Appendix 1 Release to NZX

Full Year Preliminary Announcements and Full Year Results

Sky Network Television Limited	
Results for announcement to the market	
Reporting Period	12 months to 30 June 2013
Previous Reporting Period	12 months to 30 June 2012

	Amount (000s)	Percentage change
Revenue from ordinary activities	$885,024	5.0% increase
Profit (loss) from ordinary activities after tax attributable to security holder.	$137,197	10.9% increase
Net profit (loss) attributable to security holders.	$137,197	10.9% increase

Interim/Final Dividend	Amount per security	Imputed amount per security
Final	$.12	$.046667

Record Date	6 September 2013
Dividend Payment Date	13 September 2013

Comments:	As per management commentary attached.

BUSINESS OVERVIEW

Subscribers

01 SKY has continued to increase its total subscriber base in the year to 30 June 2013 by adding a net 8,967 subscribers.

There were a total of 855,898 subscribers at 30 June 2013, with 822,545 being residential subscribers on SKY's satellite platform. SKY's wholesale customers have increased by 1.7% to 131,555 at 30 June 2013.

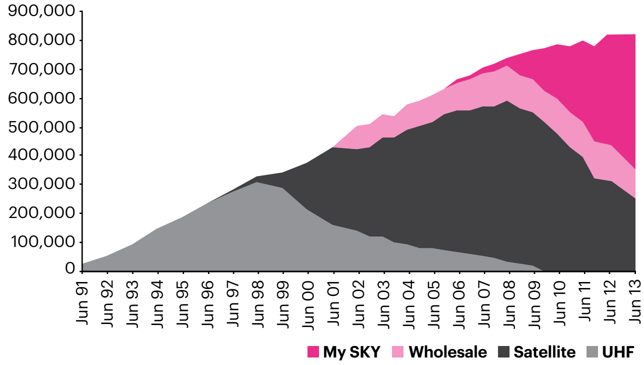
SKY has continued to promote its MY SKY HDi decoder and, at 30 June 2013 the number of subscribers receiving their pay television services via a MY SKY decoder were 456,419 compared to 382,495 subscribers at 30 June 2012. This represents 55.5% of SKY's residential subscribers compared to 46.7% of residential subscribers at 30 June 2012. There were 24,859 "other" subscribers at 30 June 2013 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.

Churn

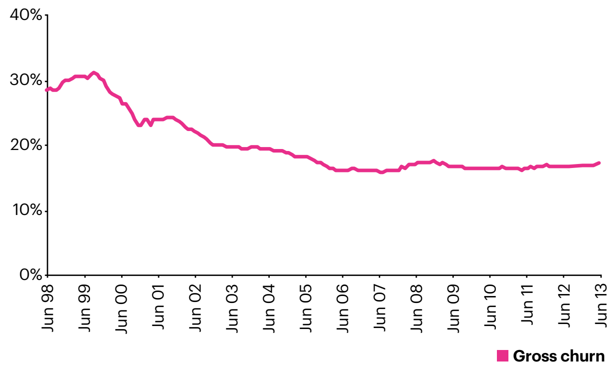
02 Churn is a measure of the percentage of subscribers who disconnect their service, either voluntarily or due to a failure to pay their account. SKY calculates churn on a rolling gross annual basis, which means that each month we calculate the subscribers who have disconnected as a percentage of the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

Annual gross churn is 14.4% as at 30 June 2013 which is a slight increase from the 14.2% churn for the year to 30 June 2012. MY SKY churn has increased from 10.4% in the prior year to 11.4% in the current year and churn on standard digital decoders has increased to 17.9% from 17.1% last year.

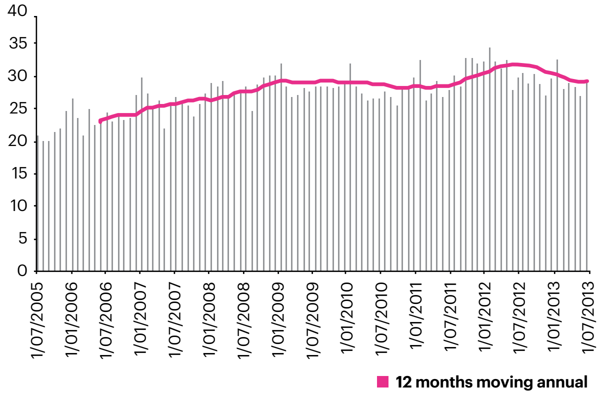
01 Subscribers



02 Rolling annual gross churn



03 SKY TV – % Share of viewing in all New Zealand homes



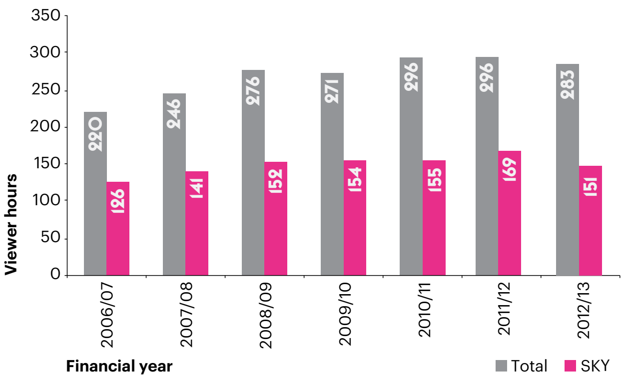
Viewing

03/04 During the 2013 year, the subscriber viewing information collected has shown a decline in total viewing of 4% from 296 hours to 283 hours per month. This trend has continued onto the viewing of SKY channels which declined by 11% from 169 hours per month to 151 hours in the current year, mainly as a result of the previous year's Rugby World Cup viewing. This resulted in a decrease in SKY's share of total television viewing in all New Zealand from 29.8% to 28.7%. Information for these numbers is collected from the Nielsen TAM audience measure system and SKY TV's subscriber base.

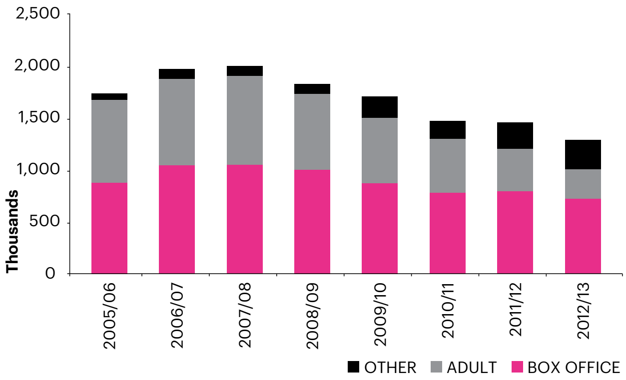
05 SKY continues to offer pay-per-view (PPV) programming on its satellite platform, with 12 scheduled PPV channels plus an "on-demand" movie service that is offered to MY SKY subscribers. Buy rates, which measure the percentage of subscribers who purchase a title each month, have decreased from 15.6% in 2012 to 13.6% in the current year. In 2013 a total of 1,272,561 PPV buys were purchased compared to 1,450.984 buys purchased in 2012. 26% of PPV buys were attributable to the MY SKY "on-demand" service, compared to 23% in 2012.

"SKY HAS CONTINUED TO INCREASE ITS TOTAL SUBSCRIBER BASE IN THE YEAR TO 30 JUNE 2013 BY ADDING A NET 8,967 SUBSCRIBERS."

04 Average hours viewing SKY digital per month, per subscription



05 PPV buys



Programming initiatives

The biggest programming initiative for SKY in 2013 was the 17 day coverage of the London summer Olympics in August 2012. SKY broadcast eight dedicated Olympic channels, five of these in high definition. SKY's free to air channel, Prime also provided 23 hours per day of coverage. The Olympics were a huge success from a viewership and customer satisfaction perspective but negatively impacted SKY's financial results for the period due to high production costs and lower than expected advertising revenue.

Three new channels were launched in 2013:

The Shopping Channel: Launched on 1 October 2012.
The Shopping Channel is New Zealand's first dedicated retailing TV channel, bringing a wide variety of brands to New Zealand that wouldn't normally be accessible to New Zealanders.

JONES: Launched on 13 May 2013.
JONES comprises an eclectic mix of programming favourites ranging from Bonanza, The Good Life, Porridge, Shogun and Cheers through to Charlie's Angels, Twin Peaks, Columbo, Kojak, Mork & Mindy, Dallas, The Sweeney, Thunderbirds and Minder!

SKY Movies Classics: Launched on 1 June 2013.
SKY Movies Classics replaces our longstanding MGM Movies channel. While the channel will continue to offer the best MGM titles it will also show a much wider range of classic movies from the 60's, 70's, 80's and 90's with content from studios like Paramount, Universal, Warner's and Sony Pictures.

iSKY

iSKY was launched in January 2011 as SKY's online TV service giving SKY subscribers access to an extensive selection of online content streamed directly to personal computers. iSKY offers a great variety and choice of video content within a single service including the streaming of four live sport and two live news channels, plus the ability to catch up on recently broadcast content at no cost for SKY's Basic channels including free-to-air channel Prime.

At 30 June 2013 there were 633,259 registered users of iSKY, who in June watched approximately 928,884 hours of content. This compares to 231,665 registered users in the prior year who watched an average of 127,000 hours of content per month.

MY SKY HDi

The MY SKY HDi decoder which was first launched in August 2008 continues to be a highly successful product for SKY. At 30 June 2013, there were 456,419 MY SKY subscribers. This represents 55.5% of SKY's residential subscriber homes. This is an increase of 73,924 from the 382,495 MY SKY subscribers at 30 June 2012. In 2013, 42% of MY SKY installs were to new SKY subscribers compared to 27% last year.

Subscribers have had the choice of paying a one-off installation fee of $599 (incl. GST) for a MY SKY HDi decoder or $99 installation fee with an ongoing monthly fee of $15 (incl. GST).

As at 30 June 2013, 6% of new MY SKY subscribers had opted to pay the up front fee, which is the same percentage as in 2012. MY SKY HDi subscribers also have the option of paying $10 per month (incl. GST) 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 2013, 15% of MY SKY HDi subscribers had opted to purchase the SKY HD channels and 29% had installed multi-room. This means 44% of the MY SKY subscribers were receiving HD services, down from 46% last year. The ARPU from MY SKY subscribers to 30 June 2013 was $86.89 compared to $84.69 on 30 June 2012, an increase of 2.6%.

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	2013	2012	% inc
	$	$	
Basic	**46.92**	46.12	1.7
Basic + Movies	**67.62**	66.82	1.2
Basic + Sport	**73.37**	72.46	1.3
Basic + Sport + Movies	**94.07**	93.16	1.0

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.

Subs by tier	2013	2012
Basic + Sport + Movies	**31%**	32%
Basic + Sport	**41%**	40%
Basic + Movies	**8%**	7%
Other	**20%**	21%

The percentage of subscribers to SKY's premium package of "Basic + Sport + Movies" has dropped by 1% this year while penetration of the "Basic + Movies" package has increased by 1%. A total of 560,303 subscribers were subscribing to the SKY Sports tier at 30 June, compared to 558,466 last year.

MY SKY tier penetration	2013	2012
Basic + Sport + Movies	**35%**	38%
Basic + Sport	**40%**	39%
Basic + Movies	**9%**	8%
Other	**16%**	15%

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	2013	2012
Basic + Sport + Movies	**25%**	25%
Basic + Sport	**41%**	41%
Basic + Movies	**8%**	7%
Other	**26%**	27%

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 2013 was 228,773 compared to 236,882 in 2012.

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 75% of SKY's activations were "decoder" only installs in 2013, (87% in 2012) 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 12.0% growth in the number of Multiroom outlets is as follows:

	2013	2012
Satellite homes	**34,010**	50,162
MY SKY homes	**158,576**	121,739
Total Multiroom	**192,586**	171,901

Installation costs

The majority of SKY's capital expenditure reflects the cost of installing new subscribers. The success of MY SKY HDi 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 HDi decoder.

In 2013, the average cost of installing new subscribers (material/labour) was $334 compared to an average of $352 in the previous year. A "decoder only" install costs $57. The average MY SKY HDi decoder cost in 2013 was $320 compared to $345 in 2012. This reduction is due to a reduction in the USD cost of decoders.

Satellite

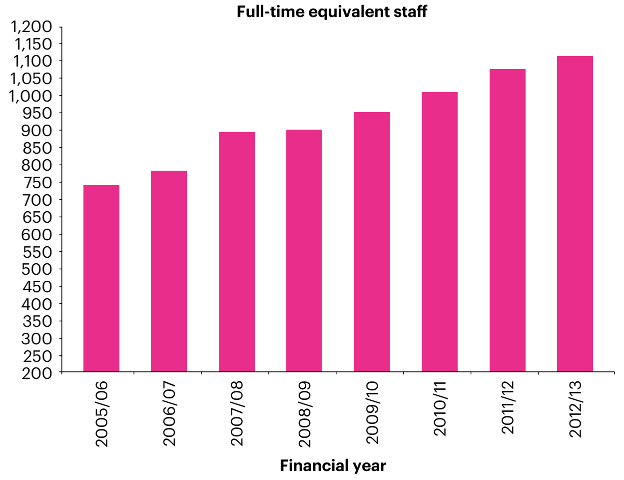
SKY is currently utilising seven transponders on the Optus D1 satellite. The satellite is located at 160º E, which is where the satellite dishes installed by SKY are positioned.

Optus launched the D2 satellite at the 152º E position in October 2007 and the D3 satellite was launched in August 2009 at the 156º 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 can be electronically switched to the 156 º 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 2% to 1,118 in the current year. SKY also employs around 300 contractors in a range of specialist areas. Fifty three 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 46% of its employees are women.



Fatso

In June 2008 SKY merged its online DVD rental business, DVD Unlimited with two other players, Fatso and Movieshack. SKY owns 51% of the entity that trades under the name Fatso.

The online DVD rental business model enables subscribers to select DVD titles from a website and depending on the package to which they are subscribed, a subscriber can access one to ten titles at any time. Subscribers can keep the DVDs as long as they want to and there are no late fees. When a title is returned, another title is posted to the subscriber from their selected list.

At 30 June 2013, there were 20,541 Fatso subscribers, an increase of 15.7% from 17,756 at 30 June 2012.

Wholesale partnerships

SKY has wholesale agreements with Telecom, Vodafone, and Slingshot. During the year Vodafone acquired the New Zealand business of TelstraClear. SKY continues to wholesale pay television services to TesltraClear customers.

SKY benefits from the additional marketing efforts of these telecommunication companies as they promote their bundled services, while they benefit by being able to offer their customers access to SKY's premium television content.

Prime

During the year SKY invested in new content for Prime, and broadcast delayed coverage of major sporting events on this channel including 23 hours per day coverage of the Olympics.

Prime's share of the television audience (all 5+) has increased from an average yearly audience of 5.8% for the year ended 30 June 2012 to 5.9% for the year ended 30 June 2013. There has been a 13.3% increase in Prime's advertising revenue from $23.3 million in 2012 to $26.4 million in 2013. The total TV advertising market increased by 1.1% for the year to 30 June 2013.

Outside Broadcasting (NZ) Limited

In July 2010 the Group through its subsidiary Outside Broadcasting Limited (OSB) acquired certain assets and liabilities of On Site Broadcasting (NZ) Limited (On Site) from the Australian media company, Prime Media Group for a cost of $13.5 million. On Site had been providing SKY with the broadcasting vans, equipment and personnel required to produce sporting events since 2002. SKY also entered into an agreement with Prime to pursue third party broadcast contracts and shared these earnings on a 50/50 basis. This agreement expired on 30 June 2013 and SKY will retain 100% of any future third party business. OSB has four high definition and three standard definition broadcasting vans, associated equipment and employs 26 staff.

Igloo Limited (IGLOO)

IGLOO was established in November 2011 with SKY and Television New Zealand Limited (TVNZ) as the shareholders. SKY invested a further $5.75 million of equity into Igloo on 30 June 2013 and now owns 66% of Igloo (June 2012: 51%).

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.

IGLOO had planned to launch in June 2012 but due to stability issues with the set top box the launch took place in December 2012.

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 $1,492,000.
In addition SKY committed $1 million to the Christchurch Earthquake Appeal Trust over five years.

FINANCIAL OVERVIEW

SUMMARY

The net profit after tax attributable to equity holders of SKY has increased to $137.2 million for the year ended 30 June 2013, a 10.9% increase on the previous year's net profit after tax of $123.7 million.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 5.1% to $353.1 million.

The results are summarised as follows:

For the years ended 30 June

IN NZD MILLIONS	2013	2012	% inc/(dec)
Financial performance data			
Total revenue	**885.0**	843.1	5.0
Total operating expenses	**531.9**	507.1	4.9
EBITDA	**353.1**	**336.0**	**5.1**
Less			
Depreciation and amortisation	**134.3**	134.1	0.1
Net interest expense and financing charges	**29.1**	29.4	(1.0)
Unrealised losses/(gains) on currency and other	**0.7**	0.9	(22.2)
Net profit before income tax	**189.0**	**171.6**	**10.1**

A more detailed commentary on these results is provided overleaf.

