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*December 2010*

SKY NETWORK  
TELEVISION LIMITED

# INTERIM REPORT

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**STILL  
ON THE RISE**

## **DEAR SHAREHOLDERS**

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*I am pleased to be able to report a significant improvement in SKY's financial results for the six months to 31 December 2010 despite the difficult economic conditions.*

**SKY has reported a 19.0% increase in post tax earnings to \$60.4 million. Revenues are up 7.8% to \$398 million and earnings before interest, tax and depreciation (EBITDA) increased by 11.3% to \$161.1 million.**

The improved financial results can be attributed to both the continuing success of the MY SKY HDi decoder and a rebound in advertising sales. The MY SKY HDi decoder that was launched in August 2008 allows SKY to offer a range of new services to its subscribers, including access to high definition (HD) television and the functionality of a personal video recorder with features such as "live pause", "series link recording" and recording two "live" channels while watching another recorded program. Our research suggests that subscribers are enamoured with this product and believe it represents great value for money. Advertising revenues were up over 26% for the six month period ending 31 December 2010 compared to the same period ending 31 December 2009.

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At 31 December 2010, SKY had 231,072 MY SKY subscribers compared to 144,148 in December 2009, an increase of 60.3%. MY SKY subscribers now represent 29.3% of SKY's satellite subscriber base. This growth during very challenging economic times is testament to the quality and value of this product. A number of subscribers have commented that "MY SKY has changed my life" and it is encouraging to see more and more of our subscribers making the switch to MY SKY.

Another benefit to SKY of MY SKY is the significant reduction in churn for subscribers with this decoder. For the rolling 12 months to 31 December 2010 MY SKY gross churn was 9.5% compared to the churn rate for subscribers on the standard digital decoder during this period of 15.0%. This reduction in MY SKY churn has helped lower SKY's overall gross churn to 13.6% from 13.8% in the comparative period.

Looking in more detail at SKY's financial results, there was a 7.9% increase in SKY's satellite subscription revenues compared to the comparative period. This is due to a 3.1% increase in average revenue per user (ARPU) to \$69.45 from \$67.35 and a 3.0% increase in DBS (satellite) subscribers, an increase in subscribers of 22,816.

The increase in ARPU is primarily due to the increase in MY SKY subscribers, with their ARPU increasing from \$83.89 in the previous interim period to \$85.16 in this period. The original MY SKY decoder that is not HD is now a lower percentage of the MY SKY population as the HDi decoder numbers increase.

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SKY's DBS ARPU excluding MY SKY and wholesale subscribers decreased 1.6% to \$65.76 compared to the comparative period.

The retail environment is still difficult. Over the six month period ending 31 December 2009, SKY had a net gain in subscriber count of 5,976. For the same period ending 31 December 2010 the gain was 5,033. Net gain in the second half appears to be accelerating. On 31 January 2011 the subscriber count was 808,279 which means the year to date net gain has been 5,882. On the same date last year the net gain was 4,786.

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### ***"MY SKY subscribers now represent 29.3% of SKY's satellite subscriber base."***

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SKY's operating costs (excluding depreciation) for the six months to 31 December 2010 increased by \$12.5 million, or 5.6%. Programme operations costs which comprise both the costs of purchasing programme rights and also programme operating costs increased by \$8.7 million (7.2%). SKY's broadcast and infrastructure costs were \$2.2 million (5.8%) lower, mostly due to cost savings relating to the closure of the UHF network.

Depreciation costs have increased by \$7.4 million (13.4%) to \$62.2 million primarily due to depreciation charges on the new MY SKY HDi decoders that were installed during the period. These decoders are being depreciated over four years compared to five years for the standard digital decoders. In addition the acquisition of the assets of On Site Broadcasting Limited (OSB) increased depreciation costs by \$3.2 million.

