



2020

Interim Report
SKY NETWORK TELEVISION LIMITED

sky

Chairman Update

In my address to the Annual General Meeting in late 2019, I commented that the status quo of the last decade was not an option.

Technology, consumer behaviour and commercial pressures are all changing at an unprecedented pace and Sky had until recently been slow to adapt. Subsequent events continue to support this analysis.

Sky takes pride in connecting New Zealanders with the sport and entertainment content they love, in ways that work for them.

To deliver on this goal in an increasingly online world, Sky has continued to drive the important transition to a streaming future, delivering further increases in streaming customers and revenues. Greater focus on our DTH customers has also reduced churn and subscriber attrition.

Securing or renewing a number of key content rights in an increasingly competitive and global environment were important achievements in the period. In particular, the extended relationship with SANZAAR and New Zealand Rugby will provide content that is so important to New Zealand fans, as well as allow Sky to support the development of the game and the next generation of players in New Zealand.

Strategic initiatives like the purchase of Lightbox and the acquisition of global streaming service RugbyPass create opportunities for growth, both in New Zealand and beyond our borders.

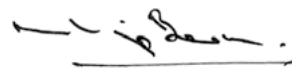
The Interim Results we present today reflect a business in transformation. Over the past twelve months Sky has undergone significant change to reposition itself for growth in an increasingly competitive market. Many of the one-off costs we report today are a consequence of these changes, and it is likely that there will

be further restructuring costs to come. The objective of the Board and Management is to maintain a balance between prudent control of the business cost base and new investment to position the Company for future growth.

As we enter the second half of the financial year Management has a firm focus on the execution of its growth plans, with ambitious targets to increase customer numbers and improve customer satisfaction levels. Investors and customers can expect to see innovations in our digital services, fresh approaches to pricing and content packaging, as well as the introduction of initiatives designed to reward our loyal customers and attract more New Zealanders to Sky.

The path ahead is not an easy one and there are many competitive challenges including a significant increase in content costs. The strategy that we are pursuing is a long-term one to drive value for our stakeholders, rather than one of unsustainable short-term profit maximisation. The refreshed Sky team is energised and focused on implementing clear plans to strengthen the base business whilst generating new revenue streams. Delivering this strategy will also require a strengthened capital structure; Management, together with the Board, is currently evaluating best how to align the capital structure with these requirements.

On behalf of the Board, I would like to thank you for your continuing support and look forward to again updating you on progress later in the year.



Philip Bowman
CHAIRMAN



CEO Update

Laying the foundation for success is a vital part of winning.

Ask any sports person. Before you are selected to compete you must first do the preparation and prove yourself worthy of selection.

We have spent the last year at Sky transforming the business and building a platform for growth. The pace has been fast and the change hasn't always been easy, but we enter 2020 feeling match fit.

We delivered on some important objectives, including enhancing our streaming services, super-serving our satellite customers, winning key rights including Rugby and Netball, and opening the door to global growth with the purchase of RugbyPass.

Achieving positive momentum

The Interim Results we report today show pleasing progress in priority areas, particularly the growth in streaming customers and revenue. Slowing the decline in satellite customer numbers is also an important achievement, as it shows that we can manage the transition to a streaming future while continuing to serve satellite customers well and earning their loyalty every day.

We finished the half year with 795,000 subscribers, and have since welcomed over 130,000 active Lightbox customers as a result of that acquisition. The progress we have achieved in the last six months, along with our investment in future growth areas, sets us well on the track to have one million subscribers by 2021.

Investing in our future

The Interim Results show an increase in expenditure, some of which are one-offs associated with the transformation of the business and our ambitions for growth. Other increases reflect the realities of our competitive market, with increases in content costs and the need to boost marketing spend after a long period of under-investment.

We have invested in a new Sky Digital team, tasked with developing a ground-breaking new digital platform for Sky. I look forward to revealing details in the coming months.

