

SKY



SKY NETWORK TELEVISION LIMITED
ANNUAL REPORT JUNE 2016



**NEW PLATFORMS.
MORE CONTENT,
MORE CHOICE.
IT'S FAST FORWARD
FOR SKY.**

The way we consume entertainment continues to evolve at a rapid pace. This is an exciting new era for SKY that we look forward to taking to a new level with Vodafone NZ.



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SKY AT A GLANCE

CUSTOMERS

This year we have more total customers across all our products, with digital offerings FAN PASS and NEON driving the growth.

852,679

KIWIS ENJOY SKY EVERY DAY



SOCIAL

SKY's social reach continues to grow, with over 800,000 followers across our entertainment and sports brands on the country's most popular social media platforms. Our social content gains over 13 million impressions per month with both entertainment and sports content resonating with audiences in New Zealand and around the world.

800,000



FOLLOWERS

13M



IMPRESSIONS PER MONTH

INNOVATION

We are constantly reviewing how we can deliver the entertainment our customers want, in the way they want. Each week hundreds of thousands of pieces of great content are downloaded via SKY GO, FAN PASS, NEON and SKY On Demand.

SKY GO

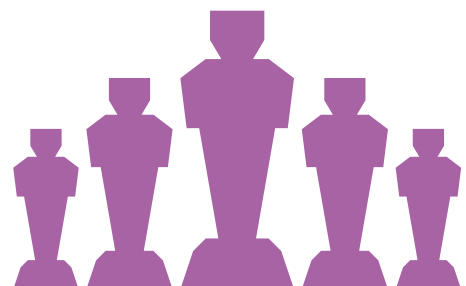


ON DEMAND



CONTENT

We have New Zealand's largest portfolio of content with entertainment, sports, movies, news and much more. It can be viewed on a variety of platforms and devices. We've secured exclusive premium content and long term rights with Disney, Discovery, HBO, Universal, Warner Bros., SANZAR Rugby, NZ Cricket, Netball NZ and the NRL.



FINANCIAL PERFORMANCE

Our financial performance remains strong.

\$928M
REVENUE

\$325M
EBITDA

\$147M
NPAT

PEOPLE

We employ over 1,200 permanent employees and work with over 500 contractors hailing from many different countries. Over 50% of us have been part of the crew for more than five years.

1,254
EMPLOYEES



INVESTORS

We have achieved strong growth over the years and continue to deliver profits. Our dividend policy provides our investors with continuous returns.

TOTAL DIVIDEND
30¢
PER SHARE

COMMUNITY

We love supporting local communities and are proud to be a Five Star Partner of the Starship Foundation. We're contributing to the rebuild of Christchurch via the Christchurch Earthquake Appeal by gifting one million dollars over a five year period. We're supporting talented young kiwi athletes through our SKY NEXT programme, giving them funding and support. We're also the major sponsor of the Special Christmas Children's Parties, which our staff give their time to freely.

CHRISTCHURCH
EARTHQUAKE APPEAL

Tomorrow
Starts
Here.

QUAKEAPPEAL.COM

SKY
NEXT


Starship
Five Star Sponsor

CHAIRMAN'S LETTER

Dear shareholders

The 2016 financial year has been very challenging and this can be seen in our results. SKY's revenue is up at an all-time high of \$928.2 million from \$927.5 million in the previous period, however net profit after tax fell 14.4% to \$147.1 million from \$171.8 million reflecting higher programming costs and increased churn following the Rugby World Cup. It should also be noted that these results include \$13.4 million of costs associated with progressing the acquisition of Vodafone New Zealand.

While traditional SKY subscribers are declining we have seen good growth for our new online products and a pleasing overall growth in subscriber numbers from 851,561 to 852,679. SKY customers in 2016 comprised 729,058 residential and wholesale subscribers and 123,621 other subscribers including hotels, motels, and restaurants, along with NEON, FAN PASS and IGLOO.

Average revenue per user (ARPU) was fairly flat dropping from \$79.54 to \$78.63 or down 1.2%. This can be attributed to

the change of balance in SKY to new NEON and FAN PASS customers.

For SKY's board and management team there has been an intense focus this financial year on the future options for SKY to develop and grow its business, eventuating in the proposed merger with Vodafone. This transaction is one of the largest in New Zealand's history and has required dedication from the team to secure an excellent future for SKY's shareholders, customers and staff. Commerce Commission and Overseas Investment Office approvals have been sought, with an indicated decision time at the end of 2016. I, along with SKY's board and staff are looking forward to working with Vodafone to deliver New Zealanders the very best in entertainment into the future. I thank our shareholders for considering the proposal and voting overwhelmingly 99% in favour of our recommendation to merge with Vodafone New Zealand.

SKY is in a strong position to face the future. We have extensive content deals in place with entertainment and sports rights that you can read

more about later in this report. Our digital products, fuelled with the very best content, are off to a strong start, and can only be enhanced further with Vodafone's global telecommunications expertise.

Our software rollout to all SKY boxes is complete and I am pleased to report nearly 30% of boxes are internet connected and enjoying content downloaded online.

The coming year has plenty to look forward to. The Rio Olympics dominated screens during August. The America's Cup and 2017 Lions Tour, exclusively on SKY, will grab the attention of many New Zealanders. I'm also delighted to see the very best of world golf and football firmly back on SKY screens.

In August 2015 Susan Paterson ONZM joined SKY's board. Susan has been a professional director for the past 15 years and is a Fellow of the Institute of Directors. Among other board roles she is the Chair of Airways Corporation of New Zealand Ltd, Chair of IT consultancy Theta Systems Ltd and former Deputy Chair of Abano



The way we consume entertainment continues to evolve at a rapid pace. This is an exciting new era for SKY that we look forward to taking to a new level with Vodafone NZ.



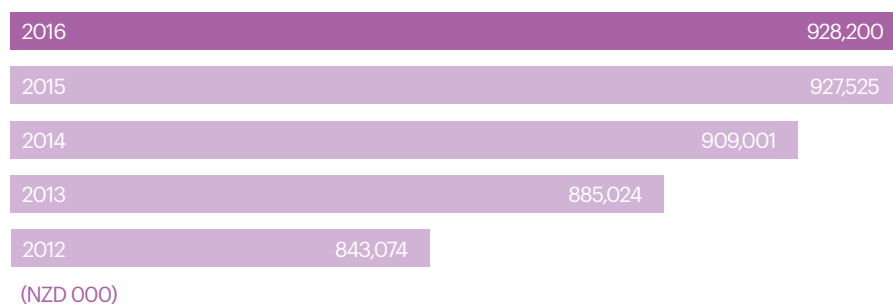
SKY IS IN A STRONG POSITION TO FACE THE FUTURE.

Healthcare Ltd. Susan brings a wealth of experience and we welcome her to SKY's board.

This year more than any other I thank John Fellet and all of SKY's staff and contractors for their dedication and hard work. Thank you also to you, our shareholders for your continued support. I am pleased to announce a final dividend of 15 cents per share.

Peter Macourt
Chairman

\$928.2M REVENUE IS AT AN ALL TIME HIGH



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 a 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 (FTA) channels did not start their programming 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, 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 a merger 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 Office, 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



WE NEED TO ENSURE THAT SKY CONTINUES TO BE IN THE RIGHT PLACE AT THE RIGHT TIME.

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

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 3GBs 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 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 programming

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.

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, 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. We can take a stand not to ever be outbid for content rights again. While that is a staunch position, we run the risk of not taking a back step on content at the expense of a financially sound future. We can take a stand and refuse to pay anything more than what we know the content is worth but then we run the risk of being a principled company, but not necessarily a financially strong one.

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 secure the most important content. The content rule applies now as well. We have secured 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.

IMPORTANCE OF SKY TO NEW ZEALAND SPORT

These insurance policies also come with another important benefit. By securing the SANZAR rugby contract, the NRL, cricket and netball contracts, we have continued our long running support of grassroots sport in New Zealand. In fact, over the last decade, SKY has spent over one billion dollars on sports rights and sports production. New Zealand rugby, New Zealand netball, New Zealand cricket, New Zealand rugby league – these competitions and sporting bodies have all benefitted from the immense financial contribution made by SKY.

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 FTA 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.

We have exciting times ahead – we look forward to bringing New Zealanders more great content, more great viewing platforms and continuing support of grassroots sport in New Zealand.