REVENUE ANALYSIS

SKY's total revenue increased by 5.0% to $885.0 million, as follows:

For the years ended 30 June

IN NZ MILLIONS	2013	2012	% inc/(dec)
Residential	**733.0**	688.6	6.4
Commercial	**42.8**	41.4	3.4
SKYWATCH	**12.5**	13.2	(5.3)
Total subscription revenue	**788.3**	**743.2**	**6.1**
Advertising	**68.0**	67.2	1.2
Installation, programme sales and other	**28.7**	32.7	(12.2)
Total other revenue	**96.7**	**99.9**	**(3.2)**
Total revenue	**885.0**	**843.1**	**5.0**

Residential subscription revenue increased 6.4% to $733.0 million reflecting a 0.4% increase in subscribers and a 5.4% increase in average revenue per subscriber ("ARPU"). ARPU is a measure of the average revenue that SKY earns from each subscriber each month.

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

IN NZD	2013	2012	% inc/(dec)
DBS excluding wholesale	**62.53**	62.65	(0.2)
Wholesale	**67.08**	64.66	3.7
MY SKY	**86.89**	84.69	2.6
Total DBS and MY SKY including wholesale	**75.83**	**71.93**	**5.4**

Commercial revenue is the revenue earned from SKY installations at hotels, motels, restaurants and bars throughout New Zealand. This revenue increased 3.4% to $42.8 million in 2013, reflecting a 7.1% decrease in commercial subscribers offset by an increase in the purchase of additional services.

SKYWATCH is SKY's monthly programme guide that is sold for $2.66 per month (incl. GST). Revenue from the guide decreased 5.3% to $12.5 million. This can be attributed to a decrease in paying customers. There were 381,378 subscribers to SKYWATCH at 30 June 2013 down from 420,405 in the previous year..

Advertising sales revenue increased 1.2% to $68.0 million in 2013. Pay television advertising revenues decreased from $43.9 million in 2012 to $41.6 million in 2013, a decrease of $2.3 million (5.2%). This is due to the high additional advertising revenue from the Rugby World Cup in the prior year.

There was an increase in Prime revenues from $23.3 million in 2012 to $26.4 million in 2013, partly due to additional revenue from the Olympics.

Installation, programme sales and other revenues decreased by 12.2% to $28.7 million in 2013. There has been a $4.0 million decline in installation revenues due to promotion initiatives offering free installation during a large part of the current financial year.

EXPENSE ANALYSIS

A further breakdown of SKY's operating expenses for 2013 and 2012 is provided below:

IN NZD MILLIONS	2013	2013 % of revenue	2012	2012 % of revenue	% inc/(dec)
Programming	**289.3**	**32.7**	273.7	32.5	5.7
Subscriber management	**62.7**	**7.1**	64.6	7.7	(2.9)
Broadcasting and infrastructure	**88.3**	**10.0**	84.5	10.0	4.5
Sales and marketing	**38.8**	**4.4**	39.4	4.7	(1.5)
Advertising	**20.8**	**2.4**	19.9	2.3	4.5
Other administrative	**31.9**	**3.6**	25.0	3.0	27.6
Depreciation and amortisation	**134.3**	**15.2**	134.1	15.9	0.1
Total operating expenses	**666.1**	**75.4**	**641.2**	**76.1**	**3.9**

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 (eg 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. The following table provides a split between programme rights and operating costs over the last two years:

IN NZD MILLIONS	2013	2012	% inc/(dec)
Programme rights	**229.2**	216.1	6.1
Programme operations	**60.1**	57.6	4.3
Total	**289.3**	**273.7**	**5.7**

SKY's programming expenses have increased slightly to 32.7% of revenue in 2013, from 32.5% in 2012. The 2013 programming costs include the rights and production costs of the London Olympics.

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

The board's policy is to hedge a minimum of 85% of the forecast exposures over 0 to 12 months and up to 70% of variable exposures over 13 to 36 months. Fixed price contracts denominated in foreign currencies are fully hedged for a minimum of 36 months from the time they are entered into.

In 2013, SKY made USD and AUD operating expense payments at an average exchange rate of 72.6 and 78.6 cents respectively. Based on the 2013 results, a one cent movement in the USD and AUD rates against the NZD rate would have affected operating costs by around NZD 1.4 million and 0.6 million respectively.

During 2013, SKY's total rights cost of NZD 229.2 million included rights denominated in foreign currencies. During the year, SKY paid USD 56.5 million and AUD 40.3 million for programme rights at an average hedge rate of 72.6 cents for the USD and 78.6 cents for the AUD giving a total cost of NZD $129.2 million, If these costs had been converted at the average spot rate total foreign currency programme costs would have been approximately NZD 119.4 million.

Programme rights costs increased by 6.1% in 2013, primarily due to the additional costs of the Olympics in 2013.

SKY's programming costs incorporate both fixed and variable costs. The majority of sports rights are purchased for a fixed annual cost regardless of how many subscribers there are to the SKY's sports tier. The rights typically require SKY to meet the costs of producing any live games in New Zealand, which is disclosed as the programme operations costs in the table above. These costs can also be considered as fixed. These fixed costs can increase over time as SKY adds new sport content to its platform.

The programme rights and operations costs for channels programmed and built by SKY such as the BOX, Vibe and Prime, are also fixed costs. Again, the level of fixed costs will depend on the nature of the content that is purchased and the term of any contract.

The costs of purchasing third party channels such as the Disney and History channels are typically paid for on a cost-per-subscriber basis, as is the cost of purchasing movies for the Movie tier and PPV service. These costs are therefore variable and increase as SKY's subscriber base increases.

In 2013, 58% of SKY's total programming costs of $289.3 million could be regarded as fixed costs, compared to 55% of the $273.7 million of programming costs in 2012.

Programme operations costs increased by $2.5 million to $60.1 million. This was principally due to additional costs for producing the Summer Olympics in July 2012

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 2013, subscriber management costs decreased $1.9 million (2.9%) to $62.7 million. This was mainly the result of a decrease in credit control costs and a reduction in service call costs.

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 1.5% to $38.8 million in 2013. IGLOO's sales and marketing costs decreased from of $2.2 million in 2012 to $1.3 million in 2013.

Advertising costs include the costs of operating SKY's advertising sales department which sells advertising and sponsorship on SKY and Prime channels and includes the 20% sales commission that is paid to advertising agencies. Advertising sales costs increased 4.5% to $20.8 million, reflecting the higher advertising revenues in 2013.

Broadcasting and infrastructure costs consist of transmission and linking costs for transmitting SKY and Prime's television signals from its studios in Auckland to other locations in New Zealand and the costs of operating SKY's television stations at Mt Wellington and Albany. The costs of leasing seven transponders on the Optus D1 satellite are included, as is the cost of high definition television broadcasting.

Broadcasting and infrastructure costs increased by $3.8 million (4.5%) to $88.3 million. This was mainly due to an increase in Igloo's transmission costs of $2.6 million.

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 27.6% to $31.9 million from $25.0 million in the prior year. This $6.9 million increase is due to the transfer of staff to a new centralised project management office and the cost of sales and impairment of set-top boxes costs for IGLOO which commenced operations only in December 2012.

Depreciation and amortisation costs include depreciation charges for subscriber equipment including aerials, satellite dishes and decoders owned by SKY and fixed assets such as television station facilities. Depreciation and amortisation costs for the current year are consistent with prior year costs.

Interest and financing costs have decreased slightly from $29.3 million to $29.2 million despite an additional $14.0 million of bank debt as at 30 June. SKY drew an additional $105 million of debt in December 2012 to pay a special dividend of 32 cents per share. SKY's weighted average interest cost was 5.7% compared to 5.8% in 2012, as follows.

	2013	2012
Bank loans	**6.6%**	6.7%
Bonds	**4.5%**	4.5%
Finance lease	**6.9%**	6.9%
Combined weighted average	**5.7%**	**5.8%**

Taxation expense has increased by $7.9 million (16.2%) to $56.8 million reflecting the increase in pre-tax profit.

Capital expenditure

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

IN NZD MILLIONS	2013	2012	2011	2010	2009
Subscriber equipment	**22.9**	57.4	44.6	40.5	63.2
Installation costs	**40.2**	48.9	50.9	62.0	46.5
Building	**1.4**	0.9	3.7	4.3	0.9
HD Broadcasting Truck	**–**	2.6	7.5	14.7	8.6
Other	**17.9**	27.1	28.3	17.5	13.0
Capital expenditure	**82.4**	136.9	135.0	139.0	132.2
Acquisition of OSB assets	**–**	–	34.7	–	–
Total capital expenditure	**82.4**	**136.9**	**169.7**	**139.0**	**132.2**

Capital expenditure decreased by $54.5 million in 2013 to $82.4 million.

Subscriber equipment expenditure decreased by $34.5 million, mainly due to the increase in MY SKY decoder inventory in the prior year. This was to ensure there were sufficient MY SKY decoders on hand for the expected demand due to the Olympics. In the current year 68,000 decoders were purchased compared to 155,000 in the prior year. MY SKY inventory has reduced from 43,724 decoders at 30 June 2012 to 24,888 at 30 June 2013.

Installation costs were down by $8.7 million due to there being fewer installations in the current year.

Other capital expenditure totaling $17.9 million compared to $27.1 million in the prior year which included $12.3 million of infrastructure and technology development for Igloo. Capital expenditure for Igloo in the current year was only $2.6 million.

Commerce Commission

The Commerce Commission investigation into SKY's agreements with Retail Service Providers (RSP's) is yet to be resolved. The investigation commenced in May 2012. SKY is continuing to cooperate with the Commission to clarify the Commission's understanding of SKY's agreements and to answer questions as they arise.

BEHIND THE SCENES

2013 FINANCIALS

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	2013	2012	2011	2010	2009
For the year ended 30 June					
Total revenue	**885,024**	843,074	796,948	741,836	691,959
Total operating expenses (1)	**531,884**	507,052	475,273	454,336	430,998
EBITDA (2)	**353,140**	**336,022**	**321,675**	**287,500**	**260,961**
Less/(plus)					
Depreciation and amortisation	**134,260**	134,119	124,954	112,506	96,076
Net interest expense and financing charges	**29,193**	29,346	25,330	30,974	36,559
Unrealised losses/(gains) on currency and other	**692**	923	(641)	(2,498)	2,524
Net profit before income tax	**188,995**	**171,634**	**172,032**	**146,518**	**125,802**

BALANCE SHEET – FIVE YEAR SUMARY

IN NZD 000	2013	2012	2011	2010	2009
As at 30 June					
Property, plant, equipment and non-current intangibles	**338,002**	388,646	391,268	342,124	315,665
Goodwill	**1,424,494**	1,424,494	1,424,494	1,423,427	1,423,427
Total assets	**1,900,293**	1,962,467	1,940,560	1,909,161	1,872,797
Total debt and lease obligations	**483,786**	472,469	418,303	472,117	500,550
Working capital (3)	**(39,790)**	(20,717)	(26,391)	3,550	(7,496)
Total liabilities	**718,396**	708,603	643,016	658,214	666,272
Total equity	**1,181,897**	**1,253,864**	**1,297,544**	**1,250,947**	**1,206,525**

(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	2013	2012	2011	2010	2009
For the year ended 30 June					
Capital expenditure (accrual basis) (1)	**83,628**	132,321	139,554	138,994	132,178
Free cash inflows/(outflows) (2)	**208,223**	136,067	122,681	98,480	58,049

(1) This does not include assets purchased as part of the acquisition of OSB in July 2010, and "'The Arts Channel" in 2009.

(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)	2013	2012	2011	2010	2009
Interim dividend (paid in March)	**12.0**	11.0	8.0	7.0	7.0
Final dividend (paid in September)	–	11.0	10.5	7.0	7.0
Total ordinary dividend	**12.0**	**22.0**	**18.5**	**14.0**	**14.0**
Add special dividend	–	32.0	25.0	–	–
Total dividend paid	**12.0**	**54.0**	**43.5**	**14.0**	**14.0**

FINANCIAL TRENDS STATEMENT (CONTINUED)

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

TOTAL DBS AND OTHER SUBSCRIBERS

As at 30 June	2013	2012	2011	2010	2009
Subscribers – UHF:					
Residential	**–**	–	–	–	22,772
Commercial	**–**	–	–	–	400
Total UHF	**–**	**–**	**–**	**–**	**23,172**
Subscribers – DBS (Satellite):					
Residential	**690,990**	690,267	675,221	659,233	623,564
Residential – wholesale (1)	**131,555**	129,323	124,712	118,403	111,260
Commercial	**8,494**	9,140	8,684	8,557	8,167
Total DBS	**831,039**	**828,730**	**808,617**	**786,193**	**742,991**
Subscribers – Other: (2)	**24,859**	**18,201**	**20,804**	**16,204**	**12,739**
Total subscribers	**855,898**	**846,931**	**829,421**	**802,397**	**778,902**
MY SKY subscribers (3)	**456,419**	382,495	279,875	189,975	103,991
Total number of households in New Zealand (4)	**1,678,100**	1,659,600	1,640,900	1,622,200	1,603,400
Percentage of households subscribing to the SKY network:					
Total UHF and DBS – residential	**49.0%**	49.4%	48.7%	47.9%	47.2%
Gross churn rate (5)	**14.4%**	14.2%	14.0%	13.9%	14.0%
Average monthly revenue per residential subscriber (NZD):					
UHF	**n/a**	n/a	n/a	30.82	37.24
DBS excluding wholesale	**62.53**	62.65	65.19	65.76	66.57
Wholesale	**67.08**	64.66	61.78	55.51	53.30
MY SKY	**86.89**	84.69	84.79	84.61	78.02
Total UHF, DBS and MY SKY including wholesale	**75.83**	**71.93**	**70.45**	**67.61**	**64.00**
Additional outlets					
Additional outlets (Multiroom):					
UHF	**–**	–	–	–	12,086
Satellite	**192,586**	171,901	151,509	127,703	91,888
Total	**192,586**	**171,901**	**151,509**	**127,703**	**103,974**

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

(2) 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.

(3) Included in total subscribers.

(4) Based on New Zealand Government census data as of March 2006. Prior year comparatives have been adjusted to reflect updated census data.

(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 2013 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 2013.

The board of directors of Sky Network Television Limited authorise these financial statements for issue on 22 August 2013.

For and on behalf of the board of directors

Peter Macourt

Peter Macourt
Chairman

Robert Bryden
Director

Date: 22 August 2013

INCOME STATEMENT

For the year ended 30 June 2013

		GROUP		COMPANY	
IN NZD 000	**Notes**	**2013**	**2012**	**2013**	**2012**
Revenue					
Residential satellite subscriptions		**726,322**	682,348	**726,322**	682,348
Other subscriptions		**61,965**	60,811	**61,827**	60,811
Installation		**9,448**	13,800	**9,427**	13,782
Advertising		**68,040**	67,235	**68,040**	67,235
Other income		**19,249**	18,880	**9,242**	10,975
		885,024	843,074	**874,858**	835,151
Expenses					
Programme rights		**229,206**	216,131	**228,856**	215,820
Programme operations		**60,114**	57,546	**64,790**	62,770
Subscriber management		**62,719**	64,608	**59,458**	61,473
Sales and marketing		**38,754**	39,387	**36,535**	36,706
Advertising		**20,842**	19,858	**20,842**	19,858
Broadcasting and infrastructure		**88,320**	84,529	**85,208**	83,963
Depreciation and amortisation	6	**134,260**	134,119	**125,586**	125,756
Corporate	15/11	**31,929**	24,993	**33,278**	26,087
		666,144	641,171	**654,553**	632,433
Operating profit		**218,880**	**201,903**	**220,305**	**202,718**
Financial (expense)/income					
Finance income		**638**	2,082	**1,819**	3,406
Finance expense		**(29,831)**	(31,428)	**(28,739)**	(30,130)
Realised exchange loss		**(730)**	(1,172)	**(722)**	(1,163)
Unrealised exchange gain		**38**	249	**83**	259
	7	**(29,885)**	(30,269)	**(27,559)**	(27,628)
Profit before tax		**188,995**	**171,634**	**192,746**	**175,090**
Income tax expense	8	**56,780**	48,847	**55,938**	50,586
Profit after tax		**132,215**	**122,787**	**136,808**	**124,504**
Non-controlling interest		**(4,982)**	(883)	**–**	–
Attributable to equity holders of the Company		**137,197**	**123,670**	**–**	–
Earnings per share					
Basic and diluted earnings per share (cents)	9	**35.26**	31.78		

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

		GROUP		COMPANY	
IN NZD 000	**Note**	**2013**	**2012**	**2013**	**2012**
Profit for the year		**132,215**	122,787	**136,808**	124,504
Other comprehensive income Items that may be reclassified subsequently to profit and loss					
Cash flow hedges, net of tax	23	**9,845**	2,233	**9,700**	2,336
Other comprehensive income for the year, net of income tax		**9,845**	2,233	**9,700**	2,336
Total comprehensive income for the year		**142,060**	**125,020**	**146,508**	**126,840**
Attributable to:					
Equity holders of the Company		**147,042**	125,903	**146,508**	126,840
Non-controlling interest		**(4,982)**	(883)	**–**	–
		142,060	**125,020**	**146,508**	**126,840**

