

★★★★★

"BRILLIANT"  
MOVIE FAN

★★★★★

"THIS IS WHAT WE'VE  
BEEN WAITING FOR"  
SPORTS FAN

★★★★★

"I CAN WATCH WHAT  
I WANT, WHEN I WANT"  
SKY GO FAN

THIS IS JUST  
THE BEGINNING...



# A NEW DAWN

WITH HEADPHONES ON - NO ONE WILL HEAR YOU SHRIEK

SKY NETWORK TELEVISION LIMITED  
PRESENTS THIS YEAR'S INTERIM REPORT  
DECEMBER 2014

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**NEON**

**FAN PASS**

**Chief Executive's Review**

10	Subscriber Base
11	Consolidated Interim Income Statement
12	Consolidated Interim Statement of Comprehensive Income
13	Consolidated Interim Balance Sheet
14	Consolidated Interim Statement of Changes in Equity
15	Consolidated Interim Statement of Cash Flows
16	Notes to the Interim Financial Statements
21	Independent Review Report
22	Directory



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# HOLD ON

**NEW  
AUDIENCES  
NEW  
EXPERIENCES**

2015 WILL BE A YEAR TO REMEMBER

WE'RE ENTERING A NEW DIMENSION

# ONLINE, ON DEMAND

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# THE GREAT ESCAPE



As our exciting industry continues to embrace new ways of watching TV, Kiwis can now effortlessly jump into great television shows and films on demand with NEON.

NEON is a new Subscription Video On Demand (SVOD) service powered by SKY, which makes it easy for Kiwis to access great entertainment. And right from the start we've invested time and energy in talking to a wide range of people about the kind of experience they would like and what features would make it great. Not only did we encourage them to share their ideas but we've included as many of these ideas as possible to create NEON. The result: in addition to being simple to use, NEON really is built by Kiwis for Kiwis!

NEON's programming has been hand-picked by our experienced and passionate programming team from distributors across the globe to make sure there is a really solid mix of great TV series and movies to watch.

NEON is about giving people who love film and TV the freedom to watch wherever they are in New Zealand, whenever they want to, essentially making their own 'TV schedule'.

For a monthly fee NEON customers can access thousands of hours of brilliant entertainment on PC and Mac using an internet browser and on selected iPhones and iPads through the NEON app. Those after a big-screen experience can AirPlay using Apple TV or connect a laptop to a TV using an HDMI cable. Soon it will also be available on Xbox 360 and selected Samsung Android tablets and phones, making it accessible to even more Kiwis.

Put simply, NEON is the great escape.

# FAN PASS



## LIVE AND STREAMING A GREAT RESULT

Kiwis love sport, and here at SKY we love finding new ways to bring more sport and more live action to more Kiwis.

FAN PASS is an online live streaming service powered by SKY SPORT that offers all the action from either the 2015 Investec Super Rugby, NRL or F1\* seasons.

For people without SKY SPORT, it's the perfect way to make sure they keep up to date with their favourite sport all season long.

FAN PASS is about being flexible. We've provided three pass options. The full season pass will have fans right there for every breath-taking moment, while monthly and weekly FAN PASS options are available for those who like to 'drop in' on a more casual basis.

FAN PASS lets fans watch live sport wherever they are in New Zealand on selected mobiles, tablets and PC/MAC or on their TV via Airplay, through Android mirroring functionality or using an HDMI cable connected to their computer.

We've partnered with Neulion, a world-class live sports streaming service, to ensure customers receive a reliable, high quality live streaming service, match replays and highlights on demand throughout the season.

So whether it's enjoying every one of the action packed 125 Super Rugby games, watching the Aussies and Warriors battle it out in an epic 201 game NRL season or taking a trip around the world for all 20 F1\* races, with FAN PASS it's always a great result.



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W PASS  
powered by SKY SPORT

HOME

SCHEDULE

HIGHLIGHTS

ABOUT

SUBSCRIBE

REGISTER

SIGN IN



FANATICAL  
ABOUT THE NRL?  
WATCH EVERY  
PLAY HERE

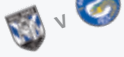


ALL SPORTS

SHOW SCORES

SCOREBOARD

FINAL  
Sun, Feb 15



WATCH REPLAY

Fri, Feb 20  
7:35 PM NZT

PANTHERS



UPCOMING

Fri, Feb 20  
9:40 PM NZT



UPCOMING

WATCH ON A PC,  
TABLET OR MOBILE



YOUR FAVOURITE SPORTS

AFTER TAX EARNINGS

\$92.5m

TOTAL REVENUE

\$464.5m

EMBRACING THE NEW ERA,  
RELISHING THE CHALLENGES,  
MEETING CHANGING  
CUSTOMER NEEDS



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## CHIEF EXECUTIVE'S REVIEW

Dear Shareholders

I am glad to report that the SKY business has continued to perform strongly in the six months to 31 December 2014.