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 Quadrant, Auckland, on 20 October 2016, commencing at 2.00pm.



John Fellet
Chief Executive Officer

BOARD OF DIRECTORS



PETER MACOURT CHAIRMAN

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



JOHN FELLET DIRECTOR AND CEO

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



JOHN WALLER ONZM DIRECTOR

Mr Waller was appointed a director of SKY in April 2009. He was a partner at PricewaterhouseCoopers for over 20 years, was a member of their board and led their Advisory practice. He is a director of Donaghys Limited, Property for Industry Limited, GS Group Services, Global Motors NZ and various other companies. On 31 January 2015, Mr Waller retired as Chairman of the Eden Park Trust Board. On 31 July 2015, he retired as Chairman of Bank of New Zealand and as a director of National Australia Bank Limited, Bank of New Zealand, BNZ Investments and National Equities Limited. He has also announced his retirement as a director of Fonterra Co-operative Group Limited, effective 31 August 2016. Mr Waller is Chairman of SKY's Audit and Risk Committee and a member of the Nomination and Remuneration Committee.



DEREK HANDLEY DIRECTOR

Mr Handley was appointed to the board in September 2013. Mr Handley is an entrepreneur who recently created the Aera Foundation, a venture studio advancing new models that fuse social and financial goals. Before that he spent two years helping Sir Richard Branson set up the B Team, a global non-profit leadership collective. In 2001 at the age of 23, he co-founded The Hyperfactory, one of the first agencies in the world to recognise the power of mobile devices for connecting consumers, brands and mass media (acquired by NYSE-listed Meredith Corporation). Mr Handley has attended Massey University, MIT Sloan School of Management, Singularity University and was named a Distinguished Alumni of Victoria University.



GERALDINE MCBRIDE DIRECTOR

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



SUSAN PATERSON ONZM DIRECTOR

Ms Paterson began her career as a pharmacist and later completed an MBA at London Business School, leading to a career in management and strategy consulting in New Zealand, Europe and the United States of America. She is now a professional director and a Chartered Fellow of the Institute of Directors. Ms Paterson is Chair of Airways and Theta, and a director of Goodman NZ, Arvida Group and Les Mills NZ. She is also a Member of the Electricity Authority, Chairman of Home of Cycling (Avantidrome), and past director or Chair of a number of commercial infrastructure and growth companies. In 2015 Ms Paterson was made an Officer of the New Zealand Order of Merit for her services to corporate governance.

CREATING A LEADING TELECOMMUNICATIONS AND MEDIA GROUP

SUMMARY OF THE DEAL

SKY will acquire 100% of shares in Vodafone NZ and will pay Vodafone Group Plc \$3.44 billion, consisting of \$1.25 billion in cash and \$2.19 billion satisfied by issuing new shares to Vodafone Group Plc, equivalent to 51% of the total number of shares that will be on issue following completion.

With the full support of SKY's board, shareholders voted overwhelmingly in support of the proposed merger with 99% in favour.

NEXT STEPS

Commerce Commission and Overseas Investment Office approvals have been sought. Decisions are expected at the end of 2016.



100%

SKY'S SHARES IN VODAFONE NZ

3.44B

TOTAL VALUE OF DEAL

51%

SHARES ISSUED ON COMPLETION

99%

**OF SHAREHOLDER VOTES
IN FAVOUR OF THE MERGER
WITH VODAFONE**



“We knew it was the right way to go but it is still particularly gratifying to get such a resounding yes from the company’s owners.”

John Fellet

TRANSACTION HIGHLIGHTS AND BENEFITS

- Creating a market leader in New Zealand
- Using the enhanced scale and expertise
- Improving the customer experience
- Enhancing the ability to create attractive packages
- Driving accelerated data growth
- Leveraging Vodafone Group’s global capabilities
- Realising cost, capital expenditure and revenue synergies
- Significant opportunities to generate additional revenue synergies
- Stronger cash flow generation

WE'VE GOT THE BEST SHOWS FROM THE BEST STUDIOS



SKY has long been proud to bring New Zealanders the best in premium entertainment content from the best international studios.

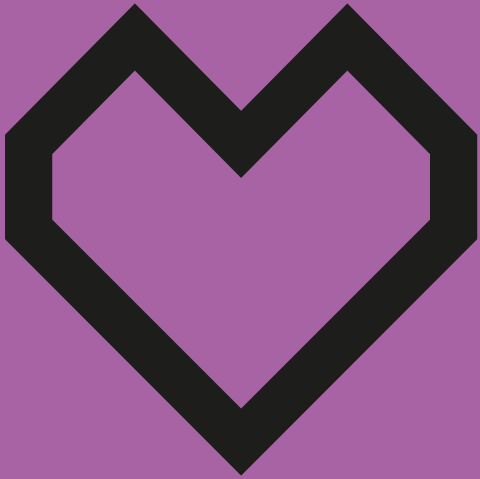
Over the last 12 months we have renewed and greatly expanded our core content deals, providing greater access for our viewers to the must-see shows and movies they want, however and whenever they choose to see them.

Our HBO and CBS deals continue to provide SKY viewers the best in quality drama, while SKY is also renowned for its breadth and depth of its feature film deals. Together they add up to the most exciting television viewing in New Zealand from the world's premier studios.

HBO provides outstanding drama for SoHo and NEON, with shows like *Game Of Thrones*, *The Night Of* and *Westworld*. Meanwhile, SKY's deal with CBS and Showtime makes titles like *Ray Donovan*, *Billions*, and the much anticipated return of *Twin Peaks*, all available exclusive to SKY, SKY On Demand, and also to NEON customers.

We've targeted the world's best independent international drama – *American Crime Story: The People vs O.J. Simpson*, with its outstanding 22 Emmy nominations mesmerised SoHo viewers this year, and titles such as *Fear The Walking Dead*, *11.22.63*, *Shannara*, *Roadies*, *Kingdom* and *Into The Badlands* are all available exclusively on SKY and NEON. Closer to home, SKY Movies and Prime viewers can look forward to exciting New Zealand releases like the upcoming reinvigorated *Goodbye Pork Pie* and *Chasing Great: The Richie McCaw Story*. So too SKY Movies and NEON will be home to Disney's new "homegrown instant classic" *Moana*, directed by Taika Waititi with voice talent from Jemaine Clement and Temuera Morrison.

Many major movie studio deals have been renewed by SKY during the 2016 financial year including Universal, Warner Bros., MGM, and Twentieth Century Fox. These studios join Disney, the home of *Marvel* and *Star Wars*, in providing an incredible and exclusive range of new feature titles every month for SKY Movies viewers, now with enhanced On Demand rights, and we have exclusive NEON rights to titles from all these studios.



BEST FROM THE BEST

In the last 12 months, SKY has renewed and expanded its core content deals with the world's best movie studios.



They don't come better than this

WARNER BROS.

20TH CENTURY FOX

UNIVERSAL

MGM

To supplement these blockbuster studio releases, the new deal we've signed with E1 Entertainment gives new access to quality drama and independent feature films that will intrigue viewers and enhance SKY Movies' already rich offering, again with versatile On Demand viewing options for Movies subscribers.

POP UP CHANNELS

Innovation has been flourishing at SKY as we look for fresh ways to expand and curate content. Our Pop up channels, like Game Of Thrones for SoHo subscribers, Star Wars and the upcoming Harry Potter Pop up for SKY Movies viewers are proving very popular.

We've also shown Pop up channels for The Zone, and every school holidays Disney Family Movies has a well viewed Pop up. SKY Basic customers enjoyed an Attenborough Pop up which attracted 900,000 viewer hours in just nine days!

PRIME

Prime continues to stake out its territory as the New Zealand home for quality, well-researched documentaries with its major new documentary series Uncharted. This six-part series, an international collaboration with Australia and the UK and supported by New Zealand On Air, sees actor Sam Neill retrace Captain Cook's three Pacific voyages.

In addition, Prime has commissioned Loggers, a new 10-part series that follows the working lives of a Māori whānau in the high stakes forestry business and the dangers they face every day.

A one-hour documentary called All In The Mind will also make us all wiser by explaining the structural differences between male and female brains. Finally, Prime has had funding approved for the return series of this year's enormously popular local documentaries, Forensics and Decades In Colour, as well as another series of University Challenge.

