Appendix 4E Release to ASX under rule 4.3A

Full Year Information for Sky Network Television Limited for the year ended 30 June 2016

CONTENTS

Results for announcement to market

Sky Network Television Limited
Year ended on 30 June 2016 (In NZD)

Total operating revenues of $928,200,000 have increased $675,000 from the previous year, which is a 0.1% increase.

Net profit of $147,123,000 has decreased $24,641,000 from the previous year, which is a 14.4% decrease.

Net profit after tax attributable to equity holders of $146,718,000 has decreased $24,863,000 from the previous year, which is a 14.5% decrease.

The results include one off costs of $13,400,000 incurred in relation to the planned acquisition of Vodafone NZ. Excluding these one off costs, SKY's underlying net profit was $157,027,000, a 8.6% decrease from the previous year.

Dividends	Amount per security	Franked amount per Security
Final Dividend (payable September 2016)	15.0 cents	N/A
Interim Dividend (paid March 2016)	15.0 cents	N/A
Final Dividend (paid September 2015)	15.0 cents	N/A
Previous corresponding period – Interim Dividend (paid March 2015)	15.0 cents	N/A
Previous corresponding period – Final Dividend (paid September 2014)	15.0 cents	N/A
Record date for determining entitlements to the Final Dividend	9 September 2016	

Brief explanation of any figures reported above, refer attached results commentary.

SKY NETWORK TELEVISION LIMITED

SUMMARISED ANNUAL REPORT 2016

CHIEF EXECUTIVE'S LETTER

Dear shareholders

This is the 15th CEO letter that has been my pleasure to send to you. My goal, as always, is to write this letter as if it was going to an overseas shareholder whose only knowledge about the company was gleaned from this annual report.

The financial information contained in this report is quite detailed but still only gives you a financial snapshot of the business. In this letter I try to keep you up to date with the financial and non-financial trends I am seeing.

SKY is a multi-platform entertainment company. We deliver a wide range of content every day to our customers, including movies, television series, music, sports, documentaries, news and much more.

INDUSTRY DISRUPTION

The opening topic in each of my last two letters has centered on the ongoing change in the media industry. When I joined SKY in 1991 the three nationwide Free to Air channels (FTA) did not start their programing day until 3pm. Video stores renting out "videos" were everywhere and jam packed on Friday and Saturday nights. Now we have numerous nationwide and regional FTA channels which schedule content 24 hours a day, and any number of online options. I cannot remember the last time I saw a Blockbuster store or a VCR machine for sale. Back in 1991, SKY was in the right place at the right time as New Zealanders looked for more options than what normal FTAs could offer.

We need to ensure that SKY continues to be in the right place at the right time. Two years ago if you asked me how SKY was doing I would have said we have the right content mix for New Zealand and the best delivery platform for the majority of New Zealand. My biggest concerns would have been the new business models that the roll out of the Ultra-Fast Broadband (UFB) would bring. In fact with 4G we started seeing a younger generation consuming more video on their mobile devices and telecommunications companies entering the content game. These firms were offering "triple play options" of voice, internet and video content. And more worrisome some telecommunication firms were acquiring content and giving it away to drive data usage of their broadband customers.

PENDING MERGER

After much debate at Board level we determined the best option for SKY's future was an amalgamation with Vodafone New Zealand. I am pleased many of you felt the same way with 99% of voting shareholders agreeing to the decision. The shareholders agreed to increase SKY's outstanding shares from 397 million to 798 million and using these additional shares as well as cash to buy Vodafone New Zealand from Vodafone Group Plc. The result will have Vodafone Group Plc being a 51% owner of the merged companies of SKY and Vodafone New Zealand.

There are still two hurdles to clear. We need to get clearance from the Commerce Commission and the Overseas Investment Authority, a date for a Commerce Commission decision has been set for 11 November this year.

I think it is our best option. As I will discuss later, in the last few years the roll out of UFB and changing demographics have generated the launch of numerous new business models. These changes have challenged all incumbent media players both in New Zealand and the rest of the world. This merger will give

> “The SKY and Vodafone merger will give us a pathway to deliver content to the next generation of customers.”

81% of all US smartphone users now stream video on their devices. This usage was being driven primarily by users under the age of 25.

us a pathway to deliver content to the next generation of customers.

NEW TRENDS

A Macquarie Report issued in 2015 said that in 2004 advertising on the Internet accounted for less than 1% of total advertising revenue, but by 2014 the figure had increased to 24.7%. While it has impacted television advertising revenue, most of the revenue has been diverted from newspapers who have seen their share of revenue drop from 38.1% of total advertising spend in New Zealand to 20.3%, a significant decrease.

In that same report it said that data used by fixed-line broadband subscribers rose from 10GBs in 2011 to 32GBs a month in 2014. Mobile phone usage, which I think is the next frontier in video consumption, has seen data usage double from the previous year.

In another report issued by a firm called NPD in March 2016, it was claimed that 81% of all US smartphone users now stream video on their devices. This usage was being driven primarily by users under the age of 25. This age group spends twice as much time watching video content on YouTube and Netflix apps compared to users over the age of 25.

While the majority of video streaming occurs over the Wi-Fi network, smartphones users now rely on mobile data more than ever. According to the “NPD Smartmeter”, an opt-in metering application that tracks live smartphone and tablet usage behavior, the average US smartphone user consumes close to 3GB of mobile data per month, with video streaming services driving data consumption.

NEW BUSINESS MODELS

We have successfully launched both NEON, a general entertainment Subscription Video on Demand Service (SVOD) and FAN PASS which allows an individual to order SKY Sport Channels 1 through 4 for a day, week or month. These are considered OTT (Over the Top) services which use the internet for delivery.

The biggest concern any traditional pay television company has in launching these OTT services is ensuring that they expand your subscriber base as opposed to cannibalising it. And to this degree we have been successful. As of 30 June 2016 we had 852,679 subscribers between our traditional subscribers and new OTT customers, an increase on the 2014/2015 financial year.

Each month we look at all new internet based customers and so far we are seeing less than 3% of them were traditional SKY subscribers in the previous three months.

It is important to note that at this stage these new internet based services are not as shareholder friendly as our traditional core satellite subscribers. Keep in mind when we first went from SKY’s original UHF based three channel offering, to the first of our satellite offering, our financials were negative on each conversion for the first few years. Likewise the same financial pain was felt when the original satellite customers migrated to the first of the MY SKY decoders and again later on when they upgraded to high definition.

That said, the new internet based customers typically don’t require much in the way of capital expenditure. The subscriber typically provides their

WE HAVE INTELLECTUAL PROPERTY OF YEARS OF EXPERIENCE THAT TELLS US EXACTLY WHAT EVERY PIECE OF CONTENT IS WORTH TO NEW ZEALANDERS.

own decoder in the form of a computer, Smart TV or smartphone. The subscriber does a self-install connecting to the available Wi-Fi as opposed to SKY rolling out a truck and installing. There is also very limited customer interaction with customer service representatives. And finally these internet offerings can ramp up much faster than we could in the traditional business because of the need we have for lead time to acquire vehicles, contractors and train technicians.

On the other hand internet based customers have no problems in disconnecting one week and re-subscribing a few weeks later. With multiple offerings in the market they will go and sample all of them one at a time selecting and watching their programming jewels before moving on to the next SVOD service. I think the biggest problem is that these services tend to be priced too low to be commercially viable. A good example is Netflix, the largest SVOD company in the world with over 80 million subscribers. In its latest quarterly results they reported US $2,105,204,000 in revenues and US $40,755,000 in profits or a 1.9% profit margin. They are the most profitable and largest SVOD service in the world with a profit significantly less than ours.

FINANCIAL STATEMENT COMPARISONS

In comparing this year's financial statements to last year there are a couple things you should know. The first one is that in preparation for the Vodafone New Zealand acquisition we performed a large amount of due diligence. This involved hiring the best experts we could and contracting Citibank who acted as our advisor. The due diligence cost came to about $13 million. This figure is a one off expense and there was no similar expenditure in last year's account.

The other big jump in costs for the year ending 30 June 2016 was in programing expenditures. In a lot of industries competition normally results in a price war. In the content industry it becomes an arms race. Content deals that we have signed over the last three years are now being recognised in the year ending 30 June 2016 and 30 June 2017.

CONTENT COSTS

At SKY we know that we do our customers no favour by paying whatever it takes to win every bid. We walk that fine line between trying to retain or obtain all the content our customers want yet acquiring it at a price they will accept. One of the two greatest strengths we have is that we have built the best platform to amortise content in New Zealand (and by "built" I mean digesting large financial losses for a decade before we could get to a critical size). Other companies can and have outbid us for content but we can break even at a higher price than anyone else. In these periods one cannot take the stand to win every content fight at all costs.

The second advantage is that we have intellectual property of years of experience that tells us exactly what every piece of content is worth to New Zealanders. But this does not mean we win every time.

Over the years there have been periods of a surge in innovation where new entrants entered the field typically around a technical advancement. In the 1990s two telecommunication companies (Telecom and Saturn) both started laying cable for broadcasting television and started acquiring content at prices we were not prepared to match. While the prices seemed too high we spent far more time studying their business model to see if we should transition our UHF system to cable. We instead went with a satellite delivery model where we could cover all of New Zealand.

In around 2000, Telecom's TIVO (a digital TV recorder service) launched and started outbidding us for pay-per-view rights. We did not see a business model that had limited content and required an upfront $500 investment by customers making sense for a large segment of the population. After the TIVO model collapsed, rights costs returned to normal.