We made some important investments in sport in New Zealand, as the strength and sustainability of the sports sector is as vital to us as it is to the wellbeing of the communities in which we operate. It is in everyone's interests for sport to be nurtured, and I'm particularly proud of the investment we have made in Sky Sport Next to help grow 50 sports across the country, along with our support for a number of teams such as the Sky Sport Breakers, the Wellington

Phoenix, the Kiwi Ferns, the Warriors Women NRL and Future Warriors, the Tall Ferns and the White Sox.

We have a unique partnership with New Zealand Rugby and are committed to working with them to grow and develop the game and its fan base. Our renewed rights agreement was a significant achievement in the period, as were our renewed relationships with Netball, the New Zealand Olympic Committee and IOC, and the ICC and Cricket Australia.

The path ahead

We have entered the second half of the financial year with enthusiasm and confidence.

We completed the Lightbox deal on 31 January and will launch a super-charged streaming service that brings together the best of Neon and Lightbox, providing New Zealanders with a superb line-up of entertainment content. It is good to be working with Spark to deliver the new service to their customers as part of the deal, and I look forward to launching it in the coming months.

There is significant opportunity with RugbyPass, with more than 30 million people engaging with RugbyPass content every month. Initiatives like the launch of the RugbyPass TV channels in Asian markets, timed to coincide with the Six Nations and the start of the 2020 SuperRugby season, demonstrate how we will leverage Sky's capabilities to grow RugbyPass paying audiences. Adding linear TV to the RugbyPass portfolio in this way enables the business to expand its reach in certain markets and create a blended TV and digital experience for rugby fans.

While we have secured key rights that matter to our customers in the last few months, the nature of our business means rights will regularly be up for negotiation. We will continue to make careful choices about what we fight for and how much we spend.

In all aspects of our business, we will continue to maintain the balance between careful control of costs and new investment to position Sky for future growth.

Across everything we do, our goal is to connect New Zealanders with the sport and entertainment content they love, in ways that work for each of them. That means super-serving our satellite customers and having a laser focus on growing our streaming services.

I look forward to a positive and successful 2020.



Martin Stewart
CHIEF EXECUTIVE

Our 2020 Interim Financials

For the six months ended 31 December 2019 (unaudited)

Consolidated interim statement of comprehensive income

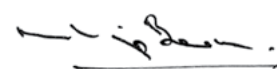
For the six months ended 31 December 2019 (unaudited)

in NZD 000	Notes	31-Dec-19 (6 months)	31-Dec-18 (6 months)	30-Jun-19 (1 year Audited)
Total revenue	4	384,839	403,032	795,126
Expenses				
Programming		174,685	161,727	326,461
Subscriber related costs		50,767	42,064	88,323
Broadcasting and infrastructure		38,837	46,817	95,846
Depreciation, amortisation and impairment of assets		61,336	47,262	131,103
Other costs		30,830	24,141	54,328
	4	356,455	322,011	696,061
Operating profit before impairment		28,384	81,021	99,065
Impairment of goodwill	12	-	-	670,000
Operating profit/(loss)		28,384	81,021	(570,935)
Finance costs, net		8,800	6,507	12,442
Profit/(loss) before tax		19,584	74,514	(583,377)
Income tax expense		7,716	20,910	24,460
Profit/(loss) for the period		11,868	53,604	(607,837)
Attributable to:				
Equity holders of the Company		11,715	53,434	(608,158)
Non-controlling interests		153	170	321
		11,868	53,604	(607,837)
Earnings per share				
Basic and diluted earnings/(loss) per share (cents)	9	2.81	13.73	(156.28)
OTHER COMPREHENSIVE INCOME				
Profit/(loss) for the period		11,868	53,604	(607,837)
Items that may be reclassified to profit and loss				
Deferred hedging losses/(gains) transferred to operating expenses during the period		523	(3,215)	(2,745)
Exchange differences on translation of foreign operations	9	283	-	-
Income tax effect		(146)	900	769
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net of income tax		660	(2,315)	(1,976)
Items that may not be reclassified to profit or loss				
Deferred hedging gains and losses transferred to non-financial assets during the period		(4,095)	(6,036)	(10,097)
Income tax effect		1,146	1,690	2,827
Net other comprehensive loss not being reclassified to profit or loss in subsequent periods, net of income tax		(2,949)	(4,346)	(7,270)
Total comprehensive income/(loss) for the period		9,579	46,943	(617,083)
Attributable to:				
Equity holders of the Company		9,426	46,773	(617,404)
Non-controlling interests		153	170	321
		9,579	46,943	(617,083)

