REACHING EVERY KIWI

SKY NETWORK TELEVISION LIMITED
Annual Report 2018


NEAR

FAR


FAR


WIDE

Our goal at SKY is to deliver world class sport and entertainment to all New Zealanders in ways that work for them.

We are focused on understanding our customers' needs and preferences, and matching our products to them.

And we mean all New Zealanders. From Cape Reinga to Bluff. And the Chathams, and Stewart Island...

From watching the sport they love with mates on their trusty MY SKY, to catching the latest episode of their favourite show on the go. They all have specific tastes and ways they like to watch content.

Our strategy is about delivering personalised viewing experiences that enrich our customers' lives – making sure they always have something great to watch.

Internet or no internet, we have New Zealand covered.

OUR STRATEGY

Enrich our customers' lives with

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Chairman's Letter

2018 has been a significant year for SKY, with the board and management team setting and implementing a transformational strategy for the business.

> OUR SPORT PARTNERS KNOW THEY CAN RELY ON SKY TO DELIVER THEIR CONTENT TO ALL OF THEIR NEW ZEALAND FANS, IN WAYS THAT WORK FOR EACH INDIVIDUAL.

SKY is building up a strong suite of online products to meet the needs of all New Zealanders, both now and in the future, while continuing to deliver to our core customer base, particularly those who don't yet have access to fast internet.

It's a careful balance, but strategically important. Our sport partners know they can rely on SKY to deliver their content to all of their New Zealand fans, in ways that work for each individual. They know SKY won't leave any fan behind.

That is why we have made such a significant investment in the satellite for over 20 years, to ensure we have a robust and reliable platform. Delivering live sport to our nation of rugby, netball, cricket, league, golf, tennis, football and motorsport fans is a responsibility we do not take lightly.

There is no question that our industry is evolving into a world where internet delivery of content will dominate, and we are well placed to transition with it. SKY's investment in the Infinite Video Platform will allow us to offer a viewing experience that is dramatically different to today, for those customers who want it – and we are on track to deliver new products in the first half of 2019. They will join our existing online products like NEON and FAN PASS, providing SKY's great content to New Zealanders in ways and at price points that work for different customer segments.

These developments are timely, as the market continues to be highly competitive. Viewing habits have changed and continue to evolve, and we need to keep responding to those changes.

I am pleased to report that SKY has continued to deliver a solid profit while implementing the strategy. In the financial year to 30 June 2018, SKY's underlying net profit after tax is $119.3 million, an increase of 2.6% on the previous year.

You will note in the accounts that the SKY Board has agreed to reduce the carrying value of SKY's Goodwill asset from $1.43 billion to $1.07 billion. When that impairment charge is applied to the 2018 results, there is a net loss of $240.7 million for the year. Please note that this is a non-cash charge that has no impact on SKY's 2018 cash flows or any of our bank covenants.

Those of you who have been shareholders for some years may recall the background to SKY's Goodwill asset. It arose on the merger of Independent Newspapers Ltd (INL) and SKY back in June 2005, and reflected the difference between the fair value of SKY's assets at the time and the price that INL shareholders agreed to exchange their shares in INL for SKY shares. The SKY Board is required to assess the fair value of intangible assets at each reporting period, and this year decided to impair the asset.

The impairment charge reduces the net book value of SKY equity at 30 June 2018 to $1.03 billion ($2.64/share) compared to $1.33 billion ($3.41/share) at 30 June 2017. SKY shares closed at $2.60/share on 29 June 2018.

I note a few other key aspects of the financial results:

- The Board was pleased to see management's focus on cost control, with $47 million of costs taken out of the business, offsetting the decline in revenue.
- SKY has 768,000 customers across satellite and OTT services. In our highly competitive market, it is worth reflecting that SKY's great content is in over 40% of New Zealand homes. That is significant penetration by Pay TV company standards around the world.
- While it will take time for the full effect of the March pricing and packaging changes to be seen, there was an improvement in churn in the second half of the year compared to the first half. SKY reported a 46,006 drop in subscribers to 31 December 2017, and 11,049 in the six months to 30 June 2018.
- Cash flow from operations is down from $245 million in FY17 to $214 million, mainly due to the timing of tax payments of $49 million in FY18 compared with $19 million in the previous year.

As I advised at the Interim Results in March, the dividend for the period is 7.5 cents per share.

During the year debt was reduced from $299 million to $235 million, and the Board believes that the company should continue to reduce debt to have the balance sheet strength to meet competitive challenges and to successfully negotiate renewal of key content deals.

One area of 'competition' which is difficult to address is the ongoing prevalence of online piracy. Piracy is a threat to everyone in the content industry, from the actors and producers of entertainment content, to sport teams, to distributors of content. There is no single fix for piracy, but we continue to seek stronger protection for our business and rights holders. We have had some success this year, with the District Court finding against the promoters of boxes pre-loaded with Kodi software that offer access to piracy websites.

In my annual letter I always thank John Fellet and SKY's staff and contractors for their work. This year is particularly poignant, with John announcing his intention to retire after 27 years with SKY, including 17 as Chief Executive.

In that time, John has led SKY from a business with three channels and 125 employees to the multi-platform, highly profitable company it is today. Innovations like MY SKY, which revolutionised the way New Zealanders viewed television, through to the suite of online products available now and in development, will be part of his significant legacy.

The Board and I are grateful for John's work and immense contribution to SKY.

I am pleased that John will continue to serve on the SKY Board once his successor is appointed. One of John's key strengths is his deep knowledge of content and his relationships with content providers, and we are fortunate to be able to continue to access this expertise at the board level.

Thank you for your support as a SKY shareholder, and I look forward to talking with you at the AGM.

The AGM will be held on 18 October 2018 at the Sofitel Hotel, 21 Viaduct Harbour Avenue, Auckland, commencing at 10am.

Peter Macourt

Peter Macourt
Chairman

Chief Executive's Letter

It is my pleasure to present to you my 17th annual shareholders' letter.

IT IS OUR INTENTION TO LEVERAGE OUR CONTENT DEALS TO OFFER NEW PRODUCTS AND SERVICES TO APPEAL TO DIFFERENT CUSTOMER SEGMENTS.

The financial statements will present a financial snapshot of the business. My goal, as always, is to give you a deeper insight into your company and the evolving industry it operates in. I will attempt to do this in a form that I hope suits the needs of the individual investor as well as the institutional one.

Financial year's results

I am pleased with the results of our latest financial year. Later in this letter I will dive deeper into challenging trends in the media field, but you should know that one of the key goals of your management team has been to take costs out of our traditional pay TV business while continuing to invest, build and absorb the start-up costs of our new internet and over-the-top (OTT) services. And doing it as we battle the content wars to ensure we have the content that is most important to New Zealanders.

I believe we are on the right path. Our underlying profit for the year is $119.3 million (excluding goodwill impairment), up from last year's $116.3 million. While we have seen declining subscriber numbers and revenues, we have cut $47 million of operating expenses out of the business and also lowered our capital spend by over $20 million.

Subscriber counts

In a seasonal business like SKY it is important to compare subscriber counts on a year-on-year basis. For the year ending 30 June 2018 the churn for the satellite business was 15.4% compared to 15.9% for the prior period. Churn was better in part because of the splitting of the Basic Package into a Starter Pack and an Entertainment Pack. It will take some time for the full impact of the changes to be clear, but we are pleased with a couple of early indicators. The spin down to the cheaper Starter tier by existing Basic Subscribers has been within budget and is currently at around 10%. The positive benefit of the move we think will come in years two and three when new subscribers wanting a cheaper Basic Package or a cheaper entry to Sport gradually come aboard.

An unexpected benefit of splitting the Basic into two packages has been the fact that the ARPU of new subscribers is only $9.84 lower than the ARPU from customers in the prior March to June period, meaning that new subscribers are spending their 'savings' on other SKY products such as SoHo and the SKY Movie Tier.

A year-on-year comparison shows the subscriber count down 57,055. To give you more detail, keep in mind that while we are down 8,583 on NEON subscribers, a year ago NEON was just starting season 7 of *Game of Thrones* which attracted significant interest. The much-anticipated next season of *Game of Thrones* will be back on NEON in the coming financial year. We also lost 8,269 subscribers as we shut down Fatso, our online DVD rental service. Another key piece of context is that last year's number for FAN PASS included 4,697 subscribers who could buy the Sport Tier for one night or one week, an option we discontinued. And finally, the net loss figure recognises our change in strategy of discontinuing aggressive discount offers which had had the combined effect of bringing in marginal customers and at the same time irritating loyal subscribers.

New strategy to deal with the new reality

In the last few editions of this letter I have stressed the fact that media is one of the most unsettled industries. Let's go over the key reasons at play which have caused this.

Historically, the challenge was always to build a platform big enough in order to obtain the necessary scale. With the roll out and acceptance of fast broadband, getting into the content game has never been easier. This has allowed any company from a global tech giant to a niche content App-based provider to launch a service in New Zealand.

Competition has also come from non-media third parties who are starting to give away or subsidise content in packages with their normal product in an effort to "de-commoditize" their traditional offerings.

A few years ago these additional pipelines into the home would not have mattered because of a lack of content. We are now living in the age of 'peak content'. In 2012 there were 266 English scripted television series. I predicted that in 2018 that figure would jump to 534, and we are currently on track to do so.

And the content itself is evolving. For much of my life, in the animal kingdom of content, most programmes fit into four species: Sport, Movies, TV Series and News/Documentaries. Over the last 20 years there have been two important additions.

First there is a subsection of TV Series of what we call Prestige Drama. Prestige Drama was created by premium movie channels like HBO and Showtime in the United States. Think *Sopranos* and *Sex and the City*. The economic driver for this evolutionary change was that these movie channels were finding it harder to differentiate their channels. Movies had become more commoditized and formulaic as Hollywood made fewer of them, and they tended to focus more on super heroes or extensions of proven movie franchises (i.e. Mission Impossible 6).

Prestige Dramas are television series on steroids. They started about the year 2000. They have huge budgets, they have the pick of the best actors, writers and directors. Today when people are talking about a new television series they are probably talking about a Prestige Drama.

The other important new segment is Reality TV. Be it cooking, dating, dancing or home remodelling, no matter how mundane the endeavour is you can make a reality format out of it. The economic driver for reality TV has been the Free to Air Television industry. With their broad reach they can drive lucrative deals centred on product placements inside their programmes, from owners of hardware stores to cooking ingredients. As an added bonus, instead of paying actors, most contestants actually volunteer to participate.

There has also been an evolution in how content is being consumed. It used to be that a person's viewing history could indicate their age, sex and income levels. Now you can obtain even more insight on them based on how they consume their content. What device do they watch their programmes on? Do they binge-watch four episodes in one sitting or do they watch the latest episode each week on their MY SKY?

Over the years, SKY has attempted to serve as many customer interests as possible by adding additional linear channels. In a perfect world we would have a grab bag of channels that subscribers could pick and choose from. The reality is that rights have not worked that way. Historically, the suppliers of core channels would not allow their channel to be added unless SKY (and every other traditional pay TV platform) put them on the lowest entry level of Basic. It was impossible to customise our offering other than offering a Sport Tier or a Movie Tier. Each linear channel cost more and forced up our retail prices, but each channel we added attracted a higher number of subscribers… until it didn't.

Ironically it was our goal to serve all of New Zealand that morphed our traditional business model into the object that has drawn the biggest complaint… "You are too expensive and have too many channels I do not watch".

With all the points made above it is easy to see why there has been more disruption in the media industry in the last five years than the previous 30 years. SKY has been disrupted more than any other media firm in New Zealand because we are the largest media firm in New Zealand. But our size also gives us an advantage in this transition.

We were delivering content to mobile phones a year before the first iPhone went to market. We sent content over the internet a year before Netflix had its first streaming customer. Our strategy remains the same. We are embracing the Internet and the benefits that it derives while continuing to super-serve our traditional subscribers, who for the most part are happy with the product they are getting from SKY. There are some 'technical gurus' who when interviewed are critical of SKY and believe we should abandon our 'antiquated' business model and cut the umbilical cord to the satellite. Nothing would please me more. We spend circa $50 million dollars a year for the satellite to ensure we can deliver SKY to every home across New Zealand. Over 30% of our subscribers are not even connected to Ultra-Fast Broadband.

Our biggest challenge in using the internet is with Sport delivery. We are not the only ones. Around the world there are repeated stories of failures with the internet delivery of big live sporting events. Viewership figures of sporting events on the internet are also often overstated. My favourite viewing statistic came out of the recent FIFA World Cup out of England. Reports suggested that 24.3 million people watched the England vs. Croatia semi-final match on traditional TV. Other reports said that 4.3 million watched it via streaming. That is not bad, it would lead you to believe that streaming was up to a very respectable 15% share. But when you dig deeper you realize the total figures are terribly misleading.

In England, the measurement for TV viewership is based on an average viewers per minute. The cumulative audience could have been much bigger as viewers dipped in and out of the coverage. The rigors of this formula have been fought out for years between Broadcasters and Advertising Agencies. On the other hand the viewership numbers for streaming defines a viewer as anyone who saw a stream for 3 seconds or more, and is cumulative. If we applied the same rigours of TV viewing to streaming, viewership would be 1.7 million or 6.5%. This figure is high enough for us to offer internet options, but not nearly high enough for us to jettison use of the satellite. We stream millions of hours of viewing through the internet with NEON, SKY GO and FAN PASS. But we are conscious that it is still the satellite that does most of the heavy lifting.

As mentioned, historically we attracted new market segments by launching new linear channels. Now it is our intention to leverage our content deals to offer new products and services to appeal to different customer segments. During much of 2015 and 2016 we slowed down our innovation track in order to keep our promise to Vodafone to launch their new TV platform, which has launched and is doing well. Since then we have had a flurry of new products and services to offer our customers. They include:

- Our subscription VOD service NEON offers a strong TV and Movies service. In order to attract those who are just interested in TV we recently created a TV-only option for $11.99 a month.
- FAN PASS offers access to the SKY Sport channels 1-4 on a monthly and six monthly basis via the internet. We have recently launched a special mobile-only deal for $15.99 a month for those customers who want to access our great sport channels just on their mobile phones.
- Our set top box's TV guide now goes up to 28 days when connected to the internet instead of just a week, greatly expanding your ability to review and record content in the future. The feature is also available on the SKY TV Guide App, allowing you to remotely record while on the go.
- A handy Restart function on a selection of our SKY Movies channels allows you to restart a movie if you've missed the beginning.
- We have installed an option of another 300 Movies for customers to order as part of an expansion of our Pay per View platform.
- For some time with our decoders at home, customers have had the ability to access 1,000s of hours of previously played content as part of our Video on Demand option. Now we have extended this right to iPads and Mobile Phones as an extension to our SKY GO platform.
- The SKY Sport Highlights App is one of the most popular extra services we have offered. We have now made it better, with users able to personalise their own news feed to display only content from their favourite sport(s).
- Subscribers with children can now launch the *Cartoon Network Watch and Play* and *Nickelodeon Play Apps* for their children to use when they are not close to a TV set.

Looking ahead, you can expect to see some exciting product and service launches within the next 6-12 months.

Continuing SKY's innovation journey, we're investing further in internet-delivered TV through a new platform based on the Cisco Infinite Video Platform. Through new and existing devices, we'll enable a whole new experience, getting customers to the content they love more quickly, with personalised recommendations and a content-led, image-rich user experience.

We've always aggregated our own content with the world's leading entertainment brands. And we'll continue to do so through a combination of loved linear channels, on demand content and the best of global and local Apps.

We're also building on our voice capability, and will be able to allow seamless voice search across all content delivered via our enhanced TV service. And our new fluid viewing capability will mean your chosen content will follow you from the big screen to your mobile and tablet.

The Technology and Product teams are hard at work on these projects and we look forward to revealing them to you soon.

The content wars

Every now and then you will read a story about a piece of content we have lost by being out-bid by a competitor. Such stories usually include an interview with a media or technology expert (who, by the way, has never bought a piece of content in their life) predicting that this marks the start of SKY's decline or maybe we have badly misjudged the public interest in this particular piece of content.