SKY has reported \$92.5 million in after tax earnings, a 12.7% increase on the previous period. Revenues are up 1.8% to \$464.5 million and earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 1.0% to \$192.4 million.

The improved financial position is primarily due to a 12.5% decrease in depreciation and amortisation expenses. There was also a 30.7% decrease in finance costs due to a reduction in borrowings in the prior year.

MY SKY subscribers now represent 64.2% of SKY's satellite subscriber base compared to 58.6% in the comparative period. At 31 December 2014, SKY had 529,001 MY SKY subscribers compared to 486,252 in December 2013, an increase of 8.8%. Subscribers continue to find great value in the MY SKY product which is demonstrated by continued migration from the standard digital decoder to the MY SKY decoder.

Gross churn for the period ending 31 December 2014 increased to 13.7% from 13.3% in the previous period. For the rolling 12 months to 31 December 2014, MY SKY gross churn was 11.9% compared to the churn rate for subscribers on the standard digital decoder during this period of 16.8%.

This compares to gross churn for MY SKY of 10.3% and a churn rate for subscribers on the standard digital decoders of 17.4% in the comparative period.

Taking a closer look at SKY's financial results, total revenue increased by 1.8% reflecting an increase in subscription revenues of 3.0% mainly due to an increase in MY SKY subscribers and an increase in ARPU (average monthly revenue per residential subscriber).

SKY's operating costs (excluding depreciation) for the six months to 31 December 2014 showed a 2.3% increase from the prior six month period.

However programming costs which comprise both the costs of purchasing programme rights and also programme operating costs increased by \$10.0 million (7.2%). This can be mainly attributed to the increased cost of the cricket rights and the Commonwealth Games which were not included in the prior period results.

Marketing costs decreased by 7.1% mainly attributed to the reduced marketing spend by IGLOO as well a reduction in rebranding costs for SKY which were high in the prior period. Advertising costs also decreased by 6.8% driven by a decrease in advertising revenue of 3.9%.

SKY increased its capital expenditure during the period to \$51.1 million from \$47.4 million in the comparative period, mainly due to an increase in new projects work such as the development of a new broadcast head end and enabling MY SKY boxes to connect to the internet.

A disappointing aspect of the six month result was the net loss of 8,707 subscribers. Losing net subscribers in the July to December period is not unusual, it happened last year as well as in previous years. Historically, net loss periods were caused by limited interest in content offerings at the time and sometimes by what is known as the 'echo effect.'

An echo effect is created when a large number of subscribers come on board, typically with a year commitment. A small percentage will roll off when their year's commitment is over. This happened in the past with the Rugby World Cup in 2011 and the shut off of analogue terrestrial free-to-air channels.

In late 2013 the racing industry, better known as the Totalisator Agency Board (TAB) shut down their free-to-air channel and broadcast instead on the SKY satellite platform. This move was supported by a SKY acquisition campaign which brought new subscribers to SKY. The offer to join was aggressive, not only to take advantage of the opportunity but to help the TAB favourably promote the concept to their customers. Because of the discount offered we insisted on a 12 month term.

Some of these subscribers disconnected during the period between 1 July and 31 December at the expiry of their minimum commitment.

On a percentage basis, both voluntary and involuntary (non-pay) disconnects were within a few points of the same period last year.

Our challenge has been attracting new subscribers to the platform in a period where the industry is transitioning.

The internet has created an opportunity for new entrants and new business models. If you are a consumer seeking additional content for which you are willing to pay, you now have numerous options in New Zealand.

In some cases these options are perfect for customers looking for limited offerings at a lower cost. More typically some consumers adopt a 'wait and see' approach hoping, in vain, for the nirvana of the content a SKY subscription delivers, but at the lower cost of one of the new entrants.

Although these trading conditions are challenging in the short term, in the medium to long term these marketplace changes will help us grow the business as consumers who have previously rejected the notion of paying for television become open to it and new market segments emerge.

The key to our growth is that we must take advantage of the technological opportunities this new era represents and we believe that SKY is in the best position to exploit the opportunities that the internet offers.