GOOD SPORT

BIG EVENTS ON SKY

RWC 2015 – As the exclusive rights holder the 2015 Rugby World Cup proved very successful with New Zealanders watching the event and, of course, the incredible success of our All Blacks.

Rio Olympics – This year all eyes turned to SKY's exclusive coverage of the Rio Olympic Games. That included access to 12 channels of gripping Olympic coverage, a new SKY Olympics app, plus up to 15 hours a day free to air on Prime. What's more, SKY has winter and summer Olympic rights through to 2024.

America's Cup – For the first time, the exclusive home of the America's Cup will be SKY. During 2016 and 2017 we'll be following Emirates Team New Zealand through the qualifying events towards the finals in Bermuda in June 2017.

British and Irish Lions – Perhaps the most anticipated event of all is the British and Irish Lion's Tour of New Zealand in June and July 2017. More than 20,000 fans are expected to fly into New Zealand for this event and we know many screens will be tuned into this action across the country.

ALL THE BEST SPORT EXCLUSIVELY ON SKY

Providing the backbone for SKY Sport are all the top sports played and watched in New Zealand; Rugby, Cricket, Netball and Rugby League. SKY has worked hard over many years to secure rights to deliver a world class viewing experience of these popular codes. We have long term deals and relationships with each and we look forward again to supporting these organisations and players while delivering great drama to the screens of our SKY Sport and FAN PASS viewers – week in, week out.



OUR SPORTS TROPHY CABINET IS FULL



THE BEST IN INTERNATIONAL EVENTS AND LOCAL SPORTS

PREMIUM INTERNATIONAL FOOTBALL ON BEIN SPORTS

For football fans the viewing could not be better than on SKY. beIN SPORTS 1 is a 24/7 dedicated Premier League channel broadcasting live football games, highlights and studio shows, and is available in HD for customers with an HD ticket. beIN SPORTS 2 shows the best of live European football from the Spanish La Liga, English Football League Cup and Sky Bet Championship. Further live games from the UEFA Champions League and UEFA Europa League complement SKY Sport's existing coverage of these competitions. For extended football coverage, subscribers to the beIN SPORTS tier also have access to up to three Pop up channels. To top that, SKY also has rights to the FIFA World Cups through to 2022.

WELCOME BACK EPL AND WELCOME BACK GOLF

New service providers will continue to come and go but SKY is here for the long haul. After a short hiatus we are excited to have the English Premier League, The Professional Golfers' Association, The European Golfers' Association and The Ladies Professional Golfers' Association firmly back with SKY.

FULL STREAM AHEAD



SKY GO

SKY GO continues to grow and the iOS and Android apps have been downloaded 420,000 times. It's the perfect supplement to a SKY subscription with customers flocking to the service when they can't get to their big screen at home. We've invested a lot of effort into improving the reliability of New Zealand's largest service for live online subscription content. Customers tell us SKY GO is one of the best things they love about SKY.

ON DEMAND

With our major software upgrade complete and a brand new window into the world of SKY in every home, we are delighted to see nearly 30% of homes have already connected their boxes to the internet to access SKY On Demand. Each week more than 100,000 titles are downloaded and that number is set to keep climbing. SKY On Demand gives SKY customers so much more value and convenience. With around 5,000 TV, movie and sports titles available at any time, we love to see what our customers are enjoying – right now it's hard to knock Game of Thrones off the top perch, but plenty of great movies titles are vying for that position.



4M

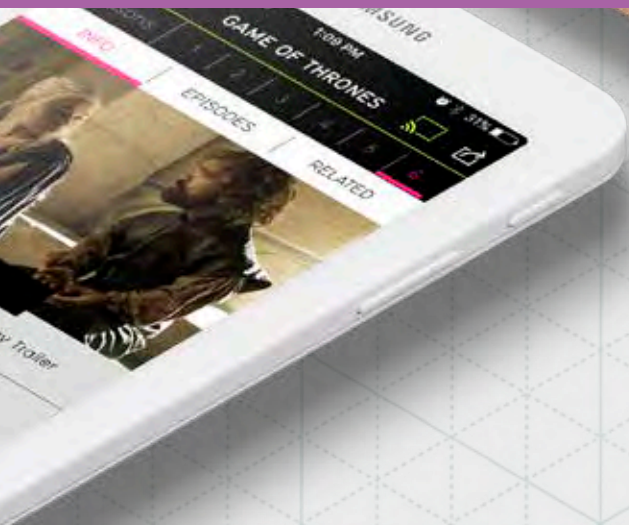
DOWNLOADS OF SKY ON DEMAND TITLES SINCE LAUNCH



SKY GO ON DEMAND



Wherever and whenever you want to watch.



NEON

NEON has had a very successful year with strong growth, surpassing one million monthly content requests earlier in 2016. The NEON app has been downloaded 100,000 times across Samsung Smart TV's, iOS, Android and Xbox. Ensuring NEON is available on more devices has been a tremendous achievement in the past year. Look out for more to come. About half of NEON's viewership is on a desktop computer and half on devices. Unsurprisingly, Game of Thrones, again, sits at the top of the most downloaded list. And SKY's NEON is the only subscription video on demand service to offer this critically acclaimed show.

FAN PASS

It has been a winning year for FAN PASS with New Zealanders appreciating the flexible and quality service. The ability to enjoy SKY's sports channels and very recently the introduction of pay-per-view events with no long term contract, has proven a winning formula for sports fans without SKY. The app, available for Samsung Smart TVs, iOS, Android and Apple TV has been downloaded more than 60,000 times and we see strong growth ahead. All Black matches are the most popular viewing on FAN PASS and we expect they will remain so.

COMMUNITY AND SPONSORSHIP



THE STARSHIP FOUNDATION

For 15 years SKY has been right behind the Starship Foundation as it raises much needed funds for our National Children's Hospital. We are proud to be a Starship Foundation Five Star Partner.

In the past year, SKY became the key sponsor of Starship's National Air Ambulance, a vital service to which we have dedicated all our fundraising. We launched Starship Regular Giving through our staff payroll and SKY Department Fundraising which proves everyone at SKY is passionate about Starship.

Furthermore, thousands of customers got behind the cause by purchasing some of our most popular channels during our \$5 channel initiative, with every dollar raised going to Starship.

Beyond providing valuable funds, we've loved putting a smile on Starship children's faces wherever possible with SKY in every room, regular Starship movie nights and visits from famous TV characters like Paw Patrol and athletes like Shaun Johnson and our SKY NEXT team.



SKY AMBASSADOR: SHAUN JOHNSON

SKY Ambassador Shaun Johnson has come with us to schools across New Zealand to meet, inspire and train some of his biggest fans.

WE'RE GETTING CHRISTCHURCH SCHOOL KIDS BACK ON THE TURF

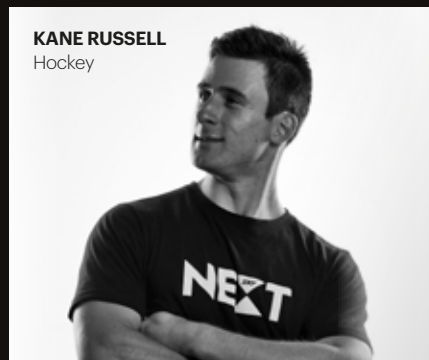
This year SKY gifted large artificial turfs to eleven Christchurch primary schools who lost or incurred significant damage to their playing fields during the earthquakes.

The gift, worth \$200,000, is part of our \$1 million five-year commitment to help repair Christchurch. We've focused our efforts on sport and recreational facilities because these are fundamental to the health and wellbeing of local communities, particularly their young people.

SKY SPECIAL CHILDREN'S CHRISTMAS PARTIES

Hundreds of SKY crew from all across New Zealand volunteered again this year to create an incredible day filled with bouncy castles, life size television characters, games, activities, rides and prizes for 10,000 children at SKY Special Children's Parties in Hawkes Bay, Taranaki, Christchurch, Wellington, Waikato and Auckland.

SKY has supported Special Children's Christmas Parties for 12 years, and we are really proud to be naming rights sponsor and have all our staff get behind these special kids.



NEXT

SUPPORTING TALENTED KIWI ATHLETES

SKY NEXT supports young, talented Kiwi athletes on their epic journey to succeed. We are really proud of our team members who represented New Zealand at the Rio 2016 Olympics.