The fact is, we get out-bid for content every year. In fact, if there is a year that goes by without an article regarding SKY losing a content deal you should attend the AGM to voice your concern.

In thinking about content it is important that one understands the difference between Price and Value. Price is the amount you pay for something but Value is what you get with that piece of content. The easiest thing to do is win content auctions. All you need to do is keep bidding until everyone else drops out. But you don't actually "win" the bid until you extract enough value to cover your costs. There are several contracts we have lost over the years, but seldom has the same company come back the next time and bid the same amount.

We could double every one of our bids and never lose anything, but before long we would have half the content with the same content costs.

The biggest advantage we have in bidding is our 28 year history of viewing statistics. When we lose bids they tend to be high profile events which for whatever reason have lost their way. The Oscars are a perfect example. As I write this, SKY has been informed that we were not the highest bidder for the Oscars in 2019. The Oscars are one of my favourite shows of the year, in part because I am in the industry. But for reasons I am not sure about, and in spite of our best efforts, we have seen the ratings decline four years in a row. I am not sure who won the bid. I am not sure their bid would have been as high if they had the benefit of our data and content insights.

The other advantage we have is the breadth of our content offerings. At any one time SKY has 4,500 programmes on the go contained in 3,000 different contracts. The biggest one is a sport contract, but it still only represents 23% of total sport viewing (which is represented by 791 different contracts), and less than 6% of overall viewing on SKY. And that is after taking out all the free-to-air viewing on the platform.

When our competitors pay above the value on some content it means that they have to bid under the value on other content. In every country the debate always rages on which platforms have the best content. In New Zealand there is seldom any debate around Movies, Sport and Basic Channels which SKY dominates. Lately I have heard the claims by competitors that they have the best TV series, but I disagree. Don't take my word for it. The Emmy nominations are in for 2018. SKY has the majority of the nominated shows, with over 200 nominations across 59 titles.

Write down of a goodwill asset

SKY recorded a write down of Goodwill of $360 million for the year ending 30 June 2018. Even with an accounting degree the concept of Goodwill is not always an easy one to follow.

In the last few years companies in the media sector in Australia have recorded accounting write downs. In one such example one company determined that content it had purchased on a long term deal no longer retained its value to viewers so it wrote down its accounting value. In another case a media company acquired another media company and determined after a few years that the company acquired had lost its value and wrote the purchase price down. You should be aware that the write down of SKY's Goodwill did not originate from your management devaluing any content or companies purchased.

SKY's accounting Goodwill originated when INL, the former newspaper concern, started buying shares in SKY eventually getting to a 78% shareholding. INL sold its newspapers and in 2005 entered into a merger with SKY. It is INL's purchase of SKY shares which created the Goodwill. After the merger transaction was complete, your company inherited the old balance sheet of INL which included the Goodwill figure.

As I mentioned at the start of this letter, the media industry is in transition more than ever before. This is reflected in the outcome of the impairment assessment and the write down of Goodwill of $360 million.

The write down is noncash, not tax deductible and does not affect the underlying profit nor does it affect any banking covenants.

And finally, if all goes according to plan this will be my last CEO letter. I have been with SKY 27 years. While the days have been long the decades have flown by. I have been blessed by having some of the best and most dedicated employees that any CEO in New Zealand could have. I also want to thank all Directors and particularly the Chairmen I have been able to serve under. I also believe the challenges from reporters, Investment Analysts and Investors throughout the years made me a better CEO. Likewise I have become good friends over the years with Sport Administrators and Content providers. We never allowed conflicting agendas to get in the way of the true goal, getting great content to mutual customers. And finally, to my long suffering family who over the years put up with missed family gatherings and two hour breaks on our vacations in order for me to sit in on phone conference calls, I would have not made it without your support.

John Fellet
Chief Executive Officer

CATCHING
IT LIVE

Exclusive world class sport

SPORT KIWIS LOVE

We love sport at SKY and we have the sport that Kiwis love to watch, week in week out, 365 days a year.

SKY invests millions of dollars in local and international sport content each year. We produce and broadcast some of New Zealand's favourite sport including rugby, netball, cricket and rugby league. We're equally as pleased to offer all of the other sport in our stable, with 791 different contracts making up the SKY Sport package. From football to motorsport, basketball to surfing, darts to snooker, SKY Sport prides itself on having something that appeals to every sport fan, anywhere in New Zealand.

The best of LIVE sport

Over the past year, SKY Sport and the Rugby Channel have broadcast an enormous 17,178 hours of LIVE sport. There has been on average 330 hours of LIVE sport per week with an average of 47 hours of LIVE sport per day.

Saturday 24th of March 2018 might well have been SKY Sport's single biggest LIVE sport day ever. Featuring an action-packed 77 hours and 15 minutes of LIVE content scheduled across SKY Sport channels, there truly was something for every sport fan.

Highlights included LIVE coverage of the Black Caps, Warriors, Silver Ferns, Super Rugby, Formula 1, Supercars, LPGA, cycling, snooker and A-League.

2018 saw the PyeongChang Winter Olympics hit New Zealand's summer like a blizzard and thanks to our outstanding team, no sport was left in the cold with 636 LIVE hours and 2,162 total hours across seven SKY Sport channels, including six designated Pop-up channels.

Committed to local

We bring the best sporting experiences from around the world, but our special passion is local New Zealand sport. We're on the ground, on the sidelines, in the water, in the air, filming, interviewing, producing and broadcasting LIVE local sport.

Every day, our talented team of SKY crew and contractors are on the move, up and down the country, working to ensure our world class reputation for sport production continues to deliver an unrivalled local sport experience to our customers. Over the past year our team has certainly covered some distance, and with that comes a huge logistics job; 5,000 flights, 2,000 rental cars and 8,200 nights of accommodation bookings, to be exact.

IN THE PAST FINANCIAL YEAR, SKY SPORT HAS PRODUCED 400 ONSITE BROADCASTS UP AND DOWN NEW ZEALAND AND AIRED 5,623 LIVE EVENTS.

400
onsite broadcasts

5,623
LIVE events

330
average amount of hours of LIVE sport per week

The team are usually the first there and the last to leave, and when the television is switched off, they are busy unpacking, loading up and finally getting a good night's rest before moving onto the next job.

Behind the microphone and in front of the camera, the SKY Sport team has 70 regular presenters, commentators and experts who bring educated and insightful analysis for our sport fans, no matter the code.

Celebrating our sport heroes

SKY Sport plays an integral role in celebrating New Zealand sporting excellence by filming and producing awards shows such as the Halberg Awards, NZ Cricket Awards and NZ Rugby Awards. We also provide our customers with 13 locally produced sport shows, including four new shows in the last 12 months.

SKY Sport produced a number of local sporting documentaries throughout the year, including; *Joseph Parker Metamorphosis*, which saw the SKY team become part of the Parker camp before his world title fight, *Wayne Smith – For the Love of the Game*, which celebrated one of New Zealand's greatest ever coaches and *Pre-Season with the Warriors*, a gritty and revealing two-part series that followed the Vodafone Warriors as they prepared for the 2018 NRL season.

Our customers love getting to know their favourite players and sport teams, so we have plenty more documentaries planned and in production.

Adding to the line up

SKY's commitment to delivering exclusive LIVE sport, 52 weeks of the year means our acquisitions team are constantly working to bring the world's best sport content to SKY Sport customers. Some of the recent deals and renewals that SKY Sport has exclusively secured include the All Blacks, Black Ferns and Maori All Blacks end of year tours, the best of European football in the UEFA Champions League, The FA Cup, the Australian Open, the French Open, the Youth Olympic Games, Super League and Moto GP.

Over the past year, the SKY Sport team has been responsible for some of New Zealand's biggest sporting events, including:

- DHL Lions Series
- Olympic Winter Games PyeongChang 2018
- Investec Super Rugby
- ASB Classic
- All Blacks domestic tests
- Black Caps domestic tests
- ANZ Premiership
- Beko Premiership
- International Netball
- NBL Basketball
- Super Smash Cricket
- NRL Premiership
- Farah Palmer Cup
- Mitre 10 Cup
- Rugby League World Cup
- FIH Hockey World League Final
- All Whites FIFA Qualifier
- U19 Cricket World Cup
- 1st XV Rugby
- Asia-Pacific Amateur Championship Golf
- McKayson NZ Women's Open
- The Halberg Awards
- NZ Rugby Awards
- NZ Cricket Awards

DELIVERING THE BEST

Exclusive world class entertainment

ACCESS TO THE VERY BEST

Getting Kiwis the content they want, when and how they want to watch it, is what SKY is all about.

Our dedicated specialist programming team delivers our customers the very best content from across the globe, whether it's the hottest drama, the latest movie or the best affiliate channels available. Our programmers, acquisitions and channel portfolio specialists have strong relationships with the world's best studios and content providers, ensuring SKY is the only broadcaster that satisfies every Kiwi's viewing needs.

SKY's owned channels are purpose-built from the ground up with a dedicated team working with hundreds of international suppliers to acquire content that appeals to all of our customers. Whether it's the greatest hits of classic TV on JONES!, premium drama on SoHo, or in-depth local documentaries on Prime, our team hand pick and schedule our content specifically for a local audience to give SKY customers the best possible viewing experience.

SKY's movie offerings are second to none in New Zealand. We have exclusive partnerships with every international film studio, making SKY the only place in New Zealand where you can see all the latest movies from Warner Bros, Universal, Disney, Sony, MGM, Roadshow, Fox and Paramount for one flat fee. With a mix of blockbuster, independent and festival films that entertain, excite and inform, there are also specialist Pop-up channels for school holidays and events. SKY Movies customers now have instant access to hundreds of movies through SKY On Demand and SKY GO meaning there's no waiting on scheduled times, they're ready to watch at any time.

From our longest-standing channel partner Discovery to our newest, VICELAND, our slate of affiliate channels covers every customer segment and offers the deepest catalogue of factual, documentary and news content available in New Zealand.

GETTING KIWIS THE CONTENT THEY WANT, WHEN AND HOW THEY WANT TO WATCH IT, IS WHAT SKY IS ALL ABOUT.

The home of great entertainment and drama

There's drama, and then there's award-winning drama. SKY is the place to get the best drama series like Game of Thrones, Westworld, Ray Donovan, Big Little Lies, Mayans MC and Fargo from the world's best studios – HBO, FX, Warner Bros., Showtime, MGM, BBC and more.

Our relationships with the world's hottest studios mean Kiwis have unparalleled access to the very best content available. But while we might have more Emmy® winners than everyone else, we also cater to the broadest of tastes, with a huge range of entertainment content across our linear and online offerings ensuring that those Kiwis whose idea of a great night in is more Howards End than American Horror Story, have the choice at their fingertips.

Because there's no such thing as one size fits all, SKY's packed with treats for all ages, from fan favourites such as The Flash and DC's Legends of Tomorrow, through to gripping British dramas like Vera and The Bletchley Circle, as well as familiar faces including Criminal Minds and NCIS.

Compelling local stories

Unique New Zealand stories that may not otherwise be heard are a strong part of SKY's entertainment line-up. Our selection of award-winning local documentaries and factual series offers unique insight into our nation of innovators. Such beautifully shot series as Uncharted with Sam Neill, Big Pacific, Ocean Predators and Beneath NZ open up our country and our region, adding enormous value to both our free-to-air channel Prime as well as SKY's linear and online offerings. And as New Zealand's favourite crime fighting duo are about to return to the small screen for a fifth series of The Brokenwood Mysteries, earlier seasons continue to delight audiences across the globe.

With an eye on developments offshore, SKY has also become a foundation member of global commissioning club Atrium TV. Atrium is a consortium of some of the world's key broadcasters and OTT platforms, formed to work with leading writers and producers to create premium, high-profile drama content. The ability to be involved at the grass-roots level of the commissioning of cutting-edge global drama offers SKY the opportunity to not only inject a Kiwi perspective into the development of these projects, but also to ultimately be able to share the results of this collaboration exclusively with local audiences.

BECAUSE THERE'S NO SUCH THING AS ONE SIZE FITS ALL, SKY IS PACKED WITH TREATS FOR ALL AGES.

Understanding our customers

CONNECTING WITH KIWIS

SKY has undertaken extensive research into our customers over the last few years and developed an intricate understanding of the different customer segments we can serve.

Delivering for our different customer segments is at the core of SKY's strategy;

- By understanding our customers we can always help them find something great to watch.
- Our content and experiences are available to all New Zealanders through our range of products and pricing.

We're proud to service

768K CUSTOMERS ACROSS NEW ZEALAND

Our large customer base represents more than

40% OF NEW ZEALAND HOUSEHOLDS

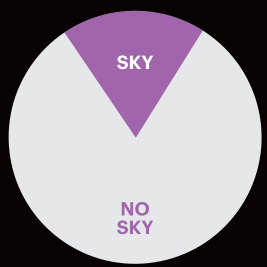
We are committed to building up a strong suite of online products to meet the needs of, and grow those segments who are fully embracing the digital world, while continuing to deliver to, and retain our core customer base, particularly those who don't yet have access to fast internet and rely on the satellite to watch their favourite content.

Our industry is evolving into a world where internet delivery of content will eventually dominate, and we are well placed to transition with it. Over the next few years we anticipate that more customers will transition from our satellite service to our online products, and our goal is to continue to serve them in ways that best meet their needs and budgets.

DARREN

"I view to develop new skills and follow my curiosity."

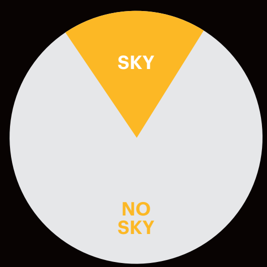
AVID LEARNERS



APRIL

"I'm online a lot. I like to be the first to see trending TV shows and binge on my favourites."

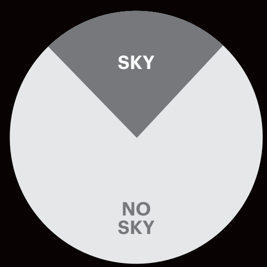
ONLINE ADDICTS



BRAD

"I don't have much time for view video, I prefer to spend time with others."

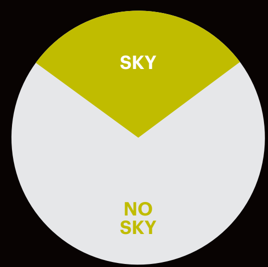
SOCIAL OWL



JACKIE

"I enjoy a little bit of everything nothing too 'out there' though."

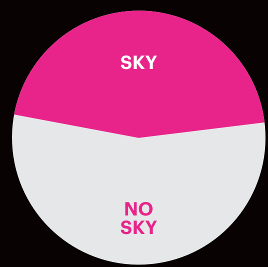
NEUTRAL COUPLES



PREM

"I enjoy viewing as a family and some 'me-time' when I can squeeze it in."

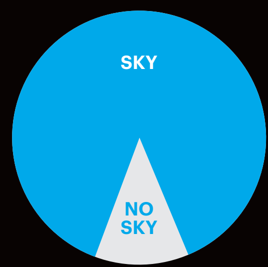
MODERN HOMEMAKERS



ROSS

"I enjoy my sport, my recorded shows and catch up a little online too."

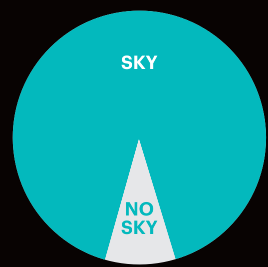
FANATICAL HEARTLANDERS



WAYNE

"I enjoy traditional TV, my regular shows most days, sport and the news."