The internet has ushered in what may be remembered, to paraphrase, as the 'Golden Age of Video On Demand'.

SKY's traditional pay TV model is still the most successful financially, and the leader in Video On Demand when used with a personal video recorder. We believe that most consumers will continue to prefer the ease, simplicity and variety of a full SKY subscription. We also believe that economically we are able to extract the most value from content acquisition under this model.

Under an aggregated model SKY subscribers will continue to find value in content that they may not have discovered nor been recommended by even the smartest recommendation engine.

We have already launched several new business models that exploit both the internet and Video On Demand.

We have launched IGLOO a hybrid model delivering content via the internet and Digital Terrestrial Transmission (DTT). We have also just launched NEON, an internet delivered Subscription Video On Demand model and FAN PASS, which is a single sport, single season subscription model delivered via the internet.

We are now working on our greatest innovation and challenge of all. Our next goal is to download to all MY SKY decoders a software upgrade which will allow every MY SKY decoder to connect to the internet allowing access to content in either the traditional linear format or an On Demand basis. We will also be rolling out MY SKY boxes to all our digital subscribers to enable them to take advantage of these new products and services.

Customers will be able to avail themselves of choices from a vast on demand library of content as well as traditional linear channels. Whatever mood, whichever physical location, whoever is watching, SKY will be the destination of choice. While programmed channels with strong brands still offer viewers an 'a la carte' selection of our best content, these exciting new products with their Video On Demand options will empower our subscribers to create their own viewing priorities and watch-lists for even deeper engagement with our premium SKY content.

Story telling is a key human trait. From cavemen drawing pictures on walls, through to the development of moveable type and the invention of radio, television and cinema, it is storytelling that has motivated innovation.

The internet enables SKY to deliver even better storytelling for our customers. We relish the challenge.

## THE INTERNET HAS USHERED IN WHAT MAY BE REMEMBERED, TO PARAPHRASE, AS THE 'GOLDEN AGE OF VIDEO ON DEMAND'

### Highlights

Some of the highlights for the six month period have been;

- On 24 December 2014 SKY launched the new channel Disney XD as part of its Basic package. Disney XD is the ultimate destination for kids aged 6-14, featuring an exciting mix of live-action and animation which transports viewers into different worlds full of humour, unexpected fun, and inspiring action-filled adventures. Disney XD carries the Marvel franchise which has very strong and broad appeal.

- On 3 November 2014 SKY launched its newest in house channel, THE ZONE, in HD. This was the first time that a channel in SKY's Basic package was made available in HD. THE ZONE is a new entertainment channel encompassing a range of great titles from the science fiction, cult, fantasy, superhero and horror genres.

- During October, SKY subscribers raised \$100,000 to help Kiwi babies avoid Sudden Unexplained Death in Infancy (SUDI). SKY customers took almost 20,000 popular SKY channels for just \$5.00 during October knowing every dollar raised would go straight to the Starship Foundation in support of the Pepi-Pod project to provide a safe sleeping environment for babies and reduce SUDI.

- On 30 October 2014 SKY carried out a major technology upgrade to its broadcast head end, thereby laying the foundation for exciting future service upgrades. This will enable MY SKY boxes to have the ability to connect to the internet through the existing ethernet port with an ethernet cable or a WiFi device.

- On 24 October 2014 SKY announced the signing of a short form agreement for a five year deal with NZ Rugby and SANZAR.

- At its AGM in October 2014, SKY announced it was launching a brand new Subscription Video On Demand (SVOD) service called NEON.

NEON will offer exclusive TV series, hundreds of movies, great factual entertainment, documentaries and brilliant family viewing. Customers will get the first 30 days for free and then it's just \$20 every month thereafter, with no long-term contracts and no ads.

- In August 2014 SKY announced it was adding three new athletes to its successful SKY NEXT initiative, bringing the total number of athletes supported to 18. Nine SKY NEXT athletes competed in the Glasgow Commonwealth Games in 2014, and four of them won gold - Anton Cooper, Sam Webster, Ethan Mitchell and David Nyika. SKY provides financial support of \$16,000 a year to each SKY NEXT athlete to help them with their training and travel costs. Athletes also receive mentoring from Olympic Gold medallist Hamish Carter and his wife Marisa as well as other forms of training and support from various parts of the business to enable them to grow as professional athletes. Marisa champions the programme on behalf of SKY and ensures SKY NEXT athletes have an opportunity to raise their profiles with SKY's support.

