



Appendix 4E Release to ASX under rule 4.3A

**Full Year Information for Sky Network Television Limited for the
year ended 30 June 2014**

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Results for announcement to market

Sky Network Television Limited Year ended on 30 June 2014 (In NZD)

Total operating revenues of \$909,001,000 have increased \$23,977,000 from the previous year, which is a 2.7% increase.

Net profit after tax attributable to equity holders of \$165,829,000 has increased \$28,632,000 from the previous year, which is a 20.9% increase.

Dividends	Amount per security	Franked amount per Security
Final Dividend (payable September 2014)	15.0 cents	N/A
Interim Dividend (paid March 2014)	14.0 cents	N/A
Final Dividend (paid September 2013)	12.0 cents	N/A
Previous corresponding period – Interim Dividend (paid March 2013)	12.0 cents	N/A
Previous corresponding period – Final Dividend (paid September 2012)	11.0 cents	N/A
Previous corresponding period – Special Dividend (paid December 2012)	32.0 cents	N/A
Record date for determining entitlements to the Final Dividend	5 September 2014	

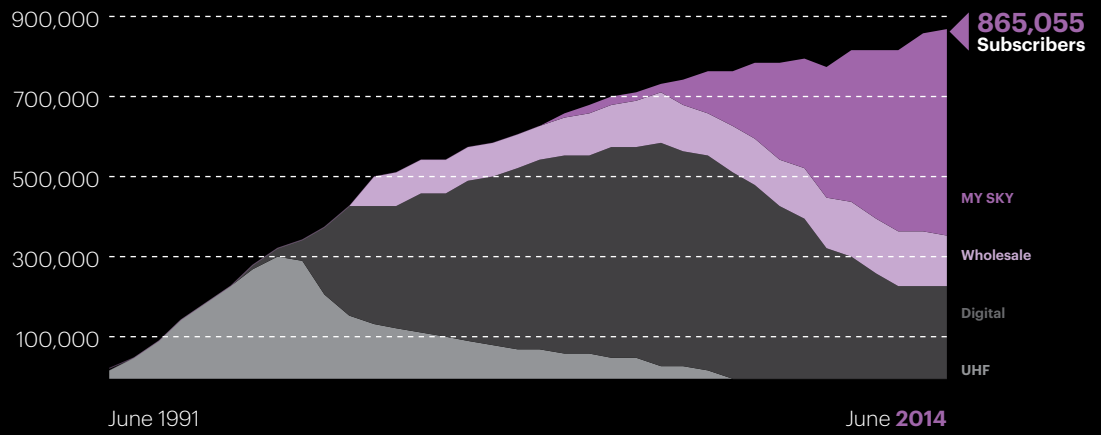
Brief explanation of any figures reported above, refer attached results commentary.

The SKY logo is rendered in a bold, italicized, sans-serif font. The letters are black and set against a white triangular background on the left side of the page. The 'S' and 'K' are connected, and the 'Y' has a distinctive shape with a small gap at the top.

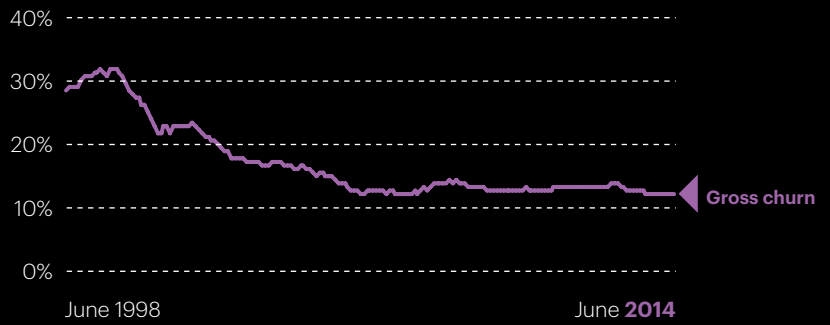
30 JUNE 2014

**BUSINESS
OVERVIEW**

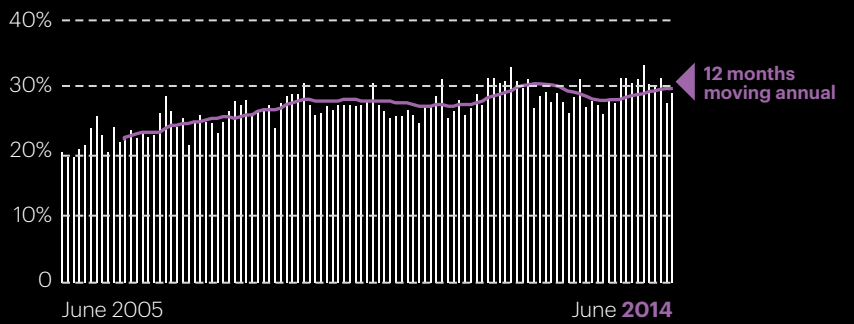
01 Subscribers



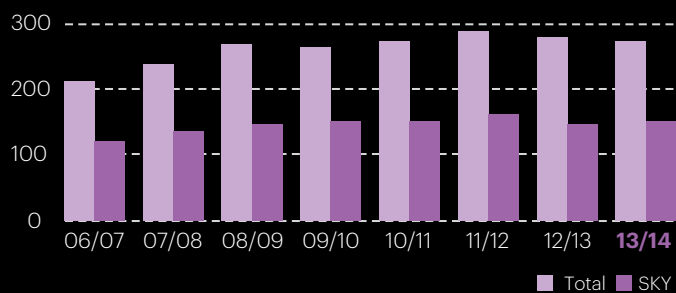
02 Rolling annual gross churn



03 SKY TV % share of viewing in NZ homes



04 Average hours viewing SKY Digital per month, per subscription



01 SUBSCRIBERS

SKY has continued to increase its total subscriber base in the year to 30 June 2014 by adding a net 9,157 subscribers.

There were a total of 865,055 subscribers at 30 June 2014, with 826,448 being residential subscribers on SKY's satellite platform. Residential subscribers increased overall by 3,903 subscribers and the decrease in wholesale subscribers is attributable to the transfer of Telecom subscribers to SKY residential subscribers.

SKY has continued to promote its MY SKY decoders and, at 30 June 2014 the number of subscribers receiving their pay television services via a MY SKY decoder were 504,713 compared to 456,419 subscribers at 30 June 2013. This represents 61.1% of SKY's residential subscribers compared to 55.5% of residential subscribers at 30 June 2013. There were 29,547 "other" subscribers at 30 June 2014 which includes subscribers to SKY's commercial music business SKY DMX Music, SKY's DVD rental business, Fatso, and residential subscribers to IGLoo launched in December 2012.

02 CHURN

Churn is a measure of the percentage of subscribers who disconnect their service, either voluntarily or due to a failure to pay their account. SKY calculates churn on a rolling gross annual basis, which means that each month we calculate the subscribers who have disconnected as a percentage of the average subscribers for that month and total these monthly percentages over the preceding 12 months.

Annual gross churn is 13.2% as at 30 June 2014 which is a decrease from the 14.4% churn for the year to 30 June 2013. MY SKY churn has increased from 10.4% in the prior year to 10.9% in the current year while churn on standard digital decoders has decreased to 16.8% from 17.9% last year.

03/04 VIEWING

During the 2014 year SKY's share of total subscriber, television viewing in all New Zealand increased from 28.7% to 29.4%. Viewership hours have increased from 151 hours per month in the prior year to 158 hours per month in the current year mainly as a result of the success seen on the SKY pop up service introduced during the 2014 year. Overall subscriber television viewing information collected has shown a decline in total viewing of 1% from 283 hours to 280 hours per month. Information for these numbers is collected from the Nielsen TAM audience measurement system and SKY TV's subscriber base.

PPV BUYS

SKY continues to offer pay-per-view (PPV) programming on its satellite platform, with 12 scheduled PPV channels plus an "on-demand" movie service that is offered to MY SKY subscribers. Buy rates, which measure the percentage of subscribers who purchase a title each month, have decreased from 13.6% in 2013 to 11.9% in the current year. In 2014 a total of 1,121,389 PPV buys were purchased compared to 1,272,561 buys purchased in 2013.

PROGRAMMING INITIATIVES

The past financial year has seen a number of programming initiatives across SKY's entertainment offering.

The introduction at the end of the last financial year of JONES!, a classic series channel in the SKY Basic package, proved that despite a flurry of activity in serialised drama these past few years, there still remains a home for the best of classic television for a core of our audience who want a blast of nostalgia, or to simply just be entertained.

That aside, SKY's premium drama channel SoHo continued to be the destination of choice for lovers of the best modern premiere television drama, from both the US and UK. Game of Thrones continues to be a programming juggernaut for SoHo, and an industry leader in pushing the boundaries of scripted drama. SoHo also broke new dramas like Ray Donovan, Penny Dreadful, Masters of Sex, and The Leftovers this last financial year. SoHo also introduced the stacking of entire series in the form of dedicated pop up channels, including all previous seasons of Game Of Thrones, and True Blood. With a Boardwalk Empire pop up on its way, these innovations are aligned with the established "box set" Saturday offering on SoHo, where subscribers can access all existing episodes of a specific season and show. Fast-tracking, HD broadcast, and a slate of new shows coming (including The Knick, Halt & Catch Fire, and The Affair), position SoHo as the best premium drama channel in New Zealand, and the one with the most Emmy winning and nominated dramas.

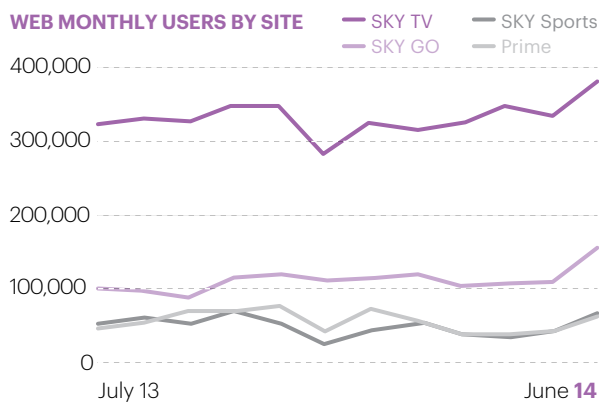
The value and viewership in the SKY Movies offering has increased with expansion of the SKY Movies tier with the introduction of additional channels. These changes have virtually doubled the number of movies on offer to SKY Movies subscribers. New channels include a premiere blockbuster movie channel (SKY Movies Premiere), a dedicated premiere drama channel (SKY Movies Extra), a dedicated action channel (SKY Movies Action), the introduction of SKY Movies Classics, an ongoing school holiday family movie service (SKY Movies Family), and an continuing series of "pop-up" channels; from the entire Twilight movie series, to a Clint Eastwood movie marathon. These innovations will continue over the next financial year, including the streaming of SKY Movies Extra to SKY GO this August (accompanying SKY Movies Premiere), and a mixture of pop up movie channels streaming to the service. Along with these initiatives, plans are afoot to give SKY Movie subscribers the ability to access their SKY Movies tier on a more on-demand (VOD) basis. In short, if you love movies, SKY Movies is the place to be.

Finally, at time of writing, we had just announced an exciting new concept launching in this new financial year. The Zone is a dedicated channel for lovers of sci-fi, horror, paranormal, cult and graphic-novel content. Free to all SKY Basic customers, the Zone will feature a mix of premiere and classic series, all aimed at the pop culture audience and fan.

SKY GO

SKY GO was launched in December 2013 as SKY's online TV service brand across personal computers, mobile and tablet devices. SKY's existing online service iSKY was rebranded with the extension of services to mobile devices across the iOS and Android platforms. The SKY GO service offers a wide variety of viewing options beyond the set top box including the streaming of ten live channels across sport, movies, entertainment and news, plus the ability to catch up on recently broadcast content on skygo.co.nz. This includes access to catch-up content from thirty four channels including SKY's free-to-air channel Prime.

At 25 July 2014 there have been 159,700 downloads of the SKY GO App. In June 2014, there were 393,714 SKY households with access to SKY GO who made approximately 1.4 million media requests to view content across all SKY GO platforms during that month.

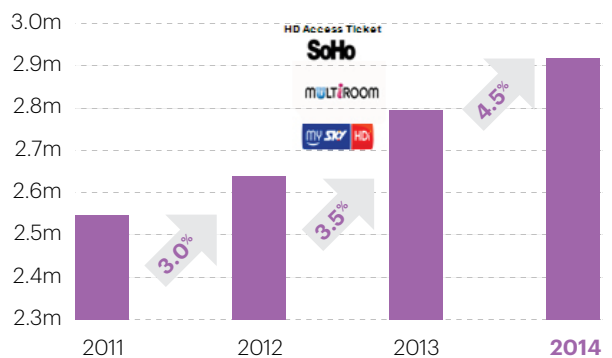


MY SKY

The MY SKY HDi decoder which was first launched in August 2008 and MY SKY+ which launched in 2011 continue to be highly successful products for SKY. At 30 June 2014, there were 504,713 MY SKY subscribers. This represents 61.1% of SKY's residential subscriber homes. This is an increase of 10.6% from the 456,419 MY SKY subscribers at 30 June 2013. In 2014, 42% of MY SKY installs were to new SKY subscribers compared to 27% last year.

