

Appendix 1 Release to NZX

Full Year Preliminary Announcements and Full Year Results

Sky Network Television Limited	
Results for announcement to the market	
Reporting Period	12 months to 30 June 2015
Previous Reporting Period	12 months to 30 June 2014

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$927,525	2.0% increase
Net profit (loss)	\$171,764	6.4% increase
Profit (loss) from ordinary activities after tax attributable to security holder.	\$171,581	3.5% increase
Net profit (loss) attributable to security holders.	\$171,581	3.5% increase

Interim/Final Dividend	Amount per security	Imputed amount per security
Final	\$.15	\$.058333

Record Date	4 September 2015
Dividend Payment Date	11 September 2015

Comments:	As per management commentary attached.
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SKY

SKY NETWORK TELEVISION LIMITED

30 JUNE 2015

CHAIRMAN'S LETTER

Dear shareholders,

The 2015 financial year has produced our strongest financial result to date. Revenue is at an all time high at \$928 million, up 2% on the previous period and net profit after tax saw an impressive increase of 6% to reach \$172 million.

\$928m
REVENUE IS AT AN
ALL TIME HIGH

2015	927,525
2014	909,001
2013	885,024
2012	843,074
2011	796,948

(NZD 000)

SKY subscribers are enjoying more services as is evidenced by the highest ever average revenue per user (APRU) of \$79.54.

These strong financial results are despite an overall decrease in customer numbers. SKY customers dropped 1.6% to 851,561. This has not been helped by the slower than anticipated introduction of new services like NEON, which is now performing well. Also, the on-demand features for all SKY subscribers will offer more internet delivered content alongside linear channels.

Plans are well advanced to grow subscriber numbers with the introduction of new digital products that should appeal to younger audiences and non-subscribers. We started with the successful introduction of NEON, a subscription video on demand (SVOD) service and FAN PASS which offers a season or part season pass to online sports including: Super Rugby, NRL and Formula 1. Recently FAN PASS expanded its offering to day and week passes to four of our SKY Sport channels.

With our traditional SKY pay television business experiencing more competition than ever, we will continue to invest in content and expand our services. We are planning to have all set top boxes internet enabled to ensure all SKY customers have access to on demand viewing, catch up television and our extensive library of movies and general entertainment. To ensure we remain the leader in quality entertainment we have renewed and acquired rights to exclusive premium content including long-term rights with Disney, Discovery, HBO, NZ and SANZAR Rugby, NZ Cricket and Netball NZ. This will result in an increase in programming costs in future years but positions the company to compete in both the traditional and digital entertainment markets. We have also expanded our partnership with Vodafone to now promote broadband directly to SKY customers.

WE WILL CONTINUE TO INVEST IN CONTENT AND EXPAND OUR SERVICES

With the anticipated growth in domestic and international competition SKY has continued to strengthen its balance sheet providing financial flexibility to develop and invest in new content and services.

On behalf of the board I would like to thank John Fellet and all of SKY's staff and contractors for their commitment and achievements in a challenging year. I would also like to thank you, our shareholders, for your continuing support. I am pleased to announce a final dividend of 15 cents per share.



Peter Macourt
Chairman



CHIEF EXECUTIVE'S LETTER

Dear shareholders,

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

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

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

Last year in this report I said there had never been a more challenging time to be in the industry. This year has proven to be even more so. I firmly believe that SKY, and for that matter the whole media industry, is at an important crossroad. The roll out of ultra-fast broadband has introduced many challenges to SKY, but equally, more opportunities than ever before. Our existing business model has been fantastic but what got us to 47% penetration will not get us to 75%.

I BELIEVE THE INDUSTRY RIGHT NOW LOOKS LIKE THIS:

The larger of the two circles on the left represents the traditional linear free-to-air broadcast stations and pay television platforms. We offer both under the names Prime and SKY. The content is collected or created at a central location and then bundled and delivered to the household. Typically the package also offers customers pay-per-view options. TV signals are sent via a series of broadcasting towers. For TV operators delivery mechanisms include cable, satellite and now the internet. From a content packaging perspective, pay TV operators traditionally offer a basic tier package that can be complemented by a sports tier, movies tier or other premium channels as well as pay-per-view options.

The smaller circle on the right represents all the new business models that the global roll out and take up of internet has enabled. The overlap represents those customers who are currently on the traditional platform but who might convert to one of the new business models that I will comment on later in this letter.



One could argue about the size of the circles, their relativity to each other and the amount of overlap but I am convinced there are two different markets that are for the most part generationally driven.

Our approach to the latest season of Game of Thrones (GOT), the hottest piece of content on the planet, is a good example to prove my point. Internally we had a massive debate to determine if we should release GOT on our subscription video on demand (SVOD) service 'NEON' at the same time it ran on SoHo, our premium linear SKY service. The concern was that the benefit of one would only come at the expense of the other. But that did not happen. When we debuted Season 5 on both platforms the SoHo viewership figures hit an all-time record whilst at the same time NEON customers took off. We had kept both circles happy.

ANOTHER TRANSITION PERIOD FOR SKY

As you review our plans to move SKY further into the new media world, it is important to note that this is not the first time SKY has been in a transition period. In the mid-nineties, SKY was a four channel UHF distribution network which covered about 80% of the population network with about 300,000 customers. There were two serious cable competitors against us at the time. The general press wrote and said cable was the future because one would be able to order a pizza with a remote control. Perhaps, but wasn't the phone going to be easier?

Similar to the current context innovation in technology had opened up a new platform for us. For the first time compression standards allowed SKY to transition from a UHF delivery system to a KU satellite system. We were profitable at the time and could have kept the status quo but the board made the long term decision to transition to the satellite technology.

During these transition periods it is not unusual for our customer numbers to stagnate or go backwards. At the time of the launch of the satellite the existing UHF service was only a \$25 install while the satellite cost \$500 to install. No one wanted the old service, yet few could afford to upgrade. With cheaper decoders and subsidised install costs we soon broke through.

The challenge we are now seeing is in attracting new customers. The churn (customers leaving the service) has remained in a very narrow range over the last three years. Without attracting the same number of new customers and while having a large base of over 800,000 customers we went back 13,500 subscribers in the current year.

The biggest source of churn comes from our customers who use our 'digital boxes'. These were the satellite receivers/decoders we started introducing in 1997. They do not have a hard drive in them to record series, movies and sporting events. The electronic program guide only goes out about three days. Overall not a great experience.

We have now cut a deal with a decoder manufacturer who will supply new MY SKY decoders for about one third of the price we purchased the original digital boxes for in 1997. We believe the new decoders when launched will lower churn and increase average revenue per subscriber. The total cost of this investment is estimated to be \$120 million and will take place over this and the next two fiscal years.

We think the lower churn and increased ARPU will cover the cost of the investment. But the real upside will come with increased satellite capacity. Right now we have to send one version of our signals to the digital boxes in MPEG2 compression software and another version to our MY SKY boxes using MPEG4 compression software. However, once we remove the last of the digital boxes, our capacity on the satellite will double. The additional room on the satellite will enable us to add more channels, more HD channels and launch ultra-high definition channels.

CONTENT IS STILL KING

In past transition periods the key step we took was to secure the most important content. This strategy applies now as well. We have recently secured SANZAR rugby, cricket and netball. HBO is the gold standard of premium entertainment content and provides SKY and Prime with such shows as Game of Thrones and True Detective. If there was one studio you would not want to lose to a competitor during a difficult time it would be Disney.

SECURING, DISTRIBUTING AND MARKETING THE RIGHT CONTENT TO THE RIGHT PEOPLE WILL BE THE KEY TO SUCCESS WITH THIS BUSINESS MODEL AND THAT'S SOMETHING SKY KNOWS HOW TO DO VERY WELL

HBO IS THE GOLD STANDARD OF PREMIUM ENTERTAINMENT CONTENT AND PROVIDES SKY AND PRIME WITH SUCH SHOWS AS GAME OF THRONES AND TRUE DETECTIVE

In addition to their Star Wars franchise and great movies in general, they also own the Marvel stable which holds the record of winning 12 straight opening box office weekends in a row. For linear channels we have protected Discovery, Viacom and Disney. This cornerstone content, along with another 400 contracts, improves our key competitive advantage through this transition period.

In securing important movies, sports, television series and channels we have seen our content costs go up. This is somewhat ironic, as there has never been more television content. This year the industry is on track to produce a staggering 400 original scripted series in English up from last year's record output of 371. That doesn't count additional reality shows, sports, movies or children's programmes. So we have more programmes than ever before, costing more than ever before, on more different platforms than ever before, spread over a similar population size during the same size day. It will rationalise.

The upside for the future is that more and more viewers are enjoying online platforms such as TVNZ On Demand to watch their favourite shows, which will mean more opportunities for our new business models.

This is also a big challenge for the large media conglomerates from whom we buy most of our linear channels. For example Viacom, an important supplier of linear channels such as Nickelodeon also sells old seasons of Sponge Bob Square Pants to SVOD operators. The problem is that for young viewers the 2007 season of Sponge Bob Square Pants looks just as fresh as the new 2015 season.

