSIS

A further breakdown of SKY's operating expenses for 2014 and 2013 is provided below:

IN NZD MILLIONS	2014	2014 % of revenue	2013	2013 % of revenue	% of inc/(dec)
Programming	**280.0**	**30.8**	289.3	32.7	(3.2)
Subscriber management	**66.6**	**7.3**	62.7	7.1	6.2
Broadcasting and infrastructure	**88.5**	**9.7**	88.3	10.0	0.2
Sales and marketing	**38.1**	**4.2**	38.8	4.4	(1.8)
Advertising	**21.8**	**2.4**	20.8	2.4	4.8
Other administrative	**35.0**	**3.9**	32.0	3.6	9.4
Depreciation and amortisation	**126.1**	**13.9**	134.3	15.2	(6.1)
Total operating expenses	**656.1**	**72.2**	**666.2**	**75.4**	**(1.5)**

Programming costs comprise both the costs of purchasing programme rights and also programme operating costs. Programme rights costs include the costs of sports rights, pass-through channel rights (e.g. Disney Channel, Living Channel, etc), movies (including PPV) and music rights. Programme operating costs include the costs of producing live sports events, satellite and fibre linking costs, in-house studio produced shows (such as Reunion) and taping, formatting, editing and adding other features to programmes.

SKY's programming expenses have decreased slightly to 30.8% of revenue in 2014, from 32.7% in 2013. The higher programming costs in 2013 included the rights and production costs of the London Olympics.

A significant proportion of SKY's programme rights costs are in Australian dollars (AUD) and United States dollars (USD). This means the NZ dollar cost included in SKY's accounts is affected by the strength of the NZ dollar during a particular year and by SKY's foreign exchange hedging policy.

The board's policy is to hedge a minimum of 85% of the forecast exposures over 0 to 12 months and up to 50% of variable exposures over 13 to 24 months and up to 30% over 25 to 36 months. Fixed price contracts denominated in foreign currencies are fully hedged at the time of placing the order.

Subscriber management cost includes the costs of servicing and monitoring equipment installed at subscribers' homes, indirect installation costs, the costs of SKY's customer service department and general administrative costs associated with SKY's eleven provincial offices.

In 2014, subscriber management costs increased $3.9 million to $66.6 million. This was mainly the result of higher decoder repair costs and higher service costs.

Broadcasting and infrastructure costs consist of transmission and linking costs for transmitting SKY, Prime and IGLOO's television signals from its studios in Auckland to other locations in New Zealand and the costs of operating SKY's television stations at Mt Wellington and Albany. The costs of leasing seven transponders on the Optus D1 satellite are included, as is the cost of high definition television broadcasting. Broadcasting and infrastructure costs remain stable at around $88.0 million or 10% of revenue.

Sales and marketing costs include the costs of marketing SKY to existing and new subscribers, subscriber acquisition costs including costs of advertising campaigns, sales commissions paid to direct sales and tele-sales agents, the costs of producing on-air promotions for SKY and Prime, marketing costs for Prime and the costs of producing SKYWATCH magazine. Sales and marketing costs decreased by 1.8% to $38.1 million in 2014.

Advertising costs include the costs of operating SKY's advertising sales department which sells both SKY and Prime channels and includes the sales commission that is paid to advertising agencies. Advertising sales costs increased 4.8% to $21.8 million, reflecting the higher advertising revenues in 2014.

Other administrative costs include the overhead costs relating to corporate management and the finance department as well as the cost of sales of the IGLOO set top boxes. These costs have increased by 9.4% to $35.0 million from $32.0 million in the prior year.

This increase is mainly due to higher employee costs due to an increase in the number of employees and performance bonuses.

Depreciation and amortisation costs include depreciation charges for subscriber equipment including satellite dishes and decoders owned by SKY and fixed assets such as television station facilities. Depreciation and amortisation costs have decreased by 6.1% to $126.1 million for the current year due to many assets being fully depreciated.

Interest and financing costs have decreased from $29.2 million to $27.1 million. On 31 March 2014 SKY issued a new bond for $100 million which was fully subscribed and during the year reduced bank borrowings by $192 million SKY's weighted average interest cost was 5.6% compared to 5.8% in 2013 as follows:

	2014	2013
Bank loans	**6.3%**	6.6%
Bonds	**4.8%**	4.5%
Finance lease	**6.8%**	6.9%
Combined weighted average	**5.6%**	**5.8%**

Capital expenditure

SKY's capital expenditure over the last five years is summarised as follows:

IN NZD MILLIONS	2014	2013	2012	2011	2010
Subscriber equipment	**20.6**	22.9	57.4	44.6	40.5
Installation costs	**36.9**	40.2	48.9	50.9	62.0
HD Broadcasting truck	**–**	–	2.6	7.5	14.7
Other	**35.5**	19.3	28.0	32.0	21.8
Capital expenditure	**93.0**	82.4	136.9	135.0	139.0
Acquisition of OSB assets	**–**	–	–	34.7	–
Total capital expenditure	**93.0**	**82.4**	**136.9**	**169.7**	**139.0**

Capital expenditure increased by $10.8 million in 2014 to $93.0 million.

Subscriber equipment expenditure decreased slightly by $2.3 million. In the current year 57,000 decoders were purchased compared to 68,000 in the prior year.

Installation costs were down by $3.3 million due to there being a higher percentage of decoder only installations in the current year.

Other capital expenditure totalling $35.7 million included $20.5 million of capital work in progress and $13.4 million of software and hardware additions.

OUR COMMITTED BOARD AND MANAGEMENT TEAM **CONTINUE TO DRIVE UP SHAREHOLDER VALUE AND NURTURE THE GROWTH OF THE COMPANY**

BOARD OF DIRECTORS

PETER MACOURT
CHAIRMAN

Mr Macourt was appointed as chairman of the board of SKY in August 2002. He is a former director and chief operating officer of News Limited based in Sydney, Australia. Previously Mr Macourt has served as a director of Premier Media, Foxtel, Independent Newspapers Limited and a number of subsidiaries and associated companies of the News Corporation Limited. He holds a degree in commerce from the University of New South Wales, is a member of the Australian Institute of Chartered Accountants and the Australian Institute of Company Directors.

ROBERT BRYDEN
DEPUTY CHAIRMAN

Mr Bryden was appointed a director of SKY in 1990 and deputy chairman in February 2001. He was the managing director of Todd Capital Limited until September 2011. Mr Bryden holds a BCA from Victoria University in Wellington.

JOHN FELLET
DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr Fellet joined SKY as chief operating officer in 1991. He was appointed as chief executive in January 2001 and as a director of SKY in April 2001. Mr Fellet holds a BA degree in Accounting from Arizona State University, United States and has over 36 years' experience in the pay television industry, including ten years' experience with Telecommunications Inc. in the United States.

DEREK HANDLEY
DIRECTOR

Mr Handley was appointed to the board in September 2013. He is currently Entrepeneur in Residence of The B Team, a global non-profit leadership collective, and the co-founder of the Hyperfactory, one of the first agencies in the world to recognise the power of mobile devices for connecting consumers, brands and mass media. Mr Handley is also co-founder and chairman of mobile advertising network Snakk Media, which listed on the NZX in 2013. Mr Handley attended Victoria University, Massey University and the MIT Sloan School of Management.

HUMPHRY ROLLESTON
DIRECTOR

Mr Rolleston was appointed as a director of SKY in September 2005. He was an independent director of Independent Newspapers Limited (INL) from 1999 until INL's merger with SKY in July 2005. He is a director of Asset Management Limited, Mercer Group Limited, Matrix Security Limited, Infratil Limited, Murray & Company Limited, Property for Industry Limited and various other companies.

JOHN HART
DIRECTOR

Mr Hart was appointed a director of SKY in October 1997. He had a distinguished career in sports administration including being All Blacks coach between 1996 and 1999. Mr Hart was employed by Fletcher Challenge Limited from 1966 to 1995, in a variety of positions including for the last ten years, the role of Employee Relations Director. He currently manages his own consultancy business. Mr Hart's other directorships include Bayley Corporation Limited, Global Rugby Enterprises, The NZPGA and Chairman of the NZ Open. In addition he has served in a number of government appointed roles, including chairing the New Zealand office charged with leveraging the Rugby World Cup in 2011. He is currently chair of the Nominations Committee for the board of Sport NZ. He was made an officer of the New Zealand Order of Merit (ONZM) in 1997 for his services to rugby and sport.

GERALDINE MCBRIDE
DIRECTOR

Ms McBride was appointed to the board in September 2013. She is a BSc Zoology major from Victoria University, served as president of SAP North America, president of SAP Asia Pacific Japan and global vice president of Dell Services. Ms McBride is a director of Fisher & Paykel Healthcare Limited and National Australia Bank Limited and is the chief executive and founder of MyWave Holdings, a leading edge consumer experience and enterprise relationship technology company.

JOHN WALLER
DIRECTOR

Mr Waller was appointed as a director of SKY in April 2009. He was a partner at PricewaterhouseCoopers for over 20 years, was a member of their board and led their Advisory practice. He is the chairman of BNZ and Eden Park Trust Board, and a director of Fonterra Co-operative Group Limited, National Australia Bank Limited, Alliance Group Limited, Donaghys Limited, Property for Industry Limited and various other companies.

CONTENT, CONTENT, CONTENT.

We scour the globe for it,
we support the local industry to create it,
we even produce it ourselves.

It comes in all shapes and sizes to satisfy interests from the popular to the niche.

IN FOCUS


OVER 115
CHANNELS

ANYWHERE, ANY TIME.

SKY GO

All our SKY customers can enjoy live streamed sport, news, movies and much more with the SKY GO App on their mobile devices. Gone is the fear of missing out! With 15 live channels at their finger tips, SKY customers can enjoy great TV even when they can't make it to their living room. And Kiwis have shown they love it, the SKY GO app has been downloaded more than 160,000 times since launch in December 2013.

MY SKY

We know MY SKY has revolutionised the way Kiwis watch TV and how much they love it. But later this year we will make the MY SKY experience even better. With a new, improved user interface and hundreds of On Demand movies and TV shows available to download over the internet straight to the box, MY SKY will provide unprecedented access to the content Kiwis love.

LET'S MAKE IT
EVEN BETTER

WE LOVE SPORT, IT'S WHAT WE LIVE FOR.

Everyday we take Kiwis into this world, a world that gets the heart pumping and the nation talking.

Like any great game, there have been hard times and good times, but ultimately that's what makes us stronger. The truth is, we're far more than a broadcaster, an aggregator or just another fan. We've got skin in the game.

Home or away, we're out there making it happen – as a dedicated team, we work tirelessly behind the scenes to bring Kiwis a world-class experience. We focus on every angle and every stat; from the snickometer and super slow mo, to the debate and opinion from players past and present. Our pride drives us, everyday we go the extra mile because we know we're only as good as our last game.

From pitch side presenters to pitching for rights, working the cameras to booking the flights, we are united around our love of the game. Because we know sport is much more than the minutes spent on the pitch. It's what brings us together and fuels the conversations, banter and arguments all over New Zealand.

This is why we get out of bed in the morning.

Come rain or shine, come victory or defeat.

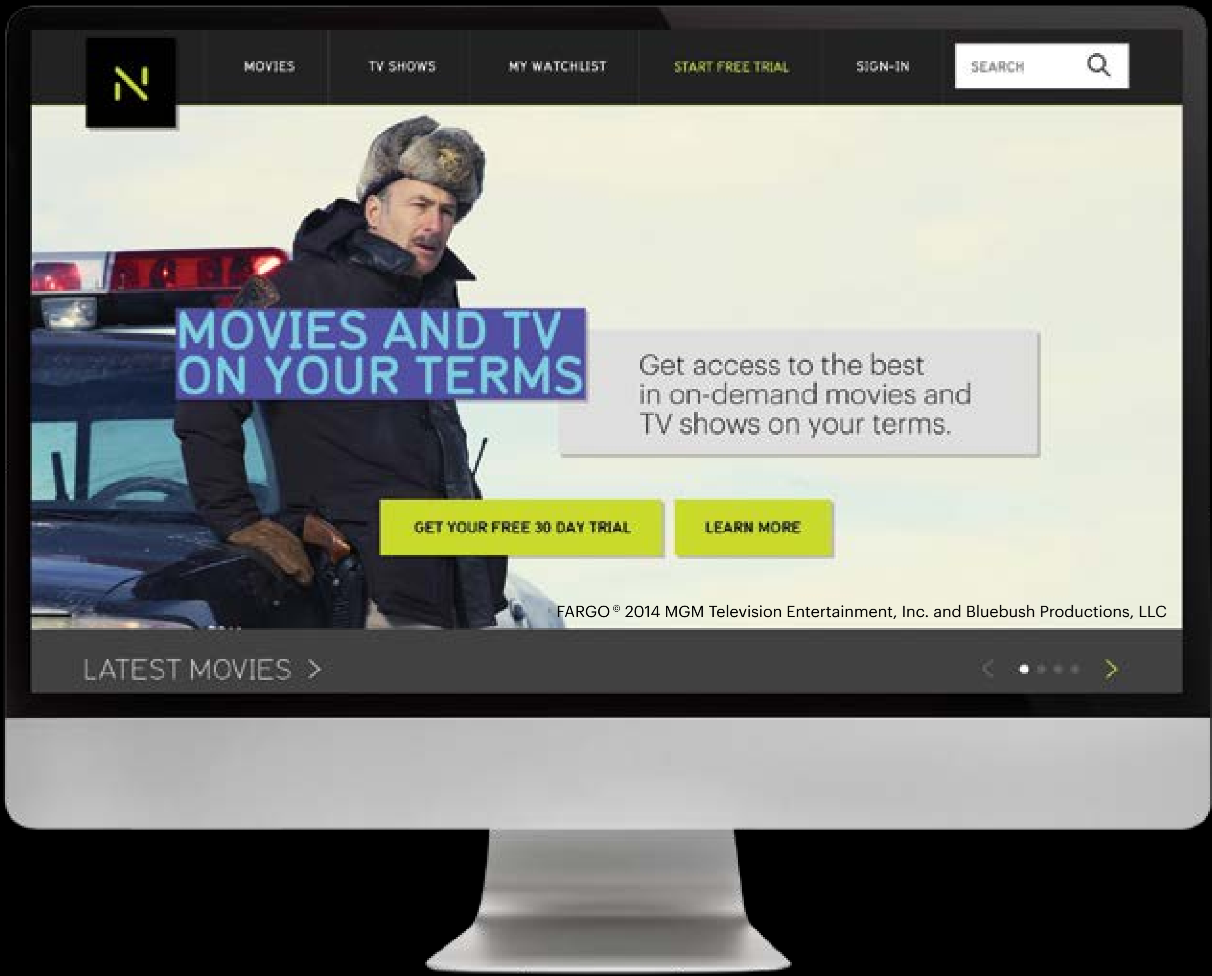
We are SKY SPORT.

OVER

12,000

HOURS OF LOCALLY PRODUCED SPORT

COMING SOON...



NEW SUBSCRIPTION VIDEO ON DEMAND

It's alive. It's vibrant. It's fun. It's all yours. SKY's internet delivered subscription video On Demand service is launching late 2014.

The days of being told what to watch and when to watch it are gone and Kiwis are increasingly seeking greater freedom and choice from their entertainment providers.

The service will give users access to a premium library of TV shows including first run and exclusive content and a broad range of recent release and modern classic movies. Any New Zealander with an internet connection and a desire for great content will be able to sign up.

This service will extend and diversify SKY's product mix to give customers greater value and more choice in how they view content while building on SKY's reputation for innovation.

THE ZONE

One of SKY's biggest strengths is its team of in-house programmers who use their knowledge and love of content to develop new channels, most recently demonstrated in the creation of our popular channels SoHo and JONES!. To these we now add our newest in-house channel, THE ZONE. Launching in November in high definition, THE ZONE will screen a range of titles from the science fiction, cult, fantasy, superhero and horror genres. SKY customers can look forward to exclusive premieres of great new series like Guillermo del Toro's The Strain, Robert Rodriguez's From Dusk Till Dawn, the chilling thriller Helix and SyFy network hit Defiance (featuring New Zealand's own Grant Bowler), as well as a rich mix of modern and classic series and movies.

Although these genres have not historically been well served in the New Zealand broadcast market, they have a large and incredibly diverse fanbase. Accordingly we have made THE ZONE available to as wide an audience as possible by being included in SKY's Basic package at no extra charge. The channel will also stream live from launch on SKY GO, so fans won't miss a minute of the action wherever they are. Our programmers couldn't be more excited and we bet our viewers will love the channel every bit as much as they do.

THE ZONE

WE'VE BEEN EX-P3CTING YØU

Grant Bowler as Joshua Nolan and Julie Benz as Amanda Rosewater in the sci-fi drama *Defiance* from NBCUniversal

COMMUNITY AND SPONSORSHIP

Giving back means a lot to us. Our staff and customers have told us they like what we are doing for others.

Our sponsorship and charities programme has grown – we've got SKY NEXT supporting 18 talented young athletes, the Starship Foundation, New Zealand's Children's Hospital, nationwide Special Children's Christmas Parties that our staff love to help out with and the Christchurch Earthquake Appeal Trust to whom we make an annual donation of $200,000 to help the recovery following the earthquakes.

Being locally based with a large Kiwi shareholding we want to play a part in improving our country. Every year we have heartwarming experiences with the amazing people who work hard in these organisations. It's our pleasure to be involved.

Starship Foundation Sponsor

We've been a proud and passionate supporter of the Starship Foundation since 2001.

We love entertaining young patients with SKY's children's channels; Nickelodeon, Disney, Disney Jr, and Cartoon Network in the hospital. We've held movie premieres at the hospital and bought fun television characters along to help put a smile on kids' faces. We regularly get behind fundraising events by providing prizes, plenty of air time to promote fundraising events and importantly last year we raised $100,000 with our campaign to take a premium channel for $5 with every cent going directly to the Starship Foundation.