### Dividends

The Board of Directors has considered the performance of the business over the last six months and its prospects for the full year and announced on 23 February 2015 that it will pay an increased fully imputed dividend of 15 cents per share (prior interim dividend 14 cents) with the record date being 10 March 2015. A supplementary dividend of 2.6471 cents per share will also be paid to non-resident shareholders.



**John Fellet**

Chief Executive Officer

## SUBSCRIBER BASE

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

	31 Dec 2014	30 Jun 2014	31 Dec 2013
Total number of households in New Zealand <sup>(1)</sup>	1,714,700	1,696,500	1,684,800
<b>Subscribers</b>			
Residential	696,211	715,058	684,841
Wholesale <sup>(2)</sup>	119,196	111,390	135,399
Commercial	9,153	9,060	8,401
Other <sup>(3)</sup>	31,788	29,547	28,474
<b>Total subscribers</b>	<b>856,348</b>	<b>865,055</b>	<b>857,115</b>
<b>MY SKY Subscribers<sup>(4)</sup></b>	<b>529,001</b>	504,713	486,252
Percentage of households subscribing to the SKY network:			
Penetration (residential and wholesale)	48.3%	48.7%	48.7%
Gross churn rate <sup>(5)</sup>	13.7%	13.2%	13.3%
Average monthly revenue per residential subscriber:			
Residential	63.40	61.56	62.48
Wholesale	66.50	66.84	67.87
MY SKY	89.84	87.22	87.13
All subscribers	79.43	77.52	77.51

### Notes

1 Based on New Zealand Government updated census data.

2 Includes subscribers receiving SKY packages via affiliate services, such as arrangements with Spark (formerly 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 12-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.

## 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)	15.0	12.0	11.0	10.5	7.0
<b>Total ordinary dividend</b>	<b>29.0</b>	<b>24.0</b>	<b>22.0</b>	<b>18.5</b>	<b>14.0</b>
Add special dividend	-	-	32.0	25.0	-
<b>Total dividend for the year</b>	<b>29.0</b>	<b>24.0</b>	<b>54.0</b>	<b>43.5</b>	<b>14.0</b>

# CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 31 December 2014 (unaudited)

in NZD 000	31 Dec 2014 (6 months)	31 Dec 2013 (6 months)	30 Jun 2014 (1 year) (audited)
<b>Revenue</b>			
Residential satellite subscriptions	380,945	371,802	744,898
Other subscriptions	34,828	31,719	64,519
Installation	3,177	4,271	8,173
Advertising	36,084	37,555	70,546
Other income	9,472	11,024	20,865
	<b>464,506</b>	<b>456,371</b>	<b>909,001</b>
<b>Expenses</b>			
Programming	147,683	137,722	279,964
Subscriber management	33,460	33,106	66,567
Sales and marketing	18,992	20,442	38,121
Advertising	10,865	11,654	21,808
Broadcasting and infrastructure	44,935	44,266	88,488
Depreciation and amortisation	54,099	61,832	126,143
Corporate	16,217	18,820	35,013
	<b>326,251</b>	<b>327,842</b>	<b>656,104</b>
<b>Operating profit</b>	<b>138,255</b>	<b>128,529</b>	<b>252,897</b>
<b>Financial (expense) net</b>	<b>9,986</b>	<b>14,406</b>	<b>28,390</b>
<b>Profit before tax</b>	<b>128,269</b>	<b>114,123</b>	<b>224,507</b>
Income tax expense	35,774	32,047	63,084
<b>Profit for the period</b>	<b>92,495</b>	<b>82,076</b>	<b>161,423</b>
Non-controlling interest	24	(1,446)	(4,406)
<b>Attributable to equity holders of the Company</b>	<b>92,471</b>	<b>83,522</b>	<b>165,829</b>
<b>Earnings per share (from continuing operations)</b>			
Basic and diluted earnings per share (cents)	23.76	21.46	42.61

# CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2014 (unaudited)

in NZD 000	31 Dec 2014 (6 months)	31 Dec 2013 (6 months)	30 Jun 2014 (1 year) (audited)
<b>Profit for the period</b>	<b>92,495</b>	82,076	161,423
<b>Other comprehensive income items that may be reclassified subsequently to profit and loss</b>			
Cash flow hedges	8,279	186	(251)
Income tax effect	(2,318)	(52)	70
<b>Other comprehensive income for the period net of income tax</b>	<b>5,961</b>	134	(181)
<b>Total comprehensive income for the period</b>	<b>98,456</b>	<b>82,210</b>	<b>161,242</b>
<b>Attributable to:</b>			
Equity holders of the Company	98,432	83,686	165,648
Non-controlling interest	24	(1,476)	(4,406)
	<b>98,456</b>	<b>82,210</b>	<b>161,242</b>

