

**SKY**

# A WHOLE NEW SKY EXPERIENCE

SKY NETWORK TELEVISION LIMITED  
PRESENTS THIS YEAR'S INTERIM REPORT  
**DECEMBER 2015**





# CONTENTS

2	The Future of Television
4	Chief Executive's Review
8	Subscriber Base
8	History of Dividend Payments
9	Consolidated Interim Statement of Comprehensive Income
10	Consolidated Interim Balance Sheet
11	Consolidated Interim Statement of Changes in Equity
12	Consolidated Interim Statement of Cash Flows
13	Notes to the Interim Financial Statements
18	Independent Review Report
19	Directors and Executives
20	Directory

# WE'RE CHANGING THE FUTURE OF TELEVISION

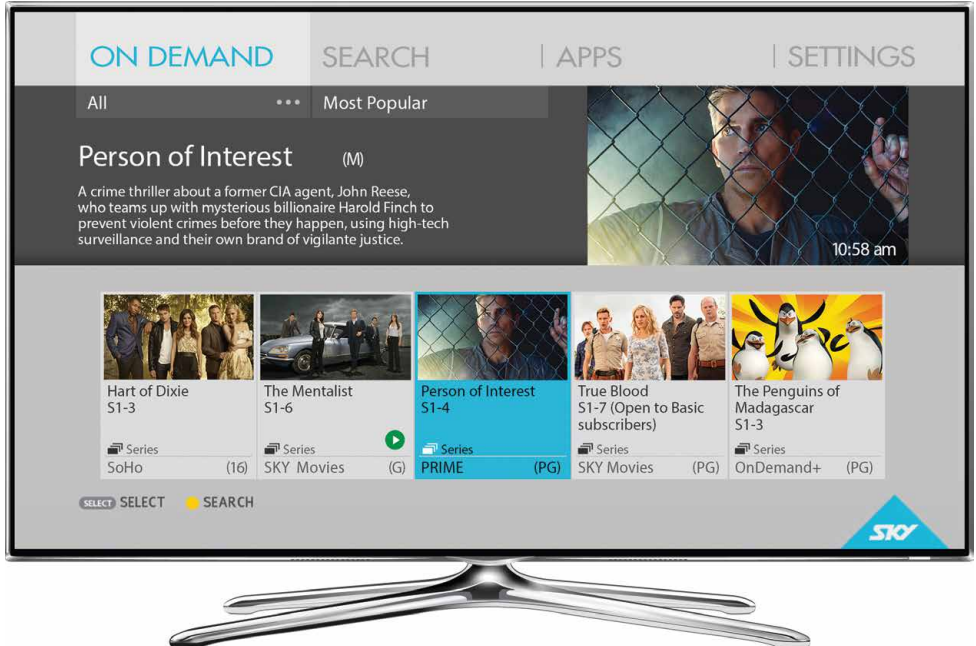
Right now, we're rolling out across New Zealand a whole new SKY experience. It's TV like never before. Packed full of great features including SKY On Demand, we're changing the future of television.

Things are well underway. All MY SKY customers have the new software and by mid 2017 we'll have replaced all the older SKY digital set top boxes with new internet ready boxes. Already there have been almost one million On Demand shows and movies downloaded to connected customers.

The new SKY comes with a fresh look and a heap of features and benefits taking television to a whole new level. Check these out on the following page.

The new SKY is huge for SKY viewers and huge for SKY's business. It will simplify, streamline and make the distribution of content more efficient than ever before. That's because instead of broadcasting two versions of every channel we'll only need to broadcast one. Significant, valuable satellite bandwidth will be freed up giving us future capacity to broadcast higher definition content and deliver yet more exciting features.

All up, we'd say the future's looking pretty good.



## **NEW SKY FEATURES:**

### **SKY ON DEMAND**

A huge selection of SKY shows can be browsed and downloaded via the internet to watch whenever you like. All with a simple touch of the remote.

### **RECORDING WITH MY SKY**

Now if you're a MY SKY customer you can record three programmes while watching a fourth live.

### **SERIES LINKING WITH MY SKY**

Now you can record a whole series of your favourite show without leaving what you are watching.