MY SKY HDi and MY SKY+ subscribers have the option of paying \$10 and \$15 per month (incl. GST) respectively to receive SKY's HD channels, or paying \$25 per month (incl. GST) for a multi-room decoder including access to SKY's HD channels. At 30 June 2014, 14.1% of MY SKY HDi subscribers had opted to purchase the SKY HD channels and 27.9% had installed multi-room. This means 42% of the MY SKY subscribers were receiving HD services. The ARPU from MY SKY subscribers to 30 June 2014 was \$87.22 compared to \$86.89 on 30 June 2013.

SKY PREMIUM PRODUCTS



VALUE

To be successful SKY must offer value to its subscribers. Every month subscribers make a value assessment and decide whether to continue to pay for their SKY television service.

The monthly retail prices (incl. GST) of SKY's most popular packages at 30 June were as follows:

PRICE PER MONTH	2014	2013	% inc
	\$	\$	
Basic	48.07	46.92	2.5
Basic + Movies	69.00	67.62	2.0
Basic + Sport	74.75	73.37	1.9
Basic + Sport + Movies	95.68	94.07	1.7

Subscribers can alter the packages to which they subscribe, so there is always movement in the number of subscribers subscribing to different services. The following table summarises the percentage of subscribers to each of SKY's core services at 30 June.

SUBSCRIBERS BY TIER	2014	2013
Basic + Sport + Movies	29%	31%
Basic + Sport	42%	41%
Basic + Movies	7%	8%
Other	22%	20%

The percentage of subscribers to SKY's premium package of "Basic + Sport + Movies" has dropped by 2% this year while penetration of the "Basic + Sports" package has increased by 1%. A total of 560,567 subscribers were subscribing to the SKY Sports tier at 30 June, compared to 560,303 last year.

MY SKY TIER PENETRATION	2014	2013
Basic + Sport + Movies	33%	35%
Basic + Sport	42%	40%
Basic + Movies	8%	9%
Other	17%	16%

While there are fewer MY SKY subscribers purchasing the premium package of "Basic + Sport + Movies" this year, there are still a greater proportion of MY SKY subscribers purchasing the premium package compared to the penetration of this premium package amongst digital subscribers.

DIGITAL TIER PENETRATION	2014	2013
Basic + Sport + Movies	22%	25%
Basic + Sport	42%	41%
Basic + Movies	7%	8%
Other	29%	26%

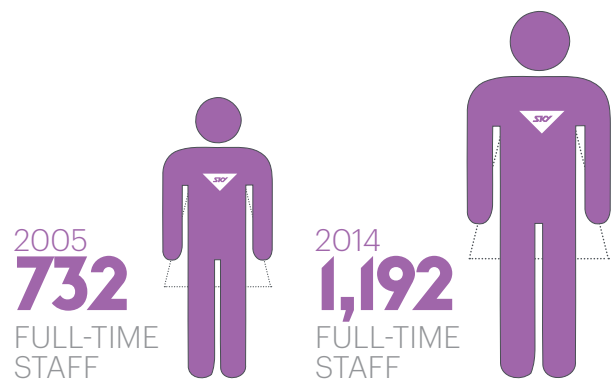
ACTIVATIONS

The level of installation activity is determined by a combination of the level of churn, net gain in new subscribers, and the number of subscribers transferring due to a change of address. The total number of customer activations in 2014 was 216,623 compared to 228,773 in 2013.

There are around 1.3 million homes in New Zealand that have been installed with a SKY satellite dish, which represents approximately 80% of New Zealand homes. The benefit of this is that around 80% of SKY's activations were "decoder" only installs in 2014 (75% in 2013), which are significantly cheaper than the cost of a full install that includes a dish, telephone jack, internal wiring and labour costs.

SKY is continuing to market its "Multiroom" service to subscribers, which enables subscribers to receive access to SKY services from a second decoder in their home for \$25 per month (incl. GST). There has been a 7.0% growth in the number of Multiroom outlets as follows:

	2014	2013
Satellite homes	41,006	34,010
MY SKY homes	165,118	158,576
Total Multiroom	206,124	192,586



INSTALLATION COSTS

The majority of SKY's capital expenditure reflects the cost of installing new subscribers. The success of MY SKY has meant that SKY no longer has to acquire standard digital decoders as these decoders are recycled from existing subscribers migrating to the new MY SKY decoders.

In 2014, the average cost of installing new subscribers (material/labour) was \$331 compared to an average of \$334 in the previous year. A "decoder only" install costs \$54. The average MY SKY decoder cost in 2014 was \$298 compared to \$320 in 2013. This reduction is due to a reduction in the USD cost of decoders.

SATELLITE

SKY is currently utilising seven transponders on the Optus D1 satellite. The satellite is located at 160° E, which is where the satellite dishes installed by SKY are positioned.

Optus launched the D2 satellite at the 152° E position in October 2007 and the D3 satellite was launched in August 2009 at the 156° E position. Both of these satellites have transponders capable of delivering direct to home (DTH) satellite services to New Zealand. SKY has agreed on a restoration plan with Optus that should see satellite capacity restored within a short time should there ever be a failure of SKY's primary D1 satellite.

To assist in the recovery of services should there ever be a failure of the D1 satellite, SKY has developed a dual LNB that is able to be electronically switched to the 156°E orbital location. This would enable SKY to utilise the dedicated back-up transponders that are included on the Optus D3 satellite.

EMPLOYEES

SKY has increased the number of full time equivalent employees by 7% to 1,192 in the current year. SKY also employs around 300 contractors in a range of specialist areas. Sixty five employees have been with the company for more than 20 years. Of SKY's permanent staff, 52% have been with the company longer than five years. SKY has a culturally diverse work force and 48% of its employees are women.

FATSO

Fatso is an on-line DVD rental business that SKY has been operating since June 2008. Subscribers pay a monthly subscription and can access a library of DVDs. DVDs are mailed out to subscribers who can keep the DVDs as long as they like. When the DVDs are returned another is mailed out to the subscriber.

In June 2014 SKY acquired 49% of the company taking its shareholding to 100% of the business. At 30 June 2014 there were 19,733 Fatso subscribers, a 4% decrease from the 20,541 at 30 June 2013.

Fatso's business model is being challenged by competitors who offer a similar service via the internet, where for a fixed monthly fee subscribers can access a library of TV series and Movie content that is streamed to PC, tablets, smart TV or gaming console. SKY has announced it is also planning to launch one of these subscription video on demand ("SVOD") services later in the year.

WHOLESALE PARTNERSHIPS

SKY has maintained a strategy of wholesaling its pay TV services to telecommunications companies since the year 2000. Contracts have been in place with major players such as Telecom, Vodafone and TelstraClear over this period. In October 2012, Vodafone announced that they had acquired TelstraClear. In August 2013, SKY announced it had renewed its wholesale agreement with Vodafone for a period of 5 years.

In February 2014, SKY announced that Telecom had advised that it would not be renewing its wholesale agreement with SKY when it expired in May 2014. SKY successfully migrated Telecom's wholesale customers back to SKY at the end of the contract. Telecom has since announced that they planned to launch their own SVOD service.

SKY is now working closely with Vodafone to create bundled offerings of telecommunication and pay television services.

PRIME

SKY has continued to invest in new content for Prime, including content from a television output deal with CBS and also certain shows from Fox Studios. Prime also continued to broadcast delayed coverage of major sporting events on this channel including ten hours per day coverage of the Sochi Winter Olympics.

Prime's share of the television audience (all 5+) has decreased from an average yearly audience of 5.9% for the year ended 30 June 2013 to 5.2% for the year ended 30 June 2014. There has been a 3.4% increase in Prime's advertising revenue from \$26.4 million in 2013 to \$27.3 million in 2014. The total TV advertising market increased by 1.1% for the year to 30 June 2014.

IGLOO LIMITED (IGLOO)

IGLOO was established in November 2011 with SKY and Television New Zealand Limited (TVNZ) as the shareholders. IGLOO commenced broadcasting in December 2012. SKY acquired TVNZ's remaining 34% shareholding in June 2014 and now owns 100% of IGLOO. IGLOO offers subscribers a low cost pay television service on a pre-pay basis via a set top box that will be purchased by the subscriber. IGLOO broadcasts 11 linear channels over a digital terrestrial network and the set top box receives the Freeview free-to-air digital channels. IGLOO also offers live sport on a pay-per-view basis and the set top box is internet enabled so that subscribers can purchase Video on Demand content. Other features of the set top box include "live pause" capability and a media player for viewing personal videos and photos.

At 30 June 2014 IGLOO had 8,760 paying subscribers and had sold 30,974 decoders.

COMMERCE COMMISSION

The Commerce Commission concluded its an investigation into SKY's content and agreements with retail service providers ("RSPs"). In October 2013, the Commission issued a warning letter to SKY but no further action was taken. The Commission stated that sufficient content of all types appears to be available outside of SKY's contracts to enable an appealing pay TV package to be put together by a competitor. The Commission also stated that it will continue to monitor SKY's existing or new contracts with RSPs and warned that it may have concerns in the future if SKY were to sign further contracts with RSPs and not provide reasonable exemptions from any "key commitment" provisions in new or existing contracts.

CHARITABLE CONTRIBUTIONS

SKY supports various charitable organisations including Starship, Ronald McDonald House Charitable Trust, and Kids First Hospital and offers free advertising air time to other charities. The total value of subscriptions and free advertising is approximately \$1,345,000.

In the prior year SKY committed \$1,000,000 to the Christchurch Earthquake Appeal Trust over five years.

FINANCIAL
OVERVIEW

NET PROFIT
AFTER TAX
**INCREASED TO
\$165.8 MILLION**

SUMMARY

The net profit after tax attributable to equity holders of SKY has increased to \$165.8 million for the year ended 30 June 2014, a 20.9% increase on the previous year's net profit after tax of \$137.2 million.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 7.3% to \$379.0 million.

The results are summarised as follows:

For the years ended 30 June

IN NZD MILLIONS	2014	2013	% inc/(dec)
Financial performance data			
Total revenue	909.0	885.0	2.7
Total operating expenses	530.0	531.9	(0.4)
EBITDA	379.0	353.1	7.3
Less			
Depreciation and amortisation	126.1	134.3	(6.0)
Net interest expense and financing charges	27.1	29.1	(6.9)
Unrealised losses on currency and other	1.3	0.7	85.7
Net profit before income tax	224.5	189.0	18.8
Income tax expense	63.1	56.8	11.1
Profit after tax	161.4	132.2	22.1
Non-controlling interest	(4.4)	(5.0)	(12.0)
Attributable to equity holders of the company	165.8	137.2	20.9

A more detailed commentary on these results is provided overleaf.

REVENUE ANALYSIS

SKY's total revenue increased by 2.7% to \$909.0 million as follows:

For the years ended 30 June

IN NZD MILLIONS	2014	2013	% inc/(dec)
Residential	753.5	733.0	2.8
Commercial	44.5	42.8	4.0
SKYWATCH	11.4	12.5	(9.0)
Total subscription revenue	809.4	788.3	2.7
Advertising	70.5	68.0	3.7
Installation, programme sales and other	29.1	28.7	1.4
Total other revenue	99.6	96.7	3.0
Total revenue	909.0	885.0	2.7

Residential subscription revenue increased 2.8% to \$753.5 million, mainly due to subscribers taking up more services resulting in a 2.2% increase in average revenue per subscriber ("ARPU"). ARPU is a measure of the average revenue that SKY earns from subscribers each month.

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

NZD	2014	2013	% inc/(dec)
DBS excluding wholesale	61.56	62.53	(1.6)
Wholesale	66.84	67.08	(0.4)
MY SKY	87.22	86.89	0.4
Total DBS and MY SKY including wholesale	77.52	75.83	2.2

Commercial revenue is the revenue earned from SKY installations at hotels, motels, restaurants and bars throughout New Zealand. This revenue increased 4.0% to \$44.5 million in 2014.

SKYWATCH is SKY's monthly programme guide that is sold for \$2.66 per month (incl. GST). Revenue from the guide continues to decrease as more viewers transfer to MY SKY boxes with its easy access programme guide.

Advertising sales revenue increased 3.7% to \$70.5 million in 2014. Pay television advertising revenues increased from \$41.6 million in 2013 to \$43.2 million in 2014, an increase of 3.8%, and Prime advertising revenues increased from \$26.4 million in 2013 to \$27.3 million in 2014, partly due to additional revenue from the Sochi Olympics.

Installation, programme sales and other revenues increased by 1.4% to \$29.1 million in 2014. While installation revenue remains low due to promotion initiatives offering free installation during a large part of the current financial year, the increase in other revenue is mainly attributable to sales of IGLOO set top boxes.

