



ANNUAL REPORT 2017

SKY NETWORK TELEVISION LIMITED
ANNUAL REPORT JUNE 2017

SKY AT A GLANCE	02
YEAR IN REVIEW	
Chairman's Letter	04
Chief Executive's Letter	06
Board of Directors	10
IN FOCUS	
35 th America's Cup	12
DHL Lions Series	14
Rio Olympics	16
COMMUNITY AND SPONSORSHIP	18
SKY CHANNELS	20
2017 FINANCIALS	
Financial Overview	24
Financial Trends	28
Directors' Responsibility Statement	30
Consolidated Statement of Comprehensive Income	31
Consolidated Balance Sheet	32
Consolidated Statement of Changes in Equity	33
Consolidated Statement of Cash Flows	34
Notes to the Consolidated Financial Statements	35
Independent Auditor's Report	62
OTHER INFORMATION	
Corporate Governance	66
Interests Register	68
Company and Bondholder Information	70
Waivers and Information	75
Share Market and Other Information	76
Directory	77

SKY AT A GLANCE

CUSTOMERS



824,782

SKY TV SUBSCRIPTIONS

PEOPLE



1,223

PERMANENT EMPLOYEES



MORE THAN

40

NATIONALITIES

COMMUNITY



\$1M

DONATED ACROSS
FIVE CHRISTCHURCH
COMMUNITY PROJECTS

CHRISTCHURCH
EARTHQUAKE APPEAL


Starship
Five Star Sponsor

FINANCIAL PERFORMANCE

\$893M

REVENUE

\$292M

EBITDA

\$116M

NPAT

INVESTORS

TOTAL DIVIDEND



27.5¢

PER SHARE FOR 2017 YEAR

DOWNLOADING



MORE THAN

500,000

MOVIES AND TV SHOWS
DOWNLOADED MONTHLY
WITH **ON DEMAND**



MORE THAN

1,000,000

CONTENT DOWNLOADS
MONTHLY WITH **NEON**

CHAIRMAN'S LETTER



Dear shareholders

The 2017 financial year has again proven challenging for the media industry with an increasingly competitive operating environment. In addition, your board and management team committed a huge amount of effort on the eventually unsuccessful bid to merge with Vodafone New Zealand.

On February 23 this year, the Commerce Commission announced their final decision not to approve the proposed merger of SKY and Vodafone which I believe was flawed. We kept our option open to appeal while we evaluated our next move, but ultimately announced the decision not to pursue a favourable ruling given the cost to do so coupled with the expiry of shareholder approval.

Having heavily focused on the transaction for an extended period of time and the considerable investment in working toward a merger, there is a sense of disappointment at the outcome. However, this was just one strategic option for SKY and we now turn our focus to alternative means to attract and maintain customers of viewing entertainment.

The 2017 financial year saw SKY revenue decrease 3.7% to \$893.5 million from \$928.2 million in the previous period. Operating expenses were flat at \$706.3 million and net profit decreased 20.9% to \$116.3 million.

Operating expenses include costs relating to the acquisition of Vodafone NZ of \$2.1 million (prior year \$13.4 million). Earnings before interest, depreciation and amortisation (EBITDA) is \$292.3 million.

Within the operating expenses, programming costs increased to 39.1% of revenue from 35.7% in 2016. The Rio Olympics, Golf, Lions Tour, America's Cup, On Demand content and new channel VICELAND all contributed to the increase.

Capital expenditure decreased by \$49.1 million. Prior year's capital expenditure was higher than normal due to the investment in subscriber equipment for the acquisition of new internet enabled decoders that are replacing all older legacy digital decoders.

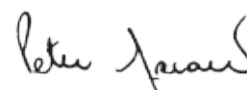
Free cash flow available to shareholders increased from \$142.2 million in 2016 to \$165.6 million in 2017 as a result of the decline in capital expenditure in 2017 which more than offset the decline in operating cash flow.

The subscriber story is a mixed one, total subscribers were down 27,897 to 824,782 but average monthly revenue per subscriber increased 19 cents to \$78.82 and gross churn reduced 1.6% to 15.9%.

We now have 50% of SKY decoders connected to the internet. SKY customers are enjoying an increasing amount of content that is delivered by streaming. Each month half a million movies and TV shows are downloaded through SKY On Demand, more than half a million hours of SKY GO content is viewed and big sporting events attract tens of thousands of online viewers via SKY GO and FAN PASS. In addition NEON the online subscription service now exceeds a million content downloads each month.

I want to acknowledge Mr John Waller who retired from the SKY board in September 2016. Sadly John passed away in September after serving on SKY's board for seven years. John was a consummate professional whose leadership and business skills were showcased most recently in his role as chair of the due diligence committee as SKY contemplated a proposed merger with Vodafone.

Thank you to chief executive John Fellet and all of SKY's staff and contractors for a huge effort over the 2017 financial year. To all SKY shareholders, we appreciate your support and are pleased to announce a final dividend of 12.5 cents per share.



Peter Macourt
Chairman

CHIEF EXECUTIVE'S LETTER



Dear shareholders

It is my pleasure to present to you my 16th annual shareholders' letter. The financial statements, as always, will present a financial snapshot of the business. My goal with this letter is to give you an insight into your company and the industry it operates in. I will attempt to do this in a form that will suit the needs of the individual investor as well the institutional one.

Because of competitive tensions I cannot always go into as much detail as I would like, but rest assured identifying the problem is only the first step for your management team. We are firm believers that when the winds of change blow, you need to build windmills not shelters.

COMMERCE COMMISSION AND VODAFONE

What a difference a year makes. A year ago my letter covered the pending merger with Vodafone New Zealand. I will not waste time lamenting over what I think was a flawed decision by the Commerce Commission. It was the original desire of both companies to legally appeal the decision, despite the torturous and expensive appeal process,

which would still require another shareholder vote after another negotiation round over changing valuations of the two companies. However, as time went by it became apparent that we could action many of the opportunities and synergies through commercial agreements without the escalating costs of a merger. Some of these are in the market now, and you will see further proof points of the closer working relationship in the foreseeable future.

EXPLOSION OF CONTENT OFFERINGS AND THE RISE OF “PRESTIGE DRAMA”

Our team knows of every scripted series produced in English across the world. In 2012, 266 series were produced. This year the figure reached 455 series. If every series in planning as I write this letter actually gets made, the figure should jump to 534 series next year. The bulk of this increase has been in dramas, and particularly a new species of content called “Prestige Drama.”

It is hard to define Prestige Drama but you know it when you see it. There are dramas you can watch while you sit on

the couch with a laptop answering emails. But Prestige Dramas capture your undivided attention. They are like novels. You wouldn’t start the series in episode 3 any more than you would start a novel with chapter 3. You want to view all the episodes and you want to see them in order. These Prestige Dramas are attracting the biggest Hollywood names. The best writers, directors and actors are all attracted to these productions which reinvent the traditional TV series to a 12 hour movie.

Fortunately we picked up the trend of Prestige Drama early and started investing on the ground floor before anyone else in New Zealand. As a result our customers are enjoying excellent shows like Game of Thrones, Westworld, Fargo, The Americans, Billions, Doctor Who, Twin Peaks, Big Little Lies, Taboo, Legion, Feud, Genius, Homeland, Ray Donovan and The Leftovers to name my favourites this year.

VIDEO ON DEMAND

Globally, the roll out of broadband and the conversion of analogue to digital has opened the door to numerous new business models. Content is now being

bundled to sell electricity, internet and online delivery services. New entrants are attempting to use content to drive new business models. They include:

- Subscription Video on Demand (SVOD) where subscribers pay a monthly price to access a pool of content on demand. These SVOD models can be as broad as Netflix or as narrow as the WWE Network which is for professional wrestling aficionados.
- TVOD or Transactional Video on Demand models where you pay an amount based on the content you watch on a programme by programme model. Most often this relates to movies, but is also used for series and in particular for sports and events.
- AVOD or ad-based models that don’t require a subscription fee, but you pay with your eyeballs viewing ads instead of your credit card.

Most of these new models work on two new technological advancements – abundant, inexpensive and universally available fast broadband; and VOD.

“PEOPLE ARE WATCHING JUST AS MUCH CONTENT AS EVER BEFORE, BUT THEY ARE WATCHING IT IN NEW WAYS.”

Unsurprisingly, younger viewers are leading the VOD change. An organisation called Thinkbox carried out a study called ‘Truth about Youth’, comparing 16 to 24 year olds with all individuals. 30% of the focus groups watched videos, mostly VOD, on tablets and smartphones, double that of the average person. The study included play-back, VOD, live TV, online viewing services, DVD’s, and SVOD services.

Before I go further, it is worth noting that traditional linear viewing is still the most dominant way people watch television and will remain so for some years. Linear TV has been holding remarkably steady even as online programming manages to capture an increasing amount of our time. Clearly, then, we’re not witnessing a direct or clear-cut shift from linear to online yet.

But what we are witnessing is a transition, and at SKY we are clear that VOD is the future. It is already the most disrupting force in television viewing, for several reasons:

- Linear channels pick up a great deal of fortuitous viewing in the “lean back” world. Popular shows provide great lead-ins for the next show in the schedule. In the VOD world viewers do not passively stay on one channel. They make a deliberate choice for their next programme, tee it up and start watching.

In the multichannel world that traditional Pay TV platforms have operated in, customers tend to channel surf, find something interesting and watch it. In the VOD world, provided curation is done correctly, surfing does not exist because you have a list of shows you want to watch.

- VOD models with strong recommendation engines can have a competitive edge because you can buy far less content than a traditional Pay Television platform. Using curation and analytical viewing statistics you can surface just the right content.

A good example is NEON which is one of the most content rich SVOD services in New Zealand. As I write this, NEON has about 4,000 hours of content available to view. By contrast, the typical 100 channel Pay TV platform has to program channels for 24 hours a day 365 days a year, meaning hundreds of thousands of hours of content a year. Clearly SVOD models can purchase far less content a year than the traditional Pay TV platform.

VOD will someday replace linear, make no mistake about it. But don’t assume the decline of linear means the decline of viewing, as quite the opposite is happening. People are watching just as much content as ever before, but they are watching it in new ways.

In spite of what the news media would have you believe, no New Zealand based media firm has embraced VOD more than SKY, from the launch of our MY SKY boxes (which allowed customers to convert linear content to VOD) to the more recent launches of our NEON, FAN PASS and SKY On Demand services. Right now the new platforms are challenging both technically and financially. But so was the Cable TV industry when I started my career.

While now is not the time for a massive conversion of our core business, as a significant number of our customers still rely on our satellite-delivered service for their sports, news and

entertainment, we are embracing the opportunity to compete in new media models.

We are advancing VOD on several fronts. Our customers have opted to connect 49.6% of our MY SKY decoders to their home wi-fi systems. This connection gives them access to 9,000 pieces of content. We call this service SKY On Demand and last month 775,000 pieces were downloaded by customers. Keep in mind most of these customers already have MY SKY hard drive decoders where 143 million hours are recorded each month to watch later on demand.

In addition, we have our SVOD service, NEON. In the month of July alone we had 1.7 million requests for individual movies or episodes.