SKY CHANNELS

As at 30 June 2016

TYPES OF CHANNELS

Basic Channels	47	Movie Channels	10	PPV Event Channels	1
Sport Channels	12	Free-to-air Channels	12	PPV Movie Channels	9
Specialist Channels	9	Radio Channels	8	PPV Adult Channels	3
		Audio Music Channels	14	Total	125

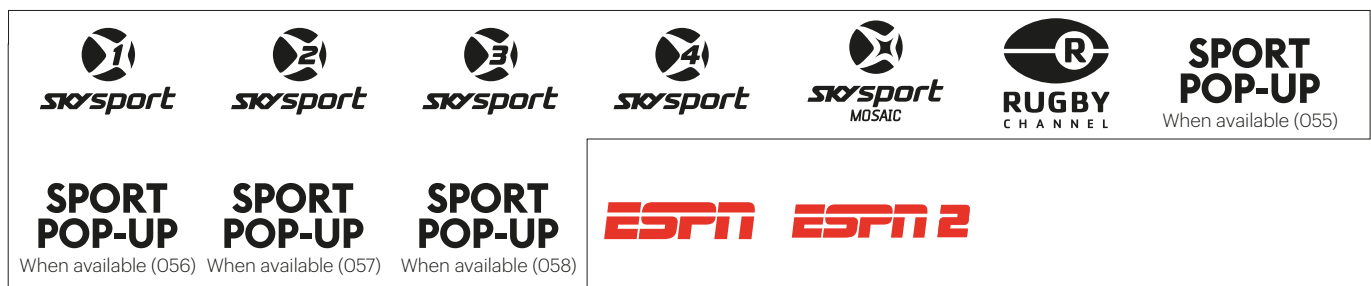
KEY

 Created and produced by SKY

47 BASIC CHANNELS



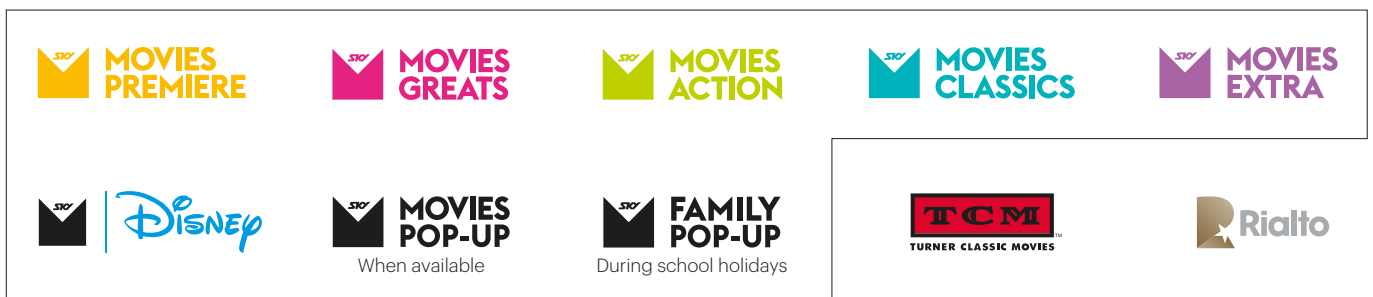
12 SPORT CHANNELS



9 SPECIALIST CHANNELS



10 MOVIE CHANNELS







12 FREE-TO-AIR CHANNELS



8 RADIO CHANNELS



OTHER

 <p>14 Audio Music Channels</p>	 <p>1 PPV Event Channel</p>	
 <p>9 PPV Movie Channels</p>	<p>3 PPV Adult Channels</p>	

2016 FINANCIALS

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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.

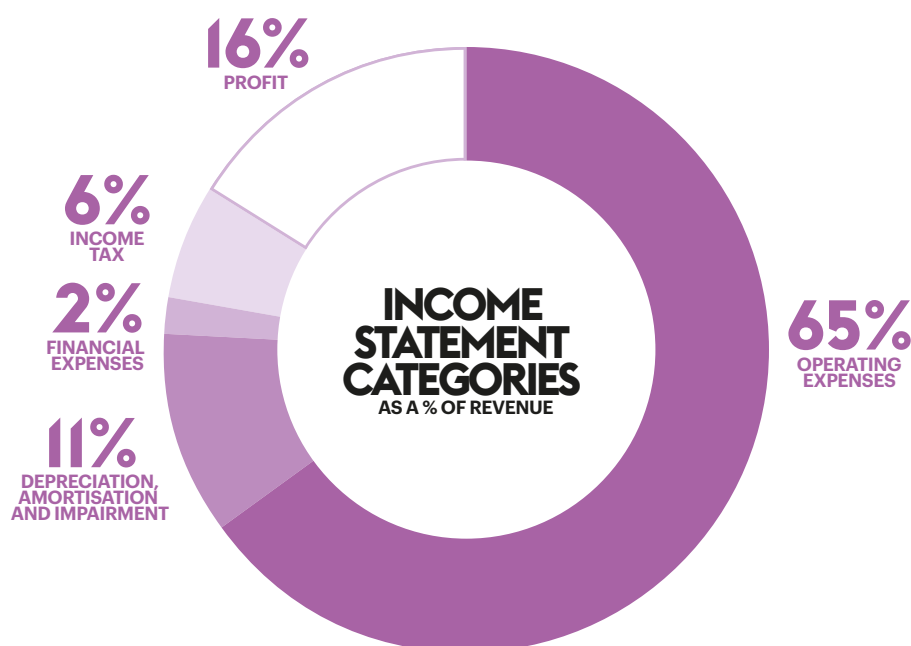
Earnings before interest, tax, depreciation and amortisation ("EBITDA") decreased by 14.3% to \$325.3 million.

Operating expenses include costs relating to the acquisition of Vodafone NZ of \$13.4 million. Adjusted EBITDA 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:

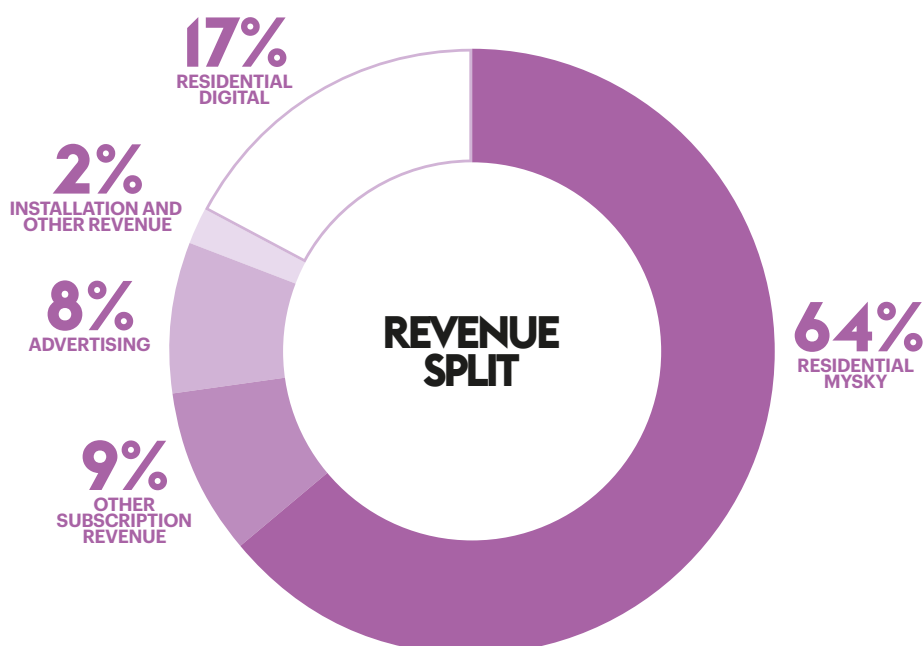
For the years ended 30 June			
IN NZD MILLIONS	2016	2015	% inc/(dec)
Residential – Digital	160.3	192.5	(16.7)
Residential – MYSKY	592.8	567.5	4.5
Other subscription revenue	79.3	71.2	11.4
Total subscription revenue	832.4	831.2	0.1
Advertising	74.0	69.5	6.5
Installation and other revenue	21.8	26.8	(18.7)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