EXPENSE ANALYSIS

A further breakdown of SKY's operating expenses for 2014 and 2013 is provided below:

IN NZD MILLIONS	2014		2013		% of inc/(dec)
	2014	% of revenue	2013	% of revenue	
Programming	280.0	30.8	289.3	32.7	(3.2)
Subscriber management	66.6	7.3	62.7	7.1	6.2
Broadcasting and infrastructure	88.5	9.7	88.3	10.0	0.2
Sales and marketing	38.1	4.2	38.8	4.4	(1.8)
Advertising	21.8	2.4	20.8	2.4	4.8
Other administrative	35.0	3.9	32.0	3.6	9.4
Depreciation and amortisation	126.1	13.9	134.3	15.2	(6.1)
Total operating expenses	656.1	72.2	666.2	75.4	(1.5)

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

SKY's programming expenses have decreased slightly to 30.8% of revenue in 2014, from 32.7% in 2013. The higher programming costs in 2013 included the rights and production costs of the London Olympics.

A significant proportion of SKY's programme rights costs are in Australian dollars (AUD) 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 and 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 management cost includes the costs of servicing and monitoring equipment installed at subscribers' homes, indirect installation costs, the costs of SKY's customer service department and general administrative costs associated with SKY's eleven provincial offices.

In 2014, subscriber management costs increased \$3.9 million to \$66.6 million. This was mainly the result of higher decoder repair costs and higher service costs.

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 remain stable at around \$88.0 million or 10% of revenue.

Sales and marketing costs include the costs of marketing SKY to existing and new subscribers, subscriber acquisition costs including costs of advertising campaigns, sales commissions paid to direct sales and tele-sales agents, the costs of producing on-air promotions for SKY and Prime, marketing costs for Prime and the costs of producing SKYWATCH magazine. Sales and marketing costs decreased by 1.8% to \$38.1 million in 2014.

Advertising costs include the costs of operating SKY's advertising sales department which sells both SKY and Prime channels and includes the sales commission that is paid to advertising agencies. Advertising sales costs increased 4.8% to \$21.8 million, reflecting the higher advertising revenues in 2014.

Other administrative costs include the overhead costs relating to corporate management and the finance department as well as the cost of sales of the IGLOO set top boxes. These costs have increased by 9.4% to \$35.0 million from \$32.0 million in the prior year.

This increase is mainly due to higher employee costs due to an increase in the number of employees and performance bonuses.

Depreciation and amortisation costs include depreciation charges for subscriber equipment including satellite dishes and decoders owned by SKY and fixed assets such as television station facilities. Depreciation and amortisation costs have decreased by 6.1% to \$126.1 million for the current year due to many assets being fully depreciated.

Interest and financing costs have decreased from \$29.2 million to \$27.1 million. On 31 March 2014 SKY issued a new bond for \$100 million which was fully subscribed and during the year reduced bank borrowings by \$192 million SKY's weighted average interest cost was 5.6% compared to 5.8% in 2013 as follows:

	2014	2013
Bank loans	6.3%	6.6%
Bonds	4.8%	4.5%
Finance lease	6.8%	6.9%
Combined weighted average	5.6%	5.8%

Capital expenditure

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

IN NZD MILLIONS	2014	2013	2012	2011	2010
Subscriber equipment	20.6	22.9	57.4	44.6	40.5
Installation costs	36.9	40.2	48.9	50.9	62.0
HD Broadcasting truck	–	–	2.6	7.5	14.7
Other	35.5	19.3	28.0	32.0	21.8
Capital expenditure	93.0	82.4	136.9	135.0	139.0
Acquisition of OSB assets	–	–	–	34.7	–
Total capital expenditure	93.0	82.4	136.9	169.7	139.0

Capital expenditure increased by \$10.8 million in 2014 to \$93.0 million.

Subscriber equipment expenditure decreased slightly by \$2.3 million. In the current year 57,000 decoders were purchased compared to 68,000 in the prior year.

Installation costs were down by \$3.3 million due to there being a higher percentage of decoder only installations in the current year.

Other capital expenditure totaling \$35.7 million included \$20.5 million of capital work in progress and \$13.4 million of software and hardware additions.

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FINANCIAL TRENDS STATEMENT

The selected consolidated financial data set out below have been derived from the audited consolidated financial statements. The data should be read in conjunction with, and are qualified in their entirety by reference to, the consolidated financial statements and accompanying notes included in the annual report.

INCOME STATEMENT – FIVE YEAR SUMMARY

IN NZD 000	2014	2013	2012	2011	2010
For the year ended 30 June					
Total revenue	909,001	885,024	843,074	796,948	741,836
Total operating expenses ⁽¹⁾	529,961	531,884	507,052	475,273	454,336
EBITDA ⁽²⁾	379,040	353,140	336,022	321,675	287,500
Less/(plus)					
Depreciation and amortisation	126,143	134,260	134,119	124,954	112,506
Net interest expense and financing charges	27,097	29,193	29,346	25,330	30,974
Unrealised losses/(gains) on currency and other	1,293	692	923	(641)	(2,498)
Net profit before income tax	224,507	188,995	171,634	172,032	146,518

BALANCE SHEET – FIVE YEAR SUMMARY

IN NZD 000	2014	2013	2012	2011	2010
As at 30 June					
Property, plant, equipment and non-current intangibles	302,929	338,002	388,646	391,268	342,124
Goodwill	1,426,293	1,424,494	1,424,494	1,424,494	1,423,427
Total assets	1,865,369	1,900,293	1,962,467	1,940,560	1,909,161
Total debt and lease liabilities	387,191	483,786	472,469	418,303	472,117
Working capital ⁽³⁾	(48,325)	(39,790)	(20,717)	(26,391)	3,550
Total liabilities	624,205	718,396	708,603	643,016	658,214
Total equity	1,241,164	1,181,897	1,253,864	1,297,544	1,250,947

(1) Exclusive of depreciation and amortisation.

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

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

OTHER FINANCIAL DATA

IN NZD 000	2014	2013	2012	2011	2010
For the year ended 30 June					
Capital expenditure (accrual basis) ⁽¹⁾	99,193	83,628	132,321	139,554	138,994
Free cash inflows/(outflows) ⁽²⁾	210,661	208,223	136,067	122,681	98,480

(1) This does not include assets purchased as part of the acquisition of OSB in July 2010.

(2) Free cash inflows (outflows) are defined as cash flows from operating activities less cash flows from investing activities.

HISTORY OF DIVIDEND PAYMENTS

(BY CALENDAR YEAR IN CENTS PER SHARE)	2014	2013	2012	2011	2010
Interim dividend (paid in March)	14.0	12.0	11.0	8.0	7.0
Final dividend (paid in September)	-	12.0	11.0	10.5	7.0
Total ordinary dividend	14.0	24.0	22.0	18.5	14.0
Add special dividend	-	-	32.0	25.0	-
Total dividend paid	14.0	24.0	54.0	43.5	14.0

FINANCIAL TRENDS STATEMENT (CONTINUED)

SUBSCRIBER BASE

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

As at 30 June	2014	2013	2012	2011	2010
Total number of households in New Zealand ⁽¹⁾	1,696,500	1,678,100	1,659,600	1,640,900	1,622,200
Subscribers					
Residential	715,058	690,990	690,267	675,221	659,233
Wholesale ⁽²⁾	111,390	131,555	129,323	124,712	118,403
Commercial	9,060	8,494	9,140	8,684	8,557
Other ⁽³⁾	29,547	24,859	18,201	20,804	16,204
Total subscribers	865,055	855,898	846,931	829,421	802,397
MY SKY subscribers ⁽⁴⁾	504,713	456,419	382,495	279,875	189,975
Percentage of households subscribing to the SKY network:					
Penetration residential and wholesale	48.7%	49.0%	49.4%	48.7%	47.9%
Gross churn rate ⁽⁵⁾	13.2%	14.4%	14.2%	14.0%	13.9%
Average monthly revenue per residential subscriber (NZD):					
UHF	n/a	n/a	n/a	n/a	30.82
DBS excluding wholesale	61.56	62.53	62.65	65.19	65.76
Wholesale	66.84	67.08	64.66	61.78	55.51
MY SKY	87.22	86.89	84.69	84.79	84.61
Total UHF, DBS and MY SKY including wholesale	77.52	75.83	71.93	70.45	67.61
Additional outlets (Multiroom):	206,124	192,586	171,901	151,509	127,703

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

(2) Includes subscribers receiving SKY packages via affiliate services, such as arrangements with Telecom and Vodafone.

(3) Includes subscribers to programmed music and online DVD rentals via SKY's subsidiary companies, SKY DMX Music Limited and Screen Enterprises Limited. Also includes residential subscribers to Igloo's package launched in December 2012.

(4) Included in total subscribers.

(5) 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 Company) are responsible for ensuring that the financial statements of the Company give a true and fair view of the income statements of the Company and the Group as at 30 June 2014 and their balance sheets and cash flows for the year ended on that date.

The directors consider that the financial statements of the Company and 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.

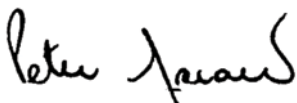
The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider they have taken adequate steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The directors have pleasure in presenting the financial statements of the Company and Group for the year ended 30 June 2014.

The board of directors of Sky Network Television Limited authorise these financial statements for issue on 21 August 2014.

For and on behalf of the board of directors



Peter Macourt
Chairman



Robert Bryden
Director

Date: 21 August 2014

INCOME STATEMENT

For the year ended 30 June 2014

IN NZD 000	Notes	GROUP		COMPANY	
		2014	2013	2014	2013
Revenue					
Residential satellite subscriptions		744,898	726,322	744,898	726,322
Other subscriptions		64,519	61,965	63,017	61,827
Installation		8,173	9,448	8,169	9,427
Advertising		70,546	68,040	70,546	68,040
Other income		20,865	19,249	11,020	9,242
		909,001	885,024	897,650	874,858
Expenses					
Programming		279,964	289,320	284,161	293,646
Subscriber management		66,567	62,719	62,450	59,458
Sales and marketing		38,121	38,754	34,953	36,535
Advertising		21,808	20,842	21,808	20,842
Broadcasting and infrastructure		88,488	88,320	85,054	85,208
Depreciation and amortisation	6	126,143	134,260	109,525	125,586
Corporate		35,013	31,929	41,245	33,278
		656,104	666,144	639,196	654,553
Operating profit		252,897	218,880	258,454	220,305
Financial expense (net)	7	28,390	29,885	26,933	27,559
Profit before tax		224,507	188,995	231,521	192,746
Income tax expense	8	63,084	56,780	68,150	55,938
Profit after tax		161,423	132,215	163,371	136,808
Non-controlling interest		(4,406)	(4,982)	-	-
Attributable to equity holders of the Company		165,829	137,197	-	-
Earnings per share					
Basic and diluted earnings per share (cents)	9	42.61	35.26		

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

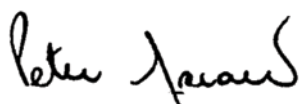
IN NZD 000	Note	GROUP		COMPANY	
		2014	2013	2014	2013
Profit for the year		161,423	132,215	163,371	136,808
Other comprehensive income items that may be reclassified subsequently to profit and loss					
Cash flow hedges		(251)	13,673	(193)	13,472
Income tax effect		70	(3,828)	54	(3,772)
Other comprehensive income for the year, net of income tax	22	(181)	9,845	(139)	9,700
Total comprehensive income for the year		161,242	142,060	163,232	146,508
Attributable to:					
Equity holders of the Company		165,648	147,042	163,232	146,508
Non-controlling interest		(4,406)	(4,982)	-	-
		161,242	142,060	163,232	146,508

BALANCE SHEET

As at 30 June 2014

IN NZD 000	Notes	GROUP		COMPANY	
		2014	2013	2014	2013
Current assets					
Cash and cash equivalents		19,852	20,676	18,261	13,664
Trade and other receivables	10	70,961	72,130	73,451	72,314
Inventory	11	180	934	-	-
Programme rights inventory	12	42,889	39,362	42,889	39,362
Derivative financial instruments	20	46	2,324	46	2,266
		133,928	135,426	134,647	127,606
Non-current assets					
Property, plant and equipment	13	278,457	303,305	260,998	271,901
Other intangible assets	14	24,472	34,697	24,366	26,094
Shares in subsidiary companies	15	-	-	5,784	14,179
Related party advance	26	-	-	2,133	12,964
Goodwill	16	1,426,293	1,424,494	1,422,465	1,422,465
Derivative financial instruments	20	2,219	2,371	2,219	2,371
		1,731,441	1,764,867	1,717,965	1,749,974
Total assets		1,865,369	1,900,293	1,852,612	1,877,580
Current liabilities					
Borrowings	19	7,354	3,288	-	-
Trade and other payables	18	161,546	163,899	159,270	160,925
Income tax payable		20,661	9,380	23,067	11,365
Derivative financial instruments	20	13,107	6,821	13,107	6,821
		202,668	183,388	195,444	179,111
Non-current liabilities					
Borrowings	19	82,364	281,484	79,069	270,835
Bonds	19	297,473	199,014	297,473	199,014
Deferred tax	17	35,055	40,122	34,083	36,390
Derivative financial instruments	20	6,645	14,388	6,645	14,388
		421,537	535,008	417,270	520,627
Total liabilities		624,205	718,396	612,714	699,738
Equity					
Share capital	21	577,403	577,403	577,403	577,403
Hedging reserve	22	(10,141)	(9,960)	(10,141)	(10,002)
Retained earnings	23	672,605	607,089	672,636	610,441
Total equity attributable to equity holders of the Company		1,239,867	1,174,532	1,239,898	1,177,842
Non-controlling interest		1,297	7,365	-	-
Total equity		1,241,164	1,181,897	1,239,898	1,177,842
Total equity and liabilities		1,865,369	1,900,293	1,852,612	1,877,580