STRATIFICATION ON CONTENT

When I was a young man growing up in the 60s, I was listening to the Beatles while my parents listened to Frank Sinatra. While we each had our music preferences we easily could identify each other’s favourite artist as well. Today I suspect this would be impossible and to a large degree video content is much the same way. A good example is looking at the weekly list of the most downloaded programmes. I get two lists, one for our traditional satellite subscribers who trend older, and NEON which tends to be younger viewers. There are exceptions like Game of Thrones, which appears high on both lists. But reviewing the list you can easily determine which list came from baby boomers and which list came from millennials. You also see a wide age split on our different basic channels. VICELAND, E!, MTV and Comedy Central have our youngest viewers while Sport, News Channels and UKTV slant older.

Our capabilities to understand our customer segments and their personal preferences continue to unlock real value for your company and over the year ahead you will see further examples of this work.

STRATIFICATION OF DEVICES

The range of different devices that people use to watch TV are almost as diverse as the range of content. At one time our main concern was staying up with the latest and most expensive television set in a Media Room. Now we have to plan for everything from a two metre projection screen that is showing an ultra-high definition picture to a smart phone.

The younger the viewer the less likely it is for them to watch their content on a television. Instead they will watch their content via an internet delivery system. The term for this is OTT or "over the top".

At SKY we believe we have to offer content where and how the customer wants it and to this we launched FAN PASS which offers our Sports tier on an OTT basis for a monthly fee. In addition we offer SKY GO which delivers a number of our channels on an OTT basis to service the viewing needs of SKY subscribers who are not at home.

At one time all we worried about was getting a picture to a decoder. Now, in addition, we deliver to mobile phones, iPads, computers, Chromecast, Smart TVs, pucks, gaming consoles and Apple TVs.

PIRACY

Piracy has become our biggest competitor. I entered the industry in 1976 and the first meeting I went to was on piracy. The industry has played a cat and mouse game with pirates since the start of pay television.

However, theft of service has become more sophisticated and commonplace at the same time. The big problem is the increasing ease by which pirated content is accessible. Devices pre-loaded with piracy software enable users to access pirated content stored on servers overseas, from the comfort of their living room. There are people

who have turned the distribution of these devices into a business, positioning themselves as alternatives to legitimate providers, despite paying nothing for the rights to the content they are promoting.

There is a lot being done to combat piracy globally, with successful prosecutions against distributors, devices and pirate websites. SKY has taken legal action in New Zealand as well.

There is an even more subtle form of piracy going on by companies who should know better. The newspaper industry, like all traditional media, is facing disruption from the digital world. In an attempt to reinvent themselves they are developing their online presence. This makes perfect sense. As more of their customers access their news online they can leverage their news-gathering to populate their sites with stories with their greatest assets – their reporters.

But sadly, to save money, there is a trend of news media taking clips of the best parts of our SKY Sport content and placing them on their websites without permission. They do this without any compensation to the sporting codes or SKY. It is common for these sites to clip highlights of key sporting events and put them online within minutes of them happening, almost always with ads (for which they receive revenue) wrapped around them. This is tantamount to SKY starting a 24 hour News Channel and instead of hiring reporters or paying for the use of a news service, merely clipping articles out of the newspapers without paying anything for copyright and having presenters read them out.

We support news organisations' ability to use material where reasonably necessary to report current events, and indeed this can even act as promotion of sports events on SKY. However, the current conduct by news outlets goes much further, and is a planned and regular exploitation of the content we pay for.

After months of attempted negotiations with the news media, who we believe are violating our copyright, we were left with no alternative than to go to court

for a legal remedy. This was not an easy decision to make. The American humourist Mark Twain once said "Never pick a fight with people who buy their ink by the barrel." I certainly understand this quote now more than ever. The media companies in question have spent a lot of effort running every negative article they can find about SKY, some of which sadly are justified, but many are not. I suggest that this context is worth remembering the next time you read an article or opinion piece that appears to have a strong bias against SKY.

OUTLOOK

I hope this letter has given you a sense of some of the challenges and opportunities facing your business and our industry. As I said at the outset, your management team is committed to embracing the changes sweeping through the industry, and delivering the best entertainment and sport content to our customers in the many different ways that individuals want it. We are in for an exciting year.

Please note in your diaries that the AGM will be held on 19 October 2017 at the Sofitel Hotel, 21 Viaduct Harbour Avenue, Auckland, commencing at 2pm. I look forward to talking with you there.



John Fellet
Chief Executive Officer

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' experience in the pay television industry, including ten years' experience with Telecommunications Inc. in the United States.



DEREK HANDLEY **DIRECTOR**

Mr Handley was appointed to the board in September 2013. 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.



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.



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-Labeling 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.

35TH AMERICA'S CUP

In May 2017 with the iconic Great Sound as its backdrop, Bermuda hosted the 35th America's Cup. People the world over focused on the best sailors and the fastest boats as they battled for the oldest trophy in international sport.

For the first time SKY Sport proudly delivered exclusive live coverage of the Louis Vuitton America's Cup Qualifiers and the prestigious 35th America's Cup. Emirates Team New Zealand did not disappoint, crushing defending champions Oracle Team USA 7 – 1 in the final series to bring the Auld Mug home.

Kiwis loved all the action on the water, watching on SKY Sport 1, SKY GO, the SKY Sport Highlights App and FAN PASS.

1.4M PEOPLE WATCHED

SKY SPORT AND PRIME'S
COVERAGE OF THE 2017
AMERICA'S CUP.



DHL LIONS SERIES

SKY Sport brought exclusive live coverage of the DHL New Zealand Lions Series 2017. The SKY Sport production team broadcast another world class event. All the magic across six weeks, from nine teams, played at seven venues and including three test matches was shown on SKY Sport.

Even though our All Blacks couldn't get a win this series, the tour was a huge success and a draw was the next best thing.

The atmosphere was electric and made for a superb televised event as well as memorable experiences in stadiums and fan zones across the country.

While all the action was live on SKY Sport and SKY GO it was also available on FAN PASS and all test matches were seen free-to-air on Prime.



2.0M
PEOPLE WATCHED
COVERAGE OF SKY SPORT
AND PRIME'S COVERAGE OF
THE 2017 DHL LIONS SERIES

RIO OLYMPICS

The 2016 Summer Olympics, officially known as the Games of the XXXI Olympiad and commonly known as Rio 2016, was a major international event celebrated in Rio de Janeiro, Brazil, during August.

SKY Sport presented this prestigious international event on 12 SKY channels, free-to-air on Prime and through SKY GO, On Demand and a customised SKY Olympic App.

It was a great honour and credit to our outstanding sport production crew for SKY to be chosen as the producers of the international feeds for three Olympic events; the Open Water Swim, Triathlon and the first ever Rugby Sevens.

New Zealanders performed valiantly on the world stage with so many stand out performances. From then 19 year old Eliza McCartney claiming bronze in her first ever Olympics for the pole vault to Lisa Carrington's continued success in her kayak with another gold for the K1 200 and a bronze in the K1 500. Golf made a spectacular return to the Olympic stage, with Lydia Ko claiming silver. New Zealand took home a bronze for the talented women's rugby sevens team in the sports first year of inclusion and Cantabrian Tom Walsh stunned in the shot put throwing a bronze winning effort in his first games.



2.8M
PEOPLE WATCHED

SKY SPORT AND PRIME'S
COVERAGE OF THE
2016 OLYMPICS

COMMUNITY AND SPONSORSHIP

With SKY in more than 700,000 New Zealand homes and 1,400 SKY crew countrywide, we touch the lives of many Kiwis every day. We are committed to giving back to New Zealand communities and are proud to have continued this over the past year through our partnerships with the Starship Foundation and the Christchurch Earthquake Appeal Trust.

STARSHIP

Starship is New Zealand's National Children's Hospital. Every year, Starship treats 130,000 of New Zealand's precious children. We're proud to be a Starship Foundation Five Star Sponsor and to have supported the Starship Foundation since 2001.

We share our love of TV by providing SKY in every patient's room, we host Starship movie nights for sick kids and their siblings and even arrange magical visits from the stars of SKY shows like SpongeBob, Dora the Explorer and The Powerpuff Girls because we know how joy can support recovery.

SKY is the key sponsor of the Starship National Air Ambulance. Donations of hundreds of thousands of much needed dollars, raised by SKY and our community of customers, have been dedicated to this vital service, helping ensure it can respond without delay, day or night. And it did just that, with more than 150 retrievals of Kiwi children in need in the past year alone.



CHRISTCHURCH EARTHQUAKE APPEAL TRUST

SKY pledged \$1 million over five years to help repair Christchurch, with five \$200,000 donations allocated for schools and recreational projects to support the health and wellbeing of local communities and in particular, their young people.

We're proud to have made a difference funding repairs from earthquake damage to:

- 2013** **Garrick Park** – repair significant drainage issues and enable year round use of fields
- 2014** **West Spreydon School Pool** – restore the community's much-loved swimming pool
- 2015** **Denton Oval** – repair cycling track and facilities
- 2016** **Artificial Turfs (11)** – for outdoor school play areas
- 2017** **Ngā Puna Wai Sports Hub** – electronic scoreboards, public address system and camera towers

CHRISTCHURCH
EARTHQUAKE APPEAL

130,000
CHILDREN TREATED
EVERY YEAR SINCE 2001



SKY CHANNELS

As at 30 June 2017

TYPES OF CHANNELS

KEY

Basic Channels	47	Movie Channels	10	PPV Event Channels	1
Sport Channels	17	Free-to-air Channels	12	PPV Movie Channels	9
Specialist Channels	9	Radio Channels	7	PPV Adult Channels	3
		Audio Music Channels	14	Total	129

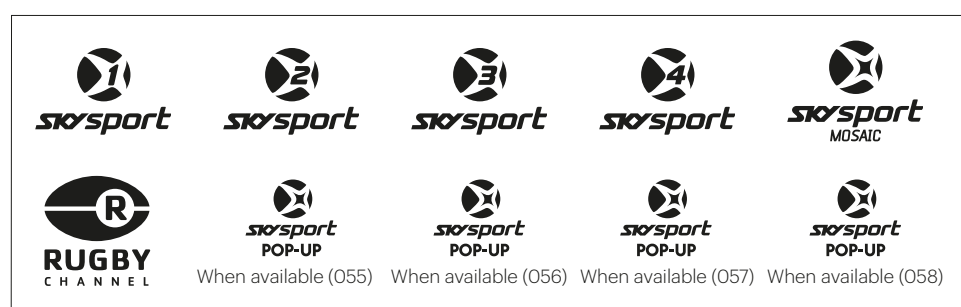


Created and produced by SKY

47 BASIC CHANNELS



17 SPORT CHANNELS



ESPN

ESPN 2

bein SPORTS 1

bein SPORTS 2

bein SPORTS

Pop-ups when available, weekends only (268-270)