There is no denying that these new business models are very challenging. Other than Netflix to date it is hard to find a business in the new media field that actually makes money. The largest company in the field, Netflix, only made US\$26 million on revenues of US\$1.644 billion for the quarter ended 30 June 2015. There are four SVOD players in New Zealand, all of whom are investing millions of dollars in content.

The churn is typically higher for SVOD business than traditional pay TV models. The key enabler of SVOD churn is the easy out/easy in ability to add and drop SVOD services online and at will. With no contracts, no equipment rentals and no financial penalties for dropping the service as in a phone contract, SVOD customers can come and go as they please with no downside. Again, securing, distributing and marketing the right content to the right people will be the key to success with this business model and that's something SKY knows how to do very well.

TAKING ADVANTAGE OF NEW OPPORTUNITIES

If there is any organisation in New Zealand that should be able to exploit these new opportunities it is SKY. We know what content works and what doesn't. We have the relationships with distributors and in some cases, such as FAN PASS, we can leverage our existing content rights into new business models for marginal extra cost.

We have had critics, a few of them shareholders, arguing that we have not moved into the 'new opportunity circle' fast enough. Keep in mind that in 2012 we launched IGLOO which was a limited basic service package that sold 13 channels in addition to pay-per-view movies and sporting events using the internet.

This service appeals primarily to FreeView audiences who want something more but do not want to purchase a full SKY TV package.

In 2013, we launched SKY GO which allows our customers to use their computers or mobile devices as an additional outlet to view SKY content anywhere in New Zealand.

In February this year, we launched FAN PASS with Formula 1, the NRL and Super Rugby content. This Internet delivered service offers customers an opportunity to subscribe to a single sport for a single season without subscribing to SKY. All these sports offerings still remain in our SKY Sport tier linear channels.

Also in February, we launched NEON, our SVOD product. This service is delivered via the internet and allows customers the opportunity to access a library of content (both movies and television series) for a \$20 monthly fee.

Just recently, we announced the launch of SKY Sports channels 1 to 4 live streamed on FAN PASS, with access by the week or day (\$14.99 per day or \$19.99 per week).

In the works are plans to deliver a new software programme which will allow customers the ability to download hundreds of hours of additional content by connecting their existing MY SKY box to their home internet. I am trialling the service at home now and we hope to roll it out to all SKY customers in the coming months.

As you can see, we have done more than just dip our toes into the new media pool; we are embracing it, but with caution where caution is due. We understand the business and the impact technology has had on how product is distributed, marketed and consumed. We closely follow potential trends among younger audiences in particular, many of whom consume content in very different ways than the generation before them.

Finally don't forget to attend the AGM which will take place at Eden Park in Auckland on 21 October commencing at 2pm.



John Fellet
Chief Executive Officer



2015 FINANCIALS

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FINANCIAL OVERVIEW

SUMMARY

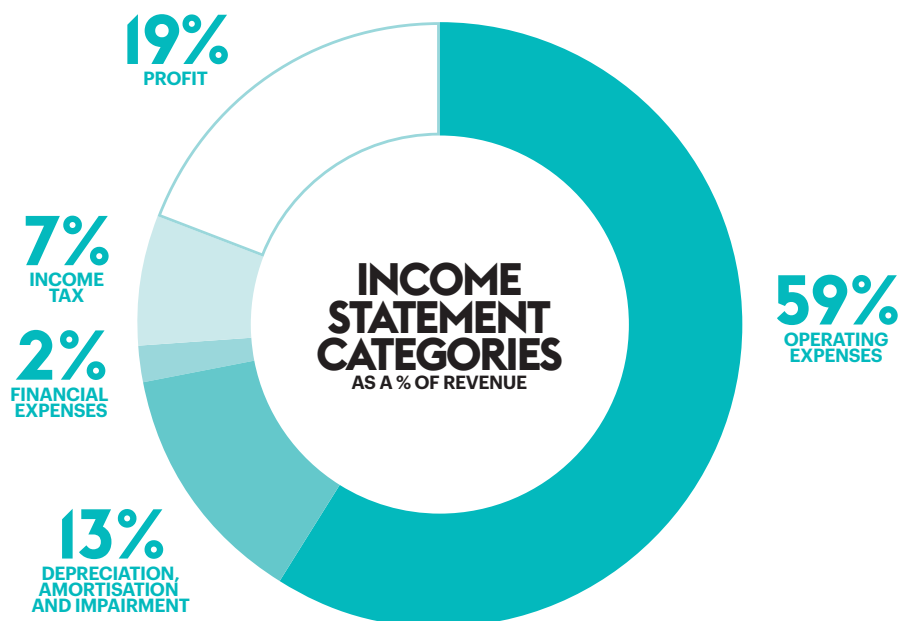
The net profit after tax has increased to \$171.8 million for the year ended 30 June 2015, an increase of 6.4% on the previous year's net profit after tax of \$161.4 million.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 0.2% to \$379.8 million.

The results are summarised as follows:

For the years ended 30 June

IN NZD MILLIONS	2015	2014	% inc/(dec)
Financial performance data			
Total revenue	927.5	909.0	2.0
Total operating expenses	547.7	530.0	3.3
EBITDA	379.8	379.0	0.2
Less			
Depreciation, amortisation and impairment	119.2	126.1	(5.5)
Net finance costs	21.7	28.4	(23.6)
Net profit before income tax	238.9	224.5	6.4
Income tax expense	67.1	63.1	6.3
Profit after tax	171.8	161.4	6.4



REVENUE ANALYSIS

SKY's total revenue increased by 2.0% to \$927.5 million, as follows:

For the years ended 30 June			
IN NZD MILLIONS	2015	2014	% inc/(dec)
Residential – Digital	192.5	240.2	(19.9)
Residential – MYSKY	567.5	504.7	12.4
Other subscription revenue	71.2	64.5	10.4
Total subscription revenue	831.2	809.4	2.7
Advertising	69.5	70.5	(1.4)
Installation and other revenue	26.8	29.1	(7.9)
Total other revenue	96.3	99.6	(3.2)
Total revenue	927.5	909.0	2.0

Residential subscription revenue increased 2.0% to \$760.0 million, mainly due to subscribers taking up more services resulting in a 2.6% increase in average revenue per subscriber ("ARPU"). ARPU is a measure of the average revenue that SKY earns from subscribers each month.

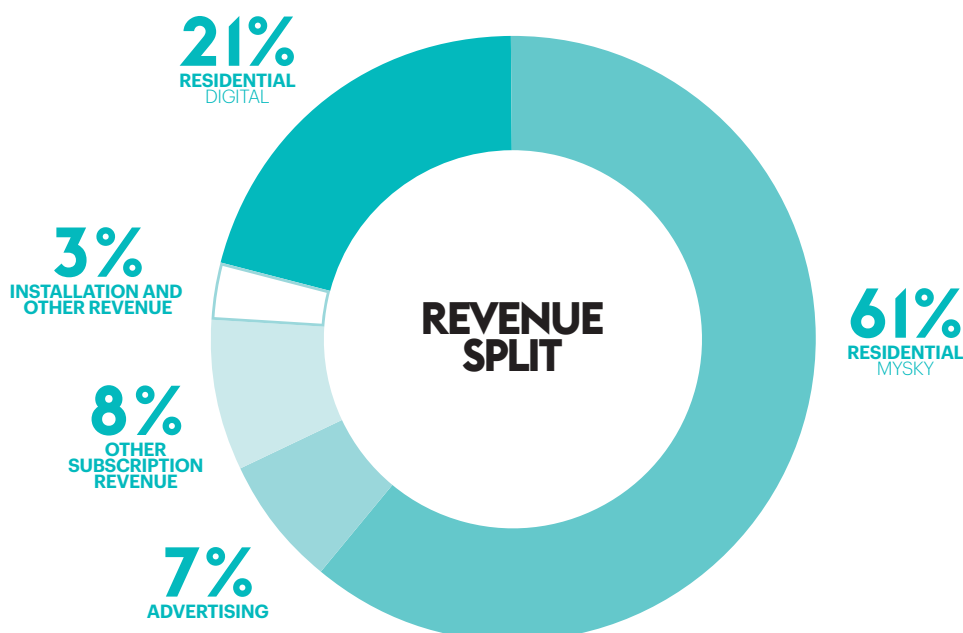
The following chart provides a summary of the change in average monthly revenue per residential subscriber:

NZD (unaudited)	2015	2014	% inc/(dec)
Residential – Digital	57.18	61.56	(7.1)
Residential – MYSKY	89.50	87.22	2.6
Total Digital and MYSKY including wholesale	79.54	77.52	2.6

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 to third parties and revenue from other subscriptions services such as NEON, FAN PASS and IGLOO. This revenue increased 10.4% to \$71.2 million in 2015.

Advertising sales revenue decreased by 1.4% to \$69.5 million in 2015. Pay television advertising revenues increased from \$43.2 million in 2014 to \$45.2 million in 2015, an increase of 4.6% whilst Prime revenues decreased from \$27.3 million in 2014 to \$24.3 million in 2015, partly due to additional revenue from the Sochi Olympics being earned in the prior year.

Installation and other revenues decreased by 7.9% to \$26.8 million in 2015. This is mainly the result of low installation revenue due to promotion initiatives offering free installation during a large part of the current financial year.