For and on behalf of the board of directors



Peter Macourt
Chairman



Robert Bryden
Director

Date: 21 August 2014

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

ATTRIBUTABLE TO OWNERS OF THE PARENT							
IN NZD 000	Notes	Share capital	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
GROUP							
Balance at 1 July 2013		577,403	(9,960)	607,089	1,174,532	7,365	1,181,897
Profit/(loss) for the year	23	–		165,829	165,829	(4,406)	161,423
Cash flow hedges, net of tax	22	–	(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	15	–	–	863	863	(1,662)	(799)
Dividend paid	23	–	–	(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
Balance at 1 July 2012		577,403	(19,805)	684,084	1,241,682	12,182	1,253,864
Profit/(loss) for the year	23	–	–	137,197	137,197	(4,982)	132,215
Cash flow hedges, net of tax	22	–	9,845	–	9,845	–	9,845
Total comprehensive income/(loss) for the year		–	9,845	137,197	147,042	(4,982)	142,060
Transactions with owners in their capacity as owners							
Change in non-controlling interest		–	–	(165)	(165)	165	–
Dividend paid	23	–	–	(214,027)	(214,027)	–	(214,027)
Supplementary dividends		–	–	(11,071)	(11,071)	–	(11,071)
Foreign investor tax credits		–	–	11,071	11,071	–	11,071
		–	–	(214,192)	(214,192)	165	(214,027)
Balance at 30 June 2013		577,403	(9,960)	607,089	1,174,532	7,365	1,181,897
COMPANY							
Balance at 1 July 2013		577,403	(10,002)	610,441	1,177,842	–	1,177,842
Profit for the year	23	–	–	163,371	163,371	–	163,371
Cash flow hedges, net of tax		–	(139)	–	(139)	–	(139)
Total comprehensive income for the year		–	(139)	163,371	163,232	–	163,232
Transactions with owners in their capacity as owners							
Dividend paid	23	–	–	(101,176)	(101,176)	–	(101,176)
Supplementary dividends		–	–	(11,665)	(11,665)	–	(11,665)
Foreign investor tax credits		–	–	11,665	11,665	–	11,665
		–	–	(101,176)	(101,176)	–	(101,176)
Balance at 30 June 2014		577,403	(10,141)	672,636	1,239,898	–	1,239,898
Balance at 1 July 2012		577,403	(19,702)	687,660	1,245,361	–	1,245,361
Profit for the year	23	–	–	136,808	136,808	–	136,808
Cash flow hedges, net of tax	22	–	9,700	–	9,700	–	9,700
Total comprehensive income for the year		–	9,700	136,808	146,508	–	146,508
Transactions with owners in their capacity as owners							
Dividend paid	23	–	–	(214,027)	(214,027)	–	(214,027)
Supplementary dividends		–	–	(11,071)	(11,071)	–	(11,071)
Foreign investor tax credits		–	–	11,071	11,071	–	11,071
		–	–	(214,027)	(214,027)	–	(214,027)
Balance at 30 June 2013		577,403	(10,002)	610,441	1,177,842	–	1,177,842

STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

IN NZD 000	Notes	GROUP		COMPANY	
		2014	2013	2014	2013
Cash flows from operating activities					
Profit before tax		224,507	188,995	231,521	192,746
Adjustments for:					
Depreciation and amortisation	6	126,143	134,260	109,525	125,586
Unrealised foreign exchange loss/(gain)	7	296	(38)	350	(83)
Interest expense	7	28,751	29,831	27,870	28,739
Bad debts and movement in provision for doubtful debts	6	4,399	5,526	4,393	5,521
(Reversal)/impairment of inventory	11	(889)	1,405	–	–
Amortisation of bond issue costs	7	367	299	367	299
Other non-cash items		1,799	861	1,388	525
Gain on disposal of assets		–	(16)	(4)	(19)
Impairment of investment	15	–	–	11,055	6,115
Movement in working capital items:					
Decrease/(increase) in receivables		3,858	(5,102)	3,682	(5,388)
(Decrease)/increase in payables		(8,080)	8,324	(8,615)	13,194
Decrease in inventory		1,642	723	–	–
(Increase)/decrease in programme rights		(3,527)	2,827	(3,527)	2,827
Cash generated from operations		379,266	367,895	378,005	370,062
Interest paid		(28,896)	(30,061)	(28,016)	(28,970)
Income tax paid		(45,056)	(47,269)	(44,967)	(47,233)
Net cash from operating activities		305,314	290,565	305,022	293,859
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		109	30	100	30
Acquisition of property, plant, equipment and intangibles		(93,002)	(82,372)	(90,832)	(79,027)
Acquisition of business	15	(779)	–	(2,660)	(5,750)
Net cash used in investing activities		(93,672)	(82,342)	(93,392)	(84,747)
Cash flows from financing activities					
Proceeds from bond issue		100,000	–	100,000	–
Payment of bond issuance costs	19	(1,908)	–	(1,908)	–
Repayment of borrowings – bank loan	19	(253,000)	(155,000)	(253,000)	(155,000)
Advances received – bank loan		61,000	169,000	61,000	169,000
Payment of finance lease liabilities		(3,315)	(3,105)	–	–
Capital introduced by non-controlling interest		300	–	–	–
Acquisition of and distributions to non-controlling interest	15	(1,178)	–	–	–
Related party advance repayment		–	–	1,240	2,243
Payment of bank facility fees		(1,524)	(1,247)	(1,524)	(1,247)
Dividends paid		(112,841)	(225,098)	(112,841)	(225,098)
Net cash used in financing activities		(212,466)	(215,450)	(207,033)	(210,102)
Net (decrease)/increase in cash and cash equivalents		(824)	(7,227)	4,597	(990)
Cash and cash equivalents at beginning of year		20,676	27,903	13,664	14,654
Cash and cash equivalents at end of year		19,852	20,676	18,261	13,664

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

1. GENERAL INFORMATION

SKY Network Television Limited 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 2014 comprise the Company, Sky Network Television Limited and its subsidiaries. The Company financial statements are for SKY Network Television Limited as a separate legal entity.

SKY is a company registered under the Companies Act 1993 and is an issuer in terms of the Financial Reporting Act 1993. These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993.

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

These financial statements were authorised for issue by the Board on 21 August 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements are for the year ended 30 June 2014. They have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). Accounting policies applied in these financial statements comply with NZ IFRS and NZ IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (August 2014) as applicable to SKY as a profit-oriented entity. The Group and the Company financial statements are in compliance with International Financial Reporting Standards (IFRS).

The preparation of financial statements in accordance with NZ IFRS 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.

Changes in accounting policy and disclosures

The accounting policies applied by the Group in these consolidated financial statements have been consistently applied to all the years presented other than as set out below.

During the period the Group adopted Standard XRB A1: Accounting Standards Framework, issued by the External Reporting Board. XRB establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 entity. There was no impact on the current or prior year financial statements.

The following are the new standards and amendments to standards which are effective for the first time for the financial year beginning 1 July 2013 and which are relevant to the Group. These amendments do not result in material accounting or disclosure changes for the Group.

NZ IFRS 10 Consolidated Financial Statements, revised NZ IAS 27 Separate Financial Statements

NZ IFRS 10 replaces all the guidance on control and consolidation in NZ IAS 27 Consolidated and Separate Financial Statements and NZ SIC 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they were a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships.

NZ IAS 27 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements.

NZ IFRS 12 Disclosures of interests in other entities

NZ IFRS 12 sets out the required disclosures for entities reporting under the two new standards NZ IFRS 10 and NZ IFRS 11, and replaces the disclosure requirements currently found in NZ IAS 28.

NZ IFRS 13 Fair Value Measurement

NZ IFRS 13 establishes a single source of guidance for all fair value measurements. NZ IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under NZ IFRS when fair values is required or permitted. The application of NZ IFRS 13 has not materially impacted the fair value measurements carried out by the Group and Company.

NZ IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards including NZ IFRS 7 Financial Instruments. The Group and Company provide these disclosures in notes 19 and 20.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendment to NZ IAS 36 Impairment of Assets (effective from annual periods beginning on or after 1 January 2014 and early adoption is permitted). This amendment removes the requirement to disclose the recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite life intangible assets but there has been no impairment. The Group applied this amendment in these financial statements, and accordingly has not disclosed the recoverable amount of goodwill in note 16.

At the date of authorisation of these financial statements, the following standards and interpretations of relevance to the Group and Company were issued but not yet effective and have not been early adopted:

NZ IAS 32: Offsetting Financial Assets and Financial Liabilities (Effective date: periods beginning on or after 1 January 2014).

NZIFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009, December 2010 and December 2013. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments and hedge accounting. NZIFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. The Group is yet to assess NZ IFRS 9's full impact. The Group will also consider the impact of the remaining phases of NZ IFRS 9 when completed by the IASB.

NZ IFRS 15: Revenue from contracts with customers (Effective date: periods beginning or of after 1 January 2017).

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The directors anticipate that the adoption of these standards and interpretations in future periods, other than NZ IFRS 9 and NZ IFRS 15, will have no material impact on the financial statements of the Company or the Group other than disclosures. The Group has yet to assess the full impact of NZ IFRS 9 and NZ IFRS 15.

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

The following specific accounting policies have a significant effect on the measurement of results and financial position.

Basis of consolidation

The Group financial statements consolidate the financial statements of subsidiaries, using the acquisition method.

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 by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interest issued by the Group. It includes any asset or liability arising from a contingent consideration arrangement. 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 acquiree, less the Group's share of the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed is recognised as goodwill. Acquisition related costs are expensed as incurred.

Subsidiaries

Subsidiaries are entities that are controlled, either directly or indirectly, by the Company. The Company 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 unrealised gains unless the transaction provides evidence of an impairment of the asset transferred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Functional and presentation currency

The financial statements are presented in New Zealand dollars which is the Company's and its subsidiaries' functional currency.

Foreign currency transactions

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 the income statement except where hedge accounting is applied and foreign exchange gains and losses are deferred in other comprehensive income.

Property, plant and equipment

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 aerial and satellite dish installations 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 the income statement as an expense as incurred.

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 are recognised in corporate expenses in the income statement.

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 aerial and satellite dish installations	5 years

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

Goodwill

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. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The SKY business is considered to comprise only a single cash-generating unit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other intangible assets

Broadcasting rights

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

Direct costs associated with the development of broadcasting and business software for internal use are capitalised where project success is regarded as probable. 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.

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

Programme rights inventory

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.

Inventory

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost basis, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. Costs also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchase of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less selling expenses. Provisions are made for obsolete, unsaleable and unusable inventory.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation 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.

Leases – finance leases

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.

Leases – operating leases

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. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Financial assets

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the income statement.

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.

Trade and other receivables

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 the income statement.

Cash and cash equivalents

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.

Borrowings

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 the income statement 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.

Bonds

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 the income statement 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.

Trade and other payables

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

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its 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.

Derivatives consist mainly of currency forwards and interest rate swaps.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Cash flow hedges

The Group designates hedges of both firm commitments and highly probable forecast transactions as cash flow hedges.

The effective portion of changes in the fair value of derivatives qualifying as cash flow hedges are recognised in other comprehensive income. At the time of de-designation, i.e. the period that the hedged item will affect the income statement, amounts accumulated in equity are either released to the income statement or used to adjust the carrying value of assets purchased (basis price adjustments). 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 the income statement. Any ineffective component of the fair value changes on the hedging instrument is recorded directly in the income statement. The fair value of foreign currency forward contracts is determined by using forward exchange market rates at the balance date.

Amounts accumulated in the hedging reserve in equity on interest rate swaps are recycled in the income statement 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 the income statement 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 income statement within the interest expense charge in "finance expense".

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 the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

For qualifying hedge relationships, the Group documents at the inception of the transaction, 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.

Fair value hedges

The Group designates hedges of the fair value of recognised assets and liabilities as fair value hedges. These include hedges of borrowings issued at fixed interest rates which expose the Group to fair value interest rate risk. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. 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 their quoted market price at the balance date. 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 and the current creditworthiness of the swap counterparties.

The carrying amount of cash and cash equivalents, short term investments, payables and accruals, receivables and current portion of borrowings approximate fair value due to the short-term maturity of these instruments. The fair value of financial liabilities and financial assets for disclosure purposes is estimated by discounting the future contractual cash flows at the current market rate that is available to the Group for similar financial instruments.

Employee benefits

Wages and salaries and annual leave

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing 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.

Revenue recognition

a) Sales of goods and services

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;
- Advertising revenue – over the period in which the advertising is screened;
- Installation revenue – when the installation has been completed;
- 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.

b) Interest income

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

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.

Taxation

Current income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

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 the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the rates that have been enacted or substantively enacted by the balance date.

Deferred 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.