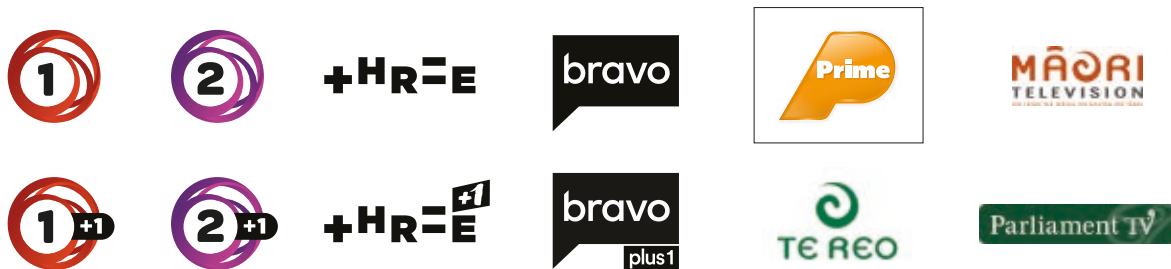
9 SPECIALIST CHANNELS



10 MOVIE CHANNELS



12 FREE-TO-AIR CHANNELS



7 RADIO CHANNELS



APPS



OTHER





2017 FINANCIALS

FINANCIAL OVERVIEW	24
FINANCIAL TRENDS	28
DIRECTORS' RESPONSIBILITY STATEMENT	30
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31
CONSOLIDATED BALANCE SHEET	32
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	33
CONSOLIDATED STATEMENT OF CASH FLOWS	34
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	35
INDEPENDENT AUDITOR'S REPORT	62

FINANCIAL OVERVIEW

SUMMARY

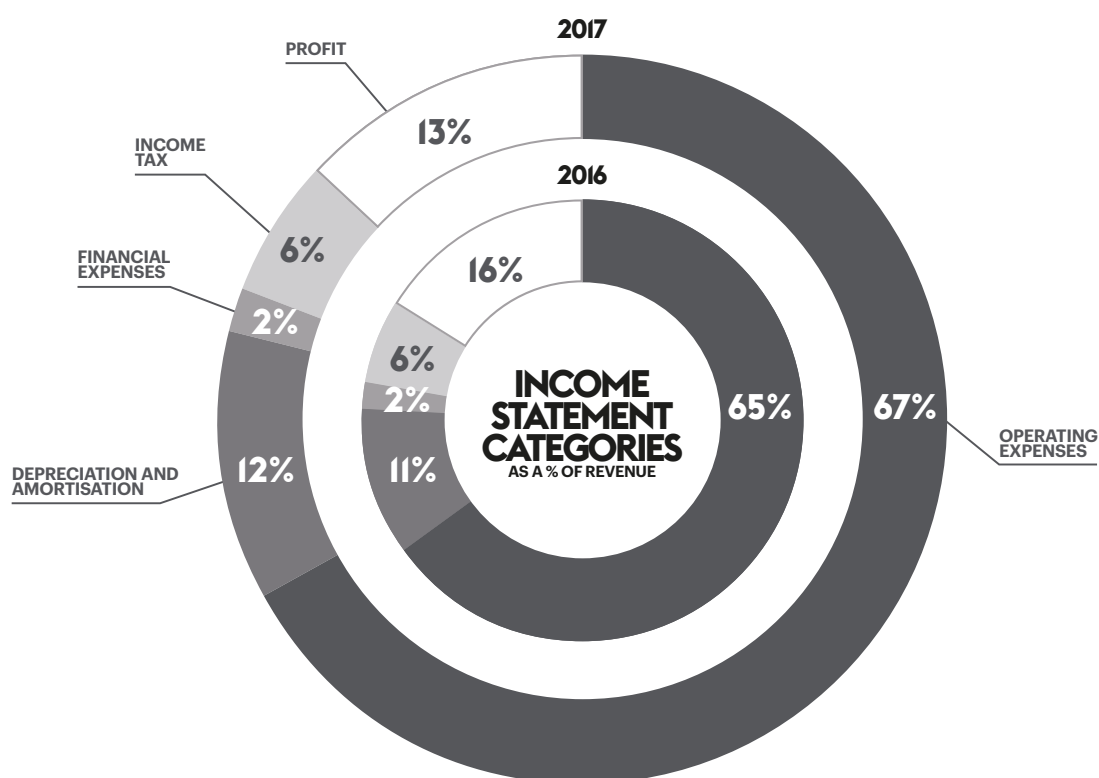
The net profit after tax for the year ended 30 June 2017 is \$116.3 million, a decrease of 20.9% on the previous year's net profit after tax of \$147.1 million.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") decreased by 10.1% to \$292.3 million. Operating expenses include costs relating to the acquisition of Vodafone NZ of \$2.1 million (prior year \$13.4 million).

The results are summarised as follows:

For the years ended 30 June

IN NZD MILLIONS	2017	2016	% inc/(dec)
Financial performance data			
Total revenue	893.5	928.2	(3.7)
Total operating expenses	601.2	602.9	(0.3)
EBITDA	292.3	325.3	(10.1)
Less			
Depreciation and amortisation	105.1	100.2	4.9
Net finance costs	19.6	20.1	(2.5)
Net profit before income tax	167.6	205.0	(18.2)
Income tax expense	51.3	57.9	(11.4)
Profit after tax	116.3	147.1	(20.9)

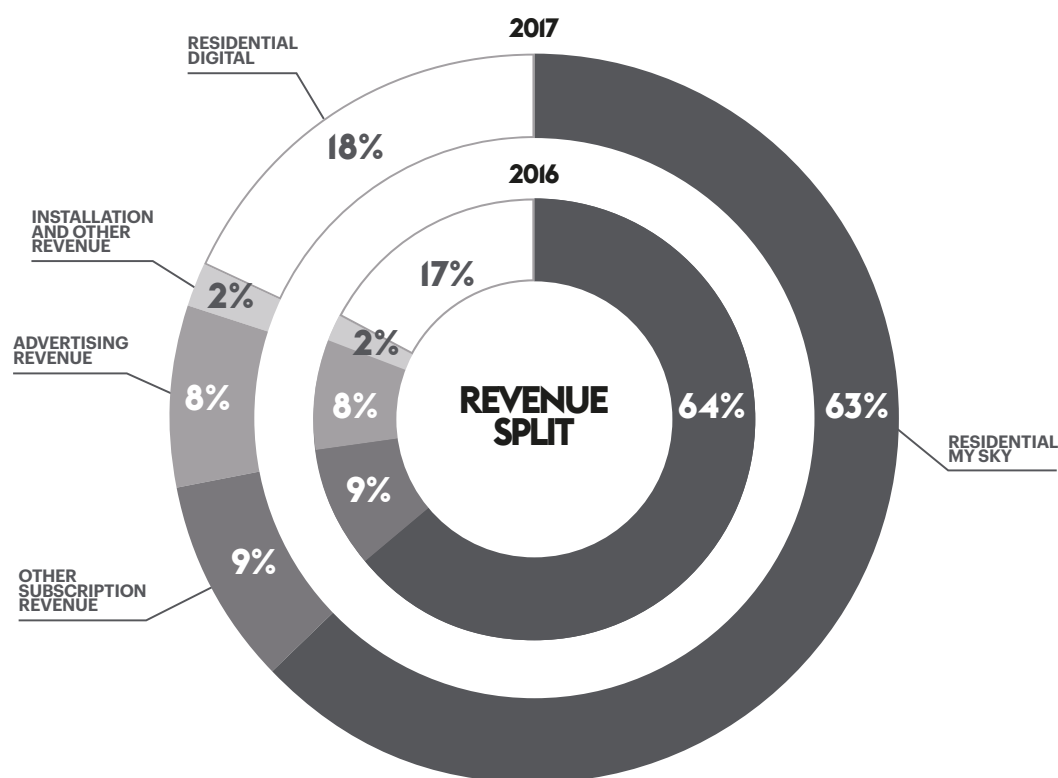


REVENUE ANALYSIS

SKY's total revenue decreased to \$893.5 million, as follows:

For the years ended 30 June

IN NZD MILLIONS	2017	2016	% inc/(dec)
Residential – Digital	157.2	160.3	(1.9)
Residential – MY SKY	567.9	592.8	(4.2)
Other subscription revenue	82.2	79.3	3.7
Total subscription revenue	807.3	832.4	(3.0)
Advertising	68.1	74.0	(8.0)
Installation and other revenue	18.1	21.8	(17.0)
Total other revenue	86.2	95.8	(10.0)
Total revenue	893.5	928.2	(3.7)



Residential subscription revenue decreased by 3.7% to \$725.1 million due to fewer satellite customers and a lower uptake of premium services (Sports and Movies) and lower pay-per-view buys.

Other subscription revenue includes commercial revenue earned from SKY subscriptions at hotels, motels, restaurants and bars throughout New Zealand, revenue derived from transmission of programming for third parties and revenue from other subscriptions services such as NEON, FAN PASS and IGLOO. This revenue increased 3.7% to \$82.2 million in 2017 due mainly to an increase in subscriber numbers for NEON and FAN PASS.

Advertising sales revenue decreased by 8.0% to \$68.1 million in 2017. Pay television advertising revenues decreased from \$49.3 million in 2016 to \$46.7 million in 2017, a decrease of 5.3% whilst Prime revenues decreased from \$24.7 million in 2016 to \$21.4 million in 2017. Prior year results were higher than normal due to additional revenue from the Rugby World Cup.

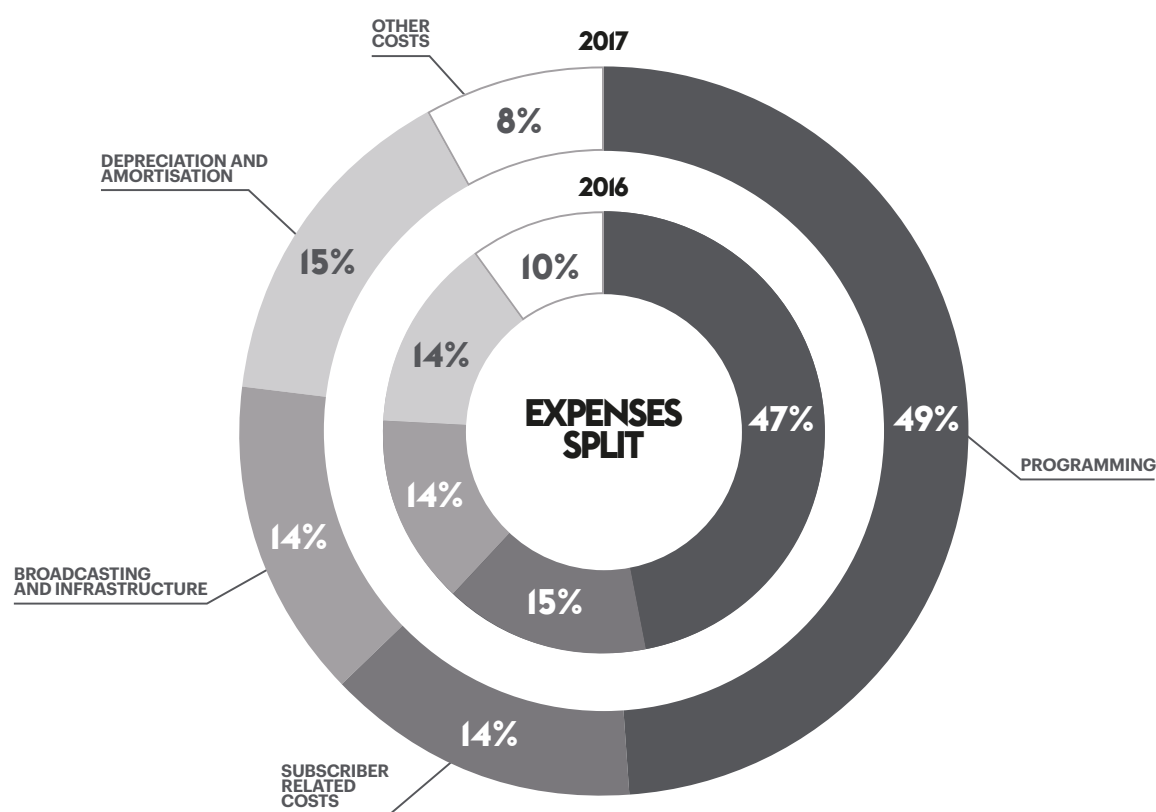
Installation and other revenues decreased by 17.0% to \$18.1 million in 2017. This is mainly the result of fewer installations undertaken.