EXPENSE ANALYSIS

A further breakdown of SKY's operating expenses for 2015 and 2014 is provided below:

IN NZD MILLIONS	2015	2015 % of revenue	2014	2014 % of revenue	% inc/(dec)
Programming	296.6	32.0	280.0	30.8	5.9
Subscriber related costs	107.1	11.5	104.7	11.5	2.3
Broadcasting and infrastructure	91.2	9.8	88.5	9.7	3.1
Other costs	52.9	5.7	56.8	6.3	(6.9)
Depreciation, amortisation and impairment	119.2	12.9	126.1	13.9	(5.5)
Total operating expenses	667.0	71.9	656.1	72.2	1.7

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

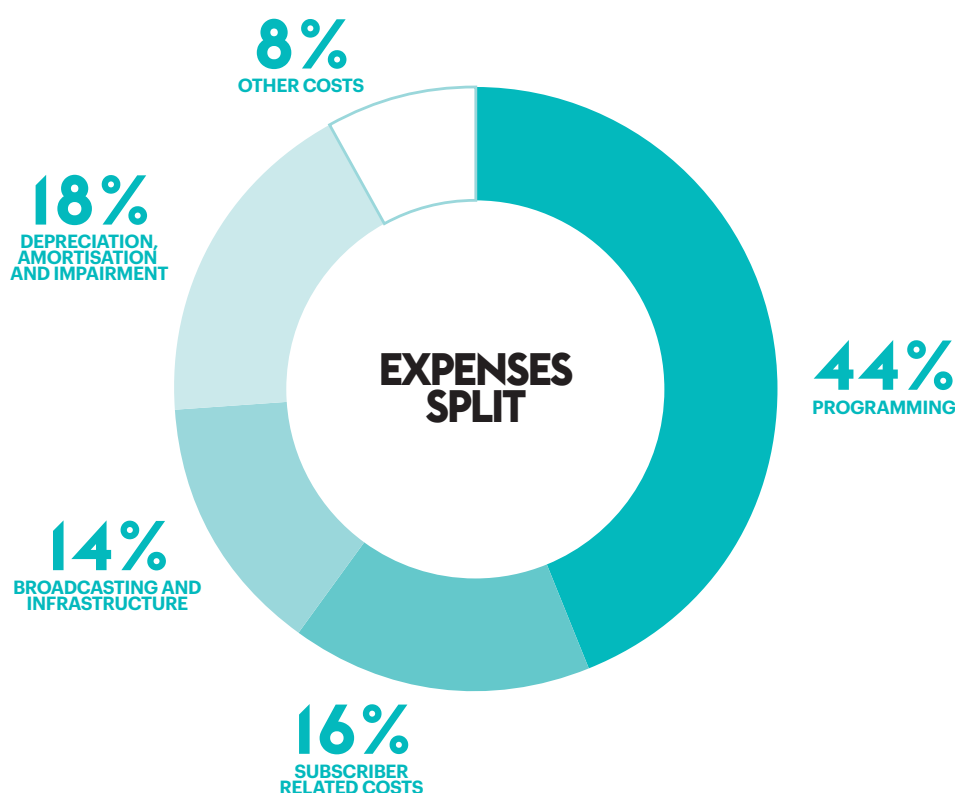
SKY's programming expenses have increased to 32.0% of revenue in 2015, from 30.8% in 2014. The higher programming costs in 2015 included the rights costs of the Cricket World Cup as well as costs relating to new channels such as "The Zone" and "Disney XD" and new product NEON.

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

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

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

In 2015, subscriber related costs increased marginally to \$1071 million. This was mainly the result of higher marketing costs in relation to NEON.



Broadcasting and infrastructure costs consist of transmission and linking costs for transmitting SKY, Prime and IGLOO's television signals from its studios in Auckland to other locations in New Zealand and the costs of operating SKY's television stations at Mt Wellington and Albany. The costs of leasing seven transponders on the Optus D1 satellite are included, as is the cost of high definition television broadcasting. Broadcasting and infrastructure costs have increased by 3.1% to \$91.2 million or 9.8% of revenue.

Other costs include advertising costs, the overhead costs relating to corporate management and the affiliated businesses such as IGLOO and FATSO. These costs have decreased by 6.9% to \$52.9 million from \$56.8 million in the prior year due mainly to reduction in cost of sales for IGLOO set top boxes.

Depreciation, amortisation and impairment costs include depreciation charges for subscriber equipment including satellite dishes and decoders owned by SKY and fixed assets such as television station facilities. Depreciation, amortisation and impairment costs have decreased by 5.5% to \$119.2 million for the current year due to many assets being fully depreciated. Impairment charges in the current year were \$10.7 million compared with \$7.1 million in the prior year.

Finance costs, net have decreased from \$28.4 million to \$21.7 million. In the prior year SKY issued a new bond for \$100 million which was fully subscribed and during the current year reduced bank borrowings by \$30 million (30 June 2014: \$192 million). The reduction in interest is due to reduced borrowings. SKY's weighted average interest rates are as follows:

	2015	2014
Bank loans	6.46%	6.30%
Bonds	5.40%	4.80%
Finance lease	6.80%	6.80%
Combined weighted average	5.66%	5.60%

Capital expenditure

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

IN NZD MILLIONS	2015	2014	2013	2012	2011
Subscriber equipment	22.8	20.6	22.9	57.4	44.6
Installation costs	29.7	36.9	40.2	48.9	50.9
HD Broadcasting truck	-	-	-	2.6	7.5
Other	63.0	35.5	19.3	28.0	32.0
Capital expenditure	115.5	93.0	82.4	136.9	135.0
Acquisition OSB assets	-	-	-	-	34.7
Total capital expenditure	115.5	93.0	82.4	136.9	169.7

Capital expenditure increased by \$22.5 million in 2015 to \$115.5 million.

Subscriber equipment expenditure increased marginally by \$2.2 million. In the current year 59,000 decoders were purchased compared to 57,000 in the prior year.

Installation costs were down by \$7.2 million due to there being a higher percentage of decoder only installations in the current year. Other capital expenditure totalling \$63.0 million included \$16.6 million of software and hardware additions, \$7.2 million land and buildings and \$8.7 million of broadcasting equipment, as well as \$30.5 million of capital work in progress. Capital work in progress includes \$17.4 million for building software that will enable the MY SKY decoder to connect to the internet, \$6.2 million for Media asset management software which will enable SKY to track and control all media content and \$4.5 million for the technology upgrade to the broadcast headend.

FINANCIAL TRENDS

REVENUE (NZD 000)



◀ **25%**
INCREASE
OVER FIVE YEARS

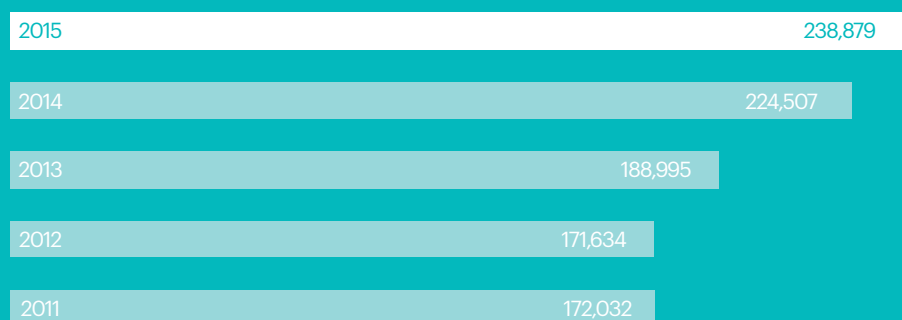
OPERATING EXPENSES (NZD 000)

(excluding depreciation and amortisation)



◀ **21%**
INCREASE
OVER FIVE YEARS

NET PROFIT BEFORE TAX (NZD 000)



◀ **63%**
INCREASE
OVER FIVE YEARS

EBITDA (NZD 000)



◀ **32%**
INCREASE
OVER FIVE YEARS

FINANCIAL TRENDS (CONTINUED)

DEPRECIATION AND CAPITAL EXPENDITURE

IN NZD 000	2015	2014	2013	2012	2011
Depreciation, amortisation and impairment	119,194	126,143	134,260	134,119	124,954
Capital expenditure	115,500	93,000	82,400	136,900	169,700

BALANCE SHEET - FIVE YEAR SUMMARY

IN NZD 000	2015	2014	2013	2012	2011
As at 30 June					
Property, plant, equipment and intangibles	299,243	302,929	338,002	388,646	391,268
Goodwill	1,425,331	1,426,293	1,424,494	1,424,494	1,424,494
Total assets	1,942,021	1,865,369	1,900,293	1,962,467	1,940,560
Total debt and lease liabilities	350,763	387,191	483,786	472,469	418,303
Working capital ⁽¹⁾	(36,285)	(48,325)	(39,790)	(20,717)	(26,391)
Total liabilities	604,818	624,205	718,396	708,603	643,016
Total equity	1,337,203	1,241,164	1,181,897	1,253,864	1,297,544

⁽¹⁾ Working capital excludes current borrowings, bonds and derivative financial instruments.