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SKY decreased its capital expenditure during the period to \$59.4 million from \$82.5 million in the comparative period, a decrease of \$23.1 million. This decrease is due to reduced MY SKY HDi purchases, reduced broadcasting cost due to the completion of the television station upgrade and a decrease in installation costs which were high in the previous period due to the migration of the UHF subscribers to digital. Some of the highlights for the six month period have been:

- Launch of SKY On Demand HD offering customers the latest blockbuster movies in crystal clear high definition at the touch of a button.
  - Extended coverage of the 2010-2011 Australian National Basketball League (NBL) Season.
  - Twenty four hour coverage of the Commonwealth Games with five dedicated channels including a special Commonwealth Games Mosaic Channel.
  - Purchase of the On Site Broadcasting (NZ) Limited's business from Australia's Prime Media Group. On Site provided all outside broadcast facilities for SKY.
  - Launch of iSKY, an online TV service that delivers SKY subscribers five live streaming channels, (two news and three sports) and more than 375 catch-up TV episodes from 20 channels.
  - Launch of "RECORD ME" enabling subscribers to book a programme for recording directly from a promo.
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SKY is committed to providing New Zealanders with the best video entertainment available and will continue to invest in the technology that is required to deliver the services consumers demand where we are confident in earning reasonable financial returns. Our decision to invest in high definition television and personal video recorder capability four years ago is starting to pay off and we are committed to ensuring that we continue to leverage the capabilities of new technologies, including the wider availability of higher broadband speeds in New Zealand.

### ***DIVIDENDS***

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The Board of Directors has considered the performance of the business over the last six months and its prospects for the full year and announced on 18 February 2011 that it will pay a fully imputed dividend of 8.0 cents per share with the record date being 4 March 2011. A supplementary dividend of 1.4118 cents per share will also be paid to non-resident shareholders.



John Fellet  
Chief Executive



December 2010

SKY NETWORK  
TELEVISION LIMITED

The background of the left side of the page is a photograph of the Aurora Borealis (Northern Lights) in shades of green and purple, dancing over a dark, snow-covered forest at night. The sky is dark with some stars visible. The overall mood is serene and natural.

# FINANCIALS

## SUBSCRIBER BASE

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

	31 Dec 2010	30 Jun 2010	31 Dec 2009
<b>Total UHF, DBS and other subscribers</b>			
Total number of households in New Zealand <sup>(1)</sup>	1,640,900	1,622,200	1,622,200
<b>Subscribers - UHF:</b>	-	-	3,209
<b>Subscribers - DBS (Satellite):</b>			
Residential	659,618	659,233	650,721
Residential - wholesale <sup>(2)</sup>	121,498	118,403	107,823
Commercial	8,508	8,557	8,264
<b>Total DBS</b>	<b>789,624</b>	<b>786,193</b>	<b>766,808</b>
<b>Subscribers - Other:</b> <sup>(3)</sup>	<b>17,806</b>	<b>16,204</b>	<b>14,861</b>
<b>Total subscribers</b>	<b>807,430</b>	<b>802,397</b>	<b>784,878</b>
<b>MY SKY Subscribers</b> <sup>(5)</sup>	<b>231,072</b>	<b>189,975</b>	<b>144,148</b>
Percentage of households subscribing to the SKY Network:			
Total UHF and DBS - residential	47.6%	47.9%	46.9%
Gross churn rate <sup>(4)</sup>	13.6%	13.9%	13.8%
Average monthly revenue per residential subscriber:			
UHF	n/a	30.82	34.78
DBS excluding wholesale and MY SKY	65.76	65.76	66.83
Wholesale	59.66	55.51	54.65
MY SKY	85.16	84.61	83.89
Total UHF and DBS excluding wholesale	65.76	65.35	66.04
Total UHF and DBS including wholesale	69.45	67.61	67.35

### Notes

1. Based on New Zealand Government census data as of March 2006 updated with New Zealand family and household projections by Statistics New Zealand.
2. Includes subscribers receiving SKY packages via affiliate services, such as arrangements with TelstraClear, Telecom and Vodafone.
3. Includes subscribers to programmed music and online DVD rentals via SKY's subsidiary companies, SKY DMX Music Limited and Screen Enterprises Limited.
4. Gross churn refers to the percentage of residential subscribers over a rolling twelve month period ended on the date shown who terminated their subscriptions, net of existing subscribers who transferred their service to new residences during the period.
5. Included in total subscribers.

## CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 31 December 2010 (unaudited)

in NZD 000	31 Dec 2010 (6 months)	31 Dec 2009 (6 months)	30 Jun 2010 (1 year) (Audited)
<b>Revenue</b>			
Residential satellite subscriptions	316,649	293,536	594,873
Other subscriptions	29,745	32,333	61,882
Installation	6,878	7,429	14,658
Advertising	35,070	27,646	53,714
Other income	9,640	8,112	16,709
	<b>397,982</b>	<b>369,056</b>	<b>741,836</b>
<b>Expenses</b>			
Programme rights	103,346	96,561	195,803
Programme operations	25,277	23,404	50,430
Subscriber management	31,792	29,739	60,169
Sales and marketing	19,666	19,262	39,161
Advertising	10,288	8,372	16,906
Broadcasting and infrastructure	35,677	37,871	74,541
Depreciation and amortisation	62,229	54,855	112,506
Corporate	10,787	9,115	17,326
	<b>299,062</b>	<b>279,179</b>	<b>566,842</b>
<b>Operating profit</b>	<b>98,920</b>	<b>89,877</b>	<b>174,994</b>
<b>Financial (expense) income</b>			
Finance income	182	116	440
Finance expense	(13,937)	(17,689)	(31,414)
Realised exchange gain	180	859	1,053
Unrealised exchange gain/(loss)	220	(382)	1,445
	<b>(13,355)</b>	<b>(17,096)</b>	<b>(28,476)</b>
<b>Profit before tax</b>	<b>85,565</b>	<b>72,781</b>	<b>146,518</b>
Income tax expense	25,159	22,009	43,497
<b>Profit for the period</b>	<b>60,406</b>	<b>50,772</b>	<b>103,021</b>
<b>Attributable to:</b>			
Equity holders of the company	60,263	50,697	102,865
Non-controlling interest	143	75	156
	<b>60,406</b>	<b>50,772</b>	<b>103,021</b>
<b>Earnings per share (from continuing operations)</b>			
Basic and diluted earnings per share (cents)	15.49	13.03	26.43



## CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2010 (unaudited)

in NZD 000	31 Dec 2010 (6 months)	31 Dec 2009 (6 months)	30 Jun 2010 (1 year) (Audited)
Profit for the period	60,406	50,772	103,021
<b>Other comprehensive income</b>			
Fair value losses net of tax	(6,827)	(5,272)	(4,119)
<b>Other comprehensive income for the period net of income tax</b>	<b>(6,827)</b>	<b>(5,272)</b>	<b>(4,119)</b>
<b>Total comprehensive income for the period</b>	<b>53,579</b>	<b>45,500</b>	<b>98,902</b>
<b>Attributable to:</b>			
Equity holders of the company	53,436	45,425	98,746
Non-controlling interest	143	75	156
	<b>53,579</b>	<b>45,500</b>	<b>98,902</b>

## CONSOLIDATED INTERIM BALANCE SHEET

As at 31 December 2010 (unaudited)