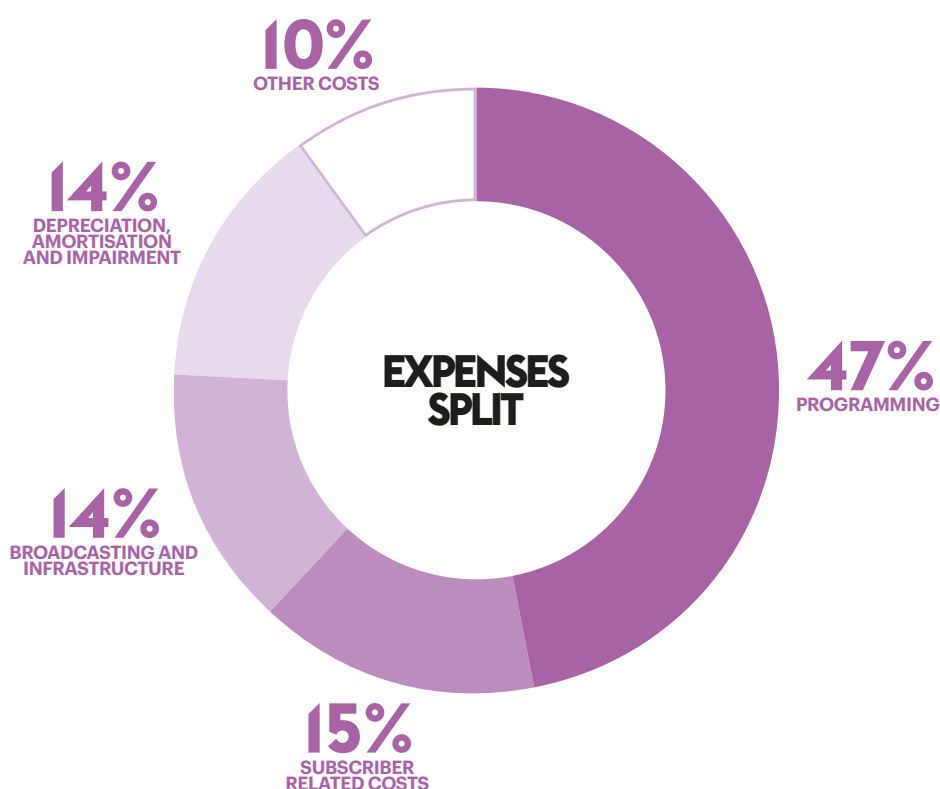
SKY's programming expenses have increased to 35.7% of revenue in 2016, from 32.0% in 2015. The higher programming costs in 2016 included the rights costs of the Rugby World Cup as well as the new SANZAAR contract from 1 January 2016, costs relating to On Demand content and new channels such as "Turbo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

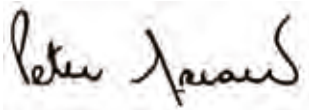
The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

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

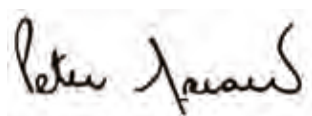
For the year ended 30 June 2016

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

IN NZD 000	Notes	ATTRIBUTABLE TO OWNERS OF THE PARENT					Non-controlling interest	Total equity
		Share capital	Hedging reserve	Retained earnings	Total			
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

I. 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

IN NZD 000	Gross	Impairment	Gross	Impairment
	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:

IN NZD 000	2016			2015		
	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 (CGUs) 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

IN NZD 000	2016			2015		
	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

IN NZD 000	Notes	2016			2015		
		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:

IN NZD 000	2016			2015		
	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.

IN NZD 000 gain/(loss)	10% rate increase		10% rate decrease	
	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:

IN NZD 000	Notes	2016		2015			
		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.

IN NZD 000 gain/(loss)	100 BP increase		100 BP decrease	
	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

	Number	Number
Weighted average number of ordinary shares		
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

	Notes	2016		2015	
		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:		
<i>Property, plant and equipment</i>		
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 www.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



REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of SKY Network Television Limited ("the Company") on pages 32 to 62, 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 32 to 62 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.

Chartered Accountants

25 August 2016

Auckland

OTHER INFORMATION

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CORPORATE GOVERNANCE

This section includes a summary of SKY's corporate governance practices, policies and procedures. SKY has a more detailed corporate governance statement available online at www.sky.co.nz/investor-relations, which provides the required disclosures and compliance statements under the ASX Corporate Governance Principles and Recommendations and the NZX Corporate Governance Best Practice Code as at 18 August 2016. That corporate governance statement has been approved by the board.

BOARD OF DIRECTORS

Membership

SKY's board is elected or appointed by the shareholders of SKY by ordinary resolution. SKY's constitution provides for a minimum of three directors and a maximum of ten directors. The actual number of directors may be changed by resolution of the board. As at 30 June 2016, the board consisted of six directors whose relevant skills, experience and expertise are outlined in their biographies on pages 10 and 11 and in the detailed corporate governance statement on SKY's website. Following completion of the intended acquisition of Vodafone New Zealand Limited, SKY's board will be expanded to comprise nine directors, as explained further in the Notice of Meeting and Explanatory Memorandum. In relation to other appointments, the nomination and remuneration committee has a formal process by which it assesses the overall skills, experience and diversity required on the board and works with the board to ensure that diversity remains one of the key criteria when evaluating potential board candidates. The aim of the board is to have a mix of skills represented on the board that are relevant to SKY's business.

The board may appoint directors to fill casual vacancies that occur or add persons to the board up to the maximum number prescribed by the constitution. At each annual meeting all directors appointed by the board must retire and one third of the other directors must retire, although they can offer themselves for re-election if they wish. Directors' fees are currently set at a maximum amount of \$950,000 per annum.

Independent and Executive Directors

At 30 June 2016 all of the directors of SKY other than John Fellet were considered to be independent directors. John Fellet is currently the only executive director on the board. In determining independence, the board applies the materiality thresholds set out in the NZX and ASX Listing Rules.

POLICIES, PRACTICES AND PROCESSES

SKY has a number of policies, practices and processes that establish guidelines and practices to be followed in certain circumstances or in relation to certain matters. These policies, practices and processes are under regular review by management and the board. Further information is also set out in the corporate governance statement available online at www.sky.co.nz/investor-relations.

Audit and Risk Committee Charter and Audit Independence Policy

SKY has in place an audit and risk committee charter to govern the operation of the audit and risk committee as well as an audit

independence policy to ensure that SKY's relationship with its auditors is appropriate. The audit and risk committee charter is posted on SKY's website at www.sky.co.nz/investor-relations. The audit and risk committee focuses on internal controls and risk management and particular areas of emphasis include:

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

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

Code of Conduct

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

Communication and Disclosure Policy

SKY has a communication and disclosure policy designed to keep both the market and SKY's shareholders properly informed. The policy is also designed to ensure compliance with SKY's continuous disclosure obligations and includes posting press releases, annual reports and assessments, and other investor-focused material on its website. The policy is overseen by SKY's Chief Executive and Company Secretary. A copy of this policy is available on SKY's website at www.sky.co.nz/investor-relations.

Diversity Policy

Diversity of gender, skill, age, ethnicity, experience and beliefs are valued by SKY. SKY recognises the value of diversity and the organisational strength, problem solving ability and innovative approach that it brings. The provision of equal opportunities for all employees is fundamental to the way in which SKY functions as a business. SKY established a diversity policy during 2012 (updated in 2015) and has posted this on SKY's website at www.sky.co.nz/investor-relations. The board acknowledges there is a lot of focus on gender diversity both on boards and within companies, and as noted in SKY's diversity policy, this is one of the diversity characteristics that is considered when evaluating new director candidates. As at 30 June 2016, SKY's board had two female directors and four male directors (compared to one female director and six male directors as at 30 June 2015).

CORPORATE GOVERNANCE (CONTINUED)

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

- Each year, the board actively considers the composition of the board and any opportunities for new directors to join the board with diversity (including gender diversity) being one of the key criteria when considering new appointments. Three recent board appointments (Susan Paterson, Geraldine McBride and Derek Handley) demonstrate a commitment to these diversity objectives.
- Each year the board compares the number of female and male employees at SKY to the previous financial year's figures to ensure that SKY is maintaining a strong level of female participation at all levels of the organisation.
- Each year the board considers the extent of age diversification at SKY by comparing the number of employees aged over and under 45 years to the previous financial year's figures, in order to ensure SKY is benefiting from a mix of experience and new ways of thinking.