Goods and services tax (GST)

The income statement 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

3. 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 - 36 months	0%	30%

A detailed summary of the Group's currency risks and a sensitivity analysis are given in note 20.

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%

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

A detailed summary of the Group's interest rate risks and a sensitivity analysis are given in note 20.

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 10.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 \$220,000,000 (June 2013: \$128,000,000) that can be drawn down to meet short-term working capital requirements (refer note 19). On 7 July 2014 there was a reduction of \$100,000,000 in the facility limit. Contractual maturities of the Group's financial liabilities are shown below.

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.

The information shown below relates to the Group only. Company information is not shown separately. The only material difference between the Company and the Group is the lease liabilities shown as a separate line item on the table below. These lease liabilities relate to OSB and are separately disclosed in note 19.

IN NZD 000	Notes	Carrying amount	Contractual cash flows	Less than one year	1-2 years	2-5 years	> 5 years
At 30 June 2014							
Non-derivative financial liabilities							
Secured bank loans	19	79,069	(99,433)	(8,852)	(3,848)	(11,543)	(75,190)
Lease liabilities	19	10,649	(11,251)	(7,925)	(3,326)	–	–
Bonds	19	297,473	(358,834)	(13,490)	(13,490)	(208,412)	(123,442)
Trade and other payables	18	95,451	(95,451)	(95,451)	–	–	–
Derivative financial liabilities							
Forward exchange contracts used for hedging – net outflow/inflow ⁽¹⁾	20	15,093	(15,468)	(11,973)	(3,495)	–	–
Interest rate swaps ⁽¹⁾	20	4,659	(9,217)	(3,130)	(2,552)	(3,535)	–
		502,394	(589,654)	(140,821)	(26,711)	(223,490)	(198,632)
At 30 June 2013							
Non-derivative financial liabilities							
Secured bank loans	19	270,835	(333,666)	(12,213)	(12,213)	(36,638)	(272,602)
Lease liabilities	19	13,937	(15,421)	(4,170)	(4,170)	(7,081)	–
Bonds	19	199,014	(221,045)	(6,380)	(6,380)	(208,285)	–
Trade and other payables	18	102,047	(102,047)	(102,047)	–	–	–
Derivative financial liabilities							
Forward exchange contracts used for hedging – net outflow/inflow	20	6,589	(5,771)	(4,198)	(1,027)	(546)	–
Interest rate swaps ⁽¹⁾	20	14,620	(20,176)	(6,386)	(6,237)	(7,448)	(105)
		607,042	(698,126)	(135,394)	(30,027)	(259,998)	(272,707)

Trade and other payables (note 18) includes unearned subscriptions and deferred revenues totalling \$66,095,000 (2013: \$61,852,000) which are not classified as financial instruments. These balances are excluded from the amounts shown above.

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

3. 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 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)	–
At 30 June 2013						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD			(84,296)	(77,159)	(7,137)	–
AUD			(124,583)	(95,174)	(19,403)	(10,006)
CAD			(1,227)	(1,227)	–	–
Inflow (at year-end market rate)						
USD	0.7808	65,688	84,128	76,945	7,183	–
AUD	0.8436	100,328	118,928	91,138	18,330	9,460
CAD	77.1665	98,658	1,279	1,279	–	–
			(5,771)	(4,198)	(1,027)	(546)

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 2013.

The capital structure of the Group consists of debt which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the Parent comprising share capital, hedging reserve and retained earnings as disclosed in notes 21, 22 and 23 respectively.

The board reviews the Company's capital structure on a regular basis. The Company has a facility agreement in place with a syndicate of banks and a retail bond issue as described in note 19.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

IN NZD 000	Note	GROUP	
		2014	2013
Debt	19	387,191	483,786
Cash and cash equivalents		(19,852)	(20,676)
Net debt		367,339	463,110
Equity		1,241,164	1,181,897
Net debt to equity ratio		30%	39%

The Group is subject to externally imposed debt limits with which it has complied for the entire year reported (2013: 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.

The information below relates to the Group only. Company information is not shown separately as there are no material differences between the Group and the Company.

IN NZD 000	Notes	GROUP	
		2014	2013
Assets measured at fair value			
Trading derivatives – de-designated or not hedge accounted		–	528
Derivatives used for hedging – cash flow hedges		2,265	4,167
Total assets	20	2,265	4,695
Liabilities measured at fair value			
Trading derivatives – de-designated or not hedge accounted		(3,069)	(808)
Derivatives used for hedging – cash flow hedges		(16,683)	(20,401)
Total liabilities	20	(19,752)	(21,209)

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.

Specific valuation techniques used to value financial instruments include:

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The fair value of forward foreign exchange contracts is based on market forward foreign exchange rates at year end.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments carried at amortised cost

IN NZD 000	Notes	GROUP				COMPANY			
		2014		2013		2014		2013	
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets									
Loans and receivables									
Cash and cash equivalents		19,852	19,852	20,676	20,676	18,261	18,261	13,664	13,664
Trade and other receivables	10	65,836	65,836	68,410	68,410	68,748	68,748	69,249	69,249
Related party advance	26	–	–	–	–	2,560	2,626	15,020	16,469
Total assets		85,688	85,688	89,086	89,086	89,569	89,635	97,933	99,382
Financial liabilities held at amortised cost									
Borrowings	19	79,069	79,264	270,835	270,061	79,069	79,264	270,835	270,061
Lease liabilities	19	10,649	10,932	13,937	15,000	–	–	–	–
Bonds	19	297,473	296,991	199,014	191,000	297,473	296,991	199,014	191,000
Trade and other payables	18	95,451	95,451	102,047	102,047	93,356	93,356	99,218	99,218
Total liabilities		482,642	482,638	585,833	578,108	469,898	469,611	569,067	560,279

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 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Estimated impairment of goodwill and investment in subsidiaries

The Group tests whether goodwill and investments in subsidiaries have suffered any impairment at each year end, in accordance with the accounting policy stated in note 2. The recoverable amounts have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and use a suitable discount rate in order to calculate present value. The value of goodwill and investments in subsidiaries at the balance date was \$1,426,293,000 and \$5,784,000 respectively (30 June 2013: \$1,424,494,000 and \$14,179,000). An impairment loss of \$11,055,000 (30 June 2013 \$6,115,000) has been recognised on SKY's investments. Details of the value-in-use calculation are provided in note 16.

b) Estimated life of technical assets

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 (refer note 13 for book value of these assets).

c) Deferred taxes

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. The total carrying amount of unused tax losses for which no deferred tax asset has been recognised and other deductible temporary differences of the Group and the Company for which deferred tax assets have been recognised are as disclosed in note 17.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

5. SEGMENT REPORTING

The Group operates as a single business segment being a multi-channel provider of pay-per-view and free-to-air television services in New Zealand only.

6. OPERATING EXPENSES

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

IN NZD 000	Notes	GROUP		COMPANY	
		2014	2013	2014	2013
Depreciation and amortisation					
Depreciation and impairment of property, plant and equipment	13	105,275	124,580	97,816	117,083
Amortisation and impairment of intangibles	14	20,868	9,680	11,709	8,503
Total depreciation and amortisation		126,143	134,260	109,525	125,586
Impairment					
Impairment of investment	15	-	-	11,055	6,115
Impairment of inventory	11	(889)	1,405	-	-
Total depreciation, amortisation and impairment		125,254	135,665	120,580	131,701
Bad and doubtful debts					
Movement in provision		(379)	(1,279)	(397)	(1,281)
Net write-off		4,399	5,526	4,393	5,521
Total bad and doubtful debts	10	4,020	4,247	3,996	4,240
Fees paid to external auditors					
Audit fees paid to principal auditors ⁽¹⁾		278	243	240	200
Other assurance services by principal auditors					
Audit of regulatory returns		5	3	5	3
Other assurance services ⁽²⁾		1	1	1	1
Advisory services by principal auditors – Treasury		24	24	24	24
Total fees to external auditors		308	271	270	228
Donations		327	353	327	353
Employee costs		92,799	87,023	87,397	82,047
Directors' fees	26	606	480	606	480
Operating lease and rental expenses		38,919	38,416	37,188	37,237

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

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

7. FINANCIAL (EXPENSE)/INCOME

IN NZD 000	GROUP		COMPANY	
	2014	2013	2014	2013
Finance income				
Interest income	608	132	1,245	1,313
Interest rate swaps – fair value gains	1,046	506	1,046	506
	1,654	638	2,291	1,819
Finance expense				
Interest expense on bank loans	(13,694)	(18,075)	(13,694)	(18,075)
Interest expense on bonds	(9,621)	(8,802)	(9,621)	(8,802)
Interest rate swaps – fair value loss	(2,393)	(222)	(2,393)	(222)
Finance lease interest	(881)	(1,092)	–	–
Amortisation of bond costs	(367)	(299)	(367)	(299)
Bank facility finance fees	(1,795)	(1,341)	(1,795)	(1,341)
Total interest expense(net)	(28,751)	(29,831)	(27,870)	(28,739)
Unrealised exchange (loss)/gain – foreign currency payables	1,596	(1,060)	1,542	(906)
Unrealised exchange gain/(loss) – foreign currency hedges	(1,892)	1,098	(1,892)	989
Realised exchange loss – foreign currency payables	(1,451)	(1,475)	(1,458)	(1,467)
Realised exchange gain – foreign currency hedges	454	745	454	745
	(28,390)	(29,885)	(26,933)	(27,559)

During the year, interest of \$462,000 (2013:\$439,000) was capitalised to projects (refer notes 13 and 14).

8. INCOME TAX EXPENSE

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

IN NZD 000	Note	GROUP		COMPANY	
		2014	2013	2014	2013
Profit before tax		224,507	188,995	231,521	192,746
Prima facie tax expense at 28%		62,862	52,919	64,826	53,969
Non deductible expenses		134	2,516	3,244	2,509
Prior year adjustment		80	19	80	(455)
Current year tax loss not recognised		–	1,330	–	–
Other		8	(4)	–	(85)
Income tax expense		63,084	56,780	68,150	55,938
Allocated between					
Current tax payable		68,137	54,082	70,403	56,221
Deferred tax	17	(5,053)	2,698	(2,253)	(283)
Income tax expense		63,084	56,780	68,150	55,938

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

8. INCOME TAX EXPENSE (CONTINUED)

Imputation credits

IN NZD 000	GROUP		COMPANY	
	2014	2013	2014	2013
Imputation credits available for subsequent reporting periods based on a tax rate of 28%	41,544	13,466	41,290	13,466

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.

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

9. 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.

	GROUP	
	2014	2013
Profit after tax attributable to equity holders of Parent (NZD 000)	165,829	137,197
Weighted average number of ordinary shares on issue (thousands)	389,140	389,140
Basic earnings per share (cents)	42.61	35.26
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.

IO. TRADE AND OTHER RECEIVABLES

IN NZD 000	Notes	GROUP		COMPANY	
		2014	2013	2014	2013
Trade receivables		66,182	67,651	65,385	66,243
Less provision for impairment of receivables		(1,008)	(1,387)	(982)	(1,379)
Trade receivables – net		65,174	66,264	64,403	64,864
Receivable from group subsidiaries	26	–	–	3,453	300
Current portion of advance to subsidiary	26	–	–	427	2,056
Other receivables		662	2,146	465	2,029
Prepaid expenses		5,125	3,720	4,703	3,065
Balance at end of year		70,961	72,130	73,451	72,314
Deduct prepaid expenses		(5,125)	(3,720)	(4,703)	(3,065)
Balance financial instruments	27	65,836	68,410	68,748	69,249

The carrying amount of trade and other receivables approximates fair value due to the short-term maturity of these instruments.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The information shown below relates to the Group only. Company information is not shown separately since there is no material difference between the Company and the Group.

IN NZD 000	GROUP			
	Gross	Impairment	Gross	Impairment
	2014		2013	
Residential subscribers	42,972	747	44,136	1,162
Commercial subscribers	4,423	10	4,393	8
Wholesale customers	8,806	–	8,733	–
Advertising	7,333	137	7,257	25
Commercial music	118	14	118	8
Other	2,530	100	3,014	184
	66,182	1,008	67,651	1,387

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

IN NZD 000	2014			2013		
	Neither past due nor impaired	Past due not impaired	Impaired	Neither past due nor impaired	Past due not impaired	Impaired
	Not past due	57,066	–	5	57,709	–
Past due 0-30 days	–	6,234	20	–	6,700	31
Past due 31-60 days	–	1,199	50	–	1,446	20
Past due 61-90 days	–	665	239	–	404	307
Greater than 90 days	–	10	694	–	5	1,029
	57,066	8,108	1,008	57,709	8,555	1,387

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

IO. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the provision for impairment of receivables were as follows:

IN NZD 000	Note	GROUP	
		2014	2013
Opening balance		1,387	2,666
Charged during the year	6	4,020	4,247
Utilised during the year		(4,399)	(5,526)
Closing balance		1,008	1,387

The creation and release of the provision for impaired receivables has been included in subscriber management expenses in the income statement. 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.