BALANCE SHEET

As at 30 June 2013

		GROUP		COMPANY	
IN NZD 000	**Notes**	**2013**	**2012**	**2013**	**2012**
Current assets					
Cash and cash equivalents		**20,676**	27,903	**13,664**	14,654
Trade and other receivables	10	**72,130**	73,572	**72,314**	74,557
Inventory	11	**934**	3,062	**–**	–
Programme rights inventory	12	**39,362**	42,188	**39,362**	42,188
Derivative financial instruments	20	**2,324**	1,013	**2,266**	1,013
		135,426	147,738	**127,606**	132,412
Non-current assets					
Property, plant and equipment	13	**303,305**	364,335	**271,901**	319,087
Other intangible assets	14	**34,697**	24,311	**26,094**	24,220
Shares in subsidiary companies	15	**–**	–	**14,179**	14,544
Related party advance	27	**–**	–	**12,964**	17,243
Deferred tax asset	17	**–**	1,159	**–**	–
Goodwill	16	**1,424,494**	1,424,494	**1,422,465**	1,422,465
Derivative financial instruments	20	**2,371**	430	**2,371**	430
		1,764,867	1,814,729	**1,749,974**	1,797,989
Total assets		**1,900,293**	**1,962,467**	**1,877,580**	**1,930,401**
Current liabilities					
Borrowings	19	**3,288**	3,078	**–**	–
Trade and other payables	18	**163,512**	153,726	**160,538**	147,245
Income tax payable		**9,380**	13,716	**11,365**	15,810
Derivative financial instruments	20	**6,821**	11,386	**6,821**	11,134
		183,001	181,906	**178,724**	174,189
Non-current liabilities					
Borrowings	19	**281,484**	270,676	**270,835**	256,740
Bonds	19	**199,014**	198,715	**199,014**	198,715
Deferred tax	17	**40,122**	34,811	**36,390**	32,901
Derivative financial instruments	20	**14,388**	22,143	**14,388**	22,143
Provisions	21	**387**	352	**387**	352
		535,395	526,697	**521,014**	510,851
Total liabilities		**718,396**	708,603	**699,738**	685,040
Equity					
Share capital	22	**577,403**	577,403	**577,403**	577,403
Hedging reserve	23	**(9,960)**	(19,805)	**(10,002)**	(19,702)
Retained earnings	24	**607,089**	684,084	**610,441**	687,660
Total equity attributable to equity holders of the Company		**1,174,532**	1,241,682	**1,177,842**	1,245,361
Non-controlling interest		**7,365**	12,182	**–**	–
Total equity		**1,181,897**	1,253,864	**1,177,842**	1,245,361
Total equity and liabilities		**1,900,293**	**1,962,467**	**1,877,580**	**1,930,401**

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

		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 2012		577,403	(19,805)	684,084	1,241,682	12,182	1,253,864
Profit/(loss) for the year		–	–	137,197	137,197	(4,982)	132,215
Cash flow hedges, net of tax	23	–	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	24	–	–	(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**
Balance at 1 July 2011		577,403	(22,038)	741,364	1,296,729	815	1,297,544
Profit/(loss) for the year		–	–	123,670	123,670	(883)	122,787
Cash flow hedges, net of tax	23	–	2,233	–	2,233	–	2,233
Total comprehensive income/(loss) for the year		**–**	**2,233**	**123,670**	**125,903**	**(883)**	**125,020**
Capital contributed		–	–	–	–	12,250	12,250
Transactions with owners in their capacity as owners							
Dividend paid	24	–	–	(180,950)	(180,950)	–	(180,950)
Supplementary dividends		–	–	(4,499)	(4,499)	–	(4,499)
Foreign investor tax credits		–	–	4,499	4,499	–	4,499
		–	**–**	**(180,950)**	**(180,950)**	**–**	**(180,950)**
Balance at 30 June 2012		**577,403**	**(19,805)**	**684,084**	**1,241,682**	**12,182**	**1,253,864**
COMPANY							
Balance at 1 July 2012		577,403	(19,702)	687,660	1,245,361	–	1,245,361
Profit for the year		–	–	136,808	136,808	–	136,808
Cash flow hedges, net of tax	23	–	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	22	–	–	(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**
Balance at 1 July 2011		577,403	(22,038)	744,106	1,299,471	–	1,299,471
Profit for the year		–	–	124,504	124,504	–	124,504
Cash flow hedges, net of tax	23	–	2,336	–	2,336	–	2,336
Total comprehensive income for the year		**–**	**2,336**	**124,504**	**126,840**	**–**	**126,840**
Transactions with owners in their capacity as owners							
Dividend paid	22	–	–	(180,950)	(180,950)	–	(180,950)
Supplementary dividends		–	–	(4,499)	(4,499)	–	(4,499)
Foreign investor tax credits		–	–	4,499	4,499	–	4,499
		–	**–**	**(180,950)**	**(180,950)**	**–**	**(180,950)**
Balance at 30 June 2012		**577,403**	**(19,702)**	**687,660**	**1,245,361**	**–**	**1,245,361**

STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

		GROUP		COMPANY	
IN NZD 000	**Notes**	**2013**	**2012**	**2013**	**2012**
Cash flows from operating activities					
Profit after tax		**132,215**	122,787	**136,808**	124,504
Plus/(less) non-cash items:					
Depreciation and amortisation	6	**134,260**	134,119	**125,586**	125,756
Unrealised foreign exchange gain	7	**(38)**	(249)	**(83)**	(259)
Bad debts and movement in provision for doubtful debts	6	**5,526**	5,599	**5,521**	5,593
Impairment of inventory	11	**1,405**	403	**–**	–
Amortisation of bond issue costs	7	**299**	299	**299**	299
Movement in deferred tax	8	**2,698**	(3,808)	**(283)**	(4,132)
Other non-cash items		**861**	1,527	**525**	1,149
Items classified as investing activities:					
Gain on disposal of assets		**(16)**	(34)	**(19)**	(34)
Impairment of investment	15	**–**	–	**6,115**	2,213
Movement in working capital items:					
(Increase)/decrease in receivables		**(5,102)**	673	**(5,388)**	1,640
Increase in payables		**8,094**	11,776	**12,963**	7,543
Increase in provision for tax		**6,813**	10,002	**8,988**	12,105
Decrease/(increase) in inventory		**723**	(3,465)	**–**	–
Decrease/(increase) in programme rights		**2,827**	(7,538)	**2,827**	(7,538)
Net cash from operating activities		**290,565**	**272,091**	**293,859**	**268,839**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**30**	859	**30**	859
Acquisition of property, plant, equipment and intangibles		**(82,372)**	(136,883)	**(79,027)**	(121,107)
Acquisition of business	28	**–**	–	**(5,750)**	(12,750)
Net cash used in investing activities		**(82,342)**	**(136,024)**	**(84,747)**	**(132,998)**
Cash flows from financing activities					
Repayment of borrowings – bank loan	19	**(155,000)**	(300,000)	**(155,000)**	(300,000)
Advances received – bank loan	19	**169,000**	358,000	**169,000**	358,000
Related party advance		**–**	–	**–**	(3,308)
Related party advance repayment		**–**	–	**2,243**	2,413
Payment of bank facility fees		**(1,247)**	(1,500)	**(1,247)**	(1,500)
Capital introduced by non-controlling interest	28	**–**	12,250	**–**	–
Payment of finance lease liabilities		**(3,105)**	(2,899)	**–**	–
Dividends paid		**(225,098)**	(185,449)	**(225,098)**	(185,449)
Net cash used in financing activities		**(215,450)**	**(119,598)**	**(210,102)**	**(129,844)**
Net (decrease)/increase in cash and cash equivalents		**(7,227)**	16,469	**(990)**	5,997
Cash and cash equivalents at beginning of year		**27,903**	11,434	**14,654**	8,657
Cash and cash equivalents at end of year		**20,676**	**27,903**	**13,664**	**14,654**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

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 2013 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.

SKY operates as a provider of multi-channel, pay television and free-to-air television services in New Zealand.

On 21 July 2011 SKY established a new company Igloo Limited (IGLOO). SKY initially contributed $12,750,000 and had a 51% interest with TVNZ owning the other 49% having contributed $12,250,000. On 28 June 2013 SKY contributed a further $5,750,000 bringing its interest to 66% with TVNZ owning the other 34%. IGLOO delivers a low cost pay television service over the digital terrestrial network which includes 11 pay channels as well as the free-to-air channels. In addition IGLOO offers pay-per-view sport and movies. IGLOO is a subsidiary of SKY and has been fully consolidated into the Group's results.

These financial statements were authorised for issue by the Board on 22 August 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements are for the year ended 30 June 2013. 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 2013) 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.

The following are the new standards and amendments to standards which are effective for the first time for the financial year beginning 1 July 2012 and which are relevant to the Group. These amendments do not result in material accounting or disclosure changes for the Group other than the presentation format in the Statement of Cash Flows.

NZ IAS 1: Amendments to NZ IAS 1: Presentation of Items of Other Comprehensive Income (Effective date periods beginning on or after 1 July 2012).

NZ IAS 12 (amendment): Income Tax-Deferred Tax: Recovery of Underlying Assets (Effective date: periods beginning on or after 1 January 2012).

NZ IAS 7: Statement of cash flow: The presentation has been changed from the direct to the indirect format.

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

Annual improvements to NZ IFRS 2009-2011 (Effective date: periods beginning on or after 1 January 2013).

NZ IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities (Effective date: periods beginning on or after 1 January 2013).

NZ IFRS 10: Consolidated Financial Statements (Effective date: periods beginning on or after 1 January 2013).

NZ IFRS 11: Joint Arrangements (Effective date: periods beginning on or after 1 January 2013).

NZ IFRS 12: Disclosure of Interests in Other Entities (Effective date: periods beginning on or after 1 January 2013).

NZ IFRS 13: Fair Value Measurement (Effective date: periods beginning on or after 1 January 2013).

NZ IAS 19: Employee Benefits (Effective date: periods beginning on or after 1 January 2013).

NZ IAS 27: Separate Financial Statements (Effective date: periods beginning on or after 1 January 2013).

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

NZ IFRS 9: Financial Instruments (Effective date: periods beginning on or after 1 January 2015).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The directors anticipate that the adoption of these standards and interpretations in future periods, other than NZ IFRS 9 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.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments (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 acquirer. 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, 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. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

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

Transactions and non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. A change in the ownership interest of a subsidiary, without a change of control is accounted for as an equity transaction.

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. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. 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 equity.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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
Studio and broadcasting 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 of the acquired subsidiary at the date of acquisition. 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.

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.

Renewal rights

Renewal rights for programmes are capitalised at cost and amortised on a straight line basis over the period that any new rights are acquired. If a contract is not expected to be renewed the costs are expensed.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Financial assets at fair value through profit or loss

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

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.

Short term investments

Short term investments comprise call deposits with maturities of three months or more but less than one year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 face 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.

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. Changes in the fair value of derivatives qualifying as cash flow hedges are recognised in equity. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using quoted forward interest rates for periods with terms to maturity that match as closely as possible the estimated future cash flows.

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.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 televisions services in New Zealand.

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.

3. FINANCIAL RISK MANAGEMENT CONTINUED

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. 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%	30%
Opex	Variable commitments	0-12 months	85%	95%
		13-36 months	0%	70%
		> 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 approximately 45% to 90% of its borrowings in fixed rate instruments.

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. Occasionally, 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.

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 has an undrawn facility balance of $128,000,000 (June 2012: $142,000,000) that can be drawn down to meet short-term working capital requirements (refer note 19). 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 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	101,660	(101,660)	(101,660)	–	–	–
Derivative financial liabilities							
Forward exchange contracts used for hedging – net outflow/inflow (1)	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)
		606,655	**(697,739)**	**(135,007)**	**(30,027)**	**(259,998)**	**(272,707)**
At 30 June 2012							
Non derivative financial liabilities							
Secured bank loans	19	256,740	(316,330)	(11,558)	(11,558)	(34,674)	(258,540)
Lease liabilities	19	17,014	(19,591)	(4,170)	(4,170)	(11,251)	–
Bonds	19	198,715	(230,930)	(7,200)	(7,200)	(216,530)	–
Trade and other payables	18	93,700	(93,700)	(93,700)	–	–	–
Derivative financial liabilities							
Forward exchange contracts used for hedging – net outflow/inflow	20	9,310	(9,969)	(8,512)	(1,457)	–	–
Interest rate swaps (1)	20	24,219	(31,723)	(7,652)	(6,813)	(13,181)	(4,077)
		599,698	**(702,243)**	**(132,792)**	**(31,198)**	**(275,636)**	**(262,617)**

Trade and other payables (note 18) includes unearned subscriptions and deferred revenues totalling $61,852,000 (2012: $60,026,000) 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 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)
YEN			(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
YEN	77.1665	98,658	1,279	1,279	–	–
			(5,771)	**(4,198)**	**(1,027)**	**(546)**
At 30 June 2012						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD			(132,335)	(97,351)	(34,984)	–
AUD			(74,372)	(74,372)	–	–
CAD			(1,678)	(1,678)	–	–
Inflow (at year end market rate)						
USD	0.7975	97,756	122,578	89,051	33,527	–
AUD	0.7841	58,203	74,229	74,229	–	–
CAD	0.8174	1,315	1,609	1,609	–	–
			(9,969)	**(8,512)**	**(1,457)**	**–**

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 2012.

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 22, 23 and 24 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.

3. FINANCIAL RISK MANAGEMENT CONTINUED

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

		GROUP	
IN NZD 000	**Note**	**2013**	**2012**
Debt	19	**483,786**	472,469
Cash and cash equivalents		**(20,676)**	(27,903)
Net debt		**463,110**	444,566
Equity		**1,181,897**	**1,253,864**
Net debt to equity ratio		**39%**	35%

The Group is subject to externally imposed debt limits with which it has complied for the entire year reported (2012: 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 are all fair 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.

		GROUP	
IN NZD 000	**Notes**	**2013**	**2012**
Assets measured at fair value			
Financial assets at fair value through profit or loss			
Trading derivatives – dedesignated or not hedge accounted		**528**	293
Derivatives used for hedging – cash flow hedges		**4,167**	1,150
Total assets	20	**4,695**	**1,443**
Liabilities measured at fair value			
Financial liabilities at fair value through profit or loss			
Trading derivatives – dedesignated or not hedge accounted		**(808)**	(2,031)
Derivatives used for hedging – cash flow hedges		**(20,401)**	(31,498)
Total liabilities	20	**(21,209)**	**(33,529)**

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

		GROUP				COMPANY			
		2013		2012		2013		2012	
IN NZD 000	Notes	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		**20,676**	**20,676**	27,903	27,903	**13,664**	**13,664**	14,654	14,654
Trade and other receivables	10	**68,410**	**68,410**	65,834	65,834	**69,249**	**69,249**	67,371	67,371
Related party advance	27	**–**	**–**	–	–	**15,020**	**16,469**	19,548	21,797
Total assets		**89,086**	**89,086**	**93,737**	**93,737**	**97,933**	**99,382**	**101,573**	**103,822**
Financial liabilities held at amortised cost									
Borrowings	19	**270,835**	**270,061**	256,740	256,147	**270,835**	**270,061**	256,740	256,147
Lease liabilities	19	**13,937**	**15,000**	17,014	17,610	**–**	**–**	–	–
Bonds	19	**199,014**	**191,000**	198,715	178,800	**199,014**	**191,000**	198,715	178,800
Trade and other payables	18	**101,660**	**101,660**	93,700	93,700	**98,831**	**98,831**	87,327	87,327
Total liabilities		**585,446**	**577,721**	**566,169**	**546,257**	**568,680**	**559,892**	**542,782**	**522,274**

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

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

The fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of loans from banks and lease liabilities is estimated 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 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 $1,424 million and $14 million respectively (30 June 2012: $1,424 million and $14 million). An impairment loss of $6.1 million has been recognised on SKY's investment in Igloo and $2.2 million was recognised on SKY's investment in Screen Enterprises Limited in the prior year. Details of the value-in-use calculation are provided in note 16.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

b) Estimated life of technical assets

The estimated life of technical assets such as satellite transponders, 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 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.