For the year ended 30 June 2016, the board is satisfied that SKY achieved its gender diversity objectives and other measureable diversity objectives as follows:

- The board considered opportunities for new directors to join the board with diversity (including gender diversity) in mind for new appointments.
- There was almost equal representation of male and female employees across SKY (47% of staff are female as at 30 June 2016, compared to 47% at 30 June 2015).
- SKY had good female participation at all levels of the organisation, including 28 female senior executives compared to 47 male senior executives as at 30 June 2016 (there were 25 female senior executives and 48 male senior executives at 30 June 2015)⁽¹⁾.
- There was strong participation at senior levels of the organisation of employees under the age of 45 years (including 40% of senior executives as at 30 June 2016 compared to 28% at 30 June 2015), compared to employees over the age of 45 years (60% of senior executives as at 30 June 2016 compared to 72% at 30 June 2015).

Health and Safety

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

SKY's strategic approach to health and safety is to:

- provide a safe workplace for all;
- fulfil all safety obligations within the business, in line with the strategic intent, corporate objectives and legislative requirements; and
- share a vision and commitment to a safety culture that drives continual improvement and resilience at all levels within the company.

Insider Trading Policy

SKY has a formal policy in relation to insider trading which is posted on SKY's website at www.sky.co.nz/investor-relations. The policy provides that directors, officers and employees of SKY may not buy or sell securities in SKY, nor may they tip others, while in the possession of inside information. SKY's policy affirms the law relating to insider trading contained in the Financial Markets Conduct Act 2013 and complies with ASX Listing Rule 12.9.

Investor Communications Policy

SKY has posted an investor communications policy on its website at www.sky.co.nz/investor-relations. This policy explains how SKY facilitates effective two way communication with investors.

Independent Advice

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

Remuneration Policy and Performance Monitoring

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

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

Regulatory Policy

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

Treasury Policy

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

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

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

⁽¹⁾ 'Senior executives' are executives at one and two levels below the Chief Executive in terms of reporting lines. For the year ended 30 June 2016, 8 out of 21 senior executives one level below the Chief Executive were female and 20 out of 54 senior executives two levels below the Chief Executive were female.

INTERESTS REGISTER

DISCLOSURES OF INTEREST – GENERAL NOTICES

Directors have given general notices disclosing interests in various entities pursuant to section 140(2) of the Companies Act 1993. Those notices which remain current as at 30 June 2016 are as follows:⁽²⁾

Director	Entity	Relationship
John Fellet	Media Finance Limited	Director
	Outside Broadcasting Limited	Director
	SKY Ventures Limited (formerly Cricket Max Limited)	Director
	Igloo Limited	Director
Derek Handley	Iliad Management Limited	Director
	Aera Foundation	Trustee
	Aera Limited	Director
	Far East Associated Traders Limited	Director
Peter Macourt	Virtus Health Limited	Director/Chair
	Prime Media Limited	Director
Geraldine McBride	My Wave Holdings Limited	Director
	My Wave Limited	Director
	Fisher & Paykel Healthcare Corporation Limited	Director
	National Australia Bank Limited	Director
Susan Paterson ONZM	Theta Systems Limited	Chair/Shareholder
	Les Mills Holdings Limited	Director
	Airways Corporation of New Zealand Limited	Chair
	Airways International Limited	Director
	Goodman Property Aggregated Limited	Director
	Goodman (NZ) Limited	Director
	Arvida Group Limited	Director
	GMT Bond Issuer Limited	Director
	GMT Wholesale Bond Issuer Limited	Director
	The Electricity Authority	Board Member
	Tertiary Education Commission	Commissioner
	The Home of Cycling Charitable Trust	Chair
	Institute of Directors Auckland Branch	Member
	Housing Corporation New Zealand ⁽³⁾	Director
	Abano Healthcare Group Limited ⁽³⁾	Director
	John Waller ONZM	Donaghys Limited
Fonterra Co-Operative Group Limited ⁽⁴⁾		Director
Haydn & Rollett Limited		Director
BNZ Investments Limited ⁽⁴⁾		Director
Bank of New Zealand ⁽⁴⁾		Director/Chair
National Australia Bank Limited ⁽⁴⁾		Director/Shareholder
National Equities Limited ⁽⁴⁾		Director
Property for Industry Limited and subsidiary		Director/Shareholder
GS Group Services Limited		Director/Chair
Hyundai Motors New Zealand Limited		Director/Chair
IFX Services Limited		Director
Sunrise Group NZ Limited		Director
Isuzu Utes New Zealand Limited		Director/Chair
New World Motors Limited		Director
Global Motors NZ Limited	Director	

⁽²⁾ Robert Bryden retired from the board on 21 October 2015. Mr Bryden had not disclosed any interests pursuant to section 140(2) of the Companies Act 1993. Humphry Rolleston retired from the Board on 21 October 2015. Mr Rolleston had disclosed interests arising as a director of Infracore Limited, Matrix Security Group Limited and Media Metro NZ Limited, and as director and shareholder of Asset Management Limited, Mercer Group Limited and various subsidiaries, Property for Industry Limited and its subsidiaries, and Murray & Company Limited.

⁽³⁾ On 30 September 2015 Susan Paterson resigned as director of Housing Corporation New Zealand and on 30 November 2015 she resigned as director of Abano Healthcare Group Limited.

⁽⁴⁾ On 31 July 2015 Mr Waller retired as Chairman of Bank of New Zealand and as a director of Bank of New Zealand, BNZ Investments Limited, National Australia Bank Limited and National Equities Limited. Mr Waller has also announced his retirement as director of Fonterra Co-operative Group Limited, effective 31 August 2016.

INTERESTS REGISTER (CONTINUED)

DISCLOSURES OF INTEREST – AUTHORISATION OF REMUNERATION AND OTHER BENEFITS

SKY's board did not authorise any additional payments of annual directors' fees during the year to 30 June 2016.

DISCLOSURES OF INTEREST – PARTICULAR TRANSACTIONS/USE OF COMPANY INFORMATION

During the year to 30 June 2016, in relation to SKY:

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

DISCLOSURES OF RELEVANT INTERESTS IN SECURITIES

During the year to 30 June 2016, in relation to SKY's directors, officers and senior managers, the following disclosures were made in the Interests Register as to dealing in SKY's shares under section 148 of the Companies Act 1993 and section 297 of the Financial Markets Conduct Act 2013:

- John Fellet made two ongoing disclosures in relation to the on-market acquisitions of 19,900 and 19,800 ordinary shares on 15 June 2016 and 21 June 2016 respectively;
- Susan Paterson made an ongoing disclosure in relation to the on-market acquisition of 10,000 ordinary shares on 14 June 2016 by the S M Taylor Family Trust (of which Ms Paterson is a trustee); and
- John Waller made one ongoing disclosure in relation to the on-market acquisition of 5,000 ordinary shares on 14 June 2016 by the JAW No2 Trust (of which Mr Waller is a trustee).

INSURANCE AND INDEMNITIES

SKY has in place directors' and officers' liability insurance to cover risks normally covered by such policies arising out of acts or omissions of SKY directors or employees in that capacity. This policy was replaced in June 2016 (and SKY's interests register has been updated to reflect it).

SKY has entered into a deed of indemnity pursuant to which it has agreed to indemnify directors, senior management and officers of SKY against liability incurred from acts or omissions of such directors, senior management or officers, subject to certain exceptions which are normal in such indemnities. This deed of indemnity was replaced in June 2016 (and SKY's interests register has been updated to reflect it).

SKY has also taken out prospectus liability insurance for the directors and officers of SKY relating to the merger of the businesses of SKY and Vodafone New Zealand Limited (and the transactions and documentation relating to that merger). Particulars of this insurance have been entered into SKY's interests register.

SKY SUBSIDIARIES' INTEREST REGISTERS

The directors of SKY's subsidiaries have given notices disclosing interests in the various entities pursuant to section 140 of the Companies Act 1993. Those notices which remain current as at 30 June 2016 are set out below:

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

Outside Broadcasting Limited: John Fellet and Jason Hollingworth have given notices disclosing interests arising from being employees of SKY and, in John Fellet's case, a director of SKY.

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

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

Believe It Or Not Limited: Grant McKenzie and Eggherick Van Der Plank have given notices disclosing interests arising from being employees of SKY. Brendan Lohead has given a general notice disclosing his interest arising from being a shareholder of Believe It Or Not Limited and a director and shareholder of Mad If You Don't Limited. Annabelle Lohead has given a general notice disclosing her interest arising from being the wife of Brendan Lohead (who is a shareholder of Believe It Or Not Limited) and a director and shareholder of Mad If You Don't Limited.