SKY
NEXT
SUPPORTING
TALENTED
KIWI ATHLETES


TAKING IT TO THE NEXT LEVEL
ANGIE SMIT
PHILLIPA GRAY
ELLA WILLIAMS
TYLA NATHAN WONG
MATTHEW STANLEY
BEN CAMPBELL
ETHAN MITCHELL
SAM WEBSTER
JACKO GILL
MARCUS AND JOSH
TONY DODDS
CLAUDIA WILLIAMS
PORTIA BING
EMMA TWIGG
MIKAYLA NIELSEN
DAVID NYIKA
ANTON COOPER
KANE RUSSELL
CLASS OF 2014
SKY NEXT supports 18 young, talented Kiwi athletes on their epic journey to succeed. SKY NEXT provides funding, professional support and promotion. We work alongside young athletes, facilitating and enabling them to reach their full potential.
Follow their journey. #skynext
www.sky.co.nz/skynext

SKY Special Children's Christmas Parties

Sponsoring the very Special Children's Christmas Parties means so much more to us than providing cash. Hundreds of our SKY crew from all across New Zealand volunteer each year to create an incredible day for children in need. We love rolling up our sleeves and creating a really fun atmosphere filled with bouncy castles, life size television characters and games - with prizes of course! It's heart warming to see the delight on every child's face as they take home a fantastic swag of gifts and know we made a difference.

Making a splash in Christchurch

SKY has pledged $1 million over five years to help repair the city after the earthquakes. This year we dived in to rescue West Spreydon School, donating $200,000 to repair the school's hugely popular swimming pool.

West Spreydon Primary suffered a double blow in the February 2011 quake. After being under threat of closure for years, the pool had just been repaired by scores of volunteers, with a big opening celebration held on 17 February.

With SKY's donation, the school hopes to have the pool back in action next summer for school swimming lessons and for families to use during the holidays.

This was our second $200,000 donation, and we can't wait to share with you another special project next year.

CHRISTCHURCH
EARTHQUAKE APPEAL

Tomorrow Starts Here.

2014 FINANCIALS

FINANCIAL TRENDS STATEMENT

The selected consolidated financial data set out below have been derived from the audited consolidated financial statements. The data should be read in conjunction with, and are qualified in their entirety by reference to, the consolidated financial statements and accompanying notes included in the annual report.

INCOME STATEMENT – FIVE YEAR SUMMARY

IN NZD 000	2014	2013	2012	2011	2010
For the year ended 30 June					
Total revenue	**909,001**	885,024	843,074	796,948	741,836
Total operating expenses (1)	**529,961**	531,884	507,052	475,273	454,336
EBITDA (2)	**379,040**	**353,140**	**336,022**	**321,675**	**287,500**
Less/(plus)					
Depreciation and amortisation	**126,143**	134,260	134,119	124,954	112,506
Net interest expense and financing charges	**27,097**	29,193	29,346	25,330	30,974
Unrealised losses/(gains) on currency and other	**1,293**	692	923	(641)	(2,498)
Net profit before income tax	**224,507**	**188,995**	**171,634**	**172,032**	**146,518**

BALANCE SHEET – FIVE YEAR SUMMARY

IN NZD 000	2014	2013	2012	2011	2010
As at 30 June					
Property, plant, equipment and non-current intangibles	**302,929**	338,002	388,646	391,268	342,124
Goodwill	**1,426,293**	1,424,494	1,424,494	1,424,494	1,423,427
Total assets	**1,865,369**	1,900,293	1,962,467	1,940,560	1,909,161
Total debt and lease liabilities	**387,191**	483,786	472,469	418,303	472,117
Working capital (3)	**(48,325)**	(39,790)	(20,717)	(26,391)	3,550
Total liabilities	**624,205**	718,396	708,603	643,016	658,214
Total equity	**1,241,164**	1,181,897	1,253,864	1,297,544	1,250,947

(1) Exclusive of depreciation and amortisation.

(2) Net profit before income tax, interest expense, depreciation and amortisation, unrealised gains and losses on currency and interest rate swaps.

(3) Working capital excludes current borrowings, bonds and derivative financial instruments.

FINANCIAL TRENDS STATEMENT (CONTINUED)

OTHER FINANCIAL DATA

IN NZD 000	2014	2013	2012	2011	2010
For the year ended 30 June					
Capital expenditure (accrual basis) (1)	**99,193**	83,628	132,321	139,554	138,994
Free cash inflows/(outflows) (2)	**210,661**	208,223	136,067	122,681	98,480

(1) This does not include assets purchased as part of the acquisition of OSB in July 2010.

(2) Free cash inflows (outflows) are defined as cash flows from operating activities less cash flows from investing activities.

HISTORY OF DIVIDEND PAYMENTS

BY CALENDAR YEAR IN CENTS PER SHARE	2014	2013	2012	2011	2010
Interim dividend (paid in March)	**14.0**	12.0	11.0	8.0	7.0
Final dividend (paid in September)	**–**	12.0	11.0	10.5	7.0
Total ordinary dividend	**14.0**	**24.0**	**22.0**	**18.5**	**14.0**
Add special dividend	**–**	–	32.0	25.0	–
Total dividend paid	**14.0**	**24.0**	**54.0**	**43.5**	**14.0**

SUBSCRIBER BASE

The following operating data has been taken from the Company records and is not audited:

AS AT 30 JUNE	2014	2013	2012	2011	2010
Total number of households in New Zealand (1)	**1,696,500**	1,678,100	1,659,600	1,640,900	1,622,200
Subscribers					
Residential	**715,058**	690,990	690,267	675,221	659,233
Wholesale (2)	**111,390**	131,555	129,323	124,712	118,403
Commercial	**9,060**	8,494	9,140	8,684	8,557
Other (3)	**29,547**	24,859	18,201	20,804	16,204
Total subscribers	**865,055**	**855,898**	**846,931**	**829,421**	**802,397**
MY SKY subscribers (4)	**504,713**	456,419	382,495	279,875	189,975
Percentage of households subscribing to the SKY network:					
Penetration residential and wholesale	**48.7%**	49.0%	49.4%	48.7%	47.9%
Gross churn rate (5)	**13.2%**	14.4%	14.2%	14.0%	13.9%
Average monthly revenue per residential subscriber (NZD):					
UHF	**n/a**	n/a	n/a	n/a	30.82
DBS excluding wholesale	**61.56**	62.53	62.65	65.19	65.76
Wholesale	**66.84**	67.08	64.66	61.78	55.51
MY SKY	**87.22**	86.89	84.69	84.79	84.61
Total UHF, DBS and MY SKY including wholesale	**77.52**	**75.83**	**71.93**	**70.45**	**67.61**
Additional outlets (Multiroom)	**206,124**	192,586	171,901	151,509	127,703

(1) Based on New Zealand Government updated census data.

(2) Includes subscribers receiving SKY packages via affiliate services, such as arrangements with Telecom and Vodafone.

(3) Includes subscribers to programmed music and online DVD rentals via SKY's subsidiary companies, SKY DMX Music Limited and Screen Enterprises Limited. Also includes residential subscribers to IGLOO's package launched in December 2012.

(4) Included in total subscribers.

(5) Gross churn refers to the percentage of residential subscribers over the twelve-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.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors of Sky Network Television Limited (the Company) are responsible for ensuring that the financial statements of the Company give a true and fair view of the income statements of the Company and the Group as at 30 June 2014 and their balance sheets and cash flows for the year ended on that date.

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

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

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

The directors have pleasure in presenting the financial statements of the Company and Group for the year ended 30 June 2014.

The board of directors of Sky Network Television Limited authorise these financial statements for issue on 21 August 2014.

For and on behalf of the board of directors

Peter Macourt
Chairman

Robert Bryden
Director

21 August 2014

INCOME STATEMENT

For the year ended 30 June 2014

		GROUP		COMPANY	
IN NZD 000	Notes	2014	2013	2014	2013
Revenue					
Residential satellite subscriptions		**744,898**	726,322	**744,898**	726,322
Other subscriptions		**64,519**	61,965	**63,017**	61,827
Installation		**8,173**	9,448	**8,169**	9,427
Advertising		**70,546**	68,040	**70,546**	68,040
Other income		**20,865**	19,249	**11,020**	9,242
		909,001	885,024	**897,650**	874,858
Expenses					
Programming		**279,964**	289,320	**284,161**	293,646
Subscriber management		**66,567**	62,719	**62,450**	59,458
Sales and marketing		**38,121**	38,754	**34,953**	36,535
Advertising		**21,808**	20,842	**21,808**	20,842
Broadcasting and infrastructure		**88,488**	88,320	**85,054**	85,208
Depreciation and amortisation	6	**126,143**	134,260	**109,525**	125,586
Corporate		**35,013**	31,929	**41,245**	33,278
		656,104	666,144	**639,196**	654,553
Operating profit		**252,897**	**218,880**	**258,454**	**220,305**
Financial expense (net)	7	**28,390**	29,885	**26,933**	27,559
Profit before tax		**224,507**	**188,995**	**231,521**	**192,746**
Income tax expense	8	**63,084**	56,780	**68,150**	55,938
Profit after tax		**161,423**	**132,215**	**163,371**	**136,808**
Non-controlling interest		**(4,406)**	(4,982)	**–**	–
Attributable to equity holders of the Company		**165,829**	**137,197**	**–**	–
Earnings per share					
Basic and diluted earnings per share (cents)	9	**42.61**	35.26		

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

		GROUP		COMPANY	
IN NZD 000	Note	2014	2013	2014	2013
Profit for the year		**161,423**	132,215	**163,371**	136,808
Other comprehensive income items that may be reclassified subsequently to profit and loss					
Cash flow hedges		**(251)**	13,673	**(193)**	13,472
Income tax effect		**70**	(3,828)	**54**	(3,772)
Other comprehensive income for the year, net of income tax	22	**(181)**	9,845	**(139)**	9,700
Total comprehensive income for the year		**161,242**	**142,060**	**163,232**	**146,508**
Attributable to:					
Equity holders of the Company		**165,648**	147,042	**163,232**	146,508
Non-controlling interest		**(4,406)**	(4,982)	**–**	–
		161,242	**142,060**	**163,232**	**146,508**

BALANCE SHEET

As at 30 June 2014

IN NZD 000	Notes	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Current assets					
Cash and cash equivalents		**19,852**	20,676	**18,261**	13,664
Trade and other receivables	10	**70,961**	72,130	**73,451**	72,314
Inventory	11	**180**	934	**–**	–
Programme rights inventory	12	**42,889**	39,362	**42,889**	39,362
Derivative financial instruments	20	**46**	2,324	**46**	2,266
		133,928	135,426	**134,647**	127,606
Non-current assets					
Property, plant and equipment	13	**278,457**	303,305	**260,998**	271,901
Other intangible assets	14	**24,472**	34,697	**24,366**	26,094
Shares in subsidiary companies	15	**–**	–	**5,784**	14,179
Related party advance	26	**–**	–	**2,133**	12,964
Goodwill	16	**1,426,293**	1,424,494	**1,422,465**	1,422,465
Derivative financial instruments	20	**2,219**	2,371	**2,219**	2,371
		1,731,441	1,764,867	**1,717,965**	1,749,974
Total assets		**1,865,369**	**1,900,293**	**1,852,612**	**1,877,580**
Current liabilities					
Borrowings	19	**7,354**	3,288	**–**	–
Trade and other payables	18	**161,546**	163,899	**159,270**	160,925
Income tax payable		**20,661**	9,380	**23,067**	11,365
Derivative financial instruments	20	**13,107**	6,821	**13,107**	6,821
		202,668	183,388	**195,444**	179,111
Non-current liabilities					
Borrowings	19	**82,364**	281,484	**79,069**	270,835
Bonds	19	**297,473**	199,014	**297,473**	199,014
Deferred tax	17	**35,055**	40,122	**34,083**	36,390
Derivative financial instruments	20	**6,645**	14,388	**6,645**	14,388
		421,537	535,008	**417,270**	520,627
Total liabilities		**624,205**	718,396	**612,714**	699,738
Equity					
Share capital	21	**577,403**	577,403	**577,403**	577,403
Hedging reserve	22	**(10,141)**	(9,960)	**(10,141)**	(10,002)
Retained earnings	23	**672,605**	607,089	**672,636**	610,441
Total equity attributable to equity holders of the Company		**1,239,867**	1,174,532	**1,239,898**	1,177,842
Non-controlling interest		**1,297**	7,365	**–**	–
Total equity		**1,241,164**	1,181,897	**1,239,898**	1,177,842
Total equity and liabilities		**1,865,369**	**1,900,293**	**1,852,612**	**1,877,580**

For and on behalf of the board of directors

Peter Macourt
Chairman

Robert Bryden
Director

21 August 2014

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

		ATTRIBUTABLE TO OWNERS OF THE PARENT					
IN NZD 000	Notes	Share capital	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
GROUP							
Balance at 1 July 2013		577,403	(9,960)	607,089	1,174,532	7,365	1,181,897
Profit/(loss) for the year	23	–		165,829	165,829	(4,406)	161,423
Cash flow hedges, net of tax	22	–	(181)	–	(181)	–	(181)
Total comprehensive income/(loss) for the year		**–**	**(181)**	**165,829**	**165,648**	**(4,406)**	**161,242**
Transactions with owners in their capacity as owners							
Change in non-controlling interest	15	–	–	863	863	(1,662)	(799)
Dividend paid	23	–	–	(101,176)	(101,176)	–	(101,176)
Supplementary dividends		–	–	(11,665)	(11,665)	–	(11,665)
Foreign investor tax credits		–	–	11,665	11,665	–	11,665
		–	**–**	**(100,313)**	**(100,313)**	**(1,662)**	**(101,975)**
Balance at 30 June 2014		**577,403**	**(10,141)**	**672,605**	**1,239,867**	**1,297**	**1,241,164**
Balance at 1 July 2012		577,403	(19,805)	684,084	1,241,682	12,182	1,253,864
Profit/(loss) for the year	23	–	–	137,197	137,197	(4,982)	132,215
Cash flow hedges, net of tax	22	–	9,845	–	9,845	–	9,845
Total comprehensive income/(loss) for the year		**–**	**9,845**	**137,197**	**147,042**	**(4,982)**	**142,060**
Transactions with owners in their capacity as owners							
Change in non-controlling interest		–	–	(165)	(165)	165	–
Dividend paid	23	–	–	(214,027)	(214,027)	–	(214,027)
Supplementary dividends		–	–	(11,071)	(11,071)	–	(11,071)
Foreign investor tax credits		–	–	11,071	11,071	–	11,071
		–	**–**	**(214,192)**	**(214,192)**	**165**	**(214,027)**
Balance at 30 June 2013		**577,403**	**(9,960)**	**607,089**	**1,174,532**	**7,365**	**1,181,897**
COMPANY							
Balance at 1 July 2013		577,403	(10,002)	610,441	1,177,842	–	1,177,842
Profit for the year	23	–	–	163,371	163,371	–	163,371
Cash flow hedges, net of tax		–	(139)	–	(139)	–	(139)
Total comprehensive income for the year		**–**	**(139)**	**163,371**	**163,232**	**–**	**163,232**
Transactions with owners in their capacity as owners							
Dividend paid	23	–	–	(101,176)	(101,176)	–	(101,176)
Supplementary dividends		–	–	(11,665)	(11,665)	–	(11,665)
Foreign investor tax credits		–	–	11,665	11,665	–	11,665
		–	**–**	**(101,176)**	**(101,176)**	**–**	**(101,176)**
Balance at 30 June 2014		**577,403**	**(10,141)**	**672,636**	**1,239,898**	**–**	**1,239,898**
Balance at 1 July 2012		577,403	(19,702)	687,660	1,245,361	–	1,245,361
Profit for the year	23	–	–	136,808	136,808	–	136,808
Cash flow hedges, net of tax	22	–	9,700	–	9,700	–	9,700
Total comprehensive income for the year		**–**	**9,700**	**136,808**	**146,508**	**–**	**146,508**
Transactions with owners in their capacity as owners							
Dividend paid	23	–	–	(214,027)	(214,027)	–	(214,027)
Supplementary dividends		–	–	(11,071)	(11,071)	–	(11,071)
Foreign investor tax credits		–	–	11,071	11,071	–	11,071
		–	**–**	**(214,027)**	**(214,027)**	**–**	**(214,027)**
Balance at 30 June 2013		**577,403**	**(10,002)**	**610,441**	**1,177,842**	**–**	**1,177,842**

STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

		GROUP		COMPANY	
IN NZD 000	Notes	2014	2013	2014	2013
Cash flows from operating activities					
Profit before tax		**224,507**	188,995	**231,521**	192,746
Adjustments for:					
Depreciation and amortisation	6	**126,143**	134,260	**109,525**	125,586
Unrealised foreign exchange loss/(gain)	7	**296**	(38)	**350**	(83)
Interest expense	7	**28,751**	29,831	**27,870**	28,739
Bad debts and movement in provision for doubtful debts	6	**4,399**	5,526	**4,393**	5,521
(Reversal)/impairment of inventory	11	**(889)**	1,405	**–**	–
Amortisation of bond issue costs	7	**367**	299	**367**	299
Other non-cash items		**1,799**	861	**1,388**	525
Gain on disposal of assets		**–**	(16)	**(4)**	(19)
Impairment of investment	15	**–**	–	**11,055**	6,115
Movement in working capital items:					
Decrease/(increase) in receivables		**3,858**	(5,102)	**3,682**	(5,388)
(Decrease)/increase in payables		**(8,080)**	8,324	**(8,615)**	13,194
Decrease in inventory		**1,642**	723	**–**	–
(Increase)/decrease in programme rights		**(3,527)**	2,827	**(3,527)**	2,827
Cash generated from operations		**379,266**	367,895	**378,005**	370,062
Interest paid		**(28,896)**	(30,061)	**(28,016)**	(28,970)
Income tax paid		**(45,056)**	(47,269)	**(44,967)**	(47,233)
Net cash from operating activities		**305,314**	**290,565**	**305,022**	**293,859**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**109**	30	**100**	30
Acquisition of property, plant, equipment and intangibles		**(93,002)**	(82,372)	**(90,832)**	(79,027)
Acquisition of business	15	**(779)**	–	**(2,660)**	(5,750)
Net cash used in investing activities		**(93,672)**	**(82,342)**	**(93,392)**	**(84,747)**
Cash flows from financing activities					
Proceeds from bond issue		**100,000**	–	**100,000**	–
Payment of bond issuance costs	19	**(1,908)**	–	**(1,908)**	–
Repayment of borrowings – bank loan	19	**(253,000)**	(155,000)	**(253,000)**	(155,000)
Advances received – bank loan		**61,000**	169,000	**61,000**	169,000
Payment of finance lease liabilities		**(3,315)**	(3,105)	**–**	–
Capital introduced by non-controlling interest		**300**	–	**–**	–
Acquisition of and distributions to non-controlling interest	15	**(1,178)**	–	**–**	
Related party advance repayment		**–**	–	**1,240**	2,243
Payment of bank facility fees		**(1,524)**	(1,247)	**(1,524)**	(1,247)
Dividends paid		**(112,841)**	(225,098)	**(112,841)**	(225,098)
Net cash used in financing activities		**(212,466)**	**(215,450)**	**(207,033)**	**(210,102)**
Net (decrease)/increase in cash and cash equivalents		**(824)**	(7,227)	**4,597**	(990)
Cash and cash equivalents at beginning of year		**20,676**	27,903	**13,664**	14,654
Cash and cash equivalents at end of year		**19,852**	**20,676**	**18,261**	**13,664**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

1. GENERAL INFORMATION

SKY Network Television Limited is a Company incorporated and domiciled in New Zealand. The address of its registered office is 10 Panorama Road, Mt Wellington, Auckland, New Zealand. The consolidated financial statements of the Group for the year ended 30 June 2014 comprise the Company, Sky Network Television Limited and its subsidiaries. The Company financial statements are for SKY Network Television Limited as a separate legal entity.