FINANCIAL OVERVIEW (CONTINUED)

EXPENSE ANALYSIS

A further breakdown of SKY's operating expenses for 2017 and 2016 is provided below:

IN NZD MILLIONS	2017	2017 % of revenue	2016	2016 % of revenue	% inc/(dec)
Programming	349.4	39.1	331.1	35.7	5.5
Subscriber related costs	100.2	11.2	106.3	11.5	(5.7)
Broadcasting and infrastructure	97.6	10.9	96.0	10.3	1.7
Other costs	54.0	6.0	69.5	7.5	(22.3)
Depreciation and amortisation	105.1	11.8	100.2	10.8	4.9
Total operating expenses	706.3	79.0	703.1	75.8	0.5



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

SKY's programming expenses have increased by \$18.3 million and equate to 39.1% of revenue in 2017, from 35.7% in 2016. The higher programming costs in 2017 included the rights costs of the Summer Olympics, the PGA Golf and Americas Cup in 2017 as well as a full year's impact of the new SANZAAR contract that commenced on 1 January 2016 and costs relating to On Demand content and new channels such as "VICELAND".

A significant proportion of SKY's programme rights costs are in Australian dollars (AUD-26% of rights costs) and United States dollars (USD- 53% 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.

EXPENSE ANALYSIS (CONTINUED)

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 2017, subscriber related costs decreased by 5.7% due to lower employee and contractor costs of supporting a smaller subscriber base and lower trouble calls.

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 increased marginally by 1.7% to \$97.6 million due to increased internet delivery costs for on demand content and costs of supporting SKY's OTT products (NEON, FAN PASS).

Other costs include advertising costs, the overhead costs relating to corporate management and the affiliated businesses such as FATSO and Believe It or Not. These costs have decreased by 22.3% to \$54.0 million from \$69.5 million in the prior year due mainly to the professional fees incurred in relation to the planned acquisition of Vodafone NZ which was announced in June 2016. (Refer note 3 of the financial statements).

Depreciation and amortisation costs includes 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 increased by 4.9% to \$105.1 million for the current year due to depreciation on certain significant projects which have been completed during the current year.

Finance costs have decreased marginally from \$20.1 million to \$19.6 million. The reduction in interest is due to reduced levels of debt. SKY's weighted average interest rates are as follows:

	2017	2016
Bank loans	5.36%	6.19%
Bonds	6.04%	5.33%
Combined weighted average	5.65%	5.47%

Capital expenditure

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

IN NZD MILLIONS	2017	2016	2015	2014	2013
Subscriber equipment	19.7	63.8	22.8	20.6	22.9
Installation costs	29.3	32.6	29.7	36.9	40.2
Other	30.7	32.4	63.0	35.5	19.3
Total capital expenditure	79.7	128.8	115.5	93.0	82.4

Capital expenditure decreased by \$49.1 million in 2017 to \$79.7 million.

Subscriber equipment expenditure decreased by \$44.1 million due mainly to the prior year increase of \$41.0 million for the acquisition of the new internet enabled decoders being rolled out to customers to replace the old legacy digital decoders.

Installation costs were marginally lower by \$3.3 million due to fewer installations. Other capital expenditure of \$30.7 million included \$16.4 million of software additions, \$4.2 million of other plant and equipment, as well as \$5.2 million of capital work in progress.

FINANCIAL TRENDS

INCOME STATEMENT – FIVE YEAR SUMMARY

IN NZD 000	2017	2016	2015	2014	2013
For the year ended 30 June					
Total revenue	893,485	928,200	927,525	909,001	885,024
Total operating expenses ^{(1) (4)}	601,145	602,914	547,756	529,961	531,884
EBITDA ^{(2) (4)}	292,340	325,286	379,769	379,040	353,140
Less					
Depreciation, amortisation and impairment	105,148	100,241	119,194	126,143	134,260
Net interest expense and financing charges	20,470	19,684	21,696	27,097	29,193
Unrealised (gains)/losses on currency and other	(850)	371	–	1,293	692
Net profit before income tax ⁽⁴⁾	167,572	204,990	238,879	224,507	188,995

BALANCE SHEET – FIVE YEAR SUMMARY

IN NZD 000	2017	2016	2015	2014	2013
As at 30 June					
Property, plant, equipment and non-current intangibles	301,008	331,157	299,243	302,929	338,002
Goodwill	1,425,331	1,425,331	1,425,331	1,426,393	1,424,494
Total assets	1,887,200	1,943,564	1,942,021	1,865,369	1,900,293
Total debt and lease liabilities	298,663	348,085	350,763	387,191	483,786
Working capital ⁽³⁾	(54,035)	(35,230)	(36,285)	(48,325)	(39,790)
Total liabilities	559,322	612,641	604,818	624,205	718,396
Total equity	1,327,878	1,330,923	1,337,203	1,241,164	1,181,897

CASH FLOW – FIVE YEAR SUMMARY

IN NZD 000	2017	2016	2015	2014	2013
As at 30 June					
Net cash from operating activities	245,261	275,844	282,915	305,314	290,565
Net cash used in investing activities	(79,640)	(133,635)	(115,416)	(93,672)	(82,342)
Free cash flow available to shareholders	165,621	142,209	167,499	211,642	208,223

⁽¹⁾ Exclusive of depreciation, amortisation and impairment.

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

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

⁽⁴⁾ Exclusion of Vodafone acquisition costs of \$2,145,000 (30 June 2016: \$13,371,000) (refer note 3) would result in a normalised adjusted EBITDA of \$294,485,000 (30 June 2016: \$338,657,000) and adjusted net profit before income tax of \$169,717,000 (30 June 2016: \$218,361,000).

DEPRECIATION AND CAPITAL EXPENDITURE

IN NZD 000	2017	2016	2015	2014	2013
Depreciation, amortisation and impairment	105,148	100,241	119,194	126,143	134,260
Capital expenditure	79,700	128,800	115,500	93,000	82,400

HISTORY OF DIVIDEND PAYMENTS

BY CALENDAR YEAR IN CENTS PER SHARE	2017	2016	2015	2014	2013
Interim dividend (paid in March)	15.0	15.0	15.0	14.0	12.0
Final dividend (paid in September)	–	15.0	15.0	15.0	12.0
Total ordinary dividend	15.0	30.0	30.0	29.0	24.0

SUBSCRIBER BASE

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

	2017	2016	2015	2014	2013
Total subscribers	824,782	852,679	851,561	865,055	855,898
Average monthly revenue per residential subscriber ⁽¹⁾	78.82	78.63	79.54	77.52	75.83
Gross churn ⁽²⁾	15.9%	17.5%	14.5%	13.2%	14.4%

⁽¹⁾ Years 2017 and 2016 include IGLOO, NEON and FAN PASS not included in earlier periods.

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

DIRECTORS' RESPONSIBILITY STATEMENT

The directors of Sky Network Television Limited (the Group) are responsible for ensuring that the financial statements of the Group present fairly the financial position of the Group as at 30 June 2017 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.

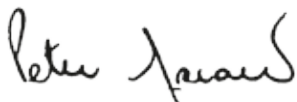
The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

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 2017.

The board of directors of Sky Network Television Limited authorise these financial statements for issue on 21 August 2017.

For and on behalf of the board of directors



Peter Macourt
Chairman



Susan Paterson
Director

21 August 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

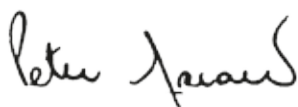
For the year ended 30 June 2017

IN NZD 000	Notes	2017	2016
Total revenue	2	893,485	928,200
Expenses			
Programming		349,426	331,050
Subscriber related costs		100,161	106,340
Broadcasting and infrastructure		97,578	96,040
Depreciation and amortisation	3	105,148	100,241
Other costs		53,980	69,484
		706,293	703,155
Operating profit		187,192	225,045
Finance costs, net	4	19,620	20,055
Profit before tax		167,572	204,990
Income tax expense	5	51,228	57,867
Profit for the year		116,344	147,123
Attributable to:			
Equity holders of the Company		116,026	146,718
Non-controlling interests		318	405
		116,344	147,123
Earnings per share			
Basic and diluted earnings per share (cents)	13	29.82	37.70
OTHER COMPREHENSIVE INCOME			
Profit for the year		116,344	147,123
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges	13	(5,486)	(49,989)
Gain on available for sale investments	1	2,147	–
Income tax effect		935	13,997
Other comprehensive income for the year, net of income tax		(2,404)	(35,992)
Total comprehensive income for the year		113,940	111,131
Attributable to:			
Equity holders of the Company		113,622	110,726
Non-controlling interest		318	405
		113,940	111,131

CONSOLIDATED BALANCE SHEET

As at 30 June 2017

IN NZD 000	Notes	2017	2016
Current assets			
Cash and cash equivalents		5,444	22,863
Trade and other receivables	6	69,475	70,030
Programme rights inventory	7	79,003	79,765
Derivative financial instruments	12	176	2,982
		154,098	175,640
Non-current assets			
Property, plant and equipment	8	238,066	283,316
Intangible assets	9	1,488,273	1,473,172
Available for sale investment	1	6,552	4,832
Derivative financial instruments	12	211	6,604
		1,733,102	1,767,924
Total assets		1,887,200	1,943,564
Current liabilities			
Bonds	11	–	199,912
Trade and other payables	10	186,187	200,817
Income tax payable		21,770	7,071
Derivative financial instruments	12	9,038	9,670
		216,995	417,470
Non-current liabilities			
Bank loans	11	199,685	49,468
Bonds	11	98,978	98,705
Deferred tax	5	37,683	36,047
Derivative financial instruments	12	5,981	10,951
		342,327	195,171
Total liabilities		559,322	612,641
Equity			
Share capital	13	577,403	577,403
Hedging reserve	13	(9,062)	(5,112)
Retained earnings		758,247	757,417
Total equity attributable to equity holders of the Company		1,326,588	1,329,708
Non-controlling interest		1,290	1,215
Total equity		1,327,878	1,330,923
Total equity and liabilities		1,887,200	1,943,564



Peter Macourt
Chairman



Susan Paterson
Director

For and on behalf of the board 21 August 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