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

		GROUP		COMPANY	
IN NZD 000	**Notes**	**2013**	**2012**	**2013**	**2012**
Depreciation and amortisation					
Depreciation of property, plant and equipment	13	**124,580**	124,881	**117,083**	116,602
Amortisation of intangibles	14	**9,680**	9,238	**8,503**	9,154
Total depreciation and amortisation		**134,260**	**134,119**	**125,586**	**125,756**
Impairment					
Impairment of investment	15	**–**	–	**6,115**	2,213
Impairment of inventory	11	**1,405**	403	**–**	–
Total depreciation, amortisation and impairment		**135,665**	**134,522**	**131,701**	**127,969**
Bad and doubtful debts					
Movement in provision		**(1,279)**	(1,452)	**(1,281)**	(1,447)
Net write-off		**5,526**	5,599	**5,521**	5,593
Total bad and doubtful debts	10	**4,247**	**4,147**	**4,240**	**4,146**
Fees paid to auditors					
Audit fees paid to principal auditors		**243**	249	**200**	214
Other assurance services by principal auditors					
Audit of regulatory returns		**4**	4	**4**	4
Greenhouse gas inventory review		**–**	14	**–**	14
Advisory services by principal auditors – Treasury		**24**	–	**24**	–
Total fees to auditors		**271**	**267**	**228**	**232**
Donations		**353**	**329**	**353**	**329**
Employee costs		**85,875**	**82,967**	**80,898**	**78,452**
Directors' fees		**480**	**507**	**480**	**507**
Operating lease and rental expenses		**38,416**	**38,763**	**37,237**	**37,872**

7. FINANCIAL (EXPENSE)/INCOME

	GROUP		COMPANY	
IN NZD 000	**2013**	**2012**	**2013**	**2012**
Finance income				
Interest income	**132**	924	**1,313**	2,248
Interest rate swaps – fair value gains	**506**	1,158	**506**	1,158
	638	2,082	**1,819**	3,406
Finance expense				
Interest expense on bank loans	**(18,075)**	(18,561)	**(18,075)**	(18,561)
Interest expense on bonds	**(8,802)**	(8,979)	**(8,802)**	(8,979)
Interest rate swaps – fair value loss	**(222)**	(921)	**(222)**	(921)
Finance lease interest	**(1,092)**	(1,298)	**–**	–
Amortisation of bond costs	**(299)**	(299)	**(299)**	(299)
Bank facility finance fees	**(1,341)**	(1,370)	**(1,341)**	(1,370)
Total interest expense(net)	**(29,831)**	(31,428)	**(28,739)**	(30,130)
Unrealised exchange (loss)/gain – foreign currency payables	**(1,060)**	(682)	**(906)**	(783)
Unrealised exchange gain/(loss) – foreign currency hedges	**1,098**	931	**989**	1,042
Realised exchange loss – foreign currency payables	**(1,475)**	(1,563)	**(1,467)**	(1,554)
Realised exchange gain – foreign currency hedges	**745**	391	**745**	391
	(29,885)	**(30,269)**	**(27,559)**	**(27,628)**

During the year, interest of $439,000 (2012: $567,000) 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:

		GROUP		COMPANY	
IN NZD 000	**Note**	**2013**	**2012**	**2013**	**2012**
Profit before tax		**188,995**	**171,634**	**192,746**	**175,090**
Prima facie tax expense at 28%		**52,919**	48,058	**53,969**	49,025
Non deductible expenses		**2,516**	890	**2,509**	880
Prior year adjustment		**19**	357	**(455)**	357
Current year tax loss not recognised		**1,330**	–	**–**	–
Other		**(4)**	(458)	**(85)**	324
Income tax expense		**56,780**	**48,847**	**55,938**	**50,586**
Allocated between					
Current tax payable		**54,082**	52,655	**56,221**	54,718
Deferred tax	17	**2,698**	(3,808)	**(283)**	(4,132)
Income tax expense		**56,780**	**48,847**	**55,938**	**50,586**

Imputation credits				
Imputation credits available for subsequent reporting periods based on a tax rate of 28%	**13,466**	**44,265**	**13,466**	**44,166**

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.

For the year ended 30 June 2013

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	
	2013	**2012**
Profit after tax attributable to equity holders of Parent (NZD 000)	**137,197**	123,670
Weighted average number of ordinary shares on issue (thousands)	**389,140**	389,140
Basic earnings per share (cents)	**35.26**	**31.78**
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.

10. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
IN NZD 000	**Notes**	**2013**	**2012**	**2013**	**2012**
Trade receivables		**67,651**	66,232	**66,243**	64,318
Less provision for impairment of receivables		**(1,387)**	(2,666)	**(1,379)**	(2,660)
Trade receivables – net		**66,264**	63,566	**64,864**	61,658
Receivable from group subsidiaries	27	**–**	–	**300**	1,151
Current portion of advance to subsidiary	27	**–**	–	**2,056**	2,305
Other receivables		**2,146**	2,268	**2,029**	2,257
Prepaid expenses		**3,720**	7,738	**3,065**	7,186
Balance at end of year		**72,130**	**73,572**	**72,314**	**74,557**
Deduct prepaid expenses		**(3,720)**	(7,738)	**(3,065)**	(7,186)
Balance financial instruments	29	**68,410**	**65,834**	**69,249**	**67,371**

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.

10. TRADE AND OTHER RECEIVABLES CONTINUED

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.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	GROUP			
	Gross	Impairment	Gross	Impairment
IN NZD 000	2013		2012	
Residential subscribers	**44,136**	**1,162**	43,475	2,250
Commercial subscribers	**4,393**	**8**	4,099	23
Wholesale customers	**8,733**	**–**	8,071	–
Advertising	**7,257**	**25**	6,017	139
Commercial music	**118**	**8**	154	5
Other	**3,014**	**184**	4,416	249
	67,651	**1,387**	**66,232**	**2,666**

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

	2013			2012		
IN NZD 000	Neither past due nor impaired	Past due not impaired	Impaired	Neither past due nor impaired	Past due not impaired	Impaired
Not past due	**57,709**	**–**	**–**	54,274	–	–
Past due 0-30 days	**–**	**6,700**	**31**	–	6,613	70
Past due 31-60 days	**–**	**1,446**	**20**	–	1,838	85
Past due 61-90 days	**–**	**404**	**307**	–	464	541
Greater than 90 days	**–**	**5**	**1,029**	–	377	1,970
	57,709	**8,555**	**1,387**	**54,274**	**9,292**	**2,666**

Accounts receivables relating to advertising sales are individually impaired when it is clear that the debt is unlikely to be recovered. Impairment for all other trade receivables is calculated as a percentage of overdue subscribers in various time buckets based on historical performance of subscriber payments.

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

		GROUP	
IN NZD 000	Note	2013	2012
Opening balance		**2,666**	4,118
Charged during the year	6	**4,247**	4,147
Utilised during the year		**(5,526)**	(5,599)
Closing balance		**1,387**	**2,666**

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.

For the year ended 30 June 2013

11. INVENTORY

	GROUP	
IN NZD 000	**2013**	**2012**
Decoder inventory	**2,718**	3,454
Other inventory	**24**	11
Less provision for impairment of decoder stock	**(1,808)**	(403)
Balance at end of year	**934**	**3,062**

Inventory relates to decoder stock held by SKY's subsidiary IGLOO. Inventory impairment recognised as an expense for the year ended 30 June 2013 amounted to $1,405,000 (30 June 2012: $403,000). This expense is included in corporate expenses in the Group accounts.

12. PROGRAMME RIGHTS INVENTORY

	GROUP AND COMPANY	
IN NZD 000	**2013**	**2012**
Cost	**93,908**	97,107
Less amortisation	**(54,546)**	(54,919)
Balance at end of year	**39,362**	**42,188**

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 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**
Cost							
Balance at 1 July 2011	48,481	141,618	485,446	456,990	46,355	11,542	1,190,432
Transfer between categories	–	8,689	–	–	–	(8,689)	–
Additions	913	723	52,873	48,635	4,794	21,700	129,638
Disposals	(777)	(2)	(5,790)	–	(1,056)	–	(7,625)
Balance at 30 June 2012	**48,617**	**151,028**	**532,529**	**505,625**	**50,093**	**24,553**	**1,312,445**
Accumulated depreciation							
Balance at 1 July 2011	10,366	85,878	376,766	331,804	25,215	–	830,029
Depreciation for the year	1,930	20,891	48,712	48,321	5,027	–	124,881
Disposals	–	–	(5,790)	–	(1,010)	–	(6,800)
Balance at 30 June 2012	**12,296**	**106,769**	**419,688**	**380,125**	**29,232**	**–**	**948,110**
Net book value at 30 June 2012	**36,321**	**44,259**	**112,841**	**125,500**	**20,861**	**24,553**	**364,335**

For the year ended 30 June 2013

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 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**
Cost							
Balance at 1 July 2011	48,481	121,483	485,446	456,990	27,963	2,853	1,143,216
Additions	913	723	52,873	48,635	1,322	9,401	113,867
Disposals	(777)	(2)	(5,790)	–	(1,024)	–	(7,593)
Balance at 30 June 2012	**48,617**	**122,204**	**532,529**	**505,625**	**28,261**	**12,254**	**1,249,490**
Accumulated depreciation							
Balance at 1 July 2011	10,366	80,579	376,766	331,804	21,078	–	820,593
Depreciation for the year	1,930	14,752	48,712	48,321	2,887	–	116,602
Disposals	–	–	(5,790)	–	(1,002)	–	(6,792)
Balance at 30 June 2012	**12,296**	**95,331**	**419,688**	**380,125**	**22,963**	**–**	**930,403**
Net book value at 30 June 2012	**36,321**	**26,873**	**112,841**	**125,500**	**5,298**	**12,254**	**319,087**

Land, buildings and leasehold improvements at 30 June 2013 includes land with a cost of $4,986,000 (30 June 2012: $4,986,000).

Additions in the current year to property, plant and equipment include $239,000 of interest capitalised at an average borrowing rate of 6.58% (30 June 2012: $325,000 at an average borrowing rate of 5.56%) and $757,000 of capitalised labour costs (30 June 2012: $2,162,000).

The net book value of assets subject to finance leases totals $13,254,000 (30 June 2012: $15,904,000) of which $11,947,000 (30 June 2012: $14,336,000) is included in broadcasting and studio equipment and $1,307,000 (30 June 2012: $1,568,000) 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 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**
Cost					
Balance at 1 July 2011	55,935	5,447	37,088	3,167	101,637
Additions	2,684	–	–	–	2,684
Disposals	(24)	–	–	–	(24)
Balance at 30 June 2012	**58,595**	**5,447**	**37,088**	**3,167**	**104,297**
Accumulated amortisation					
Balance at 1 July 2011	30,946	676	36,440	2,710	70,772
Amortisation for the year	7,799	540	648	251	9,238
Disposals	(24)	–	–	–	(24)
Balance at 30 June 2012	**38,721**	**1,216**	**37,088**	**2,961**	**79,986**
Net book value at 30 June 2012	**19,874**	**4,231**	**–**	**206**	**24,311**

For the year ended 30 June 2013

14. OTHER INTANGIBLE ASSETS CONTINUED

COMPANY

IN NZD 000	Software	Broadcasting rights	Renewal rights	Other intangibles	Total
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**
Cost					
Balance at 1 July 2011	55,414	5,447	37,088	2,536	100,485
Additions	2,655	–	–	–	2,655
Disposals	(23)	–	–	–	(23)
Balance at 30 June 2012	**58,046**	**5,447**	**37,088**	**2,536**	**103,117**
Accumulated amortisation					
Balance at 1 July 2011	30,569	676	36,440	2,081	69,766
Amortisation for the year	7,715	540	648	251	9,154
Disposals	(23)	–	–	–	(23)
Balance at 30 June 2012	**38,261**	**1,216**	**37,088**	**2,332**	**78,897**
Net book value at 30 June 2012	**19,785**	**4,231**	**–**	**204**	**24,220**

Additions in the current year to software include $200,000 of interest capitalised at an average borrowing rate of 6.58% (30 June 2012: $242,000 at an average borrowing rate of 5.56%) and $2,176,000 of capitalised labour costs (30 June 2012: $122,000).

15. SHARES IN SUBSIDIARY COMPANIES

The Company's investment in its subsidiaries comprises shares at cost less any provision for impairment. All subsidiaries have a balance date of 30 June.

	Principal activity	Parent		Interest held	
Name of entity			**Note**	**2013**	**2012**
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		**51.00%**	51.00%
Igloo Limited	Multi-channel pay television	SKY	28	**66.02%**	51.00%

Cost of investments

		COMPANY	
IN NZD 000	**Note**	**2013**	**2012**
Sky DMX Music Limited		**5**	5
Screen Enterprises Limited		**4,002**	4,002
Igloo Limited		**18,500**	12,750
		22,507	16,757
Less impairment of investment	6	**(8,328)**	(2,213)
Net value of investments		**14,179**	**14,544**

Igloo Limited was incorporated on 21 July 2011. SKY initially contributed $12,750,000 and had a 51% interest with TVNZ owning the other 49%. On 30 June 2013 SKY contributed an additional $5,750,000 bringing its shareholding to 66%. At the same time an impairment of $6,115,000 was recognised on the value of the initial investment (refer note 28). The impairment charge is included in corporate expenses in the Parent Accounts (note 6).

In the prior year, SKY revised its growth assumptions in relation to Screen Enterprises Limited, the forecasts for which have been adversely impacted by technology changes. Consequently, an impairment of $2,213,000 was recognised in the carrying value of the investment in the Parent's financial statements. The charge was included in corporate expenses (note 6). The Group results for the year and assets were not affected as the goodwill on consolidation arising on the original investment in this entity in June 2008 was reduced through the elimination of gains not realised outside the Group.

No further impairment has been recognised in the current year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2013

16. GOODWILL

	GROUP		COMPANY	
IN NZD 000	**2013**	**2012**	**2013**	**2012**
Balance at beginning of year and end of year	**1,424,494**	**1,424,494**	**1,422,465**	**1,422,465**
Goodwill has arisen on the following acquisitions:				
Merger of SKY and INL	**1,405,169**	1,405,169	**1,405,169**	1,405,169
Acquisition of Prime	**16,946**	16,946	**16,946**	16,946
Acquisition of the Arts Channel	**350**	350	**350**	350
Acquisition of Screen Enterprises	**962**	962	**–**	–
Acquisition of OSB	**1,067**	1,067	**–**	–
	1,424,494	**1,424,494**	**1,422,465**	**1,422,465**

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, subscription 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 (2012: 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	2013	2012
Customer churn rates	**14.4%**	13.1%-11.7%
Net gain in customer numbers (excl. churn)	**10,000 - 30,000**	31,000
Pre-tax discount rate	**13.2%**	13.2%
USD FX rate	**0.82 - 0.72**	0.80-0.63
Long term growth rate	**1.00%**	1.00%

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 possible change in any of the key assumptions would cause the carrying value of goodwill to exceed its recoverable amount.

17. DEFERRED TAX

	GROUP		COMPANY	
IN NZD 000	**2013**	**2012**	**2013**	**2012**
Deferred tax asset	**–**	1,159	**–**	–
Deferred tax liability	**(40,122)**	(34,811)	**(36,390)**	(32,901)
Closing balance	**(40,122)**	**(33,652)**	**(36,390)**	**(32,901)**

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 2013						
At 1 July 2012		(27,416)	(21,576)	7,639	7,701	(33,652)
NZ IAS 39 hedging adjustment credited direct to equity	23	–	–	–	(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)**
For the year ended 30 June 2012						
At 1 July 2011		(30,277)	(19,183)	4,299	8,570	(36,591)
NZ IAS 39 hedging adjustment credited direct to equity	23	–	–	–	(869)	(869)
Credited/(charged) to income statement	8	2,861	(2,393)	3,340	–	3,808
Balance at 30 June 2012		**(27,416)**	**(21,576)**	**7,639**	**7,701**	**(33,652)**
Deferred tax reversing within 12 months		4,319	(15,498)	6,651	1,924	(2,604)
Deferred tax to be recovered after more than 12 months		(31,735)	(6,078)	988	5,777	(31,048)
		(27,416)	**(21,576)**	**7,639**	**7,701**	**(33,652)**

For the year ended 30 June 2013

17. DEFERRED TAX CONTINUED

COMPANY

IN NZD 000	Notes	Fixed assets	Leased assets	Other	Hedges through equity	Total
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 equity	23	–	–	–	(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)**
For the year ended 30 June 2012						
At 1 July 2011		(29,449)	(19,501)	4,256	8,570	(36,124)
NZ IAS 39 hedging adjustment credited direct to equity	23	–	–	–	(909)	(909)
Credited/(charged) to income statement	8	4,246	(2,295)	2,181	–	4,132
Balance at 30 June 2012		**(25,203)**	**(21,796)**	**6,437**	**7,661**	**(32,901)**
Deferred tax reversing within 12 months		6,036	(15,585)	6,437	1,884	(1,228)
Deferred tax to be recovered after more than 12 months		(31,239)	(6,211)	–	5,777	(31,673)
		(25,203)	**(21,796)**	**6,437**	**7,661**	**(32,901)**

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.

In the prior year deferred tax assets were recognised for tax loss carry forwards relating to IGLOO to the extent that the realisation of the related future tax benefit was expected to be probable. IGLOO had gross tax losses of $3,035,000 that could be carried forward against future taxable income. The benefit of these losses was recognised in full in the financial statements based on forecasts that indicated that IGLOO expected to utilise the majority of these tax losses within the next four years. The current year tax expense includes the reversal of the prior year deferred tax asset of $850,000 relating to these losses.

IGLOO's most recent forecasts indicate the utilisation of the losses will be incurred over a longer period. Therefore the asset previously recognised has been reversed.

The gross tax losses not recognised at 30 June 2013 were $12,539,000. These 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.