HISTORY OF DIVIDEND PAYMENTS

(BY CALENDAR YEAR IN CENTS PER SHARE)	2015	2014	2013	2012	2011
Interim dividend (paid in March)	15.0	14.0	12.0	11.0	8.0
Final dividend (paid in September)	-	15.0	12.0	11.0	10.5
Total ordinary dividend	15.0	29.0	24.0	22.0	18.5
Add special dividend	-	-	-	32.0	25.0
Total dividend paid	15.0	29.0	24.0	54.0	43.5

SUBSCRIBER BASE

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

	2015	2014	2013	2012	2011
As at 30 June					
Total number of households in New Zealand ⁽¹⁾	1,714,700	1,696,500	1,678,100	1,659,600	1,640,900
Subscribers					
Residential – MYSKY	549,906	504,713	456,419	382,495	279,875
Residential – Digital	258,311	321,735	366,126	437,095	528,742
Other subscribers ⁽²⁾	43,344	38,607	33,353	27,341	20,804
Total subscribers	851,561	865,055	855,898	846,931	829,421
Percentage of households subscribing to the SKY network:					
Penetration residential	47.1%	48.7%	49.0%	49.4%	49.3%
Gross churn rate ⁽³⁾	14.5%	13.2%	14.4%	14.2%	14.0%
Average monthly revenue per residential subscriber (NZD):					
Residential – Digital	57.18	61.56	62.53	62.65	65.19
Residential MY SKY	89.50	87.22	86.89	84.69	84.79
Total Digital and MY SKY including wholesale	79.54	77.52	75.83	71.93	70.45

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

⁽²⁾ Includes commercial subscribers, subscribers to other services such as NEON, FAN PASS and IGLOO and subscribers to programmed music and online DVD rentals via SKY's subsidiary companies, SKY DMX Music Limited and Screen Enterprises Limited.

⁽³⁾ Gross churn refers to the percentage of residential subscribers over the twelve-month period ended on the date shown who terminated their subscription, net of existing subscribers who transferred their service to new residences during the period.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors of Sky Network Television Limited (the Group) are responsible for ensuring that the financial statements of the Group present fairly the financial position of the Group as at 30 June 2015 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.

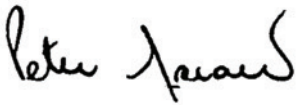
The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

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 2015.

The board of directors of Sky Network Television Limited authorise these financial statements for issue on 20 August 2015.

For and on behalf of the board of directors



Peter Macourt
Chairman



Robert Bryden
Director

20 August 2015

FINANCIAL STATEMENTS

PRESENTATION CHANGES

The financial statements have been presented in a style which attempts to make them less complex and more relevant to shareholders. The major changes have been to incorporate the accounting policies and key judgements and estimates where appropriate into the individual notes which have been grouped into categories considered to be more useful in enabling the reader to evaluate the performance and financial position of the Group.

The consolidated income statement and consolidated statement of comprehensive income have been combined into a single consolidated statement of comprehensive income. In addition immaterial amounts have been combined where appropriate and immaterial disclosures and duplications have been removed.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

IN NZD 000	Notes	2015	2014
Total revenue	2	927,525	909,001
Expenses			
Programming		296,559	279,964
Subscriber related costs		107,136	104,688
Broadcasting and infrastructure		91,184	88,488
Depreciation, amortisation and impairment	3	119,194	126,143
Other costs		52,877	56,821
		666,950	656,104
Operating profit		260,575	252,897
Finance costs, net	4	21,696	28,390
Profit before tax		238,879	224,507
Income tax expense	5	67,115	63,084
Net profit for the year		171,764	161,423
Attributable to:			
Equity holders of the Company		171,581	165,829
Non-controlling interests		183	(4,406)
		171,764	161,423
Earnings per share			
Basic and diluted earnings per share (cents)	13	44.09	42.61
OTHER COMPREHENSIVE INCOME			
Profit for the year		171,764	161,423
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges		56,972	(251)
Income tax effect		(15,951)	70
Other comprehensive income for the year, net of income tax	13	41,021	(181)
Total comprehensive income for the year		212,785	161,242
Attributable to:			
Equity holders of the Company		212,602	165,648
Non-controlling interest		183	(4,406)
		212,785	161,242

CONSOLIDATED BALANCE SHEET

As at 30 June 2015

IN NZD 000	Notes	2015	2014
Current assets			
Cash and cash equivalents		17,895	19,852
Trade and other receivables	6	69,509	71,141
Programme rights inventory	7	72,813	42,889
Derivative financial instruments	12	28,424	46
		188,641	133,928
Non-current assets			
Property, plant and equipment	8	282,219	278,457
Intangible assets	9	1,442,355	1,450,765
Derivative financial instruments	12	28,806	2,219
		1,753,380	1,731,441
Total assets		1,942,021	1,865,369
Current liabilities			
Borrowings	11	3,294	7,354
Trade and other payables	10	184,218	161,546
Income tax payable		12,284	20,661
Derivative financial instruments	12	1,320	13,107
		201,116	202,668
Non-current liabilities			
Borrowings	11	49,424	82,364
Bonds	11	298,045	297,473
Deferred tax	5	48,438	35,055
Derivative financial instruments	12	7,795	6,645
		403,702	421,537
Total liabilities		604,818	624,205
Equity			
Share capital	13	577,403	577,403
Hedging reserve	13	30,880	(10,141)
Retained earnings		727,441	672,605
Total equity attributable to equity holders of the Company		1,335,724	1,239,867
Non-controlling interest		1,479	1,297
Total equity		1,337,203	1,241,164
Total equity and liabilities		1,942,021	1,865,369



Robert Bryden
Director



Peter Macourt
Chairman

For and on behalf of the board 20 August 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

IN NZD 000	Notes	ATTRIBUTABLE TO OWNERS OF THE PARENT					Total equity
		Share capital	Hedging reserve	Retained earnings	Total	Non-controlling interest	
For the year ending 30 June 2015							
Balance at 1 July 2014		577,403	(10,141)	672,605	1,239,867	1,297	1,241,164
Profit for the year		-	-	171,581	171,581	183	171,764
Cash flow hedges, net of tax	13	-	41,021	-	41,021	-	41,021
Total comprehensive income for the year		-	41,021	171,581	212,602	183	212,785
Transactions with owners in their capacity as owners							
Change in non-controlling interest		-	-	(3)	(3)	(1)	(4)
Dividend paid		-	-	(116,742)	(116,742)	-	(116,742)
Supplementary dividends		-	-	(14,317)	(14,317)	-	(14,317)
Foreign investor tax credits		-	-	14,317	14,317	-	14,317
		-	-	(116,745)	(116,745)	(1)	(116,746)
Balance at 30 June 2015		577,403	30,880	727,441	1,335,724	1,479	1,337,203
For the year ending 30 June 2014							
Balance at 1 July 2013		577,403	(9,960)	607,089	1,174,532	7,365	1,181,897
Profit/(loss) for the year		-	-	165,829	165,829	(4,406)	161,423
Cash flow hedges, net of tax	13	-	(181)	-	(181)	-	(181)
Total comprehensive income/(loss) for the year		-	(181)	165,829	165,648	(4,406)	161,242
Transactions with owners in their capacity as owners							
Change in non-controlling interest		-	-	863	863	(1,662)	(799)
Dividend paid		-	-	(101,176)	(101,176)	-	(101,176)
Supplementary dividends		-	-	(11,665)	(11,665)	-	(11,665)
Foreign investor tax credits		-	-	11,665	11,665	-	11,665
		-	-	(100,313)	(100,313)	(1,662)	(101,975)
Balance at 30 June 2014		577,403	(10,141)	672,605	1,239,867	1,297	1,241,164

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

IN NZD 000	Notes	2015	2014
Cash flows from operating activities			
Profit before tax		238,879	224,507
Adjustments for:			
Depreciation, amortisation and impairment	3	119,194	126,143
Unrealised foreign exchange loss	4	423	296
Interest expense	4	22,496	28,751
Bad debts and movement in provision for doubtful debts	3	3,328	4,399
Amortisation of bond issue costs	4	571	367
Other non-cash items		263	910
Movement in working capital items:			
Decrease in receivables		2,589	5,500
Increase/(decrease) in payables		11,518	(8,080)
Increase in programme rights		(29,924)	(3,527)
Cash generated from operations		369,337	379,266
Interest paid		(22,756)	(28,896)
Income tax paid		(63,666)	(45,056)
Net cash from operating activities		282,915	305,314
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		46	109
Acquisition of property, plant, equipment and intangibles		(115,462)	(93,002)
Acquisition of business		-	(779)
Net cash used in investing activities		(115,416)	(93,672)
Cash flows from financing activities			
Proceeds from bond issue		-	100,000
Payment of bond issuance costs		-	(1,908)
Repayment of borrowings – bank loan	11	(126,000)	(253,000)
Advances received – bank loan	11	96,000	61,000
Payment of finance lease liabilities		(7,375)	(3,315)
Capital introduced by non-controlling interest		-	300
Acquisition of and distributions to non controlling interests		-	(1,178)
Payment of bank facility fees		(1,022)	(1,524)
Dividends paid		(131,059)	(112,841)
Net cash used in financing activities		(169,456)	(212,466)
Net decrease in cash and cash equivalents		(1,957)	(824)
Cash and cash equivalents at beginning of year		19,852	20,676
Cash and cash equivalents at end of year		17,895	19,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2015

I. GENERAL INFORMATION

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

Sky Network Television Limited (SKY) is a Company incorporated and domiciled in New Zealand. The address of its registered office is 10 Panorama Road, Mt Wellington, Auckland, New Zealand. The consolidated financial statements of the Group for the year ended 30 June 2015 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 services in New Zealand across a range of platforms and to multiple devices.