### **SEARCH**

You can search the guide, planner and the SKY On Demand catalogue for all your favourite shows.

### **SERIES STACKING**

If you have more than one episode of a show in your planner, instead of displaying individually like they used to, they are now all saved together under one handy title.

### **FAVOURITE CHANNELS**

You can set up favourite channels and use the blue button on the banner to quickly scroll through for preferred browsing.

### **AUTOMATIC UPDATES**

Just like your smartphone, the new SKY software means your SKY box will continuously receive updates with new exciting features and improvements, without you having to do a thing.

**SUBSCRIBER NUMBERS UP**

**860,445**

**TOTAL REVENUE**

**\$475.6M**

**THE STRATEGY OF ATTRACTING  
NEW CUSTOMERS WITH DIGITALLY  
DELIVERED PRODUCTS IS CENTRAL  
TO OUR STRATEGIC GROWTH**

# CHIEF EXECUTIVE'S REVIEW

Dear Shareholders

I am pleased to announce SKY reached 860,445 customers at 31 December 2015, up from 851,561 at 30 June 2015. As I indicated in my letter to shareholders in the Annual Report the mix of our customers is changing. Like most traditional pay television companies we are losing traditional satellite customers but gaining in our online products like NEON and FAN PASS.

We at SKY have always prided ourselves on the transparency and detail in our financial statements. Sadly, over the last couple of years this philosophy has hurt us in negotiations with content suppliers. Now the internet has opened up new business models with new content rights which apply to these new business models. Consequently, we are not breaking down the detail on the types of customers in the way we have done in the past. We will still provide you with figures for a total number of customers and an ARPU (Average Revenue per User).

There are a few facts you should keep in mind when you think about customers from these new models. They tend to churn higher and have a lower ARPU than our traditional customer. Because these customers do not require decoders typically the capital outlay per customer is much lower. Content cost and customer service tend to be lighter. This strategy of attracting new customers with digitally delivered products will continue and is central to our strategic growth.

Our core traditional customer purchased more content from us. This drove our ARPU to record levels of \$79.56 up from \$79.43 reported at 31 December 2014.

MY SKY penetration continues to grow as we begin to transition our SKY customers off the older digital decoders. Churn has long been lower for MY SKY customers and we expect to see benefits in the future. Churn on our satellite pay TV platform for the six month period ending 31 December 2015 was an annualised 15.4% compared to 14.5% for the year ended 30 June 2015. I am disappointed in this increase but keep in mind we always record the worst churn results in any four year period where we have the Rugby World Cup. This is because the Rugby World Cup normally ends in October and there is no New Zealand rugby again until late February. In addition, more alternative content options were available in New Zealand in the last year than in the previous ten years.

As expected in a period of rapid change and considerable competition, pressure has been placed on financial performance. Despite this, total revenue has increased by 2.4% for the period to \$475.6 million and can be attributed to the aforementioned increase in ARPU and a stellar advertising sales period up 17% or \$6 million over the previous period.

Operating costs have increased 5.4% to \$343.9 million, resulting in a weaker operating profit of \$131.7 million, a decrease of 4.8%. As indicated at our annual meeting, programming costs have increased with greater competition to acquire content and inclusion of Rugby World Cup and over the top (OTT) content rights. These costs increased 10.3% over the comparative period.

Without doubt this last period saw SKY begin to roll out the greatest change to our customers in our 25 year history, more significant even than our transition from UHF to digital satellite broadcasting.

This new SKY world has our customers connected to the internet, giving us greater opportunities to showcase our superb content. Our customers can now enjoy internet connectivity via SKY boxes, SKY GO, NEON and FAN PASS. We've seen over ten million downloads of content in the six months to 31 December 2015.

On Demand content delivered when you want it over the internet is the key benefit to our new SKY world, but customers will also experience a brand new high definition interface and the ability to record three channels while watching another. The benefits don't stop there; search is improved, you can record a series or an episode without leaving the show you are watching, and now episodes from a series are neatly stacked under one title.

The ability to download content easily and quickly with the remote control is a game changer. Customers will enjoy so much more value with the vast increase in viewing options, there is something for everyone whether you are a customer of Basic, SoHo, Sport or any other SKY package.