# CONSOLIDATED INTERIM BALANCE SHEET

As at 31 December 2014 (unaudited)

in NZD 000	Notes	31 Dec 2014	31 Dec 2013	30 Jun 2014 (audited)
<b>Current assets</b>				
Cash and cash equivalents	10	41,560	29,729	19,852
Trade and other receivables	10	68,086	70,921	70,961
Inventory		115	474	180
Programme rights inventory		55,998	39,693	42,889
Derivative financial instruments	10	5,878	417	46
		<b>171,637</b>	141,234	133,928
<b>Non-current assets</b>				
Property, plant and equipment		278,868	293,444	278,457
Other intangible assets		20,965	30,084	24,472
Goodwill		1,426,293	1,424,494	1,426,293
Derivative financial instruments	10	5,698	4,861	2,219
		<b>1,731,824</b>	1,752,883	1,731,441
<b>Total assets</b>		<b>1,903,461</b>	<b>1,894,117</b>	<b>1,865,369</b>
<b>Current liabilities</b>				
Borrowings	9/10	8,917	3,435	7,354
Trade and other payables	10	181,962	165,563	161,546
Income tax payable		8,153	12,245	20,661
Derivative financial instruments	10	8,165	7,659	13,107
		<b>207,197</b>	188,902	202,668
<b>Non-current liabilities</b>				
Borrowings	9/10	71,248	234,893	82,364
Bonds	5/10	297,762	199,165	297,473
Derivative financial instruments	10	9,139	15,630	6,645
Deferred tax		36,867	38,117	35,055
		<b>415,016</b>	487,805	421,537
<b>Total liabilities</b>		<b>622,213</b>	<b>676,707</b>	<b>624,205</b>
<b>Equity</b>				
Share capital		577,403	577,403	577,403
Hedging reserve		(4,180)	(9,816)	(10,141)
Retained earnings		706,704	643,934	672,605
<b>Total equity attributable to equity holders of the Company</b>		<b>1,279,927</b>	1,211,521	1,239,867
Non-controlling interest		1,321	5,889	1,297
<b>Total equity</b>		<b>1,281,248</b>	1,217,410	1,241,164
<b>Total equity and liabilities</b>		<b>1,903,461</b>	<b>1,894,117</b>	<b>1,865,369</b>

For and on behalf of the Board of Directors



Peter Macourt  
Chairman



Robert Bryden  
Director

# CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014 (unaudited)

in NZD 000	Attributable to owners of the parent				Non-controlling interest	Total equity
	Share capital	Hedging reserve	Retained earnings	Total		
<b>Balance at 1 July 2014</b>	577,403	(10,141)	672,605	1,239,867	1,297	1,241,164
Profit for the period	-	-	92,471	92,471	24	92,495
Cash flow hedges, net of tax	-	5,961	-	5,961	-	5,961
<b>Total comprehensive income for the period</b>	-	5,961	92,471	98,432	24	98,456
<b>Transactions with owners in their capacity as owners</b>						
Dividend paid	-	-	(58,372)	(58,372)	-	(58,372)
Supplementary dividends	-	-	(7,158)	(7,158)	-	(7,158)
Foreign investor tax credits	-	-	7,158	7,158	-	7,158
	-	-	(58,372)	(58,372)	-	(58,372)
<b>Balance at 31 December 2014</b>	<b>577,403</b>	<b>(4,180)</b>	<b>706,704</b>	<b>1,279,927</b>	<b>1,321</b>	<b>1,281,248</b>
<b>For the six months ended 31 December 2013 (unaudited)</b>						
<b>Balance at 1 July 2013</b>	577,403	(9,960)	607,089	1,174,532	7,365	1,181,897
Profit/(loss) for the period	-	-	83,522	83,522	(1,446)	82,076
Cash flow hedges, net of tax	-	144	20	164	(30)	134
<b>Total comprehensive income for the period</b>	-	144	83,542	83,686	(1,476)	82,210
<b>Transactions with owners in their capacity as owners</b>						
Dividend paid	-	-	(46,697)	(46,697)	-	(46,697)
Supplementary dividends	-	-	(5,141)	(5,141)	-	(5,141)
Foreign investor tax credits	-	-	5,141	5,141	-	5,141
	-	-	(46,697)	(46,697)	-	(46,697)
<b>Balance at 31 December 2013</b>	<b>577,403</b>	<b>(9,816)</b>	<b>643,934</b>	<b>1,211,521</b>	<b>5,889</b>	<b>1,217,410</b>
<b>For the year ended 30 June 2014 (audited)</b>						
<b>Balance at 1 July 2013</b>	577,403	(9,960)	607,089	1,174,532	7,365	1,181,897
Profit/(loss) for the year	-	-	165,829	165,829	(4,406)	161,423
Cash flow hedges, net of tax	-	(181)	-	(181)	-	(181)
<b>Total comprehensive income for the period</b>	-	(181)	165,829	165,648	(4,406)	161,242
<b>Transactions with owners in their capacity as owners</b>						
Change in non-controlling interest	-	-	863	863	(1,662)	(799)
Dividend paid	-	-	(101,176)	(101,176)	-	(101,176)
Supplementary dividends	-	-	(11,665)	(11,665)	-	(11,665)
Foreign investor tax credits	-	-	11,665	11,665	-	11,665
	-	-	(100,313)	(100,313)	(1,662)	(101,975)
<b>Balance at 30 June 2014</b>	<b>577,403</b>	<b>(10,141)</b>	<b>672,605</b>	<b>1,239,867</b>	<b>1,297</b>	<b>1,241,164</b>



# CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2014 (unaudited)

in NZD 000	Notes	31 Dec 2014 (6 months)	31 Dec 2013 (6 months)	30 Jun 2014 (1 year) (audited)
<b>Cash flows from operating activities</b>				
Profit before tax		128,269	114,123	224,507
<b>Adjustment for non-cash items:</b>				
Depreciation and amortisation		54,099	61,832	126,143
Unrealised foreign exchange (gain)/loss		(754)	11	296
Interest expense		11,467	14,137	28,751
Bad debts and movement in provision for doubtful debts		1,944	2,064	4,399
Reversal of inventory impairment		(599)	(906)	(889)
Amortisation of bond issue costs		288	151	367
Other non-cash items		(1,541)	(373)	1,799
Loss/(gain) on disposal of assets		57	(31)	-
<b>Movement in working capital items:</b>				
Decrease/(increase) in receivables		2,898	(372)	3,858
Increase/(decrease) in payables		17,482	4,064	(8,080)
Decrease in inventory		664	1,365	1,642
Increase in programme rights		(13,109)	(332)	(3,527)
<b>Cash generated from operations</b>		<b>201,165</b>	<b>195,733</b>	<b>379,266</b>
Interest paid		(11,405)	(13,927)	(28,896)
Income tax paid		(41,560)	(26,083)	(45,056)
<b>Net cash from operating activities</b>		<b>148,200</b>	<b>155,723</b>	<b>305,314</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		78	42	109
Acquisition of property, plant, equipment and intangibles	7	(50,775)	(47,608)	(93,002)
Acquisition of business		-	-	(779)
<b>Net cash used in investing activities</b>		<b>(50,697)</b>	<b>(47,566)</b>	<b>(93,672)</b>
<b>Cash flows from financing activities</b>				
Proceeds from bond issue		-	-	100,000
Payment of bond issuance costs		-	-	(1,908)
Advances received – bank loan	9	51,000	33,000	61,000
Repayment of borrowings – bank loan	9	(59,000)	(78,000)	(253,000)
Payment of finance lease liabilities		(1,745)	(1,626)	(3,315)
Capital introduced by non-controlling interests		-	-	300
Acquisition of and distributions to non-controlling interests		-	-	(1,178)
Payment of bank facility fees		(520)	(640)	(1,524)
Dividends paid	8	(65,530)	(51,838)	(112,841)
<b>Net cash used in financing activities</b>		<b>(75,795)</b>	<b>(99,104)</b>	<b>(212,466)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>21,708</b>	<b>9,053</b>	<b>(824)</b>
Cash and cash equivalents at beginning of the period		19,852	20,676	20,676
<b>Cash and cash equivalents at end of the period</b>		<b>41,560</b>	<b>29,729</b>	<b>19,852</b>

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2014 (unaudited)

## 1. GENERAL INFORMATION

SKY Network Television Limited ("SKY") is a company, incorporated and domiciled in New Zealand. The address of its registered office is 10 Panorama Road, Mt Wellington, Auckland, New Zealand. The consolidated interim financial statements of the Group for the six months ended 31 December 2014 comprise SKY and its subsidiaries.