18. TRADE AND OTHER PAYABLES

		GROUP		COMPANY	
IN NZD 000	**Notes**	**2013**	**2012**	**2013**	**2012**
Trade payables		**57,884**	51,668	**55,851**	48,259
Due to related parties	27	**482**	3,343	**1,266**	3,422
Unearned subscriptions		**60,824**	58,249	**60,680**	58,141
Employee entitlements		**11,452**	10,927	**11,066**	10,460
Deferred revenue		**1,028**	1,777	**1,027**	1,777
Accruals		**31,842**	27,762	**30,648**	25,186
Balance at end of year		**163,512**	**153,726**	**160,538**	**147,245**
Less					
Deferred revenue		**(1,028)**	(1,777)	**(1,027)**	(1,777)
Unearned subscriptions		**(60,824)**	(58,249)	**(60,680)**	(58,141)
Balance financial instruments	29	**101,660**	**93,700**	**98,831**	**87,327**

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

For the year ended 30 June 2013

19. BORROWINGS

GROUP

IN NZD 000	2013 Current	2013 Non-current	2013 Total	2012 Current	2012 Non-current	2012 Total
Lease liabilities	**3,288**	**10,649**	**13,937**	3,078	13,936	17,014
Bank loans	**–**	**270,835**	**270,835**	–	256,740	256,740
Bonds	**–**	**199,014**	**199,014**	–	198,715	198,715
	3,288	**480,498**	**483,786**	**3,078**	**469,391**	**472,469**

COMPANY

IN NZD 000	2013 Current	2013 Non-current	2013 Total	2012 Current	2012 Non-current	2012 Total
Bank loans	**–**	**270,835**	**270,835**	–	256,740	256,740
Bonds	**–**	**199,014**	**199,014**	–	198,715	198,715
	–	**469,849**	**469,849**	**–**	**455,455**	**455,455**

$200,000,000 bonds at amortised cost including transaction costs.

Repayment terms

IN NZD 000	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Less than one year	**3,288**	3,078	**–**	–
Between one and five years	**209,663**	212,651	**199,014**	455,455
More than five years	**270,835**	256,740	**270,835**	–
	483,786	**472,469**	**469,849**	**455,455**

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. The loan replaced SKY's 2005 original loan facility and was first drawn down on 16 September 2011. 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 June 2013 the bank facility termination date was extended by twelve months to 17 July 2018.

In the prior year, bank borrowings of $205 million outstanding under the original facility were repaid and a new drawdown of $358 million was taken up. The additional borrowings were used to pay out the special dividend of 25c per share declared in September 2011. In the comparative year "advances received – bank loans" in the cash flow statement included $5 million relating to the original loan and "repayment of borrowings – bank loans" included $95 million for repayment of the new loan.

No security other than a negative pledge over the total Group's assets has been provided.

Fair values

The fair value of the variable rate bank loans at 30 June 2013 was $270.1 million (30 June 2012: $256.1 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.

19. BORROWINGS CONTINUED

Bonds

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

Terms and conditions of outstanding bonds are as follows:

	GROUP AND COMPANY	
	2013	**2012**
Nominal interest rate	**3.19%**	3.60%
Date of maturity	**16 Oct 16**	16 Oct 16
IN NZD 000		
Carrying amount	**199,014**	198,715
Face value	**200,000**	200,000

The bonds are 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 market yield of the bonds at 30 June 2013 was 4.80% (30 June 2012: 6.77%). The fair value of the bonds at 30 June 2013 was $191 million (30 June 2012 $179 million). 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

As at 30 June 2013 borrowings included the lease liabilities taken over as part of the purchase of the net assets acquired from On Site Broadcasting (NZ) Limited. 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	2013	2012
Current	**3,288**	3,078
Non-current	**10,649**	13,936
	13,937	**17,014**
Repayment terms		
Finance lease liabilities – minimum lease payments		
Within one year	**4,143**	4,143
One to five years	**3,684**	7,825
Residual value	**7,547**	7,547
	15,374	**19,515**
Future finance charges on finance leases	**(1,437)**	(2,501)
Present value of finance lease liabilities	**13,937**	**17,014**
The present value of lease liabilities is as follows:		
Within one year	**4,049**	4,053
One to five years	**9,888**	12,961
	13,937	**17,014**

Interest paid in the current period includes $1,092,000 (2012: $1,298,000) relating to finance leases. The effective interest rate is 6.8%.

The fair value of the finance lease liabilities at 30 June 2013 was $15,000,000 (30 June 2012: $17,600,000). 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 OSB.

20. DERIVATIVE FINANCIAL INSTRUMENTS

		GROUP			COMPANY		
IN NZD 000	Notes	Assets	Liabilities	Notional amounts	Assets	Liabilities	Notional amounts
As at 30 June 2013							
Interest rate hedges and collars – cash flow hedges		1,949	(14,620)	370,000	1,949	(14,620)	370,000
Interest rate hedges – fair value		85	–	–	85	–	–
Total interest rate hedges		**2,034**	**(14,620)**	**370,000**	**2,034**	**(14,620)**	**370,000**
Forward foreign exchange contracts – cash flow hedges		2,218	(5,781)	173,796	2,160	(5,781)	173,013
Forward foreign exchange contracts – fair value		443	(808)	36,312	443	(808)	36,312
Total forward foreign exchange hedges		**2,661**	**(6,589)**	**210,108**	**2,603**	**(6,589)**	**209,325**
		4,695	**(21,209)**	**580,108**	**4,637**	**(21,209)**	**579,325**
Analysed as:							
Current		2,324	(6,821)	173,563	2,266	(6,821)	172,780
Non-current		2,371	(14,388)	406,545	2,371	(14,388)	406,545
		4,695	**(21,209)**	**580,108**	**4,637**	**(21,209)**	**579,325**
Derivatives used for hedging – cash flow hedges	29	4,167	(20,401)	543,796	4,109	(20,401)	543,013
At fair value through profit and loss – fair value	29	528	(808)	36,312	528	(808)	36,312
		4,695	**(21,209)**	**580,108**	**4,637**	**(21,209)**	**579,325**
As at 30 June 2012							
Interest rate hedges and collars – cash flow hedges		62	(24,219)	350,000	62	(24,219)	350,000
Interest rate hedges – fair value		226	–	–	226	–	–
Total interest rate hedges		**288**	**(24,219)**	**350,000**	**288**	**(24,219)**	**350,000**
Forward foreign exchange contracts – cash flow hedges		1,088	(7,279)	181,603	1,088	(7,027)	178,659
Forward foreign exchange contracts – fair value		67	(2,031)	32,671	67	(2,031)	32,671
Total forward foreign exchange hedges		**1,155**	**(9,310)**	**214,274**	**1,155**	**(9,058)**	**211,330**
		1,443	**(33,529)**	**564,274**	**1,443**	**(33,277)**	**561,330**
Analysed as:							
Current		1,013	(11,386)	229,290	1,013	(11,134)	226,346
Non-current		430	(22,143)	334,984	430	(22,143)	334,984
		1,443	**(33,529)**	**564,274**	**1,443**	**(33,277)**	**561,330**
Derivatives used for hedging – cash flow hedges	29	1,150	(31,498)	531,603	1,150	(31,246)	528,659
At fair value through profit and loss – fair value	29	293	(2,031)	32,671	293	(2,031)	32,671
		1,443	**(33,529)**	**564,274**	**1,443**	**(33,277)**	**561,330**

20. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Derivative financial assets for the Company included intergroup derivatives issued to IGLOO of $58,000 with a nominal value of $783,000 (30 June 2012: derivative financial liabilities included $252,000 with a notional value of $2,944,000).

Exchange rates

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

	2013	2012
USD	**0.7808**	0.7975
AUD	**0.8436**	0.7841
GBP	**0.5121**	0.5101
EURO	**0.5985**	0.6339
JPY	**77.1665**	63.4571

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 23) on forward exchange contracts as of 30 June 2013 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 $4,695,000 (2012: $1,443,000).

Exposure to currency risk

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

		2013			2012	
IN NZD 000	**USD**	**AUD**	**OTHER**	**USD**	**AUD**	**OTHER**
Foreign currency payables	**(20,777)**	**(16,326)**	**(140)**	(21,801)	(15,128)	(174)
Dedesignated forward exchange contracts	**23,687**	**12,623**	**–**	22,954	9,717	–
Net balance sheet exposure	**2,910**	**(3,703)**	**(140)**	**1,153**	**(5,411)**	**(174)**
Forward exchange contracts (for forecasted transactions)	**60,608**	**111,960**	**1,227**	115,270	64,655	1,678
Total forward exchange contracts	**84,295**	**124,583**	**1,227**	**138,224**	**74,372**	**1,678**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2013

20. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

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.

	10% rate increase		10% rate decrease	
IN NZD 000 Gain/(loss)	**Equity**	**Profit or loss**	**Equity**	**Profit or loss**
As at 30 June 2013				
USD	(5,602)	(2,168)	6,847	2,651
AUD	(9,480)	(1,062)	11,587	1,299
Other	(117)	–	143	–
	(15,199)	**(3,230)**	**18,577**	**3,950**
As at 30 June 2012				
USD	(9,488)	(1,559)	11,597	1,905
AUD	(5,780)	(874)	7,064	1,070
Other	(147)	–	179	–
	(15,415)	**(2,433)**	**18,840**	**2,975**

20. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Interest rates

During the year ended 30 June 2013, interest rates on borrowings varied in the range of 4.5% to 6.6% (2012: 3.1% to 6.8%).

The Group's interest rate structure is as follows:

		GROUP			COMPANY		
IN NZD 000	**Notes**	**Effective interest rate**	**Current**	**Non-current**	**Effective interest rate**	**Current**	**Non-current**
As at 30 June 2013							
Assets							
Cash and cash equivalents		2.44%	20,676	–	2.44%	13,664	–
Related party advance	27	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)**
As at 30 June 2012							
Assets							
Cash and cash equivalents		2.44%	27,903	–	2.44%	14,654	–
Related party advance	27	n/a	–	–	7.50%	2,305	17,243
Liabilities							
Bank loans		6.73%	–	(256,740)	6.73%	–	(256,740)
Bonds		4.45%	–	(198,715)	4.45%	–	(198,416)
Lease liabilities		6.80%	(3,078)	(13,936)	n/a	–	–
Derivatives							
Floating to fixed interest rate swaps			50,000	300,000		50,000	300,000
Fixed to floating interest rate swaps			200,000	–		200,000	–
			274,825	**(169,391)**		**266,959**	**(137,913)**

Gains and losses recognised in the hedging reserve in equity (note 23) on interest rate hedges as at 30 June 2013 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings and bonds.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2013

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.

	100 BP increase		100 BP decrease	
IN NZD 000 Gain/(loss)	**Equity**	**Profit and loss**	**Equity**	**Profit and loss**
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)**
As at 30 June 2012				
Expense/(income)				
Variable rate instruments – bank loans	–	2,421	–	(2,421)
Interest rate hedges – cash flow	(11,772)	–	12,517	–
Interest rate hedges – fair value	–	485	–	(491)
	(11,772)	**2,906**	**12,517**	**(2,912)**

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. PROVISIONS

	GROUP AND COMPANY	
IN NZD 000	**2013**	**2012**
Opening balance	**352**	537
Increase in provision	**264**	54
Used during the year	**(229)**	(239)
Balance at end of year	**387**	**352**
Analysis of total provisions		
Current	**43**	39
Non-current	**344**	313
	387	**352**

As part of the purchase of Prime Television in 2006, provision was made for programme rights which were considered to be onerous. These rights were fully utilised in the prior year. The remaining provisions relate to long service leave.

22. SHARE CAPITAL

GROUP AND COMPANY	Number of shares (000)	Ordinary shares (NZD 000)
Shares on issue at 30 June 2013 and 30 June 2012	**389,140**	**577,403**

Ordinary shares have no par value.

SKY paid a final dividend of 11.0 cents in September 2012 (September 2011: 10.5 cents) and a special dividend of 32.0 cents in December 2012 (September 2011: 25.0 cents). An interim dividend of 12.0 cents was paid in March 2013 (March 2012: 11.0 cents).

As at 30 June 2013 and 2012, there were 389,139,785 ordinary shares authorised, issued and fully paid. Ordinary shares rank equally, carry voting rights and participate in distributions.

23. HEDGING RESERVE

		GROUP		COMPANY	
IN NZD 000	**Note**	**2013**	**2012**	**2013**	**2012**
Balance at 1 July		**(19,805)**	(22,038)	**(19,702)**	(22,038)
Cash flow hedges					
Unrealised gains/(losses) during the year		**3,964**	(7,841)	**3,877**	(7,698)
Transfer to basis price adjustment programme rights inventory		**8,050**	9,141	**8,050**	9,141
Transfer to property, plant and equipment		**58**	1,042	**–**	1,042
Transfer to operating expenses		**1,545**	760	**1,545**	760
Deferred tax	17	**(3,772)**	(869)	**(3,772)**	(909)
		9,845	2,233	**9,700**	2,336
Balance at end of year		**(9,960)**	**(19,805)**	**(10,002)**	**(19,702)**

24. RETAINED EARNINGS

	GROUP		COMPANY	
IN NZD 000	**2013**	**2012**	**2013**	**2012**
Opening balance	**684,084**	741,364	**687,660**	744,106
Add net profit for the year	**137,197**	123,670	**136,808**	124,504
Change in non-controlling interest	**(165)**	–	**–**	–
Less dividends paid	**(214,027)**	(180,950)	**(214,027)**	(180,950)
Balance at end of year	**607,089**	**684,084**	**610,441**	**687,660**

For the year ended 30 June 2013

25. COMMITMENTS

	GROUP		COMPANY	
IN NZD 000	2013	2012	2013	2012
Operating leases:				
Year 1	**37,336**	37,495	**36,798**	37,100
Year 2	**38,818**	37,906	**38,298**	37,598
Year 3	**38,395**	41,176	**38,003**	40,870
Year 4	**37,909**	40,827	**37,605**	40,613
Year 5	**37,767**	40,310	**37,537**	40,237
Later than five years	**126,967**	176,607	**126,871**	176,607
	317,192	**374,321**	**315,112**	**373,025**
Contracts for transmission services:				
Year 1	**7,577**	9,754	**7,096**	9,273
Year 2	**5,872**	7,233	**5,391**	6,752
Year 3	**2,412**	5,811	**1,992**	5,391
Year 4	**1,607**	2,412	**1,328**	1,992
Year 5	**–**	1,607	**–**	1,328
	17,468	**26,817**	**15,807**	**24,736**
Contracts for future programmes:				
Year 1	**129,720**	116,811	**129,720**	116,811
Year 2	**83,988**	89,494	**83,988**	89,494
Year 3	**53,958**	56,068	**53,958**	56,068
Year 4	**28,679**	28,900	**28,679**	28,900
Year 5	**12,288**	7,800	**12,288**	7,800
Later than five years	**–**	2,303	**–**	2,303
	308,633	**301,376**	**308,633**	**301,376**
Capital expenditure commitments: **Property, plant and equipment**				
Year 1	**9,682**	**10,539**	**9,682**	**9,265**
Other services commitments:				
Year 1	**4,941**	1,540	**4,941**	1,387
Year 2	**4,199**	1,241	**4,199**	1,241
Year 3	**3,497**	1,089	**3,497**	1,089
Year 4	**677**	1,000	**677**	1,000
Year 5	**367**	–	**367**	–
Later than five years	**91**	–	**91**	–
	13,772	**4,870**	**13,772**	**4,717**

25. COMMITMENTS CONTINUED

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. Estimated total contingent rental payments for the seventh transponder for the period to 31 March 2014 and fixed payments thereafter are included in the commitments schedule above.

26. CONTINGENT LIABILITIES

The Group and Company have undrawn letters of credit at 30 June 2013 of $600,000 (30 June 2012: $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.

On 16 May 2012, the Company received notification from the Commerce Commission that it was opening an investigation into SKY's agreements for the acquisition of content and its agreements with internet retail service providers. The Company has provided all information requested by the Commission to date. The Directors have no knowledge which would indicate the need to make any provision in these financial statements for any liabilities which may arise in the event that any action was taken (2012: nil).

27. RELATED PARTIES

For the Company, related parties include the subsidiary companies of the SKY Group (note 15) and the non-controlling shareholders of these companies. For the Group related parties include the non-controlling shareholders of subsidiary companies.

In the prior year related parties for the Group included News Limited, a principal shareholder which is an affiliate of The News Corporation Limited, and the non-controlling shareholders of subsidiary companies. News Limited sold its shares in SKY on 4 March 2013. Consequently 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 2012: nil).