Consolidated interim balance sheet

As at 31 December 2019 (unaudited)

in NZD 000	Notes	31-Dec-19	31-Dec-18	30-Jun-19 Audited
Current assets				
Cash and cash equivalents	13	3,898	6,957	4,283
Trade and other receivables		59,731	64,226	61,996
Programme rights inventory	6	112,786	83,604	89,458
Income tax receivable		294	-	-
Derivative financial instruments	13	2,865	8,944	5,019
		179,574	163,731	160,756
Non-current assets				
Property, plant and equipment		162,053	198,451	163,217
Intangible assets		45,491	51,022	50,485
Right-of-use assets	8	68,133	-	-
Goodwill	12	433,812	1,065,331	395,331
Derivative financial instruments	13	261	2,127	1,564
		709,750	1,316,931	610,597
Total assets		889,324	1,480,662	771,353
Current liabilities				
Interest bearing loans and borrowings	7/13	1,103	1,674	1,701
Lease liabilities	8	39,114	-	-
Trade and other payables		125,379	117,850	136,078
Contract liabilities		51,788	58,373	54,396
Income tax payable		-	7,362	11,052
Derivative financial instruments	13	4,650	3,219	2,721
		222,034	188,478	205,948
Non-current liabilities				
Interest bearing loans and borrowings	7/13	215,854	211,577	191,961
Lease liabilities	8	41,619	-	-
Other non-current liabilities	11	5,283	-	-
Derivative financial instruments	13	2,546	3,435	2,952
Deferred tax		10,374	32,307	18,924
		275,676	247,319	213,837
Total liabilities		497,710	435,797	419,785
Equity				
Share capital	9	617,094	577,403	577,403
Reserves	9	(2,149)	2,371	(53)
Retained earnings		(224,813)	463,667	(227,111)
Total equity attributable to equity holders of the Company		390,132	1,043,441	350,239
Non-controlling interest		1,482	1,424	1,329
Total equity		391,614	1,044,865	351,568
Total equity and liabilities		889,324	1,480,662	771,353



Philip Bowman
CHAIRMAN



Martin Stewart
CHIEF EXECUTIVE

For and on behalf of the board 11 February 2020.

Consolidated interim statement of changes in equity

For the six months ended 31 December 2019 (Unaudited)