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 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
For the year ending 30 June 2016							
Balance at 1 July 2015		577,403	30,880	727,441	1,335,724	1,479	1,337,203
Profit for the year		–	–	146,718	146,718	405	147,123
Cash flow hedges, net of tax	13	–	(35,992)	–	(35,992)	–	(35,992)
Total comprehensive income for the year		–	(35,992)	146,718	110,726	405	111,131
Transactions with owners in their capacity as owners							
Dividend paid		–	–	(116,742)	(116,742)	(669)	(117,411)
Supplementary dividends		–	–	(14,965)	(14,965)	–	(14,965)
Foreign investor tax credits		–	–	14,965	14,965	–	14,965
		–	–	(116,742)	(116,742)	(669)	(117,411)
Balance at 30 June 2016		577,403	(5,112)	757,417	1,329,708	1,215	1,330,923

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

IN NZD 000	Notes	2017	2016
Cash flows from operating activities			
Profit before tax		167,572	204,990
Adjustments for:			
Depreciation and amortisation	3	105,148	100,241
Unrealised foreign exchange loss	4	(212)	305
Interest expense	4	21,010	20,379
Bad debts and movement in provision for doubtful debts	3	1,732	2,427
Amortisation of bond issue costs	4	361	573
Other non-cash items		54	419
Movement in working capital items:			
Increase in receivables		(2,204)	(2,736)
(Decrease)/increase in payables		(7,749)	23,576
Decrease/(increase) in programme rights		762	(6,952)
Cash generated from operations		286,474	343,222
Interest paid		(22,704)	(20,920)
Income tax paid		(18,509)	(46,458)
Net cash from operating activities		245,261	275,844
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		42	–
Acquisition of property, plant, equipment and intangibles		(79,682)	(128,803)
Acquisition of available for sale investment	1	–	(4,832)
Net cash used in investing activities		(79,640)	(133,635)
Cash flows from financing activities			
Repayment of borrowings – bank loan	11	(111,000)	(103,000)
Advances received – bank loan	11	261,000	103,000
Repayment of borrowings – bond		(200,000)	–
Payment of finance lease liabilities		–	(3,294)
Payment of bank facility fees		(725)	(1,571)
Dividend paid to minority shareholders		(243)	(669)
Dividends paid		(132,072)	(131,707)
Net cash used in financing activities		(183,040)	(137,241)
Net (decrease)/increase in cash and cash equivalents		(17,419)	4,968
Cash and cash equivalents at beginning of year		22,863	17,895
Cash and cash equivalents at end of year		5,444	22,863

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 2017 comprise the Company, Sky Network Television Limited and its subsidiaries.

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

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

These financial statements were authorised for issue by the Board on 21 August 2017.

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).

Accounting policies applied in these financial statements comply with NZ IFRS effective for the year beginning 1 July 2016, as applicable to SKY as a profit-oriented entity. The Group financial statements are in compliance with International Financial Reporting Standards (IFRS).

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

The financial statements are presented in New Zealand dollars.

Group structure

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

Name of Entity	Principal Activity	Parent	Interest held	
			2017	2016
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	Online DVD rental	SKY	100.00%	100.00%
Igloo Limited ⁽¹⁾	Multi-channel pay television	SKY	100.00%	100.00%
Believe It Or Not Limited	Entertainment quizzes	SKY	51.00%	51.00%

⁽¹⁾ Ceased trading during the current year

In the prior year Cricket Max Limited was renamed SKY Ventures Limited and given a mandate by the Board to undertake minority equity investments in certain early stage companies which are aligned to the Group's strategic objectives. In March 2016 SKY Ventures acquired a 15.79% interest in 90 Seconds Pty Limited (a cloud video production company) for a cost of \$4.8 million. In the current 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 2017 was \$6.6 million (30 June 2016: \$4.8 million).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

1. GENERAL INFORMATION (CONTINUED)

Subsidiaries

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

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

Transactions with non-controlling interests

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

New standards, amendments and interpretations

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.

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 and earlier application is permitted. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt NZ IFRS 15 on its effective date with full retrospective application.

The Group has carried out a preliminary 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 principle considerations in certain third party contracts indicates there is a potential increase in revenue, offset by an increase in expenses with no effect on the net result, due to reclassification of discounts or commission where the Group is determined to be the principle.

No significant changes to existing systems and processes have been identified as necessary to comply with NZ IFRS 15. The analysis is based on current revenue streams and values and ongoing reassessment of issues and materiality is required, including review of the accounting for new offerings.

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. Early adoption is permitted but only in conjunction with NZ IFRS 15 “Revenue from Contracts with Customers” and the Group intends to adopt the standard from 1 July 2018.

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 3.2 to 2.9.

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

Segmental reporting

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

2. REVENUE

IN NZD 000	2017	2016
Residential satellite subscriptions	725,066	753,115
Other subscriptions	82,247	79,286
Advertising	68,084	74,046
Other revenue	18,088	21,753
	893,485	928,200

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

Subscription revenue – over the period to which the subscription relates; Unearned subscriptions and deferred revenues are revenues that have been invoiced relating to services not yet performed, principally subscriptions paid in advance (refer note 10);

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

Other revenue – when the product has been delivered to the customer or retailer or in the accounting period in which the actual service is provided. Other revenue comprises revenues received from installation of decoders and other non-subscriber related revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

3. OPERATING EXPENSES

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

IN NZD 000	Notes	2017	2016
Depreciation and amortisation			
Depreciation of property, plant and equipment ⁽¹⁾	8	87,570	89,086
Amortisation of intangibles	9	17,578	11,155
Total depreciation and amortisation		105,148	100,241
Bad and doubtful debts			
Movement in provision		165	(218)
Net write-off		1,732	2,427
Total bad and doubtful debts	6	1,897	2,209
Fees paid to external auditors			
Audit fees paid to principal auditors ⁽²⁾		336	264
Other services by principal auditors			
Audit of regulatory returns		3	6
Other services ⁽³⁾		17	1
Agreed upon procedures ⁽⁴⁾		–	6
Advisory services by principal auditors			
Treasury		27	27
Consulting services ⁽⁵⁾		–	8
Total fees to external auditors		383	312
Professional fees in relation to acquisition of Vodafone NZ		2,145	13,371
Employee costs ⁽⁶⁾		97,040	100,674
KiwiSaver employer contributions		2,251	2,244
Donations		413	366
Operating lease and rental expenses		37,939	37,265
Related party transactions			
Remuneration of key personnel (included in employee costs)		11,949	12,172
Directors' fees		555	626
Total related party transactions		12,504	12,798

⁽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 the proposed acquisition of Vodafone NZ.

⁽⁴⁾ Agreed upon procedures were undertaken in relation to the Special Shareholders Meeting.

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

⁽⁶⁾ All employee costs are short-term employee benefits.

Leases under which all the 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	2017	2016
Finance income		
Interest income	(540)	(695)
	(540)	(695)
Finance expense		
Interest expense on bank loans	10,663	2,127
Interest expense on bonds	9,064	15,995
Finance lease interest	–	31
Amortisation of bond costs	361	573
Bank facility finance fees	922	1,653
Total interest expense	21,010	20,379
Unrealised exchange loss/(gain) – foreign currency payables	812	(4,962)
Unrealised exchange (gain)/loss – foreign currency hedges	(1,024)	5,267
Realised exchange gain – foreign currency payables	(648)	(484)
Realised exchange loss – foreign currency hedges	10	550
	19,620	20,055

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 2017

5. TAXATION

Income tax expense

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

IN NZD 000	2017	2016
Profit before tax	167,572	204,990
Prima facie tax expense at 28%	46,920	57,397
Non deductible expenses	771	585
Prior year adjustment	3,537	(115)
Income tax expense	51,228	57,867
Allocated between		
Current tax payable	48,658	56,261
Deferred tax	2,570	1,606
Income tax expense	51,228	57,867

Imputation credits

IN NZD 000	2017	2016
Imputation credits available for subsequent reporting periods based on a tax rate of 28%	80,158	77,347

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 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
For the year ended 30 June 2016						
At 1 July 2015		9,028	28,978	(1,576)	12,008	48,438
NZ IAS 39 hedging adjustment credited direct to other comprehensive income	13	–	–	–	(13,997)	(13,997)
(Credited)/charged to profit and loss		2,888	2,139	(3,421)	–	1,606
Balance at 30 June 2016		11,916	31,117	(4,997)	(1,989)	36,047
Deferred tax reversing within 12 months		2,610	(5,348)	(4,997)	(721)	(8,456)
Deferred tax to reverse after more than 12 months		9,306	36,465	–	(1,268)	44,503
		11,916	31,117	(4,997)	(1,989)	36,047

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 2016: \$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 2017

6. TRADE AND OTHER RECEIVABLES

IN NZD 000	Notes	2017	2016
Trade receivables		61,529	62,120
Less provision for impairment of receivables		(926)	(763)
Trade receivables – net		60,603	61,357
Other receivables		2,739	678
Prepaid expenses		6,133	7,995
Balance at end of year		69,475	70,030
Deduct prepaid expenses		(6,133)	(7,995)
Balance financial instruments	14	63,342	62,035

IN NZD 000	2017		2016	
	Gross	Impairment	Gross	Impairment
Residential subscribers	34,390	380	36,435	244
Commercial subscribers	5,217	38	5,269	54
Wholesale customers	9,860	–	10,190	–
Advertising	9,219	61	7,057	103
Commercial music	107	37	129	17
Other	2,736	410	3,040	345
	61,529	926	62,120	763

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:

IN NZD 000	2017			2016		
	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	54,013	–	–	53,359	–	11
Past due 0-30 days	–	5,344	80	–	5,863	65
Past due 31-60 days	–	897	23	–	1,005	40
Past due 61-90 days	–	203	197	–	331	215
Greater than 90 days	–	146	626	–	799	432
	54,013	6,590	926	53,359	7,998	763

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	2017	2016
Opening balance		763	981
Charged during the year	3	1,897	2,209
Utilised during the year		(1,734)	(2,427)
Closing balance		926	763

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	2017	2016
Opening balance	79,765	72,813
Acquired during the year	286,278	278,610
Charged to programming expenses	(287,040)	(271,658)
Balance at end of year	79,003	79,765

Programme rights are recognised at cost, as an asset in the balance sheet provided the programme is available and the rights period has commenced at the balance date. Long-term sports rights are executory contracts as the obligation to pay for the rights does not arise until the event has been delivered. Most sports rights contracts are, however, payable in advance and as such, are recognised only to the extent of the portion 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 2017

8. PROPERTY, PLANT AND EQUIPMENT

IN NZD 000	Land, buildings and leasehold improvements	Broadcasting and studio equipment	Decoders and associated equipment	Capitalised installation costs	Other plant and equipment	Projects under development	Total
For the year ended 30 June 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
For the year ended 30 June 2016							
Cost							
Balance at 1 July 2015	58,199	158,539	452,128	427,338	78,241	38,553	1,212,998
Transfer between categories	2,409	78	–	–	2,043	(4,530)	–
Transfer to software assets	–	–	–	–	–	(26,023)	(26,023)
Additions	2,986	703	67,292	32,559	2,039	10,655	116,234
Disposals	(5)	(4,052)	(39,038)	(56,367)	(772)	–	(100,234)
Balance at 30 June 2016	63,589	155,268	480,382	403,530	81,551	18,655	1,202,975
Accumulated depreciation							
Balance at 1 July 2015	18,213	130,152	398,063	336,924	47,427	–	930,779
Depreciation for the year	2,266	9,501	30,169	39,189	7,961	–	89,086
Disposals	(1)	(4,042)	(39,038)	(56,367)	(758)	–	(100,206)
Balance at 30 June 2016	20,478	135,611	389,194	319,746	54,630	–	919,659
Net book value at 30 June 2016	43,111	19,657	91,188	83,784	26,921	18,655	283,316

Land, buildings and leasehold improvements at 30 June 2017 includes land with a cost of \$8,820,000 (30 June 2016: \$8,820,000).