SKY is registered under the Companies Act 1993 and is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act 2013. These consolidated interim financial statements have been prepared in accordance with the requirements of the NZX Main Board Listing Rules.

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

These consolidated interim financial statements were approved by the Board of Directors on 23 February 2015.

## 2. BASIS OF PREPARATION

These consolidated interim financial statements of SKY are for the six months ended 31 December 2014. They have been prepared in accordance with New Zealand generally accepted accounting practice, NZ IAS 34 Interim Financial Reporting and International Accounting Standard 34 (IAS 34). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2014.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2014.

## 4. GROUP STRUCTURE

At 31 December 2014 SKY had the following subsidiaries:

- Cricket Max Limited (non-trading)
- IGLOO Limited
- Media Finance Limited (non-trading)
- Outside Broadcasting Limited
- Screen Enterprises Limited
- SKY DMX Music Limited (50.5%)
- Believe It or Not Limited (51.0%)
- SKY Arena Limited (75.0%).

## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2014 (unaudited)

### 5. BONDS

Terms and conditions of outstanding bonds are as follows:

	31 Dec 2014	31 Dec 2013	30 Jun 2014 (audited)
<b>Bond A</b>			
Nominal interest rate	4.43%	3.62%	3.62%
Issue date	16 Oct 2006	16 Oct 2006	16 Oct 2006
Date of maturity	16 Oct 2016	16 Oct 2016	16 Oct 2016
<b>in NZD 000</b>			
Carrying amount	199,464	199,165	199,313
Face value	200,000	200,000	200,000
Fair value	198,500	194,600	196,000
Market yield	5.22%	5.25%	5.83%
<b>Bond B</b>			
Nominal interest rate	6.25%	-	6.25%
Issue date	31 Mar 2014	-	31 Mar 2014
Date of maturity	31 Mar 2021	-	31 Mar 2021
<b>in NZD 000</b>			
Carrying amount	98,298	-	98,160
Face value	100,000	-	100,000
Fair value	105,901	-	100,991
Market yield	5.43%	-	6.07%

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).

Bond A is subject to a call option commencing on 16 October 2010 and each subsequent 16 October until 16 October 2015 whereby the Company has the right to redeem or repurchase all or some of the bonds on each anniversary of the issue date. The difference between the carrying amount and fair value has not been recognised in the interim financial statements as the bonds are intended to be held until maturity.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2014 (unaudited)

### 6. RELATED PARTY TRANSACTIONS

There were no loans to directors by the Group or associated parties at any of the reporting dates above.

The gross remuneration of directors and key management personnel during the period was \$7,594,000 (31 December 2013: \$7,109,000; 30 June 2014: \$12,456,000).

### 7. CAPITAL EXPENDITURE

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

in NZD 000	31 Dec 2014 (6 months)	31 Dec 2013 (6 months)	30 Jun 2014 (1 year) (audited)
Capital projects in progress	18,035	15,196	20,472
Land and buildings	6,311	79	455
Broadcasting and studio equipment	105	228	870
Plant and equipment and other	3,123	1,601	7,032
Decoders	8,378	9,530	18,736
Installation costs	14,629	18,674	36,861
Intangibles	557	2,063	6,715
	51,138	47,371	91,141
Movement in capital expenditure creditors	(363)	237	1,861
Cash outflow in the period	50,775	47,608	93,002

### 8. DIVIDENDS

On 23 February 2015 the Board of Directors announced that it will pay a fully imputed dividend of 15 cents per share with the record date being 10 March 2015. A supplementary dividend of 2.6471 cents per share will be paid to non-resident shareholders, subject to the foreign investor tax credit regime.

### 9. BORROWINGS

#### Bank loans

During the period bank borrowings of \$59 million were repaid and a new drawdown of \$51 million was taken up.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2014 (unaudited)

### IO. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, they should be read in conjunction with the Group's annual financial statements as at 30 June 2014. There have been no changes in any risk management policies since year end.

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

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

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

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

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

Fair value estimates of the Group's financial assets and liabilities for recognition or disclosure purposes are all made on a level 2 basis. During the six months ended 31 December 2014 there were no transfers of financial instruments between levels.