SKY is a company registered under the Companies Act 1993 and is an issuer in terms of the Financial Reporting Act 1993. These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993.

The Group's primary activity is to operate as a provider of multi-channel, pay television and free-to-air television services in New Zealand.

These financial statements were authorised for issue by the Board on 21 August 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements are for the year ended 30 June 2014. They have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). Accounting policies applied in these financial statements comply with NZ IFRS and NZ IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (August 2014) as applicable to SKY as a profit-oriented entity. The Group and the Company financial statements are in compliance with International Financial Reporting Standards (IFRS).

The preparation of financial statements in accordance with NZ IFRS 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.

Changes in accounting policy and disclosures

The accounting policies applied by the Group in these consolidated financial statements have been consistently applied to all the years presented other than as set out below.

During the period the Group adopted Standard XRB A1: Accounting Standards Framework, issued by the External Reporting Board. XRB establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 entity. There was no impact on the current or prior year financial statements.

The following are the new standards and amendments to standards which are effective for the first time for the financial year beginning 1 July 2013 and which are relevant to the Group. These amendments do not result in material accounting or disclosure changes for the Group.

NZ IFRS 10 Consolidated Financial Statements, revised NZ IAS 27 Separate Financial Statements

NZ IFRS 10 replaces all the guidance on control and consolidation in NZ IAS 27 Consolidated and Separate Financial Statements and NZ SIC 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they were a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships.

NZ IAS 27 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements.

NZ IFRS 12 Disclosures of interests in other entities

NZ IFRS 12 sets out the required disclosures for entities reporting under the two new standards NZ IFRS 10 and NZ IFRS 11, and replaces the disclosure requirements currently found in NZ IAS 28.

NZIFRS 13 Fair Value Measurement

NZ IFRS 13 establishes a single source of guidance for all fair value measurements. NZ IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under NZ IFRS when fair values is required or permitted. The application of NZ IFRS 13 has not materially impacted the fair value measurements carried out by the Group and Company.

NZ IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards including NZ IFRS 7 Financial Instruments, The Group and Company provide these disclosures in notes 19 and 20.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendment to NZ IAS 36 Impairment of Assets (effective from annual periods beginning on or after 1 January 2014 and early adoption is permitted). This amendment removes the requirement to disclose the recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite life intangible assets but there has been no impairment. The Group applied this amendment in these financial statements, and accordingly has not disclosed the recoverable amount of goodwill in note 16.

At the date of authorisation of these financial statements, the following standards and interpretations of relevance to the Group and Company were issued but not yet effective and have not been early adopted:

NZ IAS 32: Offsetting Financial Assets and Financial Liabilities (Effective date: periods beginning on or after 1 January 2014).

NZIFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009, December 2010 and December 2013. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments and hedge accounting. NZIFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. The Group is yet to assess NZ IFRS 9's full impact. The Group will also consider the impact of the remaining phases of NZ IFRS 9 when completed by the IASB.

NZ IFRS 15: Revenue from contracts with customers (Effective date: periods beginning or of after 1 January 2017). NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The directors anticipate that the adoption of these standards and interpretations in future periods, other than NZ IFRS 9 and NZ IFRS 15, will have no material impact on the financial statements of the Company or the Group other than disclosures. The Group has yet to assess the full impact of NZ IFRS 9 and NZ IFRS 15.

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

The following specific accounting policies have a significant effect on the measurement of results and financial position.

Basis of consolidation

The Group financial statements consolidate the financial statements of subsidiaries, using the acquisition method.

The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interest issued by the Group. It includes any asset or liability arising from a contingent consideration arrangement. Each identifiable asset and liability is generally measured at its acquisition date fair value except if another NZ IFRS requires another measurement basis. The excess of the consideration of the acquisition and the amount of any non-controlling interest in the acquiree, less the Group's share of the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed is recognised as goodwill. Acquisition related costs are expensed as incurred.

Subsidiaries

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

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

For the year ended 30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions with non-controlling interests

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

Functional and presentation currency

The financial statements are presented in New Zealand dollars which is the Company's and its subsidiaries' functional currency.

Foreign currency transactions

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

Property, plant and equipment

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in corporate expenses in the income statement.

Depreciation

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

ASSETS	TIME
Land	Nil
Leasehold improvements	5-50 years
Buildings	50 years
Broadcasting and studio equipment	5-10 years
Decoders and associated equipment	4-5 years
Other plant and equipment	3-10 years
Capitalised aerial and satellite dish installations	5 years

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

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition and the fair value of the non-controlling interest in the acquiree. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The SKY business is considered to comprise only a single cash-generating unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other intangible assets

Broadcasting rights

Broadcasting rights, consisting of UHF spectrum licences are recognised at cost and are amortised on a straight-line basis over the lesser of the period of the licence term and 20 years.

Software

Direct costs associated with the development of broadcasting and business software for internal use are capitalised where project success is regarded as probable. Capitalised costs include external direct costs of materials and services consumed and direct payroll-related costs for employees (including contractors) directly associated with the project and interest costs incurred during the development stage of a project.

Software development costs recognised as assets are amortised over their estimated useful lives (three to five years).

Programme rights inventory

Programme rights are recognised at cost, as an asset in the balance sheet provided the programme is available and the rights period has commenced at the balance date. Long-term sports rights are executory contracts as the obligation to pay for the rights does not arise until the event has been delivered. Most sports rights contracts are, however, payable in advance and as such, are recognised only to the extent of the unamortised payment amount. Rights are amortised over the period they relate to on a proportionate basis depending on the type of programme right and the expected screening dates, generally not exceeding twelve months. Any rights not expected to be utilised are written off during the period.

Inventory

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost basis, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. Costs also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchase of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less selling expenses. Provisions are made for obsolete, unsaleable and unusable inventory.

Impairment of non-financial assets

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

Leases – finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are included as non-current assets in the balance sheet. The lower of fair value and the present value of the minimum lease payments is recognised as an asset at the beginning of the lease term and depreciated on a straight-line basis over the shorter of the lease term or the expected useful life of the leased asset. A corresponding liability is also established and each lease payment is allocated between the liability and interest expense so as to produce a constant period rate of interest on the remaining balance of the liability.

Leases – operating leases

Leases under which all the risks and benefits of ownership are substantially retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the periods the amounts are payable. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Financial assets

Financial assets are classified in the following categories: at fair value through profit or loss, or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

All purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the assets. Purchases or sales of financial assets are sales or purchases that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are categorised as held for trading unless they are designated as hedges. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those assets with maturities greater than 12 months after the balance date when they are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each balance date whether there is objective evidence, such as default or delinquency in payment, that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account with the amount of the loss being recognised in profit or loss.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence, such as default or delinquency in payments that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is expensed in the income statement.

Cash and cash equivalents

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

Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method. Arrangement fees are amortised over the term of the loan facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Bonds

Bonds are recognised initially at fair value less costs of issue. Costs of issue are amortised over the period of the bonds. Subsequent to initial recognition, bonds are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the bonds, using the effective interest method. Bonds are classified in the balance sheet as non-current liabilities unless settlement of the liability is due within twelve months after the balance date.

Trade and other payables

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

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks. The Group does not hold or issue derivatives for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives consist mainly of currency forwards and interest rate swaps.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are re-measured at their fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Cash flow hedges

The Group designates hedges of both firm commitments and highly probable forecast transactions as cash flow hedges. The effective portion of changes in the fair value of derivatives qualifying as cash flow hedges are recognised in other comprehensive income. At the time of de-designation, i.e. the period that the hedged item will affect the income statement, amounts accumulated in equity are either released to the income statement or used to adjust the carrying value of assets purchased (basis price adjustments). For example, when hedging forecast purchases of programme rights in foreign currency, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the programme rights. The deferred amounts are ultimately recognised in programme rights' expenses in the income statement. Any ineffective component of the fair value changes on the hedging instrument is recorded directly in the income statement. The fair value of foreign currency forward contracts is determined by using forward exchange market rates at the balance date.

Amounts accumulated in the hedging reserve in equity on interest rate swaps are recycled in the income statement in the periods when the hedged item affects profit and loss (for example when the forecast interest payment that is hedged is made). The gain or loss relating to any ineffective portion is recognised in the income statement as "interest rate swaps – fair value" in finance costs. The gain or loss relating to interest rate swaps which do not qualify for hedge accounting is recognised in the income statement within the interest expense charge in "finance expense".

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

For qualifying hedge relationships, the Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Fair value hedges

The Group designates hedges of the fair value of recognised assets and liabilities as fair value hedges. These include hedges of borrowings issued at fixed interest rates which expose the Group to fair value interest rate risk. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and assumptions that are based on market conditions existing at each balance date. Techniques, such as estimated discounted cash flows, are used to determine the fair value of financial instruments. The fair value of forward exchange contracts is their quoted market price at the balance date. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The carrying amount of cash and cash equivalents, short term investments, payables and accruals, receivables and current portion of borrowings approximate fair value due to the short-term maturity of these instruments. The fair value of financial liabilities and financial assets for disclosure purposes is estimated by discounting the future contractual cash flows at the current market rate that is available to the Group for similar financial instruments.

Employee benefits

Wages and salaries and annual leave

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into account the economic value added by employees during the reporting period. The Group recognises this provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Revenue recognition

(a) Sales of goods and services

Revenue comprises the fair value of the sales of goods and services, net of goods and services tax and is recognised as follows:

- Subscription revenue – over the period to which the subscription relates;
- Advertising revenue – over the period in which the advertising is screened;
- Installation revenue – when the installation has been completed;
- Other revenue – when the product has been delivered to the customer or retailer or in the accounting period in which the actual service is provided.

(b) Interest income

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

Borrowing costs

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

Taxation

Current income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

Income tax expense represents the sum of the tax currently payable and deferred tax, except to the extent that it relates to items recognised directly in other comprehensive income, in which case the tax expense is also recognised in other comprehensive income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the rates that have been enacted or substantively enacted by the balance date.

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Goods and services tax (GST)

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

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to SKY's group of executive directors who are the chief operating decision-makers. SKY's group of executive directors is responsible for allocating resources and assessing performance of the operating segments. SKY operates in a single business segment; the provision of multi-channel television services in New Zealand.

3. FINANCIAL RISK MANAGEMENT

Financial risk management objectives

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

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

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

The Corporate Treasury function reports monthly to the board of directors. The board has an audit and risk committee which is responsible for developing and monitoring the Group's risk management policies.

Market risk

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

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

(a) Foreign exchange risk

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

The Group's risk management policy is to hedge foreign capital expenditure (Capex) and foreign operating expenditure (Opex) in accordance with the following parameters. Approximately 90% of anticipated transactions in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

		Period	Minimum hedging	Maximum hedging
Capex	Capex order greater than NZD $250,000	Time of issuing order	100%	100%
Opex	Fixed commitments	Up to 3 years	100%	100%
		> 3 years	0%	100%
Opex	Variable commitments	0 - 12 months	85%	95%
		13 - 24 months	0%	50%
		25 - 36 months	0%	30%

A detailed summary of the Group's currency risks and a sensitivity analysis are given in note 20.

(b) Cash flow and fair value interest rate risk

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

	Period	Minimum hedging	Maximum hedging
Variable rate borrowings	1 - 3 years	20%	80%
	3 - 5 years	20%	60%
	5 - 10 years	0%	30%

For the year ended 30 June 2014

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. The Group also enters into fixed-to-floating interest rate swaps to hedge fair value interest rate risk arising where it has borrowed at fixed rates.

A detailed summary of the Group's interest rate risks and a sensitivity analysis are given in note 20.

(c) Price risk

The Group does not have any price risk exposure.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from cash and cash equivalents, deposits with banks, derivative financial instruments and the Group's receivables from customers.

The Group has no significant concentrations of credit risk.

Credit risk with respect to trade receivables is limited due to the large number of subscribers included in the Group's subscriber base. In addition, receivables balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The maximum exposure is the carrying amount as disclosed in note 10.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors the Group's cash requirements on a daily basis against expected cash flows based on a rolling daily cash flow forecast for at least 90 days in advance. In addition the Group compares actual cash flow reserves against forecast and budget on a monthly basis.

The Group had an undrawn facility balance of $220,000,000 (June 2013: $128,000,000) that can be drawn down to meet short-term working capital requirements (refer note 19). On 7 July 2014 there was a reduction of $100,000,000 in the facility limit. Contractual maturities of the Group's financial liabilities are shown below.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payments in respect of financial liabilities and the net settled interest rate derivatives that are in a loss position at balance date. Balances due within 12 months equal their carrying value as the impact of discounting is not significant.

The information shown below relates to the Group only. Company information is not shown separately. The only material difference between the Company and the Group is the lease liabilities shown as a separate line item on the table below. These lease liabilities relate to OSB and are separately disclosed in note 19.

IN NZD 000	Notes	Carrying amount	Contractual cash flows	Less than one year	1-2 years	2-5 years	> 5 years
At 30 June 2014							
Non-derivative financial liabilities							
Secured bank loans	19	79,069	(99,433)	(8,852)	(3,848)	(11,543)	(75,190)
Lease liabilities	19	10,649	(11,251)	(7,925)	(3,326)	–	–
Bonds	19	297,473	(358,834)	(13,490)	(13,490)	(208,412)	(123,442)
Trade and other payables	18	95,451	(95,451)	(95,451)	–	–	–
Derivative financial liabilities							
Forward exchange contracts used for hedging – net outflow/inflow (1)	20	15,093	(15,468)	(11,973)	(3,495)	–	–
Interest rate swaps (1)	20	4,659	(9,217)	(3,130)	(2,552)	(3,535)	–
		502,394	**(589,654)**	**(140,821)**	**(26,711)**	**(223,490)**	**(198,632)**
At 30 June 2013							
Non-derivative financial liabilities							
Secured bank loans	19	270,835	(333,666)	(12,213)	(12,213)	(36,638)	(272,602)
Lease liabilities	19	13,937	(15,421)	(4,170)	(4,170)	(7,081)	–
Bonds	19	199,014	(221,045)	(6,380)	(6,380)	(208,285)	–
Trade and other payables	18	102,047	(102,047)	(102,047)	–	–	–
Derivative financial liabilities							
Forward exchange contracts used for hedging – net outflow/inflow	20	6,589	(5,771)	(4,198)	(1,027)	(546)	–
Interest rate swaps (1)	20	14,620	(20,176)	(6,386)	(6,237)	(7,448)	(105)
		607,042	**(698,126)**	**(135,394)**	**(30,027)**	**(259,998)**	**(272,707)**

Trade and other payables (note 18) includes unearned subscriptions and deferred revenues totalling $66,095,000 (2013: $61,852,000) which are not classified as financial instruments. These balances are excluded from the amounts shown above.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below analyses the Group's foreign exchange derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Inflows have been calculated using balance date spot rates.

IN NZD 000	Exchange rate	Contractual cash flows foreign exchange amount	Contractual cash flows	Less than one year	1-2 years	3-5 years
At 30 June 2014						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD			(201,023)	(93,598)	(107,425)	–
AUD			(140,785)	(101,355)	(39,430)	–
YEN			(1,113)	(1,113)	–	–
Inflow (at year-end market rate)						
USD	0.8733	162,153	185,678	86,278	99,400	–
AUD	0.9289	122,665	132,054	94,471	37,583	
YEN	88.5526	98,015	1,107	1,107	–	–
			(24,082)	**(14,210)**	**(9,872)**	**–**
At 30 June 2013						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD			(84,296)	(77,159)	(7,137)	–
AUD			(124,583)	(95,174)	(19,403)	(10,006)
CAD			(1,227)	(1,227)	–	–
Inflow (at year-end market rate)						
USD	0.7808	65,688	84,128	76,945	7,183	–
AUD	0.8436	100,328	118,928	91,138	18,330	9,460
CAD	77.1665	98,658	1,279	1,279	–	–
			(5,771)	**(4,198)**	**(1,027)**	**(546)**

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy for capital risk management remains unchanged from 2013.

The capital structure of the Group consists of debt which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the Parent comprising share capital, hedging reserve and retained earnings as disclosed in notes 21, 22 and 23 respectively.

The board reviews the Company's capital structure on a regular basis. The Company has a facility agreement in place with a syndicate of banks and a retail bond issue as described in note 19.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The gearing ratio at the year-end was as follows:

		GROUP	
IN NZD 000	Note	2014	2013
Debt	19	**387,191**	483,786
Cash and cash equivalents		**(19,852)**	(20,676)
Net debt		**367,339**	463,110
Equity		**1,241,164**	1,181,897
Net debt to equity ratio		**30%**	39%

The Group is subject to externally imposed debt limits with which it has complied for the entire year reported (2013: complied).