These financial statements were authorised for issue by the Board on 20 August 2015.

Basis of preparation

The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013, the NZX Main Board Listing Rules and the ASX Listing Rules. In accordance with the Financial Markets Conduct Act 2013, because group financial statements are prepared and presented for SKY and its subsidiaries (the Group), separate financial statements for SKY are no longer required to be prepared and presented.

Accounting policies applied in these financial statements comply with NZ IFRS effective for the year beginning 1 July 2014, 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	
			2015	2014
SKY DMX Music Limited	Commercial Music	SKY	50.50%	50.50%
Cricket Max Limited	Non-trading	SKY	100.00%	100.00%
Media Finance Limited	Non-trading	SKY	100.00%	100.00%
Outside Broadcasting Limited	Broadcasting services	SKY	100.00%	100.00%
Screen Enterprises Limited	Online DVD rental	SKY	100.00%	100.00%
Igloo Limited	Multi-channel pay television	SKY	100.00%	100.00%
Believe It Or Not Limited	Entertainment quizzes	SKY	51.00%	51.00%
SKY Arena Limited	Event production	SKY	0.00%	75.00%

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

Basis of consolidation

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

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

1. GENERAL INFORMATION (CONTINUED)

Subsidiaries

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

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

Transactions with non-controlling interests

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

New standards, amendments and interpretations

Other than NZ IFRS 9 “Financial Instruments” and NZ IFRS 15 “Revenue from contracts with customers”, there are no new standards, amendments or interpretations that have been issued and effective, or not yet effective, that are expected to have a significant impact on the Group. The Group has yet to assess the full impact of NZ IFRS 9 (effective date: 1 January 2018) and NZ IFRS 15 (effective date: 1 January 2017).

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	2015	2014
Residential satellite subscriptions	760,000	744,898
Other subscriptions	71,183	64,519
Advertising	69,540	70,546
Other revenue	26,802	29,038
	927,525	909,001

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, sale of decoders for the IGLOO service and other non-subscriber related revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2015

3. OPERATING EXPENSES

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

IN NZD 000	Notes	2015	2014
Depreciation, amortisation and impairment			
Depreciation of property, plant and equipment ⁽¹⁾	8	99,023	105,275
Impairment of property, plant and equipment	8	1,981	–
Amortisation of intangibles	9	9,468	13,773
Impairment of intangibles	9	8,722	7,095
Total depreciation, amortisation and impairment		119,194	126,143
Bad and doubtful debts			
Movement in provision		(27)	(379)
Net write-off		3,328	4,399
Total bad and doubtful debts	6	3,301	4,020
Fees paid to external auditors			
Audit fees paid to principal auditors ⁽²⁾		269	292
Other assurance services by principal auditors			
Audit of regulatory returns		6	6
Other assurance services ⁽³⁾		1	1
Advisory services by principal auditors - Treasury		27	24
Total fees to external auditors		303	323
Employee costs⁽⁴⁾		93,672	91,041
KiwiSaver employer contributions		1,977	1,758
Donations		347	327
Operating lease and rental expenses		39,523	38,919
Related party transactions			
Remuneration of key personnel (included in employee costs)		12,132	11,850
Directors' fees		619	606
Total related party transactions		12,751	12,456

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

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

⁽³⁾ Other assurance services comprise reporting on trust deed requirements.

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

Leases under which all the risks and benefits of ownership are substantially retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the periods the amounts are payable.

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

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

4. FINANCE COSTS, NET

IN NZD 000	2015	2014
Finance income		
Interest income	(800)	(608)
Interest rate swaps – fair value gains	–	(1,046)
	(800)	(1,654)
Finance expense		
Interest expense on bank loans	3,570	13,694
Interest expense on bonds	16,412	9,621
Interest rate swaps – fair value loss	–	2,393
Finance lease interest	571	881
Amortisation of bond costs	571	367
Bank facility finance fees	1,372	1,795
Total interest expense (net)	22,496	28,751
Unrealised exchange (loss)/gain – foreign currency payables	4,742	(1,596)
Unrealised exchange gain/(loss) – foreign currency hedges	(4,319)	1,892
Realised exchange (gain)/loss – foreign currency payables	(418)	1,451
Realised exchange gain – foreign currency hedges	(5)	(454)
	21,696	28,390

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 2015

5. TAXATION

Income tax expense

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

IN NZD 000	2015	2014
Profit before tax	238,879	224,507
Prima facie tax expense at 28%	66,886	62,862
Non deductible expenses	613	134
Prior year adjustment	(171)	80
Other	(213)	8
Income tax expense	67,115	63,084
Allocated between		
Current tax payable	69,683	68,137
Deferred tax	(2,568)	(5,053)
Income tax expense	67,115	63,084

Imputation credits

IN NZD 000	2015	2014
Imputation credits available for subsequent reporting periods based on a tax rate of 28%.	67,066	41,544

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

- Imputation credits that will arise from the payment of the amount of the provision for income tax.
- Imputation debits that will arise from the payment of dividends (excluding the final dividend announced in August).

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

Current income tax expense

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

5. TAXATION (CONTINUED)

Deferred tax liabilities and (assets)

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

IN NZD 000	Notes	Fixed assets	Leased assets	Other	Hedges through equity	Total
For the year ended 30 June 2015						
At 1 July 2014		16,647	26,378	(4,027)	(3,943)	35,055
NZ IAS 39 hedging adjustment credited direct to other comprehensive income	13	-	-	-	15,951	15,951
(Credited)/charged to profit and loss		(7,619)	2,600	2,451	-	(2,568)
Balance at 30 June 2015		9,028	28,978	(1,576)	12,008	48,438
Deferred tax reversing within 12 months		2,409	(114)	(1,576)	5,676	6,395
Deferred tax to reverse after more than 12 months		6,619	29,092	-	6,332	42,043
		9,028	28,978	(1,576)	12,008	48,438
For the year ended 30 June 2014						
At 1 July 2013		24,130	23,935	(4,014)	(3,929)	40,122
NZ IAS 39 hedging adjustment credited direct to other comprehensive income	13	-	-	-	(14)	(14)
(Credited)/charged to profit and loss		(7,483)	2,443	(13)	-	(5,053)
Balance at 30 June 2014		16,647	26,378	(4,027)	(3,943)	35,055
Deferred tax reversing within 12 months		5,705	(85)	(4,027)	(2,595)	(1,002)
Deferred tax to reverse after more than 12 months		10,942	26,463	-	(1,348)	36,057
		16,647	26,378	(4,027)	(3,943)	35,055

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 2014: \$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 2015

6. TRADE AND OTHER RECEIVABLES

IN NZD 000	Note	2015	2014
Trade receivables		64,404	66,182
Less provision for impairment of receivables		(981)	(1,008)
Trade receivables – net		63,423	65,174
Other receivables		830	842
Prepaid expenses		5,256	5,125
Balance at end of year		69,509	71,141
Deduct prepaid expenses		(5,256)	(5,125)
Balance financial instruments	14	64,253	66,016

IN NZD 000	Gross	Impairment	Gross	Impairment
	2015		2014	
Residential subscribers	40,653	531	42,972	747
Commercial subscribers	4,792	13	4,423	10
Wholesale customers	10,046	–	8,806	–
Advertising	6,111	156	7,333	137
Commercial music	102	9	118	14
Other	2,700	272	2,530	100
	64,404	981	66,182	1,008

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

6. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

IN NZD 000	2015			2014		
	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	55,589	-	-	57,066	-	5
Past due 0-30 days	-	6,380	51	-	6,234	20
Past due 31-60 days	-	1,105	88	-	1,199	50
Past due 61-90 days	-	225	258	-	665	239
Greater than 90 days	-	124	584	-	10	694
	55,589	7,834	981	57,066	8,108	1,008

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	2015	2014
Opening balance		1,008	1,387
Charged during the year	3	3,301	4,020
Utilised during the year		(3,328)	(4,399)
Closing balance		981	1,008

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

7. PROGRAMME RIGHTS INVENTORY

IN NZD 000	2015	2014
Cost	136,983	95,530
Less amortisation	(64,170)	(52,641)
Balance at end of year	72,813	42,889

The current year programme rights' amortisation charge of \$236,868,000 (2014: \$223,136,000) is included within programming expenses in profit and loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2015