in NZD 000	Notes	31 Dec 2010	31 Dec 2009	30 Jun 2010 (Audited)
<b>Current assets</b>				
Cash and cash equivalents		22,896	23,469	25,565
Trade and other receivables		75,422	70,108	69,808
Programme rights inventory		36,849	38,722	40,606
Derivative financial instruments		5,382	4,078	4,542
Income tax receivable		-	1,028	-
		<b>140,549</b>	<b>137,405</b>	<b>140,521</b>
<b>Non-current assets</b>				
Property, plant and equipment		344,251	315,421	313,224
Other intangible assets		29,739	27,860	28,900
Goodwill		1,424,494	1,423,427	1,423,427
Derivative financial instruments		655	4,069	3,089
		<b>1,799,139</b>	<b>1,770,777</b>	<b>1,768,640</b>
<b>Total assets</b>		<b>1,939,688</b>	<b>1,908,182</b>	<b>1,909,161</b>
<b>Current liabilities</b>				
Trade and other payables	6	135,731	126,875	128,281
Borrowings	10	2,998	-	-
Derivative financial instruments		11,509	15,339	4,148
Income tax payable		4,212	-	8,036
		<b>154,450</b>	<b>142,214</b>	<b>140,465</b>
<b>Non current liabilities</b>				
Borrowings	10	258,450	308,867	274,000
Bonds	5	198,268	197,969	198,117
Derivative financial instruments		17,491	9,871	13,117
Provisions		542	666	599
Deferred tax		32,964	23,810	31,916
		<b>507,715</b>	<b>541,183</b>	<b>517,749</b>
<b>Total liabilities</b>		<b>662,165</b>	<b>683,397</b>	<b>658,214</b>
<b>Equity</b>				
Share capital		577,403	577,403	577,403
Hedging reserve		(13,507)	(7,833)	(6,680)
Retained earnings		712,680	654,729	679,657
<b>Total equity attributable to equity holders of the company</b>		<b>1,276,576</b>	<b>1,224,299</b>	<b>1,250,380</b>
Non-controlling interest		947	486	567
<b>Total equity</b>		<b>1,277,523</b>	<b>1,224,785</b>	<b>1,250,947</b>
<b>Total equity and liabilities</b>		<b>1,939,688</b>	<b>1,908,182</b>	<b>1,909,161</b>

## CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2010 (unaudited)

in NZD 000

	Attributable to owners of the parent				Non-controlling interest	Total equity
	Share capital	Hedging reserve	Retained earnings	Total		
<b>Balance at 1 July 2010</b>	577,403	(6,680)	679,657	1,250,380	567	1,250,947
Profit for the period	-	-	60,263	60,263	143	60,406
Fair value losses net of tax	-	(6,827)	-	(6,827)	-	(6,827)
<b>Total comprehensive income for the period</b>	-	(6,827)	60,263	53,436	143	53,579
Capital contributed	-	-	-	-	237	237
Dividend paid	-	-	(27,240)	(27,240)	-	(27,240)
Supplementary dividends	-	-	(838)	(838)	-	(838)
Foreign investor tax credits	-	-	838	838	-	838
<b>Balance at 31 December 2010</b>	577,403	(13,507)	712,680	1,276,576	947	1,277,523
<b>For the six months ended 31 December 2009 (unaudited)</b>						
<b>Balance at 1 July 2009</b>	577,403	(2,561)	631,272	1,206,114	411	1,206,525
Profit for the period	-	-	50,697	50,697	75	50,772
Fair value losses net of tax	-	(5,272)	-	(5,272)	-	(5,272)
<b>Total comprehensive income for the period</b>	-	(5,272)	50,697	45,425	75	45,500
Dividend paid	-	-	(27,240)	(27,240)	-	(27,240)
Supplementary dividends	-	-	(2,939)	(2,939)	-	(2,939)
Foreign investor tax credits	-	-	2,939	2,939	-	2,939
<b>Balance at 31 December 2009</b>	577,403	(7,833)	654,729	1,224,299	486	1,224,785
<b>For the year ended 30 June 2010 (audited)</b>						
<b>Balance at 1 July 2009</b>	577,403	(2,561)	631,272	1,206,114	411	1,206,525
Profit for the year	-	-	102,865	102,865	156	103,021
Fair value losses net of tax	-	(4,119)	-	(4,119)	-	(4,119)
<b>Total comprehensive income for the year</b>	-	(4,119)	102,865	98,746	156	98,902
Dividend paid	-	-	(54,480)	(54,480)	-	(54,480)
Supplementary dividends	-	-	(3,865)	(3,865)	-	(3,865)
Foreign investor tax credits	-	-	3,865	3,865	-	3,865
<b>Balance at 30 June 2010</b>	577,403	(6,680)	679,657	1,250,380	567	1,250,947



## CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2010 (unaudited)

in NZD 000	Notes	31 Dec 2010 (6 months)	31 Dec 2009 (6 months)	30 Jun 2010 (1 year) (Audited)
<b>Cash flows from operating activities</b>				
Cash was provided from:				
Customers		391,791	363,872	737,102
Interest received		180	116	439
		<b>391,971</b>	<b>363,988</b>	<b>737,541</b>
Cash was applied to:				
Suppliers and employees		(197,953)	(190,624)	(390,662)
Related parties		(27,899)	(28,729)	(56,665)
Interest paid		(13,751)	(18,895)	(32,786)
Income tax paid		(20,023)	(12,011)	(20,020)
		<b>(259,626)</b>	<b>(250,259)</b>	<b>(500,133)</b>
<b>Net cash from operating activities</b>		<b>132,345</b>	<b>113,729</b>	<b>237,408</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		45	53	73
Acquisition of property, plant, equipment and intangibles	7	(58,378)	(80,676)	(139,101)
Purchase of net assets of On Site Broadcasting (NZ) Limited	9	(13,426)	-	-
<b>Net cash used in investing activities</b>		<b>(71,759)</b>	<b>(80,623)</b>	<b>(139,028)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		21,000	31,000	50,000
Repayment of borrowings		(55,000)	(25,000)	(79,000)
Payment of bank facility fees		(13)	(13)	(25)
Payment of finance lease liabilities		(1,164)	-	-
Dividends paid		(28,078)	(30,179)	(58,345)
<b>Net cash used in financing activities</b>		<b>(63,255)</b>	<b>(24,192)</b>	<b>(87,370)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,669)</b>	<b>8,914</b>	<b>11,010</b>
Cash and cash equivalents at beginning of period		25,565	14,555	14,555
<b>Cash and cash equivalents at end of period</b>		<b>22,896</b>	<b>23,469</b>	<b>25,565</b>

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## RECONCILIATION OF OPERATING CASH FLOWS WITH NET PROFIT

in NZD 000

	31 Dec 2010 (6 months)	31 Dec 2009 (6 months)	30 Jun 2010 (1 year) (Audited)
Net profit	60,406	50,772	103,021
<b>Plus/(Less) non-cash items:</b>			
Depreciation and amortisation	62,229	54,855	112,506
Unrealised foreign exchange(gain)/loss	(220)	382	(1,445)
Movement in provision for doubtful debts	2,579	2,626	6,678
Amortisation of bond issue costs	164	151	299
Movement in deferred tax	4,138	9,317	16,692
Other non cash items	(280)	(730)	860
<b>Items classified as investing activities:</b>			
Gain on disposal of assets	(44)	(39)	(32)
<b>Movement in working capital items:</b>			
Increase in receivables	(6,903)	(5,827)	(5,966)
Increase in payables	5,523	4,983	3,337
Increase in provision for tax	997	680	6,783
Decrease/(increase) in programme rights	3,756	(3,441)	(5,325)
<b>Net cash from operating activities</b>	<b>132,345</b>	<b>113,729</b>	<b>237,408</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 31 December 2010 (unaudited)

### 1. GENERAL INFORMATION

SKY Network Television Limited ("SKY") is a company incorporated and domiciled in New Zealand. The address of its registered office is 10 Panorama Road, Mt Wellington, Auckland, New Zealand. The consolidated interim financial statements of the Group for the six months ended 31 December 2010 comprise SKY and its subsidiaries.

SKY is a company registered under the Companies Act 1993 and is an issuer in terms of the Financial Reporting Act 1993. These consolidated interim 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-per-view and free-to-air television services in New Zealand.

These consolidated interim financial statements were approved by the Board of Directors on 17 February 2011.

### 2. BASIS OF PREPARATION

These consolidated interim financial statements of SKY are for the six months ended 31 December 2010. They have been prepared in accordance with New Zealand generally accepted accounting practice, NZ IAS 34 Interim Financial Reporting and International Accounting Standard 34 (IAS 34). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2010.

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2010.