The advance to subsidiary comprises 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. No amounts owed by related parties have been written off or provided against during the year (30 June 2012: nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2013

27. RELATED PARTIES CONTINUED

The following transactions were carried out with related parties:

		GROUP		COMPANY	
IN NZD 000	**Notes**	**2013**	**2012**	**2013**	**2012**
Transactions included in the income statement:					
Transactions with related parties					
The News Corporation Limited and its affiliates					
Programme, smartcard and broadcasting equipment		**16,189**	18,766	**16,189**	18,766
Transactions with subsidiaries					
Sky DMX Music Limited					
Administration support, accounting services and broadcasting charges		**–**	–	**340**	355
Outside Broadcasting Limited					
Interest received on advance to subsidiary		**–**	–	**(1,344)**	(1,637)
Broadcasting fees paid		**–**	–	**11,120**	11,163
Igloo Limited					
Administration costs and unrealised exchange gains on hedging contracts				**(212)**	(215)
Transmission services and spectrum licences				**(2,111)**	(401)
Transactions included in the balance sheet:					
Owing to related parties					
Owing to affiliates of The News Corporation Limited and non-controlling shareholders of Screen Enterprises Limited	18	**482**	3,343	**1,266**	3,422
Receivable/(payable) from/to subsidiaries					
Trade receivable from subsidiaries	10	**–**	–	**300**	1,151
Derivatives issued to subsidiaries	20	**–**	–	**(58)**	252
Current portion of advance to subsidiary	10	**–**	–	**2,056**	2,305
Non-current portion of advance to subsidiary		**–**	–	**12,964**	17,243
Total advance to subsidiary		**–**	**–**	**15,020**	**19,548**

SKY and TVNZ have agreed to provide IGLOO with advertising airtime at no cost during the financial years commencing 1 July 2012, 1 July 2013 and 1 July 2014.

Short-term employee benefits

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

	GROUP AND COMPANY	
IN NZD 000	**2013**	**2012**
Directors' fees	**480**	507
Remuneration of key management personnel	**10,513**	9,479
	10,993	**9,986**

Long-service leave entitlements for key management personnel are $44,000 (2012: $51,000).

28. CHANGES IN GROUP STRUCTURE

Igloo Limited 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 28 June 2013 SKY contributed a further $5,750,000 and increased its ownership to 66% with TVNZ now owning 34%.

The carrying amount of the non-controlling interest in Igloo on the date of acquisition was $5,900,000. After the transaction the group recognised non-controlling interests of $6,065,000 and recorded a decrease in equity of $165,000. An option has been granted to TVNZ to acquire further shares at a set price in two years' time to restore its proportionate shareholding to 49%.

Igloo Limited 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. Igloo Limited is considered a subsidiary of SKY and has been fully consolidated into the Group's results.

29. 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 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	(101,660)	–	–	–	(101,660)
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)
		(585,446)	**89,086**	**(280)**	**(16,234)**	**(512,874)**
30 June 2012						
Assets as per balance sheet						
Cash and cash equivalents		–	27,903	–	–	27,903
Trade and other receivables	10	–	65,834	–	–	65,834
Derivative financial instruments	20	–	–	293	1,150	1,443
Liabilities as per balance sheet						
Trade and other payables	18	(93,700)	–	–	–	(93,700)
Borrowings	19	(256,740)	–	–	–	(256,740)
Lease liabilities	19	(17,014)	–	–	–	(17,014)
Bonds	19	(198,715)	–	–	–	(198,715)
Derivative financial instruments	20	–	–	(2,031)	(31,498)	(33,529)
		(566,169)	**93,737**	**(1,738)**	**(30,348)**	**(504,518)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2013

29. 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 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	(98,831)	–	–	–	(98,831)
Borrowings	19	(270,835)	–	–	–	(270,835)
Bonds	19	(199,014)	–	–	–	(199,014)
Derivative financial instruments	20	–	–	(808)	(20,401)	(21,209)
		(568,680)	**97,933**	**(280)**	**(16,292)**	**(487,319)**
30 June 2012						
Assets as per balance sheet						
Cash and cash equivalents		–	14,654	–	–	14,654
Trade and other receivables	10	–	67,371	–	–	67,371
Related party receivable	27	–	19,548	–	–	19,548
Derivative financial instruments	20	–	–	293	1,150	1,443
Liabilities as per balance sheet						
Trade and other payables	18	(87,327)	–	–	–	(87,327)
Borrowings	19	(256,740)	–	–	–	(256,740)
Bonds	19	(198,715)	–	–	–	(198,715)
Derivative financial instruments	20	–	–	(2,031)	(31,246)	(33,277)
		(542,782)	**101,573**	**(1,738)**	**(30,096)**	**(473,043)**

30. SUBSEQUENT EVENTS

There have been no subsequent events after balance date.

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 62, which comprise the balance sheets as at 30 June 2013, 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 2013 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 62:

(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 2013, 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 2013:

(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 DISTRIBUTION OR USE

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
22 August 2013

Other Information

Sky Network Television Limited
Year ended on 30 June 2013

- **Net tangible assets per security**:

  Current period $(0.732): 1

  Previous period $(0.532): 1

SKY ANNUAL RESULTS 2013

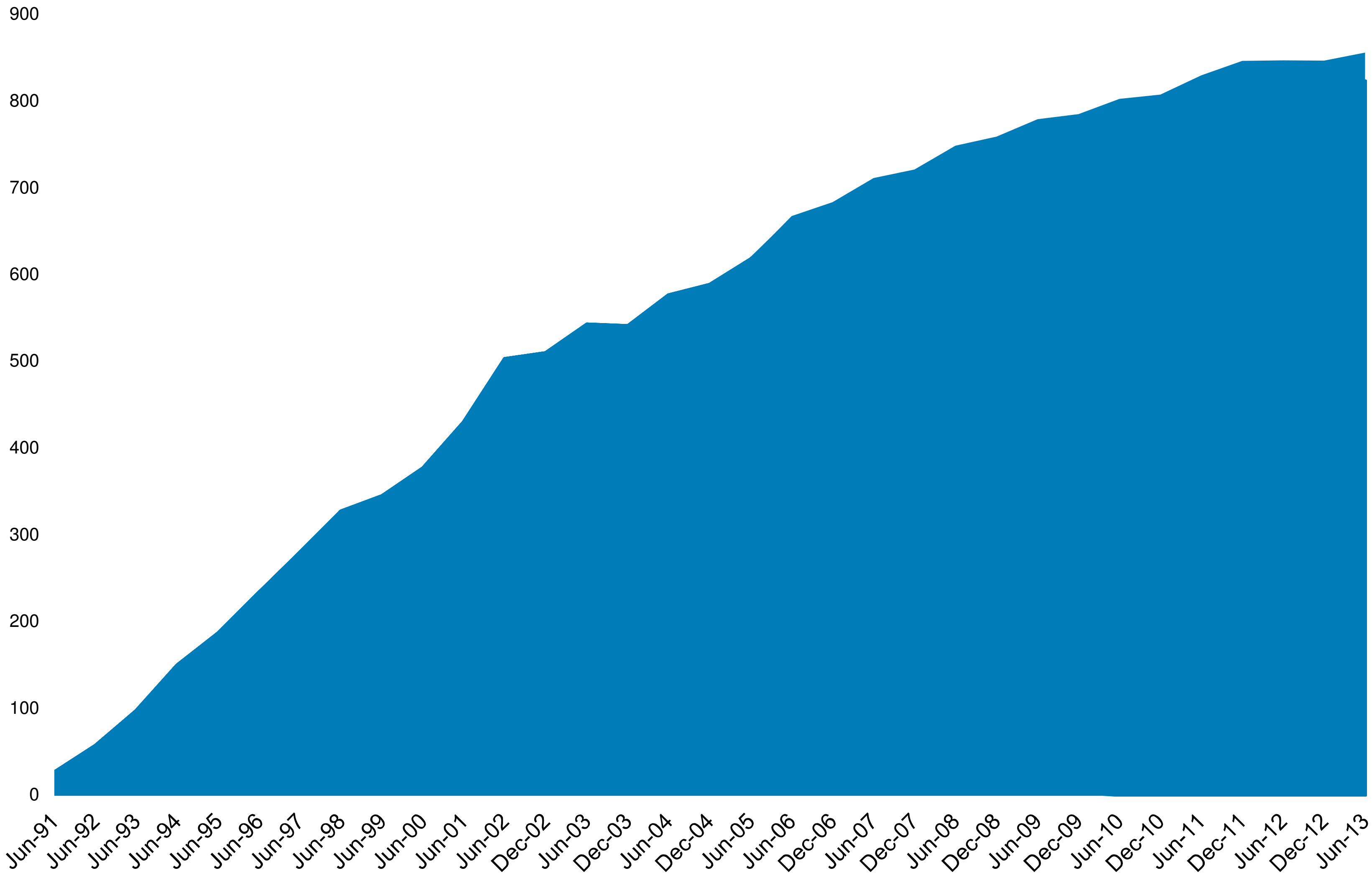
COME WITH US

SUBSCRIBERS

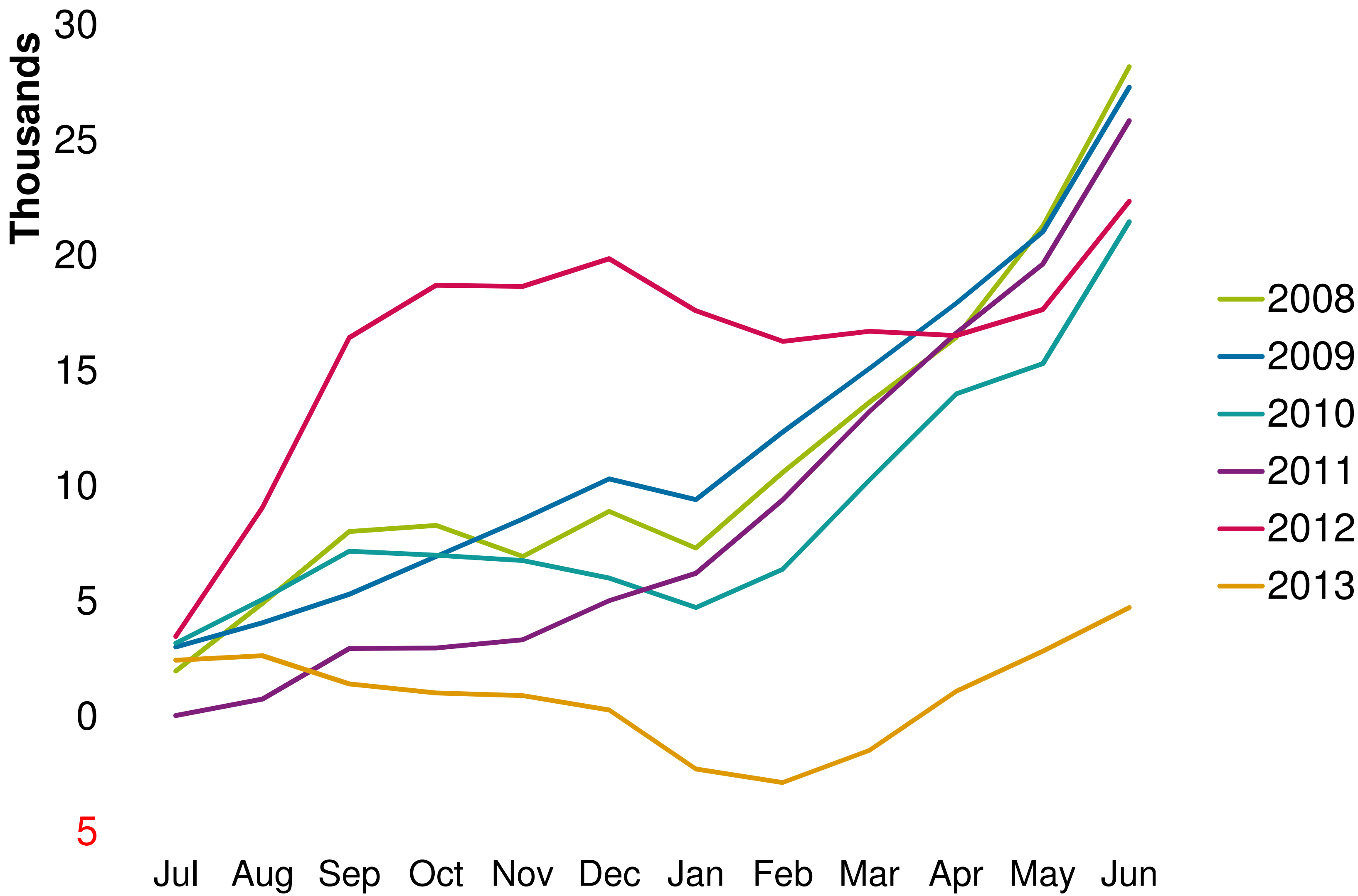
THE YEAR END POSITION

	June 2012	June 2013	% Change
DBS (Satellite) Domestic	307.8	234.6	-23.8%
DBS MY SKY	382.5	456.4	19.3%
DBS Wholesale	129.3	131.6	1.7%
Commercial & Other	27.3	33.4	22.2%
TOTAL SUBSCRIBERS	849.9	855.9	1.1%

THE SKY JOURNEY SO FAR



NET GAIN BY MONTH

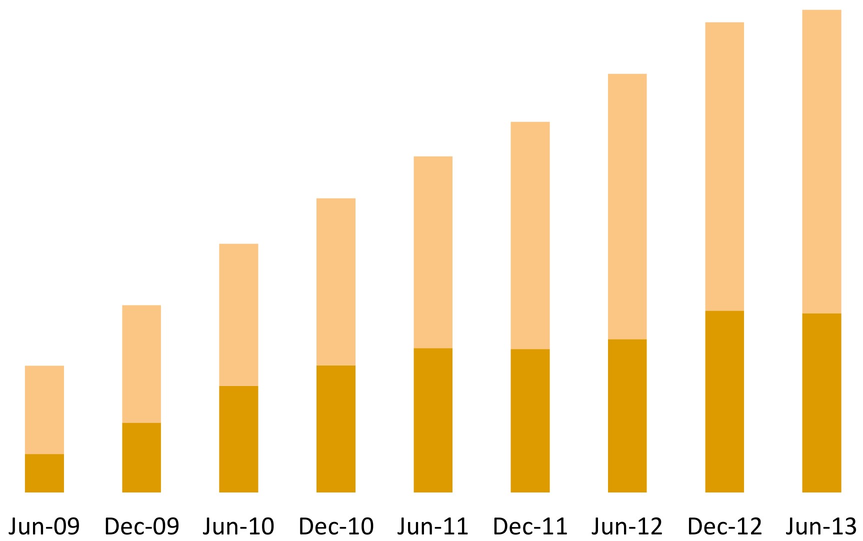


PRODUCTS

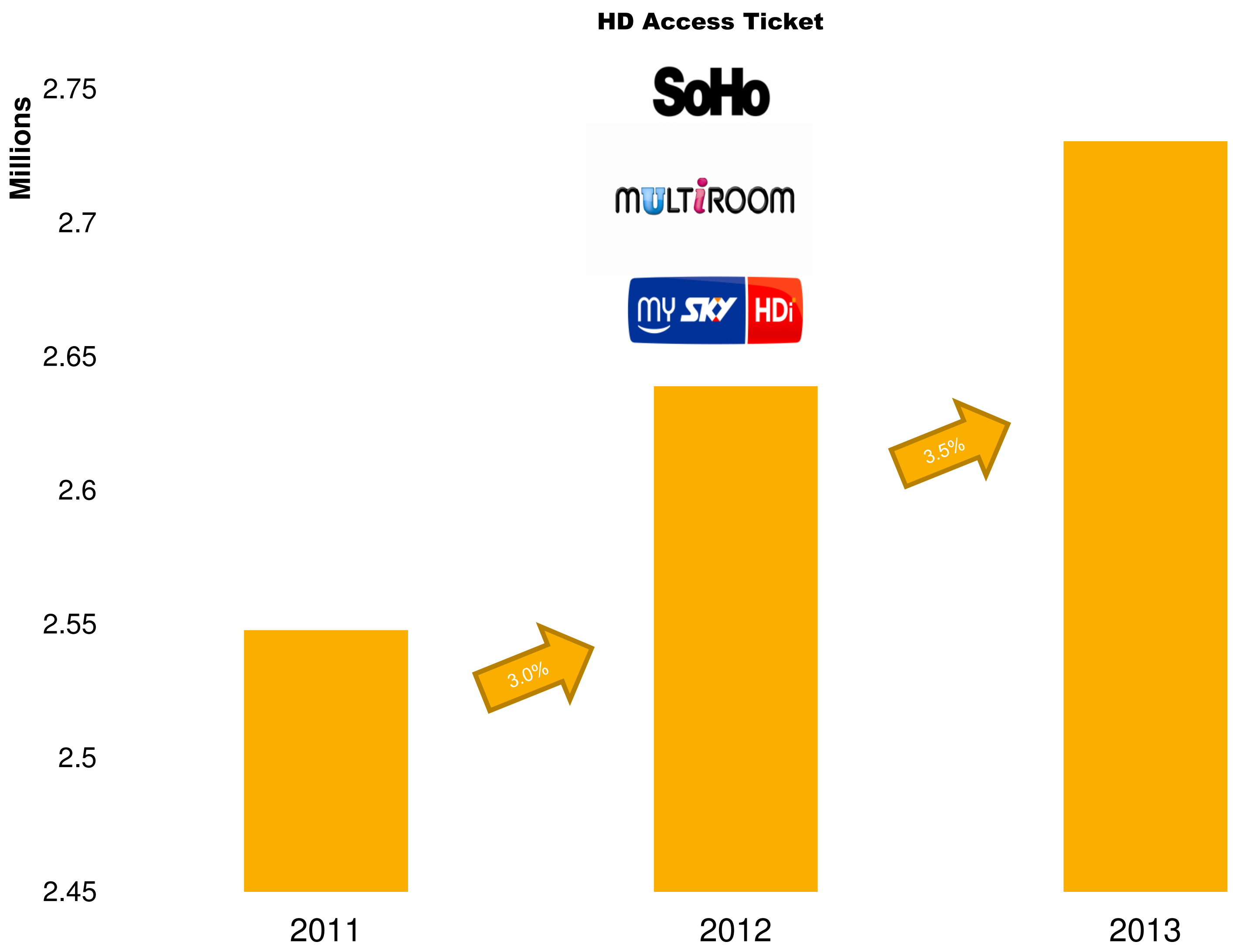
MY SKY

	Jun 12	Jun 13
% Churn	10.4%	11.4%
HDi Subs	367,536	442,940
% Multiroom	31%	29%
% HD Ticket	15%	15%
% Upfront	6%	5.6%