Depreciation related to broadcasting assets (including decoders and capitalised installation costs) of \$76,726,000 (30 June 2016: \$78,859,000) accounts for the majority of the total depreciation charge. Due to immateriality of the remaining depreciation, no allocation has been made across expense categories in profit and loss.

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 \$954,000 of capitalised labour costs (30 June 2016: \$575,000).

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

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

Depreciation

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

Assets	Time
Leasehold improvements	5 – 50 years
Buildings	50 years
Broadcasting and studio equipment	5 – 10 years
Decoders and associated equipment	4 – 5 years
Other plant and equipment	3 – 10 years
Capitalised installation costs	5 years

Projects under development are not depreciated until commenced.

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 2017

9. INTANGIBLE ASSETS

IN NZD 000	Software	Broadcasting rights	Other intangibles	Indefinite life goodwill	Total
For the year ended 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
For the year ended 30 June 2016					
Cost					
Balance at 1 July 2015	96,849	2,185	3,167	1,426,293	1,528,494
Transfer from projects under development	26,023	–	–	–	26,023
Additions	15,949	–	–	–	15,949
Disposals	(5,228)	–	–	–	(5,228)
Balance at 30 June 2016	133,593	2,185	3,167	1,426,293	1,565,238
Accumulated amortisation					
Balance at 1 July 2015	81,535	564	3,078	962	86,139
Amortisation for the year	10,300	855	–	–	11,155
Disposals	(5,228)	–	–	–	(5,228)
Balance at 30 June 2016	86,607	1,419	3,078	962	92,066
Net book value at 30 June 2016	46,986	766	89	1,425,331	1,473,172

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

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition and the fair value of the non-controlling interest in the acquiree. The goodwill balance is allocated to the Group's single operating segment. The majority of the goodwill (\$1,422,115,000) arose as a result of the acquisition of SKY by Independent Newspapers Limited (INL) in 2005. Subsequent acquisitions have resulted in immaterial increases to goodwill.

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

Software development costs recognised as assets are amortised 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 \$8,304,000 of accumulated capitalised labour costs, \$4,580,000 of which were incurred in the current year.

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) as at 30 June 2017, which is classified within Level 3 of the fair value hierarchy has been determined based on fair value less cost of disposal calculations. This is different from the previous year's value-in-use calculation as it includes 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 and costs, ability to secure key content and a discount rate based on current market rates adjusted for risks specific to the business. Growth rates are based on expected forecasts and changes in prices and direct costs based on past practice and expectations of future changes in the market.

The fair value less cost of disposal calculation is based on estimated future cash flows, approved by the board, derived from budgets for financial year 2018 and forecasts for the next four years prepared for the impairment model.

SKY's fair value less cost of disposal calculation exceeds the \$1.46 billion carrying value of goodwill by over \$130 million. The key assumptions used in SKY's calculation are;

- A decrease in satellite subscribers of 7.8% over five years
- A decrease in satellite ARPU of 2.7% over five years
- A decrease in operating costs of 16.8% over five years
- A 0% terminal growth assumption
- A 9.0% after tax (12.5% pre-tax) discount rate

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 2017 was \$3.45 (prior year \$4.77) equating to a market capitalisation of \$1.34 billion. This market value excludes any control premium and may not reflect the value of 100% of SKY's equity.

Sensitivity of recoverable amounts

The assessment of fair value less cost of disposal is most sensitive to subscriber numbers, future average revenue per user (ARPU), the NZD cost of programming rights, future cost saving initiatives, terminal growth rate and the discount rate.

The following changes in key assumptions or combinations of these factors would cause the fair value less cost of disposal calculation to be less than the carrying amount.

- A decrease in satellite subscriber numbers of more than 10% over five years
- A decrease in satellite ARPU by more than 5.0% over five years
- A terminal growth rate assumption of lower than -1.0%
- A decline in operating costs of less than 14% over five years
- An increase in the after tax discount rate above 1.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

10. TRADE AND OTHER PAYABLES

IN NZD 000	Notes	2017	2016
Trade payables		80,731	84,302
Unearned subscriptions and deferred revenue		64,250	66,175
Employee entitlements		15,559	15,353
Accruals		25,647	34,987
Balance at end of year		186,187	200,817
Less			
Unearned subscriptions and deferred revenue		(64,250)	(66,175)
Balance financial instruments	14	121,937	134,642

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

11. BORROWINGS

IN NZD 000	2017			2016		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans	–	199,685	199,685	–	49,468	49,468
Bonds	–	98,978	98,978	199,912	98,705	298,617
	–	298,663	298,663	199,912	148,173	348,085

Repayment terms

IN NZD 000	2017	2016
Less than one year	–	199,912
Between one and five years	298,663	49,468
More than five years	–	98,705
	298,663	348,085

Bank Loans

The Group has a revolving credit bank facility expiring 17 July 2020 from a syndicate of banks comprising ANZ National Bank Limited, Bank of New Zealand, Commonwealth Bank of Australia and Westpac Bank. In June 2016, the facility limit was increased to \$350 million. Interest is charged on drawings under the facility at a rate between 1.45% and 2.15% per annum above the average bid rate for the purchase of bank accepted bills of exchange. There is a commitment fee payable on the undrawn balance of the facility of between 0.64% and 0.96% per annum. There are no required repayment tranches of the facility. The facility can be partially or fully cancelled at SKY's discretion. In July 2016 the bank facility limit was decreased to \$300 million. Cash balances held with the Bank of New Zealand are subject to a netting arrangement. Bank overdrafts of \$5,701,000 (30 June 2016: \$2,744,000) have been set off against the cash balances.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit and loss over the period of the borrowings, using the effective interest method. Arrangement fees are amortised over the term of the loan facility. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

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

Bonds

On 16 October 2006, the Group issued bonds for a value of \$200 million which were fully subscribed (Bond A). These bonds were repaid on 16 October 2016. Repayment was effected by a drawdown on the Group's bank facility.

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

Terms and conditions of outstanding bonds are as follows:

	2017	2016	
	Bond B	Bond A	Bond B
Nominal interest rate	6.25%	3.38%	6.25%
Market yield	4.92%	4.97%	4.01%
Issue date	31-Mar-14	16-Oct-06	31-Mar-14
Date of maturity	31-Mar-21	16-Oct-16	31-Mar-21
IN NZD 000			
Carrying amount	98,978	199,912	98,705
Fair value	104,529	199,000	109,644
Face value	100,000	200,000	100,000

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

Bond A was repaid on the due date of 16 October 2016 and replaced with bank debt.

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.

12. DERIVATIVE FINANCIAL INSTRUMENTS

		2017			2016		
IN NZD 000	Notes	Assets	Liabilities	Notional amounts	Assets	Liabilities	Notional amounts
Interest rate swaps – cash flow hedges		–	(5,298)	188,000	–	(9,663)	198,000
Interest rate swaps – fair value through profit and loss		46	–	10,000	105	–	10,000
Total interest rate derivatives		46	(5,298)	198,000	105	(9,663)	208,000
Forward foreign exchange contracts – cash flow hedges		324	(8,100)	421,797	9,481	(7,594)	478,778
Forward foreign exchange contracts – dedesignated		17	(1,621)	46,584	–	(3,364)	55,057
Total forward foreign exchange derivatives		341	(9,721)	468,381	9,481	(10,958)	533,835
		387	(15,019)	666,381	9,586	(20,621)	741,835
Analysed as:							
Current		176	(9,038)	361,286	2,982	(9,670)	279,281
Non-current		211	(5,981)	305,095	6,604	(10,951)	462,554
		387	(15,019)	666,381	9,586	(20,621)	741,835
Derivatives used for hedging – cash flow hedges	14	324	(13,398)	609,797	9,481	(17,257)	676,778
At fair value through profit or loss	14	63	(1,621)	56,584	105	(3,364)	65,057
		387	(15,019)	666,381	9,586	(20,621)	741,835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Exchange rates

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

	2017	2016
USD	0.7315	0.7091
AUD	0.9530	0.9544
GBP	0.5623	0.5276
EUR	0.6402	0.6385
JPY	81.9792	72.7466

Forward foreign exchange contracts

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 36 months. Gains and losses recognised in the hedging reserve in equity (note 13) on forward exchange contracts as of 30 June 2017 are recognised in profit and loss in the period or periods during which the hedged forecast transaction affects profit and loss. Generally, the gain or loss is recognised as a basis price adjustment for the purchase of programme rights, and is written off to profit and loss over the rights' period.

Credit risk – derivative financial instruments

The maximum exposure to credit risk on the derivative financial instruments is the value of the derivative assets' receivable portion of \$387,000 (2016: \$9,586,000).

Exposure to currency risk

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

	2017			2016		
IN NZD 000	USD	AUD	Other	USD	AUD	Other
Foreign currency payables	(28,822)	(22,275)	–	(26,592)	(24,542)	–
Dedesignated forward exchange contracts	29,921	16,664	–	34,251	20,806	–
Net balance sheet exposure	1,099	(5,611)	–	7,659	(3,736)	–
Forward exchange contracts (for forecasted transactions)	273,746	147,082	968	326,853	151,248	677
Total forward exchange contracts	303,667	163,746	968	361,104	172,054	677

Sensitivity analysis

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

IN NZD 000 gain/(loss)	10% rate increase stronger NZD		10% rate decrease weaker NZD	
	Equity	Profit or loss	Equity	Profit or loss
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)
As at 30 June 2016				
Foreign currency payables				
USD	–	2,417	–	(2,954)
AUD	–	2,230	–	(2,726)
Foreign exchange hedges				
USD	(29,112)	(2,812)	35,582	3,437
AUD	(13,018)	(1,843)	15,911	2,253
Other	(62)	–	75	–
	(42,192)	(8)	51,568	10

Interest rates

During the year ended 30 June 2017, interest rates on borrowings varied in the range of 3.2% to 6.5% (2016:3.2% to 6.5%).

The Group's interest rate structure is as follows:

	2017				2016		
IN NZD 000	Notes	Effective interest rate	Current	Non-current	Effective interest rate	Current	Non-current
Assets							
Cash and cash equivalents		2.31%	5,444	–	2.02%	22,863	–
Liabilities							
Bank loans	11	5.36%	–	(199,685)	6.19%	–	(49,468)
Bonds	11	6.04%	–	(98,978)	5.33%	(199,912)	(98,705)
Derivatives							
Floating to fixed interest rate swaps			108,000	80,000		–	198,000
Fixed to floating interest rate swaps			–	10,000		–	10,000
			113,444	(208,663)		(177,049)	59,827

Gains and losses recognised in the hedging reserve in equity (note 13) on interest rate hedges as at 30 June 2017 will be continuously released to profit and loss within finance cost until the repayment of the bank borrowings and bonds. On 16th October 2016 the revolving credit facility was utilised to repay the bond.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis for interest-bearing instruments

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

IN NZD 000 gain/(loss)	100 BP increase		100 BP decrease	
	Equity	Profit and loss	Equity	Profit and loss
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
As at 30 June 2016				
Variable rate instruments – bank loans	–	(266)	–	266
Interest rate hedges – cash flow	3,507	–	(3,633)	–
	3,507	(266)	(3,633)	266

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

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

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

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

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

13. EQUITY

Share capital

	Number of shares (000)	Share capital (NZD 000)
Shares on issue at 30 June 2017 and 30 June 2016	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.