A few years later FreeView was announced promising many more FTA channels. Existing FTAs, including Prime, were promised additional bandwidth for new FTA channels. All the other networks took advantage of the grant. We felt that tripling the number of FTAs would not triple the number of viewers. As a result Content costs initially went up, while viewers were spread out across many more options.

Over the next few years the existing FTAs converted their new channels into Plus 1s (a second channel that is just a delayed channel) thus giving one the ability to earn two revenue streams from the same content. Content costs soon reduced.

In the last three years there has been a resurgence in content costs. It is somewhat ironic. There has never been more television content. This year the industry is on track to produce a staggering 425 original scripted series in English up from a record output a few years ago of 371. That doesn't factor in the additional reality shows, sports, movies or children's programmes. So we have more programmes than ever before, costing more than ever before, on more platforms than ever before, spread over a similar population size during the same size day. Even in sport, a field of endeavour that you think is impervious to expansion, entrepreneurs are inventing or "recreating" new sports. A good example is darts. It was once only seen in pubs. Now it is the highest rated sports event on our platform over the Christmas holidays. With the oversupply of content and a deflationary economic environment one would expect the price of content to hit an all-time low. Sadly that has not been the case.

ONCE AGAIN BLAME TECHNICAL INNOVATION

The roll out of the UFB has been another technical innovation that allowed new business models to launch. Some of these new competitors are not "burdened with our knowledge" of what the content deals are worth. They get excited about creating new business models to deliver content and then they have to go out and buy content to test their model.

UFB allowed companies like Coliseum and SVOD companies to launch three years ago.

Over the following three years we lost the English Premier League, The Professional Golfers' Association, The European Golfers' Association, The Ladies Professional Golfers' Association and other European Rugby competitions. Lightbox, Quickflix and Netflix all launched and started hoovering up content on the entertainment side.

Once again pundits predicted the demise of SKY. The content market had become irrational. In these situations we have three options. We can take the stand not to ever lose a content fight. While that is a staunch position it will eventually lead to a situation where we are the strongest content company ever to go bankrupt. We can take the stand where we refuse to pay anything more than what we know the content is worth but then we run the risk of being the strongest principled company to ever go bankrupt.

Instead we took the middle road. We took a deep breath, analysed the competing models, revalued the content and determined what we could lose and what we needed to hold on to. In that transition, as well as a couple of others before, the key step we took was to lock down the most important content. The content rule applies now as well. We have locked down SANZAR Rugby, Cricket, the NRL and Netball. In addition, we locked down the FIFA World Cups until 2022 and the Olympic Games through to 2024. The gold standard with premium entertainment is HBO, which provides SKY and Prime with such shows as Game of Thrones and True Detective. If there was one studio you would not want to lose to a competitor during a difficult time, it would be Disney. In addition to their Star Wars Franchise and great movies in general, they also own the Marvel stable which holds the record of winning 12 straight opening box office weekends in a row. For our linear channels we have protected Discovery, Viacom and Disney. This cornerstone content along with another 400 contracts improves our navigation through the siege.

These insurance policies came at a cost. In securing important movies, sports, television series and channels we have seen our content costs go up by the largest dollar amount in our history. Our biggest agreement we have is the SANZAR rugby contract. This five year deal started in January 2016.

CHURN

You will note our churn was up for the year. It was 17.5% vs last year's 14.5%. While I am always disappointed when churn goes up this has been the hardest year we have ever encountered. We had more competitors launch against us than all the other years combined.

We also sadly scored an "own goal". In late 2015 we launched new software to our MY SKY boxes that greatly enhanced viewing options by allowing our customers to download additional content on demand via the internet. While this improvement was much beloved by the majority of customers (we now have over a million downloads a month), a sizeable number of customers had trouble reading the new font that came with the new software. The font was improved but not before we broke the trust of some subscribers.

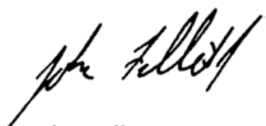
ADVERTISING REVENUES

Our Advertising Sales Department continues to defy industry results. Selling television air time has never been more of a challenge. In seven of the last nine quarters television advertising has declined year on year. In the two improved quarters revenue increases were driven by the success SKY had in selling advertising for the 2015 Rugby and Cricket World Cups.

I believe there are two reasons for this decline. As mentioned earlier the consumer has more options to view content than ever before and it is growing. This makes it particularly hard on large linear channels who currently dominate viewing ratings. When I arrived in New Zealand in 1995 the three free to air channels combined had 95% of the ratings in the country. Now you would have to combine the top 100 TV channels to get to 95%.

The second biggest impact is caused by video on demand. Be it SVOD competitors, social media platforms like YouTube or Facebook or existing linear channels offering catch-up, the "appointment viewing" concept that built up the strength of linear channels has now truly been broken.

Finally don't forget to attend the AGM which will take place at the Pullman Hotel Auckland, (Regatta Room D), Corner Princes Street and Waterloo, Auckland, on 20 October 2016, commencing at 2.00pm.



John Fellet
Chief Executive Officer

2016 FINANCIALS

FINANCIAL OVERVIEW

SUMMARY

The net profit after tax has decreased to $147.1 million for the year ended 30 June 2016, a decrease of 14.4% on the previous year's net profit after tax of $171.8 million.

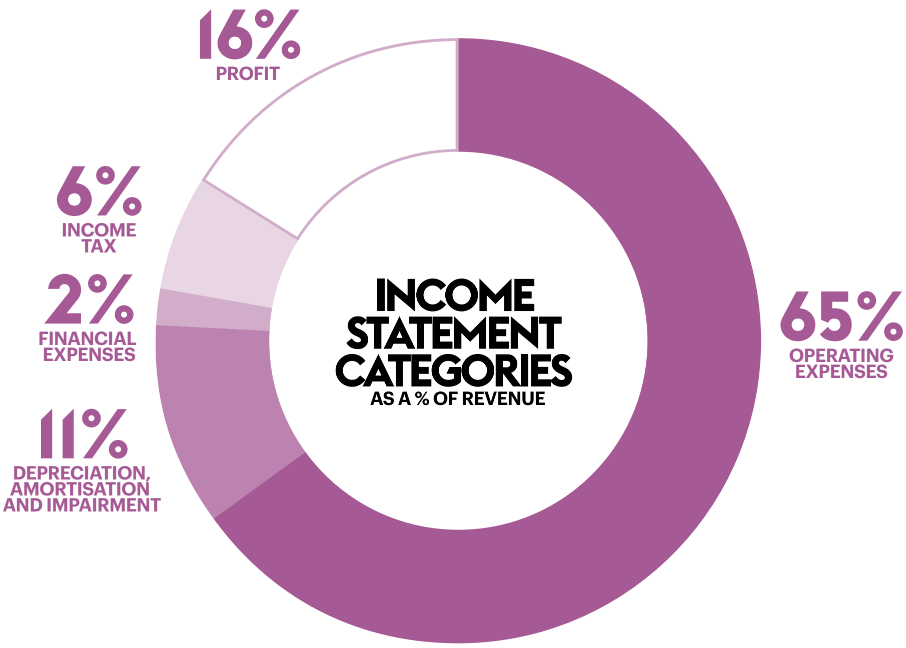
Earnings before interest, tax, depreciation and amortisation ("EBITDA") decreased by 14.3% to $325.3 million.

Operating expenses include costs relating to the acquisition of Vodafone NZ of $13.4 million. Adjusted EBIDTA would be $338.7 million, a decrease of 10.8% from the prior year.

The results are summarised as follows:

For the years ended 30 June

IN NZD MILLIONS	2016	2015	% inc/(dec)
Financial performance data			
Total revenue	928.2	927.5	0.1
Total operating expenses	602.9	547.7	10.1
EBITDA	**325.3**	**379.8**	**(14.3)**
Less			
Depreciation, amortisation and impairment	100.2	119.2	(15.9)
Net finance costs	20.1	21.7	(7.4)
Net profit before income tax	**205.0**	**238.9**	**(14.2)**
Income tax expense	57.9	67.1	(13.7)
Profit after tax	**147.1**	**171.8**	**(14.4)**



FINANCIAL OVERVIEW (CONTINUED)

REVENUE ANALYSIS

SKY's total revenue increased to $928.2 million, as follows:

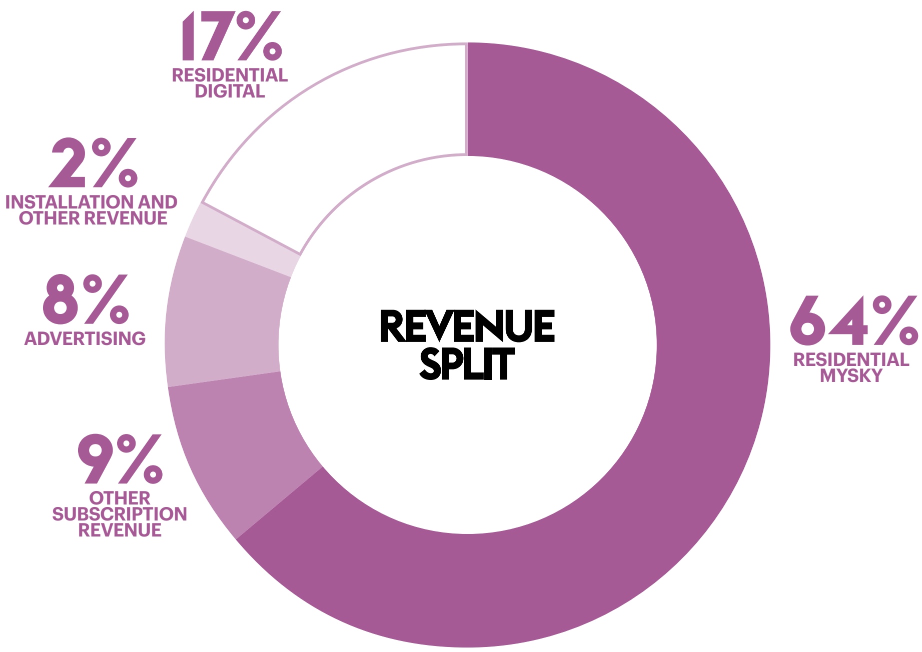
For the years ended 30 June IN NZD MILLIONS	2016	2015	% inc/(dec)
Residential – Digital	160.3	192.5	(16.7)
Residential – MYSKY	592.8	567.5	4.5
Other subscription revenue	79.3	71.2	11.4
Total subscription revenue	**832.4**	**831.2**	**0.1**
Advertising	74.0	69.5	6.5
Installation and other revenue	21.8	26.8	(18.7)
Total other revenue	**95.8**	**96.3**	**(0.5)**
Total revenue	**928.2**	**927.5**	**0.1**

Residential subscription revenue decreased marginally by 0.9% to $753.1 million due to fewer satellite customers. The decrease is mainly due to a lower uptake of premium services (Sports and Movies) and lower pay-per-view buys.