SKY Ventures Limited: John Fellet and Jason Hollingworth have given notices disclosing interests arising from being employees of SKY and, in John Fellet's case, a director of SKY.

COMPANY AND BONDHOLDER INFORMATION

DIRECTORS HOLDING AND CEASING OFFICE

Robert Bryden (retired 21 October 2015)

John Fellet

Derek Handley

Peter Macourt

Geraldine McBride

Susan Paterson, ONZM (appointed 20 August 2015)

Humphry Rolleston (retired 21 October 2015)

John Waller, ONZM

SUBSIDIARIES

At 30 June 2016, SKY had the following subsidiary companies:

SKY DMX Music Limited, Screen Enterprises Limited, Outside Broadcasting Limited, Igloo Limited, Believe it Or Not Limited, SKY Ventures Limited (previously Cricket Max Limited) and Media Finance Limited. During the year to 30 June 2016, SKY DMX Music Limited operated the SKY DMX music business, Screen Enterprises Limited operated the FATS0 DVD and blu-ray rental business, Outside Broadcasting Limited provided mobile on-site broadcasting facilities and services, Igloo Limited delivered a low-cost pay television service over a digital terrestrial network and via broadband,⁽⁴⁾ Believe it Or Not Limited provided quizzes for the hotel entertainment industry and Cricket Max Limited was renamed as SKY Ventures Limited and began providing investment and sponsorship in the field of information and broadcast technology, initially by making a 15.79% investment in 90 Seconds Pty Limited (a cloud video production company). Media Finance Limited did not trade during that year.

DIRECTORS OF SUBSIDIARIES

Subsidiary	Director
SKY DMX Music Limited	Grant McKenzie
	Martin Wrigley
	Steven Hughes
	Claude Nahon (retired 24 February 2016)
	Kenneth Eissing Jr (appointed 24 March 2016)
Screen Enterprises Limited	Jason Hollingworth
	George McFarlane
Outside Broadcasting Limited	John Fellet
	Jason Hollingworth
	Michael Watson
Igloo Limited	John Fellet
	Jason Hollingworth
Believe It or Not Limited	Mathew Orange
	Anabelle Lothead
	Brendon Lothead
	Grant McKenzie
SKY Ventures Limited (previously Cricket Max Limited)	Eggherick Van der Plank
	John Fellet
	Jason Hollingworth (appointed 3 February 2016)
Media Finance Limited	John Fellet

The remuneration of SKY's employees acting as directors of subsidiary companies is disclosed in the relevant banding for employee remuneration on page 73 or in the case of John Fellet, his remuneration is disclosed below under the heading of "Remuneration of Directors".

No director of any subsidiary company received directors' fees or extra benefits by virtue of the fact that they are acting as directors of subsidiary companies.

⁽⁴⁾ SKY announced in July 2016 that the Igloo service will be closing down from around March 2017.

COMPANY AND BONDHOLDER INFORMATION (CONTINUED)

STATEMENT OF DIRECTORS' INTERESTS

For the purposes of NZX Listing Rule 10.4.5(c), the following table sets out the equity securities (shares in SKY) in which each director had a relevant interest as at 30 June 2016*:

Relevant interests	Shares
John Fellet	156,300
Derek Handley	4,000
Peter Macourt	-
Geraldine McBride	-
Susan Paterson	17,800
John Waller	15,000

* Robert Bryden and Humphry Rolleston retired on 21 October 2015.

REMUNERATION OF DIRECTORS

Directors' remuneration and value of other benefits received by directors of SKY during the year 1 July 2015 to 30 June 2016 were as follows:

Name	Total remuneration
Robert Bryden ⁽⁵⁾	\$31,159
John Fellet ⁽⁶⁾	\$2,003,250
Derek Handley	\$95,986
Peter Macourt	\$161,000
Geraldine McBride	\$92,500
Susan Paterson ⁽⁷⁾	\$97,940
Humphry Rolleston ⁽⁸⁾	\$29,632
John Waller	\$117,500

⁽⁵⁾ Robert Bryden retired on 21 October 2015.

⁽⁶⁾ John Fellet is also SKY's Chief Executive and a director of Cricket Max Limited, Media Finance Limited, Outside Broadcasting Limited and Igloo Limited. He did not receive any directors' fees during the above period. His remuneration, as specified above, comprises salary and performance based remuneration.

⁽⁷⁾ Susan Paterson was appointed on 20 August 2015.

⁽⁸⁾ Humphry Rolleston retired on 21 October 2015

SUBSTANTIAL SECURITY HOLDERS

According to notices given to SKY under the Securities Markets Act 1988 and the Financial Markets Conduct Act 2013 the following persons were substantial security holders in SKY as at 30 June 2016 and 12 August 2016 (as indicated below):

Entity	Securities as at 30 June 2016
Perpetual Limited	51,403,681
Lazard Asset Management Pacific Co	32,662,347
BlackRock, Inc	32,317,037
Commonwealth Bank of Australia	23,427,062

Entity	Securities as at 12 August 2016
Perpetual Limited	51,403,681
BlackRock, Inc	36,222,477

The total number of issued voting securities of SKY as at 30 June 2016 and 12 August 2016 was 389,139,785.

TWENTY LARGEST SHAREHOLDERS AS AT 12 AUGUST 2016

Holder name	Holding	Percentage (to 2 d.p.)
HSBC Nominees (New Zealand) Limited	104,185,494	26.77
RBC Investor Services Australia Nominees Pty Limited	28,632,199	7.36
JP Morgan Chase Bank NA	27,493,562	7.07
National Nominees New Zealand Limited	27,371,401	7.03
Citibank Nominees (New Zealand) Limited	21,857,135	5.62
JP Morgan Nominees Australia Limited	20,752,460	5.33
HSBC Custody Nominees (Australia) Limited	16,896,114	4.34
Citicorp Nominees Pty Limited	15,879,576	4.08
Accident Compensation Corporation	15,218,038	3.91
BNP Paribas Nominees (NZ) Limited	12,664,211	3.25
BNP Paribas Nominees Pty Ltd	9,281,158	2.39
National Nominees Limited	9,077,407	2.33
Guardian Nominees No 2 A/C Westpac W/S Enhanced Cash Trust	5,593,123	1.44
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	5,490,177	1.41
ANZ Wholesale Australasian Share Fund	5,437,157	1.40
UBS Nominees Pty Limited	5,011,637	1.29
FNZ Custodians Limited	4,135,436	1.06
ANZ Custodial Services New Zealand Limited	3,280,493	0.84
Tea Custodians Limited	3,122,756	0.80
New Zealand Permanent Trustees Limited	2,766,683	0.71

DISTRIBUTION OF ORDINARY SHARES AND SHAREHOLDINGS AS 12 AUGUST 2016

	No. of shareholders	Percentage (to 2 d.p.)	No. of shares	Percentage (to 2 d.p.)
1 – 1,000	2,727	36.85	1,621,097	0.42
1,001 – 5,000	3,413	46.12	8,786,980	2.26
5,001 – 10,000	740	10.00	5,478,346	1.41
10,001 – 100,000	443	5.99	10,900,037	2.80
100,001 and over	77	1.04	362,353,325	93.11
Total	7,400	100.00	389,139,785	100.00

NON MARKETABLE PARCELS OF SHARES

As at 12 August 2016, 232 shareholders in SKY had non-marketable parcels of shares for the purposes of ASX Listing Rule 4.10.8.

OTHER INFORMATION

For the purposes of ASX Listing Rules 4.10.14, 4.10.18 and 4.10.21, as at 12 August 2016:

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

VOTING RIGHTS ATTACHED TO SHARES

Each share entitles the holder to one vote.