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 2015							
Cost							
Balance at 1 July 2014	51,103	154,687	536,104	579,571	69,433	22,844	1,413,742
Transfer between categories	115	9,909	-	-	3,793	(13,817)	-
Transfer to software assets	-	-	-	-	-	(991)	(991)
Additions	7,134	8,606	22,298	29,692	7,656	30,517	105,903
Disposals	(153)	(14,663)	(106,274)	(181,925)	(2,641)	-	(305,656)
Balance at 30 June 2015	58,199	158,539	452,128	427,338	78,241	38,553	1,212,998
Accumulated depreciation							
Balance at 1 July 2014	16,262	134,781	469,025	475,068	40,149	-	1,135,285
Depreciation for the year	1,996	10,009	35,312	43,781	7,925	-	99,023
Impairment charge	-	-	-	-	1,981	-	1,981
Disposals	(45)	(14,638)	(106,274)	(181,925)	(2,628)	-	(305,510)
Balance at 30 June 2015	18,213	130,152	398,063	336,924	47,427	-	930,779
Net book value at 30 June 2015	39,986	28,387	54,065	90,414	30,814	38,553	282,219
For the year ended 30 June 2014							
Cost							
Balance at 1 July 2013	50,151	154,655	546,349	542,849	61,493	8,012	1,363,509
Transfer between categories	208	-	-	-	2,265	(2,473)	-
Transfer to software assets	-	-	-	-	-	(3,386)	(3,386)
Additions	744	537	18,712	36,860	6,371	20,691	83,915
Disposals	-	(505)	(28,957)	(138)	(696)	-	(30,296)
Balance at 30 June 2014	51,103	154,687	536,104	579,571	69,433	22,844	1,413,742
Accumulated depreciation							
Balance at 1 July 2013	14,362	123,741	461,327	426,756	34,018	-	1,060,204
Depreciation for the year	1,900	11,452	36,655	48,450	6,818	-	105,275
Disposals	-	(412)	(28,957)	(138)	(687)	-	(30,194)
Balance at 30 June 2014	16,262	134,781	469,025	475,068	40,149	-	1,135,285
Net book value at 30 June 2014	34,841	19,906	67,079	104,503	29,284	22,844	278,457

Land, buildings and leasehold improvements at 30 June 2015 includes land with a cost of \$8,820,000 (30 June 2014: \$4,986,000).

The net book value of assets held by subsidiaries and subject to finance leases totals \$2,825,000 (30 June 2014: \$10,603,000) of which \$2,457,000 (30 June 2014: \$9,558,000) is included in broadcasting and studio equipment and \$368,000 (30 June 2014: \$1,045,000) is included in other plant and equipment.

Depreciation related to broadcasting assets (including decoders and capitalised installation costs) of \$89,102,000 (30 June 2014: \$96,557,000) accounts for the majority of the total depreciation charge. Due to immateriality of the remaining depreciation, no allocation has been made across expense categories in profit and loss.

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The cost of additions to plant and other assets constructed by the Group consist of all appropriate costs of development, construction and installation, comprising material, labour, direct overhead and transport costs. For qualifying assets directly attributable interest costs incurred during the period required to complete and prepare the asset for its intended use are capitalised as part of the total cost. All other costs are recognised in profit and loss as an expense as incurred. Additions in the current year include \$1,686,000 of capitalised labour costs (30 June 2014: \$590,000).

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

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

Depreciation

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

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

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

The impairment charge in the current year of \$1,981,000 represents the write down to recoverable amount of IGLOO'S plant and equipment.

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 2015

9. INTANGIBLE ASSETS

IN NZD 000	Software	Broadcasting rights	Other intangibles	Indefinite life goodwill	Total
For the year ended 30 June 2015					
Cost					
Balance at 1 July 2014	88,206	2,185	3,167	1,426,293	1,519,851
Transfer from projects under development	991	-	-	-	991
Additions	8,789	-	-	-	8,789
Disposals	(1,137)	-	-	-	(1,137)
Balance at 30 June 2015	96,849	2,185	3,167	1,426,293	1,528,494
Accumulated amortisation					
Balance at 1 July 2014	65,551	457	3,078	-	69,086
Amortisation for the year	9,361	107	-	-	9,468
Impairment charge	7,760	-	-	962	8,722
Disposals	(1,137)	-	-	-	(1,137)
Balance at 30 June 2015	81,535	564	3,078	962	86,139
Net book value at 30 June 2015	15,314	1,621	89	1,425,331	1,442,355
For the year ended 30 June 2014					
Cost					
Balance at 1 July 2013	78,661	5,447	3,167	1,424,494	1,511,769
Transfer from projects under development	3,386	-	-	-	3,386
Additions	6,196	1,061	-	1,799	9,056
Disposals	(37)	(4,323)	-	-	(4,360)
Balance at 30 June 2014	88,206	2,185	3,167	1,426,293	1,519,851
Accumulated amortisation					
Balance at 1 July 2013	47,714	1,800	3,064	-	52,578
Amortisation for the year	10,779	2,980	14	-	13,773
Impairment charge	7,095	-	-	-	7,095
Disposals	(37)	(4,323)	-	-	(4,360)
Balance at 30 June 2014	65,551	457	3,078	-	69,086
Net book value at 30 June 2014	22,655	1,728	89	1,426,293	1,450,765

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. In the prior year the acquisition of Believe it Or Not Limited in May 2014 resulted in additional goodwill of \$1,799,000.

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

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

Direct costs associated with the development of broadcasting and business software for internal use are capitalised where it is probable that the asset will generate future economic benefits. Capitalised costs include external direct costs of materials and services consumed and direct payroll-related costs for employees (including contractors) directly associated with the project and interest costs incurred during the development stage of a project. Additions in the current year to software include \$1,672,000 of capitalised labour costs (30 June 2014: \$2,570,000).

9. INTANGIBLE ASSETS (CONTINUED)

Key estimates and assumptions

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

In the current year the impairment loss of \$7,760,000 represented the write-down of certain intangible assets relating to new products to the recoverable amount. The impairment was recognised because it is considered unlikely that these products will generate future cash flows in excess of the carrying value. The impairment loss in the prior year of \$7,095,000 represented the write-down to recoverable value of intangible assets relating to IGLOO.

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

The Group operates as a single business segment and monitors goodwill for the business as a whole. If the testing indicates the carrying value exceeds the recoverable amount, goodwill is considered to be impaired. The recoverable amounts of cash generating units (CGUs) have been determined based on value-in-use calculations. The value-in-use calculation is based on estimated future cash flows, derived from the most recent financial budgets and forecasts approved by management for the next five years and incorporates a present value calculation based on a long term growth rate of 0% and a pre-tax discount rate of 12.5%. In the prior year the long term growth rate was 1.0% and the pre-tax discount rate was 12.5%.

Key assumptions are subscriber numbers, churn rates, foreign exchange rates, expected changes to revenue and costs and a discount rate based on current market rates adjusted for risks specific to the business. Growth rates are based on expected forecasts and changes in prices and direct costs based on past practice and expectations of future changes in the market.

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

The goodwill impairment tests carried out have resulted in an impairment charge relating to the Screen Enterprises CGU where due to technology changes and competition for new products, the book value is no longer considered to be recoverable in the foreseeable future (2015: \$962,000, 2014: nil).

Sensitivity of recoverable amounts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2015

IO. TRADE AND OTHER PAYABLES

IN NZD 000	Note	2015	2014
Trade payables		75,582	51,707
Unearned subscriptions and deferred revenue		66,238	66,095
Employee entitlements		13,495	12,260
Accruals		28,903	31,484
Balance at end of year		184,218	161,546
Less			
Unearned subscriptions and deferred revenue		(66,238)	(66,095)
Balance financial instruments	14	117,980	95,451

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

II. BORROWINGS

IN NZD 000	2015			2014		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans	–	49,424	49,424	–	79,069	79,069
Bonds	–	298,045	298,045	–	297,473	297,473
Lease liabilities	3,294	–	3,294	7,354	3,295	10,649
	3,294	347,469	350,763	7,354	379,837	387,191

Repayment terms

IN NZD 000	2015	2014
Less than one year	3,294	7,354
Between one and five years	249,037	281,677
More than five years	98,432	98,160
	350,763	387,191

Bank Loans

The Group has a five year revolving credit bank facility expiring 17 July 2019 from a syndicate of banks comprising ANZ National Bank Limited, Bank of New Zealand, Commonwealth Bank of Australia and Westpac Bank. In the current year SKY decreased its facility limit from \$400 million to \$200 million. Interest is charged on drawings under the facility at a rate between 1.6% and 2.3% 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 0.8% and 1.15% 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 2015 the bank facility termination date was extended by 12 months to 17 July 2020 and the facility limit was increased to \$250 million. No security other than a negative pledge over the total Group's assets has been provided.

Cash balances held with the Bank of New Zealand are subject to a netting arrangement. Bank overdrafts of \$3,022,000 (30 June 2014: \$4,690,000) have been set off against the cash balances.

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

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

11. BORROWINGS (CONTINUED)

Bonds

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

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

Terms and conditions of outstanding bonds are as follows:

	2015		2014	
	Bond A	Bond B	Bond A	Bond B
Nominal interest rate	4.43%	6.25%	3.62%	6.25%
Market yield	5.48%	4.72%	5.83%	6.07%
Issue date	16-Oct-06	31-Mar-14	16-Oct-06	31-Mar-14
Date of maturity	16-Oct-16	31-Mar-21	16-Oct-16	31-Mar-21
IN NZD 000				
Carrying amount	199,613	98,432	199,313	98,160
Fair value	199,200	107,655	196,000	100,991
Face value	200,000	100,000	200,000	100,000

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2015

II. BORROWINGS (CONTINUED)

Lease Liabilities

The Group's obligations under finance leases are secured by the lessors' title to the leased assets. The remaining lease term expires on 20 August 2015.