in NZD 000	Attributable to owners of the parent						
	Notes	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 July 2019		577,403	(53)	(227,111)	350,239	1,329	351,568
Impact of change in accounting policy	3	-	-	(9,417)	(9,417)	-	(9,417)
Adjusted balance		577,403	(53)	(236,528)	340,822	1,329	342,151
Profit for the period		-	-	11,715	11,715	153	11,868
Exchange difference on translation of foreign operations	9	-	283	-	283	-	283
Cash flow hedges, net of tax		-	(2,572)	-	(2,572)	-	(2,572)
Total comprehensive income for the period		-	(2,289)	11,715	9,426	153	9,576
Transactions with owners in their capacity as owners							
Issue of ordinary shares related to business combination	9	24,378	-	-	24,378	-	24,378
Issue of ordinary shares to NZ Rugby Union	9	15,436	-	-	15,436	-	15,436
Transaction costs relating to share issues		(123)	-	-	(123)	-	(123)
Employee share scheme	9	-	193	-	193	-	193
		39,691	193	-	39,884	-	39,884
Balance at 31 December 2019		617,094	(2,149)	(224,813)	390,132	1,482	391,614
For the six months ended 31 December 2018 (unaudited)							
Balance at 1 July 2018		577,403	9,032	439,418	1,025,853	1,254	1,027,107
Profit for the period		-	-	53,434	53,434	170	53,604
Cash flow hedges, net of tax		-	(6,661)	-	(6,661)	-	(6,661)
Total comprehensive income for the period		-	(6,661)	53,434	46,773	170	46,943
Transactions with owners in their capacity as owners							
Dividend paid		-	-	(29,185)	(29,185)	-	(29,185)
Supplementary dividends		-	-	(4,316)	(4,316)	-	(4,316)
Foreign investor tax credits		-	-	4,316	4,316	-	4,316
		-	-	(29,185)	(29,185)	-	(29,185)
Balance at 31 December 2018		577,403	2,371	463,667	1,043,441	1,424	1,044,865
For the year ended 30 June 2019 (audited)							
Balance at 1 July 2018		577,403	9,032	439,418	1,025,853	1,254	1,027,107
(Loss)/profit for the year		-	-	(608,158)	(608,158)	321	(607,837)
Cash flow hedges, net of tax		-	(9,246)	-	(9,246)	-	(9,246)
Total comprehensive (loss)/income for the year		-	(9,246)	(608,158)	(617,404)	321	(617,083)
Transactions with owners in their capacity as owners							
Dividend paid		-	-	(58,371)	(58,371)	(246)	(58,617)
Supplementary dividends		-	-	(8,552)	(8,552)	-	(8,552)
Foreign investor tax credits		-	-	8,552	8,552	-	8,552
Employee share scheme	9	-	161	-	161	-	161
		-	161	(58,371)	(58,210)	(246)	(58,456)
Balance at 30 June 2019		577,403	(53)	(227,111)	350,239	1,329	351,568

Consolidated interim statement of cash flows

For the six months ended 31 December 2019 (unaudited)

in NZD 000	Notes	31-Dec-2019		31-Dec-2018		30-Jun-2019	
		(6 months)	(6 months)	(6 months)	(6 months)	(1 year)	(audited)
Cash flows from operating activities							
Profit/(loss) before tax		19,584	74,514			(583,377)	
Adjustment for non-cash items:							
Depreciation and amortisation		61,336	47,262			131,103	
Impairment of goodwill		-	-			670,000	
Impairment of programme rights	6	1,396				5,715	
Unrealised foreign exchange loss/(gain)		644	(349)			(258)	
Interest expense		8,588	7,221			13,895	
Bad debts and movement in provision for doubtful debts		500	393			1,186	
Other non-cash items		447	(2,305)			605	
Movement in working capital items:							
Decrease/(increase) in receivables		2490	(3,598)			(65)	
(Decrease)/increase in payables		(11,595)	8,290			5,362	
(Increase)/decrease in programme rights		(7,407)	(5,226)			(16,795)	
Cash generated from operations		75,983	126,202			227,371	
Interest paid		(10,492)	(8,817)			(14,045)	
Bank facility fees paid		(25)	(1,186)			(800)	
Income tax paid		(23,500)	(26,500)			(34,500)	
Net cash from operating activities		41,966	89,699			178,026	
Cash flows from investing activities							
Proceeds from sale of property, plant and equipment		-	154			228	
Acquisition of property, plant, equipment and intangibles	10	(33,249)	(38,763)			(76,342)	
Acquisition of subsidiary, net of cash acquired	11	(15,193)	-			-	
Disposal of short term investment		-	6,332			6,334	
Net cash used in investing activities		(48,442)	(32,277)			(69,780)	
Cash flows from financing activities							
Advances received – bank loan		49,000	206,000			257,000	
Repayment of borrowings – bank loan		(23,000)	(230,000)			(300,000)	
Payments for lease liability principal		(19,366)	-			-	
Vendor finance received		-	3,206			3,205	
Repayment of other borrowings		(543)	(864)			(1,693)	
Dividend paid to minority shareholders		-	-			(246)	
Dividends paid		-	(33,501)			(66,923)	
Net cash used in financing activities		6,091	(55,159)			(108,657)	
Net (decrease)/increase in cash and cash equivalents							
		(385)	2,263			(411)	
Cash and cash equivalents at beginning of the period		4,283	4,694			4,694	
Cash and cash equivalents at end of the period		3,898	6,957			4,283	