### 4. GROUP STRUCTURE

At 31 December 2010 SKY had the following subsidiaries:

SKY DMX Music Limited

Cricket Max Limited

Media Finance Limited

Outside Broadcasting Limited (previously SKY Telecommunications (MR7) Limited)

Screen Enterprises Limited

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 31 December 2010 (unaudited)

### 5. BONDS

Terms and conditions of outstanding bonds are as follows:

	31 Dec 2010	31 Dec 2009	30 Jun 2010 (Audited)
Nominal interest rate	4.06%	4.01%	4.01%
Date of maturity	16-Oct-16	16-Oct-16	16-Oct-16
<b>in NZD 000</b>			
Carrying amount	198,268	197,969	198,117
Face value	200,000	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 Company 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 31 December 2010 was 8.25% (31 December 2009: 4.66%, 30 June 2010: 7.62%). The fair value of the bonds at December 2010 was \$176 million (31 December 2009: \$172 million; 30 June 2010: \$178 million). The difference between carrying amount and fair value has not been recognised in the interim financial statements as the bonds are intended to be held until maturity.

### 6. RELATED PARTY TRANSACTIONS

in NZD 000	31 Dec 2010	31 Dec 2009	30 Jun 2010 (Audited)
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The following transactions were carried out with related parties:

#### 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	2,743	3,633	4,757
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#### Transactions included in the income statement Transactions with related parties

The News Corporation Limited and its affiliates			
- Programme, smartcard and broadcasting equipment and publishing	26,707	28,497	57,558

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

The gross remuneration of directors and key management personnel during the period was \$5,596,000 (31 December 2009: \$5,584,000; 30 June 2010: \$8,851,000).

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 31 December 2010 (unaudited)

### 7. CAPITAL EXPENDITURE

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

in NZD 000	31 Dec 2010	31 Dec 2009	30 Jun 2010 (Audited)
Land and buildings	1,680	970	5,625
Broadcasting and studio equipment	2,700	10,212	13,742
Plant and equipment and other	3,467	1,565	2,727
Decoders	20,150	27,619	40,298
Installation costs	24,605	33,961	60,991
Intangibles	6,793	2,719	9,241
UHF License	-	5,435	5,435
	<b>59,395</b>	<b>82,481</b>	<b>138,059</b>
Movement in capital expenditure creditors	(1,017)	(1,805)	1,042
Cash outflow in the period	<b>58,378</b>	<b>80,676</b>	<b>139,101</b>

### 8. DIVIDENDS

On 18 February 2011 the Board of Directors announced that it will pay a fully imputed dividend of 8.0 cents per share with the record date being 4 March 2011. A supplementary dividend of 1.4118 cents per share will be paid to non-resident shareholders.

### 9. BUSINESS ACQUISITIONS

On 9 July 2010 the Group through its subsidiary Outside Broadcasting Limited (previously SKY Telecommunications (MR7) Limited) acquired the assets and certain liabilities of On Site Broadcasting (NZ) Limited and OSB (NZ) Equipment Limited from Australian media company Prime Media Group for a cash consideration of \$13,426,000. Acquisition costs of \$62,000 are included in corporate expenses in the income statement for the period ended 31 December 2010. The acquisition enabled SKY to secure outside broadcasting resources and ensure continuation of services over the coming years as well as allowing SKY the ability to broadcast a greater range of local sports.

The assets and liabilities arising from the acquisition were as follows:

in NZD 000	Fair Value
Plant and equipment	34,700
Lease liabilities	(22,693)
Deferred tax	426
Provision for holiday pay and long service leave	(74)
Goodwill	1,067
	<b>13,426</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 31 December 2010 (unaudited)

Goodwill is attributable to the benefits arising from the Group's ability to control these outside broadcasting assets and reduce the costs of covering additional sports events in the future.

Revenue and net loss included in the consolidated statement of comprehensive income since 9 July 2010 contributed by Outside Broadcasting Limited were \$1,467,000 and (\$514,000) respectively.

In addition Outside Broadcasting Limited and SKY entered into a profit share agreement with Prime Television New Zealand Limited, a subsidiary of Prime Media Group to market OSB New Zealand's services to third party broadcasters and other customers.