II. INVENTORY

IN NZD 000	GROUP	
	2014	2013
Decoder inventory	1,077	2,718
Other inventory	22	24
Less provision for impairment of decoder inventory	(919)	(1,808)
Balance at end of year	180	934

Inventory relates to decoder stock held by SKY's subsidiary IGLOO. The change in the provision of \$889,000 has been recognised as an expense reduction for the year ended 30 June 2014. In the prior year the increase in provision of \$1,405,000 was recognised as an expense. This reduction/expense is included in corporate expenses in the Group accounts.

12. PROGRAMME RIGHTS INVENTORY

IN NZD 000	GROUP AND COMPANY	
	2014	2013
Cost	95,530	93,908
Less amortisation	(52,641)	(54,546)
Balance at end of year	42,889	39,362

The current year programme rights' amortisation charge of \$223,136,000 (2013: \$229,206,000) is included within programming expense in the Income Statement.

13. PROPERTY, PLANT AND EQUIPMENT

GROUP

IN NZD 000	Land, buildings & leasehold improvements	Broadcasting & studio equipment	Decoders & associated equipment	Capitalised installation costs	Other plant & equipment	Projects under development	Total
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
Cost							
Balance at 1 July 2012	48,617	151,028	532,529	505,625	50,093	24,553	1,312,445
Transfer between categories	343	1,134	–	–	10,615	(12,092)	–
Transfer to software assets	–	–	–	–	–	(13,793)	(13,793)
Additions	1,198	2,499	23,260	40,150	904	9,344	77,355
Disposals	(7)	(6)	(9,440)	(2,926)	(119)	–	(12,498)
Balance at 30 June 2013	50,151	154,655	546,349	542,849	61,493	8,012	1,363,509
Accumulated depreciation							
Balance at 1 July 2012	12,296	106,769	419,688	380,125	29,232	–	948,110
Depreciation for the year	2,068	16,972	51,079	49,557	4,904	–	124,580
Disposals	(2)	–	(9,440)	(2,926)	(118)	–	(12,486)
Balance at 30 June 2013	14,362	123,741	461,327	426,756	34,018	–	1,060,204
Net book value at 30 June 2013	35,789	30,914	85,022	116,093	27,475	8,012	303,305

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY

IN NZD 000	Land, buildings & leasehold improvements	Broadcasting & studio equipment	Decoders & associated equipment	Capitalised installation costs	Other plant & equipment	Projects under development	Total
Cost							
Balance at 1 July 2013	49,997	123,933	546,349	542,849	36,018	7,793	1,306,939
Transfer between categories	109	–	–	–	2,145	(2,254)	–
Transfer to software assets	–	–	–	–	–	(3,386)	(3,386)
Additions	455	8,145	18,712	36,860	5,532	20,691	90,395
Disposals	–	(505)	(28,957)	(138)	(532)	–	(30,132)
Balance at 30 June 2014	50,561	131,573	536,104	579,571	43,163	22,844	1,363,816
Accumulated depreciation							
Balance at 1 July 2013	14,357	107,811	461,327	426,756	24,787	–	1,035,038
Depreciation for the year	1,859	8,608	36,654	48,450	2,245	–	97,816
Disposals	–	(412)	(28,957)	(138)	(529)	–	(30,036)
Balance at 30 June 2014	16,216	116,007	469,024	475,068	26,503	–	1,102,818
Net book value at 30 June 2014	34,345	15,566	67,080	104,503	16,660	22,844	260,998
Cost							
Balance at 1 July 2012	48,617	122,204	532,529	505,625	28,261	12,254	1,249,490
Transfer between categories	189	151	–	–	6,934	(7,274)	–
Transfer to software assets	–	–	–	–	–	(4,197)	(4,197)
Additions	1,198	1,584	23,260	40,150	904	7,010	74,106
Disposals	(7)	(6)	(9,440)	(2,926)	(81)	–	(12,460)
Balance at 30 June 2013	49,997	123,933	546,349	542,849	36,018	7,793	1,306,939
Accumulated depreciation							
Balance at 1 July 2012	12,296	95,331	419,688	380,125	22,963	–	930,403
Depreciation for the year	2,063	12,480	51,079	49,557	1,904	–	117,083
Disposals	(2)	–	(9,440)	(2,926)	(80)	–	(12,448)
Balance at 30 June 2013	14,357	107,811	461,327	426,756	24,787	–	1,035,038
Net book value at 30 June 2013	35,640	16,122	85,022	116,093	11,231	7,793	271,901

Land, buildings and leasehold improvements at 30 June 2014 includes land with a cost of \$4,986,000 (30 June 2013: \$4,986,000).

Additions in the current year to property, plant and equipment include \$200,000 of interest capitalised at an average borrowing rate of 6.31% (30 June 2013: \$239,000 at an average borrowing rate of 6.58%) and \$590,000 of capitalised labour costs (30 June 2013: \$757,000).

The net book value of assets held by subsidiaries and subject to finance leases totals \$10,603,000 (30 June 2013: \$13,254,000) of which \$9,558,000 (30 June 2013: \$11,947,000) is included in broadcasting and studio equipment and \$1,045,000 (30 June 2013: \$1,307,000) is included in other plant and equipment.

14. OTHER INTANGIBLE ASSETS

GROUP

IN NZD 000	Software	Broadcasting rights	Renewal rights	Other intangibles	Total
Cost					
Balance at 1 July 2013	78,661	5,447	–	3,167	87,275
Transfer from projects under development	3,386	–	–	–	3,386
Additions	6,196	1,061	–	–	7,257
Disposals	(37)	(4,323)	–	–	(4,360)
Balance at 30 June 2014	88,206	2,185	–	3,167	93,558
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	24,472
Cost					
Balance at 1 July 2012	58,595	5,447	37,088	3,167	104,297
Transfer from projects under development	13,793	–	–	–	13,793
Additions	6,273	–	–	–	6,273
Disposals	–	–	(37,088)	–	(37,088)
Balance at 30 June 2013	78,661	5,447	–	3,167	87,275
Accumulated amortisation					
Balance at 1 July 2012	38,721	1,216	37,088	2,961	79,986
Amortisation for the year	8,993	584	–	103	9,680
Disposals	–	–	(37,088)	–	(37,088)
Balance at 30 June 2013	47,714	1,800	–	3,064	52,578
Net book value at 30 June 2013	30,947	3,647	–	103	34,697

Impairment Losses

In the current year the impairment loss of \$ 7,095,000 represented the write-down of certain intangible assets relating to IGLOO to the recoverable amount. The impairment was recognised because it is considered unlikely that IGLOO will generate future cash flows in excess of the carrying value. (Refer note 15).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

14. OTHER INTANGIBLE ASSETS (CONTINUED)

COMPANY

IN NZD 000	Software	Broadcasting rights	Renewal rights	Other intangibles	Total
Cost					
Balance at 1 July 2013	68,423	5,447	–	2,536	76,406
Transfer from projects under development	3,386	–	–	–	3,386
Additions	5,534	1,061	–	–	6,595
Disposals	(37)	(4,323)	–	–	(4,360)
Balance at 30 June 2014	77,306	2,185	–	2,536	82,027
Accumulated amortisation					
Balance at 1 July 2013	46,077	1,800	–	2,435	50,312
Amortisation for the year	8,715	2,980	–	14	11,709
Disposals	(37)	(4,323)	–	–	(4,360)
Balance at 30 June 2014	54,755	457	–	2,449	57,661
Net book value at 30 June 2014	22,551	1,728	–	87	24,366
Cost					
Balance at 1 July 2012	58,046	5,447	37,088	2,536	103,117
Transfer from projects under development	4,197	–	–	–	4,197
Additions	6,180	–	–	–	6,180
Disposals	–	–	(37,088)	–	(37,088)
Balance at 30 June 2013	68,423	5,447	–	2,536	76,406
Accumulated amortisation					
Balance at 1 July 2012	38,261	1,216	37,088	2,332	78,897
Amortisation for the year	7,816	584	–	103	8,503
Disposals	–	–	(37,088)	–	(37,088)
Balance at 30 June 2013	46,077	1,800	–	2,435	50,312
Net book value at 30 June 2013	22,346	3,647	–	101	26,094

Additions in the current year to software include \$262,000 of interest capitalised at an average borrowing rate of 6.31% (30 June 2013: \$200,000 at an average borrowing rate of 6.58%) and \$2,570,000 of capitalised labour costs (30 June 2013: \$2,176,000).

15. SHARES IN SUBSIDIARY COMPANIES

The Company's investment in its subsidiaries all of which operate and are incorporated in New Zealand comprises shares at cost less any provision for impairment. All subsidiaries have a balance date of 30 June.

Name of entity	Principal activity	Parent	Interest held	
			2014	2013
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%	51.00%
Igloo Limited	Multi-channel pay television	SKY	100.00%	66.02%
Believe It Or Not Limited	Entertainment quizzes	SKY	51.00%	0.00%
SKY Arena Limited	Event production	SKY	75.00%	0.00%

Cost of investments

IN NZD 000	COMPANY	
	2014	2013
Sky DMX Music Limited	5	5
Screen Enterprises Limited	4,983	4,002
Igloo Limited	18,500	18,500
Believe It Or Not Limited	779	–
SKY Arena Limited	900	–
	25,167	22,507
Less impairment of investment	(19,383)	(8,328)
Net value of investments	5,784	14,179

Impairment

On 30 June 2014 SKY revised its growth assumptions and forecasted outlook for Igloo Limited (IGLOO) and Screen Enterprises Limited (Screen) both of which have been adversely affected due to fewer than forecasted subscribers and technology changes. The Group bases its impairment calculation on cash flow forecasts derived from the most recent financial budgets and forecasts approved by management. An impairment charge of \$11,055,000 (30 June 2013: \$6,115,000) was recognised on the value of these investments. The impairment charge is included in corporate expenses in the Parent accounts (note 6).

The level of impairment is dependent on judgements used in arriving at the future growth rate and the discount rate applied to cash flow projections. Based on the sensitivity analysis carried out, management believe that no reasonable change in any of the key assumptions would cause the carrying value of investments after recognising the impairment to exceed their recoverable amount.

Changes in group structure

Acquisitions in 2014

SKY Arena was incorporated on 17 October 2013. The company is owned 75% by SKY and 25% by VADR Media Limited. The company was set up to promote pay-per-view events.

Believe It or Not Limited (BION) was incorporated on 23 May 2014. SKY holds 51% of the shares and 49% of the shares are held by Brendan Bruce Lohead. The Company creates quizzes for the hotel entertainment industry.

The carrying amount of these new investments is \$1,679,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

These acquisitions had no material effect on the Group balance sheet or the Group results.

15. SHARES IN SUBSIDIARY COMPANIES (CONTINUED)

Acquisitions of non-controlling interests

During the year SKY acquired an additional 49% of Screen and 34% of IGLOO bringing its shareholding in both these subsidiaries to 100%.

The carrying amount of the non-controlling interest in IGLOO and Screen at the date of acquisition was \$1,843,000. As a result of these transactions the Group recorded an increase in equity of \$863,000 (30 June 2013: \$165,000).

IGLOO was incorporated on 21 July 2011. SKY initially contributed \$12,750,000 and had a 51% interest with TVNZ owning the other 49% having contributed \$12,250,000. On 30 June 2013 SKY contributed an additional \$5,750,000 bringing its shareholding to 66% and on 24 June 2014 SKY acquired the remaining interest in IGLOO for \$1.00 bringing its shareholding to 100%.

SKY originally acquired 51% of Screen on 4 June 2008 for a consideration of \$4,002,000. On 30 June 2014 SKY acquired the remaining interest for \$980,000 bringing its shareholding to 100%.

IGLOO delivers a low-cost pay television service over the digital terrestrial network and receives the free-to-air channels. In addition IGLOO offers pay-per-view sport and movies. Screen provides online DVD rental services. IGLOO and Screen are considered subsidiaries of SKY and have been fully consolidated into the Group's results.

16. GOODWILL

IN NZD 000	GROUP		COMPANY	
	2014	2013	2014	2013
Balance at beginning of year and end of year	1,426,293	1,424,494	1,422,465	1,422,465

The acquisition of Believe it or Not Limited in May 2014 resulted in additional goodwill of \$1,799,000.

The Group tests goodwill for impairment annually or more frequently, if there are indications that goodwill might be impaired. The Group operates as a single business segment and accordingly, impairment is tested by comparing the total carrying value of SKY's goodwill to the recoverable amount. If the carrying value exceeds the recoverable amount, goodwill is considered to be impaired. The recoverable amount has been measured based on the value-in-use, using the discounted cash flow model. The key assumptions for the value-in-use calculation are those regarding the discount rates, subscriber numbers, expected churn percentages, changes in foreign exchange rates and any expected changes to subscriptions or direct costs during the period. Management estimates discount rates using rates that reflect current market assessments of the time value of money and the 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 goodwill impairment tests carried out have resulted in no impairment charge for the year (2013: nil).

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

The Group prepares cash flow forecasts derived from the most recent financial budgets and forecasts approved by management for the next five years and incorporates a present value calculation. Cash flows beyond the 5 year period are extrapolated with a 1% growth rate.