Notes to the interim financial statements

For the six months ended 31 December 2019 (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 for the six months ended 31 December 2019 comprise Sky and its subsidiaries (the Group).

Sky is a company registered under the Companies Act 1993 and is a reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

These consolidated interim financial statements were approved by the Board of Directors on 11 February 2020.

2. Basis of preparation

These consolidated interim financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013, the NZX Main Board Listing Rules and the ASX Listing Rules.

These consolidated interim financial statements of Sky are for the six months ended 31 December 2019. 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 2019. For the purposes of financial reporting Sky is a profit-oriented entity.

The preparation of interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting requires management to make judgments, 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Growth strategy and future performance

During the period, the Group has continued to execute its strategy which has included the following events and transactions:

- The acquisition of Rugby Pass Limited in August, which resulted in goodwill of \$38 million (refer Note 11). Part of the acquisition cost included the Group issuing 25,085,408 shares (refer Notes 9 and 11).
- In November Sky negotiated a five-year partnership agreement with the New Zealand Rugby Union (NZR) as a result of successfully renewing the SANZAAR contract for the five years from 2021 to 2025. The terms of the agreement included the issue of 21,801,325 Sky shares to NZR with a fair value of \$15 million (refer Notes 6 and 9).
- Review of the organisational design and structure within the Group.
- In January 2020, the Group completed the acquisition of Lightbox from Spark (refer Note 16).

There are also a number of other initiatives that have been executed during the period as part of the Group's ongoing transformation programme. In order to fund these investments, Directors and

Management are focussed on cash flow management and the effective use of capital as evidenced by the suspension of the dividend in 2019.

Considering the above, the Directors have reviewed the operating and cash flow forecasts for the five-year period to 2025. The Directors are satisfied, based on their review of these financial forecasts that during the period to at least 12 months from approving the consolidated interim financial statements there will be adequate cash flows generated from operating activities to meet the obligations of the Group as they arise.

The cash flow forecast reviewed by the Directors is based on assumptions regarding future, or in progress, initiatives that may have a material effect on actual future cash flows. They include key assumptions relating to:

- Growth rates in streaming subscribers and churn rates in satellite subscribers.
- Expansion of international services through RugbyPass.
- Expansion of content delivery means other than satellite.

As part of this growth plan, the Directors are also currently reviewing the funding structure of the Group given the investments required under the transformation programme and maturity of the \$100 million bond in March 2021. The current bank facility expires in July 2022 with a stepdown in the bank facility from \$200 million to \$150 million by July 2021 (refer Note 7).

The Board acknowledges the inherent execution risks involved in its growth strategy that may significantly impact the Group's financial performance, cash flow forecasts and consequently impact on banking facility terms and may affect the Group's assessment of impairment in future periods (as set out in Note 12). The group's capital structure, including adequacy of banking covenants is dependent on and sensitive to the timing and execution of the Group's strategy which affects the level of operating cash flows, capital investments and disposals that are key inputs to the financial ratio calculation (refer Note 7).

Acknowledging the inherent execution risks associated with the growth and transformation plan and underlying key assumptions, it is the Directors' considered view that the assumptions used in the cash flow forecast are reasonable and that the use of the going concern basis in preparing the consolidated interim financial statements remains appropriate.

Group structure

The Group has a majority share in the following subsidiaries.