HD Access Ticket



SKY PREMIUM PRODUCTS

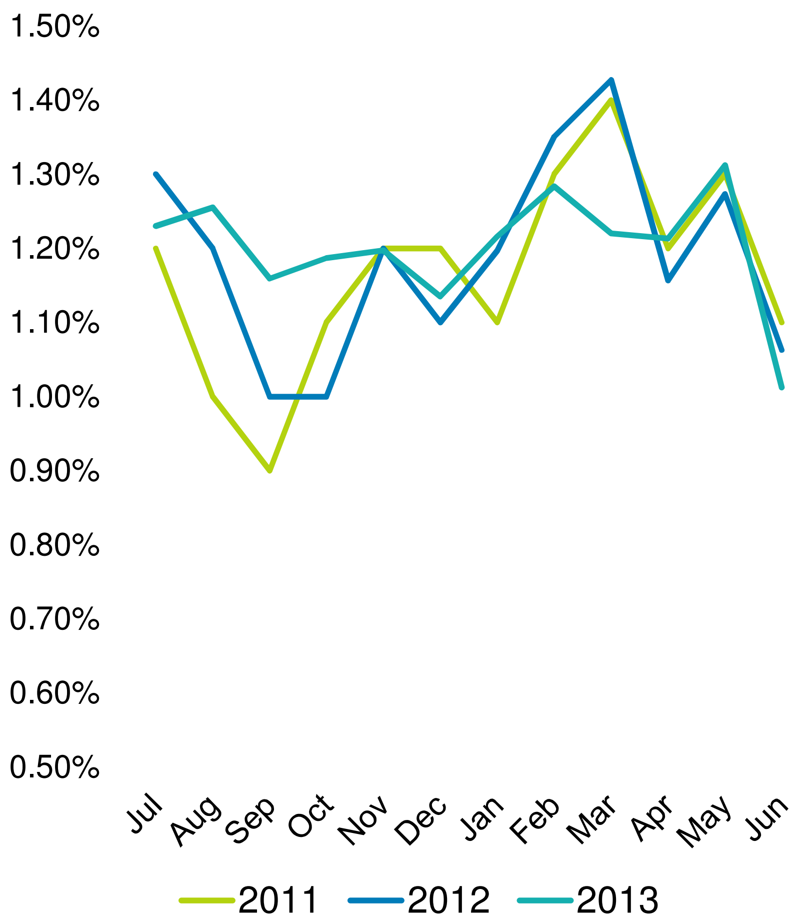


TOTAL ARPU

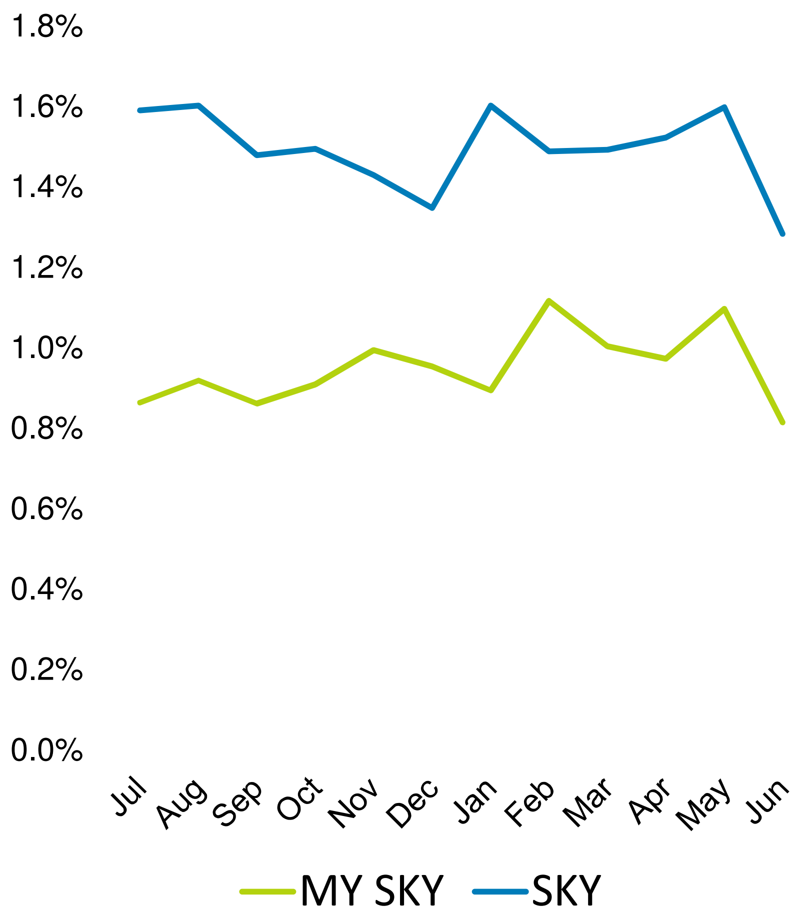
CHURN

MOVING ANNUAL

MONTHLY

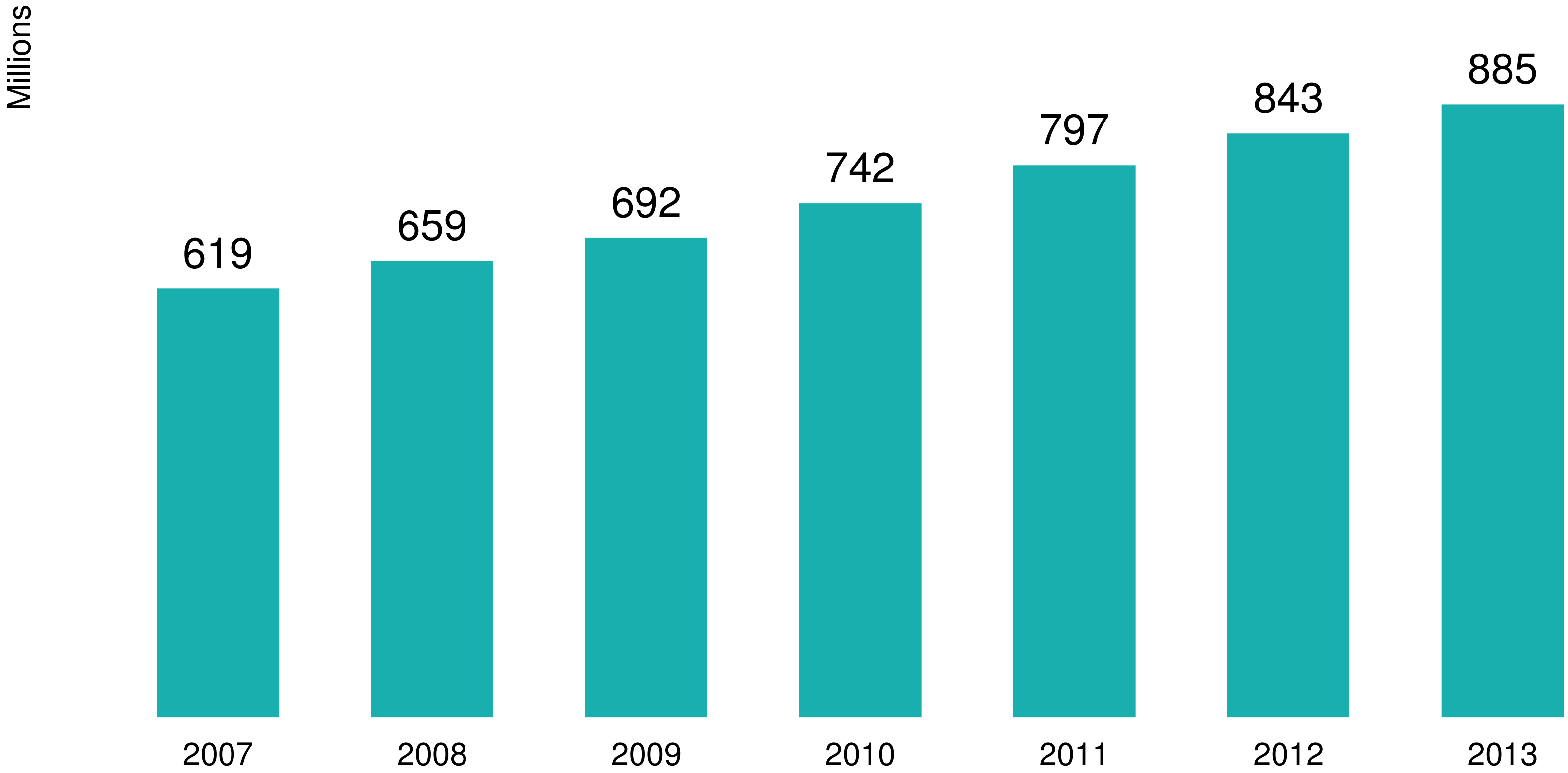


DEVICE

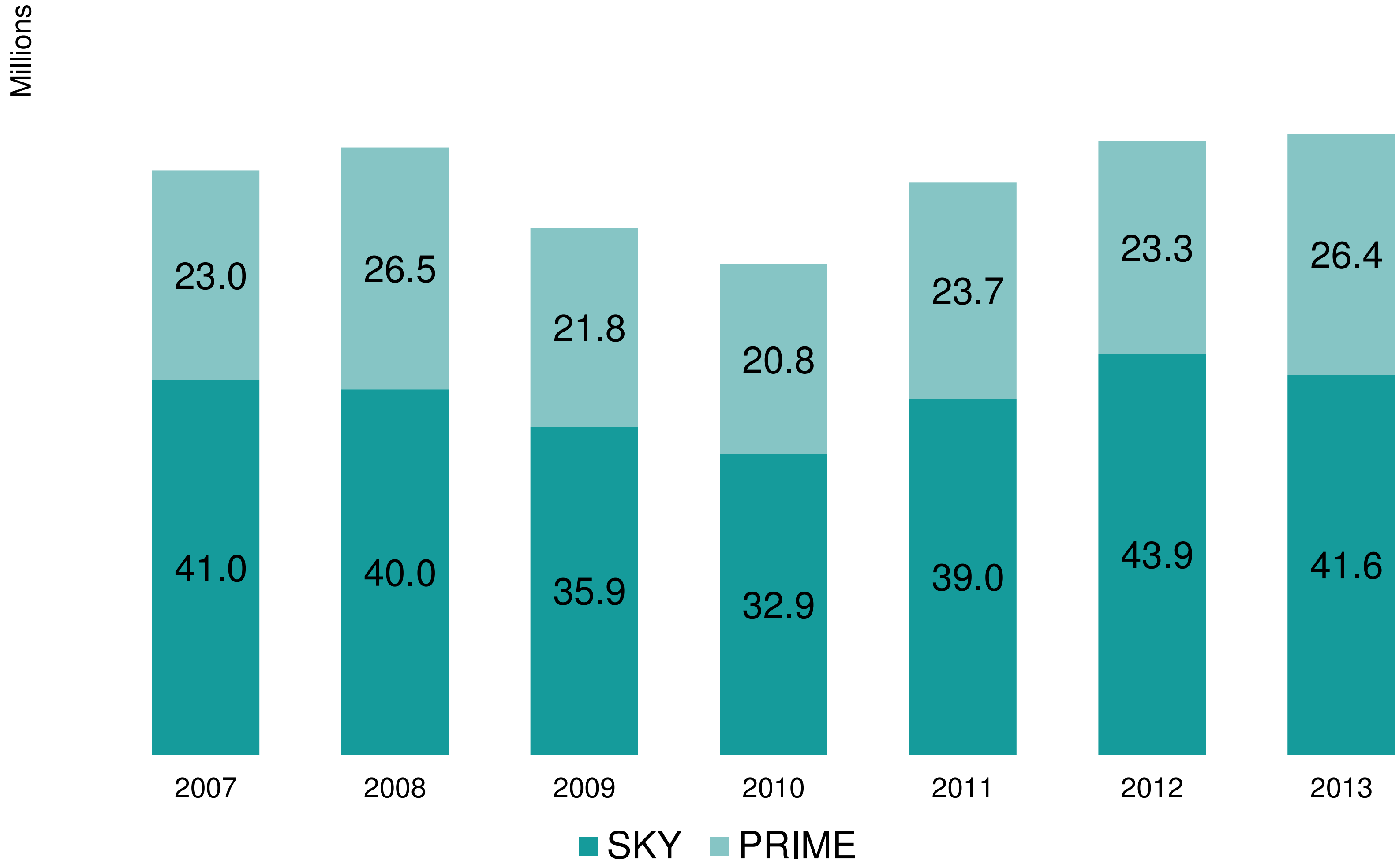


FINANCIAL GRAPHS

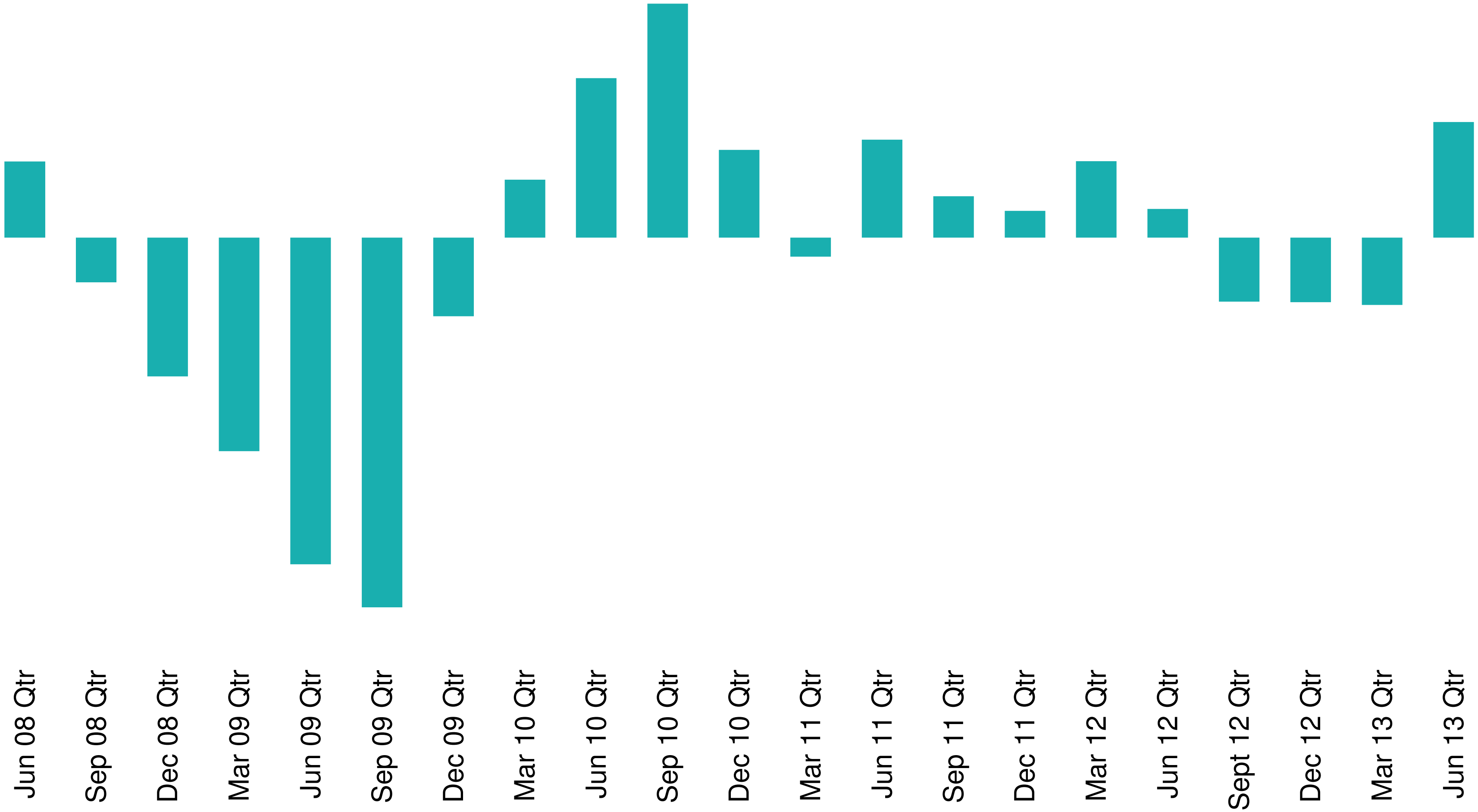
REVENUE


Millions
619
659
692
742
797
843
885
2007
2008
2009
2010
2011
2012
2013

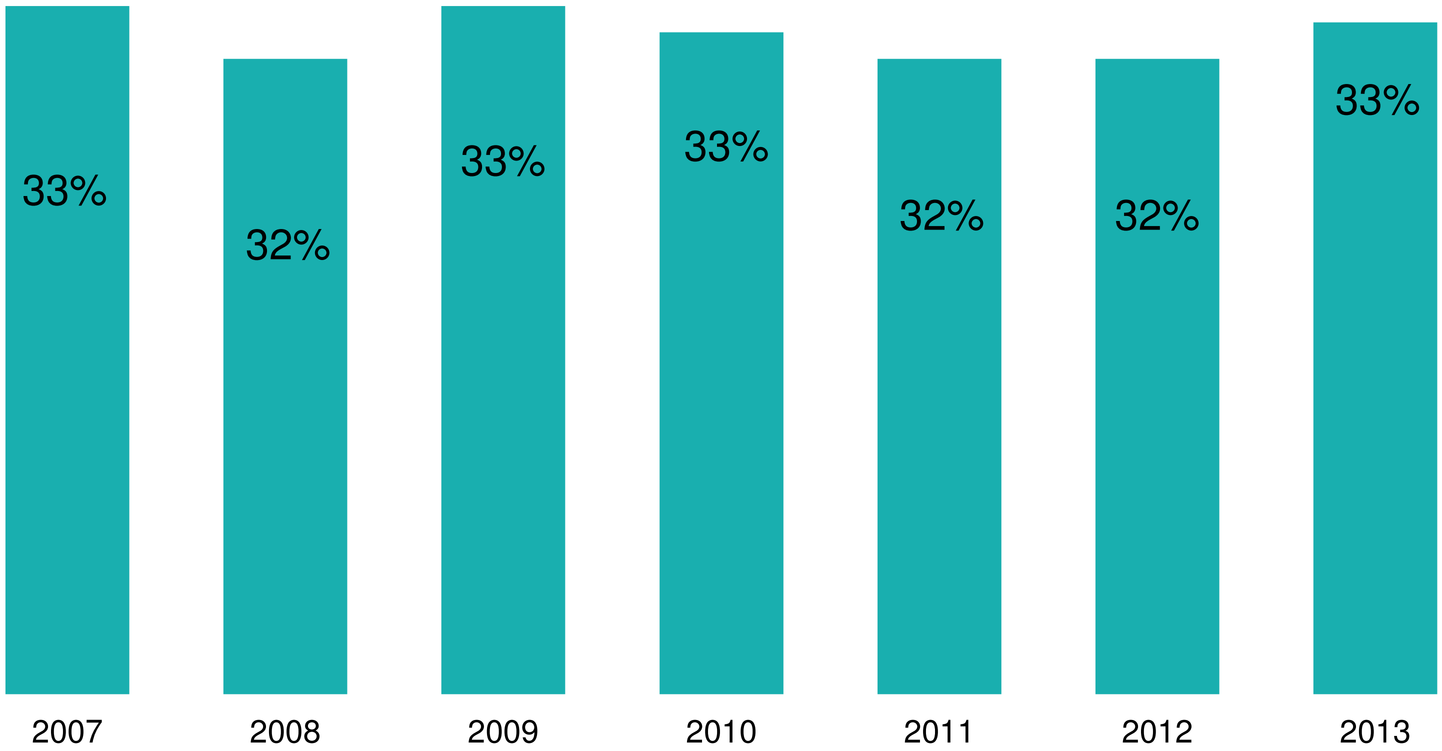
ADVERTISING REVENUE



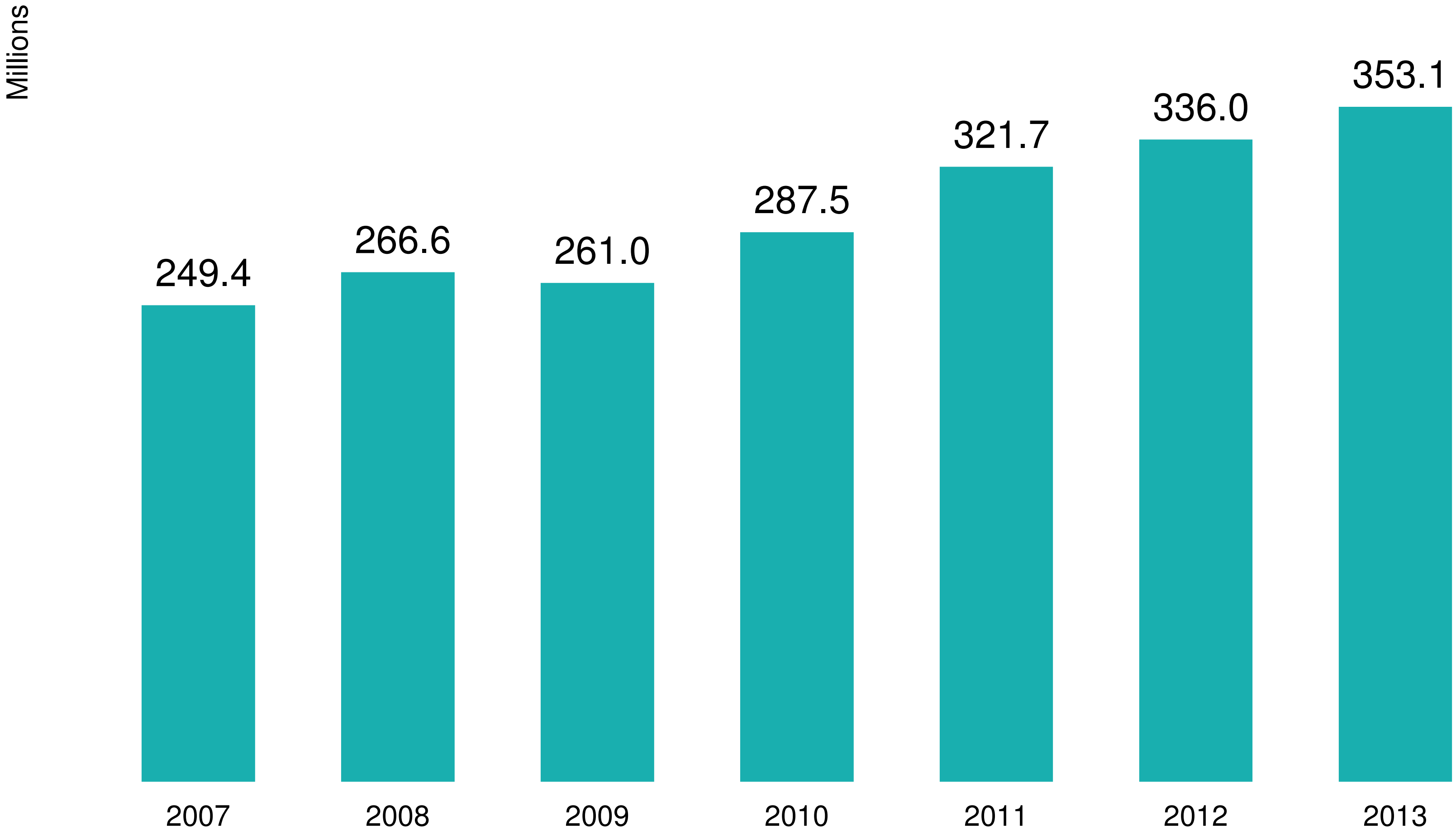
TOTAL TELEVISION ADVERTISING REVENUE



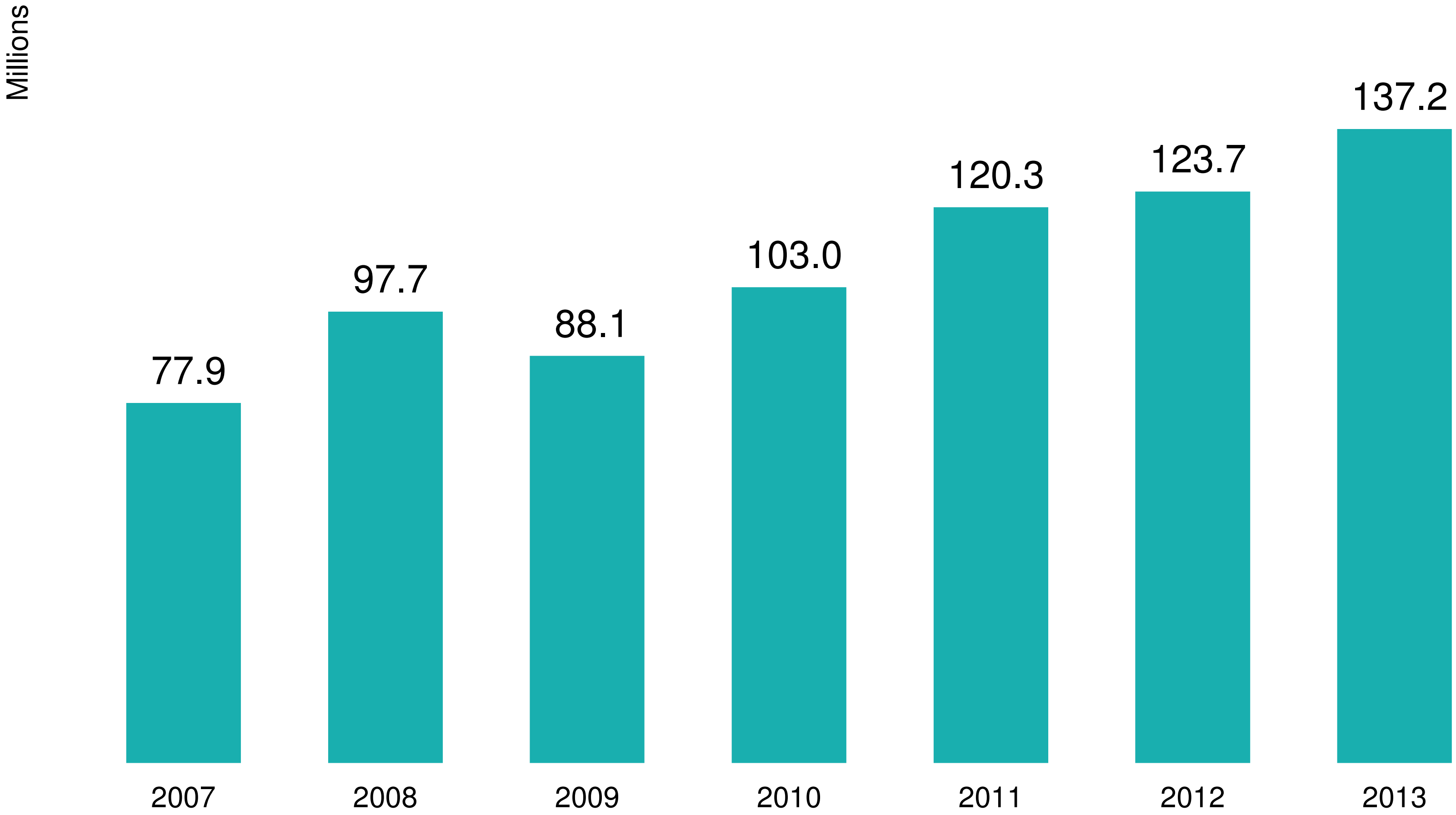
PROGRAMING COSTS % REVENUE



EBITDA


Millions
249.4
266.6
261.0
287.5
321.7
336.0
353.1
2007
2008
2009
2010
2011
2012
2013

NET PROFIT


Millions
77.9
97.7
88.1
103.0
120.3
123.7
137.2
2007
2008
2009
2010
2011
2012
2013

FINANCIAL DETAIL

RESULTS SUMMARY

	2012	2013	% Change
Revenue	843.1	885.0	5.0%
Operating Expenses	507.1	531.9	4.9%
EBITDA	336.0	353.1	5.1%
Depn & Amort	134.1	134.3	0.1%
EBIT	201.9	218.9	8.4%
Interest	30.3	29.9	-1.4%
Tax	48.8	56.8	16.4%
Non-Controlling Interest	-0.9	-5.0	455.6%
NET PROFIT after TAX	123.7	137.2	10.9%

REVENUE ANALYSIS

	2012	2013	% Change
Residential Satellite subscriptions	682.3	726.3	6.5%
Other subscriptions	60.8	62.0	1.9%
Installation	13.8	9.5	-31.2%
Advertising	67.2	68.0	1.3%
Other Income	18.9	19.2	1.8%
TOTAL REVENUE	843.0	885.0	5.0%

EXPENSE ANALYSIS

	2012	2013	% Change
Programming rights	216.1	229.2	6.1%
Programme operations	57.5	60.1	1.9%
Subscriber management	64.6	62.7	-2.9%
Sales and marketing	39.4	38.8	-1.6%
Advertising	19.9	20.8	4.7%
Broadcasting and infrastructure	84.5	88.3	4.5%
Depreciation and amortisation	134.1	134.3	0.1%
Corporate	25.0	31.9	27.7%
TOTAL EXPENSE	641.1	666.1	3.9%

CAPITAL EXPENSE ANALYSIS

	2012	2013	% Change
Install	48.9	40.2	-8.7%
Decoders	57.4	22.9	-60.1%
Building Improvements	0.9	1.4	55.6%
OSB Truck	2.6	0	-100%
Igloo	12.3	2.6	-78.9%
Other	14.8	15.3	3.4%
TOTAL CAPITAL EXPENSE	136.9	82.4	-39.8%

OPERATING CASHFLOW

	2012	2013	% Change
Operating Cashflow	272.1	290.6	6.8%
Capex	-136.0	-82.3	-39.5%
Net debt drawn	58.0	14.0	-75.9%
Dividends	-185.5	-225.1	21.3%
Capital Introduced	12.3	0	-100%
Other	-4.4	-4.4	0.0%
NET CASH MOVEMENT	16.5	-7.2	-143.6%

FUNDING PROFILE

	FACILITY	DRAWN	MARGIN	MATURITY
Bank Debt	$400m	$272m	180bp	Jul 2018
Bond	$200m	$200m	65bp	Oct 2016

FOREIGN CURRENCY HEDGING

For USD exposures

- 92% hedged for 30 June 2014 @ 0.778
- 10% hedged for June 2015 year @ 0.786

For AUD exposures

- 90% hedged for 30 June 2014 @ 0.8078
- 18% hedged for 30 June 2015 @ 0.7970