Other subscription revenue includes commercial revenue earned from SKY subscriptions at hotels, motels, restaurants and bars throughout New Zealand, revenue derived from transmission of programming for third parties and revenue from other subscriptions services such as NEON, FAN PASS and IGLOO. This revenue increased 11.4% to $79.3 million in 2016.

Advertising sales revenue increased by 6.5% to $74.0 million in 2016. Pay television advertising revenues increased from $45.2 million in 2015 to $49.3 million in 2016, an increase of 9.1% whilst Prime revenues increased from $24.3 million in 2015 to $24.7 million in 2016, partly due to additional revenue from the Rugby World Cup earned in the current year.

Installation and other revenues decreased by 18.7% to $21.8 million in 2016. This is mainly the result of low installation revenue due to customers moving to lower price services and lower outside broadcasting revenue.



EXPENSE ANALYSIS

A breakdown of SKY's operating expenses for 2016 and 2015 is provided below:

IN NZD MILLIONS	2016	2016 % of revenue	2015	2015 % of revenue	% inc/(dec)
Programming	331.1	35.7	296.6	32.0	11.6
Subscriber related costs	106.3	11.5	107.1	11.5	(0.7)
Broadcasting and infrastructure	96.0	10.3	91.2	9.8	5.4
Other costs	69.5	7.5	52.9	5.7	31.4
Depreciation, amortisation and impairment	100.2	10.8	119.2	12.9	(15.9)
Total operating expenses	**703.1**	**75.8**	**667.0**	**71.9**	**5.4**

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 and in-house studio produced shows.

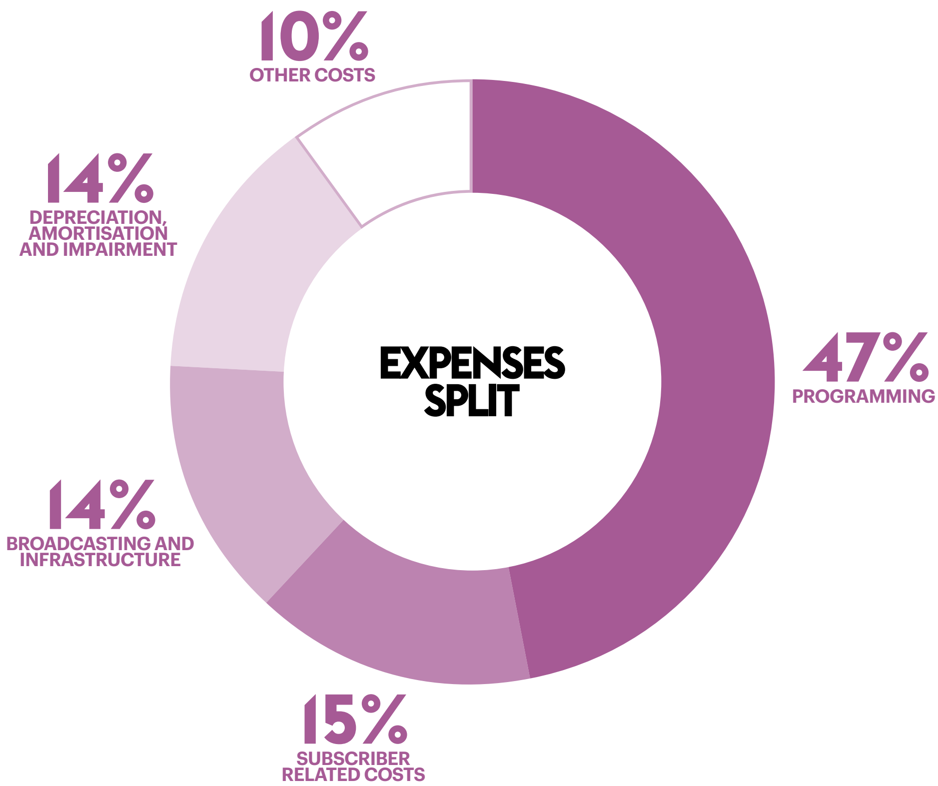
SKY's programming expenses have increased to 35.7% of revenue in 2016, from 32.0% in 2015. The higher programming costs in 2016 included the rights costs of the Rugby World Cup as well as the new SANZAAR contract from 1 January 2016, costs relating to On Demand content and new channels such as "Turbo and TLC".

A significant proportion of SKY's programme rights costs are in Australian dollars (AUD) dollars 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, 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 related costs include the costs of servicing and monitoring equipment installed at subscribers' homes, indirect installation costs, the costs of SKY's customer service department, sales and marketing costs and general administrative costs associated with SKY's ten provincial offices.

In 2016, subscriber related costs decreased marginally to $106.3 million.



FINANCIAL OVERVIEW (CONTINUED)

EXPENSE ANALYSIS (CONTINUED)

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 have increased by 5.4% to $96.0 million or 10.3% of revenue compared to 9.8% in the prior year due to increased internet delivery costs for on demand content and OTT products (NEON, FANPASS).

Other costs include advertising costs, the overhead costs relating to corporate management and the affiliated businesses such as IGLOO and FATSO. These costs have increased by 31.4% to $69.5 million from $52.9 million in the prior year due mainly to the professional fees of $13.4 million incurred in relation to the planned acquisition of Vodafone NZ which was announced in July 2016 (refer note 17 of the financial statements).

Depreciation, amortisation and impairment costs include depreciation charges for subscriber equipment including satellite dishes and decoders owned by SKY and fixed assets such as television station facilities. Depreciation, amortisation and impairment costs have decreased by 15.9% to $100.2 million for the current year due to many assets being fully depreciated. Impairment charges in the current year were $Nil compared with $10.7 million in the prior year.

Finance costs, net have decreased marginally from $21.7 million to $20.1 million. The reduction in interest is due to reduced interest rates on the floating rate borrowings which are not hedged. SKY's weighted average interest rates are as follows:

	2016	2015
Bank loans	6.19%	6.46%
Bonds	5.33%	5.40%
Finance lease	0.00%	6.80%
Combined weighted average	**5.47%**	**5.66%**

Capital expenditure

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

IN NZD MILLIONS	2016	2015	2014	2013	2012
Subscriber equipment	63.8	22.8	20.6	22.9	57.4
Installation costs	32.6	29.7	36.9	40.2	48.9
HD broadcasting truck	–	–	–	–	2.6
Other	32.4	63.0	35.5	19.3	28.0
Total capital expenditure	**128.8**	**115.5**	**93.0**	**82.4**	**136.9**

Capital expenditure increased by $13.3 million in 2016 to $128.8 million.

Subscriber equipment expenditure increased substantially by $41.0 million due to the acquisition of the new internet enabled decoders being rolled out to customers to replace the old legacy digital decoders.

Installation costs were marginally up by $2.9 million. Other capital expenditure of $32.4 million included $15.9 million of software additions (mainly internet connectivity for SKY's decoders), $5.8 million of other plant and equipment, as well as $10.7 million of capital work in progress.

FINANCIAL TRENDS

INCOME STATEMENT – FIVE YEAR SUMMARY

IN NZD 000	2016	2015	2014	2013	2012
For the year ended 30 June					
Total revenue	928,200	927,525	909,001	885,024	843,074
Total operating expenses [(1)] [(4)]	602,914	547,756	529,961	531,884	507,052
EBITDA [(2)] [(4)]	**325,286**	**379,769**	**379,040**	**353,140**	**336,022**
Less					
Depreciation and amortisation	100,241	119,194	126,143	134,260	134,119
Net interest expense and financing charges	19,684	21,696	27,097	29,193	29,346
Unrealised losses/(gains) on currency and other	371	–	1,293	692	923
Net profit before income tax [(4)]	**204,990**	**238,879**	**224,507**	**188,995**	**171,634**

BALANCE SHEET – FIVE YEAR SUMMARY

IN NZD 000	2016	2015	2014	2013	2012
As at 30 June					
Property, plant, equipment and non-tangible intangibles	331,157	299,243	302,929	338,002	388,646
Goodwill	1,425,331	1,425,331	1,426,393	1,424,494	1,424,494
Total assets	1,943,564	1,942,021	1,865,369	1,900,293	1,962,467
Total debt and lease liabilities	348,085	350,763	387,191	483,786	472,469
Working capital [(3)]	(35,230)	(36,285)	(48,325)	(39,790)	(20,717)
Total liabilities	612,641	604,818	624,205	718,396	708,603
Total equity	1,330,923	1,337,203	1,241,164	1,181,897	1,253,864

(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 borrowing, bonds and derivative financial instruments.