HABITUAL HEARTLANDERS



Broadening our technology platform

WATCH IT YOUR WAY

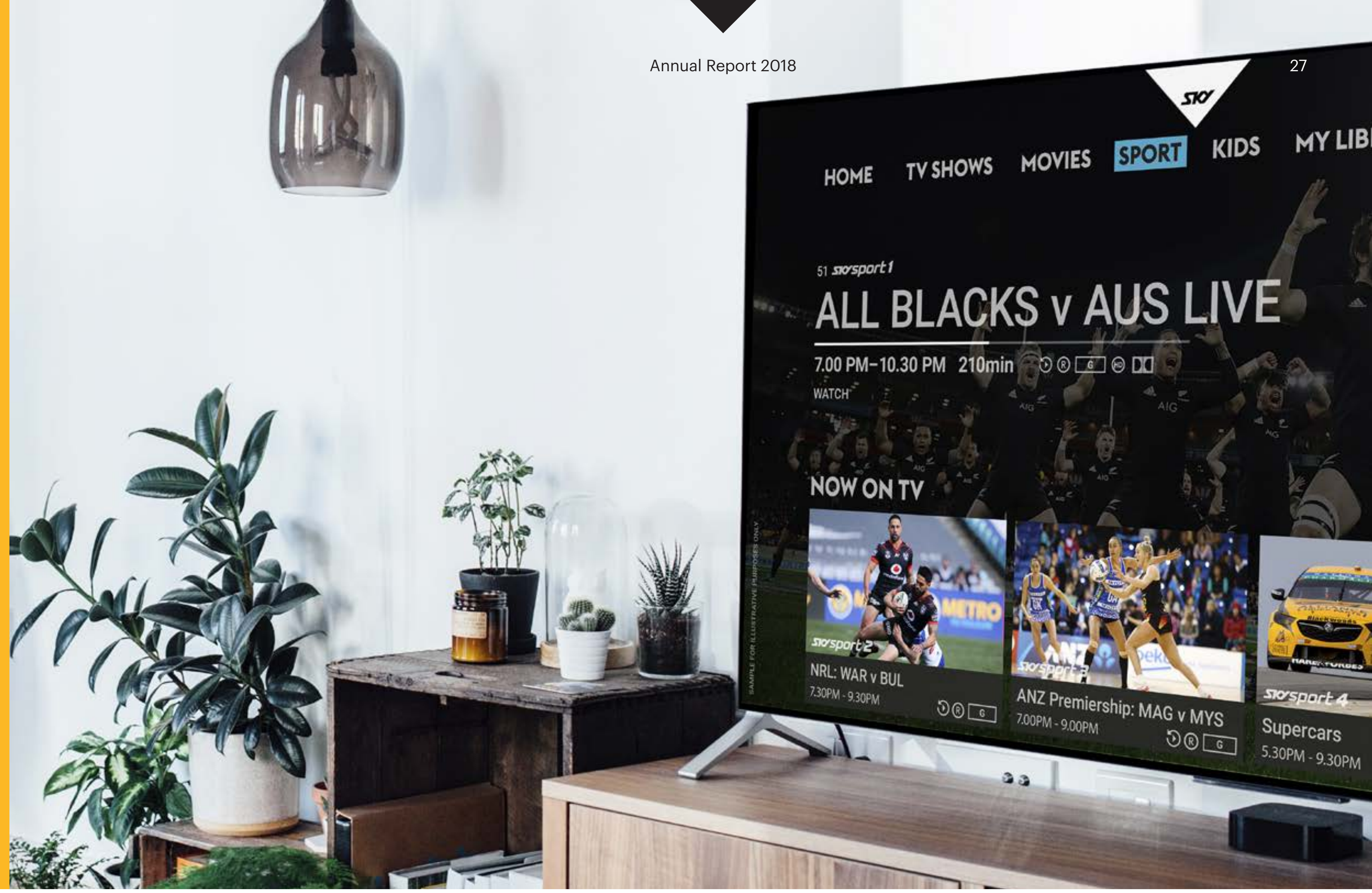
We've continued our focus on giving our customers more control and flexibility over the way they watch.

Whether it's watching the Black Caps live in the backyard, catching up on The Kardashians on the bus, binge-watching Game of Thrones on a rainy day at the bach, or really indulging in premium viewing experiences from the comfort of the sofa, we've been adding extra value for our customers and providing more options to suit our different customer segments.

Giving our customers' freedom

Getting Kiwis the content they want, when and how they want, has seen us develop new ways to offer them the flexibility and freedom to watch it their way.

All customers now have SKY boxes with MY SKY recording functionality available, something a large majority of them have chosen to enable. By connecting their SKY box to the internet, customers can open up a whole new world of possibilities and make it easy to get the most from a SKY subscription. We've continued to improve our SKY On Demand service with the introduction of more on demand content – thousands of movies, Box Sets and Catch Up content is available to watch when customers want, at no extra cost to their SKY subscription.



As well as adding more on demand content, we've extended our movie rental library with hundreds of additional titles, be they blockbusters or classics, available to rent instantly at the touch of a button. To further improve the viewing experience for our customers we've extended the TV Guide to show up to 28 days of content, and added a restart feature to five of our SKY Movies channels, which enables our customers to start over if they miss the beginning of a movie.

Our range of Apps gives our customers even more value and further enhances the TV experience.

We've made it easier for those who like to have their TV favourites at their fingertips 24/7 with a major refresh of the SKY GO App. It features a new easy-to-navigate interface, 24 channels streaming live and a selection of subscription based Pop-up channels, and we have now included a large choice of Catch Up TV, Box Sets and SKY On Demand content on mobile & tablet. Plus with daily top suggestions, hand-picked by our local programing teams, there's no chance of missing out on a brand new show or the return of a favourite.

Our SKY TV Guide App has also been enhanced – giving customers the ability to access up to 28 days of our guide and record a full series to their SKY box at the touch of an icon.

When they're away from the TV, customers with children can now unlock games, clips and extra kids content via the Cartoon Network Watch and Play App and the Nickelodeon Play App.

Sport fans have been enjoying our SKY Sport Highlights App for more than a year, and can now personalise their news feed to display the latest content just from their favourite sport.

We're delivering on our commitment to ensure our content and experiences are available to all New Zealanders through our range of products and pricing. No matter what their budget, customers can access great TV through SKY. This year we revised our pricing and packaging, offering SKY Starter at less than $25 and making SKY Sport more accessible from $55 a month. Our internet-delivered content services NEON and FAN PASS continue to offer flexible pricing. For those who like great TV, NEON TV is now $11.99 a month, and upgradable to NEON TV & Movies for only $20 a month adding access to the latest blockbusters and a range of library titles.

Sport Fans can enjoy SKY Sport channels 1 to 4 and highlights on demand via FAN PASS from $15.99 per month on mobile only or monthly passes across a range of screens from $55.99 per month.

Looking to the future

Continuing SKY's innovation journey, we're investing further in internet delivered TV through a new system based on the Cisco Infinite Video Platform. Through new and existing devices, we'll enable a whole new experience, getting customers to the content they love more quickly, with personalised recommendations and a content-led, image-rich user experience.

We've always aggregated our own content with the world's leading entertainment brands. And we'll continue to do so through a combination of linear channels, on demand content and the best of global and local Apps.

We're building on our voice capability, and will soon allow seamless voice search across all content delivered via our enhanced TV service. Our new fluid viewing capability means our customers won't follow entertainment, entertainment will follow them from the big screen to their mobile and tablet.

With our world-class TV content and new cutting-edge TV platforms beginning to roll out over the next year, we'll enable our customers to enjoy entertainment and sport like never before.

People and community

MAKING A DIFFERENCE

At SKY, beyond our focus on delivering world class content and products to our customers, we are committed to making a positive impact on our industry, economy and community.

SKY is proud to make a significant social and economic contribution to New Zealand, by supporting more than 1,400 jobs, paying almost $50 million in tax and investing millions into our creative and sporting industries over the past year.

SKY is committed to being a responsible business and maintaining high standards of corporate governance. Our corporate governance practices, policies and procedures can be read in more depth from page 80.

OUR PEOPLE

Central to our organisation is a talented and diverse workforce who share a common set of values and a clear sense of purpose. Our people are crucial to our success as a business. We work hard to ensure that we continue to attract the best, develop skills and make SKY a great place to work.

We support training and development of all of our people with a learning and development framework that has been cultivated to meet the diverse needs of our crew and help them contribute to our company vision. Each learning and development initiative adds value by increasing the capabilities of staff to meet our dynamic business requirements.

As well as planning for, consulting on and executing business-as-usual and project training initiatives, we also have an award winning leadership development programme to equip our leaders with the tools they need to engage their teams, set the direction and deliver results.

In addition to developing our current workforce, we continue to provide work experience opportunities for young New Zealanders – from day visits for students still at school, to internship experiences for university students and graduates. SKY is a Youth Employment Pledge partner, and we work with tertiary institutions like South Seas Film & TV School and The University

Our SKY Crew guiding principles:

WE'RE FANATICAL

We love what we do, because we believe in it. We put our decades of experience producing, curating and watching the world on screen to good use, by sharing with and investing in curious Kiwi minds.

WE'RE KIWI

We're the original pay TV company for New Zealanders, but we'll never put our feet up. We're in tune with our customers. Our culture is not that of a big corporate, but of a collection of Kiwis doing what we love.

WE'RE SWITCHED ON

We work as one, using our experience, skills and imagination to deliver for our customers every day. We embrace change and work together to continually improve and deliver for our customers and as a business.

of Auckland to place students into internships. Our internships provide hands-on experience in a 'real world' Broadcast & Media, Sport or Entertainment role. SKY is proud to have a 50% conversion rate for employing interns.

We want SKY to be a great place to work, and foster a fun, friendly culture. We offer a comprehensive reward and benefits package to all permanent employees, including a range of health and fitness options like onsite yoga and boxing classes, discounted gym memberships and health insurance, school holiday programme subsidies as well as free SKY and NEON.

SKY Crew enjoy the choice of a variety of social sport teams and activities, including football, basketball, dragon boating, touch, running, cricket and table tennis.

This is a fantastic opportunity for staff to interact with people who they don't usually work with on a day-to-day basis. Our SKY Crew Events team organises annual tournaments for football, netball and quiz night.

SKY Crew recognised

In September our SKY contact centre crew were once again recognised as one of New Zealand's top contact centres after taking out first place in four categories at the annual CRM Contact Centre Awards. For the third year in a row, SKY won first place for Customer Support Services in the Industry Sector Awards.

Our crew were also crowned the best in New Zealand for Online Web/Email Customer Service, the best in New Zealand for Customer Retention and SKY's online streaming service NEON won the First Place Diamond Award for Live Chat in NZ.

The wins are testament to the hard work and passion of our Customer Services crew, who are always striving to provide our customers with an effortless customer service experience. We couldn't be prouder that their efforts have once again been recognised.

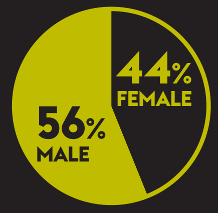
Environment

At SKY whilst we work to deliver for our customers and shareholders, we also consider our impact on the environment. From considering environmental practices when selecting new suppliers, conducting waste audits across departments and recycling our equipment wherever possible, our aim is to reduce our environmental impact by implementing environmental initiatives that ensure SKY meets its environmental responsibilities through a process of continuous improvement. A highlight from the past year has been our Environmental Committee, Earth Sea SKY's successful Smug with your Mug campaign, which encouraged SKY staff to avoid single-use cups for hot drinks in favour of reusable options.

DIVERSITY

We continue to value diversity of gender, skill, age, ethnicity, experience and beliefs at SKY.

Highlights over the past year include:



SKY CREW

SENIOR EXECUTIVES

30+

WOMEN

SKY Sport continues to lead the way with women in front of the camera as well as behind the scenes. SKY has featured more than 30 female faces on our shows and LIVE sport coverage in the last 12 months, and women are working on coverage carrying out such jobs as Camera Operator, Director's Assistant, Production Manager, VT Manager and Floor Manager.

40+

NATIONALITIES REPRESENTED IN OUR WORKFORCE

We held internal celebrations and workshops for events including International Women's Day, Māori Language Week, New Zealand Sign Language Week.

SKY is an Auckland Council Youth Employer Pledge Partner, and this year we were a finalist for the Young At Heart Awards Youth Employer of the Year, and nominated for the Youth Induction and Development Award.

We became a member of Diversity Works New Zealand.

For more on SKY's approach to diversity and SKY's diversity policy, **see page 81.**

OUR COMMUNITY

Making a positive contribution in our local communities is important to us. We have longstanding partnerships with the Starship Foundation and Special Children's Christmas Parties, and are proud of our SKY Crew who get involved wherever they can.

Starship Foundation

The Starship Foundation gives our children better health and brighter futures, and we've been a sponsor since 2001. The Starship National Air Ambulance has been our major fundraising project for the past three years and has enabled our support to go beyond the walls of Starship, into the regions of New Zealand. Donations of hundreds of thousands of dollars, raised by SKY and our community of customers, have been dedicated to this vital service.

Beyond providing much needed funds, we ensure SKY channels are at every Starship bedside to entertain (and sometimes just distract) patients and families during their stay, and donate airtime to help the Foundation generate income so that Starship can accellerate world-class healthcare for our children. We also love working with the Foundation to help bring magic moments to Starship, our favourites being holding special movie nights and donating toys for Starship patients at Christmas.

Special Children's Christmas Parties

Each year over 175 SKY Crew members throw on reindeer ears and Santa hats to help bring some joy to more than 10,000 special Kiwi kids at the six Special Children's Christmas Parties held across New Zealand. A day filled with bouncy castles, games and gifts for kiwi kids in need, SKY is proud to have been a supporter of Special Children's Christmas Parties for 12 years, and the naming rights sponsor since 2016.

Photo credit: Tristan Meulenbroeks

Board of Directors

PETER MACOURT

CHAIRMAN

Mr Macourt was appointed as chairman of the SKY board in August 2002. He is a director of Prime Media Limited, Foxtel Management Limited and Virtus 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, 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.

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 and has over 37 years of experience in the pay television industry, including ten years of experience with Telecommunications Inc. in the United States.

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 Steel and Tube Holdings Limited and Theta Systems Limited, and a director of Goodman NZ, Arvida Group and Les Mills NZ Limited. She is also a Member of the Electricity Authority, Chair of Home of Cycling (Avantidrome), and past director or Chair of a number of commercial infrastructure and growth companies and not for profit entities including Transpower New Zealand, Abano Healthcare, Airways Corporation, Housing New Zealand, Auckland Hockey, the NZ Eco-Labelling Trust, St. Cuthbert's College and EECA. In 2015 Ms Paterson was made an Officer of the New Zealand Order of Merit for her services to corporate governance.

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 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.

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 and Singularity University.

MIKE DARCEY

DIRECTOR

With an extensive track record of strategy and delivery across television, publishing, telecommunications and retail, Mr Darcey was appointed to the board in September 2017. A New Zealander, he has lived and worked in the UK since 1989. Fifteen of those years were spent at SKY UK, initially as the Director of Strategy, then six years as Chief Operating Officer. He played a prominent role in most of Sky UK's major strategic decisions and its major commercial and regulatory dealings during this period. From 2013 to 2015 Mr Darcey was CEO of News UK and since 2015, Mr Darcey has provided strategic advisory services to media companies, including OSN, the main pay TV business in the Middle East (based in Dubai) and Digea, the association of free broadcasters in Greece. Mr Darcey has also advised on media issues in the UK, Germany, Russia and South Africa.

OUR CHANNELS

As at 30 June 2018

KEY

Created and produced by SKY

SKY STARTER

SKY ENTERTAINMENT

SKY SPORT

SKY MOVIES

PREMIUM CHANNELS

weekends only (268-270)

SKY APPS

OTHER

4 PPV Movie Channels

1 PPV Event Channel

ON DEMAND

14 Audio Music Channels

3 PPV Adult Channels

^ SoHo is on us for customers who take SKY Entertainment and SKY Sport and/or SKY Movie packages.

2018 Financials

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Financial overview

Summary

The net loss after tax for the year ended 30 June 2018 is $240.7 million compared to a net profit after tax of $116.3 million in the previous year.

The net loss includes an impairment charge of $360 million. If SKY's 2018 results are adjusted for the impact of this $360 million impairment charge, the underlying net profit after tax is $119.3 million, an increase of 2.6% over the $116.3 million net profit after tax reported in the year ended 30 June 2017.