- 9% hedged for 30 June 2016 @ 0.7976

Average $US payment rate for Opex for the year to June 13 @ 0.726

DIVIDEND

The Board has declared a fully imputed final dividend of 12.0 cps ($46.7m) to be paid and a supplementary dividend of 2.1176 to be paid to non-residents.

Record date is 6 September 2013.

Payment date is 13 September 2013.

	2013	2012	2011	2010	2009	2008
Interim	12.0	11.0	8.0	7.0	7.0	7.0
Final	12.0	11.0	10.5	7.0	7.0	7.0
Ordinary Total	24.0	22.0	18.5	14.0	14.0	14.0
Special	0	32.0	25.0	0	0	0
TOTAL	24.0	54.0	43.5	14.0	14.0	14.0

SKY
HIGHLIGHTS

IGLOO

- Commenced business Dec 2012 (delayed)
- Reduced retail price to $99 (from $199)
- SKY invested additional $5.75m, now owns 66.02% of IGLOO
- TVNZ has option to buyback 15% of IGLOO shares from SKY


JONES!


ONES!

MOVIES

POP-UP PARTY FOR KIDS!

SKY MOVIES FAMILY POP-UP CH 035

School holidays are the perfect time to relax, unwind and catch up with your favourite characters in some of the best family movies ever made!

That's why we created SKY Movies Family – our pop-up channel dedicated to the very best family movies. Every day, from 6am until the 7pm movie finishes, Channel 035 hosts a family movie extravaganza!

SKY Movies Family will be available between 28th September and 13th October, at no extra cost for those of you with the SKY Movies package. Plus, if you have the HD Access Ticket, and either MY SKY HDi or MY SKY+, our Family pop-up channel will be available in stunning high definition*. So join us as we entertain the kids these school holidays with SKY Movies Family.

THE MUPPETS

With the help of three fans, The Muppets must reunite to save their old theatre from a greedy oil tycoon. Starring Jason Segel, Amy Adams and Chris Cooper.

Saturday 28th – 7pm

ALVIN AND THE CHIPMUNKS: CHIPWRECKED

The Chipmunks and Chipettes end up marooned in a tropical paradise after falling overboard from a cruise ship. Voices of: Justin Long and Matthew Gray Gubler.

Sunday 29th – 7pm

SPY KIDS 4

A retired spy called back into action invites her step-children to join in an adventure. Starring Jessica Alba and Joel McHale.

Monday 30th – 7pm

AND IN OCTOBER:

Madagascar 3: Europe's Most Wanted
Sunday 13th October – 7pm

Plus: Ice Age 4: Continental Drift, Happy Feet 2, Frankenweenie, Puss in Boots & more!

* Conditions apply. SKY Movies Family only available to SKY domestic subscribers who subscribe to SKY Movies between Sept 28th and Oct 13th, and if applicable, the HD Access Ticket and either MY SKY HDi or 13, are payable in advance and are subject t

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