(4) Exclusion of Vodafone acquisition costs of $13,371,000 (refer note 3) would result in a normalised adjusted EBITDA of $338,657,000 and adjusted net profit before income tax of $218,361,000.

FINANCIAL TRENDS (CONTINUED)

DEPRECIATION AND CAPITAL EXPENDITURE

IN NZD 000	2016	2015	2014	2013	2012
Depreciation	100,241	119,194	126,143	134,260	134,119
Capital expenditure	128,800	115,500	93,000	82,400	136,900

HISTORY OF DIVIDEND PAYMENTS

(BY CALENDAR YEAR IN CENTS PER SHARE)	2016	2015	2014	2013	2012
Interim dividend (paid in March)	15.0	15.0	14.0	12.0	11.0
Final dividend (paid in September)	–	15.0	15.0	12.0	11.0
Total ordinary dividend	**15.0**	**30.0**	**29.0**	**24.0**	**22.0**
Special dividend	–	–	–	–	32.0
Total dividend paid	**15.0**	**30.0**	**29.0**	**24.0**	**54.0**

SUBSCRIBER BASE

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

	2016	2015	2014	2013	2012
As at 30 June					
Total subscribers	852,679	851,561	865,055	855,898	846,931
Average monthly revenue per residential subscriber	78.63 [1]	79.54	77.52	75.83	71.93
Gross churn [2]	17.5%	14.5%	13.2%	14.4%	14.2%

[1] Includes IGLOO, NEON and FAN PASS not included in previous periods.

[2] Gross churn refers to the percentage of residential subscribers over the 12-month period ended on the date shown who terminated their satellite pay TV 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 Group) are responsible for ensuring that the financial statements of the Group present fairly the financial position of the Group as at 30 June 2016 and the results of its operations and cash flows for the year ended on that date.

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

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

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

The directors have pleasure in presenting the financial statements of the Group for the year ended 30 June 2016.

The board of directors of Sky Network Television Limited authorise these financial statements for issue on 25 August 2016.

For and on behalf of the board of directors

Peter Macourt
Chairman

John Waller
Director

25 August 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

IN NZD 000	Notes	2016	2015
Total revenue	2	928,200	927,525
Expenses			
Programming		331,050	296,559
Subscriber related costs		106,340	107,136
Broadcasting and infrastructure		96,040	91,184
Depreciation, amortisation and impairment	3	100,241	119,194
Other costs		69,484	52,877
		703,155	666,950
Operating profit		**225,045**	**260,575**
Finance costs, net	4	20,055	21,696
Profit before tax		**204,990**	**238,879**
Income tax expense	5	57,867	67,115
Profit for the year		**147,123**	**171,764**
Attributable to:			
Equity holders of the Company		146,718	171,581
Non-controlling interests		405	183
		147,123	**171,764**
Earnings per share			
Basic and diluted earnings per share (cents)	13	37.70	44.09
OTHER COMPREHENSIVE INCOME			
Profit for the year		147,123	171,764
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges		(49,989)	56,972
Income tax effect		13,997	(15,951)
Other comprehensive income for the year, net of income tax	13	**(35,992)**	**41,021**
Total comprehensive income for the year		**111,131**	**212,785**
Attributable to:			
Equity holders of the Company		110,726	212,602
Non-controlling interest		405	183
		111,131	**212,785**

CONSOLIDATED BALANCE SHEET

As at 30 June 2016

IN NZD 000	Notes	2016	2015
Current assets			
Cash and cash equivalents		22,863	17,895
Trade and other receivables	6	70,030	69,509
Programme rights inventory	7	79,765	72,813
Derivative financial instruments	12	2,982	28,424
		175,640	188,641
Non-current assets			
Property, plant and equipment	8	283,316	282,219
Intangible assets	9	1,473,172	1,442,355
Available for sale investment	1	4,832	–
Derivative financial instruments	12	6,604	28,806
		1,767,924	1,753,380
Total assets		**1,943,564**	**1,942,021**
Current liabilities			
Bonds	11	199,912	–
Lease liabilities	11	–	3,294
Trade and other payables	10	200,817	184,218
Income tax payable		7,071	12,284
Derivative financial instruments	12	9,670	1,320
		417,470	201,116
Non-current liabilities			
Bank loans	11	49,468	49,424
Bonds	11	98,705	298,045
Deferred tax	5	36,047	48,438
Derivative financial instruments	12	10,951	7,795
		195,171	403,702
Total liabilities		**612,641**	**604,818**
Equity			
Share capital	13	577,403	577,403
Hedging reserve	13	(5,112)	30,880
Retained earnings		757,417	727,441
Total equity attributable to equity holders of the Company		1,329,708	1,335,724
Non-controlling interest		1,215	1,479
Total equity		1,330,923	1,337,203
Total equity and liabilities		**1,943,564**	**1,942,021**

Peter Macourt
Chairman

John Waller
Director

For and on behalf of the board 25 August 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

		ATTRIBUTABLE TO OWNERS OF THE PARENT					
IN NZD 000	Notes	Share capital	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
For the year ending 30 June 2016							
Balance at 1 July 2015		577,403	30,880	727,441	1,335,724	1,479	1,337,203
Profit for the year		–	–	146,718	146,718	405	147,123
Cash flow hedges, net of tax	13	–	(35,992)	–	(35,992)	–	(35,992)
Total comprehensive income for the year		**–**	**(35,992)**	**146,718**	**110,726**	**405**	**111,131**
Transactions with owners in their capacity as owners							
Dividend paid		–	–	(116,742)	(116,742)	(669)	(117,411)
Supplementary dividends		–	–	(14,965)	(14,965)	–	(14,965)
Foreign investor tax credits		–	–	14,965	14,965	–	14,965
		–	**–**	**(116,742)**	**(116,742)**	**(669)**	**(117,411)**
Balance at 30 June 2016		**577,403**	**(5,112)**	**757,417**	**1,329,708**	**1,215**	**1,330,923**
For the year ending 30 June 2015							
Balance at 1 July 2014		577,403	(10,141)	672,605	1,239,867	1,297	1,241,164
Profit for the year		–	–	171,581	171,581	183	171,764
Cash flow hedges, net of tax	13	–	41,021	–	41,021	–	41,021
Total comprehensive income for the year		**–**	**41,021**	**171,581**	**212,602**	**183**	**212,785**
Transactions with owners in their capacity as owners							
Change in non-controlling interest		–	–	(3)	(3)	(1)	(4)
Dividend paid		–	–	(116,742)	(116,742)	–	(116,742)
Supplementary dividends		–	–	(14,317)	(14,317)	–	(14,317)
Foreign investor tax credits		–	–	14,317	14,317	–	14,317
		–	**–**	**(116,745)**	**(116,745)**	**(1)**	**(116,746)**
Balance at 30 June 2015		**577,403**	**30,880**	**727,441**	**1,335,724**	**1,479**	**1,337,203**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

IN NZD 000	Notes	2016	2015
Cash flows from operating activities			
Profit before tax		204,990	238,879
Adjustments for:			
Depreciation, amortisation and impairment	3	100,241	119,194
Unrealised foreign exchange loss	4	305	423
Interest expense	4	20,379	22,496
Bad debts and movement in provision for doubtful debts	3	2,427	3,328
Amortisation of bond issue costs	4	573	571
Other non-cash items		419	263
Movement in working capital items:			
(Increase)decrease in receivables		(2,736)	2,589
Increase in payables		23,576	11,518
Increase in programme rights		(6,952)	(29,924)
Cash generated from operations		**343,222**	**369,337**
Interest paid		(20,920)	(22,756)
Income tax paid		(46,458)	(63,666)
Net cash from operating activities		**275,844**	**282,915**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		–	46
Acquisition of property, plant, equipment and intangibles		(128,803)	(115,462)
Acquisition of available for sale investment	1	(4,832)	–
Net cash used in investing activities		**(133,635)**	**(115,416)**
Cash flows from financing activities			
Repayment of borrowings – bank loan	11	(103,000)	(126,000)
Advances received – bank loan	11	103,000	96,000
Payment of finance lease liabilities		(3,294)	(7,375)
Payment of bank facility fees		(1,571)	(1,022)
Dividend paid to minority shareholders		(669)	–
Dividends paid		(131,707)	(131,059)
Net cash used in financing activities		**(137,241)**	**(169,456)**
Net increase/(decrease) in cash and cash equivalents		4,968	(1,957)
Cash and cash equivalents at beginning of year		17,895	19,852
Cash and cash equivalents at end of year		**22,863**	**17,895**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. GENERAL INFORMATION

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

SKY Network Television Limited (SKY) is a Company incorporated and domiciled in New Zealand. The address of its registered office is 10 Panorama Road, Mt Wellington, Auckland, New Zealand. The consolidated financial statements of the Group for the year ended 30 June 2016 comprise the Company, Sky Network Television Limited and its subsidiaries.

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

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 25 August 2016.

Basis of preparation

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

Accounting policies applied in these financial statements comply with NZ IFRS effective for the year beginning 1 July 2015, as applicable to SKY as a profit-oriented entity. The Group financial statements are in compliance with International Financial Reporting Standards (IFRS).

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

The financial statements are presented in New Zealand dollars.