The SKY board is required to assess the fair value of intangible assets at each reporting period and if this is determined to be less than the book value, then the assets are impaired. The impairment charge reduces the net book value of SKY's equity at 30 June 2018 to $1.03 billion ($2.64 per share) compared to $1.33 billion ($3.41 per share) at 30 June 2017. SKY shares closed at $2.60 per share on 30 June 2018. This goodwill asset arose on the merger of Independent Newspapers Ltd ("INL") and SKY back in June 2005 and reflected the difference between the fair value of SKY's assets at the date of the merger and the price that INL shareholders agreed to exchange their shares in INL for SKY shares. This is a non-cash charge that has no impact on SKY's 2018 cash flows or on any of its bank covenants.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") decreased by 2.2% to $285.8 million.

Operating expenses decreased by 7.9% due to cost saving initiatives being rolled out throughout the business, as well as higher programming costs in the previous year due to the cost of the Rio Summer Olympics.

The results are summarised as follows:

For the years ended 30 June

IN NZD MILLIONS	2018	2017	% inc/(dec)
Financial performance data			
Total revenue	839.7	893.5	(6.0)
Total operating expenses	553.9	601.2	(7.9)
EBITDA	**285.8**	**292.3**	**(2.2)**
Less			
Depreciation and amortisation	102.4	105.1	(2.6)
Net finance costs	17.5	19.6	(10.7)
Net profit before income tax and impairment of goodwill	**165.9**	**167.6**	**(1.0)**
Impairment of goodwill	360.0	–	n/a
Income tax expense	46.6	51.3	(9.2)
(Loss)/profit after tax	**(240.7)**	**116.3**	**(307.0)**

Revenue analysis

SKY's total revenue decreased to $839.7 million, as follows:

For the years ended 30 June

IN NZD MILLIONS	2018	2017	% inc/(dec)
Satellite subscription revenue	681.2	725.1	(6.1)
Other subscription revenues	84.7	82.2	3.0
Total subscription revenue	**765.9**	**807.3**	**(5.1)**
Advertising	57.1	68.1	(16.2)
Installation and other revenue	16.7	18.1	(7.7)
Total other revenue	**73.8**	**86.2**	**(14.4)**
Total revenue	**839.7**	**893.5**	**(6.0)**

Satellite subscription revenue decreased by 6.1% to $681.2 million due to fewer satellite customers, a lower uptake of premium services (Sport and Movies), lower pay-per-view buys, and a reduction in the price of SKY's basic entry level package.

Other subscription revenue includes commercial revenue earned from SKY subscriptions at hotels, motels, restaurants and bars throughout New Zealand and revenue from other subscriptions services such as NEON and, FAN PASS. This revenue increased 3.0% to $84.7 million in 2018 due mainly to an increase in subscriber numbers for NEON and FAN PASS.

Advertising sales revenue decreased by 16.2% to $57.1 million in 2018 due to a general weakening of market conditions for advertising expenditure and high advertising sales in the prior year relating to the Rio Olympics.

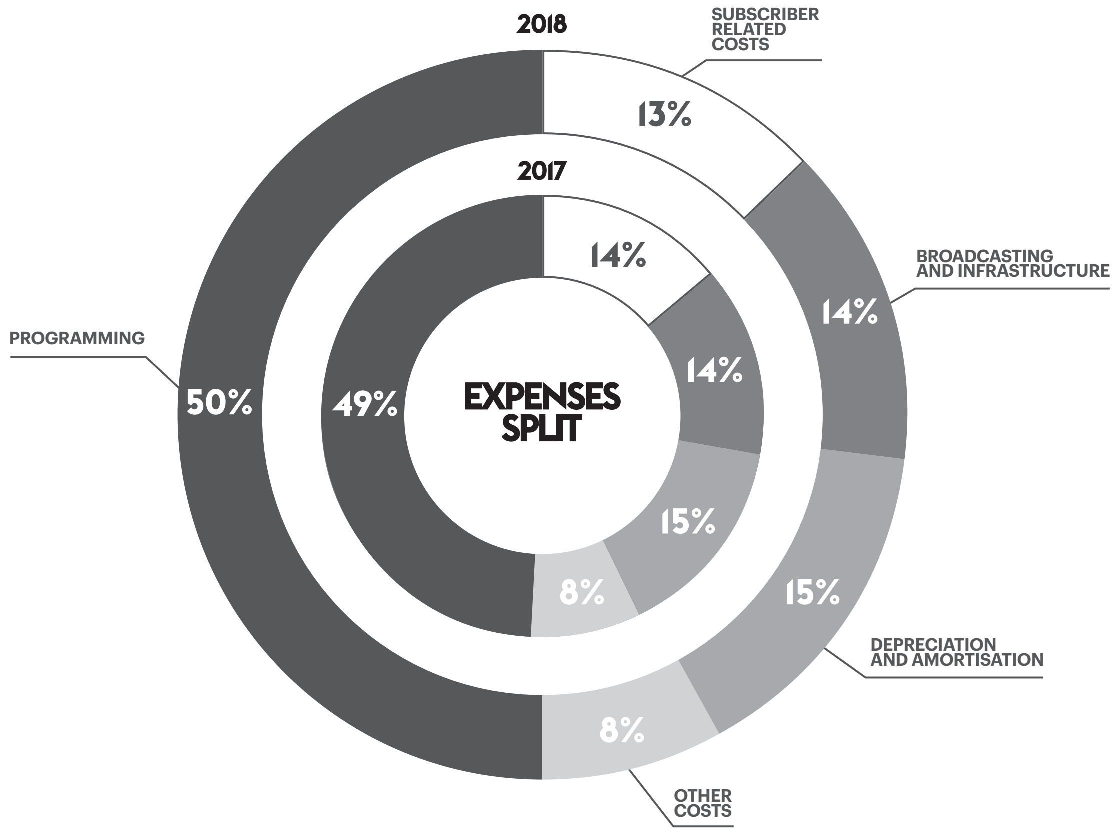
Installation and other revenues decreased by 7.7% to $16.7 million in 2018. This is mainly the result of fewer installations undertaken.

Financial overview

Expense analysis

A further breakdown of SKY's operating expenses for 2018 and 2017 is provided below:

IN NZD MILLIONS	2018	2018 % of revenue	2017	2017 % of revenue	% inc/(dec)
Programming	328.1	39.1	349.4	39.1	(6.1)
Subscriber related costs	83.1	9.9	100.2	11.2	(17.1)
Broadcasting and infrastructure	92.0	11.0	97.6	10.9	(5.7)
Other costs	50.7	6.0	54.0	6.0	(6.1)
Depreciation and amortisation	102.4	12.2	105.1	11.8	(2.6)
Total operating expenses	**656.3**	**78.2**	**706.3**	**79.0**	**(7.1)**



Programming costs comprise both the costs of purchasing programme rights and also programme operating costs. Programme rights costs include the costs of sport 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 sport events, satellite and fibre linking costs and in-house studio produced shows.

SKY's programming expenses have decreased by 6.1% and equated to 39.1% of revenue in 2018. This decrease is principally due to several "one-off" sporting events purchased in 2017 which included the rights costs of the Summer Olympics and the Americas Cup. A significant proportion of SKY's programme rights costs are in Australian dollars (AUD 27% of rights costs) and United States dollars (USD 52% of rights costs). 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 provincial offices.

In 2018, subscriber related costs decreased by 17.1% due to lower employee and contractor costs of supporting a smaller subscriber base, lower trouble calls and decoder repair costs.

Broadcasting and infrastructure costs consist of transmission and linking costs for transmitting SKY and Prime'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 decreased by 5.7% to $92.0 million due a decrease in employee costs.

Other costs mainly include advertising costs and the overhead costs relating to corporate management. These costs have decreased by 6.1% to $50.7 million due to a reduction in ad agency costs related to lower advertising revenue.

Depreciation and amortisation costs include depreciation charges for subscriber equipment including satellite dishes and decoders owned by SKY and fixed assets such as television station facilities. Depreciation and amortisation costs have decreased by 2.6% to $102.4 million due principally to an aging decoder base and fewer installations.

Finance costs, net have decreased by 10.7% to $17.5 million. The reduction in interest is due to reduced levels of debt. SKY's weighted average interest rates are as follows:

	2018	2017
Bank loans	5.58%	5.36%
Bonds	6.18%	6.04%
Combined weighted average	**5.79%**	**5.65%**

Capital expenditure

SKY's capital expenditure, on a cash basis over the last five years is summarised as follows:

IN NZD MILLIONS	2018	2017	2016	2015	2014
Subscriber equipment	9.2	19.7	63.8	22.8	20.6
Installation costs	18.8	29.3	32.6	29.7	36.9
Other	30.2	30.7	32.4	63.0	35.5
Total capital expenditure	**58.2**	**79.7**	**128.8**	**115.5**	**93.0**

Capital expenditure decreased by $21.5 million in 2018 to $58.2 million.

The reduction in capital expenditure in both subscriber equipment and installation costs is reflective of the significant expenditure that was made in prior years when the new internet enabled decoders were rolled out to replace the old legacy digital decoders and fewer installations.

Other capital expenditure of $30.2 million included $14.6 million of software additions, $2.2 million of other plant and equipment, as well as $13.4 million of capital work in progress.

Financial trends

Income statement – five year summary

IN NZD 000	2018	2017	2016	2015	2014
For the year ended 30 June					
Total revenue	839,729	893,485	928,200	927,525	909,001
Total operating expenses [(1)]	553,919	601,145	602,914	547,756	529,961
EBITDA [(2)]	**285,810**	**292,340**	**325,286**	**379,769**	**379,040**
Less					
Depreciation, amortisation and impairment [(3)]	462,414	105,148	100,241	119,194	126,143
Net interest expense and financing charges	17,576	20,470	19,684	21,696	27,097
Unrealised (gains)/losses on currency and other	(66)	(850)	371	–	1,293
Net (loss)/profit before income tax [(3)]	**(194,114)**	**167,572**	**204,990**	**238,879**	**224,507**

Balance sheet – five year summary

IN NZD 000	2018	2017	2016	2015	2014
As at 30 June					
Property, plant, equipment and non-current intangibles	268,925	301,008	331,157	299,243	302,929
Goodwill	1,065,331	1,425,331	1,425,331	1,425,331	1,426,393
Total assets	1,503,002	1,887,200	1,943,564	1,942,021	1,865,369
Interest bearing loans and liabilities	235,344	298,663	348,085	350,763	387,191
Working capital [(4)]	(51,708)	(54,035)	(35,230)	(36,285)	(48,325)
Total liabilities	476,315	559,322	612,641	604,818	624,205
Total equity	1,026,687	1,327,878	1,330,923	1,337,203	1,241,164

Cash flow – five year summary

IN NZD 000	2018	2017	2016	2015	2014
As at 30 June					
Net cash from operating activities	213,613	244,536	275,844	282,915	305,314
Net cash used in investing activities	(58,194)	(79,640)	(133,635)	(115,416)	(93,672)
Free cash flow available to shareholders	155,419	164,896	142,209	167,499	211,642

(1) Exclusive of depreciation, amortisation and impairment.

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

(3) Includes goodwill impairment of $360 million (refer note 9).

(4) Working capital excludes current borrowing, bonds, derivative financial instruments and available for sale investment.

Depreciation and capital expenditure

IN NZD 000	2018	2017	2016	2015	2014
Depreciation, amortisation and impairment [(1)]	102,414	105,148	100,241	119,194	126,143
Capital expenditure	58,200	79,700	128,800	115,500	93,000

History of dividend payments

BY CALENDAR YEAR IN CENTS PER SHARE	2018	2017	2016	2015	2014
Interim dividend (paid in March)	7.5	15.0	15.0	15.0	14.0
Final dividend (paid in September)	–	12.5	15.0	15.0	15.0
Total ordinary dividend	**7.5**	**27.5**	**30.0**	**30.0**	**29.0**

Subscriber base

	2018	2017	2016	2015	2014
Total subscribers	767,727	824,782	852,679	851,561	865,055
Average monthly revenue per residential subscriber [(2)]	76.34	78.82	78.63	79.54	77.52
Gross churn [(3)]	15.4%	15.9%	17.5%	14.5%	13.2%

(1) Excludes goodwill impairment of $360 million.

(2) Years 2016-2018 include IGLOO, NEON and FAN PASS not included in earlier periods.

(3) 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 2018 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 2018.

The board of directors of Sky Network Television Limited authorise these financial statements for issue on 23 August 2018.

For and on behalf of the board of directors

Peter Macourt
Chairman

Susan Paterson
Director

23 August 2018

Consolidated statement of comprehensive income

For the year ended 30 June 2018

IN NZD 000	Notes	2018	2017
Total revenue	2	**839,729**	**893,485**
Expenses			
Programming		328,109	349,426
Subscriber related costs		83,168	100,161
Broadcasting and infrastructure		91,982	97,578
Depreciation and amortisation	3	102,414	105,148
Other costs		50,660	53,980
		656,333	**706,293**
Operating profit before impairment		**183,396**	**187,192**
Impairment of goodwill	3	360,000	–
Operating (loss)/profit		**(176,604)**	**187,192**
Finance costs, net	4	17,510	19,620
(Loss)/profit before tax		**(194,114)**	**167,572**
Income tax expense	5	46,560	51,228
(Loss)/profit for the year		**(240,674)**	**116,344**
Attributable to:			
Equity holders of the Company	13	(240,956)	116,026
Non-controlling interests		282	318
		(240,674)	**116,344**
Earnings per share			
Basic and diluted (loss)/earnings per share (cents)	13	(61.92)	29.82
OTHER COMPREHENSIVE INCOME			
(Loss)/profit for the year		(240,674)	116,344
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges		25,131	(5,486)
(Loss)/gain on available for sale investments	1	(646)	2,147
Income tax effect		(6,856)	935
Other comprehensive income/(loss) for the year, net of income tax		**17,629**	**(2,404)**
Total comprehensive (loss)/income for the year		**(223,045)**	**113,940**
Attributable to:			
Equity holders of the Company		(223,327)	113,622
Non-controlling interest		282	318
		(223,045)	**113,940**

Consolidated balance sheet

As at 30 June 2018

IN NZD 000	Notes	2018	2017
Current assets			
Cash and cash equivalents		4,694	5,444
Trade and other receivables	6	63,117	69,475
Available for sale investment	1	6,334	–
Programme rights inventory	7	78,378	79,003
Derivative financial instruments	12	9,917	176
		162,440	**154,098**
Non-current assets			
Property, plant and equipment	8	209,582	238,066
Intangible assets	9	1,124,674	1,488,273
Available for sale investment	1	–	6,552
Derivative financial instruments	12	6,306	211
		1,340,562	**1,733,102**
Total assets		**1,503,002**	**1,887,200**
Current liabilities			
Interest bearing loans and borrowings	11	1,040	–
Trade and other payables	10	186,054	186,187
Income tax payable		11,843	21,770
Derivative financial instruments	12	595	9,038
		199,532	**216,995**
Non-current liabilities			
Interest bearing loans and borrowings	11	234,304	298,663
Deferred tax	5	40,826	37,683
Derivative financial instruments	12	1,653	5,981
		276,783	**342,327**
Total liabilities		**476,315**	**559,322**
Equity			
Share capital	13	577,403	577,403
Hedging reserve	13	9,032	(9,062)
Retained earnings		438,998	758,247
Total equity attributable to equity holders of the Company		**1,025,433**	**1,326,588**
Non-controlling interest		1,254	1,290
Total equity		**1,026,687**	**1,327,878**
Total equity and liabilities		**1,503,002**	**1,887,200**

Peter Macourt
Chairman

Susan Paterson
Director

For and on behalf of the board 23 August 2018.