COMPANY AND BONDHOLDER INFORMATION (CONTINUED)

DISTRIBUTION OF BONDS AND BONDHOLDINGS AS AT 12 AUGUST 2016

SKTFA Bonds	No. of bondholders	Percentage (to 2 d.p.)	No. of bonds	Percentage (to 2 d.p.)
1,001 – 5,000	175	8.19	875,000	0.44
5,001 – 10,000	437	20.46	4,177,500	2.09
10,001 – 100,000	1,370	64.14	50,965,500	25.48
100,001 and over	154	7.21	143,982,000	71.99
TOTAL	2,136	100.00	200,000,000	100.00

SKTO20 Bonds	No. of bondholders	Percentage (to 2 d.p.)	No. of bonds	Percentage (to 2 d.p.)
1,001 – 5,000	134	13.23	670,000	0.67
5,001 – 10,000	244	24.09	2,354,000	2.36
10,001 – 100,000	582	57.45	19,493,000	19.49
100,001 and over	53	5.23	77,483,000	77.48
TOTAL	1,013	100.00	100,000,000	100.00

VOTING RIGHTS ATTACHED TO BONDS

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

EMPLOYEE REMUNERATION

The number of employees or former employees of SKY and its subsidiaries (excluding directors of SKY but including employees of SKY holding office as directors of subsidiaries, other than the Chief Executive⁽⁹⁾) whose remuneration and benefits was within specified bands for the year to 30 June 2016 is as follows:

Remuneration \$	No. of employees
100,000 – 110,000	55
110,001 – 120,000	55
120,001 – 130,000	32
130,001 – 140,000	19
140,001 – 150,000	13
150,001 – 160,000	7
160,001 – 170,000	12
170,001 – 180,000	9
180,001 – 190,000	4
190,001 – 200,000	5
200,001 – 210,000	2
210,001 – 220,000	1
220,001 – 230,000	1
230,001 – 240,000	1
240,001 – 250,000	3
250,001 – 260,000	1
270,001 – 280,000	3
280,001 – 290,000	2
300,001 – 310,000	1
310,001 – 320,000	2
410,001 – 420,000	4
420,001 – 430,000	1
500,001 – 510,000	1
510,001 – 520,000	1
520,001 – 530,000	1
550,001 – 560,000	2
780,001 – 790,000	1

DONATIONS

During the year 1 July 2015 to 30 June 2016, SKY made cash donations totalling \$366,000. SKY's subsidiaries did not make any donations.

AUDITORS

The auditors of SKY and its subsidiaries were PricewaterhouseCoopers. The amount paid to PricewaterhouseCoopers by SKY and its subsidiaries in the year to 30 June 2016 for statutory audit services and for other assurance services was:

IN NZD 000	Statutory audit services	Other services
SKY	264	48

SKY's subsidiaries did not pay PricewaterhouseCoopers any fees.

(9) The remuneration of SKY's Chief Executive John Fellet is not included in the above table as he is also a director of SKY. His remuneration is disclosed under the heading "Remuneration of Directors" on page 70.

WAIVERS AND INFORMATION

CURRENT AND ONGOING WAIVERS

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

- (a) A waiver from ASX listing rule 7.3.2 to the extent necessary to permit the notice of meeting seeking shareholder approval for the issue of shares representing 51% of the post-issue shares in SKY to Vodafone Europe B.V. not to state that those shares will be issued no later than 3 months after the date of the meeting (subject to certain conditions);
- (b) A waiver to permit SKY to lodge its half yearly and final reports in the form of an NZX Appendix 1 instead of an ASX Appendix 4D and ASX Appendix 4E, on the condition that SKY provides any additional information required by the ASX Appendices as an annexure to the NZX Appendix 1;
- (c) A waiver from ASX Listing Rule 6.10.3 to the extent necessary to permit SKY to set the "specified time" to determine whether a security holder is entitled to vote at a shareholders' meeting in accordance with the requirements of relevant New Zealand legislation;
- (d) A waiver from ASX Listing Rule 15.7 to permit SKY to provide announcements simultaneously to both ASX and NZX;
- (e) A waiver from ASX Listing Rule 14.3 to the extent necessary to allow SKY to receive director nominations between the date three months and the date two months before the annual meeting;
- (f) Confirmation that the rights attaching to SKY shares set out in SKY's constitution are appropriate and equitable for the purpose of ASX Listing Rule 6.1 and comply with ASX Listing Rule 2.1;
- (g) Confirmation that ASX will accept financial accounts prepared in accordance with New Zealand GAAP and New Zealand Auditing Standards, and denominated in New Zealand dollars; and
- (h) Confirmation that SKY can provide substantial holder information provided to it under the New Zealand Securities Markets Act 1988.

ADMISSION TO THE OFFICIAL LIST OF THE AUSTRALIAN STOCK EXCHANGE

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

1. SKY is incorporated in New Zealand.
2. SKY is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 dealing with the acquisition of shares (such as substantial holdings and takeovers).
3. Limitations on the acquisition of the securities imposed by New Zealand law are as follows:
 - (a) In general, SKY securities are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.
 - (b) The New Zealand Takeovers Code creates a general rule under which the acquisition of more than 20% of the voting rights in SKY or the increase of an existing holding of 20% or more of the voting rights in SKY can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of SKY shares.
 - (c) The New Zealand Overseas Investment Act 2005 (and associated regulations) regulates certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an 'overseas person' acquires shares or an interest in shares in SKY that amount to more than 25% of the shares issued by SKY or, if the overseas person already holds 25% or more, the acquisition increases that holding.
 - (d) The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring SKY shares if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

SHARE MARKET AND OTHER INFORMATION

NEW ZEALAND

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

NZX Limited

Level 1, NZX Centre
11 Cable Street
Wellington 6011, New Zealand

Mailing address:

PO Box 2959
Wellington 6140, New Zealand

Tel: +64 4 472 7599 **Fax:** +64 4 496 2893

Website: nzx.com

AUSTRALIA

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

ASX Limited

Exchange Centre
20 Bridge Street, Sydney
NSW 2000, Australia

Mailing address:

PO Box H224
Australia Square, Sydney
NSW 1215, Australia

Tel: +61 2 9338 0000 **Fax:** +61 2 9227 0885

Website: asx.com.au

ANNUAL MEETING

The next annual meeting of Sky Network Television Limited will be held at the Pullman Hotel Auckland (Regatta Room D), corner Princes Street and Waterloo Quadrant, Auckland, on 20 October 2016, commencing at 2.00pm.

DIRECTORY

REGISTRARS

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

NEW ZEALAND ORDINARY SHARE REGISTRAR

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

Mailing address:

Private Bag 92119
Auckland Mail Centre
Auckland 1142, New Zealand

Tel: +64 9 488 8777 **Fax:** +64 9 488 8787

Email: enquiry@computershare.co.nz

AUSTRALIAN BRANCH REGISTER

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067
GPO Box 2975EE
Melbourne VIC 3000, Australia

Freephone: 1300 850 505 (within Australia)

Tel: +61 3 9415 4000 **Fax:** +61 3 9473 2500

Email: enquiry@computershare.co.nz

BONDHOLDER TRUSTEE

The New Zealand Guardian Trust Company Limited
Level 7, Vero Centre, 48 Shortland Street
Auckland 1010, New Zealand

Mailing address:

PO Box 1934
Auckland 1140, New Zealand

Tel: +64 9 377 7300 **Fax:** +64 9 377 7470

Email: web.corporatetrusts@nzgt.co.nz

DIRECTORS

John Fellet	Chief Executive
Derek Handley	
Peter Macourt	Chairman
Geraldine McBride	
Susan Paterson ONZM	(Appointed 20 August 2015)
John Waller ONZM	

EXECUTIVES

John Fellet	Director and Chief Executive Officer
Jason Hollingworth	Chief Financial Officer
Travis Dunbar	Director of Entertainment Programming
Megan King	Director of Content: Strategy, Planning and Delivery
Richard Last	Director of Sport
Cherie Lawrence	General Counsel and Company Secretary
Chris Major	Director of Government Relations
Rawinia Newton	Director of Advertising Sales
Cathryn Oliver	Chief of Staff
Matthew Orange	Director of Products and Ventures
Michael Watson	Director of Marketing
Tex Texeira	Director of Broadcast and Media
Kirsty Way	Director of Corporate Communications
Julian Wheeler	Director of Technology
Martin Wrigley	Director of Operations

NEW ZEALAND REGISTERED OFFICE

10 Panorama Road, Mt Wellington,
Auckland 1060, New Zealand

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Website: sky.co.nz

AUSTRALIAN REGISTERED OFFICE

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

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

AUDITORS TO SKY

PricewaterhouseCoopers
PricewaterhouseCoopers Tower,
188 Quay Street, Auckland 1010, New Zealand

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

SOLICITORS TO SKY

Buddle Findlay
PricewaterhouseCoopers Tower,
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