Group structure

The Group has a majority share in the following subsidiaries, all of which are incorporated in and have their principal place of business in New Zealand:

Name of Entity	Principal Activity	Parent	Interest held	
			2016	2015
SKY DMX Music Limited	Commercial Music	SKY	50.50%	50.50%
SKY Ventures Limited (previously Cricket Max Limited)	Investment	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%	100.00%
Igloo Limited	Multi-channel pay television	SKY	100.00%	100.00%
Believe It Or Not Limited	Entertainment quizzes	SKY	51.00%	51.00%

During the year Cricket Max Limited was renamed SKY Ventures Limited and given a mandate by the Board to undertake minority equity investments in certain early stage companies which are aligned to the Group's strategic objectives. In March 2016 SKY Ventures acquired a 15.79% interest in 90 Seconds Pty Limited (a cloud video production company) for a cost of $4.8 million. This investment is classified as an available for sale financial asset, recognised initially and subsequently at fair value, with changes in fair value recognised in other comprehensive income.

During the prior year the Group sold its interest in SKY Arena Limited.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiaries.

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

1. GENERAL INFORMATION (CONTINUED)

Subsidiaries

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

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

Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between 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.

New standards, amendments and interpretations

Other than NZ IFRS 9 "Financial Instruments', NZ IFRS 15 "Revenue from contracts with customers" and NZ IFRS 16 "Leases", there are no new standards, amendments or interpretations that have been issued and effective, or not yet effective, that are expected to have a significant impact on the Group. The Group has yet to assess the full impact of NZ IFRS 9 (effective date: 1 January 2018), NZ IFRS 15 (effective date: 1 January 2018) and NZ IFRS 16 (effective date: 1 January 2019).

Goods and services tax (GST)

The statement of comprehensive income 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.

2. REVENUE

IN NZD 000	2016	2015
Residential satellite subscriptions	753,115	760,000
Other subscriptions	79,286	71,183
Advertising	74,046	69,540
Other revenue	21,753	26,802
	928,200	**927,525**

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. Unearned subscriptions and deferred revenues are revenues that have been invoiced relating to services not yet performed, principally subscriptions paid in advance (refer note 10);

Advertising revenue – over the period in which the advertising is screened;

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. Other revenue comprises revenues received from installation of decoders and other non-subscriber related revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

3. OPERATING EXPENSES

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

IN NZD 000	Notes	2016	2015
Depreciation, amortisation and impairment			
Depreciation of property, plant and equipment [1]	8	89,086	99,023
Impairment of property, plant and equipment	8	–	1,981
Amortisation of intangibles	9	11,155	9,468
Impairment of intangibles	9	–	8,722
Total depreciation, amortisation and impairment		**100,241**	**119,194**
Bad and doubtful debts			
Movement in provision		(218)	(27)
Net write-off		2,427	3,328
Total bad and doubtful debts	6	**2,209**	**3,301**
Fees paid to external auditors			
Audit fees paid to principal auditors [2]		264	269
Other services by principal auditors			
Audit of regulatory returns		6	6
Other assurance services [3]		1	1
Agreed upon procedures [4]		6	–
Advisory services by principal auditors			
Treasury		27	27
Consulting services [5]		8	–
Total fees to external auditors		**312**	**303**
Professional fees in relation to acquisition of Vodafone NZ		13,371	–
Employee costs [6]		100,674	93,672
KiwiSaver employer contributions		2,244	1,977
Donations		366	347
Operating lease and rental expenses		37,265	39,523
Related party transactions			
Remuneration of key personnel (included in employee costs)		12,172	12,132
Directors' fees		626	619
Total related party transactions		**12,798**	**12,751**

[1] The majority of depreciation, amortisation and impairment relates to broadcasting assets (refer note 8 and 9).

[2] The audit fee includes the fee for both the annual audit of the financial statements and the review of the interim financial statements.

[3] Other assurance services comprise reporting on trust deed requirements.

[4] Agreed upon procedures were undertaken in relation to the Special Shareholders Meeting.

[5] Consulting services in relation to the economic contribution of the NZ film and TV sector.

[6] All employee costs are short-term employee benefits.

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.

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.

Bonus plans are recognised as a liability and an expense for bonuses 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.

4. FINANCE COSTS, NET

IN NZD 000	2016	2015
Finance income		
Interest income	(695)	(800)
	(695)	**(800)**
Finance expense		
Interest expense on bank loans	2,127	3,570
Interest expense on bonds	15,995	16,412
Finance lease interest	31	571
Amortisation of bond costs	573	571
Bank facility finance fees	1,653	1,372
Total interest expense (net)	**20,379**	**22,496**
Unrealised exchange (gain)/loss – foreign currency payables	(4,962)	4,742
Unrealised exchange loss/(gain) – foreign currency hedges	5,267	(4,319)
Realised exchange gain – foreign currency payables	(484)	(418)
Realised exchange (loss)/gain – foreign currency hedges	550	(5)
	20,055	**21,696**

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

5. TAXATION

Income tax expense

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

IN NZD 000	2016	2015
Profit before tax	204,990	238,879
Prima facie tax expense at 28%	57,397	66,886
Non deductible expenses	585	613
Prior year adjustment	(115)	(171)
Other	–	(213)
Income tax expense	**57,867**	**67,115**
Allocated between		
Current tax payable	56,261	69,683
Deferred tax	1,606	(2,568)
Income tax expense	**57,867**	**67,115**

Imputation credits

IN NZD 000	2016	2015
Imputation credits available for subsequent reporting periods based on a tax rate of 28%.	77,347	67,066

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 (excluding the final dividend announced in August).

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

Current income tax expense

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

5. TAXATION (CONTINUED)

Deferred tax liabilities and (assets)

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

IN NZD 000	Notes	Fixed assets	Leased assets	Other	Hedges through equity	Total
For the year ended 30 June 2016						
At 1 July 2015		9,028	28,978	(1,576)	12,008	48,438
NZ IAS 39 hedging adjustment credited direct to other comprehensive income	13	–	–	–	(13,997)	(13,997)
(Credited)/charged to profit and loss		2,888	2,139	(3,421)	–	1,606
Balance at 30 June 2016		**11,916**	**31,117**	**(4,997)**	**(1,989)**	**36,047**
Deferred tax reversing within 12 months		2,610	(5,348)	(4,997)	(721)	(8,456)
Deferred tax to reverse after more than 12 months		9,306	36,465	–	(1,268)	44,503
		11,916	**31,117**	**(4,997)**	**(1,989)**	**36,047**
For the year ended 30 June 2015						
At 1 July 2014		16,647	26,378	(4,027)	(3,943)	35,055
NZ IAS 39 hedging adjustment credited direct to other comprehensive income	13	–	–	–	15,951	15,951
(Credited)/charged to profit and loss		(7,619)	2,600	2,451	–	(2,568)
Balance at 30 June 2015		**9,028**	**28,978**	**(1,576)**	**12,008**	**48,438**
Deferred tax reversing within 12 months		2,409	(114)	(1,576)	5,676	6,395
Deferred tax to reverse after more than 12 months		6,619	29,092	–	6,332	42,043
		9,028	**28,978**	**(1,576)**	**12,008**	**48,438**

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

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

Key estimates and assumptions

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits. No deferred tax asset has been recognised in relation to Igloo Limited's (IGLOO) accumulated losses of $12,150,000 (30 June 2015: $12,150,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

6. TRADE AND OTHER RECEIVABLES

IN NZD 000	Note	2016	2015
Trade receivables		62,120	64,404
Less provision for impairment of receivables		(763)	(981)
Trade receivables – net		**61,357**	**63,423**
Other receivables		678	830
Prepaid expenses		7,995	5,256
Balance at end of year		**70,030**	**69,509**
Deduct prepaid expenses		(7,995)	(5,256)
Balance financial instruments	14	**62,035**	**64,253**

	Gross	Impairment	Gross	Impairment
IN NZD 000	2016		2015	
Residential subscribers	36,435	244	40,653	531
Commercial subscribers	5,269	54	4,792	13
Wholesale customers	10,190	–	10,046	–
Advertising	7,057	103	6,111	156
Commercial music	129	17	102	9
Other	3,040	345	2,700	272
	62,120	**763**	**64,404**	**981**

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 profit and loss.

6. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2016			2015		
IN NZD 000	Neither past due nor impaired	Past due but not impaired	Impaired	Neither past due nor impaired	Past due but not impaired	Impaired
Not past due	53,359	–	11	55,589	–	–
Past due 0-30 days	–	5,863	65	–	6,380	51
Past due 31-60 days	–	1,005	40	–	1,105	88
Past due 61-90 days	–	331	215	–	225	258
Greater than 90 days	–	799	432	–	124	584
	53,359	**7,998**	**763**	**55,589**	**7,834**	**981**

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.

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

IN NZD 000	Notes	2016	2015
Opening balance		981	1,008
Charged during the year	3	2,209	3,301
Utilised during the year		(2,427)	(3,328)
Closing balance		**763**	**981**

The creation and release of the provision for impaired receivables has been included in subscriber related costs in profit and loss. 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.

7. PROGRAMME RIGHTS INVENTORY

IN NZD 000	2016	2015
Cost	147,670	136,983
Less utilisation	(67,905)	(64,170)
Balance at end of year	**79,765**	**72,813**

The current year programme rights' utilisation charge of $271,658,000 (2015: $236,868,000) is included within programming expenses in profit and loss.