Fair value estimation

The methods used to estimate the fair value of financial instruments are as follows:

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

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

SKY's financial assets and liabilities carried at fair value are valued on a level 2 basis.

The information below relates to the Group only. Company information is not shown separately as there are no material differences between the Group and the Company.

		GROUP	
IN NZD 000	Notes	2014	2013
Assets measured at fair value			
Trading derivatives – de-designated or not hedge accounted		**–**	528
Derivatives used for hedging – cash flow hedges		**2,265**	4,167
Total assets	20	**2,265**	**4,695**
Liabilities measured at fair value			
Trading derivatives – de-designated or not hedge accounted		**(3,069)**	(808)
Derivatives used for hedging – cash flow hedges		**(16,683)**	(20,401)
Total liabilities	20	**(19,752)**	**(21,209)**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

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

For the year ended 30 June 2014

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments carried at amortised cost

		GROUP				COMPANY			
		2014		2013		2014		2013	
IN NZD 000	Notes	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets									
Loans and receivables									
Cash and cash equivalents		**19,852**	**19,852**	20,676	20,676	**18,261**	**18,261**	13,664	13,664
Trade and other receivables	10	**65,836**	**65,836**	68,410	68,410	**68,748**	**68,748**	69,249	69,249
Related party advance	26	**–**	**–**	–	–	**2,560**	**2,626**	15,020	16,469
Total assets		**85,688**	**85,688**	**89,086**	**89,086**	**89,569**	**89,635**	**97,933**	**99,382**
Financial liabilities held at amortised cost									
Borrowings	19	**79,069**	**79,264**	270,835	270,061	**79,069**	**79,264**	270,835	270,061
Lease liabilities	19	**10,649**	**10,932**	13,937	15,000	**–**	**–**	–	–
Bonds	19	**297,473**	**296,991**	199,014	191,000	**297,473**	**296,991**	199,014	191,000
Trade and other payables	18	**95,451**	**95,451**	102,047	102,047	**93,356**	**93,356**	99,218	99,218
Total liabilities		**482,642**	**482,638**	**585,833**	**578,108**	**469,898**	**469,611**	**569,067**	**560,279**

The fair values of financial assets and financial liabilities are determined as follows:

Cash and short-term deposits, trade and other receivables, trade and other payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of quoted bonds is based on price quotations at the reporting date being a level 1 basis. The fair value of loans from banks and lease liabilities is estimated on a level 3 basis by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The fair value of related party receivables is estimated on a level 3 basis by discounting future cash flows using rates currently available for deposits on similar terms.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Estimated impairment of goodwill and investment in subsidiaries

The Group tests whether goodwill and investments in subsidiaries have suffered any impairment at each year end, in accordance with the accounting policy stated in note 2. The recoverable amounts have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and use a suitable discount rate in order to calculate present value. The value of goodwill and investments in subsidiaries at the balance date was $1,426,293,000 and $5,784,000 respectively (30 June 2013: $1,424,494,000 and $14,179,000). An impairment loss of $11,055,000 (30 June 2013: $6,115,000) has been recognised on SKY's investments. Details of the value-in-use calculation are provided in note 16.

(b) Estimated life of technical assets

The estimated life of technical assets such as decoders and other broadcasting assets is based on management's best estimates. Changes in technology may result in the economic life of these assets being different from that estimated previously. The board and management regularly review economic life assumptions of these assets as part of management reporting procedures (refer note 13 for book value of these assets).

(c) Deferred taxes

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits. The total carrying amount of unused tax losses for which no deferred tax asset has been recognised and other deductible temporary differences of the Group and the Company for which deferred tax assets have been recognised are as disclosed in note 17.

5. SEGMENT REPORTING

The Group operates as a single business segment being a multi-channel provider of pay-per-view and free-to-air television services in New Zealand only.

6. OPERATING EXPENSES

Profit before tax includes the following separate expenses/(credits).

		GROUP		COMPANY	
IN NZD 000	Notes	2014	2013	2014	2013
Depreciation and amortisation					
Depreciation and impairment of property, plant and equipment	13	**105,275**	124,580	**97,816**	117,083
Amortisation and impairment of intangibles	14	**20,868**	9,680	**11,709**	8,503
Total depreciation and amortisation		**126,143**	**134,260**	**109,525**	**125,586**
Impairment					
Impairment of investment	15	**–**	–	**11,055**	6,115
Impairment of inventory	11	**(889)**	1,405	**–**	–
Total depreciation, amortisation and impairment		**125,254**	**135,665**	**120,580**	**131,701**
Bad and doubtful debts					
Movement in provision		**(379)**	(1,279)	**(397)**	(1,281)
Net write-off		**4,399**	5,526	**4,393**	5,521
Total bad and doubtful debts	10	**4,020**	**4,247**	**3,996**	**4,240**
Fees paid to external auditors					
Audit fees paid to principal auditors (1)		**278**	243	**240**	200
Other assurance services by principal auditors					
Audit of regulatory returns		**5**	3	**5**	3
Other assurance services (2)		**1**	1	**1**	1
Advisory services by principal auditors – Treasury		**24**	24	**24**	24
Total fees to external auditors		**308**	**271**	**270**	**228**
Donations		**327**	**353**	**327**	**353**
Employee costs		**92,799**	**87,023**	**87,397**	**82,047**
Directors' fees	26	**606**	**480**	**606**	**480**
Operating lease and rental expenses		**38,919**	**38,416**	**37,188**	**37,237**

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

(2) Other assurance services comprise reporting on trust deed requirements.

For the year ended 30 June 2014

7. FINANCIAL (EXPENSE)/INCOME

	GROUP		COMPANY	
IN NZD 000	**2014**	**2013**	**2014**	**2013**
Finance income				
Interest income	**608**	132	**1,245**	1,313
Interest rate swaps – fair value gains	**1,046**	506	**1,046**	506
	1,654	638	**2,291**	1,819
Finance expense				
Interest expense on bank loans	**(13,694)**	(18,075)	**(13,694)**	(18,075)
Interest expense on bonds	**(9,621)**	(8,802)	**(9,621)**	(8,802)
Interest rate swaps – fair value loss	**(2,393)**	(222)	**(2,393)**	(222)
Finance lease interest	**(881)**	(1,092)	**–**	–
Amortisation of bond costs	**(367)**	(299)	**(367)**	(299)
Bank facility finance fees	**(1,795)**	(1,341)	**(1,795)**	(1,341)
Total interest expense (net)	**(28,751)**	(29,831)	**(27,870)**	(28,739)
Unrealised exchange (loss)/gain – foreign currency payables	**1,596**	(1,060)	**1,542**	(906)
Unrealised exchange gain/(loss) – foreign currency hedges	**(1,892)**	1,098	**(1,892)**	989
Realised exchange loss – foreign currency payables	**(1,451)**	(1,475)	**(1,458)**	(1,467)
Realised exchange gain – foreign currency hedges	**454**	745	**454**	745
	(28,390)	**(29,885)**	**(26,933)**	**(27,559)**

During the year, interest of $462,000 (2013:$439,000) was capitalised to projects (refer notes 13 and 14).

8. INCOME TAX EXPENSE

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

		GROUP		COMPANY	
IN NZD 000	**Note**	**2014**	**2013**	**2014**	**2013**
Profit before tax		**224,507**	188,995	**231,521**	192,746
Prima facie tax expense at 28%		**62,862**	52,919	**64,826**	53,969
Non deductible expenses		**134**	2,516	**3,244**	2,509
Prior year adjustment		**80**	19	**80**	(455)
Current year tax loss not recognised		**–**	1,330	**–**	–
Other		**8**	(4)	**–**	(85)
Income tax expense		**63,084**	**56,780**	**68,150**	**55,938**
Allocated between					
Current tax payable		**68,137**	54,082	**70,403**	56,221
Deferred tax	17	**(5,053)**	2,698	**(2,253)**	(283)
Income tax expense		**63,084**	**56,780**	**68,150**	**55,938**

8. INCOME TAX EXPENSE (CONTINUED)

Imputation credits

	GROUP		COMPANY	
IN NZD 000	2014	2013	2014	2013
Imputation credits available for subsequent reporting periods based on a tax rate of 28%	**41,544**	**13,466**	**41,290**	**13,466**

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

- Imputation credits that will arise from the payment of the amount of the provision for income tax.
- Imputation debits that will arise from the payment of dividends.

Availability of these credits is subject to continuity of ownership requirements.

9. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	GROUP	
	2014	2013
Profit after tax attributable to equity holders of Parent (NZD 000)	**165,829**	137,197
Weighted average number of ordinary shares on issue (thousands)	**389,140**	389,140
Basic earnings per share (cents)	**42.61**	**35.26**

Weighted average number of ordinary shares	**Number**	**Number**
Issued ordinary shares at beginning of year	**389,139,785**	389,139,785
Issued ordinary shares at end of year	**389,139,785**	389,139,785
Weighted average number of ordinary shares	**389,139,785**	**389,139,785**

Diluted earnings per share

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

For the year ended 30 June 2014

10. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
IN NZD 000	Notes	2014	2013	2014	2013
Trade receivables		**66,182**	67,651	**65,385**	66,243
Less provision for impairment of receivables		**(1,008)**	(1,387)	**(982)**	(1,379)
Trade receivables – net		**65,174**	66,264	**64,403**	64,864
Receivable from group subsidiaries	26	**–**	–	**3,453**	300
Current portion of advance to subsidiary	26	**–**	–	**427**	2,056
Other receivables		**662**	2,146	**465**	2,029
Prepaid expenses		**5,125**	3,720	**4,703**	3,065
Balance at end of year		**70,961**	**72,130**	**73,451**	**72,314**
Deduct prepaid expenses		**(5,125)**	(3,720)	**(4,703)**	(3,065)
Balance financial instruments	27	**65,836**	**68,410**	**68,748**	**69,249**

The carrying amount of trade and other receivables approximates fair value due to the short-term maturity of these instruments.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The information shown below relates to the Group only. Company information is not shown separately since there is no material difference between the Company and the Group.

	GROUP			
	Gross	Impairment	Gross	Impairment
IN NZD 000	2014		2013	
Residential subscribers	**42,972**	**747**	44,136	1,162
Commercial subscribers	**4,423**	**10**	4,393	8
Wholesale subscribers	**8,806**	**–**	8,733	–
Advertising	**7,333**	**137**	7,257	25
Commercial music	**118**	**14**	118	8
Other	**2,530**	**100**	3,014	184
	66,182	**1,008**	**67,651**	**1,387**

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

	2014			2013		
IN NZD 000	Neither past due nor impaired	Past due not impaired	Impaired	Neither past due nor impaired	Past due not impaired	Impaired
Not past due	**57,066**	**–**	**5**	57,709	–	–
Past due 0-30 days	**–**	**6,234**	**20**	–	6,700	31
Past due 31-60 days	**–**	**1,199**	**50**	–	1,446	20
Past due 61-90 days	**–**	**665**	**239**	–	404	307
Greater than 90 days	**–**	**10**	**694**	–	5	1,029
	57,066	**8,108**	**1,008**	**57,709**	**8,555**	**1,387**

Accounts receivables relating to advertising sales are individually impaired when it is clear that the debt is unlikely to be recovered. Impairment for all other trade receivables is calculated as a percentage of overdue subscribers in various time buckets based on historical performance of subscriber payments.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

		GROUP	
IN NZD 000	Note	2014	2013
Opening balance		**1,387**	2,666
Charged during the year	6	**4,020**	4,247
Utilised during the year		**(4,399)**	(5,526)
Closing balance		**1,008**	**1,387**

The creation and release of the provision for impaired receivables has been included in subscriber management expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of receiving additional cash. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable. The Group does not hold any collateral as security.

11. INVENTORY

	GROUP	
IN NZD 000	2014	2013
Decoder inventory	**1,077**	2,718
Other inventory	**22**	24
Less provision for impairment of decoder inventory	**(919)**	(1,808)
Balance at end of year	**180**	**934**

Inventory relates to decoder stock held by SKY's subsidiary IGLOO. The change in the provision of $889,000 has been recognised as an expense reduction for the year ended 30 June 2014. In the prior year the increase in provision of $1,405,000 was recognised as an expense. This reduction/expense is included in corporate expenses in the Group accounts.

12. PROGRAMME RIGHTS INVENTORY

	GROUP AND COMPANY	
IN NZD 000	2014	2013
Cost	**95,530**	93,908
Less amortisation	**(52,641)**	(54,546)
Balance at end of year	**42,889**	**39,362**

The current year programme rights' amortisation charge of $223,136,000 (2013: $229,206,000) is included within programming expense in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

13. PROPERTY, PLANT AND EQUIPMENT

GROUP

IN NZD 000	Land, buildings and leasehold improvements	Broadcasting and studio equipment	Decoders and associated equipment	Capitalised installation costs	Other plant and equipment	Projects under development	Total
Cost							
Balance at 1 July 2013	50,151	154,655	546,349	542,849	61,493	8,012	1,363,509
Transfer between categories	208	–	–	–	2,265	(2,473)	–
Transfer to software assets	–	–	–	–	–	(3,386)	(3,386)
Additions	744	537	18,712	36,860	6,371	20,691	83,915
Disposals	–	(505)	(28,957)	(138)	(696)	–	(30,296)
Balance at 30 June 2014	**51,103**	**154,687**	**536,104**	**579,571**	**69,433**	**22,844**	**1,413,742**
Accumulated depreciation							
Balance at 1 July 2013	14,362	123,741	461,327	426,756	34,018	–	1,060,204
Depreciation for the year	1,900	11,452	36,655	48,450	6,818	–	105,275
Disposals	–	(412)	(28,957)	(138)	(687)	–	(30,194)
Balance at 30 June 2014	**16,262**	**134,781**	**469,025**	**475,068**	**40,149**	**–**	**1,135,285**
Net book value at 30 June 2014	**34,841**	**19,906**	**67,079**	**104,503**	**29,284**	**22,844**	**278,457**
Cost							
Balance at 1 July 2012	48,617	151,028	532,529	505,625	50,093	24,553	1,312,445
Transfer between categories	343	1,134	–	–	10,615	(12,092)	–
Transfer to software assets	–	–	–	–	–	(13,793)	(13,793)
Additions	1,198	2,499	23,260	40,150	904	9,344	77,355
Disposals	(7)	(6)	(9,440)	(2,926)	(119)	–	(12,498)
Balance at 30 June 2013	**50,151**	**154,655**	**546,349**	**542,849**	**61,493**	**8,012**	**1,363,509**
Accumulated depreciation							
Balance at 1 July 2012	12,296	106,769	419,688	380,125	29,232	–	948,110
Depreciation for the year	2,068	16,972	51,079	49,557	4,904	–	124,580
Disposals	(2)	–	(9,440)	(2,926)	(118)	–	(12,486)
Balance at 30 June 2013	**14,362**	**123,741**	**461,327**	**426,756**	**34,018**	**–**	**1,060,204**
Net book value at 30 June 2013	**35,789**	**30,914**	**85,022**	**116,093**	**27,475**	**8,012**	**303,305**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY

IN NZD 000	Land, buildings and leasehold improvements	Broadcasting and studio equipment	Decoders and associated equipment	Capitalised installation costs	Other plant and equipment	Projects under development	Total
Cost							
Balance at 1 July 2013	49,997	123,933	546,349	542,849	36,018	7,793	1,306,939
Transfer between categories	109	–	–	–	2,145	(2,254)	–
Transfer to software assets	–	–	–	–	–	(3,386)	(3,386)
Additions	455	8,145	18,712	36,860	5,532	20,691	90,395
Disposals	–	(505)	(28,957)	(138)	(532)	–	(30,132)
Balance at 30 June 2014	**50,561**	**131,573**	**536,104**	**579,571**	**43,163**	**22,844**	**1,363,816**
Accumulated depreciation							
Balance at 1 July 2013	14,357	107,811	461,327	426,756	24,787	–	1,035,038
Depreciation for the year	1,859	8,608	36,654	48,450	2,245	–	97,816
Disposals	–	(412)	(28,957)	(138)	(529)	–	(30,036)
Balance at 30 June 2014	**16,216**	**116,007**	**469,024**	**475,068**	**26,503**	**–**	**1,102,818**
Net book value at 30 June 2014	**34,345**	**15,566**	**67,080**	**104,503**	**16,660**	**22,844**	**260,998**
Cost							
Balance at 1 July 2012	48,617	122,204	532,529	505,625	28,261	12,254	1,249,490
Transfer between categories	189	151	–	–	6,934	(7,274)	–
Transfer to software assets	–	–	–	–	–	(4,197)	(4,197)
Additions	1,198	1,584	23,260	40,150	904	7,010	74,106
Disposals	(7)	(6)	(9,440)	(2,926)	(81)	–	(12,460)
Balance at 30 June 2013	**49,997**	**123,933**	**546,349**	**542,849**	**36,018**	**7,793**	**1,306,939**
Accumulated depreciation							
Balance at 1 July 2012	12,296	95,331	419,688	380,125	22,963	–	930,403
Depreciation for the year	2,063	12,480	51,079	49,557	1,904	–	117,083
Disposals	(2)	–	(9,440)	(2,926)	(80)	–	(12,448)
Balance at 30 June 2013	**14,357**	**107,811**	**461,327**	**426,756**	**24,787**	**–**	**1,035,038**
Net book value at 30 June 2013	**35,640**	**16,122**	**85,022**	**116,093**	**11,231**	**7,793**	**271,901**

Land, buildings and leasehold improvements at 30 June 2014 includes land with a cost of $4,986,000 (30 June 2013: $4,986,000).

Additions in the current year to property, plant and equipment include $200,000 of interest capitalised at an average borrowing rate of 6.31% (30 June 2013: $239,000 at an average borrowing rate of 6.58%) and $590,000 of capitalised labour costs (30 June 2013: $757,000).

The net book value of assets held by subsidiaries and subject to finance leases totals $10,603,000 (30 June 2013: $13,254,000) of which $9,558,000 (30 June 2013: $11,947,000) is included in broadcasting and studio equipment and $1,045,000 (30 June 2013: $1,307,000) is included in other plant and equipment.