We have now completed the software upgrade to MY SKY customers, the connection rates and viewing of on demand content are off to a good start. We have also had feedback that a small percentage of customers have difficulty reading the new interface.

I like to think of our new software like your smartphone. This device is always receiving updates, fixes and new features and now your new SKY box will too. We are working on an improvement to the readability and will continue to deliver new features to our customers. Watch this space.

The replacement of older digital boxes with new SKY boxes is underway, we anticipate this will be complete mid 2017 at which point we can start to realise the benefit from the freeing up of significant, valuable satellite bandwidth.

#### **Highlights:**

- We began marketing a new entertainment and broadband option. SKY customers can now request their preferred eligible broadband package through SKY and Vodafone will manage the sale, installation and billing requirements. A \$10 ongoing monthly discount on SKY Basic is offered when taking one of 14 eligible broadband packages provided by Vodafone. The packages range from 80 GB to unlimited broadband data with a home phone on a 12 month term.
- In July we celebrated our 25th birthday by offering 25 ultimate bucket list experiences to be won by our customers. They included a trip to the Game of Thrones set in Croatia, a holiday in Thailand for a family with a visit to the Cartoon Network Amazon Waterpark and a New York City excursion to enjoy the live taping of Last Week Tonight with John Oliver, which screens on SoHo.



## ON DEMAND CONTENT DELIVERED WHEN YOU WANT IT OVER THE INTERNET IS THE KEY BENEFIT

- Also in July we signed a long term deal, cementing our relationship with world content leader Discovery. Two new channels have since launched – Turbo and TLC complement our existing line up of Discovery, Animal Planet, Food TV and Living.
- During November our customers paid \$5 to subscribe to premium channels to raise funds for Starship's National Air Ambulance Service. This is part of our on-going support of the Starship Foundation as a Five Star Partner.
- Continuing the tradition of bringing new and alternative events to New Zealand television screens, SKY screened the inaugural New Zealand Gaming Championship eSports Tournament LIVE on a SKY POP-UP channel during December to all Basic customers. The online game League of Legends was used with six teams competing for the trophy.

In August Susan Paterson ONZM joined the SKY board. Susan comes to SKY with a wealth of corporate governance experience and a keen interest in sport, education and the environment.

### **Dividends:**

The Board of Directors has evaluated the performance of the business over the six months to 31 December 2015 and its prospects for the full year. On 26 February 2016 the board announced a fully imputed dividend of 15 cents per share (prior interim dividend 15 cents) with the record date being 11 March 2016. A supplementary dividend of 2.6471 cents per share will be paid to non-resident shareholders.

SKY TV has appointed an investment bank to advise the board on our capital management. SKY's first priority is to drive shareholder returns by investing in our core business, while maintaining a strong balance sheet. In recent years we have made considerable investment in new technology, set top box upgrades, new content and enhancements in sales and marketing. This investment has positioned the business to strongly respond to the significant changes occurring in the industry. SKY is now coming to the end of our recent investment program and expects strong free cash flow in the coming years. At the same time we continue to seek growth to drive shareholder returns, and are actively considering a number of investment opportunities. The amount and timing of any capital required for growth opportunities is expected to become clearer by the time our full year results in August are announced. If growth opportunities do not materialise within that timeframe, we intend to announce capital management initiatives with our full year results.



**John Fellet**

Chief Executive Officer

## SUBSCRIBER BASE

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

	31 Dec 15	31 Dec 14	31 Dec 13	31 Dec 12	31 Dec 11
Total subscribers	<b>860,445</b>	856,348	857,115	846,988	846,240
Average monthly revenue per residential subscriber	<b>79.56</b> <sup>(1)</sup>	79.43	77.51	75.78	71.81
Gross churn <sup>(2)</sup>	<b>15.4%</b>	13.7%	13.3%	14.6%	14.2%

<sup>(1)</sup> Includes IGLOO, NEON and FAN PASS, not included in previous periods.