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 portion of the amount paid not yet utilised. Rights are expensed 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

8. PROPERTY, PLANT AND EQUIPMENT

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
For the year ended 30 June 2016							
Cost							
Balance at 1 July 2015	58,199	158,539	452,128	427,338	78,241	38,553	1,212,998
Transfer between categories	2,409	78	–	–	2,043	(4,530)	–
Transfer to software assets	–	–	–	–	–	(26,023)	(26,023)
Additions	2,986	703	67,292	32,559	2,039	10,655	116,234
Disposals	(5)	(4,052)	(39,038)	(56,367)	(772)	–	(100,234)
Balance at 30 June 2016	**63,589**	**155,268**	**480,382**	**403,530**	**81,551**	**18,655**	**1,202,975**
Accumulated depreciation							
Balance at 1 July 2015	18,213	130,152	398,063	336,924	47,427	–	930,779
Depreciation for the year	2,266	9,501	30,169	39,189	7,961	–	89,086
Disposals	(1)	(4,042)	(39,038)	(56,367)	(758)	–	(100,206)
Balance at 30 June 2016	**20,478**	**135,611**	**389,194**	**319,746**	**54,630**	**–**	**919,659**
Net book value at 30 June 2016	**43,111**	**19,657**	**91,188**	**83,784**	**26,921**	**18,655**	**283,316**
For the year ended 30 June 2015							
Cost							
Balance at 1 July 2014	51,103	154,687	536,104	579,571	69,433	22,844	1,413,742
Transfer between categories	115	9,909	–	–	3,793	(13,817)	–
Transfer to software assets	–	–	–	–	–	(991)	(991)
Additions	7,134	8,606	22,298	29,692	7,656	30,517	105,903
Disposals	(153)	(14,663)	(106,274)	(181,925)	(2,641)	–	(305,656)
Balance at 30 June 2015	**58,199**	**158,539**	**452,128**	**427,338**	**78,241**	**38,553**	**1,212,998**
Accumulated depreciation							
Balance at 1 July 2014	16,262	134,781	469,025	475,068	40,149	–	1,135,285
Depreciation for the year	1,996	10,009	35,312	43,781	7,925	–	99,023
Impairment charge	–	–	–	–	1,981	–	1,981
Disposals	(45)	(14,638)	(106,274)	(181,925)	(2,628)	–	(305,510)
Balance at 30 June 2015	**18,213**	**130,152**	**398,063**	**336,924**	**47,427**	**–**	**930,779**
Net book value at 30 June 2015	**39,986**	**28,387**	**54,065**	**90,414**	**30,814**	**38,553**	**282,219**

Land, buildings and leasehold improvements at 30 June 2016 includes land with a cost of $8,820,000 (30 June 2015: $8,820,000).

In the current year there are no assets subject to finance leases. In the prior year the net book value of assets held by subsidiaries and subject to finance leases totalled $2,825,000 of which $2,457,000 was included in broadcasting and studio equipment and $368,000 was included in other plant and equipment.

Depreciation related to broadcasting assets (including decoders and capitalised installation costs) of $78,859,000 (30 June 2015: $89,102,000) accounts for the majority of the total depreciation charge. Due to immateriality of the remaining depreciation, no allocation has been made across expense categories in profit and loss.

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The cost of additions to plant and other assets constructed by the Group consist of all appropriate costs of development, construction and installation, comprising material, labour, direct overhead and transport costs. For qualifying assets directly attributable interest costs incurred during the period required to complete and prepare the asset for its intended use are capitalised as part of the total cost. All other costs are recognised in profit and loss as an expense as incurred. Additions in the current year include $575,000 of capitalised labour costs (30 June 2015: $1,686,000)

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

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

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 installation costs	5 years

Projects under development are not depreciated until commissioned.

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

Key estimates and assumptions

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

9. INTANGIBLE ASSETS

IN NZD 000	Software	Broadcasting rights	Other intangibles	Indefinite life goodwill	Total
For the year ended 30 June 2016					
Cost					
Balance at 1 July 2015	96,849	2,185	3,167	1,426,293	1,528,494
Transfer from projects under development	26,023	–	–	–	26,023
Additions	15,949	–	–	–	15,949
Disposals	(5,228)	–	–	–	(5,228)
Balance at 30 June 2016	**133,593**	**2,185**	**3,167**	**1,426,293**	**1,565,238**
Accumulated amortisation					
Balance at 1 July 2015	81,535	564	3,078	962	86,139
Amortisation for the year	10,300	855	–	–	11,155
Disposals	(5,228)	–	–	–	(5,228)
Balance at 30 June 2016	**86,607**	**1,419**	**3,078**	**962**	**92,066**
Net book value at 30 June 2016	**46,986**	**766**	**89**	**1,425,331**	**1,473,172**
For the year ended 30 June 2015					
Cost					
Balance at 1 July 2014	88,206	2,185	3,167	1,426,293	1,519,851
Transfer from projects under development	991	–	–	–	991
Additions	8,789	–	–	–	8,789
Disposals	(1,137)	–	–	–	(1,137)
Balance at 30 June 2015	**96,849**	**2,185**	**3,167**	**1,426,293**	**1,528,494**
Accumulated amortisation					
Balance at 1 July 2014	65,551	457	3,078	–	69,086
Amortisation for the year	9,361	107	–	–	9,468
Impairment charge	7,760	–	–	962	8,722
Disposals	(1,137)	–	–	–	(1,137)
Balance at 30 June 2015	**81,535**	**564**	**3,078**	**962**	**86,139**
Net book value at 30 June 2015	**15,314**	**1,621**	**89**	**1,425,331**	**1,442,355**

The majority of the amortisation and impairment charge relates to broadcasting intangibles. Consequently no allocation has been made across expense categories in profit and loss.

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. The goodwill balance is allocated to the Group's single operating segment. The majority of the goodwill ($1,422,115,000) arose as a result of the acquisition of SKY by Independent Newspapers Limited (INL) in 2005. Subsequent acquisitions have resulted in immaterial increases to goodwill.

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

Direct costs associated with the development of broadcasting and business software for internal use are capitalised where it is probable that the asset will generate future economic benefits. Capitalised costs include external direct costs of materials and services consumed and direct payroll-related costs for employees (including contractors) directly associated with the project and interest costs incurred during the development stage of a project. Additions in the current year to software include $9,591,000 of accumulated capitalised labour costs, $5,707,000 of which were incurred in the current year (30 June 2015: $1,672,000).

9. INTANGIBLE ASSETS (CONTINUED)

Key estimates and assumptions

Assets that are subject to amortisation and depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. Impairment losses in the prior year represent the write-down of certain intangible assets where the estimated recoverable amount is less than the carrying value.

In the prior year the impairment loss of $7,760,000 represented the write-down of certain intangible assets relating to new products to the recoverable amount. The impairment was recognised because it is considered unlikely that these products will generate future cash flows in excess of the carrying value.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested at each reporting date for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group operates as a single business segment and monitors goodwill for the business as a whole. If the testing indicates the carrying value exceeds the recoverable amount, goodwill is considered to be impaired. The recoverable amounts of cash generating units (CGU's) have been determined based on value-in-use calculations. The value-in-use calculation is based on estimated future cash flows derived from the most recent financial budgets and forecasts approved by management for the next five years and incorporates a present value calculation based on a long term growth rate of 0% and a pre-tax discount rate of 12.5%. In the prior year the long term growth rate was 0.0% and the pre-tax discount rate was 12.5%.

Key assumptions are subscriber numbers, churn rates, foreign exchange rates, expected changes to revenue and costs and a discount rate based on current market rates adjusted for 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 Group also compares its estimated recoverable amount with the market capitalisation value at the balance date.

Sensitivity of recoverable amounts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

10. TRADE AND OTHER PAYABLES

IN NZD 000	Note	2016	2015
Trade payables		84,302	75,582
Unearned subscriptions and deferred revenue		66,175	66,238
Employee entitlements		15,353	13,495
Accruals		34,987	28,903
Balance at end of year		**200,817**	**184,218**
Less			
Unearned subscriptions and deferred revenue		(66,175)	(66,238)
Balance financial instruments	14	**134,642**	**117,980**

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

11. BORROWINGS

	2016			2015		
IN NZD 000	Current	Non-current	Total	Current	Non-current	Total
Bank loans	–	49,468	49,468	–	49,424	49,424
Bonds	199,912	98,705	298,617	–	298,045	298,045
Lease liabilities	–	–	–	3,294	–	3,294
	199,912	**148,173**	**348,085**	**3,294**	**347,469**	**350,763**

Repayment terms

IN NZD 000	2016	2015
Less than one year	199,912	3,294
Between one and five years	49,468	249,037
More than five years	98,705	98,432
	348,085	**350,763**

Bank Loans

The Group has a four year revolving credit bank facility expiring 17 July 2020 from a syndicate of banks comprising ANZ National Bank Limited, Bank of New Zealand, Commonwealth Bank of Australia and Westpac Bank. In July 2015, SKY increased the facility limit from $200 million to $250 million. In June 2016, the facility limit was increased to $350 million. Interest is charged on drawings under the facility at a rate between 1.45% and 2.15% 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 0.96% and 0.64% 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 2016 the bank facility limit was decreased to $300 million. In the prior year, SKY decreased its facility limit from $400 million to $200 million. 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 $2,744,000 (30 June 2015: $3,022,000) have been set off against the cash balances.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit and loss 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.

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.