IN NZD 000	2015	2014
Current	3,294	7,354
Non-current	-	3,295
	3,294	10,649

Repayment terms

Finance lease liabilities – minimum lease payments		
Within one year	3,294	3,540
One to five years	-	144
Residual value	-	7,547
	3,294	11,231
Future finance charges on finance leases	-	(582)
Present value of finance lease liabilities	3,294	10,649

The present value of lease liabilities is as follows:

Within one year	3,294	7,231
One to five years	-	3,418
	3,294	10,649

Interest paid in the current period includes \$571,000 (2014: \$881,000) relating to finance leases. The effective interest rate is 6.8%.

The fair value of the finance lease liabilities at 30 June 2015 was \$3,294,000 (30 June 2014: \$10,932,000). The difference between carrying amount and fair value has not been recognised in the financial statements as the lease liabilities are intended to be held until maturity. The lease liabilities are secured over the assets of Outside Broadcasting Limited.

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

IN NZD 000	Notes	2015			2014		
		Assets	Liabilities	Notional amounts	Assets	Liabilities	Notional amounts
Interest rate swaps – cash flow hedges		9	(8,132)	188,000	1,953	(4,258)	230,000
Interest rate swaps – fair value through profit and loss		–	–	–	–	(401)	–
Total interest rate derivatives		9	(8,132)	188,000	1,953	(4,659)	230,000
Forward foreign exchange contracts – cash flow hedges		51,662	(979)	501,589	312	(12,425)	304,682
Forward foreign exchange contracts – dedesignated		5,559	(4)	41,071	–	(2,668)	38,239
Total forward foreign exchange derivatives		57,221	(983)	542,660	312	(15,093)	342,921
		57,230	(9,115)	730,660	2,265	(19,752)	572,921
Analysed as:							
Current		28,424	(1,320)	253,160	46	(13,107)	256,066
Non-current		28,806	(7,795)	477,500	2,219	(6,645)	316,855
		57,230	(9,115)	730,660	2,265	(19,752)	572,921
Derivatives used for hedging – cash flow hedges	14	51,671	(9,111)	689,589	2,265	(16,683)	534,682
At fair value through profit and loss	14	5,559	(4)	41,071	–	(3,069)	38,239
		57,230	(9,115)	730,660	2,265	(19,752)	572,921

Exchange rates

	2015	2014
USD	0.6802	0.8733
AUD	0.8864	0.9289
GBP	0.4333	0.5133
EUR	0.6091	0.6402
JPY	83.2497	88.5526

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 2015 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 \$57,230,000 (2014: \$2,265,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2015

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Exposure to currency risk

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

IN NZD 000	2015			2014		
	USD	AUD	OTHER	USD	AUD	OTHER
Foreign currency payables	(24,970)	(21,653)	-	(20,091)	(16,008)	(133)
Dedesignated forward exchange contracts	24,772	16,299	-	23,347	14,892	-
Net balance sheet exposure	(198)	(5,354)	-	3,256	(1,116)	(133)
Forward exchange contracts (for forecasted transactions)	375,613	124,845	1,131	177,676	125,893	1,113
Total forward exchange contracts	400,385	141,144	1,131	201,023	140,785	1,113

Sensitivity analysis

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

IN NZD 000 gain/(loss)	10% rate increase		10% rate decrease	
	Equity	Profit or loss	Equity	Profit or loss
As at 30 June 2015				
Foreign currency payables				
USD	-	1,968	-	(2,413)
AUD	-	2,270	-	(2,774)
Foreign exchange hedges				
USD	(35,991)	(2,669)	43,989	3,262
AUD	(11,579)	(1,525)	14,153	1,864
Other	(108)	-	132	-
	(47,678)	44	58,274	(61)
As at 30 June 2014				
Foreign currency payables				
USD	-	1,826	-	(2,232)
AUD	-	1,455	-	(1,779)
Foreign exchange hedges				
USD	(14,889)	(1,923)	18,198	2,350
AUD	(10,503)	(1,263)	12,837	1,544
Other	(101)	-	123	-
	(25,493)	95	31,158	(117)

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rates

During the year ended 30 June 2015, interest rates on borrowings varied in the range of 2.6% to 6.5% (2014: 2.6% to 6.6%).

The Group's interest rate structure is as follows:

IN NZD 000	Notes	Effective interest rate	2015		Effective interest rate	2014		
			Current	Non-current		Current	Non-current	
Assets								
Cash and cash equivalents		3.28%	17,895	–	2.70%	19,852	–	
Liabilities								
Bank loans	11	6.46%	–	(49,424)	6.31%	–	(79,069)	
Bonds	11	5.40%	–	(298,045)	4.80%	–	(297,473)	
Lease liabilities	11	6.80%	(3,294)	–	6.80%	(3,295)	(7,354)	
Derivatives								
Floating to fixed interest rate swaps			–	188,000		60,000	170,000	
Fixed to floating interest rate swaps			–	–		200,000	–	
			14,601	(159,469)		276,557	(213,896)	

Gains and losses recognised in the hedging reserve in equity (note 13) on interest rate hedges as at 30 June 2015 will be continuously released to profit and loss within finance cost until the repayment of the bank borrowings and bonds.

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 2015				
Expense/(income)				
Variable rate instruments – bank loans	–	314	–	(314)
Interest rate hedges – cash flow	(5,026)	–	5,240	–
	(5,026)	314	5,240	(314)
As at 30 June 2014				
Expense/(income)				
Variable rate instruments – bank loans	–	592	–	(592)
Interest rate hedges – cash flow	(5,649)	–	5,952	–
Interest rate hedges – fair value	–	484	–	(490)
	(5,649)	1,076	5,952	(1,082)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2015

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Derivatives consist mainly of currency forwards and interest rate swaps. The fair value is recognised in the hedging reserve within equity until such time as the hedged item will affect profit and loss. The amounts accumulated in equity are either released to profit and loss or used to adjust the carrying value of assets purchased. For example, when hedging forecast purchases of programme rights in foreign currency, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the programme rights. The deferred amounts are ultimately recognised in programme rights' expenses in profit and loss.

Amounts accumulated in the hedging reserve in equity on interest rate swaps are recycled in profit and loss in the periods when the hedged item affects profit and loss (for example when the forecast interest payment that is hedged is made). The gain or loss relating to any ineffective portion is recognised in profit and loss as "interest rate swaps - fair value" in finance costs. The gain or loss relating to interest rate swaps which do not qualify for hedge accounting is recognised in the 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)	Ordinary shares (NZD 000)
Shares on issue at 30 June 2015 and 30 June 2014	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.

	2015	2014
Profit after tax attributable to equity holders of Parent (NZD 000)	171,581	165,829
Weighted average number of ordinary shares on issue (thousands)	389,140	389,140
Basic earnings per share (cents)	44.09	42.61

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	2015	2014
Balance at 1 July		(10,141)	(9,960)
Cash flow hedges			
Unrealised gains/(losses) during the year		59,060	(12,808)
Transfer to basis price adjustment programme rights inventory		(131)	8,296
Transfer to property, plant and equipment		-	56
Transfer to operating expenses		(1,957)	4,261
Deferred tax	5	(15,951)	14
		41,021	(181)
Balance at end of year		30,880	(10,141)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2015

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%

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Cash flow and fair value interest rate risk

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

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

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

c) Price risk

The Group does not have any price risk exposure.

Credit risk

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

The Group has no significant concentrations of credit risk.

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

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

Liquidity risk

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

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

The Group had an undrawn facility balance of \$150,000,000 (June 2014: \$220,000,000) that can be drawn down to meet short-term working capital requirements. On 17 July 2015 there was an increase in the facility limit of \$50,000,000 (7 July 2014 there was a reduction of \$100,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2015

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

IN NZD 000	Notes	Carrying amount	Contractual cash flows	Less than one year	1-2 years	2-5 years	> 5 years
At 30 June 2015							
Non derivative financial liabilities							
Secured bank loans	11	49,424	(59,720)	(2,430)	(2,430)	(54,860)	–
Lease liabilities	11	3,294	(3,294)	(3,294)	–	–	–
Bonds	11	298,045	(347,448)	(15,110)	(208,896)	(6,250)	(117,192)
Trade and other payables	10	117,980	(117,980)	(117,980)	–	–	–
Derivative financial liabilities							
Forward exchange contracts used for hedging – net outflow/inflow ⁽¹⁾	12	983	(986)	(986)	–	–	–
Interest rate swaps ⁽¹⁾	12	8,132	(6,260)	(2,090)	(2,077)	(2,093)	–
		477,858	(535,688)	(141,890)	(213,403)	(63,203)	(117,192)
At 30 June 2014							
Non derivative financial liabilities							
Secured bank loans	11	79,069	(99,433)	(8,852)	(3,848)	(11,543)	(75,190)
Lease liabilities	11	10,649	(11,251)	(7,925)	(3,326)	–	–
Bonds	11	297,473	(358,834)	(13,490)	(13,490)	(208,412)	(123,442)
Trade and other payables	10	95,451	(95,451)	(95,451)	–	–	–
Derivative financial liabilities							
Forward exchange contracts used for hedging – net outflow/inflow ⁽¹⁾	12	15,093	(15,468)	(11,973)	(3,495)	–	–
Interest rate swaps ⁽¹⁾	12	4,659	(9,217)	(3,130)	(2,552)	(3,535)	–
		502,394	(589,654)	(140,821)	(26,711)	(223,490)	(198,632)

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

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

IN NZD 000	Exchange rate	Contractual cash flows foreign exchange amount	Contractual cash flows	Less than one year	1-2 years	3-5 years
At 30 June 2015						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD			(400,384)	(155,592)	(244,792)	-
AUD			(141,144)	(96,437)	(44,707)	-
YEN			(1,131)	(1,131)	-	-
Inflow (at year end market rate)						
USD	0.6802	294,736	433,308	177,038	256,270	-
AUD	0.8864	130,139	146,817	99,607	47,210	-
YEN	83.2497	98,658	1,185	1,185	-	-
			38,651	24,670	13,981	-
At 30 June 2014						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD			(201,023)	(93,598)	(107,425)	-
AUD			(140,785)	(101,355)	(39,430)	-
YEN			(1,113)	(1,113)	-	-
Inflow (at year end market rate)						
USD	0.8733	162,153	185,678	86,278	99,400	-
AUD	0.9289	122,665	132,054	94,471	37,583	-
YEN	88.5526	98,015	1,107	1,107	-	-
			(24,082)	(14,210)	(9,872)	-

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 2014.