	2017	2016
Profit after tax attributable to equity holders of Parent (NZD 000)	116,026	146,718
Weighted average number of ordinary shares on issue (thousands)	389,140	389,140
Basic earnings per share (cents)	29.82	37.70
Weighted average number of ordinary shares	Number	Number
Issued ordinary shares at beginning of year	389,139,785	389,139,785
Issued ordinary shares at end of year	389,139,785	389,139,785
Weighted average number of ordinary shares	389,139,785	389,139,785

Diluted earnings per share

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

Hedging reserve

IN NZD 000	Notes	2017	2016
Balance at 1 July		(5,112)	30,880
Cash flow hedges			
Unrealised gains/(losses) during the year		(11,189)	(44,681)
Transfer to basis price adjustment programme rights inventory		4,712	(3,865)
Transfer to operating expenses		992	(1,443)
Deferred tax	5	1,535	13,997
		(3,950)	(35,992)
Balance at end of year		(9,062)	(5,112)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

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	20%	80%
	3-5 years	20%	60%
	5-10 years	0%	30%

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

c) Price risk

The Group does not have any price risk exposure.

Credit risk

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

The Group has no significant concentrations of credit risk.

Credit risk with respect to trade receivables is limited due to the large number of subscribers included in the Group's subscriber base. In addition, receivables balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The maximum exposure is the carrying amount as disclosed in note 6.

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

Liquidity risk

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

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

The Group had an undrawn facility balance of \$100,000,000 (June 2016: \$300,000,000) that can be drawn down to meet short-term working capital requirements. In July 2016, the facility limit was decreased to \$300,000,000, from \$350,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

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 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)
At 30 June 2016						
Non derivative financial liabilities						
Secured bank loans	11	49,468	(57,688)	(1,900)	(1,900)	(53,888)
Bonds	11	298,617	(333,068)	(209,630)	(6,250)	(117,188)
Trade and other payables	10	134,642	(134,642)	(134,642)	–	–
Derivative financial liabilities						
Forward exchange contracts used for hedging – net outflow/inflow ⁽¹⁾	12	10,958	(11,159)	(9,041)	(1,440)	(678)
Interest rate swaps ⁽¹⁾	12	9,663	(8,867)	(4,325)	(3,099)	(1,443)
		503,348	(545,424)	(359,538)	(12,689)	(173,197)

⁽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 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)
At 30 June 2016						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD			(361,104)	(163,481)	(76,474)	(121,149)
AUD			(172,054)	(105,123)	(47,279)	(19,652)
YEN			(677)	(677)	–	–
Inflow (at year end market rate)						
USD	0.7091	251,727	354,994	160,715	75,180	119,099
AUD	0.9544	158,981	166,577	101,777	45,774	19,026
YEN	72.7466	49,329	678	678	–	–
			(11,586)	(6,111)	(2,799)	(2,676)

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 2016.

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 2017

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

IN NZD 000	Notes	2017	2016
Debt	11	298,663	348,085
Cash and cash equivalents		(5,444)	(22,863)
Net debt		293,219	325,222
Equity		1,327,878	1,330,923
Net debt to equity ratio		22%	24%

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 (2016: 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	2017	2016
Assets measured at fair value			
Trading derivatives – dedesignated or not hedge accounted	12	63	105
Derivatives used for hedging – cash flow hedges	12	324	9,481
Available for sale investment	1	6,552	4,832
Total assets		6,939	14,418
Liabilities measured at fair value			
Trading derivatives – dedesignated or not hedge accounted	12	(1,621)	(3,364)
Derivatives used for hedging – cash flow hedges	12	(13,398)	(17,257)
Total liabilities		(15,019)	(20,621)

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

		2017		2016	
IN NZD 000	Notes	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Loans and receivables					
Cash and cash equivalents		5,444	5,444	22,863	22,863
Trade and other receivables	6	63,342	63,342	62,035	62,035
Total assets		68,786	68,786	84,898	84,898
Financial liabilities held at amortised cost					
Bank loans	11	199,685	198,037	49,468	44,366
Bonds	11	98,978	104,529	298,617	308,644
Trade and other payables	10	121,937	121,937	134,642	134,642
Total liabilities		420,600	424,503	482,727	487,652

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

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

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

Classification

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Impairment of financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

15. COMMITMENTS

IN NZD 000	2017	2016
Operating leases – future minimum lease payments:		
Year 1	35,134	35,978
Year 2	33,873	34,323
Year 3	33,285	33,413
Year 4	33,170	33,140
Year 5	14,006	33,102
Later than five years	72	14,049
	149,540	184,005
Contracts for transmission services:		
Year 1	4,697	6,428
Year 2	539	2,951
Year 3	245	539
Year 4	–	245
	5,481	10,163
Contracts for future programmes:		
Year 1	202,415	187,787
Year 2	181,110	184,703
Year 3	146,953	155,257
Year 4	83,361	115,457
Year 5	33,391	66,366
Later than five years	19,331	30,449
	666,561	740,019
Capital expenditure commitments:		
<i>Property, plant and equipment</i>		
Year 1	8,813	16,197
	8,813	16,197
Other services commitments:		
Year 1	7,508	7,190
Year 2	1,562	2,650
Year 3	978	526
Year 4	970	–
Year 5	193	–
	11,211	10,366

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

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

16. CONTINGENT LIABILITIES

The Group has undrawn letters of credit at 30 June 2017 of \$650,000 (30 June 2016: \$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 21 August 2017 the Board of Directors announced that it will pay a fully imputed dividend of 12.5 cents per share with the record date being 5 September 2017. A supplementary dividend of 2.2059 cents per share will be paid to non-resident shareholders subject to the foreign investor tax credit regime.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of SKY Network Television Limited



The consolidated financial statements comprise:

- the consolidated balance sheet as at 30 June 2017;
- 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 2017, 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 assurance over regulatory and trustee reporting, treasury advisory services and matters related to the proposed acquisition of Vodafone NZ. 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 \$8.5 million, which represents 5% of profit before tax, adjusted to exclude non-recurring costs of \$2.1 million in relation to the acquisition of Vodafone NZ.

We chose adjusted profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

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.



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 \$1,425 million at 30 June 2017 that arose on the acquisition of SKY by Independent Newspapers Limited in 2005. No impairment charge has been recorded against this balance in previous financial years. 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 that goodwill will 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. In prior years management used a value in use methodology. 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 2017 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 and costs, 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 operating expenses, the discount rate and the long term growth rate.	We obtained management's fair value less costs of disposal model used to assess the carrying value of goodwill at 30 June 2017. Our audit procedures included the following: Assessing management's processes and controls over preparing the model. Assessed the appropriateness of using a fair value less costs of disposal approach against the applicable accounting standard. Tested the calculation of the valuation model, including the inputs and the mathematical accuracy and comparison to the relevant net assets of the business. 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 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 are 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 used our own expert to assess the control premium against historical market data and determined that it is within an acceptable range given estimation uncertainty.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the shareholders of SKY Network Television Limited



Key Audit Matter

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 have identified that whilst there is no impairment in the carrying value of goodwill at 30 June 2017, there are reasonably possible changes in key assumptions that could result in impairment, as disclosed in note 9.

How our audit addressed the key audit

- 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.

We reviewed the disclosures in note 9 to the financial statements to ensure they are compliant with the requirements of the accounting standards.

No significant issues arose from undertaking these procedures.

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 was available to us at the date of our signing.

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://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

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 (Leo) Foliaki.

For and on behalf of:

Chartered Accountants

21 August 2017

Auckland

OTHER INFORMATION

CORPORATE GOVERNANCE	66
INTERESTS REGISTER	68
COMPANY AND BONDHOLDER INFORMATION	70
WAIVERS AND INFORMATION	75
SHARE MARKET AND OTHER INFORMATION	76
DIRECTORY	77

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 <https://www.sky.co.nz/investor-relations>, which provides the required disclosures and compliance statements under the ASX Corporate Governance Principles and Recommendations and the NZX Corporate Governance Best Practice Code as at 21 August 2017. 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 2017, the board consisted of five directors whose relevant skills, experience and expertise are outlined in their biographies on pages 10 and 11 and in the detailed corporate governance statement on SKY's website. The nomination and remuneration committee has a formal process by which it assesses the overall skills, experience and diversity required on the board and works with the board to ensure that diversity remains one of the key criteria when evaluating potential board candidates. The aim of the board is to have a mix of skills represented on the board that are relevant to SKY's business.

The board may appoint directors to fill casual vacancies that occur or add persons to the board up to the maximum number prescribed by the constitution. At each annual meeting all directors appointed by the board must retire and one third of the other directors must retire, although they can offer themselves for re-election if they wish. Directors' fees 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 and both committee charters are available on SKY's website at www.sky.co.nz/investor-relations.

Independent and Executive Directors

At 30 June 2017 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: 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 other investor-focused material on its website. These policies are overseen by SKY's Chief Executive and Chief Financial Officer. A copy 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 2017, SKY's board had two female directors and three male directors (compared to two female directors and four male directors as at 30 June 2016).

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 2017, 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 (45% of SKY's 1,223 staff are female as at 30 June 2017, compared to 47% of a total 1,302 staff at 30 June 2016).
- The Company had good female participation at all levels of the organisation, including 31 female senior executives compared to 43 male senior executives as at 30 June 2017 (there were 28 female senior executives and 47 male senior executives at 30 June 2016)⁽¹⁾.
- There continues to be appropriate participation at senior levels of the organisation of employees under the age of 45 years (including 39% of senior executives as at 30 June 2017 compared to 40% at 30 June 2016), compared to employees over the age of 45 years (61% of senior executives as at 30 June 2017 compared to 60% at 30 June 2016).
- SKY also embraces ethnic diversity with a recent staff survey highlighting that there are over 40 nationalities represented on our staff.

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 and Performance Monitoring

SKY has policies in place to ensure that it remunerates fairly and responsibly. All executives and employees receive a portion of their salary based on individual and company wide performance. The executive incentive scheme is based on the concept of economic value added, and is described in greater detail under the heading Senior Executive Remuneration on page 71.

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

Regulatory Policy

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

Treasury Policy

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

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

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

⁽¹⁾ 'Senior executives' are executives at one and two levels below the Chief Executive in terms of reporting lines. For the year ended 30 June 2017, 4 out of 12 senior executives one level below the Chief Executive were female and 27 out of 62 senior executives two levels below the Chief Executive were female.

INTERESTS REGISTER

DISCLOSURES OF INTEREST – GENERAL NOTICES

Directors have given general notices disclosing interests in various entities pursuant to section 140(2) of the Companies Act 1993. Those notices which remain current as at 30 June 2017 are as follows:⁽¹⁾

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 ⁽²⁾	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

⁽¹⁾ John Waller retired from the board on 20 September 2016.