14. OTHER INTANGIBLE ASSETS

GROUP

IN NZD 000	Software	Broadcasting rights	Renewal rights	Other intangibles	Total
Cost					
Balance at 1 July 2013	78,661	5,447	–	3,167	87,275
Transfer from projects under development	3,386	–	–	–	3,386
Additions	6,196	1,061	–	–	7,257
Disposals	(37)	(4,323)	–	–	(4,360)
Balance at 30 June 2014	**88,206**	**2,185**	**–**	**3,167**	**93,558**
Accumulated amortisation					
Balance at 1 July 2013	47,714	1,800	–	3,064	52,578
Amortisation for the year	10,779	2,980	–	14	13,773
Impairment charge	7,095	–	–	–	7,095
Disposals	(37)	(4,323)	–	–	(4,360)
Balance at 30 June 2014	**65,551**	**457**	**–**	**3,078**	**69,086**
Net book value at 30 June 2014	**22,655**	**1,728**	**–**	**89**	**24,472**
Cost					
Balance at 1 July 2012	58,595	5,447	37,088	3,167	104,297
Transfer from projects under development	13,793	–	–	–	13,793
Additions	6,273	–	–	–	6,273
Disposals	–	–	(37,088)	–	(37,088)
Balance at 30 June 2013	**78,661**	**5,447**	**–**	**3,167**	**87,275**
Accumulated amortisation					
Balance at 1 July 2012	38,721	1,216	37,088	2,961	79,986
Amortisation for the year	8,993	584	–	103	9,680
Disposals	–	–	(37,088)	–	(37,088)
Balance at 30 June 2013	**47,714**	**1,800**	**–**	**3,064**	**52,578**
Net book value at 30 June 2013	**30,947**	**3,647**	**–**	**103**	**34,697**

Impairment Losses

In the current year the impairment loss of $ 7,095,000 represented the write-down of certain intangible assets relating to IGLOO to the recoverable amount. The impairment was recognised because it is considered unlikely that IGLOO will generate future cash flows in excess of the carrying value. (Refer note 15).

14. OTHER INTANGIBLE ASSETS (CONTINUED)

COMPANY

IN NZD 000	Software	Broadcasting rights	Renewal rights	Other intangibles	Total
Cost					
Balance at 1 July 2013	68,423	5,447	–	2,536	76,406
Transfer from projects under development	3,386	–	–	–	3,386
Additions	5,534	1,061	–	–	6,595
Disposals	(37)	(4,323)	–	–	(4,360)
Balance at 30 June 2014	**77,306**	**2,185**	**–**	**2,536**	**82,027**
Accumulated amortisation					
Balance at 1 July 2013	46,077	1,800	–	2,435	50,312
Amortisation for the year	8,715	2,980	–	14	11,709
Disposals	(37)	(4,323)	–	–	(4,360)
Balance at 30 June 2014	**54,755**	**457**	**–**	**2,449**	**57,661**
Net book value at 30 June 2014	**22,551**	**1,728**	**–**	**87**	**24,366**
Cost					
Balance at 1 July 2012	58,046	5,447	37,088	2,536	103,117
Transfer from projects under development	4,197	–	–	–	4,197
Additions	6,180	–	–	–	6,180
Disposals	–	–	(37,088)	–	(37,088)
Balance at 30 June 2013	**68,423**	**5,447**	**–**	**2,536**	**76,406**
Accumulated amortisation					
Balance at 1 July 2012	38,261	1,216	37,088	2,332	78,897
Amortisation for the year	7,816	584	–	103	8,503
Disposals	–	–	(37,088)	–	(37,088)
Balance at 30 June 2013	**46,077**	**1,800**	**–**	**2,435**	**50,312**
Net book value at 30 June 2013	**22,346**	**3,647**	**–**	**101**	**26,094**

Additions in the current year to software include $262,000 of interest capitalised at an average borrowing rate of 6.31% (30 June 2013: $200,000 at an average borrowing rate of 6.58%) and $2,570,000 of capitalised labour costs (30 June 2013: $2,176,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

15. SHARES IN SUBSIDIARY COMPANIES

The Company's investment in its subsidiaries all of which operate and are incorporated in New Zealand comprises shares at cost less any provision for impairment. All subsidiaries have a balance date of 30 June.

	Principal activity	Parent	Interest held	
Name of entity			**2014**	**2013**
SKY DMX Music Limited	Commercial Music	SKY	**50.50%**	50.50%
Cricket Max Limited	Non-trading	SKY	**100.00%**	100.00%
Media Finance Limited	Non-trading	SKY	**100.00%**	100.00%
Outside Broadcasting Limited	Broadcasting services	SKY	**100.00%**	100.00%
Screen Enterprises Limited	Online DVD rental	SKY	**100.00%**	51.00%
IGLOO Limited	Multi-channel pay television	SKY	**100.00%**	66.02%
Believe It or Not Limited	Entertainment quizzes	SKY	**51.00%**	0.00%
SKY Arena Limited	Event production	SKY	**75.00%**	0.00%

Cost of investments

	COMPANY	
IN NZD 000	**2014**	**2013**
Sky DMX Music Limited	**5**	5
Screen Enterprises Limited	**4,983**	4,002
IGLOO Limited	**18,500**	18,500
Believe It or Not Limited	**779**	–
SKY Arena Limted	**900**	–
	25,167	22,507
Less impairment of investment	**(19,383)**	(8,328)
Net value of investments	**5,784**	14,179

Impairment

On 30 June 2014 SKY revised its growth assumptions and forecasted outlook for IGLOO Limited (IGLOO) and Screen Enterprises Limited (Screen) both of which have been adversely affected due to fewer than forecasted subscribers and technology changes. The Group bases its impairment calculation on cash flow forecasts derived from the most recent financial budgets and forecasts approved by management. An impairment charge of $11,055,000 (30 June 2013: $6,115,000) was recognised on the value of these investments. The impairment charge is included in corporate expenses in the Parent accounts (note 6).

The level of impairment is dependent on judgements used in arriving at the future growth rate and the discount rate applied to cash flow projections. Based on the sensitivity analysis carried out, management believe that no reasonable change in any of the key assumptions would cause the carrying value of investments after recognising the impairment to exceed their recoverable amount.

Changes in group structure

Acquisitions in 2014

SKY Arena was incorporated on 17 October 2013. The company is owned 75% by SKY and 25% by VADR Media Limited. The company was set up to promote pay-per-view events.

Believe It or Not Limited (BION) was incorporated on 23 May 2014. SKY holds 51% of the shares and 49% of the shares are held by Brendan Bruce Lochead. The Company creates quizzes for the hotel entertainment industry.

The carrying amount of these new investments is $1,679,000.

These acquisitions had no material effect on the Group balance sheet or the Group results.

15. SHARES IN SUBSIDIARY COMPANIES (CONTINUED)

Acquisitions of non-controlling interests

During the year SKY acquired an additional 49% of Screen and 34% of IGLOO bringing its shareholding in both these subsidiaries to 100%.

The carrying amount of the non-controlling interest in IGLOO and Screen at the date of acquisition was $1,843,000. As a result of these transactions the Group recorded an increase in equity of $863,000 (30 June 2013: $165,000).

IGLOO was incorporated on 21 July 2011. SKY initially contributed $12,750,000 and had a 51% interest with TVNZ owning the other 49% having contributed $12,250,000. On 30 June 2013 SKY contributed an additional $5,750,000 bringing its shareholding to 66% and on 24 June 2014 SKY acquired the remaining interest in IGLOO for $1.00 bringing its shareholding to 100%.

SKY originally acquired 51% of Screen on 4 June 2008 for a consideration of $4,002,000. On 30 June 2014 SKY acquired the remaining interest for $980,000 bringing its shareholding to 100%.

IGLOO delivers a low-cost pay television service over the digital terrestrial network and receives the free-to-air channels. In addition IGLOO offers pay-per-view sport and movies. Screen provides online DVD rental services. IGLOO and Screen are considered subsidiaries of SKY and have been fully consolidated into the Group's results.

16. GOODWILL

	GROUP		COMPANY	
IN NZD 000	2014	2013	2014	2013
Balance at beginning of year and end of year	**1,426,293**	**1,424,494**	**1,422,465**	**1,422,465**

The acquisition of Believe It or Not Limited in May 2014 resulted in additional goodwill of $1,799,000.

The Group tests goodwill for impairment annually or more frequently, if there are indications that goodwill might be impaired. The Group operates as a single business segment and accordingly, impairment is tested by comparing the total carrying value of SKY's goodwill to the recoverable amount. If the carrying value exceeds the recoverable amount, goodwill is considered to be impaired. The recoverable amount has been measured based on the value-in-use, using the discounted cash flow model. The key assumptions for the value-in-use calculation are those regarding the discount rates, subscriber numbers, expected churn percentages, changes in foreign exchange rates and any expected changes to subscriptions or direct costs during the period. Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the business. Growth rates are based on expected forecasts and changes in prices and direct costs based on past practice and expectations of future changes in the market. The goodwill impairment tests carried out have resulted in no impairment charge for the year (2013: nil).

The Group also compares its estimated recoverable amount with the market capitalisation value at the balance date.

The Group prepares cash flow forecasts derived from the most recent financial budgets and forecasts approved by management for the next five years and incorporates a present value calculation. Cash flows beyond the five year period are extrapolated with a 1% growth rate.

Key assumptions used for value-in-use calculation

IN NZD 000	2014	2013
Customer churn rates	**12.8% - 10.2%**	14.4%
Net gain in satellite customers	**10,100**	10,000 - 30,000
Pre-tax discount rate	**12.5%**	13.2%
USD FX rate	**0.80 - 0.72**	0.82 - 0.72
Long term growth rate	**1.0%**	1.0%

Sensitivity of recoverable amounts

The assessment of value-in-use is most sensitive to the assumptions made for the net gain in customer numbers and the USD/NZD exchange rate. Based on the sensitivity analysis carried out, management believe that no reasonable change in any of the key assumptions would cause the carrying value of goodwill to exceed its recoverable amount.

For the year ended 30 June 2014

17. DEFERRED TAX

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

GROUP

IN NZD 000	Notes	Fixed assets	Leased assets	Other	Hedges through equity	Total
For the year ended 30 June 2014						
At 1 July 2013		(24,130)	(23,935)	4,014	3,929	(40,122)
NZ IAS 39 hedging adjustment credited direct to other comprehensive income	22	–	–	–	14	14
Credited/(charged) to income statement	8	7,483	(2,443)	13	–	5,053
Balance at 30 June 2014		**(16,647)**	**(26,378)**	**4,027**	**3,943**	**(35,055)**
Deferred tax reversing within 12 months		(5,705)	85	4,027	2,595	1,002
Deferred tax to be recovered after more than 12 months		(10,942)	(26,463)	-	1,348	(36,057)
		(16,647)	**(26,378)**	**4,027**	**3,943**	**(35,055)**
For the year ended 30 June 2013						
At 1 July 2012		(27,416)	(21,576)	7,639	7,701	(33,652)
NZ IAS 39 hedging adjustment credited direct to other comprehensive income	22	–	–	–	(3,772)	(3,772)
Credited/(charged) to income statement	8	3,286	(2,359)	(3,625)	–	(2,698)
Balance at 30 June 2013		**(24,130)**	**(23,935)**	**4,014**	**3,929**	**(40,122)**
Deferred tax reversing within 12 months		3,900	(533)	4,014	612	7,993
Deferred tax to be recovered after more than 12 months		(28,030)	(23,402)	–	3,317	(48,115)
		(24,130)	**(23,935)**	**4,014**	**3,929**	**(40,122)**

COMPANY

IN NZD 000	Notes	Fixed assets	Leased assets	Other	Hedges through equity	Total
For the year ended 30 June 2014						
At 1 July 2013		(20,200)	(24,062)	3,983	3,889	(36,390)
NZ IAS 39 hedging adjustment credited direct to other comprehensive income		–	–	–	54	54
Credited/(charged) to income statement	8	4,917	(2,369)	(295)	–	2,253
Balance at 30 June 2014		**(15,283)**	**(26,431)**	**3,688**	**3,943**	**(34,083)**
Deferred tax reversing within 12 months		(5,158)	32	3,688	2,595	1,157
Deferred tax to be recovered after more than 12 months		(10,125)	(26,463)	–	1,348	(35,240)
		(15,283)	**(26,431)**	**3,688**	**3,943**	**(34,083)**
For the year ended 30 June 2013						
At 1 July 2012		(25,203)	(21,796)	6,437	7,661	(32,901)
NZ IAS 39 hedging adjustment credited direct to other comprehensive income	22	–	–	–	(3,772)	(3,772)
Credited/(charged) to income statement	8	5,003	(2,266)	(2,454)	–	283
Balance at 30 June 2013		**(20,200)**	**(24,062)**	**3,983**	**3,889**	**(36,390)**
Deferred tax reversing within 12 months		4,003	(576)	3,983	572	7,982
Deferred tax to be recovered after more than 12 months		(24,203)	(23,486)	–	3,317	(44,372)
		(20,200)	**(24,062)**	**3,983**	**3,889**	**(36,390)**

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

IGLOO has gross tax losses brought forward and not recognised of $12,150,384 (30 June 2013: $12,539,000). Those tax losses can be carried forward for use against future taxable profits of IGLOO, subject to meeting the requirements of the income tax legislation, including shareholder continuity.

18. TRADE AND OTHER PAYABLES

		GROUP		COMPANY	
IN NZD 000	**Notes**	**2014**	**2013**	**2014**	**2013**
Trade payables		**51,707**	57,884	**50,904**	55,851
Due to related parties	26	**–**	482	**30**	1,266
Unearned subscriptions		**64,778**	60,824	**64,597**	60,680
Employee entitlements		**12,260**	11,452	**12,741**	11,066
Deferred revenue		**1,317**	1,028	**1,317**	1,027
Accruals		**31,484**	32,229	**29,681**	31,035
Balance at end of year		**161,546**	**163,899**	**159,270**	**160,925**
Less					
Deferred revenue		**(1,317)**	(1,028)	**(1,317)**	(1,027)
Unearned subscriptions		**(64,778)**	(60,824)	**(64,597)**	(60,680)
Balance financial instruments	27	**95,451**	**102,047**	**93,356**	**99,218**

The carrying amount of trade and other payables approximates their fair value due to the short-term maturity of these instruments.

19. BORROWINGS

GROUP	2014			2013		
IN NZD 000	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Lease liabilities	**7,354**	**3,295**	**10,649**	3,288	10,649	13,937
Bank loans	**–**	**79,069**	**79,069**	–	270,835	270,835
Bonds	**–**	**297,473**	**297,473**	–	199,014	199,014
	7,354	**379,837**	**387,191**	**3,288**	**480,498**	**483,786**
COMPANY						
Bank loans	**–**	**79,069**	**79,069**	–	270,835	270,835
Bonds	**–**	**297,473**	**297,473**	–	199,014	199,014
	–	**376,542**	**376,542**	**–**	**469,849**	**469,849**

Repayment terms

	GROUP		COMPANY	
IN NZD 000	**2014**	**2013**	**2014**	**2013**
Less than one year	**7,354**	3,288	**–**	–
Between one and five years	**281,677**	209,663	**278,382**	199,014
More than five years	**98,160**	270,835	**98,160**	270,835
	387,191	**483,786**	**376,542**	**469,849**

On 30 June 2011, SKY negotiated a $400 million negative pledge five year revolving credit bank facility from a syndicate of banks comprising ANZ National Bank Limited, Bank of New Zealand, Commonwealth Bank of Australia and Westpac Bank. On 31 March 2014 SKY decreased its facility limit to $300 million. Interest is charged on drawings under the facility at a rate between 1.80% and 2.5% per annum above the average bid rate for the purchase of bank accepted bills of exchange. There is a commitment fee payable on the undrawn balance of the facility of between 0.9% and 1.25% per annum. There are no required repayment tranches of the facility. The facility can be partially or fully cancelled at SKY's discretion. In July 2014 the bank facility termination date was extended by twelve months to 17 July 2019 and the facility limit was further decreased to $200 million (note 28).

No security other than a negative pledge over the total Group's assets has been provided.

Cash balances held with the Bank of New Zealand are subject to a netting arrangement. Bank overdrafts of $4,690,000 (30 June 2013: $9,194,000) have been set off against the cash balances.

For the year ended 30 June 2014

19. BORROWINGS (CONTINUED)

Fair values

The fair value of the variable rate bank loans at 30 June 2014 was $79.3 million (30 June 2013: $270.1 million). The difference between the carrying amount and fair value has not been recognised in the financial statements as the bank loans are intended to be held to maturity.

Bonds

On 31 March 2014 the Group issued bonds for a value of $100 million which were fully subscribed (Bond B).

On 16 October 2006, the Group issued bonds for a value of $200 million which were fully subscribed (Bond A).

Terms and conditions of outstanding bonds are as follows:

	GROUP AND COMPANY			
	2014		2013	
	Bond A	Bond B	Bond A	Bond B
Nominal interest rate	**3.62%**	**6.25%**	3.19%	–
Market yield	**5.83%**	**6.07%**	4.80%	–
Issue date	**16-Oct-06**	**31-Mar-14**	16-Oct-06	–
Date of maturity	**16-Oct-16**	**31-Mar-21**	16-Oct-16	–
IN NZD 000				
Carrying amount	**199,313**	**98,160**	199,014	–
Fair value	**196,000**	**100,991**	191,000	–
Face value	**200,000**	**100,000**	200,000	–

Bond A is subject to a call option commencing on 16 October 2009 and each subsequent 16 October until 16 October 2015 whereby the Group has the right to redeem or repurchase all or some of the bonds on each anniversary of the issue date.

The difference between carrying amount and fair value has not been recognised in the financial statements as the bonds are intended to be held until maturity.

Lease liabilities

The Group's obligations under finance leases are secured by the lessors' title to the leased assets. The lease terms are for five years ending on 7 April 2015 and 20 August 2015.

Lease liabilities present value

IN NZD 000	2014	2013
Current	**7,354**	3,288
Non-current	**3,295**	10,649
	10,649	**13,937**
Repayment terms		
Finance lease liabilities – minimum lease payments		
Within one year	**3,540**	4,143
One to five years	**144**	3,684
Residual value	**7,547**	7,547
	11,231	**15,374**
Future finance charges on finance leases	**(582)**	(1,437)
Present value of finance lease liabilities	**10,649**	**13,937**
The present value of lease liabilities is as follows:		
Within one year	**7,231**	4,049
One to five years	**3,418**	9,888
	10,649	**13,937**

Interest paid in the current period includes $886,000 (2013: $1,092,000) relating to finance leases. The effective interest rate is 6.8%.