Consolidated statement of changes in equity

For the year ended 30 June 2018

		ATTRIBUTABLE TO OWNERS OF THE PARENT					
IN NZD 000	Notes	Share capital	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
For the year ending 30 June 2018							
Balance at 1 July 2017		577,403	(9,062)	758,247	1,326,588	1,290	1,327,878
(Loss)/profit for the year		–	–	(240,956)	(240,956)	282	(240,674)
Loss on available for sale investment, net of tax	1	–	–	(465)	(465)	–	(465)
Cash flow hedges, net of tax	13	–	18,094	–	18,094	–	18,094
Total comprehensive (loss)/income for the year		**–**	**18,094**	**(241,421)**	**(223,327)**	**282**	**(223,045)**
Transactions with owners in their capacity as owners							
Dividend paid		–	–	(77,828)	(77,828)	(318)	(78,146)
Supplementary dividends		–	–	(11,113)	(11,113)	–	(11,113)
Foreign investor tax credits		–	–	11,113	11,113	–	11,113
		–	**–**	**(77,828)**	**(77,828)**	**(318)**	**(78,146)**
Balance at 30 June 2018		**577,403**	**9,032**	**438,998**	**1,025,433**	**1,254**	**1,026,687**
For the year ending 30 June 2017							
Balance at 1 July 2016		577,403	(5,112)	757,417	1,329,708	1,215	1,330,923
Profit for the year		–	–	116,026	116,026	318	116,344
Gain on available for sale investment, net of tax	1	–	–	1,546	1,546	–	1,546
Cash flow hedges, net of tax	13	–	(3,950)	–	(3,950)	–	(3,950)
Total comprehensive income for the year		**–**	**(3,950)**	**117,572**	**113,622**	**318**	**113,940**
Transactions with owners in their capacity as owners							
Dividend paid		–	–	(116,742)	(116,742)	(243)	(116,985)
Supplementary dividends		–	–	(15,330)	(15,330)	–	(15,330)
Foreign investor tax credits		–	–	15,330	15,330	–	15,330
		–	**–**	**(116,742)**	**(116,742)**	**(243)**	**(116,985)**
Balance at 30 June 2017		**577,403**	**(9,062)**	**758,247**	**1,326,588**	**1,290**	**1,327,878**

Consolidated statement of cash flows

For the year ended 30 June 2018

IN NZD 000	Notes	2018	2017
Cash flows from operating activities			
(Loss)/profit before tax		(194,114)	167,572
Adjustments for:			
Depreciation and amortisation	3	102,414	105,148
Impairment of goodwill	3	360,000	–
Unrealised foreign exchange loss/(gain)	4	7	(212)
Interest expense	4	17,756	21,010
Bad debts and movement in provision for doubtful debts	3	1,185	1,732
Other non-cash items		83	415
Movement in working capital items:			
(Decrease)/increase in receivables		439	(2,204)
Decrease in payables		(9,320)	(7,749)
Decrease in programme rights		625	762
Cash generated from operations		**279,075**	**286,474**
Interest paid		(15,766)	(22,704)
Bank facility fees paid		(696)	(725)
Income tax paid		(49,000)	(18,509)
Net cash from operating activities		**213,613**	**244,536**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		29	42
Acquisition of property, plant, equipment and intangibles		(58,223)	(79,682)
Net cash used in investing activities		**(58,194)**	**(79,640)**
Cash flows from financing activities			
Repayment of borrowings – bank loan	11	(166,000)	(111,000)
Advances received – bank loan	11	97,000	261,000
Vendor finance received	11	2,386	–
Repayment of other borrowings	11	(296)	–
Repayment of borrowings – bond		–	(200,000)
Dividend paid to minority shareholders		(318)	(243)
Dividends paid		(88,941)	(132,072)
Net cash used in financing activities		**(156,169)**	**(182,315)**
Net decrease in cash and cash equivalents		(750)	(17,419)
Cash and cash equivalents at beginning of year		5,444	22,863
Cash and cash equivalents at end of year		**4,694**	**5,444**

Notes to the consolidated financial statements

For the year ended 30 June 2018

1. General information

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

SKY Network Television Limited (SKY) is a Company incorporated and domiciled in New Zealand. The address of its registered office is 10 Panorama Road, Mt Wellington, Auckland, New Zealand. The consolidated financial statements of the Group for the year ended 30 June 2018 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 financial statements of the Group have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

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 23 August 2018.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a for-profit entity for the purpose of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply 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	
			2018	2017
SKY DMX Music Limited	Commercial Music	SKY	50.50%	50.50%
SKY Ventures 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 (1)	Non-trading	SKY	100.00%	100.00%
Igloo Limited (2)	Non-trading	SKY	100.00%	100.00%
Believe It Or Not Limited	Entertainment quizzes	SKY	51.00%	51.00%

(1) Ceased trading during the current year

(2) Ceased trading during the prior year

In March 2016 SKY Ventures acquired a 15.78% interest in 90 Seconds Pty Limited (a cloud video production company) for a cost of $4.8 million. In the following year the investment was diluted to 13.54%. This investment is classified as an available for sale financial asset, recognised initially and subsequently at fair value, with changes in fair value recognised in other comprehensive income. The fair value as at 30 June 2018 was $6.3 million (30 June 2017 $6.6 million). The investment has been reclassified to current assets due to its expected realisation in the coming year (refer note 17).

Notes to the consolidated financial statements (CONTINUED)

For the year ended 30 June 2018

1. General information (CONTINUED)

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.

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

The new amendment to NZ IAS 7 effective for the first time for periods beginning on or after 1 January 2017 aims to improve information about changes in liabilities arising from financing activities. This information is provided in Note 11 and provides a reconciliation of the opening and closing carrying amounts for each item for which cash flows have been classified as financial activities and includes changes in financing cash flows comprising drawdowns and repayments and other non-cash changes for example new finance leases and changes in fair value.

The Group is currently assessing the impact of the following new standards on its financial position, performance and cash flows:

NZ IFRS 9 "Financial Instruments" (effective date: 1 January 2018)

NZ IFRS 9 simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss can now be presented within OCI. This change can be adopted early without adopting NZ IFRS 9. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as it the case under NZ IAS 39. It is likely that this will result in earlier recognition of impairment losses.

NZIFRS 9 will impact the classification and measurement of the Group's financial instruments and will require certain additional disclosures and amended hedge documentation. The changes to recognition and measurement of financial instruments and changes to hedge accounting rules are not currently considered likely to have any major impact on the Group's current accounting treatment or hedging activities. Existing hedge documentation has been updated to ensure compliance with NZ IFRS 9.

NZ IFRS 15 "Revenue from contracts with customers" (effective date: 1 January 2018)

NZ IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group will adopt NZ IFRS 15 effective 1 July 2018 with full retrospective application.

The Group has carried out a review of its current sources of revenue with a view to determining whether the requirements of NZ IFRS 15 will result in changes to the Group's current reporting practices, whether those changes will affect the Group's current reporting systems and whether any reclassifications will be required. The Group has identified several sources of revenue which may be affected all of which are unlikely to have a significant effect on the Group's reported revenue or net results. These include installation revenue, customer acquisition costs and discounted services. In addition a review of the agency versus principal considerations in certain third party contracts has indicated that the Group will record revenue on the basis that its relationship with the end customer is as a principal. Revenue and expenses are expected to increase by approximately $11.2 million in the year ending 30 June 2019 and in the comparative period with no effect on the net result, due to reclassification of discounts or commission.

No significant changes to existing systems and processes have been identified as necessary to comply with NZ IFRS 15.

NZ IFRS 16 "Leases" (effective date: 1 January 2019)

NZ IFRS 16 will primarily change lease accounting for lessees; lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest must be recognised on the lease liability. The new standard will be substantively different for current operating leases where rental charges are currently recognised on a straight-line basis and no lease asset or lease obligation is recognised. The standard is effective for accounting periods beginning on or after 1 January 2019. The Group intends to adopt the standard from 1 July 2019.

The Group has assessed the impact of applying NZ IFRS 16 and determined the adjustments to recognise right of use assets and corresponding lease liabilities are likely to be significant. Most of this value relates to the Optus transponder lease which is currently treated as an operating lease for accounting purposes. The estimated ratio of net liabilities to total assets would fall from approximately 3.3 to 3.0.

The adoption of NZ IFRS 16 will not have any significant effect on the Group's banking covenants since adjustment is already in place to treat Optus as if it was a finance lease contract.

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.

Goods and services tax (GST)

The consolidated statement of comprehensive income and consolidated statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the consolidated 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	2018	2017
Residential satellite subscriptions	681,231	725,066
Other subscriptions	84,728	82,247
Advertising	57,045	68,084
Other revenue	16,725	18,088
	839,729	**893,485**

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; and

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 2018

3. Operating expenses

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

IN NZD 000	Notes	2018	2017
Depreciation, amortisation and impairment			
Depreciation of property, plant and equipment [(1)]	8	81,224	87,570
Amortisation of intangibles	9	21,190	17,578
Impairment of goodwill	9	360,000	–
Total depreciation, amortisation and impairment		**462,414**	**105,148**
Bad and doubtful debts			
Movement in provision	6	(290)	165
Net write-off	6	1,185	1,732
Total bad and doubtful debts		**895**	**1,897**
Fees paid to external auditors			
Audit fees [(2)]		409	336
Other services			
Assurance report on regulatory returns		2	3
Other services [(3)]		–	17
Advisory services			
Treasury		28	27
Total fees to external auditors		**439**	**383**
Professional fees in relation to proposed acquisition of Vodafone NZ		21	2,145
Employee costs [(4)]		92,696	97,040
KiwiSaver employer contributions		2,180	2,251
Donations		251	413
Operating lease and rental expenses		36,152	37,939
Related party transactions			
Remuneration of key management personnel (included in employee costs)		11,415	11,949
Directors' fees		615	555
Dividends paid to directors and key management personnel [(5)]		54	56
Total related party transactions		**12,084**	**12,560**

(1) The majority of depreciation and amortisation 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 services comprise reporting on trust deed requirements and on matters related to proposed acquisition of Vodafone NZ.

(4) All employee costs are short-term employee benefits.

(5) The Group's directors and key management personnel collectively had shareholdings of 268,988 shares (2017: 186,778 shares) which carry the normal entitlement to dividends. Share transactions undertaken by directors can be found as part of the statutory disclosures in the annual report.

Leases under which all the risk 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	2018	2017
Finance income		
Interest income	(312)	(540)
	(312)	**(540)**
Finance expense		
Interest expense on bank loans	10,395	10,663
Interest expense on bonds	6,179	9,064
Finance lease interest	50	–
Amortisation of bond costs	272	361
Bank facility finance fees	860	922
Total interest expense	**17,756**	**21,010**
Unrealised exchange loss – foreign currency payables	2,520	812
Unrealised exchange gain – foreign currency hedges	(2,513)	(1,024)
Realised exchange loss/(gain) – foreign currency payables	59	(648)
Realised exchange loss – foreign currency hedges	–	10
	17,510	**19,620**

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 2018

5. Taxation

Income tax expense

The total charge for the year can be reconciled to the accounting (loss)/ profit as follows:

IN NZD 000	2018	2017
(Loss)/profit before tax	(194,114)	167,572
Prima facie tax (credit)/expense at 28%	(54,352)	46,920
Non deductible expenses [1]	101,098	771
Prior year adjustment	(132)	3,537
Other	(54)	–
Income tax expense	**46,560**	**51,228**
Allocated between		
Current tax payable	50,392	48,658
Deferred tax	(3,832)	2,570
Income tax expense	**46,560**	**51,228**

Imputation credits

IN NZD 000	2018	2017
Imputation credits available for subsequent reporting periods based on a tax rate of 28%	100,903	80,158

(1) $100.8 million relates to goodwill impairment.

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.

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	Recognised directly in equity	Total
For the year ended 30 June 2018						
At 1 July 2017		16,168	27,697	(3,259)	(2,923)	37,683
NZ IAS 39 hedging adjustment recognised through other comprehensive income	13	–	–	–	7,037	7,037
Revaluation of available for sale investment recognised through other comprehensive income	1	–	–	–	(62)	(62)
(Credited)/charged to profit and loss		1,375	(5,333)	126	–	(3,832)
Balance at 30 June 2018		**17,543**	**22,364**	**(3,133)**	**4,052**	**40,826**
Deferred tax reversing within 12 months		(5,621)	(7,142)	(3,133)	2,786	(13,110)
Deferred tax to reverse after more than 12 months		23,164	29,506	–	1,266	53,936
		17,543	**22,364**	**(3,133)**	**4,052**	**40,826**
For the year ended 30 June 2017						
At 1 July 2016		11,916	31,117	(4,997)	(1,989)	36,047
NZ IAS 39 hedging adjustment recognised through other comprehensive income	13	–	–	–	(1,535)	(1,535)
Revaluation of available for sale investment recognised through other comprehensive income	1	–	–	–	601	601
(Credited)/charged to profit and loss		4,252	(3,420)	1,738	–	2,570
Balance at 30 June 2017		**16,168**	**27,697**	**(3,259)**	**(2,923)**	**37,683**
Deferred tax reversing within 12 months		701	(6,950)	(3,140)	(1,404)	(10,793)
Deferred tax to reverse after more than 12 months		15,467	34,647	(119)	(1,519)	48,476
		16,168	**27,697**	**(3,259)**	**(2,923)**	**37,683**

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 2017: $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 2018

6. Trade and other receivables

IN NZD 000	Notes	2018	2017
Trade receivables		56,575	61,529
Less provision for impairment of receivables		(636)	(926)
Trade receivables – net		**55,939**	**60,603**
Other receivables		1,300	2,739
Prepaid expenses		5,878	6,133
Balance at end of year		**63,117**	**69,475**
Deduct prepaid expenses		(5,878)	(6,133)
Balance financial instruments	14	**57,239**	**63,342**

	2018		2017	
IN NZD 000	Gross	Impairment	Gross	Impairment
Residential subscribers	32,837	504	34,390	380
Commercial subscribers	5,213	18	5,217	38
Wholesale customers	11,592	–	9,860	–
Advertising	5,197	27	9,219	61
Commercial music	98	21	107	37
Other	1,638	66	2,736	410
	56,575	**636**	**61,529**	**926**

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.

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

	2018			2017		
IN NZD 000	Neither past due nor impaired	Past due but not impaired	Impaired	Neither past due nor impaired	Past due but not impaired	Impaired
Not past due	49,504	–	–	54,013	–	–
Past due 0-30 days	–	5,093	26	–	5,344	80
Past due 31-60 days	–	1,115	15	–	897	23
Past due 61-90 days	–	167	213	–	203	197
Greater than 90 days	–	60	382	–	146	626
	49,504	**6,435**	**636**	**54,013**	**6,590**	**926**

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	2018	2017
Opening balance		926	763
Charged during the year	3	895	1,897
Utilised during the year		(1,185)	(1,734)
Closing balance		**636**	**926**

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 holds collateral in the form of deposits for commercial customers.

7. Programme rights inventory

IN NZD 000	2018	2017
Opening balance	79,003	79,765
Acquired during the year	267,829	286,278
Charged to programming expenses	(268,454)	(287,040)
Balance at end of year	**78,378**	**79,003**

Programme rights are recognised at cost, as an asset in the consolidated balance sheet provided the programme is available and the rights period has commenced at the balance date. Long-term sport rights are executory contracts as the obligation to pay for the rights does not arise until the event has been delivered. Most sport rights contracts are, however, payable in advance and as such, are recognised only to the extent of the portion 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 2018

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 ending 30 June 2018							
Cost							
Balance at 1 July 2017	64,271	139,786	352,918	306,246	81,631	5,228	950,080
Transfer between categories	–	962	–	–	906	(1,868)	–
Transfer to software assets	–	–	–	–	–	(3,032)	(3,032)
Additions	364	550	8,581	18,789	4,850	22,967	56,101
Disposals	(53)	(2,005)	(29,779)	(37,825)	(10,325)	–	(79,987)
Balance at 30 June 2018	**64,582**	**139,293**	**331,720**	**287,210**	**77,062**	**23,295**	**923,162**
Accumulated depreciation							
Balance at 1 July 2017	22,694	122,987	278,757	228,875	58,701	–	712,014
Depreciation for the year	2,112	8,846	30,896	31,459	7,911	–	81,224
Disposals	(53)	(2,005)	(29,554)	(37,822)	(10,224)	–	(79,658)
Balance at 30 June 2018	**24,753**	**129,828**	**280,099**	**222,512**	**56,388**	**–**	**713,580**
Net book value at 30 June 2018	**39,829**	**9,465**	**51,621**	**64,698**	**20,674**	**23,295**	**209,582**
For the year ending 30 June 2017							
Cost							
Balance at 1 July 2016	63,589	155,268	480,382	403,530	81,551	18,655	1,202,975
Transfer between categories	–	2,043	–	–	380	(2,423)	–
Transfer to software assets	–	–	–	–	–	(16,232)	(16,232)
Additions	711	3,457	15,929	29,355	4,234	5,228	58,914
Disposals	(29)	(20,982)	(143,393)	(126,639)	(4,534)	–	(295,577)
Balance at 30 June 2017	**64,271**	**139,786**	**352,918**	**306,246**	**81,631**	**5,228**	**950,080**
Accumulated depreciation							
Balance at 1 July 2016	20,478	135,611	389,194	319,746	54,630	–	919,659
Depreciation for the year	2,244	8,325	32,634	35,767	8,600	–	87,570
Disposals	(28)	(20,949)	(143,071)	(126,638)	(4,529)	–	(295,215)
Balance at 30 June 2017	**22,694**	**122,987**	**278,757**	**228,875**	**58,701**	**–**	**712,014**
Net book value at 30 June 2017	**41,577**	**16,799**	**74,161**	**77,371**	**22,930**	**5,228**	**238,066**

Land, buildings and leasehold improvements at 30 June 2018 includes land with a cost of $8,820,000 (30 June 2017: $8,820,000).