#### Financial instruments measured at fair value

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

in NZD 000	31 Dec 2014	31 Dec 2013	30 Jun 2014
<b>Derivative financial instruments (Level 2)</b>			
Current assets	5,878	417	46
Non-current assets	5,698	4,861	2,219
Current liabilities	(8,165)	(7,659)	(13,107)
Non-current liabilities	(9,139)	(15,630)	(6,645)
	<b>(5,728)</b>	<b>(18,011)</b>	<b>(17,487)</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2014 (unaudited)

### IO. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS CONTINUED

#### Financial instruments not measured at fair value

The following financial instruments are not measured at fair value in the consolidated interim financial statements. These had the following fair values as at December 2014:

in NZD 000	31 Dec 2014		31 Dec 2013		30 Jun 2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>						
Cash and cash equivalents	41,560	41,560	29,729	29,729	19,852	19,852
Trade and other receivables	62,637	62,637	66,226	66,226	65,836	65,836
	<b>104,197</b>	<b>104,197</b>	<b>95,955</b>	<b>95,955</b>	<b>85,688</b>	<b>85,688</b>
<b>Financial liabilities</b>						
Trade and other payables	(118,274)	(118,274)	(104,016)	(104,016)	(95,451)	(95,451)
Bank borrowings	(71,248)	(71,890)	(226,003)	(224,914)	(79,069)	(79,264)
Lease liabilities	(8,917)	(9,011)	(12,325)	(12,909)	(10,649)	(10,932)
Bonds	(297,762)	(304,401)	(199,165)	(194,600)	(297,473)	(296,991)
	<b>(496,201)</b>	<b>(503,576)</b>	<b>(541,509)</b>	<b>(536,439)</b>	<b>(482,642)</b>	<b>(482,638)</b>

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

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

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

	31 Dec 2014	31 Dec 2013	30 Jun 2014
Bond A	5.22%	5.25%	5.83%
Bond B	5.43%	-	6.07%
Bank borrowings	5.31%	4.56%	5.13%
Lease liabilities	5.70%	6.20%	6.03%

Specific valuation techniques used to value financial instruments are:

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

### JI. CONTINGENT LIABILITIES

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

### 12. SUBSEQUENT EVENTS

Other than as set out in note 8 (Dividends) there have been no subsequent events after balance date.



# INDEPENDENT REVIEW REPORT

## To the shareholders of Sky Network Television Limited

### Report on the Interim Financial Statements

We have reviewed the accompanying interim condensed consolidated financial statements ("financial statements") of Sky Network Television Limited on pages 11 to 20, which comprise the balance sheet as at 31 December 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and selected explanatory notes.

### Directors' Responsibility for the Interim Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Our Responsibility

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

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

We carry out other assignments for the Company in the areas of assurance and advisory services. In addition, certain partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the Company. The provision of these other services has not impaired our independence as auditors of the Company.

### Conclusion

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

### Restriction on Distribution or Use

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

**Chartered Accountants  
Auckland**

23 February 2015

**DIRECTORY**  
**YOU'LL KNOW**  
**WHERE TO FIND US...**

**REGISTRARS**

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

**NEW ZEALAND ORDINARY SHARE REGISTRAR**

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

**Mailing address:**

Private Bag 92119  
Auckland Mail Centre  
Auckland 1142  
New Zealand

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

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

**AUSTRALIAN BRANCH REGISTER**

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford, VIC 3067  
GPO Box 2975EE  
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**Email:** [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

**BONDHOLDER TRUSTEE**

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Peter Macourt  
Robert Bryden  
John Fellet  
Derek Handley  
Geraldine McBride  
Humphry Rolleston  
John Waller

Chairman  
Deputy Chairman  
Chief Executive

#### EXECUTIVES

John Fellet  
Jason Hollingworth  
Gregory Drummond

Director and  
Chief Executive Officer  
Chief Financial Officer  
and Company Secretary  
Director of Broadcasting  
and Media  
Director of Entertainment  
Programming  
Director of Technology  
Director of Content,  
Strategy, Planning and Delivery  
Director of Sport  
Director of  
Government Relations  
Director of Advertising Sales  
Chief of Staff  
Director of Strategy  
and Products  
Director of Marketing  
Director of Corporate  
Communications  
Director of Operations

Travis Dunbar  
Charles Ingle  
Megan King  
Richard Last  
Chris Major  
Rawinia Newton  
Cathryn Oliver  
Matthew Orange  
Michael Watson  
Kirsty Way  
Martin Wrigley

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The SKY logo is positioned at the top center of the page, within a white triangular shape that points downwards. The logo itself is in a bold, italicized, sans-serif font.

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