Key assumptions used for value-in-use calculation

IN NZD 000	2014	2013
Customer churn rates	12.8% - 10.2%	14.4%
Net gain in satellite customers	10,100	10,000 - 30,000
Pre-tax discount rate	12.5%	13.2%
USD FX rate	0.80 - 0.72	0.82 - 0.72
Long term growth rate	1.0%	1.0%

Sensitivity of recoverable amounts

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

17. DEFERRED TAX

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

GROUP

IN NZD 000	Notes	Fixed assets	Leased assets	Other	Hedges through equity	Total
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	22	-	-	-	14	14
Credited/(charged) to income statement	8	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 be recovered after more than 12 months		(10,942)	(26,463)	-	1,348	(36,057)
		(16,647)	(26,378)	4,027	3,943	(35,055)
For the year ended 30 June 2013						
At 1 July 2012		(27,416)	(21,576)	7,639	7,701	(33,652)
NZ IAS 39 hedging adjustment credited direct to other comprehensive income	22	-	-	-	(3,772)	(3,772)
Credited/(charged) to income statement	8	3,286	(2,359)	(3,625)	-	(2,698)
Balance at 30 June 2013		(24,130)	(23,935)	4,014	3,929	(40,122)
Deferred tax reversing within 12 months		3,900	(533)	4,014	612	7,993
Deferred tax to be recovered after more than 12 months		(28,030)	(23,402)	-	3,317	(48,115)
		(24,130)	(23,935)	4,014	3,929	(40,122)

COMPANY

IN NZD 000	Notes	Fixed assets	Leased assets	Other	Hedges through equity	Total
For the year ended 30 June 2014						
At 1 July 2013		(20,200)	(24,062)	3,983	3,889	(36,390)
NZ IAS 39 hedging adjustment credited direct to other comprehensive income		-	-	-	54	54
Credited/(charged) to income statement	8	4,917	(2,369)	(295)	-	2,253
Balance at 30 June 2014		(15,283)	(26,431)	3,688	3,943	(34,083)
Deferred tax reversing within 12 months		(5,158)	32	3,688	2,595	1,157
Deferred tax to be recovered after more than 12 months		(10,125)	(26,463)	-	1,348	(35,240)
		(15,283)	(26,431)	3,688	3,943	(34,083)
For the year ended 30 June 2013						
At 1 July 2012		(25,203)	(21,796)	6,437	7,661	(32,901)
NZ IAS 39 hedging adjustment credited direct to other comprehensive income	22	-	-	-	(3,772)	(3,772)
Credited/(charged) to income statement	8	5,003	(2,266)	(2,454)	-	283
Balance at 30 June 2013		(20,200)	(24,062)	3,983	3,889	(36,390)
Deferred tax reversing within 12 months		4,003	(576)	3,983	572	7,982
Deferred tax to be recovered after more than 12 months		(24,203)	(23,486)	-	3,317	(44,372)
		(20,200)	(24,062)	3,983	3,889	(36,390)

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.

IGLOO has gross tax losses brought forward and not recognised of \$12,150,384 (30 June 2013: \$12,539,000). 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 FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

18. TRADE AND OTHER PAYABLES

IN NZD 000	Notes	GROUP		COMPANY	
		2014	2013	2014	2013
Trade payables		51,707	57,884	50,904	55,851
Due to related parties	26	-	482	30	1,266
Unearned subscriptions		64,778	60,824	64,597	60,680
Employee entitlements		12,260	11,452	12,741	11,066
Deferred revenue		1,317	1,028	1,317	1,027
Accruals		31,484	32,229	29,681	31,035
Balance at end of year		161,546	163,899	159,270	160,925
Less					
Deferred revenue		(1,317)	(1,028)	(1,317)	(1,027)
Unearned subscriptions		(64,778)	(60,824)	(64,597)	(60,680)
Balance financial instruments	27	95,451	102,047	93,356	99,218

The carrying amount of trade and other payables approximates their fair value due to the short-term maturity of these instruments.

19. BORROWINGS

IN NZD 000	GROUP			COMPANY		
	2014	2013	2013	2014	2013	2013
	Current	Non-current	Total	Current	Non-current	Total
Lease liabilities	7,354	3,295	10,649	3,288	10,649	13,937
Bank loans	-	79,069	79,069	-	270,835	270,835
Bonds	-	297,473	297,473	-	199,014	199,014
	7,354	379,837	387,191	3,288	480,498	483,786
COMPANY						
Bank loans	-	79,069	79,069	-	270,835	270,835
Bonds	-	297,473	297,473	-	199,014	199,014
	-	376,542	376,542	-	469,849	469,849

Repayment terms

IN NZD 000	GROUP		COMPANY	
	2014	2013	2014	2013
Less than one year	7,354	3,288	-	-
Between one and five years	281,677	209,663	278,382	199,014
More than five years	98,160	270,835	98,160	270,835
	387,191	483,786	376,542	469,849

On 30 June 2011, SKY negotiated a \$400 million negative pledge five year revolving credit bank facility from a syndicate of banks comprising ANZ National Bank Limited, Bank of New Zealand, Commonwealth Bank of Australia and Westpac Bank. On 31 March 2014 SKY decreased its facility limit to \$300 million. Interest is charged on drawings under the facility at a rate between 1.80% and 2.5% 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 0.9% and 1.25% 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 2014 the bank facility termination date was extended by twelve months to 17 July 2019 and the facility limit was further decreased to \$200 million (note 28).

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 \$4,690,000 (30 June 2013: \$9,194,000) have been set off against the cash balances.

19. BORROWINGS (CONTINUED)

Fair values

The fair value of the variable rate bank loans at 30 June 2014 was \$79.3 million (30 June 2013: \$270.1 million). The difference between the carrying amount and fair value has not been recognised in the financial statements as the bank loans are intended to be held to maturity.

Bonds

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).

Terms and conditions of outstanding bonds are as follows:

	GROUP AND COMPANY			
	2014		2013	
	Bond A	Bond B	Bond A	Bond B
Nominal interest rate	3.62%	6.25%	3.19%	–
Market yield	5.83%	6.07%	4.80%	–
Issue date	16-Oct-06	31-Mar-14	16-Oct-06	–
Date of maturity	16-Oct-16	31-Mar-21	16-Oct-16	–
IN NZD 000				
Carrying amount	199,313	98,160	199,014	–
Fair value	196,000	100,991	191,000	–
Face value	200,000	100,000	200,000	–

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.

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

Lease liabilities

The Group's obligations under finance leases are secured by the lessors' title to the leased assets. The lease terms are for five years ending on 7 April 2015 and 20 August 2015.

Lease liabilities present value

IN NZD 000	2014	2013
Current	7,354	3,288
Non-current	3,295	10,649
	10,649	13,937
Repayment terms		
Finance lease liabilities – minimum lease payments		
Within one year	3,540	4,143
One to five years	144	3,684
Residual value	7,547	7,547
	11,231	15,374
Future finance charges on finance leases	(582)	(1,437)
Present value of finance lease liabilities	10,649	13,937

The present value of lease liabilities is as follows:

Within one year	7,231	4,049
One to five years	3,418	9,888
	10,649	13,937

Interest paid in the current period includes \$886,000 (2013: \$1,092,000) relating to finance leases. The effective interest rate is 6.8%.

The fair value of the finance lease liabilities at 30 June 2014 was \$10,932,000 (30 June 2013: \$15,012,000). 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

20. DERIVATIVE FINANCIAL INSTRUMENTS

IN NZD 000	Notes	GROUP AND COMPANY 2014			GROUP 2013		
		Assets	Liabilities	Notional amounts	Assets	Liabilities	Notional amounts
Interest rate swaps – cash flow hedges		1,953	(4,258)	230,000	1,949	(14,620)	370,000
Interest rate swaps – fair value through profit and loss		-	(401)	-	85	-	-
Total interest rate derivatives		1,953	(4,659)	230,000	2,034	(14,620)	370,000
Forward foreign exchange contracts – cash flow hedges		312	(12,425)	304,682	2,218	(5,781)	173,796
Forward foreign exchange contracts – fair value		-	(2,668)	38,239	443	(808)	36,312
Total forward foreign exchange derivatives		312	(15,093)	342,921	2,661	(6,589)	210,108
		2,265	(19,752)	572,921	4,695	(21,209)	580,108
Analysed as:							
Current		46	(13,107)	256,066	2,324	(6,821)	173,563
Non-current		2,219	(6,645)	316,855	2,371	(14,388)	406,545
		2,265	(19,752)	572,921	4,695	(21,209)	580,108
Derivatives used for hedging – cash flow hedges	27	2,265	(16,683)	534,682	4,167	(20,401)	543,796
At fair value through profit and loss	27	-	(3,069)	38,239	528	(808)	36,312
		2,265	(19,752)	572,921	4,695	(21,209)	580,108

In the prior year derivative financial assets for the Company included intergroup derivatives issued to IGLOO of \$58,000 with a nominal value of \$783,000.

Exchange rates

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

	2014	2013
USD	0.8733	0.7808
AUD	0.9289	0.8436
GBP	0.5133	0.5121
EUR	0.6402	0.5985
JPY	88.5526	77.1665

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 22) on forward exchange contracts as of 30 June 2014 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. Generally, the gain or loss is recognised as a basis price adjustment for the purchase of programme rights, and is written off in the income statement 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 \$2,265,000 (2013: \$4,695,000).

20. 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	2014			2013		
	USD	AUD	OTHER	USD	AUD	OTHER
Foreign currency payables	(20,091)	(16,008)	(133)	(20,777)	(16,326)	(140)
Dedesignated forward exchange contracts	23,347	14,892	-	23,687	12,623	-
Net balance sheet exposure	3,256	(1,116)	(133)	2,910	(3,703)	(140)
Forward exchange contracts (for forecasted transactions)	177,676	125,893	1,113	60,608	111,960	1,227
Total forward exchange contracts	201,023	140,785	1,113	84,295	124,583	1,227

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 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)
As at 30 June 2013				
Foreign currency payables				
USD	-	1,889	-	(2,309)
AUD	-	1,484	-	(1,814)
Foreign exchange hedges				
USD	(5,602)	(2,168)	6,847	2,651
AUD	(9,480)	(1,062)	11,587	1,299
Other	(117)	-	143	-
	(15,199)	143	18,577	(173)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rates

During the year ended 30 June 2014, interest rates on borrowings varied in the range of 2.6% to 6.6% (2013: 4.5% to 6.6%).

The Group's interest rate structure is as follows:

IN NZD 000	Notes	GROUP			COMPANY		
		Effective interest rate	Current	Non-current	Effective interest rate	Current	Non-current
As at 30 June 2014							
Assets							
Cash and cash equivalents		2.70%	19,852	–	2.70%	18,261	–
Related party advance	26	n/a	–	–	7.50%	427	2,133
Liabilities							
Bank loans		6.31%	–	(79,069)	6.31%	–	(79,069)
Bonds		4.80%	–	(297,473)	4.80%	–	(297,473)
Lease liabilities		6.80%	(3,295)	(7,354)	n/a	–	–
Derivatives							
Floating to fixed interest rate swaps			60,000	170,000	–	60,000	170,000
Fixed to floating interest rate swaps			200,000	–	–	200,000	–
			276,557	(213,896)		278,688	(204,409)
As at 30 June 2013							
Assets							
Cash and cash equivalents		2.44%	20,676	–	2.44%	13,664	–
Related party advance	26	n/a	–	–	7.50%	2,056	12,964
Liabilities							
Bank loans		6.58%	–	(270,835)	6.58%	–	(270,835)
Bonds		4.45%	–	(199,014)	4.45%	–	(199,014)
Lease liabilities		6.80%	(3,288)	(10,649)	n/a	–	–
Derivatives							
Floating to fixed interest rate swaps			–	370,000	–	–	370,000
Fixed to floating interest rate swaps			200,000	–	–	200,000	–
			217,388	(110,498)		215,720	(86,885)

Gains and losses recognised in the hedging reserve in equity (note 22) on interest rate hedges as at 30 June 2014 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings and bonds.

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis for interest-bearing instruments

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

IN NZD 000 gain/(loss)	100 BP increase		100 BP decrease	
	Equity	Profit and loss	Equity	Profit and loss
As at 30 June 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)
As at 30 June 2013				
Expense/(income)				
Variable rate instruments – bank loans	–	2,572	–	(2,572)
Interest rate hedges – cash flow	(10,235)	–	10,816	–
Interest rate hedges – fair value	–	489	–	(498)
	(10,235)	3,061	10,816	(3,070)

The sensitivity analysis for the Company is not materially different from that of the Group. Finance lease liabilities are not included in the analysis because they are fixed rate financial instruments.

21. SHARE CAPITAL

GROUP AND COMPANY	Number of shares (000)	Ordinary shares (NZD 000)
Shares on issue at 30 June 2014 and 30 June 2013	389,140	577,403

Ordinary shares have no par value.

SKY paid a final dividend of 14.0 cents in September 2013 (September 2012: 11.0 cents) and a special dividend of 32.0 cents in December 2012). An interim dividend of 14.0 cents was paid in March 2014 (March 2013: 12.0 cents).