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 2015

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

IN NZD 000	Note	2015	2014
Debt	11	350,763	387,191
Cash and cash equivalents		(17,895)	(19,852)
Net debt		332,868	367,339
Equity		1,337,203	1,241,164
Net debt to equity ratio		25%	30%

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 (2014: complied).

Fair value estimation

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

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

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

Level 3: Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

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

IN NZD 000	Note	2015	2014
Assets measured at fair value			
Trading derivatives – dedesignated or not hedge accounted		5,559	–
Derivatives used for hedging – cash flow hedges		51,671	2,265
Total assets	12	57,230	2,265
Liabilities measured at fair value			
Trading derivatives – dedesignated or not hedge accounted		(4)	(3,069)
Derivatives used for hedging – cash flow hedges		(9,111)	(16,683)
Total liabilities	12	(9,115)	(19,752)

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.

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments carried at amortised cost

	Notes	2015		2014	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Loans and receivables					
Cash and cash equivalents		17,895	17,895	19,852	19,852
Trade and other receivables	6	64,253	64,253	66,016	66,016
Total assets		82,148	82,148	85,868	85,868
Financial liabilities held at amortised cost					
Borrowings	11	49,424	48,759	79,069	79,264
Lease liabilities	11	3,294	3,294	10,649	10,932
Bonds	11	298,045	306,865	297,473	296,991
Trade and other payables	10	117,980	117,980	95,451	95,451
Total liabilities		468,743	476,898	482,642	482,638

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

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

The fair value of quoted 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 2015

15. COMMITMENTS

IN NZD 000	2015	2014
Operating leases – future minimum lease payments:		
Year 1	35,629	37,795
Year 2	36,570	35,518
Year 3	36,487	34,753
Year 4	35,918	34,546
Year 5	35,648	33,978
Later than five years	50,714	81,437
	230,966	258,027
Contracts for transmission services:		
Year 1	9,203	9,236
Year 2	6,144	5,435
Year 3	2,462	3,119
Year 4	49	–
	17,858	17,790
Contracts for future programmes:		
Year 1	176,871	115,203
Year 2	150,140	80,605
Year 3	115,231	54,407
Year 4	75,656	29,903
Year 5	62,616	5,877
Later than five years	27,930	–
	608,444	285,995
Capital expenditure commitments:		
<i>Property, plant and equipment</i>		
Year 1	73,538	16,770
Year 2	34,259	–
	107,797	16,770
Other services commitments:		
Year 1	10,017	7,335
Year 2	1,141	4,113
Year 3	493	891
Year 4	43	656
Year 5	–	291
	11,694	13,286

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 2015 of \$650,000 (30 June 2014: \$650,000), relating to Datacom Employer Services for SKY executive and Screen Enterprises Limited payroll liabilities in the current year.

The Group is subject to litigation incidental to their business, none of which is expected to be material. No provision has been made in the Group's financial statements in relation to any current litigation and the directors believe that such litigation will not have a significant effect on the Group's financial position, results of operations or cash flows.

17. SUBSEQUENT EVENTS

In July 2015 the bank facility termination date was extended by twelve months to 17 July 2020 and the facility limit was increased to \$250 million.

On 20 August 2015 the Board of Directors announced that it will pay a fully imputed dividend of 15 cents per share with the record date being 4 September 2015. A supplementary dividend of 2.6471 cents per share will be paid to non-resident shareholders subject to the foreign investor tax credit regime.

INDEPENDENT AUDITORS' REPORT

To the shareholders of SKY Network Television Limited



REPORT ON THE FINANCIAL STATEMENTS

We have audited the Group financial statements of SKY Network Television Limited ("the Company") on pages 17 to 49, which comprise the balance sheet as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 30 June 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements on pages 17 to 49 present fairly, in all material respects, the financial position of the Group as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Restriction on Use of our Report

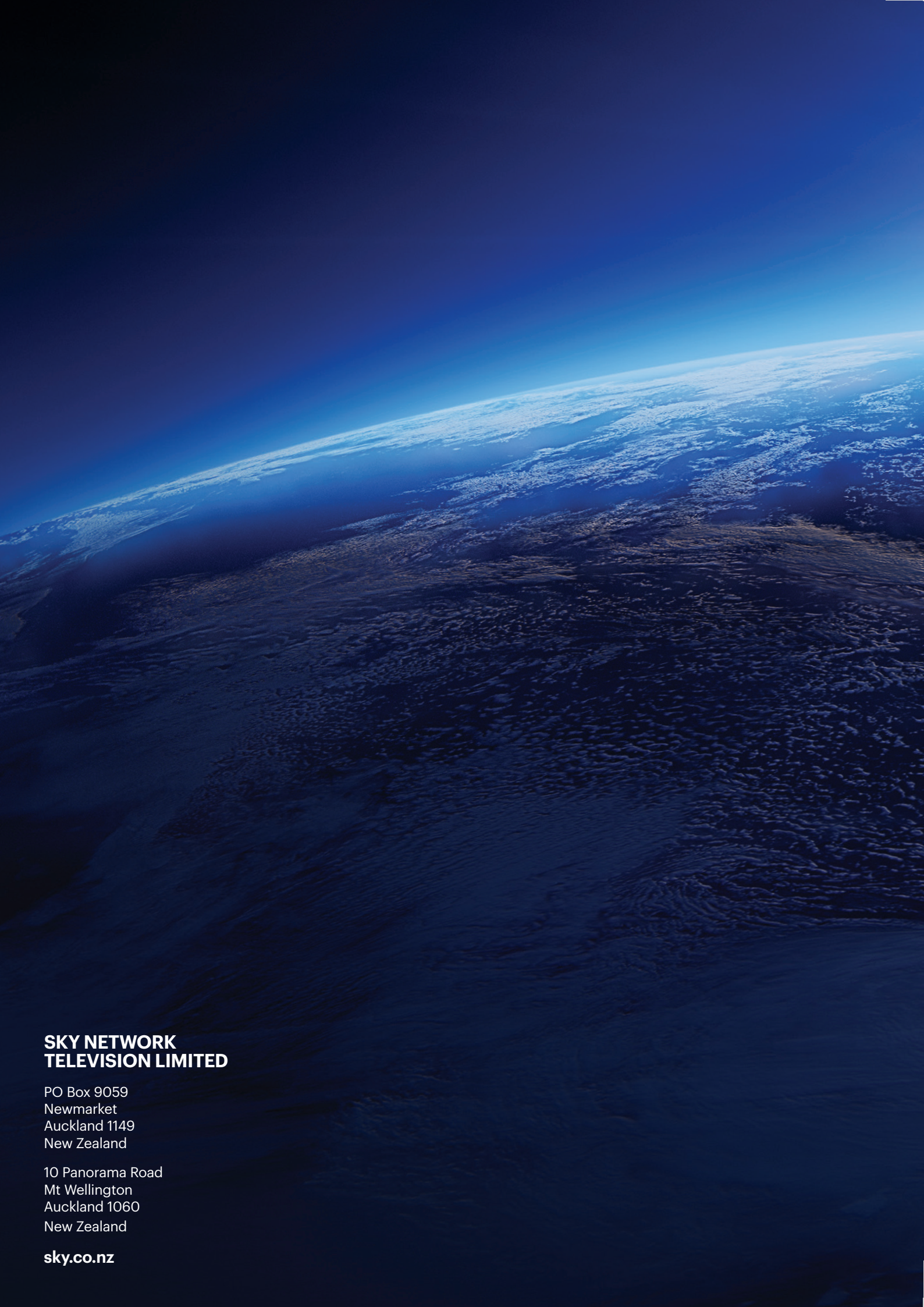
This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

Price Waterhouse Coopers

Chartered Accountants

Auckland

20 August 2015



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Other Information

Sky Network Television Limited Year ended on 30 June 2015

- **Net tangible assets per security:**

Current period \$(0.274): 1

Previous period \$(0.542): 1