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

## 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	15.0	12.0	11.0	10.5
<b>Total ordinary dividend</b>	<b>30.0</b>	<b>29.0</b>	<b>24.0</b>	<b>22.0</b>	<b>18.5</b>
Add special dividend	-	-	-	32.0	25.0
<b>Total dividend for the year</b>	<b>30.0</b>	<b>29.0</b>	<b>24.0</b>	<b>54.0</b>	<b>43.5</b>

# CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2015 (unaudited)

in NZD 000	Notes	31 Dec 2015 (6 months)	31 Dec 2014 (6 months)	30 Jun 2015 (1 year) (audited)
<b>Total revenue</b>	4	<b>475,554</b>	464,506	927,525
<b>Expenses</b>				
Programming		<b>162,905</b>	147,683	296,559
Subscriber related costs		<b>53,403</b>	52,452	107,136
Broadcasting and infrastructure		<b>47,765</b>	44,935	91,184
Depreciation, amortisation and impairment		<b>49,181</b>	54,099	119,194
Other costs		<b>30,614</b>	27,082	52,877
		<b>343,868</b>	326,251	666,950
<b>Operating profit</b>		<b>131,686</b>	138,255	260,575
<b>Finance costs, net</b>		<b>10,315</b>	9,986	21,696
<b>Profit before tax</b>		<b>121,371</b>	128,269	238,879
Income tax expense		<b>34,034</b>	35,774	67,115
<b>Profit for the period</b>		<b>87,337</b>	<b>92,495</b>	<b>171,764</b>
<b>Attributable to:</b>				
Equity holders of the Company		<b>87,092</b>	92,471	171,581
Non-controlling interests		<b>245</b>	24	183
		<b>87,337</b>	92,495	171,764
<b>Earnings per share</b>				
Basic and diluted earnings per share (cents)		<b>22.38</b>	23.76	44.09
<b>OTHER COMPREHENSIVE INCOME</b>				
Profit for the period		<b>87,337</b>	92,495	171,764
<b>Items that may be reclassified subsequently to profit and loss</b>				
Cash flow hedges		<b>(24,654)</b>	8,279	56,972
Income tax effect		<b>6,903</b>	(2,318)	(15,951)
<b>Other comprehensive income for the period, net of income tax</b>		<b>(17,751)</b>	5,961	41,021
<b>Total comprehensive income for the period</b>		<b>69,586</b>	98,456	212,785
<b>Attributable to:</b>				
Equity holders of the Company		<b>69,341</b>	98,432	212,602
Non-controlling interests		<b>245</b>	24	183
		<b>69,586</b>	<b>98,456</b>	<b>212,785</b>

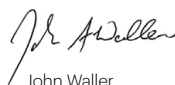
# CONSOLIDATED INTERIM BALANCE SHEET

As at 31 December 2015 (unaudited)

in NZD 000	Notes	31 Dec 2015	31 Dec 2014	30 Jun 2015 (audited)
<b>Current assets</b>				
Cash and cash equivalents	11	36,347	41,560	17,895
Trade and other receivables		70,065	68,201	69,509
Programme rights inventory		66,868	55,998	72,813
Derivative financial instruments	11	15,712	5,878	28,424
		<b>188,992</b>	171,637	188,641
<b>Non-current assets</b>				
Property, plant and equipment		298,139	278,868	282,219
Intangible assets		1,439,283	1,447,258	1,442,355
Derivative financial instruments	11	15,779	5,698	28,806
		<b>1,753,201</b>	1,731,824	1,753,380
<b>Total assets</b>		<b>1,942,193</b>	<b>1,903,461</b>	<b>1,942,021</b>
<b>Current liabilities</b>				
Borrowings/bonds	10/11	199,763	8,917	3,294
Trade and other payables		195,047	181,962	184,218
Income tax payable		7,679	8,153	12,284
Derivative financial instruments	11	3,788	8,165	1,320
		<b>406,277</b>	207,197	201,116
<b>Non-current liabilities</b>				
Borrowings	10/11	39,421	71,248	49,424
Bonds	6/11	98,570	297,762	298,045
Derivative financial instruments	11	8,281	9,139	7,795
Deferred tax		41,226	36,867	48,438
		<b>187,498</b>	415,016	403,702
<b>Total liabilities</b>		<b>593,775</b>	<b>622,213</b>	<b>604,818</b>
<b>Equity</b>				
Share capital		577,403	577,403	577,403
Hedging reserve		13,129	(4,180)	30,880
Retained earnings		756,162	706,704	727,441
<b>Total equity attributable to equity holders of the Company</b>		<b>1,346,694</b>	1,279,927	1,335,724
Non-controlling interest		1,724	1,321	1,479
<b>Total equity</b>		<b>1,348,418</b>	1,281,248	1,337,203
<b>Total equity and liabilities</b>		<b>1,942,193</b>	<b>1,903,461</b>	<b>1,942,021</b>