11. BORROWINGS (CONTINUED)

Bonds

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

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

Terms and conditions of outstanding bonds are as follows:

	2016		2015	
	Bond A	Bond B	Bond A	Bond B
Nominal interest rate	3.38%	6.25%	4.43%	6.25%
Market yield	4.97%	4.01%	5.48%	4.72%
Issue date	16-Oct-06	31-Mar-14	16-Oct-06	31-Mar-14
Date of maturity	16-Oct-16	31-Mar-21	16-Oct-16	31-Mar-21
IN NZD 000				
Carrying amount	199,912	98,705	199,613	98,432
Fair value	199,000	109,644	199,200	107,655
Face value	200,000	100,000	200,000	100,000

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 profit and loss 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.

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 has no obligations under finance leases in the current year. The prior year obligation of $3,294,000 has been repaid in full.

Interest paid in the current period includes $31,000 (2015: $571,000) relating to finance leases. The effective interest rate is 6.8%.

The fair value of the finance lease liabilities at 30 June 2016 was $Nil (30 June 2015: $3,294,000).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

12. DERIVATIVE FINANCIAL INSTRUMENTS

		2016			2015		
IN NZD 000	Notes	Assets	Liabilities	Notional amounts	Assets	Liabilities	Notional amounts
Interest rate swaps – cash flow hedges		–	(9,663)	198,000	9	(8,132)	188,000
Interest rate swaps – fair value through profit and loss		105	–	10,000	–	–	–
Total interest rate derivatives		**105**	**(9,663)**	**208,000**	**9**	**(8,132)**	**188,000**
Forward foreign exchange contracts – cash flow hedges		9,481	(7,594)	478,778	51,662	(979)	501,589
Forward foreign exchange contracts – dedesignated		–	(3,364)	55,057	5,559	(4)	41,071
Total forward foreign exchange derivatives		**9,481**	**(10,958)**	**533,835**	**57,221**	**(983)**	**542,660**
		9,586	**(20,621)**	**741,835**	**57,230**	**(9,115)**	**730,660**
Analysed as:							
Current		2,982	(9,670)	279,281	28,424	(1,320)	253,160
Non-current		6,604	(10,951)	462,554	28,806	(7,795)	477,500
		9,586	**(20,621)**	**741,835**	**57,230**	**(9,115)**	**730,660**
Derivatives used for hedging – cash flow hedges	14	9,481	(17,257)	676,778	51,671	(9,111)	689,589
At fair value through profit or loss	14	105	(3,364)	65,057	5,559	(4)	41,071
		9,586	**(20,621)**	**741,835**	**57,230**	**(9,115)**	**730,660**

Exchange rates

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

	2016	2015
USD	0.7091	0.6802
AUD	0.9544	0.8864
GBP	0.5276	0.4333
EUR	0.6385	0.6091
JPY	72.7466	83.2497

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 13) on forward exchange contracts as of 30 June 2016 are recognised in profit and loss in the period or periods during which the hedged forecast transaction affects profit and loss. Generally, the gain or loss is recognised as a basis price adjustment for the purchase of programme rights, and is written off to profit and loss 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 $9,586,000 (2015: $57,230,000).

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Exposure to currency risk

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

	2016			2015		
IN NZD 000	USD	AUD	Other	USD	AUD	Other
Foreign currency payables	(26,592)	(24,542)	–	(24,970)	(21,653)	–
Dedesignated forward exchange contracts	34,251	20,806	–	24,772	16,299	–
Net balance sheet exposure	**7,659**	**(3,736)**	**–**	**(198)**	**(5,354)**	**–**
Forward exchange contracts (for forecasted transactions)	326,853	151,248	677	375,613	124,845	1,131
Total forward exchange contracts	**361,104**	**172,054**	**677**	**400,385**	**141,144**	**1,131**

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 2016				
Foreign currency payables				
USD	–	2,417	–	(2,954)
AUD	–	2,230	–	(2,726)
Foreign exchange hedges				
USD	(29,112)	(2,812)	35,582	3,437
AUD	(13,018)	(1,843)	15,911	2,253
Other	(62)	–	75	–
	(42,192)	**(8)**	**51,568**	**10**
As at 30 June 2015				
Foreign currency payables				
USD	–	1,968	–	(2,413)
AUD	–	2,270	–	(2,774)
Foreign exchange hedges				
USD	(35,991)	(2,669)	43,989	3,262
AUD	(11,579)	(1,525)	14,153	1,864
Other	(108)	–	132	–
	(47,678)	**44**	**58,274**	**(61)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rates

During the year ended 30 June 2016, interest rates on borrowings varied in the range of 3.2% to 6.5% (2015: 2.6% to 6.5%).

The Group's interest rate structure is as follows:

		2016			2015		
IN NZD 000	Notes	Effective interest rate	Current	Non-current	Effective interest rate	Current	Non-current
Assets							
Cash and cash equivalents		2.02%	22,863	–	3.28%	17,895	–
Liabilities							
Bank loans	11	6.19%	–	(49,468)	6.46%	–	(49,424)
Bonds	11	5.33%	(199,912)	(98,705)	5.40%	–	(298,045)
Lease liabilities	11	–	–	–	6.80%	(3,294)	–
Derivatives							
Floating to fixed interest rate swaps			–	198,000		–	188,000
Fixed to floating interest rate swaps			–	10,000		–	–
			(177,049)	**59,827**		**14,601**	**(159,469)**

Gains and losses recognised in the hedging reserve in equity (note 13) on interest rate hedges as at 30 June 2016 will be continuously released to profit and loss within finance cost until the repayment of the bank borrowings and bonds. It is anticipated that the revolving credit facility will be utilised to repay the bond due on 16th October 2016. The interest rate swaps currently designated to the bond will be redesignated to the floating rate debt.

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 2016				
Expense/(income)				
Variable rate instruments – bank loans	–	266	–	(266)
Interest rate hedges – cash flow	(3,507)	–	3,633	–
	(3,507)	**266**	**3,633**	**(266)**
As at 30 June 2015				
Expense/(income)				
Variable rate instruments – bank loans	–	314	–	(314)
Interest rate hedges – cash flow	(5,026)	–	5,240	–
	(5,026)	**314**	**5,240**	**(314)**

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

At inception the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. 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.

Derivatives consist mainly of currency forwards and interest rate swaps. The fair value is recognised in the hedging reserve within equity until such time as the hedged item will affect profit and loss. The amounts accumulated in equity are either released to profit and loss or used to adjust the carrying value of assets purchased. 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 profit and loss.

Amounts accumulated in the hedging reserve in equity on interest rate swaps are recycled in profit and loss 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 profit and loss as "interest rate swaps – fair value" in finance costs. The gain or loss relating to interest rate swaps which do not qualify for hedge accounting is recognised in profit and loss within the interest expense charge in "finance costs, net".

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

13. EQUITY

Share capital

	Number of shares (000)	Ordinary shares (NZD 000)
Shares on issue at 30 June 2016 and 30 June 2015	389,140	577,403

Ordinary shares are fully paid and have no par value. The shares rank equally, carry voting rights and participate in distributions.

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.

	2016	2015
Profit after tax attributable to equity holders of Parent (NZD 000)	146,718	171,581
Weighted average number of ordinary shares on issue (thousands)	389,140	389,140
Basic earnings per share (cents)	**37.70**	**44.09**

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.

Hedging reserve

IN NZD 000	Notes	2016	2015
Balance at 1 July		30,880	(10,141)
Cash flow hedges			
Unrealised gains/(losses) during the year		(44,681)	59,060
Transfer to basis price adjustment programme rights inventory		(3,865)	(131)
Transfer to operating expenses		(1,443)	(1,957)
Deferred tax	5	13,997	(15,951)
		(35,992)	41,021
Balance at end of year		**(5,112)**	**30,880**

14. 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%
		25-26 months	0%	30%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

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%

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.

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 6.

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.

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 $300,000,000 (June 2015: $150,000,000) that can be drawn down to meet short-term working capital requirements as well as repayment of the bond on 16 October 2016. On 17 July 2015, there was an increase in the facility limit of $50,000,000 and on 28 June 2016 the facility limit was increased by another $100,000,000).

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

IN NZD 000	Notes	Carrying amount	Contractual cash flows	Less than one year	1-2 years	2-5 years	> 5 years
At 30 June 2016							
Non derivative financial liabilities							
Secured bank loans	11	49,468	(57,688)	(1,900)	(1,900)	(53,888)	–
Bonds	11	298,617	(333,068)	(209,630)	(6,250)	(117,188)	–
Trade and other payables	10	134,642	(134,642)	(134,642)	–	–	–
Derivative financial liabilities							
Forward exchange contracts used for hedging – net outflow/inflow [(1)]	12	10,958	(11,159)	(9,041)	(1,440)	(678)	–
Interest rate swaps [(1)]	12	9,663	(8,867)	(4,325)	(3,099)	(1,443)	–
		503,348	**(545,424)**	**(359,538)**	**(12,689)**	**(173,197)**	**–**
At 30 June 2015							
Non derivative financial liabilities							
Secured bank loans	11	49,424	(59,720)	(2,430)	(2,430)	(54,860)	–
Lease liabilities	11	3,294	(3,294)	(3,294)	–	–	–
Bonds	11	298,045	(347,448)	(15,110)	(208,896)	(6,250)	(117,192)
Trade and other payables	10	117,980	(117,980)	(117,980)	–	–	–
Derivative financial liabilities							
Forward exchange contracts used for hedging – net outflow/inflow [(1)]	12	983	(986)	(986)	–	–	–
Interest rate swaps [(1)]	12	8,132	(6,260)	(2,090)	(2,077)	(2,093)	–
		477,858	**(535,688)**	**(141,890)**	**(213,403)**	**(63,203)**	**(117,192)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

14. 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 2016						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD			(361,104)	(163,481)	(76,474)	(121,149)
AUD			(172,054)	(105,123)	(47,279)	(19,652)
YEN			(677)	(677)	–	–
Inflow (at year end market rate)						
USD	0.7091	251,727	354,994	160,715	75,180	119,099
AUD	0.9544	158,981	166,577	101,777	45,774	19,026
YEN	72.7466	49,329	678	678	–	–
			(11,586)	**(6,111)**	**(2,799)**	**(2,676)**
At 30 June 2015						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD			(400,384)	(155,592)	(74,825)	(169,967)
AUD			(141,144)	(96,437)	(44,707)	–
YEN			(1,131)	(1,131)	–	–
Inflow (at year end market rate)						
USD	0.6802	294,736	433,308	177,038	79,851	176,419
AUD	0.8864	130,139	146,817	99,607	47,210	–
YEN	83.2497	98,658	1,185	1,185	–	–
			38,651	**24,670**	**7,529**	**6,452**

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 2015.