Depreciation related to broadcasting assets (including decoders and capitalised installation costs) of $71,201,000 (30 June 2017: $76,726,000) accounts for the majority of the total depreciation charge. Due to immateriality of the remaining depreciation, no allocation of deprecation has been made across expense categories in the consolidated statement of comprehensive income.

The net book value of assets subject to finance leases totals $3,050,000 (30 June 2017: nil).

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 and 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 $110,000 of capitalised labour costs (30 June 2017: $954,000).

Projects under development comprises expenditure on partially completed assets. The projects include items of property, plant and equipment and intangible assets. At completion of the project the costs are allocated to the appropriate asset categories and depreciation or amortisation commences.

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
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

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 2018

9. Intangible assets

IN NZD 000	Software	Broadcasting rights	Other intangibles	Indefinite life goodwill	Total
For the year ending 30 June 2018					
Cost					
Balance at 1 July 2017	135,690	2,185	3,167	1,426,293	1,567,335
Transfer from projects under development	3,032	–	–	–	3,032
Additions	14,559	–	–	–	14,559
Disposals	(14,398)	(2,185)	(2,084)	–	(18,667)
Balance at 30 June 2018	**138,883**	**–**	**1,083**	**1,426,293**	**1,566,259**
Accumulated amortisation and impairment					
Balance at 1 July 2017	72,837	2,185	3,078	962	79,062
Amortisation for the year	21,134	–	56	–	21,190
Impairment	–	–	–	360,000	360,000
Disposals	(14,398)	(2,185)	(2,084)	–	(18,667)
Balance at 30 June 2018	**79,573**	**–**	**1,050**	**360,962**	**441,585**
Net book value at 30 June 2018	**59,310**	**–**	**33**	**1,065,331**	**1,124,674**
For the year ending 30 June 2017					
Cost					
Balance at 1 July 2016	133,593	2,185	3,167	1,426,293	1,565,238
Transfer from projects under development	16,232	–	–	–	16,232
Additions	16,447	–	–	–	16,447
Disposals	(30,582)	–	–	–	(30,582)
Balance at 30 June 2017	**135,690**	**2,185**	**3,167**	**1,426,293**	**1,567,335**
Accumulated amortisation					
Balance at 1 July 2016	86,607	1,419	3,078	962	92,066
Amortisation for the year	16,812	766	–	–	17,578
Disposals	(30,582)	–	–	–	(30,582)
Balance at 30 June 2017	**72,837**	**2,185**	**3,078**	**962**	**79,062**
Net book value at 30 June 2017	**62,853**	**–**	**89**	**1,425,331**	**1,488,273**

The majority of the amortisation charge relates to broadcasting and infrastructure assets. 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. In the current year testing indicated that the carrying value of goodwill would not be recovered , resulting in an impairment charge of $360 million.

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 on a straight-line basis 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 $6,035,000 of accumulated capitalised labour costs, $5,849,000 of which were incurred in the current year.

Goodwill

IN NZD 000	2018	2017
Opening balance	1,426,293	1,426,293
Impairment	(360,962)	(962)
Closing balance	**1,065,331**	**1,425,331**

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.

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 amount of the cash generating unit (CGU) which is classified within Level 3 of the fair value hierarchy has been determined based on fair value less cost of disposal calculations which include the benefits of proposed changes to the cost structure of the business as SKY leverages new technologies and adapts its operating model, some of which would be excluded from a value-in-use calculation.

Key assumptions used in fair value less cost of disposal calculations

Key assumptions are subscriber numbers, churn rates, foreign exchange rates, expected changes to revenue, costs and capital expenditure, ability to secure key content, including retention of the SANZAAR rugby contract 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, direct costs and capital expenditure are based on past experience and expectations of future changes in the market.

The fair value less cost of disposal calculation is based on the present value of estimated future cash flows, approved by the board, derived from budgets for financial year 2019 and forecasts for the next four years prepared for the impairment model.

The review has resulted in the fair value less cost of disposal calculated falling below the $1.46 billion carrying value of goodwill by $360 million. This impairment loss recognised in the year ended 30 June 2018 reflects the following key assumptions used in SKY's model:

- A further decrease in residential subscribers in total of 57,000 (8.3%) over five years (June 2017 – decrease of 56,000 -7.8%).

  Core residential subscriber numbers have continued to decline in the year to 30 June 2018 and the impairment model has been updated to assume they continue to decline at reducing rates over the five years. The decline in satellite subscribers is partially offset by a growth in retransmission subscribers.

- A decrease in total subscriber ARPU of 17.6% over five years to $62.89 (June 2017 – 0.7% decrease in ARPU to $78.24).

  The lower ARPU assumed in the model reflects the combined impacts of the pricing and product offering changes introduced in March 2018, of SKY wholesaling more of its products to third parties for on-sale and of growth in the number of subscribers to the lower price and lower cost internet delivered products like NEON and FANPASS.

- A decrease in operating costs of $51 million (9.2%) over five years (June 2017 – decrease of $101 million – 16.5%).

  The reduction in future operating cost savings reflects that actual savings of $47 million were achieved in FY18. The current model also treats satellite costs as a finance lease from 1 July 2019, which results in these costs being excluded from future operating costs whereas they were included as operating costs in the June 2017 model. The cash cost of the satellite lease is still reflected in the fair value calculation.

Other key assumptions in the model are:

- Capital expenditure averaging $80 million per annum over the five years reducing to $70 million in 2023.
- A 0% terminal growth assumption and a 9.0% after tax (12.5% pre-tax) discount rate (June 2017 – 0% and 9.0%).
- A weaker NZD to USD exchange rate, reducing to 0.67 from the second year (June 2017 – 0.70).

The forecast continuing reduction in SKY's operating costs reflect the lower customer base and the benefits of cost saving initiatives that have started to be rolled out throughout the business, including savings from using new technology. These reductions have been partially offset by the effect of the weaker NZ dollar on programming costs.

The Group also compares the net book value of equity with the market capitalisation value at the balance date. The share price at 30 June 2018 was $2.60 (prior year $3.45) equating to a market capitalisation of $1.01 billion. This market value excludes any control premium and may not reflect the value of 100% of SKY's equity. The net book value of SKY equity at 30 June 2018 following the $360 million impairment of goodwill is $1.03 billion ($2.64 per share).

Notes to the consolidated financial statements (CONTINUED)

For the year ended 30 June 2018

Sensitivity of recoverable amounts

The assessment of fair value less cost of disposal is most sensitive to the assumptions on the net gain in satellite subscriber numbers, future average revenue per user (ARPU), future cost savings initiatives, the NZD cost of programming rights and the discount rate.

The fair value less cost of disposal calculation would reduce, resulting in a further impairment of goodwill, should there be the following adverse changes in these key assumptions:

- If satellite subscriber numbers fall by a further 5% over five years, there would be an impairment of approximately $185 million.
- If residential subscriber ARPU fell by a further 5% over five years there would be an impairment of approximately $210 million.
- If cash outflows (either through increased operating costs or increased capital expenditure) were higher by 5% over 5 years there would be an impairment of approximately $175 million.
- If the discount rate were higher by 1% there would be an impairment of approximately $130 million.
- If the USD/NZD falls 5% to 0.637 there would be an impairment of approximately $50 million.

10. Trade and other payables

IN NZD 000	Notes	2018	2017
Trade payables		86,103	80,731
Unearned subscriptions and deferred revenue		60,746	64,250
Employee entitlements		14,740	15,559
Accruals		24,465	25,647
Balance at end of year		**186,054**	**186,187**
Less			
Unearned subscriptions and deferred revenue		(60,746)	(64,250)
Balance financial instruments	14	**125,308**	**121,937**

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

11. Borrowings

	2018			2017		
IN NZD 000	Current	Non-current	Total	Current	Non-current	Total
Borrowings	458	132,625	133,083	–	199,685	199,685
Finance lease	582	2,429	3,011	–	–	–
Bonds	–	99,250	99,250	–	98,978	98,978
	1,040	**234,304**	**235,344**	**–**	**298,663**	**298,663**

Repayment terms

IN NZD 000	2018	2017
Less than one year	1,040	–
Between one and five years	234,304	298,663
	235,344	**298,663**

Bank Loans

The Group has a revolving credit bank facility of $300 million (30 June 2017: $300 million) 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. Bank overdrafts of $3,307,000 (30 June 2017: $5,701,000) have been set off against 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 or 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 consolidated statement of cash flows.

Lease liabilities

	2018		
IN NZD 000	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	727	145	582
Between one and five years	2,704	275	2,429
	3,431	**420**	**3,011**

The Group's obligations under finance leases are secured by the lessors' title to the leased assets. The lease terms are for five years ending on 30 November 2022 and 30 June 2023.

Leases in terms of which the Group assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets acquired under finance leases are included as non-current assets in the consolidated 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.

Bonds

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

Terms and conditions of outstanding bonds are as follows:

	2018	2017
	Bond	Bond
Nominal interest rate	6.25%	6.25%
Market yield	4.55%	4.92%
Issue date	31-Mar-14	31-Mar-14
Date of maturity	31-Mar-21	31-Mar-21
IN NZD 000		
Carrying amount	99,250	98,978
Fair value	104,375	104,529
Face value	100,000	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 or loss over the period of the bonds, using the effective interest method. Bonds are classified in the consolidated 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.

Notes to the consolidated financial statements (CONTINUED)

For the year ended 30 June 2018

11. Borrowings (CONTINUED)

Changes in liabilities arising from financing activities

IN NZD 000	1 July 2017	Advances received	Repayment	Fees	Reclass	Change in fair value	30 June 2018
Current liabilities							
Borrowings	–	–	–	–	458	–	458
Finance lease	–	–	–	–	582	–	582
Derivatives – interest rate	2,502	–	(2,502)	–	412	–	412
Non-current liabilities							
Borrowings	199,685	97,000	(166,000)	137	–	–	130,822
Vendor finance	–	2,386	(125)	–	(458)	–	1,803
Finance lease	–	3,182	(171)	–	(582)	–	2,429
Bonds	98,978	–	–	272	–	–	99,250
Derivatives – interest rate	2,796	–	–	–	(412)	(909)	1,475
	303,961	**102,568**	**(168,798)**	**409**	**–**	**(909)**	**237,231**

IN NZD 000	1 July 2016	Advances received	Repayment	Fees	Reclass	Change in fair value	30 June 2017
Current liabilities							
Bonds	199,912	–	(200,000)	88	–	–	–
Derivatives – interest rate	677	–	(677)	–	2,502	–	2,502
Non-current liabilities							
Borrowings	49,468	261,000	(111,000)	217	–	–	199,685
Bonds	98,705	–	–	273	–	–	98,978
Derivatives – interest rate	8,986	–	–	–	(2,502)	(3,688)	2,796
	357,748	**261,000**	**(311,677)**	**578**	**–**	**(3,688)**	**303,961**

12. Derivative financial instruments

		2018			2017		
IN NZD 000	Notes	Assets	Liabilities	Notional amounts	Assets	Liabilities	Notional amounts
Interest rate swaps – cash flow hedges		–	(1,887)	80,000	–	(5,298)	188,000
Interest rate swaps – fair value through profit and loss		117	–	10,000	46	–	10,000
Total interest rate derivatives		**117**	**(1,887)**	**90,000**	**46**	**(5,298)**	**198,000**
Forward foreign exchange contracts – cash flow hedges		14,485	(336)	382,392	324	(8,100)	421,797
Forward foreign exchange contracts – dedesignated		1,621	(25)	36,442	17	(1,621)	46,584
Total forward foreign exchange derivatives		**16,106**	**(361)**	**418,834**	**341**	**(9,721)**	**468,381**
		16,223	**(2,248)**	**508,834**	**387**	**(15,019)**	**666,381**
Analysed as:							
Current		9,917	(595)	266,054	176	(9,038)	361,286
Non-current		6,306	(1,653)	242,780	211	(5,981)	305,095
		16,223	**(2,248)**	**508,834**	**387**	**(15,019)**	**666,381**
Derivatives used for hedging – cash flow hedges	14	14,485	(2,223)	462,392	324	(13,398)	609,797
At fair value through profit or loss	14	1,738	(25)	46,442	63	(1,621)	56,584
		16,223	**(2,248)**	**508,834**	**387**	**(15,019)**	**666,381**

Exchange rates

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

	2018	2017
USD	0.6774	0.7315
AUD	0.9147	0.9530
GBP	0.5128	0.5623
EUR	0.5793	0.6402
JPY	74.9807	81.9792

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 $16,233,000 (2017: $387,000).

Exposure to currency risk

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

	2018			2017		
IN NZD 000	USD	AUD	Other	USD	AUD	Other
Foreign currency payables	(27,787)	(16,668)	(882)	(28,822)	(17,918)	–
Dedesignated forward exchange contracts	21,592	14,850	–	29,921	16,664	–
Net balance sheet exposure	**(6,195)**	**(1,838)**	**(882)**	**1,099**	**(1,254)**	**–**
Forward exchange contracts (for forecasted transactions)	223,652	158,740	–	273,746	147,082	968
Total forward exchange contracts	**245,244**	**173,590**	**–**	**303,667**	**163,746**	**968**

Sensitivity analysis

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

	10% rate increase		10% rate decrease	
IN NZD 000 gain/(loss)	Equity	Profit or loss	Equity	Profit or loss
As at 30 June 2018				
Foreign currency payables				
USD	–	2,526	–	(3,087)
AUD	–	1,823	–	(2,229)
Foreign exchange hedges				
USD	(20,058)	(2,058)	24,515	2,515
AUD	(14,353)	(1,385)	17,544	1,692
	(34,411)	**907**	**42,059**	**(1,109)**
As at 30 June 2017				
Foreign currency payables				
USD	–	2,622	–	(3,205)
AUD	–	2,025	–	(2,475)
Foreign exchange hedges				
USD	(23,707)	(1,725)	29,048	2,110
AUD	(12,936)	(1,475)	15,822	1,803
Other	(85)	–	103	–
	(36,728)	**1,447**	**44,973**	**(1,767)**

Notes to the consolidated financial statements (CONTINUED)

For the year ended 30 June 2018

12. Derivative financial instruments (CONTINUED)

Interest rates

During the year ended 30 June 2018, interest rates on borrowings varied in the range of 3.3% to 6.5% (2017:3.2% to 6.5%).