The fair value of the finance lease liabilities at 30 June 2014 was $10,932,000 (30 June 2013:$15,012,000). The difference between carrying amount and fair value has not been recognised in the financial statements as the lease liabilities are intended to be held until maturity. The lease liabilities are secured over the assets of Outside Broadcasting Limited.

20. DERIVATIVE FINANCIAL INSTRUMENTS

		GROUP AND COMPANY 2014			GROUP 2013		
IN NZD 000	Notes	Assets	Liabilities	Notional amounts	Assets	Liabilities	Notional amounts
Interest rate swaps – cash flow hedges		**1,953**	**(4,258)**	**230,000**	1,949	(14,620)	370,000
Interest rate swaps – fair value through profit and loss		**–**	**(401)**	**–**	85	–	–
Total interest rate derivatives		**1,953**	**(4,659)**	**230,000**	**2,034**	**(14,620)**	**370,000**
Forward foreign exchange contracts – cash flow hedges		**312**	**(12,425)**	**304,682**	2,218	(5,781)	173,796
Forward foreign exchange contracts – fair value		**–**	**(2,668)**	**38,239**	443	(808)	36,312
Total forward foreign exchange derivatives		**312**	**(15,093)**	**342,921**	**2,661**	**(6,589)**	**210,108**
		2,265	**(19,752)**	**572,921**	**4,695**	**(21,209)**	**580,108**
Analysed as:							
Current		**46**	**(13,107)**	**256,066**	2,324	(6,821)	173,563
Non-current		**2,219**	**(6,645)**	**316,855**	2,371	(14,388)	406,545
		2,265	**(19,752)**	**572,921**	**4,695**	**(21,209)**	**580,108**
Derivatives used for hedging – cash flow hedges	27	**2,265**	**(16,683)**	**534,682**	4,167	(20,401)	543,796
At fair value through profit and loss	27	**–**	**(3,069)**	**38,239**	528	(808)	36,312
		2,265	**(19,752)**	**572,921**	**4,695**	**(21,209)**	**580,108**

In the prior year derivative financial assets for the Company included intergroup derivatives issued to IGLOO of $58,000 with a nominal value of $783,000.

Exchange rates

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

	2014	2013
USD	**0.8733**	0.7808
AUD	**0.9289**	0.8436
GBP	**0.5133**	0.5121
EUR	**0.6402**	0.5985
JPY	**88.5526**	77.1665

Forward foreign exchange contracts

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 36 months. Gains and losses recognised in the hedging reserve in equity (note 22) on forward exchange contracts as of 30 June 2014 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. Generally, the gain or loss is recognised as a basis price adjustment for the purchase of programme rights, and is written off in the income statement over the rights period.

Credit risk – derivative financial instruments

The maximum exposure to credit risk on the derivative financial instruments is the value of the derivative assets' receivable portion of $2,265,000 (2013: $4,695,000).

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Exposure to currency risk

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

	2014			2013		
IN NZD 000	USD	AUD	OTHER	USD	AUD	OTHER
Foreign currency payables	**(20,091)**	**(16,008)**	**(133)**	(20,777)	(16,326)	(140)
Dedesignated forward exchange contracts	**23,347**	**14,892**	**–**	23,687	12,623	–
Net balance sheet exposure	**3,256**	**(1,116)**	**(133)**	**2,910**	**(3,703)**	**(140)**
Forward exchange contracts (for forecasted transactions)	**177,676**	**125,893**	**1,113**	60,608	111,960	1,227
Total forward exchange contracts	**201,023**	**140,785**	**1,113**	**84,295**	**124,583**	**1,227**

Sensitivity analysis

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

	10% rate increase		10% rate decrease	
IN NZD 000 gain/(loss)	Equity	Profit or loss	Equity	Profit or loss
As at 30 June 2014				
Foreign currency payables				
USD	–	1,826	–	(2,232)
AUD	–	1,455	–	(1,779)
Foreign exchange hedges				
USD	(14,889)	(1,923)	18,198	2,350
AUD	(10,503)	(1,263)	12,837	1,544
Other	(101)	–	123	–
	(25,493)	**95**	**31,158**	**(117)**
As at 30 June 2013				
Foreign currency payables				
USD	–	1,889	–	(2,309)
AUD	–	1,484	–	(1,814)
Foreign exchange hedges				
USD	(5,602)	(2,168)	6,847	2,651
AUD	(9,480)	(1,062)	11,587	1,299
Other	(117)	–	143	–
	(15,199)	**143**	**18,577**	**(173)**

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rates

During the year ended 30 June 2014, interest rates on borrowings varied in the range of 2.6% to 6.6% (2013: 4.5% to 6.6%).

The Group's interest rate structure is as follows:

		GROUP			COMPANY		
IN NZD 000	Notes	Effective interest rate	Current	Non-current	Effective interest rate	Current	Non-current
As at 30 June 2014							
Assets							
Cash and cash equivalents		2.70%	19,852	–	2.70%	18,261	–
Related party advance	26	n/a	–	–	7.50%	427	2,133
Liabilities							
Bank loans		6.31%	–	(79,069)	6.31%	–	(79,069)
Bonds		4.80%	–	(297,473)	4.80%	–	(297,473)
Lease liabilities		6.80%	(3,295)	(7,354)	n/a	–	–
Derivatives							
Floating to fixed interest rate swaps			60,000	170,000	–	60,000	170,000
Fixed to floating interest rate swaps			200,000	–	–	200,000	–
			276,557	**(213,896)**		**278,688**	**(204,409)**
As at 30 June 2013							
Assets							
Cash and cash equivalents		2.44%	20,676	–	2.44%	13,664	–
Related party advance	26	n/a	–	–	7.50%	2,056	12,964
Liabilities							
Bank loans		6.58%	–	(270,835)	6.58%	–	(270,835)
Bonds		4.45%	–	(199,014)	4.45%	–	(199,014)
Lease liabilities		6.80%	(3,288)	(10,649)	n/a	–	–
Derivatives							
Floating to fixed interest rate swaps			–	370,000	–	–	370,000
Fixed to floating interest rate swaps			200,000	–	–	200,000	–
			217,388	**(110,498)**		**215,720**	**(86,885)**

Gains and losses recognised in the hedging reserve in equity (note 22) on interest rate hedges as at 30 June 2014 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings and bonds.

For the year ended 30 June 2014

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis for interest-bearing instruments

A change of 100 basis points in interest rates on the reporting date, would have (increased)/decreased equity (hedging reserve) and profit or loss (before tax) by the amounts shown below. Based on historical movements a 100 basis point movement is considered to be a reasonably possible estimate. The analysis is performed on the same basis for the prior year. This analysis assumes that all other variables remain constant.

	100 BP increase		100 BP decrease	
IN NZD 000 gain/(loss)	**Equity**	**Profit and loss**	**Equity**	**Profit and loss**
As at 30 June 2014				
Expense/(income)				
Variable rate instruments – bank loans	–	592	–	(592)
Interest rate hedges – cash flow	(5,649)	–	5,952	–
Interest rate hedges – fair value	–	484	–	(490)
	(5,649)	**1,076**	**5,952**	**(1,082)**
As at 30 June 2013				
Expense/(income)				
Variable rate instruments – bank loans	–	2,572	–	(2,572)
Interest rate hedges – cash flow	(10,235)	–	10,816	–
Interest rate hedges – fair value	–	489	–	(498)
	(10,235)	**3,061**	**10,816**	**(3,070)**

The sensitivity analysis for the Company is not materially different from that of the Group. Finance lease liabilities are not included in the analysis because they are fixed rate financial instruments.

21. SHARE CAPITAL

GROUP AND COMPANY	Number of shares (000)	Ordinary shares (NZD 000)
Shares on issue at 30 June 2014 and 30 June 2013	**389,140**	**577,403**

Ordinary shares have no par value.

SKY paid a final dividend of 14.0 cents in September 2013 (September 2012: 11.0 cents) and a special dividend of 32.0 cents in December 2012). An interim dividend of 14.0 cents was paid in March 2014 (March 2013: 12.0 cents).

As at 30 June 2014 and 2013, there were 389,139,785 ordinary shares issued and fully paid. Ordinary shares rank equally, carry voting rights and participate in distributions.

22. HEDGING RESERVE

		GROUP		COMPANY	
IN NZD 000	Note	2014	2013	2014	2013
Balance at 1 July		**(9,960)**	(19,805)	**(10,002)**	(19,702)
Cash flow hedges					
Unrealised (losses)/gains during the year		**(12,808)**	3,964	**(12,808)**	3,877
Transfer to basis price adjustment programme rights inventory		**8,296**	8,050	**8,296**	8,050
Transfer to property, plant and equipment		**56**	58	**58**	–
Transfer to operating expenses		**4,261**	1,545	**4,261**	1,545
Deferred tax	17	**14**	(3,772)	**54**	(3,772)
		(181)	9,845	**(139)**	9,700
Balance at end of year		**(10,141)**	**(9,960)**	**(10,141)**	**(10,002)**

23. RETAINED EARNINGS

	GROUP		COMPANY	
IN NZD 000	2014	2013	2014	2013
Opening balance	**607,089**	684,084	**610,441**	687,660
Add net profit for the year	**165,829**	137,197	**163,371**	136,808
Change in non-controlling interest	**863**	(165)	**–**	–
Less dividends paid	**(101,176)**	(214,027)	**(101,176)**	(214,027)
Balance at end of year	**672,605**	**607,089**	**672,636**	**610,441**

24. COMMITMENTS

	GROUP		COMPANY	
IN NZD 000	2014	2013	2014	2013
Operating leases – future minimum lease payments				
Year 1	**37,795**	37,336	**37,267**	36,798
Year 2	**35,518**	38,818	**35,125**	38,298
Year 3	**34,753**	38,395	**34,450**	38,003
Year 4	**34,546**	37,909	**34,316**	37,605
Year 5	**33,978**	37,767	**33,882**	37,537
Later than five years	**81,437**	126,967	**81,437**	126,871
	258,027	**317,192**	**256,477**	**315,112**
Contracts for transmission services:				
Year 1	**9,236**	7,577	**8,755**	7,096
Year 2	**5,435**	5,872	**5,015**	5,391
Year 3	**3,119**	2,412	**2,840**	1,992
Year 4	**–**	1,607	**–**	1,328
	17,790	**17,468**	**16,610**	**15,807**
Contracts for future programmes:				
Year 1	**115,203**	129,720	**114,901**	129,720
Year 2	**80,605**	83,988	**80,542**	83,988
Year 3	**54,407**	53,958	**54,407**	53,958
Year 4	**29,903**	28,679	**29,903**	28,679
Year 5	**5,877**	12,288	**5,877**	12,288
	285,995	**308,633**	**285,630**	**308,633**
Capital expenditure commitments:				
Property, plant and equipment				
Year 1	**16,770**	**9,682**	**16,770**	**9,682**
Other services commitments:				
Year 1	**7,335**	4,941	**7,335**	4,941
Year 2	**4,113**	4,199	**4,113**	4,199
Year 3	**891**	3,497	**891**	3,497
Year 4	**656**	677	**656**	677
Year 5	**291**	367	**291**	367
Later than five years	**–**	91	**–**	91
	13,286	**13,772**	**13,286**	**13,772**

The Group has entered into a contract with Optus Networks Pty Limited (Optus) to lease transponders on the D1 satellite which was launched in October 2006 and commissioned in November 2006. The contract is for a period of 15 years from the time of commissioning with monthly payments in Australian dollars. This contract is accounted for as an operating lease. Non-cancellable operating lease payments, including Optus lease payments, are included in operating leases above.

SKY is currently utilising seven transponders, six of which are on a long-term lease. Access to the seventh transponder was negotiated, effective from 1 April 2011, to enable the launch of additional channels. The cost of leasing the seventh transponder for the first three years to 31 March 2014 is based on a revenue share of certain specified SKY channels. Payments thereafter are for a fixed amount.

25. CONTINGENT LIABILITIES

The Group and Company have undrawn letters of credit at 30 June 2014 of $650,000 (30 June 2013: $600,000), relating to Datacom Employer Services for SKY executive and Screen Enterprises Limited payroll liabilities in the current year.

The Group and Company are subject to litigation incidental to their 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.

26. RELATED PARTIES

For the Company, related parties include the subsidiary companies of the SKY Group (note 15).

Previously related parties for the Group included News Limited, a principal shareholder which is an affiliate of The News Corporation Limited. News Limited sold its shares in SKY on 4 March 2013. Consequently prior year related party disclosures under "Transactions in the income statement" include transactions with News Limited and its subsidiaries from 1 July 2012 to 4 March 2013.

There were no loans to directors by the Company or associated parties at balance date (30 June 2013: nil).

In the prior year the advance to subsidiary comprised two advances with an original term of ten years expiring on 30 June 2020 and 30 June 2021 respectively. The interest rate is 7.5% payable monthly in arrears and principal repayments are made quarterly. During the year the subsidiary sold assets to the Company. Funds received of $ 9,223,000 were used to repay the advances, the remaining balance to be repaid by 30 June 2020. No amounts owed by related parties have been written off or provided against during the year (30 June 2013: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

26. RELATED PARTIES (CONTINUED)

The following transactions were carried out with related parties:

		GROUP		COMPANY	
IN NZD 000	Notes	2014	2013	2014	2013
Transactions included in the income statement:					
Transactions with related parties					
The News Corporation Limited and its affiliates					
Programme, smartcard and broadcasting equipment		**–**	16,189	**–**	16,189
Transactions with subsidiaries					
Sky DMX Music Limited					
Administration support, accounting services and broadcasting charges		**–**	–	**340**	340
Outside Broadcasting Limited					
Interest received on advance to subsidiary		**–**	–	**(741)**	(1,344)
Rental received		**–**	–	**(667)**	–
Broadcasting fees paid		**–**	–	**12,170**	11,120
IGLOO Limited					
Administration costs and unrealised exchange gains on hedging contracts				**(235)**	(212)
Transmission services and spectrum licences				**(2,132)**	(2,111)
Transactions included in the balance sheet:					
Owing to related parties					
Owing to affiliates of The News Corporation Limited	18	**–**	482	**30**	1,266
Receivable/(payable) from/to subsidiaries					
Trade receivable from subsidiaries	10	**–**	–	**3,453**	300
Derivatives issued to subsidiaries	20	**–**	–	**–**	(58)
Current portion of advance to subsidiary	10	**–**	–	**427**	2,056
Non-current portion of advance to subsidiary		**–**	–	**2,133**	12,964
Total advance to subsidiary		**–**	**–**	**2,560**	**15,020**

Short-term employee benefits

The gross remuneration of directors and key management personnel during the year was as follows:

	GROUP AND COMPANY	
IN NZD 000	2014	2013
Directors' fees	**606**	480
Remuneration of key management personnel	**11,850**	10,513
Balance at end of year	**12,456**	**10,993**

27. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

GROUP

IN NZD 000	Notes	Other financial liabilities	Loans and receivables	At fair value through the profit and loss	Derivatives used for hedging	Total
30 June 2014						
Assets as per balance sheet						
Cash and cash equivalents		–	19,852	–	–	19,852
Trade and other receivables	10	–	65,836	–	–	65,836
Derivative financial instruments	20	–	–	–	2,265	2,265
Liabilities as per balance sheet						
Trade and other payables	18	(95,451)	–	–	–	(95,451)
Borrowings	19	(79,069)	–	–	–	(79,069)
Lease liabilities	19	(10,649)	–	–	–	(10,649)
Bonds	19	(297,473)	–	–	–	(297,473)
Derivative financial instruments	20	–	–	(3,069)	(16,683)	(19,752)
		(482,642)	**85,688**	**(3,069)**	**(14,418)**	**(414,441)**
30 June 2013						
Assets as per balance sheet						
Cash and cash equivalents		–	20,676	–	–	20,676
Trade and other receivables	10	–	68,410	–	–	68,410
Derivative financial instruments	20	–	–	528	4,167	4,695
Liabilities as per balance sheet						
Trade and other payables	18	(102,047)	–	–	–	(102,047)
Borrowings	19	(270,835)	–	–	–	(270,835)
Lease liabilities	19	(13,937)	–	–	–	(13,937)
Bonds	19	(199,014)	–	–	–	(199,014)
Derivative financial instruments	20	–	–	(808)	(20,401)	(21,209)
		(585,833)	**89,086**	**(280)**	**(16,234)**	**(513,261)**

For the year ended 30 June 2014

27. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

COMPANY

IN NZD 000	Notes	Other financial liabilities	Loans and receivables	At fair value through the profit and loss	Derivatives used for hedging	Total
30 June 2014						
Assets as per balance sheet						
Cash and cash equivalents		–	18,261	–	–	18,261
Trade and other receivables	10	–	68,748	–	–	68,748
Related party receivable	26	–	2,560	–	–	2,560
Derivative financial instruments	20	–	–	–	2,265	2,265
Liabilities as per balance sheet						
Trade and other payables	18	(93,356)	–	–	–	(93,356)
Borrowings	19	(79,069)	–	–	–	(79,069)
Bonds	19	(297,473)	–	–	–	(297,473)
Derivative financial instruments	20	–	–	(3,069)	(16,683)	(19,752)
		(469,898)	**89,569**	**(3,069)**	**(14,418)**	**(397,816)**
30 June 2013						
Assets as per balance sheet						
Cash and cash equivalents		–	13,664	–	–	13,664
Trade and other receivables	10	–	69,249	–	–	69,249
Related party receivable	27	–	15,020	–	–	15,020
Derivative financial instruments	20	–	–	528	4,109	4,637
Liabilities as per balance sheet						
Trade and other payables	18	(99,218)	–	–	–	(99,218)
Borrowings	19	(270,835)	–	–	–	(270,835)
Bonds	19	(199,014)	–	–	–	(199,014)
Derivative financial instruments	20	–	–	(808)	(20,401)	(21,209)
		(569,067)	**97,933**	**(280)**	**(16,292)**	**(487,706)**

28. SUBSEQUENT EVENTS

In July 2014 the bank facility termination date was extended by twelve months to 17 July 2019 and the facility limit was further decreased to $200 million.