The capital structure of the Group consists of debt which includes the borrowings disclosed in note 11, cash and cash equivalents and equity attributable to equity holders of the Parent comprising share capital, hedging reserve and retained earnings as disclosed in note 13. It is anticipated that the Group's revolving credit facility will be utilised to repay the bond due for repayment on 16 October 2016.

The board reviews the Group's capital structure on a regular basis. The Group has a facility agreement in place with a syndicate of banks and a retail bond issue as described in note 11.

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

IN NZD 000	Note	2016	2015
Debt	11	348,085	350,763
Cash and cash equivalents		(22,863)	(17,895)
Net debt		**325,222**	**332,868**
Equity		1,330,923	1,337,203
Net debt to equity ratio		**24%**	**25%**

The Group's bank loan facility is subject to a number of covenants, including interest and debt cover ratios, calculated and reported quarterly, with which it has complied for the entire year reported (2015: 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), for example discounted cash flow.

SKY's financial assets and liabilities carried at fair value are valued on a level 2 basis other than the available for sale investment (refer note 1) that is valued on a level 3 basis.

IN NZD 000	Note	2016	2015
Assets measured at fair value			
Trading derivatives – dedesignated or not hedge accounted	12	105	5,559
Derivatives used for hedging – cash flow hedges	12	9,481	51,671
Available for sale investment	1	4,832	–
Total assets		**14,418**	**57,230**
Liabilities measured at fair value			
Trading derivatives – dedesignated or not hedge accounted	12	(3,364)	(4)
Derivatives used for hedging – cash flow hedges	12	(17,257)	(9,111)
Total liabilities		**(20,621)**	**(9,115)**

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

The Group uses a variety of methods and assumptions that are based on market conditions existing at each balance date. Techniques, such as estimated discounted cash flows, are used to determine the fair value of financial instruments. The fair value of forward exchange contracts is based on market forward foreign exchange rates at year end. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates, observable yield curves and the current creditworthiness of the swap counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments carried at amortised cost

		2016		2015	
	Notes	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Loans and receivables					
Cash and cash equivalents		22,863	22,863	17,895	17,895
Trade and other receivables	6	62,035	62,035	64,253	64,253
Total assets		**84,898**	**84,898**	**82,148**	**82,148**
Financial liabilities held at amortised cost					
Bank loans	11	49,468	44,366	49,424	48,759
Lease liabilities	11	–	–	3,294	3,294
Bonds	11	298,617	308,644	298,045	306,865
Trade and other payables	10	134,642	134,642	117,980	117,980
Total liabilities		**482,727**	**487,652**	**468,743**	**476,898**

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

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

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

Classification

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.

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 profit and loss.

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.

15. COMMITMENTS

IN NZD 000	2016	2015
Operating leases – future minimum lease payments:		
Year 1	35,978	35,629
Year 2	34,323	36,570
Year 3	33,413	36,487
Year 4	33,140	35,918
Year 5	33,102	35,648
Later than five years	14,049	50,714
	184,005	**230,966**
Contracts for transmission services:		
Year 1	6,428	9,203
Year 2	2,951	6,144
Year 3	539	2,462
Year 4	245	49
	10,163	**17,858**
Contracts for future programmes:		
Year 1	187,787	176,871
Year 2	184,703	150,140
Year 3	155,257	115,231
Year 4	115,457	75,656
Year 5	66,366	62,616
Later than five years	30,449	27,930
	740,019	**608,444**
Capital expenditure commitments:		
Property, plant and equipment		
Year 1	16,197	73,538
Year 2	–	34,259
	16,197	**107,797**
Other services commitments:		
Year 1	7,190	10,017
Year 2	2,650	1,141
Year 3	526	493
Year 4	–	43
Year 5	–	–
	10,366	**11,694**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

16. CONTINGENT LIABILITIES

The Group has undrawn letters of credit at 30 June 2016 of $650,000 (30 June 2015: $650,000), relating to Datacom Employer Services for SKY executive and Screen Enterprises Limited payroll liabilities in the current year.

The Group is 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.

17. SUBSEQUENT EVENTS

In July 2016 the facility limit was decreased to $300 million, from $350 million (refer note 11).

Acquisition of Vodafone: At a special meeting on 6 July 2016 SKY shareholders voted to approve the acquisition of Vodafone NZ for a proposed transaction price of $3.44 billion, to approve the incurrence of new debt and to approve the issue of new shares to Vodafone Plc.

Subject to regulatory approvals, which is expected to be by December 2016, SKY will acquire all of the shares in Vodafone NZ from Vodafone Europe B.V for a total purchase price of $3.44 billion, paid for through a mixture of cash and SKY shares. The issue of shares will result in Vodafone owning 51% of the total number of shares in SKY. The purchase price will consist of the issue of 405,023,041 shares at a price of $5.40 and a cash payment of $1.25 billion totalling approximately $3.44 billion.

The transaction will be financed by new debt of up to $1.8 billion which has been negotiated at favourable terms with Vodafone Overseas Finance Limited. However SKY retains the right to renegotiate the revolving credit portion of this debt with one or more third parties.

For further details relating to this transaction please refer to the Explanatory Memorandum on SKY's website ww.skytv.co.nz/investor.

On 25 August 2016 the Board of Directors announced that it will pay a fully imputed dividend of 15 cents per share with the record date being 9 September 2016. 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

pwc

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of SKY Network Television Limited ("the Company") on pages 14 to 44, which comprise the consolidated balance sheet as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the financial statements that include significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 30 June 2016 or from time to time during the financial year.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the consolidated financial statements 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'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 consolidated financial statements.

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

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

Opinion

In our opinion, the consolidated financial statements on pages 14 to 44 present fairly, in all material respects, the financial position of the Group as at 30 June 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state 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
25 August 2016

SKY NETWORK TELEVISION LIMITED

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Mt Wellington
Auckland 1060
New Zealand

sky.co.nz

Director's Declaration

The directors declare that the consolidated financial statements set out on pages 14 to 44:

(i) comply with New Zealand International Financial Reporting Standards

(ii) give a true and fair view of the financial position of SKY Network Television Limited and its subsidiaries as at 30 June 2016 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date.

In the directors' opinion at the date of this declaration there are reasonable grounds to believe that SKY Network Television Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors and is signed for and on behalf of the Board of Directors.

Dated at Auckland this 25th day of August 2016.

Peter Macourt
Chairman

John Fellet
Director

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Other Information

Sky Network Television Limited
Year ended on 30 June 2016 (In NZD)

- **Net tangible assets per security**:

  Current period $(0.369): 1

  Previous period $(0.274): 1

- **Control gained over entities**

Acquisitions
During the year Cricket Max Limited was renamed SKY Ventures Limited and given a mandate by the Board to undertake minority equity investments in certain early stage companies which are aligned to the Group's strategic objectives. In March 2016 SKY Ventures acquired a 15.78% interest in 90 Seconds Pty Limited (a cloud video production company) for a cost of $4.8 million. This investment is classified as an available for sale financial asset, recognised initially and subsequently at fair value, with changes in fair value recognised in other comprehensive income.

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

- **Loss of control of entities**

During the prior year the Group sold its interest in SKY Arena Limited.

- **Dividends**

  Final dividend payable: $58.4 million

  Record date to determine entitlements to the final dividend: 9 September 2016

  Date final dividend payable: 16 September 2016

  Date interim dividend paid: 18 March 2016

  Total interim dividends paid: $58.4 million

  Date final dividend paid: 11 September 2015

  Total final dividend paid: $58.4 million

  Previous corresponding period – interim dividend (paid March 2015):$58.4 million (ordinary securities)

  Previous corresponding period –final dividend (paid Sept 2014): $58.4 million.

- **Amount per security**

	Amount per security	Franked amount per Security	Amount per security of foreign sourced dividend	Amount per security payable on each dividend to non resident shareholders
Final Dividend Interim Dividend	15.0 cents 15.0 cents			
NZ imputation credits - final NZ imputation credits - interim	5.8333 cents 5.8333 cents			
Supplementary dividend - final Supplementary dividend - interim				2.6471 cents 2.6471 cents

- **Details of aggregate share of profits (losses) of associates and joint venture entities**

  Not applicable

- **Accounting standards**

  New Zealand international financial reporting standards used in compiling report.

- **Directors' Details**

  The directors of Sky Network Television Limited at any time during the year are as follows:

Peter Macourt	Chairman
Robert Bryden	Deputy Chairman (resigned 21 October 2015)
John Fellet	Director & Chief Executive
Derek Handley	Director
Geraldine McBride	Director
Humphry Rolleston	Director (resigned 21 October 2015)
John Waller	Director
Susan Paterson	Director (Appointed 20 August 2015)