Name of Entity	Principal Activity	Country of Incorporation	Parent	Interest held Dec 2019	Dec 2018 and June 2019
Sky DMX Music Limited	Commercial music	New Zealand	Sky	50.50%	50.50%
Sky Ventures Limited	Investment	New Zealand	Sky	100.00%	100.00%
Media Finance Limited	Non-trading	New Zealand	Sky	100.00%	100.00%
Outside Broadcasting Limited	Broadcasting services	New Zealand	Sky	100.00%	100.00%
Screen Enterprises Limited	Non-trading	New Zealand	Sky	100.00%	100.00%
Igloo Limited	Non-trading	New Zealand	Sky	100.00%	100.00%
Believe It Or Not Limited	Entertainment quizzes	New Zealand	Sky	51.00%	51.00%
Sky Investment Holdings Limited (incorporated 15 August 2019)	Investment	New Zealand	Sky	100.00%	0.00%
Rugby Pass Limited (acquired on 19 August 2019)	Streaming services	Ireland	Sky Investment Holdings Limited	100.00%	0.00%
Rugby Pass Asia Pte Ltd (acquired 19 August 2019)	Management services	Singapore	Rugby Pass Limited	100.00%	0.00%

Notes to the interim financial statements (continued)

For the six months ended 31 December 2019 (unaudited)

3. Significant accounting policies and changes

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 2019, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has applied NZ IFRS 16 Leases for the first time using a modified retrospective approach which does not require restatement of previous financial statements. (Refer Note 8). As required by NZ IAS 34, the nature and effect of these changes are disclosed below.

Impact on the interim financial statements

NZ IFRS 16 primarily changes lease accounting for lessees; lease agreements now give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs are recognised in the form of depreciation of the right-of-use asset and interest is recognised on the lease liability. The new standard has substantively changed the accounting treatment for operating leases where rental charges were previously recognised on a straight-line basis and no lease asset or lease obligation was recognised. The standard was effective for accounting periods beginning on or after 1 January 2019 and the Group adopted the standard from 1 July 2019. As allowed under NZ IFRS 16 comparatives have not been restated.

Lease liabilities are measured at the present value of the remaining lease payments using the Group's incremental borrowing rate as at 1 July 2019 as described in Note 8. The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. Right-of-use assets are classified as motor vehicles, property, transmission and equipment.

The impact of adoption of NZ IFRS 16 on the Group's consolidated interim balance sheet is summarised in the table below:

IN NZD 000	31-Dec-2019	1-Jul-2019
Right-of-use assets	68,133	78,345
Lease liabilities	(80,733)	(93,806)
Deferred tax	4,330	3,661
Other liabilities	-	2,383
Retained earnings	9,417	9,417

When compared to the accounting policies applied in the prior comparative period, the adoption of NZ IFRS 16 on the Group's consolidated interim statement of comprehensive income for the six months ended 31 December 2019 is as follows:

IN NZD 000	31-Dec-2019
Operating expenses	(21,277)
Depreciation	16,514
Interest expense	1,909

The table below reconciles commitments disclosed as at 30 June 2019 to the lease liability balance at 1 July 2019.

IN NZD 000	30-Jun-19
Commitments disclosed as at 30 June 2019	
Operating leases	92,660
Contracts for transmission service	7,038
Other service commitments	26,511
	126,209
Less short term leases recognised on a straight-line basis as an expense	(2,354)
Less contracts assessed as service commitments	(22,813)
Adjustment due to price changes	42
Discounting using the Group's incremental borrowing rate at the date of initial application	(7,278)
Lease liability	93,806
Current lease liabilities	37,043
Non-current lease liabilities	56,763
	93,806

The adoption of NZ IFRS 16 does not have any significant effect on the Group's banking covenants since adjustment is already in place to treat transmission leases as a finance lease contract.

Foreign currency translation

Functional and presentation currency

The Group's consolidated interim financial statements are presented in New Zealand dollars (NZD) which is the Group's functional and presentation currency.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign operations

The income statements of foreign operations are translated into the Group's reporting currency at average exchange rates for the period and the assets and liabilities of foreign operations are translated into NZD at the exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated into NZD at the exchange rates at the dates of the transactions.