On 22 August 2014 the Board of Directors announced that it will pay a fully imputed dividend of 15 cents per share with the record date being 5 September 2014. A supplementary dividend of 2.6471 cents per share will be paid to non-resident shareholders subject to the foreign investor tax credit regime.

INDEPENDENT AUDITORS' REPORT

To the shareholders of SKY Network Television Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of SKY Network Television Limited ("the Company") on pages 41 to 82, which comprise the balance sheets as at 30 June 2014, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2014 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have no relationship with, or interests in, SKY Network Television Limited other than in our capacities as auditors and through the provision of other assignments for the Company in the areas of assurance and advisory services. In addition, certain partners and employees of our firm may have dealt with the Company and Group on normal terms within the ordinary course of the trading activities of the Company and Group. These services have not impaired our independence as auditors of the Company and Group.

Opinion

In our opinion, the financial statements on pages 41 to 82:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2014, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit 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 an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
Auckland
21 August 2014

OTHER INFORMATION

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS

Membership

SKY's board is elected or appointed by the shareholders of SKY by ordinary resolution. As at 30 June 2014, the board consisted of eight directors whose relevant skills, experience and expertise are outlined in their biographies on pages 24 and 25. The nomination and remuneration committee has a formal process by which it assesses the overall skills, experience and diversity required on the board and will work with the board to ensure that diversity remains one of the key criteria should the opportunity arise to evaluate potential board candidates. The aim of the board is to have a mix of skills represented on the board that are relevant to SKY's business. The current mix of skills on the board includes financial, commercial, subscription television, marketing, human resources, sports management, technology, advertising and governance skills. In terms of diversity, SKY has one female director and remains committed to having the best skill set available to the board.

SKY's constitution provides for a minimum of three directors and a maximum of ten directors. The actual number of directors may be changed by resolution of the board. The board may appoint directors to fill casual vacancies that occur or add persons to the board up to the maximum number prescribed by the constitution. At each annual meeting all directors appointed by the board must retire and one-third of the other directors must retire, although they can offer themselves for re-election during the year. Directors' fees have been set at a maximum amount of $750,000 per annum. The board is happy with the current number of directors and mix of director skill sets.

Role of the Board

The board of directors oversees SKY's business and is responsible for its corporate governance. The board sets broad corporate policies, sets the strategic direction and oversees management with the objective of enhancing the interests of shareholders. Management is responsible for the implementation of corporate policies and the day-to-day running of SKY's business including risk management and controls and liaising with the board about these matters.

Various information reports are sent to the board in order to keep them informed about SKY's business including reports during the year ended 30 June 2014 on the effectiveness of the management of material legal and business risks. Directors also receive operating and financial reports, and access to senior management at board and committee meetings.

Independent and Executive Directors

At 30 June 2014 all of the directors of SKY, other than John Fellet, were considered to be independent directors. John Fellet is the only executive director on the board. In determining independence, the board applies quantitative materiality thresholds set out in the NZX and ASX Listing Rules.

Term of Office

Geraldine McBride and Derek Handley were appointed to SKY's board on 13 September 2013. John Waller was appointed to SKY's board on 23 April 2009. Humphry Rolleston was appointed to SKY's board on 8 September 2005. Robert Bryden, John Hart, John Fellet, and Peter Macourt were appointed to SKY's board on 2 May 2005 (this appointment date reflects the merger between the previous SKY company and Independent Newspapers Limited (INL) in 2005; this merger resulted in the current SKY company).

The term of each director's association with SKY (including the previous SKY company prior to the merger with INL) is indicated in their biographies set out on pages 24 and 25.

Meetings

The board has regularly scheduled meetings and also meets when a matter of particular significance arises. During the year between 1 July 2013 and 30 June 2014, the board met seven times. Attendance at full board meetings was as follows:

	Meetings held while a director	Attendance
Peter Macourt	7	7
Robert Bryden	7	7
John Fellet	7	7
Derek Handley	7	7
John Hart	7	6
Geraldine McBride	7	6
Humphry Rolleston	7	7
John Waller	7	7

There were five teleconference board meetings in addition to the above. John Waller, Humphry Rolleston and John Fellet participated in all of these meetings. Peter Macourt, Robert Bryden and Geraldene McBride participated in four of those meetings, John Hart participated in three and Derek Handley participated in two of these meetings.

BOARD COMMITTEES

The board has established the following committees to act for, and/or make recommendations to, the full board on certain matters as described below.

Audit and Risk Committee

The audit and risk committee is responsible for overseeing the financial and accounting activities of SKY including the activities of SKY's auditors, accounting functions, internal audit programmes, financial reporting processes and dividend policies. The committee operates under a formal charter and, in addition to its audit functions, is responsible for establishing and evaluating risk management policies and procedures for risk assessment. The current members are Robert Bryden, John Waller (Chairman) and Humphry Rolleston.

Nomination and Remuneration Committee

The nomination and remuneration committee is responsible for providing recommendations regarding the appointment, compensation levels and evaluation of SKY's directors, chief executive officer and senior executives and overseeing SKY's general human resources policies, including remuneration. The current members are John Hart (Chairman), Peter Macourt and Robert Bryden.

Related Parties Committee

The related parties committee reviews significant proposed transactions between SKY and its related parties. Where the committee is satisfied that a proposed transaction is in SKY's best interests and on arm's length terms and/or in the ordinary course of SKY's business, it may either approve the transaction or recommend to the board that the transaction be approved. The current members are John Hart and Humphry Rolleston.

Committee Meetings

During the year ended 30 June 2014:

(a) the audit and risk committee met four times and all members were present apart from Humphry Rolleston who attended two meetings;
(b) the nomination and remuneration committee met two times and all members were present; and
(c) the related parties committee had no matters to consider so held no meetings.

POLICIES, PRACTICES AND PROCEDURES

SKY has a number of policies, practices and procedures that establish guidelines and practices to be followed in certain circumstances or in relation to certain matters. These policies, practices and procedures are under regular review by management and the board.

Diversity

Diversity of gender, ethnicity, skill, age, experience and beliefs are valued by SKY. SKY recognises the value of diversity and the organisational strength, problem solving ability and innovative approach that it brings. The provision of equal opportunities for all employees is fundamental to the way in which SKY functions as a business.

SKY established a diversity policy during 2012 and has posted this on SKY's website: www.skytv.co.nz. SKY's measurable objectives for achieving gender diversity are that, each financial year, the board actively considers opportunities for a female director to join the board and that SKY's management regularly compares the number of female and male employees at SKY to the previous financial year's figures to ensure that SKY is maintaining a strong level of female participation at all levels of the organisation.

During the year ended 30 June 2014, SKY satisfied its gender diversity objectives. The board appointed a female director (Geraldine McBride) to the board on 13 September 2013. SKY's management also continued to monitor the ratio of female to male staff members.

As at 30 June 2014, management is comfortable that SKY's commitment to gender diversity is demonstrated through:

(a) almost equal representation of male and female employees across SKY (48% of staff are female compared to 47% as at 30 June 2013); and
(b) strong female participation at all levels of the organisation, including an average of 41% of senior executives compared to 43% as at 30 June 2013.

Treasury Policy

SKY has a formalised treasury policy that establishes a framework for:

- foreign exchange risk management;
- interest rate risk management;
- borrowing, liquidity and funding risk;
- cash management;
- counterparty credit risk;
- operational risk and dealing procedures; and
- reporting and performance management.

The objective of the policy is to reduce, spread and smooth interest rate and foreign exchange risk impacts on financial results over a multi-year period, reduce volatility in financial performance and ensure appropriate debt and liquidity arrangements for the business.

Communication and Disclosure Policy

SKY has a communication and disclosure policy designed to keep both the market and SKY's shareholders properly informed. The policy is also designed to ensure compliance with SKY's continuous disclosure obligations and includes posting press releases, annual reports and assessments, and other investor-focused material on its website. The policy is overseen by SKY's chief executive and company secretary.

Remuneration Policy and Performance Monitoring

SKY has policies in place to ensure that it remunerates fairly and responsibly. All executives and employees receive a portion of their salary based on individual and company-wide performance. The executive incentive scheme is based on the concept of economic value added. In addition to their base salary, executives are remunerated for increasing the level of economic return on capital employed in the business. Bonuses are "banked", with 33% of the bank being paid out each year at the discretion of the board. The scheme promotes employee loyalty while ensuring that the cost of the scheme is proportionate to SKY's level of economic return.

The performance of key executives is monitored on a continual basis by the board and chief executive officer but principally as part of annual salary reviews.

Regulatory Policy

SKY has policies and procedures in place to ensure compliance with relevant laws, regulations and the NZX and ASX Listing Rules.

Health and Safety

SKY has an occupational health and safety policies and procedures manual and a group health and safety management committee to ensure that SKY fully complies with its health and safety obligations.

Insider Trading Policy

SKY has a formal policy in relation to insider trading which is set out in SKY's policies manual and posted on SKY's website at www.skytv.co.nz. The policy provides that directors, officers and employees of SKY may not buy or sell securities in SKY, nor may they tip others, while in the possession of inside information. SKY's policy affirms the law relating to insider trading contained in the Securities Markets Act 1988 and complies with ASX Listing Rule 12.9.

Code of Conduct

SKY has a code of conduct which outlines SKY's policies in respect of conflicts of interest, corporate opportunities, confidentiality, insider trading and dealing with corporate assets, in addition to encouraging compliance with applicable laws and regulations. The code of conduct is posted on SKY's website: www.skytv.co.nz.

Audit and Risk Committee Charter and Audit Independence Policy

SKY has in place an audit and risk committee charter to govern the operation of the audit and risk committee as well as an audit independence policy to ensure that SKY's relationship with its auditors is appropriate. The audit and risk committee charter is posted on SKY's website at www.skytv.co.nz. The audit and risk committee focuses on internal controls and risk management and particular areas of emphasis include:

- adequacy, appropriateness and effectiveness of accounting and operating controls;
- extent of compliance with SKY policies and procedures;
- accuracy of, and security over, data and information;
- accountability for SKY's assets to safeguard against loss;
- ensuring an effective internal control environment is fostered; and
- economy and efficiency with which resources are employed.

The audit independence policy is designed to ensure that there is no perception of conflict in the independent role of the external auditor. It restricts and monitors the types of services that the external auditor can provide to SKY, prohibits contingency-type fees and requires audit partner rotation every five years.

Independent Advice

SKY has a procedure for board members to seek independent legal advice at SKY's expense.

NZX and ASX Corporate Governance Best Practice Codes

The board considers that SKY complies with the NZX and ASX corporate governance best practice codes, except in relation to the following matters:

Directors, Chairman and Board Committees Confirmation of Financial Statements (ASX Recommendation 7.3)

Each year SKY's chief executive officer and chief financial officer confirm in a written statement to the board that the financial statements are true and correct, although wording of that statement is not exactly the same as the wording set out in section 295A of Australian Corporations Act 2001.

Attending Audit and Risk Committee Meetings (NZX Recommendation 3.4)

SKY considers it appropriate that any non-executive director (whether or not a member of the committee) may attend audit and risk committee meetings without invitation, while executive directors should attend by invitation only.

INTERESTS REGISTER

DISCLOSURES OF INTEREST – GENERAL NOTICES

Directors have given general notices disclosing interests in the various entities pursuant to section 140(2) of the Companies Act 1993. Those notices which remain current as at 30 June 2014 are as follows: (1)

Director	Entity	Relationship
John Fellet	Media Finance Limited	Director
	Outside Broadcasting Limited	Director
	Cricket Max Limited	Director
	IGLOO Limited	Director
	SKY Arena Limited	Director
John Hart	Bayley Corporation Limited	Director
	Global Rugby Enterprises Limited and subsidiaries of Global Rugby Enterprises Limited	Director/Shareholder
	NZPGA PRO-AM Championship Limited	Director
	Professional Golfers Association of New Zealand	Board Member
Derek Hadley	Iliad Management Limited	Director
	Snakk Media Limited	Director/Chairman
	The Arts Foundation of New Zealand	Trustee
	TSWL Limited	Director
	Far East Associated Traders Limited	Director
Peter Macourt	Virtus Health Limited	Director/Chairman
Geraldine McBride	MY Wave Holdings Limited	Director
	My Wave Limited	Director
	National Australia Bank Limited	Director
	Fisher & Paykel Healthcare Corporation Limited	Director
Humphry Rolleston	Asset Management Limited	Director/Shareholder
	Infratil Limited	Director
	Matrix Security Group Limited	Director
	Mercer Group Limited and various subsidiaries of Mercer Group Limited	Director/Shareholder
	Property for Industry Limited	Director
	Media Metro NZ Limited	Director
	Murray & Company Limited	Director/Shareholder/Chairman
John Waller	Donaghys Limited	Director/Shareholder
	Fonterra Co-Operative Group Limited	Director
	Haydn & Rollett Limited	Director
	Alliance Group Limited	Director
	BNZ Investments Limited	Director
	Bank of New Zealand	Director/Chairman
	National Australia Bank Limited	Director/Shareholder
	National Equities Limited	Director
	Eden Park Trust Board	Chairman
	Direct Property Fund Limited and subsidiaries of Direct Property Fund Limited	Director/Shareholder
	Rugby Sales New Zealand Limited and related entities	Director
	Property for Industry Limited	Director

(1) As at 30 June 2014 Robert Bryden has not disclosed any interests pursuant to140(2) of the Companies Act 1993. Bank of New Zealand is a participant in SKY's syndicated bank facility and also provides transactional services to SKY. Mr Waller is a director/shareholder of National Australia Bank Limited and a director and chairman of Bank of New Zealand. Matrix Security Group provides security services to SKY. Mr Rolleston is a director/shareholder of Matrix Security Group Limited.

DISCLOSURES OF INTEREST – AUTHORISATION OF REMUNERATION AND OTHER BENEFITS

SKY's board did not authorise any additional payments of annual directors' fees during the year to 30 June 2014.

DISCLOSURES OF INTEREST – PARTICULAR TRANSACTIONS/USE OF COMPANY INFORMATION

During the year to 30 June 2014, in relation to SKY:

- no specific disclosures were made in the Interests Register under section 140(1) of the Companies Act 1993; and
- no entries were made in the Interests Register as to the use of company information under section 145(3) of the Companies Act 1993.

DISCLOSURES OF RELEVANT INTERESTS IN SECURITIES

During the year to 30 June 2014, in relation to SKY's directors and officers: three continuous disclosures were made in the Interests Register as to dealing in SKY shares under section 148 of the Companies Act 1993 and section 19T(2) of the Securities Markets Act 1988:

- The first disclosure was made by John Hart and related to the disposal of legal ownership of 20,000 ordinary shares through the NZX for total consideration of $118,600 on 20 November 2013.
- The second disclosure was made by John Waller and related to the acquisition of beneficial ownership (through the JAW No2 Trust) of 10,000 ordinary shares through the NZX for total consideration of $61,000 on 28 February 2014.
- The third disclosure was made by Derek Handley and related to the acquisition of legal ownership of 4,000 ordinary shares through the NZX for total consideration of $24,880 on 4 March 2014.

INSURANCE AND INDEMNITIES

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

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

SKY SUBSIDIARIES' INTEREST REGISTERS

The directors of subsidiaries have given notices disclosing interests in the various entities pursuant to section 140 of the Companies Act 1993. Those notices which remain current as at 30 June 2014 are set out below:

Screen Enterprises Limited: George McFarlane and Jason Hollingworth have each given a general notice disclosing interests arising from being employees of SKY.

Outside Broadcasting Limited: John Fellet made a general disclosure in the Interests Register of Outside Broadcasting Limited that he is a director of SKY.

SKY DMX Music Limited: Martin Wrigley and Grant McKenzie have each given a general disclosure notice disclosing interests arising from being senior employees of SKY and in Martin Wrigley's case, a shareholder of SKY.

IGLOO Limited: John Fellet, Jason Hollingworth, Michael Watson, and Matthew Orange gave notices disclosing interests arising from being employees of SKY and, in John Fellet's case, a director of SKY.

Believe It or Not Limited: Grant McKenzie and Eggherick Aernout Van Der Plank gave notices disclosing interests arising from being employees of SKY. Brendan Lochead gave a general notice disclosing his interest arising from being a shareholder of Believe It or Not Limited and a director and shareholder of Livewire Entertainment Services Limited and Mad If You Don't Limited. Annabelle Lochead gave a general notice disclosing her interest arising from being the wife of Brendan Lochead (who is a shareholder of Believe It or Not Limited) and a director and shareholder of Livewire Entertainment Services Limited and Mad If You Don't Limited.

SKY Arena Limited: John Fellet gave a notice disclosing his interest arising from being the Chief Executive Officer of SKY. Jason Hollingworth gave a notice disclosing his interest arising from being the Chief Financial Officer of SKY. John McRae gave a general notice disclosing his interest arising from being a director of, and having a legal and/or beneficial interest in the shares of, VADR Media Limited.

COMPANY AND BONDHOLDER INFORMATION

DIRECTORS HOLDING AND CEASING OFFICE

Peter Macourt

Robert Bryden

John Fellet

Derek Handley

John Hart

Geraldine McBride

Humphry Rolleston

John Waller

SUBSIDIARIES

At 30 June 2014, SKY had the following subsidiary companies: SKY DMX Music Limited, Screen Enterprises Limited, Cricket Max Limited, Media Finance Limited, Outside Broadcasting Limited , SKY Arena Limited, Believe It or Not Limited and IGLOO Limited. IGLOO Limited was incorporated on 21 July 2011. SKY initially contributed $12,750,000 to the joint venture and had a 51% interest with TVNZ owning the other 49%, having contributed $12,250,000. In June 2013 SKY contributed a further $5,750,000 bringing its interest to 66% with TVNZ's interest reducing to 34%. In June 2014 SKY acquired all of the remaining shares in IGLOO Limited for $1.00. In June 2014, the Screen Enterprises joint venture was also wound up as SKY acquired Movieshack Limited's 24.5% interest for $490,000 and Westside Media Limited's 24.5% interest for $490,000.