The Group's interest rate structure is as follows:

IN NZD 000	Notes	2018 Effective interest rate	2018 Current	2018 Non-current	2017 Effective interest rate	2017 Current	2017 Non-current
Assets							
Cash and cash equivalents		3.87%	4,694	–	2.31%	5,444	–
Liabilities							
Borrowings	11	5.58%	(458)	(132,625)	5.36%	–	(199,685)
Financial leases	11	6.15%	(582)	(2,429)	–	–	–
Bonds	11	6.18%	–	(99,250)	6.04%	–	(98,978)
Derivatives							
Floating to fixed interest rate swaps		–	20,000	60,000	–	108,000	80,000
Fixed to floating interest rate swaps		–	–	10,000	–	–	10,000
			23,654	**(164,304)**		**113,444**	**(208,663)**

Gains and losses recognised in the hedging reserve in equity (note 13) on interest rate hedges as at 30 June 2018 will be continuously released to profit or loss within finance cost until the repayment of the bank borrowings and bonds. In the prior year the revolving credit facility was utilised to repay the bond. The interest rate swap designated to the bond were designated 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 Equity	100 BP increase Profit or loss	100 BP decrease Equity	100 BP decrease Profit or loss
As at 30 June 2018				
Variable rate instruments - bank loans	–	(1,260)	–	1,260
Interest rate hedges - cash flow	698	–	(709)	–
	698	**(1,260)**	**(709)**	**1,260**
As at 30 June 2017				
Variable rate instruments - bank loans	–	(1,938)	–	1,938
Interest rate hedges - cash flow	1,710	–	(1,762)	–
	1,710	**(1,938)**	**(1,762)**	**1,938**

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 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 or loss. The amounts accumulated in equity are either released to profit or loss or used to adjust the carrying value of assets purchased. For example, when hedging forecast purchase 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 or loss.

Amounts accumulated in the hedging reserve in equity on interest rate swaps are recycled in profit or loss in the periods when the hedged item affects profit or 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 or 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 or 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 or 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 or loss. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

13. Equity

Share capital

	Number of shares (000)	Ordinary shares (NZD 000)
Shares on issue at 30 June 2018 and 30 June 2017	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.

	2018	2017
(Loss)/profit after tax attributable to equity holders of Parent (NZD 000)	(240,956)	116,026
Weighted average number of ordinary shares on issue (000)	389,140	389,140
Basic (loss)/earnings per share (cents)	**(61.92)**	**29.82**
Underlying earnings per share		
(Loss)/profit after tax attributable to equity holders of Parent (NZD 000)	(240,956)	116,026
Adjust goodwill impairment	360,000	–
Underlying profit after tax attributable to equity holders of the parent	**119,044**	**116,026**
Weighted average number of ordinary shares on issue (000)	389,140	389,140
Underlying earnings per share (cents)	**30.59**	**29.82**
Weighted average number of ordinary shares	**Number**	**Number**
Issued ordinary shares at beginning of year	389,139,785	389,139,785
Issued ordinary shares at end of year	389,139,785	389,139,785
Weighted average number of ordinary shares	**389,139,785**	**389,139,785**

Diluted earnings per share

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

Notes to the consolidated financial statements (CONTINUED)

For the year ended 30 June 2018

13. Equity (CONTINUED)

Hedging reserve

IN NZD 000	Notes	2018	2017
Balance at 1 July		(9,062)	(5,112)
Cash flow hedges			
Revaluation		14,258	(11,189)
Transfer to profit or loss		10,873	5,704
Deferred tax	5	(7,037)	1,535
		18,094	**(3,950)**
Balance at end of year		**9,032**	**(9,062)**

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%

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	40%	90%
	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 $169 million (June 2017: $100 million) that can be drawn down to meet short-term working capital requirements. The facility limit at 30 June 2018 is $300 million (30 June 2017: $300 million)

Notes to the consolidated financial statements (CONTINUED)

For the year ended 30 June 2018

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
At 30 June 2018						
Non derivative financial liabilities						
Secured bank loans	11	130,822	(140,330)	(4,559)	(4,559)	(131,212)
Other loans	11	2,261	(2,376)	(500)	(500)	(1,376)
Finance leases	11	3,011	(3,402)	(728)	(728)	(1,946)
Bonds	11	99,250	(117,188)	(6,250)	(6,250)	(104,688)
Trade and other payables	10	125,308	(125,308)	(125,308)	–	–
Derivative financial liabilities						
Forward exchange contracts used for hedging – net outflow/inflow [(1)]	12	361	(373)	(184)	(189)	–
Interest rate swaps [(1)]	12	1,887	(1,708)	(1,268)	(440)	–
		362,900	**(390,685)**	**(138,797)**	**(12,666)**	**(239,222)**
At 30 June 2017						
Non derivative financial liabilities						
Secured bank loans	11	199,685	(221,204)	(6,960)	(6,960)	(207,284)
Bonds	11	98,978	(123,438)	(6,250)	(6,250)	(110,938)
Trade and other payables	10	121,937	(121,937)	(121,937)	–	–
Derivative financial liabilities						
Forward exchange contracts used for hedging – net outflow/inflow [(1)]	12	9,721	(9,911)	(6,598)	(2,279)	(1,034)
Interest rate swaps [(1)]	12	5,298	(5,242)	(3,534)	(1,257)	(451)
		435,619	**(481,732)**	**(145,279)**	**(16,746)**	**(319,707)**

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

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 2018						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD	–	–	(245,244)	(141,520)	(77,212)	(26,512)
AUD	–	–	(173,590)	(104,534)	(48,275)	(20,781)
Inflow (at year end market rate)						
USD	0.6774	175,191	258,623	149,240	81,424	27,958
AUD	0.9147	161,516	176,578	106,334	49,106	21,139
			16,367	**9,520**	**5,043**	**1,804**
At 30 June 2017						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD	–	–	(303,668)	(151,636)	(73,242)	(78,790)
AUD	–	–	(163,746)	(100,682)	(43,218)	(19,846)
YEN	–	–	(636)	(636)	–	–
Inflow (at year end market rate)						
USD	0.7315	214,375	293,062	146,340	70,684	76,038
AUD	0.9530	153,221	160,778	98,857	42,435	19,486
YEN	81.9792	49,084	599	599	–	–
			(13,611)	**(7,158)**	**(3,341)**	**(3,112)**

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 2017.

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.

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.

Notes to the consolidated financial statements (CONTINUED)

For the year ended 30 June 2018

14. Financial risk management (CONTINUED)

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

IN NZD 000	Notes	2018	2017
Debt	11	235,344	298,663
Cash and cash equivalents		(4,694)	(5,444)
Net debt		**230,650**	**293,219**
Equity		1,026,687	1,327,878
Net debt to equity ratio		**22%**	**22%**

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 (2017: 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	Notes	2018	2017
Assets measured at fair value			
Trading derivatives – de-designated or not hedge accounted	12	1,738	63
Derivatives used for hedging – cash flow hedges	12	14,485	324
Available for sale investment	1	6,334	6,552
Total assets		**22,557**	**6,939**
Liabilities measured at fair value			
Trading derivatives – de-designated or not hedge accounted	12	(25)	(1,621)
Derivatives used for hedging – cash flow hedges	12	(2,223)	(13,398)
Total liabilities		**(2,248)**	**(15,019)**

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.

Fair value of financial instruments carried at amortised cost

		2018		2017	
IN NZD 000	Notes	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Loans and receivables					
Cash and cash equivalents		4,694	4,694	5,444	5,444
Trade and other receivables	6	57,239	57,239	63,342	63,342
Total assets		**61,933**	**61,933**	**68,786**	**68,786**
Financial liabilities held at amortised cost					
Bank loans	11	130,822	128,580	199,685	198,037
Other loans	11	2,261	2,059	–	–
Finance leases	11	3,011	2,907	–	–
Bonds	11	99,520	104,375	98,978	104,529
Trade and other payables	10	125,308	125,308	121,937	121,937
Total liabilities		**360,922**	**363,229**	**420,600**	**424,503**

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 or 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 consolidated 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.

Notes to the consolidated financial statements (CONTINUED)

For the year ended 30 June 2018

15. Commitments

IN NZD 000	2018	2017
Operating leases – future minimum lease payments:		
Year 1	34,782	35,134
Year 2	34,272	33,873
Year 3	34,607	33,285
Year 4	14,280	33,170
Year 5	–	14,006
Later than five years	–	72
	117,941	**149,540**
Contracts for transmission services:		
Year 1	4,987	4,697
Year 2	4,994	539
Year 3	2,514	245
	12,495	**5,481**
Contracts for future programmes:		
Year 1	211,628	202,415
Year 2	172,462	181,110
Year 3	101,784	146,953
Year 4	33,076	83,361
Year 5	19,776	33,391
Later than five years	2,666	19,331
	541,392	**666,561**
Capital expenditure commitments:		
Property, plant and equipment		
Year 1	2,661	8,813
	2,661	**8,813**
Other services commitments:		
Year 1	11,344	7,508
Year 2	2,055	1,562
Year 3	1,188	978
Year 4	233	970
Year 5	–	193
	14,820	**11,211**

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.

16. Contingent liabilities

The Group has undrawn letters of credit at 30 June 2018 of $650,000 (30 June 2017: $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

On 23 August 2018 the Board of Directors announced that it will pay a fully imputed dividend of 7.5 cents per share with the record date being 7 September 2018. A supplementary dividend of 1.3235 cents per share will be paid to non-resident shareholders subject to the foreign investor tax credit regime.

In July 2018 the available for sale investment in 90 Seconds was sold for book value of $6.3 million.

Independent auditor's report

To the shareholders of Sky Network Television Limited

pwc

The consolidated financial statements comprise:

- the consolidated balance sheet as at 30 June 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements of Sky Network Television Limited (SKY or the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

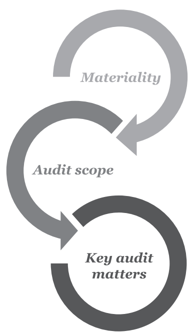
We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

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

Our firm carries out other services for the Group in the areas of treasury advisory services and assurance over regulatory reporting. In addition, certain partners and employees of our firm may subscribe to SKY services 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.

Our audit approach



Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

For the purpose of our audit, we applied a threshold of overall group materiality of $8.3 million, which represents 5% of loss before tax, adjusted to exclude the goodwill impairment charge of $360 million.

We have determined that there is one key audit matter:

- Carrying value of goodwill

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

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Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's finance function is centralised at the Head Office in Auckland. All audit work in respect of the consolidated financial statements was performed by the Group engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit
Carrying value of goodwill	
The Group has a goodwill balance of $1,065 million at 30 June 2018 (30 June 2017: $1,425 million) that arose on the acquisition of SKY by Independent Newspapers Limited in 2005. An impairment charge of $360 million has been recorded against this balance in the current financial year. SKY's business is affected by digital disruption in the media industry and this increases the risk of impairment. The carrying value of goodwill is dependent on future cash flows and there is risk that if these cash flows do not meet the Group's expectations goodwill may be impaired. To assess whether or not there is an impairment in the carrying value of goodwill management utilised a fair value less costs of disposal methodology to determine the value of the business, including goodwill, using discounted cash flows. The estimated future cash flows used in the model were based on the budget for the next financial year and forecast cash flows for the following four years prepared for the purposes of the impairment model. The forecasts in the current model include the benefit of cost savings expected in response to the changes in SKY's business and the marketplace, some of which would be excluded under a value in use methodology. Consequently, at 30 June 2018 management considered the recoverable amount using the fair value less costs of disposal methodology as being the most appropriate approach. The cash flow forecasts used in the model involve subjective estimates about future business performance. Certain assumptions made by management in the impairment review are key estimates, including subscriber numbers and churn rates, average revenue per user (ARPU), ability to continue to secure key content, foreign exchange rates, expected changes to revenue, costs and capital expenditure, overall long-term growth rates and discount rates used. Adverse changes in these assumptions might lead to an impairment in the carrying value of goodwill. In their assessment management determined that the model was most sensitive to changes in the assumptions relating to subscriber numbers, ARPU, reductions achieved in cash outflows through either operating expenses or capital expenditure, the discount rate and the USD/NZD exchange rate.	We obtained management's fair value less costs of disposal model used to assess the carrying value of goodwill at 30 June 2018. Our audit procedures included the following: Assessing management's processes and controls over preparing the model. Assessing the appropriateness of using a fair value less costs of disposal approach against the applicable accounting standard. We tested the calculation of the valuation model, including the inputs and the mathematical accuracy and compared the resulting balances to the relevant net assets of the business. We assessed the key estimates and assumptions made by management. Our procedures included the following: • Ensured that the impairment model used by management to assess the impairment of goodwill was approved by the Board. • Considered the reasonableness of key assumptions, including movements in subscriber numbers, ARPU, foreign exchange rates, expected revenue and costs in the next 5 years, the on-going level of capex and the long-term growth rate with reference to SKY's performance historically, particularly in recent periods, analysis of subscriber tenure and churn, key initiatives being taken and comparison to available broker reports. • We engaged our own expert to review the structure of the model, to recalculate the weighted average cost of capital used as the discount rate in the model and to review external evidence for the rate used for cost of disposal. We determined that the rates used by management were within a reasonable range given estimation uncertainty. • We reviewed management's secondary assessment of fair value less costs of disposal based on market capitalisation at balance date. • We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes. For each of the scenarios we tested the mathematical accuracy of the model, assessed whether the changes were reasonably possible and tested the impact of those changes on the valuation.

Independent auditor's report (CONTINUED)

To the shareholders of Sky Network Television Limited

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Key audit matter	How our audit addressed the key audit
Management also considered market capitalisation at balance date as a secondary assessment of fair value less costs of disposal, taking into account that market capitalisation does not include any control premium. As a result of the impairment review, the Directors identified an impairment in the carrying value of goodwill at 30 June 2018 and reasonably possible changes in key assumptions that could result in further impairment, as disclosed in note 9.	We reviewed the disclosures in note 9 to the financial statements to ensure they are compliant with the requirements of the accounting standards. As a result of our audit procedures we had no significant matters to report.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard except that not all other information to be included in the annual report was available to us at the date of our signing. Prior to the date of this report we had received and read the Chairman's Letter, Chief Executive's Letter, Financial Overview, Financial Trends and Directors' Responsibility Statement. The Other Information section of the annual report, including Corporate Governance and Company and Bondholder Information, and the Board of Directors section are expected to be made available to us after the date of this report.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

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

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
23 August 2018

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 Code as at 23 August 2018. That corporate governance statement has been approved by the board.

Board of Directors

Membership and committees

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 2018, the board consisted of six directors whose relevant skills, experience and expertise are outlined in their biographies on pages 32 and 33 and in the detailed corporate governance statement on SKY's website. 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. A copy of the Nomination and Remuneration Committee Charter is available on SKY's website at www.sky.co.nz/investor-relations. 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 have been set at a maximum amount of $950,000 per annum since October 2015.

The board operates two permanent board committees, namely the audit and risk committee and the nomination and remuneration committee. The members of both committees are Susan Paterson (Chair), Peter Macourt and Derek Handley. A copy of the Board Charter is available on SKY's website at www.sky.co.nz/investor-relations.

Independent and executive directors

At 30 June 2018 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 Ethics

SKY has a Code of Ethics 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 Ethics is posted on SKY's website at www.sky.co.nz/investor-relations.

Investor Communication and Continuous Disclosure

SKY has an Investor Communication Policy and a Continuous Disclosure Policy designed to keep both the market and SKY's shareholders properly informed. These policies are designed to ensure compliance with SKY's continuous disclosure obligations and include posting press releases, annual reports and assessments, and other investor-focused material on its website. These policies are overseen by SKY's Chief Executive and Chief Financial Officer. Copies of these policies are 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 2018, SKY's board had two female directors and four male directors (compared to two female directors and three male directors as at 30 June 2017).

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.
- 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 2018, 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 (44% of SKY's 1,159 staff are female as at 30 June 2018, compared to 45% of a total 1,223 staff at 30 June 2017).
- The company had good female participation at all levels of the organisation, including 30 female senior executives compared to 41 male senior executives as at 30 June 2018 (there were 31 female senior executives and 43 male senior executives at 30 June 2017) [1].
- There continues to be appropriate participation at senior levels of the organisation of employees under the age of 45 years (including 32% of senior executives as at 30 June 2018 compared to 39% at 30 June 2017), compared to employees over the age of 45 years (68% of senior executives as at 30 June 2018 compared to 61% at 30 June 2017).
- SKY also embraces ethnic diversity with a recent staff survey highlighting that there are over 40 nationalities represented on our staff.