⁽²⁾ Ms Paterson resigned as Chair of Airways Corporation and its associated companies on 31 October 2016.

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 2017.

DISCLOSURES OF INTEREST – PARTICULAR TRANSACTIONS/USE OF COMPANY INFORMATION

During the year to 30 June 2017, 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 2017, 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 an ongoing disclosure in relation to the on-market acquisition of 10,000 ordinary shares on 1 March 2017.

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 2017 are set out below:

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

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

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

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

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

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

COMPANY AND BONDHOLDER INFORMATION

DIRECTORS HOLDING AND CEASING OFFICE

John Fellet

Derek Handley

Peter Macourt

Geraldine McBride

Susan Paterson, ONZM

John Waller (retired 20 September 2016)

SUBSIDIARIES

At 30 June 2017, 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 2017, SKY DMX Music Limited operated the SKY DMX music business, Screen Enterprises Limited operated the FATSO DVD and blu-ray rental business, Outside Broadcasting Limited provided mobile on-site broadcasting facilities and services, Igloo Limited delivered a low-cost pay television service over a digital terrestrial network and via broadband (but ceased transmission on 1 March 2017). 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). Media Finance Limited did not trade during that 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 McFarlane
Outside Broadcasting Limited	John Fellet
	Jason Hollingworth
Igloo Limited	John Fellet
	Jason Hollingworth
	Michael Watson
	Mathew Orange
Believe It Or Not Limited	Anabelle Lohead
	Brendan Lohead
	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 74 or in the case of John Fellet, his remuneration is disclosed below under the heading of "Remuneration of Directors".

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

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 2017*:

Relevant interests	Shares
John Fellet	166,300
Derek Handley	4,000
Peter Macourt	—
Geraldine McBride	—
Susan Paterson	17,800

* John Waller retired on 20 September 2016. Mr Waller held a relevant interest in 15,000 SKY shares.

REMUNERATION OF DIRECTORS

Directors' remuneration and value of other benefits received by directors of SKY during the year 1 July 2016 to 30 June 2017 were as follows:

Name	Board Fees	Audit and Risk Committee	Nomination and Remuneration Committee	Other	Total remuneration
John Fellet ⁽¹⁾	–	–	–	1,965,741	1,965,741
Derek Handley	98,096	9,000	5,000	–	112,096
Peter Macourt (Chair)	170,000	9,000	2,500	–	181,500
Geraldine McBride	100,000	–	–	–	100,000
Susan Paterson	100,000	18,000	12,000	–	130,000
John Waller (retired 30 September 2016)	31,250	–	–	–	31,250
	499,346	36,000	19,500	1,965,741	2,520,587

SENIOR EXECUTIVE REMUNERATION

SKY has operated the same bonus scheme for the last 16 years. There are 20 executives who participate in the scheme and the remuneration committee allocates the annual bonus payment amongst these executives based on performance and achievement of individual KPI's. These KPI's reflect specific factors that contribute to business performance and over which the executive has control and for example could include net gain, churn, viewing hours, etc. Salaries are also reviewed each year by the remuneration committee and adjustments are made based on market movements as confirmed by third party advisers.

The SKY board believes that the value of the company is determined by the level of net cash flow returned to shareholders over time and wants to incentivise management to increase the level of cash generation having regard for the level of capital employed in the business. The higher the cash earnings and the lower the capital employed, the better the returns to shareholders and the higher the SKY share price. The board believes the deferral method detailed below results in executives making effective judgements about short term and long term gains and over time rewards long term maintainable returns.

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 an LTI 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
- 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. This rate of return generates a bonus amount calculated as a fixed dollar amount per point of return. The higher the rate of return, the higher the bonus payment. 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.

Mr Fellet has been the CEO of SKY for 16 years and an employee of SKY for 25 years. His remuneration over the last five years, separated between base salary and performance related remuneration is as follows;

	2017	2016	2015	2014	2013
Base salary	1,406,130	1,375,262	1,333,750	1,287,500	1,230,000
STI/LTI	559,611	627,988	575,346	518,593	455,000
Total Remuneration	1,965,741	2,003,250	1,909,096	1,806,093	1,685,000

Mr Fellet's 2017 STI/LTI payment relates to the board's assessment of SKY's 2016 performance and was paid to Mr Fellet in September 2016.

The 2017 bonus scheme payments, including Mr Fellet's 2017 STI/LTI bonus will be considered by the nomination and remuneration committee over coming weeks and will be paid in September 2017.

⁽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.

COMPANY AND BONDHOLDER INFORMATION (CONTINUED)

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 2017 and 11 August 2017 (as indicated below):

Entity	Securities as at 30 June 2017
Kiltearn Partners LLP	27,377,256
Perpetual Limited and subsidiaries	51,476,566
UBS Group AG and its related bodies corporate	22,617,355
Harris Associates L.P.	23,714,100
BlackRock, Inc and its related bodies corporate	47,815,425
Lazard Asset Management Pacific Co	28,357,802
Commonwealth Bank of Australia	19,541,140

Entity	Securities as at 11 August 2017
Kiltearn Partners LLP	33,303,626
Perpetual Limited and subsidiaries	42,727,975
UBS Group AG and its related bodies corporate	22,617,355
Harris Associates L.P.	23,714,100
BlackRock, Inc and its related bodies corporate	47,815,425
Lazard Asset Management Pacific Co	28,357,802
Commonwealth Bank of Australia	19,541,140

The total number of issued voting securities of SKY as at 30 June 2017 and 11 August 2017 was 389,139,785.

TWENTY LARGEST SHAREHOLDERS AS AT 11 AUGUST 2017

Holder name	Holding	Percentage (to 2 d.p.)
HSBC Nominees (New Zealand) Limited	165,561,790	42.55
HSBC Custody Nominees (Australia) Limited	43,428,154	11.16
JP Morgan Nominees Australia Limited	21,320,830	5.48
Citibank Nominees (New Zealand) Limited	21,014,462	5.40
JPMorgan Chase Bank NA NZ Branch	19,738,413	5.07
Citicorp Nominees Pty Limited	17,320,920	4.45
Accident Compensation Corporation	11,891,624	3.06
BNP Paribas Nominees Pty Ltd	11,459,851	2.94
BNP Paribas Nominees (NZ) Limited	7,959,770	2.05
ANZ Custodial Services New Zealand Limited	4,159,238	1.07
UBS Nominees Pty Limited	3,620,939	0.93
Tea Custodians Limited	3,597,654	0.92
ANZ Wholesale Australasian Share Fund	3,568,581	0.92
National Nominees New Zealand Limited	3,392,179	0.87
BNP Paribas Noms Pty Ltd	3,369,342	0.87
Guardian Nominees No 2 A/C Westpac W/S Enhanced Cash Trust	3,208,503	0.82
FNZ Custodians Limited	2,313,917	0.59
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	2,294,464	0.59
National Nominees Limited	2,061,364	0.53
RBC Investor Services Australia Nominees Pty Limited	1,530,000	0.39

DISTRIBUTION OF ORDINARY SHARES AND SHAREHOLDINGS AS AT 11 AUGUST 2017

	No. of shareholders	Percentage (to 2 d.p.)	No. of shares	Percentage (to 2 d.p.)
1 – 1,000	2,377	36.16	1,413,824	0.36
1,001 – 5,000	2,985	45.40	7,708,937	1.98
5,001 – 10,000	710	10.80	5,269,087	1.35
10,001 – 100,000	445	6.77	11,136,723	2.87
100,001 and over	57	0.87	363,611,214	93.44
Total	6,574	100.00	389,139,785	100.00

NON MARKETABLE PARCELS OF SHARES

As at 11 August 2017, 336 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 11 August 2017:

- 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 11 AUGUST 2017

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	122	11.63	610,000	0.61
5,001 – 10,000	241	22.97	2,324,000	2.32
10,001 – 100,000	620	59.11	21,493,000	21.50
100,001 and over	66	6.29	75,573,000	75.57
Total	1,049	100.00	100,000,000	100.00

VOTING RIGHTS ATTACHED TO BONDS

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

COMPANY AND BONDHOLDER INFORMATION (CONTINUED)

EMPLOYEE REMUNERATION

The number of employees or former employees of SKY and its subsidiaries (excluding directors of SKY but including employees of SKY holding office as directors of subsidiaries, other than the Chief Executive⁽¹⁾) whose remuneration and benefits was within specified bands for the year to 30 June 2017 is as follows:

Remuneration (\$)	No. of employees
100,000 – 110,000	73
110,001 – 120,000	56
120,001 – 130,000	43
130,001 – 140,000	29
140,001 – 150,000	11
150,001 – 160,000	11
160,001 – 170,000	8
170,001 – 180,000	11
180,001 – 190,000	13
190,001 – 200,000	3
200,001 – 210,000	7
210,001 – 220,000	3
220,001 – 230,000	3
230,001 – 240,000	1
240,001 – 250,000	2
250,001 – 260,000	2
260,001 – 270,000	1
300,001 – 310,000	3
310,001 – 320,000	1
320,001 – 330,000	1
340,001 – 350,000	1
360,001 – 370,000	1
400,001 – 410,000	3
420,001 – 430,000	1
480,001 – 490,000	1
500,001 – 510,000	1
510,001 – 520,000	1
520,001 – 530,000	1
540,001 – 550,000	1
560,001 – 570,000	1
860,001 – 870,000	1

DONATIONS

During the year 1 July 2016 to 30 June 2017, SKY made cash donations totalling \$413,000. 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 2017 for statutory audit services and for other services was:

IN NZD 000	Statutory audit services	Other services
SKY	336	47

SKY's subsidiaries did not pay PricewaterhouseCoopers any fees.

⁽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 71.

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 from ASX Listing Rule 7.3.2 to the extent necessary to permit the notice of meeting seeking shareholder approval for the issue of shares representing 51% of the post-issue shares in SKY to Vodafone Europe B.V. not to state that those shares will be issued no later than 3 months after the date of the meeting (subject to certain conditions);
2. 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;
3. 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;
4. A waiver from ASX Listing Rule 15.7 to permit SKY to provide announcements simultaneously to both ASX and NZX;
5. 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;
6. 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;
7. 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
8. Confirmation that SKY can provide substantial holder information provided to it under the New Zealand Securities Markets Act (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, Boulevard Room, 21 Viaduct Harbour Avenue, Auckland, on 19 October 2017, commencing at 2.00 pm.

DIRECTORY

REGISTRARS

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

NEW ZEALAND ORDINARY SHARE REGISTRAR

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

Mailing address:

Private Bag 92119
Auckland Mail Centre
Auckland 1142, New Zealand

Tel: +64 9 488 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 3067
GPO Box 2975EE
Melbourne VIC 3000, Australia

Freephone: 1300 850 505 (within Australia)

Tel: +61 3 9415 5000 **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

John Fellet	Chief Executive
Derek Handley	
Peter Macourt	Chairman
Geraldine McBride	
Susan Paterson ONZM	
John Waller	(Retired 20 September 2016)

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 Government Relations
Rawinia Newton	Director of Advertising Sales
Cathryn Oliver	Chief of Staff
Michael Watson	Director of Marketing
Tex Teixeira	Director of Broadcast and Media
Julian Wheeler	Director of Technology
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

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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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