Peter Macourt  
Chairman  
For and on behalf of the board 25 February 2016



John Waller  
Director

# CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015 (unaudited)

in NZD 000	Attributable to owners of the parent				Non-controlling interest	Total equity
	Share capital	Hedging reserve	Retained earnings	Total		
<b>Balance at 1 July 2015</b>	577,403	30,880	727,441	1,335,724	1,479	1,337,203
Profit for the period	-	-	87,092	87,092	245	87,337
Cash flow hedges, net of tax	-	(17,751)	-	(17,751)	-	(17,751)
<b>Total comprehensive income for the period</b>	-	(17,751)	87,092	69,341	245	69,586
<b>Transactions with owners in their capacity as owners</b>						
Dividend paid	-	-	(58,371)	(58,371)	-	(58,371)
Supplementary dividends	-	-	(7,376)	(7,376)	-	(7,376)
Foreign investor tax credits	-	-	7,376	7,376	-	7,376
	-	-	(58,371)	(58,371)	-	(58,371)
<b>Balance at 31 December 2015</b>	<b>577,403</b>	<b>13,129</b>	<b>756,162</b>	<b>1,346,694</b>	<b>1,724</b>	<b>1,348,418</b>
<b>For the six months ended 31 December 2014 (unaudited)</b>						
<b>Balance at 1 July 2014</b>	577,403	(10,141)	672,605	1,239,867	1,297	1,241,164
Profit for the period	-	-	92,471	92,471	24	92,495
Cash flow hedges, net of tax	-	5,961	-	5,961	-	5,961
<b>Total comprehensive income for the period</b>	-	5,961	92,471	98,432	24	98,456
<b>Transactions with owners in their capacity as owners</b>						
Dividend paid	-	-	(58,372)	(58,372)	-	(58,372)
Supplementary dividends	-	-	(7,158)	(7,158)	-	(7,158)
Foreign investor tax credits	-	-	7,158	7,158	-	7,158
	-	-	(58,372)	(58,372)	-	(58,372)
<b>Balance at 31 December 2014</b>	<b>577,403</b>	<b>(4,180)</b>	<b>706,704</b>	<b>1,279,927</b>	<b>1,321</b>	<b>1,281,248</b>
<b>For the year ended 30 June 2015 (audited)</b>						
<b>Balance at 1 July 2014</b>	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	-	41,021	-	41,021	-	41,021
<b>Total comprehensive income for the period</b>	-	41,021	171,581	212,602	183	212,785
<b>Transactions with owners in their capacity as owners</b>						
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)
<b>Balance at 30 June 2015</b>	<b>577,403</b>	<b>30,880</b>	<b>727,441</b>	<b>1,335,724</b>	<b>1,479</b>	<b>1,337,203</b>



# CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015 (unaudited)

in NZD 000	Notes	31 Dec 2015 (6 months)	31 Dec 2014 (6 months)	30 Jun 2015 (1 year) (audited)
<b>Cash flows from operating activities</b>				
Profit before tax		121,371	128,269	238,879
<b>Adjustment for non-cash items:</b>				
Depreciation, amortisation and impairment		49,181	54,099	119,194
Unrealised foreign exchange (gain)/loss		190	(754)	423
Interest expense		10,150	11,467	22,496
Bad debts and movement in provision for doubtful debts		795	1,944	3,328
Amortisation of bond issue costs		288	288	571
Other non-cash items		(1,471)	(2,083)	263
<b>Movement in working capital items:</b>				
(Increase)/decrease in receivables		(1,140)	3,562	2,589
Increase in payables		14,240	17,482	11,518
Decrease/(increase) in programme rights		5,945	(13,109)	(29,924)
<b>Cash generated from operations</b>		<b>199,549</b>	<b>201,165</b>	<b>369,337</b>
Interest paid		(10,618)	(11,405)	(22,756)
Income tax paid		(31,272)	(41,560)	(63,666)
<b>Net cash from operating activities</b>		<b>157,659</b>	<b>148,200</b>	<b>282,915</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		-	78	46
Acquisition of property, plant, equipment and intangibles	8	(59,535)	(50,775)	(115,462)
<b>Net cash used in investing activities</b>		<b>(59,535)</b>	<b>(50,697)</b>	<b>(115,416)</b>
<b>Cash flows from financing activities</b>				
Advances received – bank loan	10	33,000	51,000	96,000
Repayment of borrowings – bank loan	10	(43,000)	(59,000)	(126,000)
Payment of finance lease liabilities		(3,294)	(1,745)	(7,375)
Payment of bank facility fees		(631)	(520)	(1,022)
Dividends paid	9	(65,747)	(65,530)	(131,059)
<b>Net cash used in financing activities</b>		<b>(79,672)</b>	<b>(75,795)</b>	<b>(169,456)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18,452</b>	<b>21,708</b>	<b>(1,957)</b>
Cash and cash equivalents at beginning of the period		17,895	19,852	19,852
<b>Cash and cash equivalents at end of the period</b>		<b>36,347</b>	<b>41,560</b>	<b>17,895</b>

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2015 (unaudited)

## 1. GENERAL INFORMATION

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 interim financial statements of the Group for the six months ended 31 December 2015 comprise SKY 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.

SKY is a leading media company in New Zealand and operates as a provider of multi-channel, pay-per-view and free-to-air television services in New Zealand.

These consolidated interim financial statements were approved by the Board of Directors on 25 February 2016.

## 2. BASIS OF PREPARATION

These consolidated interim financial statements 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.

These consolidated interim financial statements of SKY are for the six months ended 31 December 2015. They have been prepared in accordance with New Zealand generally accepted accounting practice, NZ IAS 34 Interim Financial Reporting and International Accounting Standard 34 (IAS 34). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2015. For the purposes of financial reporting SKY is a profit-oriented entity.

The preparation of interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments (including derivative instruments).

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2015.

## 4. REVENUE

in NZD 000	31 Dec 2015 (6 months)	31 Dec 2014 (6 months)	30 Jun 2015 (1 year) (audited)
Residential satellite subscriptions	383,492	380,945	760,000
Other subscriptions	38,789	34,828	71,183
Advertising	42,322	36,084	69,540
Other revenue	10,951	12,649	26,802
	475,554	464,506	927,525

# NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2015 (unaudited)

## 5. GROUP STRUCTURE

At 31 December 2015 SKY had the following subsidiaries:

- Cricket Max Limited (non-trading)
- IGLOO Limited
- Media Finance Limited (non-trading)
- Outside Broadcasting Limited
- Screen Enterprises Limited
- SKY DMX Music Limited (50.5%)
- Believe It or Not Limited (51.0%)

## 6. BONDS

Terms and conditions of outstanding bonds are as follows:

	31 Dec 2015	31 Dec 2014	30 Jun 2015 (audited)
<b>Bond A</b>			
Nominal interest rate	3.38%	4.43%	4.43%
Issue date	16 Oct 2006	16 Oct 2006	16 Oct 2006
Date of maturity	16 Oct 2016	16 Oct 2016	16 Oct 2016
<b>in NZD 000</b>			
Carrying amount	199,763	199,464	199,613
Face value	200,000	200,000	200,000
Fair value	197,548	198,500	199,200
<b>Market yield</b>	<b>5.05%</b>	5.22%	5.48%
<b>Bond B</b>			
Nominal interest rate	6.25%	6.25%	6.25%
Issue date	31 Mar 2014	31 Mar 2014	31 Mar 2014
Date of maturity	31 Mar 2021	31 Mar 2021	31 Mar 2021
<b>in NZD 000</b>			
Carrying amount	98,570	98,298	98,432
Face value	100,000	100,000	100,000
Fair value	107,657	105,901	107,655
<b>Market yield</b>	<b>4.60%</b>	5.43%	4.72%

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

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2015 (unaudited)

### 7. RELATED PARTY TRANSACTIONS

There were no loans to directors by the Group or associated parties during any of the reporting periods in these interim financial statements.