Believe It or Not Limited was incorporated on 23 May 2014 and is a joint venture company with Brendan Lochead. SKY contributed $779,462 to the joint venture (with a further $400,000 contingency subscription price being payable in accordance with the joint venture shareholders agreement) and has a 51% interest. Brendan Lochead contributed $748,894.86 to the joint venture and has a 49% interest. SKY Arena Limited was incorporated on 17 October 2013 and is a joint venture company with VADR Limited. SKY contributed $890,000 to the joint venture and has a 75% interest. VADR Limited contributed $300,000 to the joint venture and has a 25% interest.

During the year to 30 June 2014, SKY DMX Music Limited operated the SKY DMX music business, Screen Enterprises Limited acted as agent for the Screen Enterprises joint venture, Outside Broadcasting Limited provided mobile on-site broadcasting facilities and services, IGLOO Limited delivered a low-cost pay television service over a digital terrestrial network and via broadband, SKY Arena Limited promoted pay-per-view events and Believe It or Not Limited created quizzes for the hotel entertainment industry. None of the other subsidiaries traded during the financial year.

DIRECTORS OF SUBSIDIARIES

Subsidiary	Director
SKY DMX Music Limited	Grant McKenzie Martin Wrigley Ben Gujral (ceased 15 November 2014) Steven Hughes Randal Rudniski
Screen Enterprises Limited	Jason Hollingworth George McFarlane Angus Swainson (ceased 28 February 2014) Timothy MacAvoy (ceased 30 June 2014) Bryan Mogridge (ceased 30 June 2014)
IGLOO Limited	John Fellet Jason Hollingworth Michael Watson Angus Swainson (ceased 12 February 2014) Mathew Orange Rodney Parker (ceased 21 June 2014) Brent McAnulty (ceased 21 June 2014) Thorkild Beyer (ceased 21 June 2014) Kevin Kenrick (ceased 21 June 2014) Eric Kearly (ceased 22 December 2013)
SKY Arena Limited	John Fellet Jason Hollingworth John McRae
Believe It or Not Limited	Anabelle Lochead Brendon Lochead Grant McKenzie Eggherick Van der Plank
Media Finance Limited	John Fellet
Outside Broadcasting Limited	John Fellet Jason Hollingworth
Cricket Max Limited	John Fellet

The remuneration of SKY's employees acting as directors of subsidiary companies is disclosed in the relevant banding for employee remuneration on page 94 or, in the case of John Fellet, his remuneration is disclosed below under the heading "Remuneration of Directors". No director of any subsidiary company received directors' fees or extra benefits by virtue of the fact that they are acting as directors of subsidiary companies.

STATEMENT OF DIRECTORS' INTERESTS

For the purposes of NZX Listing Rule 10.5.5(c), the following table sets out the equity securities (shares in SKY) in which each director had a relevant interest as at 30 June 2014:

Relevant interests	Shares
Peter Macourt	-
Robert Bryden	-
John Fellet	116,000
John Hart	5,000
Humphry Rolleston	-
John Waller	10,000
Derek Handley	4,000
Geraldine McBride	-

REMUNERATION OF DIRECTORS

Directors' remuneration and value of other benefits received by directors of SKY during the year 1 July 2013 to 30 June 2014 were as follows:

Name	Total remuneration
Peter Macourt	$125,000
Robert Bryden	$92,000
John Fellet (1)	$1,810,000
Derek Handley	$60,103
John Hart	$87,000
Geraldine McBride	$60,103
Humphry Rolleston	$87,000
John Waller	$95,000

(1) John Fellet is also SKY's chief executive officer and a director of Cricket Max Limited, Media Finance Limited, SKY Arena Limited, Outside Broadcasting Limited and IGLOO Limited. He did not receive any directors' fees during the above period. His remuneration, as specified above, comprises salary and performance-based remuneration.

SUBSTANTIAL SECURITY HOLDERS

According to notices given to SKY under the Securities Markets Act 1988, the following persons were substantial security holders in SKY as at 24 July 2014:

Entity	Securities
Hyperion Asset Management Limited	37,852,479
Cooper Investors Pty Limited	21,858,783
Arnhem Investment Management Limited	20,662,098
Matthews International Capital Management, LLC	19,547,678

The total number of issued voting securities of SKY as at 14 August 2014 was 389,139,785.

COMPANY AND BONDHOLDER INFORMATION
(CONTINUED)

TWENTY LARGEST SHAREHOLDERS AS AT 15 AUGUST 2014

Holder name	Holding	Percentage (to 2 d.p.)
HSBC Nominees (New Zealand) Limited	62,925,394	16.17
JP Morgan Nominees Australia Limited	54,337,545	13.96
National Nominees Limited	34,782,868	8.94
JP Morgan Chase Bank NA	27,562,306	7.08
National Nominees New Zealand Limited	24,682,654	6.34
HSBC Custody Nominees (Australia) Limited	20,229,519	5.20
Citibank Nominees (New Zealand) Limited	17,318,197	4.45
Accident Compensation Corporation	11,355,717	2.92
Custodial Services Limited	10,831,952	2.78
Citicorp Nominees Pty Limited	10,285,696	2.64
BNP Paribas Noms Pty Ltd	9,150,278	2.35
RBC Investor Services Australia Nominees Pty Limited	8,377,584	2.15
BNP Paribas Nominees (NZ) Limited	7,937,697	2.04
TEA Custodians Limited	6,573,144	1.69
ANZ Wholesale Australasian Share Fund	5,926,641	1.52
FNZ Custodians Limited	4,074,452	1.05
Forsyth Barr Custodians Limited	3,258,505	0.84
UBS Nominees Pty Limited	3,054,231	0.78
Investment Custodial Services Limited	2,755,267	0.71
Private Nominees Limited	2,425,347	0.62

DISTRIBUTION OF ORDINARY SHARES AND SHAREHOLDINGS AS 15 AUGUST 2014

	No. of shareholders	Percentage (to 2 d.p.)	No. of shares	Percentage (to 2 d.p.)
1 – 1,000	3,788	34.86	2,397,110	0.62
1,001 – 5,000	5,093	46.88	13,322,208	3.42
5,001 – 10,000	1,216	11.19	9,086,446	2.33
10,001 – 100,000	682	6.28	16,333,773	4.2
100,001 and over	86	0.79	348,000,248	89.43
TOTAL	**10,865**	**100.00**	**389,139,785**	**100.00**

NON MARKETABLE PARCELS OF SHARES

As at 15 August 2014, 140 shareholders in SKY had non-marketable parcels of shares for the purposes of ASX Listing Rule 4.10.8.

OTHER INFORMATION

For the purposes of ASX Listing Rule 4.10.14, 4.10.18 and 4.10.21, as at 8 August 2014:

- SKY had no restricted securities or securities subject to voluntary escrow on issue;
- there was no on-market buy-back; and
- SKY was not subject to s611 of the Corporations Act 2001.

VOTING RIGHTS ATTACHED TO SHARES

Each share entitles the holder to one vote.

DISTRIBUTION OF BONDS AND BONDHOLDINGS AS AT 15 AUGUST 2014

SKTFA Bonds	No. of bondholders	Percentage (to 2 d.p.)	No. of bonds	Percentage (to 2 d.p.)
1 – 1000	-	-	-	-
1,001 – 5,000	199	8.51	995,000	0.5
5,001 – 10,000	491	20.99	4,703,500	2.35
10,001 – 100,000	1,488	63.62	54,325,500	27.16
100,001 and over	161	6.88	139,976,000	69.99
TOTAL	**2,339**	**100.00**	**200,000,000**	**100.00**

SKT020 Bonds	No. of bondholders	Percentage (to 2 d.p.)	No. of bonds	Percentage (to 2 d.p.)
1 – 1000	-	-	-	-
1,001 – 5,000	127	12.76	635,000	0.64
5,001 – 10,000	255	25.63	2,461,000	2.46
10,001 – 100,000	564	56.68	18,643,000	18.64
100,001 and over	49	4.93	78,261,000	78.26
TOTAL	**995**	**100.00**	**100,000,000**	**100.00**

VOTING RIGHTS ATTACHED TO BONDS

Each bondholder is entitled to one vote for every dollar of principal outstanding on their bonds at meetings of bondholders. Bondholders do not have the right to attend or vote at shareholders' meetings.

COMPANY AND BONDHOLDER INFORMATION
(CONTINUED)

EMPLOYEE REMUNERATION

The number of employees or former employees of SKY and its subsidiaries (excluding directors of SKY but including employees of SKY holding office as directors of subsidiaries, other than the chief executive officer [(1)]) whose remuneration and benefits was within specified bands for the year to 30 June 2014 is as follows:

Remuneration $	No. of employees
100,000 – 110,000	65
110,001 – 120,000	41
120,001 – 130,000	25
130,001 – 140,000	13
140,001 – 150,000	10
150,001 – 160,000	6
160,001 – 170,000	12
170,001 – 180,000	2
180,001 – 190,000	5
190,001 – 200,000	3
200,001 – 210,000	5
210,001 – 220,000	1
220,001 – 230,000	5
230,001 – 240,000	4
250,001 – 260,000	2
260,001 – 270,000	2
280,001 – 290,000	1
310,001 – 320,000	1
350,001 – 360,000	1
380,001 – 390,000	1
390,001 – 400,000	1
440,001 – 450,000	1
470,001 – 480,000	3
510,001 – 520,000	1
690,001 – 700,000	1
Total	**212**

(1) The remuneration of SKY's chief executive John Fellet is not included in the above table as he is also a director of SKY. His remuneration is disclosed under the heading "Remuneration of Directors" on page 91.

DONATIONS

During the year 1 July 2013 to 30 June 2014, SKY made cash donations totalling $353,000. SKY's subsidiaries did not make any donations.

AUDITORS

The auditors of SKY and its subsidiaries were PricewaterhouseCoopers. The amount paid to PricewaterhouseCoopers by SKY and its subsidiaries in the year to 30 June 2014 for statutory audit services and for other assurance services was:

	Statutory audit services	Other assurance services
SKY	240	30
SKY DMX Music Limited	10	-
IGLOO Limited	28	-
TOTAL	**278**	**30**

SKY's other subsidiaries did not pay PricewaterhouseCoopers any fees.

WAIVERS AND INFORMATION

CURRENT AND ONGOING WAIVERS

The following is a summary of all waivers granted in favour of SKY which were relied upon by SKY in the 12-month period preceding the date two months before the date of publication of this report. These include:

(a) A waiver to permit SKY to lodge its half-yearly and final reports in the form of an NZX Appendix 1 instead of an ASX Appendix 4D and ASX Appendix 4E, on the condition that SKY provides any additional information required by the ASX Appendices as an annexure to the NZX Appendix 1;

(b) A waiver from ASX Listing Rule 6.10.3 to the extent necessary to permit SKY to set the "specified time" to determine whether a security holder is entitled to vote at a shareholders' meeting in accordance with the requirements of relevant New Zealand legislation;

(c) A waiver from ASX Listing Rule 15.7 to permit SKY to provide announcements simultaneously to both ASX and NZX;

(d) A waiver from ASX Listing Rule 14.3 to the extent necessary to allow SKY to receive director nominations between the date three months and the date two months before the annual meeting;

(e) Confirmation that SKY is not required to lodge accounts for the last three full financial years in accordance with ASX Listing Rule 1.3.5(a) in connection with its application for admission and quotation;

(f) Confirmation that the rights attaching to SKY shares set out in SKY 's constitution are appropriate and equitable for the purpose of ASX Listing Rule 6.1 and comply with ASX Listing Rule 2.1;

(g) Confirmation that ASX will accept financial accounts prepared in accordance with New Zealand GAAP and New Zealand Auditing Standards, and denominated in New Zealand dollars;

(h) Confirmation that SKY can provide substantial holder information provided to it under the New Zealand Securities Markets Act 1988; and

(i) Confirmation that SKY's structure and operations are appropriate for an ASX-listed entity for the purposes of ASX Listing Rule 1.1 (condition 1).

ADMISSION TO THE OFFICIAL LIST OF THE AUSTRALIAN STOCK EXCHANGE

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

(a) SKY is incorporated in New Zealand.

(b) SKY is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 dealing with the acquisition of shares (such as substantial holdings and takeovers).

(c) Limitations on the acquisition of the securities imposed by New Zealand law are as follows:

(i) In general, SKY securities are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.

(ii) The New Zealand Takeovers Code creates a general rule under which the acquisition of more than 20% of the voting rights in SKY or the increase of an existing holding of 20% or more of the voting rights in SKY can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of SKY shares.

(iii) The New Zealand Overseas Investment Act 2005 (and associated regulations) regulates certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an 'overseas person' acquires shares or an interest in shares in SKY that amount to more than 25% of the shares issued by SKY or, if the overseas person already holds 25% or more, the acquisition increases that holding.

(iv) The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring SKY shares if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

SHARE MARKET AND OTHER INFORMATION

NEW ZEALAND

SKY's ordinary shares are listed on the main board of the NZX and trade under the symbol SKT. SKY's bonds are listed on the NZDX and trade under the symbols SKTFA and SKT020. SKY's International Security Identification Number issued for the Company by the NZX is NZSKTE0001S6.

NZX Limited
Level 2, NZX Centre
11 Cable Street
Wellington, New Zealand

Mailing address:
P.O. Box 2959
Wellington, New Zealand

Tel: +64 4 472 7599 **Fax:** +64 4 496 2893;
Website: www.nzx.com

AUSTRALIA

SKY's ordinary shares are also listed on the ASX and trade under the symbol SKT.

ASX Limited
Exchange Centre
20 Bridge Street, Sydney
NSW 2000, Australia

Mailing address:
P.O. Box H224
Australia Square, Sydney
NSW 1215, Australia

Tel: +61 2 9338 0000 **Fax**: +61 2 9227 0885
Website: www.asx.com.au

FINANCIAL CALENDAR

2013/2014 Financial year-end	30 June 2014
2013/2014 Full-year results announced	22 August 2014
Next annual meeting	**24 October 2014**
2014/2015 Half-year results announced	February 2015
2014/2015 Financial year-end	30 June 2015
2014/2015 Full-year results announced	August 2015

ANNUAL MEETING

The next annual meeting of Sky Network Television Limited will be held at the Langham Hotel, 83 Symonds Street, Auckland, New Zealand, on 24 October 2014, commencing at 2.00 pm.

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
Abbotsford, VIC 3067
GPO Box 2975EE
Melbourne VIC 3000, Australia

Freephone: 1300 850 505 (within Australia)
Tel: +61 3 9415 4000 **Fax:** +61 3 9473 2500
Email: enquiry@computershare.co.nz

BONDHOLDER TRUSTEE

The New Zealand Guardian Trust Company Limited
Level 7, Vero Centre, 48 Shortland Street
Auckland, New Zealand

Mailing address:
P.O. Box 1934
Auckland, New Zealand

Tel: +64 9 377 7300 **Fax:** +64 9 377 7470
Email: web.corporatetrusts@nzgt.co.nz

DIRECTORS

Peter Macourt	Chairman
Robert Bryden	Deputy Chairman
John Fellet	Chief Executive
Derek Handley	
John Hart, ONZM	
Geraldine McBride	
Humphry Rolleston	
John Waller	

EXECUTIVES

John Fellet	Director and Chief Executive Officer
Jason Hollingworth	Chief Financial Officer and Company Secretary
Gregory Drummond	Director of Broadcasting and Media
Travis Dunbar	Director of Entertainment Programming
Charles Ingley	Director of Technology
Megan King	Director of Content, Strategy, Planning and Delivery
Richard Last	Director of Sport
Chris Major	Director of Government Relations
Rawinia Newton	Director of Advertising Sales
Cathryn Oliver	Chief of Staff
Matthew Orange	Director of Strategy and Products
Michael Watson	Director of Marketing
Kirsty Way	Director of Corporate Communications
Martin Wrigley	Director of Operations

NEW ZEALAND REGISTERED OFFICE

10 Panorama Road, Mt Wellington,
Auckland 1060

Tel: +64 9 579 9999 **Fax:** +64 9 579 8324
Website: www.skytv.co.nz

AUSTRALIAN REGISTERED OFFICE

c/- Allens Arthur Robinson Corporate Pty Limited
Level 28, Deutsche Bank Place
Corner Hunter and Philip Streets
Sydney, NSW 2000, Australia

Tel: +61 2 9230 4000 **Fax:** +61 2 9230 5333

AUDITORS TO SKY

PricewaterhouseCoopers
PricewaterhouseCoopers Tower,
188 Quay Street, Auckland, New Zealand

Tel: +64 9 355 8000 **Fax:** +64 9 355 8001

SOLICITORS TO SKY

Buddle Findlay
PricewaterhouseCoopers Tower,
188 Quay Street, Auckland, New Zealand

Tel: +64 9 358 2555 **Fax:** +64 9 358 2055

SKY CHANNELS

As at 30 June 2014

TYPES OF CHANNELS

Basic Channels	45	Free-to-air Channels	13	PPV Movie Channels	11	Sport Channels	7
Specialist Channels	6	PPV Event Channels	1	Movie Channels	7	Radio Channels	8
PPV Adult Channels	3	Interactive Channels	3	Audio Music Channels	14	**Total**	**118**

45 BASIC CHANNELS

7 SPORT CHANNELS

7 MOVIE CHANNELS

KEY

Created and produced by SKY

3 INTERACTIVE CHANNELS

13 FREE-TO-AIR CHANNELS

6 SPECIALIST CHANNELS

8 RADIO CHANNELS

OTHER

14 Audio Music Channels

1 PPV Event Channel

11 PPV Movie Channels

3 PPV Adult Channels

AN ADVENTURE AWAITS THE SKY CUSTOMER

AN OPPORTUNITY TO ENGAGE, EXPLORE, LEARN AND ESCAPE LIKE NEVER BEFORE.
TOGETHER WE CAN SHARE EXPERIENCES AND FORGE NEW GROUND.

STRAP IN TIGHT,
IT'S GOING TO BE
SOME JOURNEY

SKY NETWORK TELEVISION LIMITED

PO Box 9059
Newmarket
Auckland 1149
New Zealand

10 Panorama Road
Mt Wellington
Auckland 1060
New Zealand

www.sky.co.nz