As at 30 June 2014 and 2013, there were 389,139,785 ordinary shares issued and fully paid. Ordinary shares rank equally, carry voting rights and participate in distributions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

22. HEDGING RESERVE

IN NZD 000	Note	GROUP		COMPANY	
		2014	2013	2014	2013
Balance at 1 July		(9,960)	(19,805)	(10,002)	(19,702)
Cash flow hedges					
Unrealised (losses)/gains during the year		(12,808)	3,964	(12,808)	3,877
Transfer to basis price adjustment programme rights inventory		8,296	8,050	8,296	8,050
Transfer to property, plant and equipment		56	58	58	–
Transfer to operating expenses		4,261	1,545	4,261	1,545
Deferred tax	17	14	(3,772)	54	(3,772)
		(181)	9,845	(139)	9,700
Balance at end of year		(10,141)	(9,960)	(10,141)	(10,002)

23. RETAINED EARNINGS

IN NZD 000	GROUP		COMPANY	
	2014	2013	2014	2013
Opening balance	607,089	684,084	610,441	687,660
Add net profit for the year	165,829	137,197	163,371	136,808
Change in non-controlling interest	863	(165)	–	–
Less dividends paid	(101,176)	(214,027)	(101,176)	(214,027)
Balance at end of year	672,605	607,089	672,636	610,441

24. COMMITMENTS

IN NZD 000	GROUP		COMPANY	
	2014	2013	2014	2013
Operating leases – future minimum lease payments				
Year 1	37,795	37,336	37,267	36,798
Year 2	35,518	38,818	35,125	38,298
Year 3	34,753	38,395	34,450	38,003
Year 4	34,546	37,909	34,316	37,605
Year 5	33,978	37,767	33,882	37,537
Later than five years	81,437	126,967	81,437	126,871
	258,027	317,192	256,477	315,112
Contracts for transmission services:				
Year 1	9,236	7,577	8,755	7,096
Year 2	5,435	5,872	5,015	5,391
Year 3	3,119	2,412	2,840	1,992
Year 4	–	1,607	–	1,328
	17,790	17,468	16,610	15,807
Contracts for future programmes:				
Year 1	115,203	129,720	114,901	129,720
Year 2	80,605	83,988	80,542	83,988
Year 3	54,407	53,958	54,407	53,958
Year 4	29,903	28,679	29,903	28,679
Year 5	5,877	12,288	5,877	12,288
	285,995	308,633	285,630	308,633
Capital expenditure commitments:				
Property, plant and equipment				
Year 1	16,770	9,682	16,770	9,682
Other services commitments:				
Year 1	7,335	4,941	7,335	4,941
Year 2	4,113	4,199	4,113	4,199
Year 3	891	3,497	891	3,497
Year 4	656	677	656	677
Year 5	291	367	291	367
Later than five years	–	91	–	91
	13,286	13,772	13,286	13,772

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

25. CONTINGENT LIABILITIES

The Group and Company have undrawn letters of credit at 30 June 2014 of \$650,000 (30 June 2013: \$600,000), relating to Datacom Employer Services for SKY executive and Screen Enterprises Limited payroll liabilities in the current year.

The Group and Company are 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.

26. RELATED PARTIES

For the Company, related parties include the subsidiary companies of the SKY Group (note 15).

Previously related parties for the Group included News Limited, a principal shareholder which is an affiliate of The News Corporation Limited. News Limited sold its shares in SKY on 4 March 2013. Consequently prior year related party disclosures under "Transactions in the income statement" include transactions with News Limited and its subsidiaries from 1 July 2012 to 4 March 2013.

There were no loans to directors by the Company or associated parties at balance date (30 June 2013: nil).

In the prior year the advance to subsidiary comprised two advances with an original term of ten years expiring on 30 June 2020 and 30 June 2021 respectively. The interest rate is 7.5% payable monthly in arrears and principal repayments are made quarterly. During the year the subsidiary sold assets to the Company. Funds received of \$ 9,223,000 were used to repay the advances, the remaining balance to be repaid by 30 June 2020. No amounts owed by related parties have been written off or provided against during the year (30 June 2013: nil).

26. RELATED PARTIES (CONTINUED)

The following transactions were carried out with related parties:

IN NZD 000	Notes	GROUP		COMPANY	
		2014	2013	2014	2013
Transactions included in the income statement:					
Transactions with related parties					
The News Corporation Limited and its affiliates					
Programme, smartcard and broadcasting equipment		-	16,189	-	16,189
Transactions with subsidiaries					
Sky DMX Music Limited					
Administration support, accounting services and broadcasting charges		-	-	340	340
Outside Broadcasting Limited					
Interest received on advance to subsidiary		-	-	(741)	(1,344)
Rental received		-	-	(667)	-
Broadcasting fees paid		-	-	12,170	11,120
Igloo Limited					
Administration costs and unrealised exchange gains on hedging contracts				(235)	(212)
Transmission services and spectrum licences				(2,132)	(2,111)
Transactions included in the balance sheet:					
Owing to related parties					
Owing to affiliates of The News Corporation Limited	18	-	482	30	1,266
Receivable/(payable) from/to subsidiaries					
Trade receivable from subsidiaries	10	-	-	3,453	300
Derivatives issued to subsidiaries	20	-	-	-	(58)
Current portion of advance to subsidiary	10	-	-	427	2,056
Non-current portion of advance to subsidiary		-	-	2,133	12,964
Total advance to subsidiary		-	-	2,560	15,020

Short-term employee benefits

The gross remuneration of directors and key management personnel during the year was as follows:

IN NZD 000	GROUP AND COMPANY	
	2014	2013
Directors' fees	606	480
Remuneration of key management personnel	11,850	10,513
Balance at end of year	12,456	10,993

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

27. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

GROUP

IN NZD 000	Notes	Other financial liabilities	Loans and receivables	At fair value through the profit and loss	Derivatives used for hedging	Total
30 June 2014						
Assets as per balance sheet						
Cash and cash equivalents		–	19,852	–	–	19,852
Trade and other receivables	10	–	65,836	–	–	65,836
Derivative financial instruments	20	–	–	–	2,265	2,265
Liabilities as per balance sheet						
Trade and other payables	18	(95,451)	–	–	–	(95,451)
Borrowings	19	(79,069)	–	–	–	(79,069)
Lease liabilities	19	(10,649)	–	–	–	(10,649)
Bonds	19	(297,473)	–	–	–	(297,473)
Derivative financial instruments	20	–	–	(3,069)	(16,683)	(19,752)
		(482,642)	85,688	(3,069)	(14,418)	(414,441)
30 June 2013						
Assets as per balance sheet						
Cash and cash equivalents		–	20,676	–	–	20,676
Trade and other receivables	10	–	68,410	–	–	68,410
Derivative financial instruments	20	–	–	528	4,167	4,695
Liabilities as per balance sheet						
Trade and other payables	18	(102,047)	–	–	–	(102,047)
Borrowings	19	(270,835)	–	–	–	(270,835)
Lease liabilities	19	(13,937)	–	–	–	(13,937)
Bonds	19	(199,014)	–	–	–	(199,014)
Derivative financial instruments	20	–	–	(808)	(20,401)	(21,209)
		(585,833)	89,086	(280)	(16,234)	(513,261)

27. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company

IN NZD 000	Notes	Other financial liabilities	Loans and receivables	At fair value through the profit and loss	Derivatives used for hedging	Total
30 June 2014						
Assets as per balance sheet						
Cash and cash equivalents		–	18,261	–	–	18,261
Trade and other receivables	10	–	68,748	–	–	68,748
Related party receivable	26	–	2,560	–	–	2,560
Derivative financial instruments	20	–	–	–	2,265	2,265
Liabilities as per balance sheet						
Trade and other payables	18	(93,356)	–	–	–	(93,356)
Borrowings	19	(79,069)	–	–	–	(79,069)
Bonds	19	(297,473)	–	–	–	(297,473)
Derivative financial instruments	20	–	–	(3,069)	(16,683)	(19,752)
		(469,898)	89,569	(3,069)	(14,418)	(397,816)
30 June 2013						
Assets as per balance sheet						
Cash and cash equivalents		–	13,664	–	–	13,664
Trade and other receivables	10	–	69,249	–	–	69,249
Related party receivable	27	–	15,020	–	–	15,020
Derivative financial instruments	20	–	–	528	4,109	4,637
Liabilities as per balance sheet						
Trade and other payables	18	(99,218)	–	–	–	(99,218)
Borrowings	19	(270,835)	–	–	–	(270,835)
Bonds	19	(199,014)	–	–	–	(199,014)
Derivative financial instruments	20	–	–	(808)	(20,401)	(21,209)
		(569,067)	97,933	(280)	(16,292)	(487,706)

28. SUBSEQUENT EVENTS

In July 2014 the bank facility termination date was extended by twelve months to 17 July 2019 and the facility limit was further decreased to \$200 million.

On 22 August 2014 the Board of Directors announced that it will pay a fully imputed dividend of 15 cents per share with the record date being 5 September 2014. 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 financial statements of SKY Network Television Limited ("the Company") on pages 18 to 59, which comprise the balance sheets as at 30 June 2014, the income statements, statements of comprehensive income, statements of changes in equity and statements 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 both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2014 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate 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 and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, 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 and the Group'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 have no relationship with, or interests in, SKY Network Television Limited other than in our capacities as auditors and through the provision of other assignments for the Company in the areas of assurance and advisory services. In addition, certain partners and employees of our firm may have dealt with the Company and Group on normal terms within the ordinary course of the trading activities of the Company and Group. These services have not impaired our independence as auditors of the Company and Group.

Opinion

In our opinion, the financial statements on pages 18 to 59:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2014, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit 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 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.

PricewaterhouseCoopers

Chartered Accountants

Auckland

21 August 2014



Director's Declaration

The directors declare that the consolidated financial statements set out on pages 18 to 59:

- (i) comply with New Zealand International Financial Reporting Standards
- (ii) give a true and fair view of the financial position of SKY Network Television Limited and its subsidiaries as at 30 June 2014 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date.

In the directors' opinion at the date of this declaration there are reasonable grounds to believe that SKY Network Television Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors and is signed for and on behalf of the Board of Directors.

Dated at Auckland this 21st day of August 2014.

Handwritten signature of Peter Macourt in black ink.

Peter Macourt
Chairman

Handwritten signature of John Fellet in black ink.

John Fellet
Director

Other Information

Sky Network Television Limited Year ended on 30 June 2014 (In NZD)

- **Net tangible assets per security:**

Current period \$(0.542): 1

Previous period \$(0.732): 1

- **Control gained over entities**

Acquisitions in 2014

SKY Arena Limited was incorporated on 17 October 2013. The company is owned 75% by SKY and 25% by VADR Media Limited. The company was set up to promote pay-per-view events.

Believe It or Not Limited (BION) was incorporated on 23 May 2014. SKY holds 51% of the shares and 49% of the shares are held by Brendan Bruce Lohead. The Company creates quizzes for the hotel entertainment industry.

The carrying amount of these new investments is \$1,679,000.

These acquisitions had no material effect on the Group balance sheet or the group results.

Acquisitions of non-controlling interests

During the year SKY acquired an additional 49% of Screen Enterprises Limited and 34% of IGLOO Limited bringing its shareholding in both these subsidiaries to 100%.

The carrying amount of the non-controlling interest in IGLOO and Screen at the date of acquisition was \$1,843,000. As a result of these transactions the Group recorded an increase in equity of \$863,000 (30 June 2013: \$165,000).

IGLOO delivers a low-cost pay television service over the digital terrestrial network and receives the free-to-air channels. In addition IGLOO offers pay-per-view sport and movies. Screen provides online DVD rental services. IGLOO and Screen are considered subsidiaries of SKY and have been fully consolidated into the Group's results.

- **Loss of control of entities**

There was no loss of control of entities during the year.

- **Dividends**

Final dividend payable: \$58.4 million

Record date to determine entitlements to the final dividend: 5 September 2014

Date final dividend payable: 12 September 2014

Date interim dividend paid: 17 March 2014

Total interim dividends paid: \$54.5 million

Date final dividend paid: 13 September 2013

Total final dividend paid: \$46.7 million

Previous corresponding period – interim dividend (paid March 2013):\$46.7 million (ordinary securities)

Previous corresponding period –final dividend (paid Sept 2012): \$42.8 million. Special dividend (Dec 2012):\$124.5 million (ordinary securities)

- **Amount per security**

	Amount per security	Franked amount per Security	Amount per security of foreign sourced dividend	Amount per security payable on each dividend to non resident shareholders
Final Dividend	15.0 cents			
Interim Dividend	14.0 cents			
NZ imputation credits - final	5.8333 cents			
NZ imputation credits - interim	5.4444 cents			
Supplementary dividend - final				2.6471 cents
Supplementary dividend - interim				2.4706 cents

- **Details of aggregate share of profits (losses) of associates and joint venture entities**

Not applicable

- **Accounting standards**

New Zealand international financial reporting standards used in compiling report.

- **Directors' Details**

The directors of Sky Network Television Limited at any time during the year are as follows:

Peter Macourt	Chairman
Robert Bryden	Deputy Chairman
John Fellet	Director & Chief Executive
Derek Handley	Director
John Hart	Director
Geraldine McBride	Director
Humphry Rolleston	Director
John Waller	Director