The gross remuneration of directors and key management personnel during the period was \$8,266,000 (31 December 2014: \$7,594,000; 30 June 2015: \$12,751,000).

### 8. CAPITAL EXPENDITURE

The Group acquired the following property, plant and equipment and intangibles during the period:

in NZD 000	31 Dec 2015 (6 months)	31 Dec 2014 (6 months)	30 Jun 2015 (1 year) (audited)
Capital projects in progress	13,225	18,035	30,517
Land and buildings	396	6,311	7,134
Broadcasting and studio equipment	53	105	8,606
Plant and equipment and other	2,191	3,123	7,656
Decoders	30,831	8,378	22,298
Installation costs	14,475	14,629	29,692
Intangibles	864	557	8,789
	62,035	51,138	114,692
Movement in capital expenditure creditors	(2,500)	(363)	770
<b>Cash outflow in the period</b>	<b>59,535</b>	<b>50,775</b>	<b>115,462</b>

### 9. DIVIDENDS

On 26 February 2016 the Board of Directors announced that it will pay a fully imputed dividend of 15 cents per share with the record date being 11 March 2016. A supplementary dividend of 2.6471 cents per share will be paid to non-resident shareholders, subject to the foreign investor tax credit regime.

### 10. BORROWINGS

#### Bank loans

During the period bank borrowings of \$43 million were repaid and a new drawdown of \$33 million was taken up.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2015 (unaudited)

### 11. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk) credit risk and liquidity risk.

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, they should be read in conjunction with the Group's annual financial statements as at 30 June 2015. There have been no changes in any risk management policies since year end.

Financial assets of the Group include cash, and cash equivalents, trade and other receivables and derivative financial assets. Financial liabilities of the Group include trade and other payables, borrowings, lease liabilities, bonds and derivative financial liabilities. The Group does not hold or issue financial instruments for trading purposes.

Based on NZ IFRS 13 Fair Value Measurement, the fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1: Quoted prices (unadjusted in active market for identical assets and 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).

Fair value estimates of the Group's financial assets and liabilities for recognition or disclosure purposes are all made on a level 2 basis. During the six months ended 31 December 2015 there were no transfers of financial instruments between levels

#### Financial instruments measured at fair value

The following financial instruments are subject to recurring fair value measurements:

in NZD 000	31 Dec 2015	31 Dec 2014	30 Jun 2015
<b>Derivative financial instruments (Level 2)</b>			
Current assets	<b>15,712</b>	5,878	28,424
Non-current assets	<b>15,779</b>	5,698	28,806
Current liabilities	<b>(3,788)</b>	(8,165)	(1,320)
Non-current liabilities	<b>(8,281)</b>	(9,139)	(7,795)
	<b>19,422</b>	<b>(5,728)</b>	<b>48,115</b>



# NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2015 (unaudited)

## 11. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS CONTINUED

### Financial instruments not measured at fair value

The following financial instruments are not measured at fair value in the consolidated interim financial statements. These had the following fair values as at December 2015:

in NZD 000	31 Dec 2015		31 Dec 2014		30 Jun 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>						
Cash and cash equivalents	36,347	36,347	41,560	41,560	17,895	17,895
Trade and other receivables	63,773	63,773	62,637	62,637	64,253	64,253
	<b>100,120</b>	<b>100,120</b>	<b>104,197</b>	<b>104,197</b>	<b>82,148</b>	<b>82,148</b>
<b>Financial liabilities</b>						
Trade and other payables	(127,628)	(127,628)	(118,274)	(118,274)	(117,980)	(117,980)
Bank borrowings	(39,421)	(38,704)	(71,248)	(71,890)	(49,424)	(48,759)
Lease liabilities	-	-	(8,917)	(9,011)	(3,294)	(3,294)
Bonds	(298,333)	(305,205)	(297,762)	(304,401)	(298,045)	(306,865)
	<b>(465,382)</b>	<b>(471,537)</b>	<b>(496,201)</b>	<b>(503,576)</b>	<b>(468,743)</b>	<b>(476,898)</b>

Prepaid expenses, deferred revenue and unearned subscriptions do not meet the definition of a financial instrument and have been excluded from the "Trade and other receivables" and "Trade and other payables" categories above.