Risk management

SKY's risk framework is overseen and monitored by both the board and the audit and risk committee. SKY maintains a risk register and the audit and risk committee in conjunction with management regularly report to the board on the effectiveness of the management of SKY's business risks and whether the risk management framework and systems of internal compliance and control are operating efficiently and effectively in all material respects.

SKY has a Risk Management Policy which provides an overview of its risk management process. The policy outlines SKY's strategic risk management objectives and guidelines and provides a framework to identify, manage and report on risks both financial and non-financial. The audit and risk committee reviews the Risk Management Policy annually. The board reviewed SKY's risk management framework during the reporting period to 30 June 2018 and is satisfied that SKY has in place a robust risk assessment process. SKY's internal audit function is contracted out to an independent third party. An annual internal audit plan is presented and approved by the audit and risk committee and the audit and risk committee receives internal audit reports during the year and monitors completion of action items that arise.

Material exposure to economic, environmental and social sustainability risks

SKY identifies and assesses material exposure to economic, environmental and social sustainability risks on an annual basis and like all media companies SKY is exposed to industry disruption and ongoing structural changes in the way it carries out its business. A summary of SKY's Risk Management Policy, the key economic, environmental and social sustainability risks it faces, and how SKY intends to manage those risks is available on SKY's website.

Principal risks that could affect results and performance include:

- regulatory environment;
- competition;
- content protection;
- business continuity – interruption to business;
- investment strategy – adoption of new technology;
- financial risks;
- reputational risks and brand perception;
- business transformation; and
- customer value proposition.

[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 2018, 3 out of 11 senior executives one level below the Chief Executive were female and 27 out of 60 senior executives two levels below the Chief Executive were female.

Corporate governance (CONTINUED)

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.

Independent advice

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

Remuneration Policy

SKY has policies in place to ensure it remunerates fairly and responsibly. SKY's objective is to pay each employee fairly for their contribution to the overall success of the Company. We aim to reward employees for their performance.

The aim of our pay system is that it:

- is transparent and clear to all employees;
- is affordable to the company;
- has its basis in an objective and transparent methodology that is both robust and defensible; and
- is able to be applied consistently throughout the company.

Our pay system, and related performance systems, enable, attract, retain and motivate competent staff.

Our remuneration processes will ensure staff are rewarded fairly in relation to:

- the work they do and their performance in the job;
- other jobs in the organisation;
- the market value of their job;
- their contribution to the organisation; and
- their knowledge, skills and competencies used on the job.

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.

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 2018 are as follows:

Director	Entity	Relationship
John Fellet	Media Finance Limited	Director
	Outside Broadcasting Limited	Director
	SKY Ventures Limited	Director
	Igloo Limited	Director
Derek Handley	Aera Limited	Director
	Aera Foundation	Trustee
	Iliad Management Limited	Director
Peter Macourt	Virtus Health Limited	Director/Chair
	Prime Media Limited	Director
	Foxtel Management Pty Ltd and its subsidiaries	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	Director/Chair
	Les Mills Holdings Limited	Director
	Goodman (NZ) Limited and associated companies	Director
	Arvida Group Limited	Director
	Steel and Tube Holdings Limited	Chair
	New Zealand Golf	Board Member
	The Electricity Authority	Board Member
	Tertiary Education Commission	Commissioner
	The Home of Cycling Charitable Trust	Chair
Mike Darcey	M24Seven	Chair
	Dennis Publishing Limited	Chair
	Premier League Basketball UK	Director

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 2018.

Disclosures of interest – particular transactions/use of company information

During the year to 30 June 2018, 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 2018, 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 ongoing disclosures in relation to the on-market acquisitions of 80,100 ordinary shares as follows:

- 50,100 shares on 24 August 2017;
- 20,000 shares on 22 September 2017; and
- 10,000 shares on 3 April 2018.

Insurance and indemnities

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

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

SKY subsidiaries' interests 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 2018 are set out below:

Screen Enterprises Limited:
George MacFarlane 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 and Michael Watson 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 Lochead 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 Lochead has given a general notice disclosing her interest arising from being the wife of Brendan Lochead (who is a shareholder of Believe It Or Not Limited) and a director and shareholder of 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

John Fellet

Derek Handley

Peter Macourt

Geraldine McBride

Susan Paterson, ONZM

Mike Darcey (appointed 19 September 2017)

Subsidiaries

At 30 June 2018, 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 and Media Finance Limited. During the year to 30 June 2018, SKY DMX Music Limited operated the SKY DMX music business, Screen Enterprises Limited operated the FATSO DVD and blu-ray rental business until it ceased trading on 23 November 2017, Outside Broadcasting Limited provided mobile on-site broadcasting facilities and services, Believe It Or Not Limited provided quizzes for the hotel entertainment industry, and SKY Ventures Limited provided investment and sponsorship in the field of information and broadcast technology, including by holding a 13.54% investment in 90 Seconds Pty Limited (a cloud video production company). This investment was sold in July 2018. Media Finance Limited and Igloo Limited did not trade during the year.

Directors of subsidiaries

Subsidiary	Director
SKY DMX Music Limited	Grant McKenzie
	Martin Wrigley
	Steven Hughes
	Kenneth Eissing Jr
Screen Enterprises Limited	Jason Hollingworth
	George MacFarlane
Outside Broadcasting Limited	John Fellet
	Jason Hollingworth
Igloo Limited	John Fellet
	Jason Hollingworth
	Michael Watson
Believe It Or Not Limited	Anabelle Lochead
	Brendan Lochead
	Grant McKenzie
	Eggherick Van Der Plank
SKY Ventures Limited	John Fellet
	Jason Hollingworth
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 89 or in the case of John Fellet, his remuneration is disclosed below under the heading Remuneration of Directors.

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

Statement of directors' interests

For the purposes of NZX Listing Rule 10.4.5(c), the following table sets out the equity securities (shares in SKY) in which each director had a relevant interest as at 30 June 2018:

Relevant interests	Shares
John Fellet	245,000
Derek Handley	4,000
Peter Macourt	–
Geraldine McBride	–
Mike Darcey	–
Susan Paterson	10,000

Company and bondholder information (CONTINUED)

Remuneration of directors

Total Director Remuneration is fixed by shareholders. The annual fee pool limit is $950,000, and was approved by shareholders at the annual meeting on 21 October 2015.

Directors' remuneration and value of other benefits received by directors of SKY during the year 1 July 2017 to 30 June 2018 were as follows:

Name	Board fees	Audit and Risk Committee	Nomination and Remuneration Committee	Other	Total remuneration
John Fellet [(1)]	–	–	–	1,975,000	1,975,000
Derek Handley [(2)]	125,000	15,000	6,250	–	146,250
Peter Macourt (Chair)	170,000	12,000	5,000	–	187,000
Geraldine McBride	100,000	–	–	–	100,000
Susan Paterson	100,000	20,000	12,000	–	132,000
Mike Darcey (appointed 19 September 2017)	50,000	–	–	–	50,000
	545,000	**47,000**	**23,250**	**1,975,000**	**2,590,250**

[(1)] John Fellet is also SKY's Chief Executive and a director of SKY Ventures 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.

[(2)] Derek Handley's fees include $29,250 relating to the prior year.

The current fees paid to SKY directors are as set out in the table above. Directors do not receive any performance or equity based remuneration, or superannuation or retirement benefits. This reflects the role of the directors which is to provide oversight and guide strategy, whereas the role of management is to operate the business and execute SKY's strategy.

Chief executive remuneration

John Fellet has been an employee of SKY for 26 years and the CEO of SKY for 17 years.

Mr Fellet's remuneration is a mix of base salary and bonus and is externally benchmarked annually.

Mr Fellet's base salary for FY18 was $1,413,057 (compared to $1,406,130 for FY17). Bonuses are paid in September each year and relate to performance in the prior financial year. Further details for the past five years are as follows:

	2018	2017	2016	2015	2014
Base salary	1,413,057	1,406,130	1,375,262	1,333,750	1,287,500
STI	156,249	144,743	204,243	227,579	195,680
LTI	405,694	414,868	423,745	347,767	322,913
Total remuneration	**1,975,000**	**1,965,741**	**2,003,250**	**1,909,096**	**1,806,093**

Mr Fellet shares in a bonus pool (with 16 executives who participate in the scheme) which is designed to drive long-term value creation. The proportion of the bonus pool attributable to Mr Fellet depends on the board's assessment of his performance against a range of KPI's including development of the long term strategy, leadership, product offerings and pricing, supplier arrangements, organisational efficiencies, and subscriber numbers. Mr Fellet's bonus for FY18, which is payable in September 2018, is $567,897 (compared to $561,943 for FY17). This is 29% of Mr Fellet's total remuneration.

The bonus is paid in cash in September each year. A bonus amount is calculated based on financial performance for the prior financial year ended 30 June and this is added to a pool of deferred bonus payments, with one third of the total bonus pool paid being out in the year, and two thirds of the pool being deferred. This deferral of part of the annual bonus is to provide a long-term component to the scheme as the extent to which it is paid will be dependent on the future performance of the business. There is no entitlement to the deferred bonus on resignation or retirement of an executive. The board may consider the individual circumstances in determining how much if any of the deferred bonus will be paid on retirement.

The annual bonus calculation is based on two factors:

- the absolute rate of return on capital employed; and
- the year on year movement in the rate of return capital employed.

The absolute rate of return on capital employed is calculated as earnings before interest, tax and depreciation (EBITDA) divided by the cumulative capital investment over the previous five years. The scheme also looks at the year on year change in this rate of return and a fixed dollar amount is paid for each percentage point change in the rate of return. This fixed dollar amount is two times the dollar amount paid in the rate of return calculation. If the rate of return decreases compared to the previous year this element of the calculation will result in a negative value being deducted from the bonus pool causing the pool to reduce and the bonus payments to reduce. The pool was reweighted down by $528,000 in 2018 due to a reduced number of participants.

Substantial security holders

According to notices given to SKY under the Financial Markets Conduct Act 2013 the following persons were substantial security holders in SKY as at 30 June 2018 and 9 August 2018 (as indicated below):

Entity	Securities as at 30 June 2018
Kiltearn Partners LLP	51,623,954
Harris Associates L.P.	27,990,800
BlackRock, Inc and its related bodies corporate	31,925,463
Allan Gray Group	27,668,989
Harris Associates Investment Trust	19,851,800
Entity	**Securities as at 9 August 2018**
Kiltearn Partners LLP	51,623,954
Harris Associates L.P.	27,990,800
BlackRock, Inc and its related bodies corporate	31,925,463
Allan Gray Group	27,668,989

The total number of issued voting securities of SKY as at 30 June 2018 and 9 August 2018 was 389,139,785.

Twenty largest shareholders as at 9 August 2018

Holder name	Holding	Percentage (to 2 d.p.)
HSBC Nominees (New Zealand) Limited	187,563,312	48.20
JPMorgan Chase Bank NA NZ Branch	35,968,655	9.24
Citibank Nominees (New Zealand) Limited	35,159,680	9.03
HSBC Custody Nominees (Australia) Limited	30,967,938	7.95
Citicorp Nominees Pty Limited	21,426,015	5.51
Accident Compensation Corporation	13,345,227	3.42
JP Morgan Nominees Australia Limited	10,773,558	2.76
National Nominees New Zealand Limited	5,537,724	1.42
BNP Paribas Nominees (NZ) Limited	5,299,355	1.36
National Nominees Limited	3,512,123	0.90
ANZ Wholesale Australasian Share Fund	3,374,677	0.86
BNP Paribas Nominees Pty Ltd	2,592,339	0.67
Tea Custodians Limited	1,585,173	0.40
FNZ Custodians Limited	1,175,739	0.30
ANZ Wholesale NZ Share Fund	667,379	0.17
Deutsche Securities Australia Limited	644,539	0.16
JBWere (NZ) Nominees Limited	551,219	0.14
Forsyth Barr Custodians Limited	443,704	0.11
ANZ Custodial Services New Zealand Limited	420,625	0.10
New Zealand Permanent Trustees Limited	420,531	0.10

Company and bondholder information (CONTINUED)

Distribution of ordinary shares and shareholdings as at 9 August 2018

	No. of shareholders	Percentage (to 2 d.p.)	No. of shares	Percentage (to 2 d.p.)
1 – 1,000	2,096	38.45	1,204,035	0.31
1,001 – 5,000	2,380	43.67	6,110,302	1.57
5,001 – 10,000	543	9.96	4,047,627	1.04
10,001 – 100,000	391	7.17	9,936,834	2.55
100,001 and over	41	0.75	367,840,987	94.53
Total	**5,451**	**100.00**	**389,139,785**	**100.00**

Non marketable parcels of shares

As at 9 August 2018, 409 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 9 August 2018:

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

Voting rights attached to shares

Each share entitles the holder to one vote.

Distribution of bonds and bondholdings as at 9 August 2018

SKTO20 Bonds	No. of bondholders	Percentage (to 2 d.p.)	No. of bonds	Percentage (to 2 d.p.)
1 – 1,000	–	–	–	–
1,001 – 5,000	126	10.62	630,000	0.63
5,001 – 10,000	254	21.42	2,450,000	2.45
10,001 – 100,000	718	60.54	25,887,000	25.89
100,001 and over	88	7.42	71,033,000	71.03
Total	**1,186**	**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[1]) whose remuneration and benefits was within specified bands for the year to 30 June 2018 is as follows:

Remuneration ($)	No. of employees
100,000 – 110,000	89
110,001 – 120,000	51
120,001 – 130,000	30
130,001 – 140,000	32
140,001 – 150,000	20
150,001 – 160,000	7
160,001 – 170,000	12
170,001 – 180,000	9
180,001 – 190,000	8
190,001 – 200,000	5
200,001 – 210,000	2
210,001 – 220,000	2
220,001 – 230,000	5
230,001 – 240,000	1
240,001 – 250,000	2
260,001 – 270,000	2
300,001 – 310,000	1
320,001 – 330,000	1
380,001 – 390,000	1
430,001 – 440,000	1
440,001 – 450,000	1
460,001 – 470,000	1
500,001 – 510,000	1
510,001 – 520,000	1
530,001 – 540,000	2
550,001 – 560,000	1
770,001 – 780,000	1

[1] The remuneration of SKY's Chief Executive John Fellet is not included in the above table as he is also a director of SKY. His remuneration is disclosed under the heading "Remuneration of Directors" on page 86.

Donations

During the year 1 July 2017 to 30 June 2018, SKY made cash donations totalling $251,000. 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 2018 for statutory audit services and for other services was:

IN NZD 000	Statutory audit services	Other services
SKY	409	30

SKY's subsidiaries did not pay PricewaterhouseCoopers any fees.

Waivers and information

Current and ongoing waivers

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

1. 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;
2. 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;
3. A waiver from ASX Listing Rule 15.7 to permit SKY to provide announcements simultaneously to both ASX and NZX;
4. 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;
5. 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;
6. 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
7. Confirmation that SKY can provide substantial holder information provided to it under the New Zealand Securities Markets Act 1988 (now the Financial Markets Conduct Act 2013).

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 symbol 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 Sofitel Hotel Auckland, 21 Viaduct Harbour Avenue, Auckland, on 18 October 2018, commencing at 10.00 am.

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 8700 **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 3329
GPO Box 2975
Melbourne VIC 3001, Australia

Freephone: 1800 501 366 (within Australia)
Tel: +61 3 9415 4083 (outside Australia)
Fax: +61 3 9473 2500
Email: enquiry@computershare.co.nz

Bondholder Trustee
The New Zealand Guardian Trust Company Limited
Level 6, 191 Queen Street
Auckland 1010, New Zealand

Mailing address:
PO Box 274, Shortland Street
Auckland 1140, New Zealand

Tel: 0800 683 909 **Fax:** +64 9 377 7470
Email: ct-auckland@nzgt.co.nz

Directors

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

Executives

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

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

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

Australian Registered Office
c/- Allens Arthur Robinson Corporate Pty Limited
Level 4, Deutsche Bank Place
126 Philip Street
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,
188 Quay Street, Auckland 1010, New Zealand

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

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