As at 31 December 2010 the share of profits allocated to Prime Television New Zealand Limited was \$436,000.

### 10. BORROWINGS

At 31 December 2010 borrowings included \$21,563,000 lease liabilities taken over as part of the purchase of the assets acquired from On Site Broadcasting (NZ) Limited. Details of lease liabilities are as follows:

Lease liabilities (present value)	31 Dec 2010
in NZD 000	
Current	2,998
Non-current	18,565
	<b>21,563</b>
<b>Repayment terms</b>	
Finance lease liabilities - minimum lease payments	
Within one year	4,170
One to five years	14,128
Residual value	7,547
	<b>25,845</b>
Future finance charges on finance leases	(4,282)
Present value of finance lease liabilities	<b>21,563</b>

Interest paid in the current period includes \$95,000 relating to finance leases. The effective interest rate is 6.8%.

The lease liabilities are secured by the leased assets.

**REPORT ON THE INTERIM FINANCIAL STATEMENTS**

We have reviewed the interim condensed consolidated financial statements ("financial statements") of SKY Network Television Limited on pages 11 to 21, which comprise the balance sheet as at 31 December 2010, the income statement, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory information.

**DIRECTORS' RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS**

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 December 2010, and its financial performance and cash flows for the period ended on that date.

**ACCOUNTANTS' RESPONSIBILITY**

We are responsible for reviewing the financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the period ended 31 December 2010 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

We have no relationship with, or interests in, SKY Network Television Limited other than in our capacities as accountants conducting this review and through the provision of other assignments for the Company in the area of assurance services. In addition, certain partners and employees of our firm may deal with the Company on normal terms within the ordinary course of the trading activities of the Group. These matters have not impaired our independence as accountants of the Group.

**OPINION**

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 31 December 2010 and its financial performance and cash flows for the six month period ended on that date.

**RESTRICTION ON DISTRIBUTION OR USE**

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



Chartered Accountants Auckland  
17 February 2011

**DIRECTORY****REGISTRARS**

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

**NEW ZEALAND ORDINARY SHARE REGISTRAR**

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

Mailing address: Private Bag 92119,  
Auckland 1142, New Zealand  
Tel: 64 9 488 8777; Fax: 64 9 488 8787  
Email: enquiry@computershare.co.nz

**AUSTRALIAN BRANCH REGISTER**

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067  
GPO Box 2975  
Melbourne VIC 3001  
Australia  
Freephone: 1300 850 505 (within Australia)  
Tel: 61 3 9415 4083; Fax: 61 3 9473 2500  
Email: enquiry@computershare.co.nz

**BONDHOLDER TRUSTEE**

The New Zealand Guardian Trust Company  
Limited  
Vero Centre, Level 7, 48 Shortland Street,  
Auckland, New Zealand  
Mailing address: P.O. Box 1934  
Auckland, New Zealand  
Tel: 64 9 377 7300; Fax: 64 9 377 7470  
Email: web.corporatetrusts@nzgt.co.nz

**DIRECTORS**

Peter Macourt (Chairman)  
Robert Bryden (Deputy Chairman)  
John Fellet (Chief Executive)  
John Hart, ONZM  
Michael Miller  
Humphry Rolleston  
John Waller

**EXECUTIVES**

John Fellet:	Director and Chief Executive
Jason Hollingworth:	Chief Financial Officer and Company Secretary
Kevin Cameron:	Director of Sport
Greg Drummond:	Director of Broadcast Operations
Travis Dunbar:	Director of Entertainment
Charles Ingley:	Director of Technology
Richard Last:	Director of Sports Content and New Media
Rawinia Newton:	Director of Advertising Sales
Tony O'Brien:	Director of Communications
Mike Watson:	Director of Marketing
Martin Wrigley:	Director of Operations

**NEW ZEALAND REGISTERED OFFICE**

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Tel: 64 9 579 9999; Fax: 64 9 525 8324  
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**AUSTRALIAN REGISTERED OFFICE**

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188 Quay Street, Auckland  
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