Due to their short-term nature, the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables is assumed to approximate their fair value.

The fair value of long-term borrowings are estimated by discounting future cash flows using current market interest rates offered to the Group for debt with substantially the same characteristics and maturities. The interest rates used in estimating the fair value of long-term debt were as follows:

	31 Dec 2015	31 Dec 2014	30 Jun 2015
Bond A	5.05%	5.22%	5.48%
Bond B	4.60%	5.43%	4.72%
Bank Borrowings	4.19%	5.31%	5.13%
Lease Liabilities	-	5.70%	6.08%

Specific valuation techniques used to value financial instruments are:

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable inputs. The fair value of forward foreign exchange contracts is based on market forward foreign exchange rates at period end.

## 12. CONTINGENT LIABILITIES

The Group is subject to litigation incidental to its 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.

## 13. SUBSEQUENT EVENTS

Other than as set out in note 9 (Dividends) there have been no subsequent events after balance date.

# INDEPENDENT REVIEW REPORT

## To the shareholders of Sky Network Television Limited

### Report on the Interim Financial Statements

We have reviewed the accompanying condensed consolidated interim financial statements ("financial statements") of Sky Network Television Limited ("the Company") on pages 9 to 17, which comprise the balance sheet as at 31 December 2015 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period ended on that date and selected explanatory notes for the Group. The Group comprises the Company and the entities it controlled at 31 December 2015 or from time to time during the period.

### Directors' Responsibility for the Financial Statements

The Directors are responsible on behalf of the Company for the preparation and presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) 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.

### Our Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditors perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these financial statements.

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Company are not prepared, in all material respects, in accordance with NZ IAS 34.

### Restriction on Use of Our Report

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our review 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 shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.



**Chartered Accountants  
Auckland**

25 February 2016

## DIRECTORS AND EXECUTIVES

### DIRECTORS

Peter Macourt	Chairman
Robert Bryden	(Retired 21 October 2015)
John Fellet	Chief Executive
Derek Handley	
Geraldine McBride	
Susan Paterson, ONZM	(Appointed 20 August 2015)
Humphry Rolleston	(Retired 21 October 2015)
John Waller	

### EXECUTIVES

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

# DIRECTORY

## REGISTRARS

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

### NEW ZEALAND ORDINARY SHARE REGISTRAR

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

#### Mailing address:

Private Bag 92119  
Auckland Mail Centre  
Auckland 1142  
New Zealand

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

**Email:** [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

### AUSTRALIAN BRANCH REGISTER

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

**Freephone:** 1300 850 505 (within Australia)

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

**Email:** [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

### BONDHOLDER TRUSTEE

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

#### Mailing address:

P.O. Box 1934  
Auckland  
New Zealand

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

**Email:** [web.corporatetrusts@nzgt.co.nz](mailto:web.corporatetrusts@nzgt.co.nz)

## NEW ZEALAND REGISTERED OFFICE

10 Panorama Road  
Mt Wellington  
Auckland 1060  
New Zealand

**Tel:** +64 9 579 9999 **Fax:** +64 9 579 8324

**Website:** [www.skytv.co.nz](http://www.skytv.co.nz)

## AUSTRALIAN REGISTERED OFFICE

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

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

## AUDITORS TO SKY

PricewaterhouseCoopers  
PricewaterhouseCoopers Tower  
188 Quay Street  
Auckland  
New Zealand

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

## SOLICITORS TO SKY

Buddle Findlay  
PricewaterhouseCoopers Tower  
188 Quay Street  
Auckland  
New Zealand

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







**SKY NETWORK  
TELEVISION LIMITED**

PO Box 9059  
Newmarket  
Auckland 1149  
New Zealand

10 Panorama Road  
Mt Wellington  
Auckland 1060  
New Zealand

[sky.co.nz](http://sky.co.nz)