Foreign exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

Notes to the interim financial statements (continued)

For the six months ended 31 December 2019 (unaudited)

4. Segment information

The table below shows the disaggregation of the Group's revenue from contracts with customers on the basis of when revenue is recognised for its principal revenue streams.

In NZD 000	Residential satellite subscriptions	Other subscriptions	Advertising	Other revenue	Total revenue from contracts with customers
For the six months ended 31 December 2019					
Revenue from customers	298,729	52,439	26,084	15,607	392,859
Inter-segment revenue	-	-	-	(8,020)	(8,020)
Total revenue	298,729	52,439	26,084	7,587	384,839
Timing of revenue recognition					
At a point in time	5,875	-	26,084	3,962	35,921
Over time	292,854	52,439	-	3,625	348,918
	298,729	52,439	26,084	7,587	384,839
For the six months ended 31 December 2018					
Revenue from customers	322,044	46,144	27,370	16,959	412,517
Inter-segment revenue	-	-	-	(9,485)	(9,485)
Total revenue	322,044	46,144	27,370	7,474	403,032
Timing of revenue recognition					
At a point in time	8,041	-	27,370	2,955	38,366
Over time	314,003	46,144	-	4,519	364,666
	322,044	46,144	27,370	7,474	403,032
For the year ended 30 June 2019					
Revenue from customers	629,763	98,595	51,805	32,847	813,010
Inter-segment revenue	-	-	-	(17,884)	(17,884)
Total revenue	629,763	98,595	51,805	14,963	795,126
Timing of revenue recognition					
At a point in time	13,895	-	51,805	7,505	73,205
Over time	615,868	98,595	-	7,458	721,921
	629,763	98,595	51,805	14,963	795,126

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 are responsible for allocating resources and assessing performance of the operating segments. Sky operates in a single business segment, as a provider of sport and entertainment and media services.

Operating expenses in the current period include redundancy costs of \$7 million, consultancy fees of \$2.5 million and a satellite reservation fee of \$2 million.

5. Related party transactions

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

The gross remuneration of directors and key management personnel during the period was \$9,163,000 (31 December 2018: \$7,421,000; 30 June 2019: \$15,587,000). The remuneration in the current period includes the redundancy cost paid to executive directors and key management personnel.

The first tranche of 200,000 shares of the Chief Executive's entitlement to 800,000 shares will vest in February 2020. Further shares will vest in future years subject to the conditions set out in the Chief Executive's employment contract.

The accrued share entitlements earned by the Chief Executive during the period was \$193,000 (30 June 2019: \$161,000), based on a grant date (1 February 2019) value of \$1.93 per share.

6. Programme rights inventory

IN NZD 000	Notes	31-Dec-2019	31-Dec-2018	30-Jun-2019 (Audited)
Opening balance		89,458	78,378	78,378
Acquired during the period		161,642	138,115	275,789
Acquired as part of acquisition of Rugby Pass	11	1,882	-	-
Written off during the year		(1,396)	-	(5,715)
Charged to programming expenses		(138,800)	(132,889)	(258,994)
Balance at end of period		112,786	83,604	89,458

Acquired programme rights include \$15,436,000 for prepaid rights relating to the SANZAAR contract and Rugby Union Partnership agreement. The payment for the rights was settled by the issue of 21,801,325 shares in Sky (refer Note 9).

7. Interest bearing loans and borrowings

in NZD 000	31-Dec-19			31-Dec-18			30-Jun-19 (Audited)		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Borrowings	1,103	116,194	117,297	1,082	110,086	111,168	1,093	90,643	91,736
Lease liabilities	-	-	-	592	2,104	2,696	608	1,796	2,404
Bonds	-	99,660	99,660	-	99,387	99,387	-	99,522	99,522
	1,103	215,854	216,957	1,674	211,577	213,251	1,701	191,961	193,662
Repayment terms									
Less than one year			1,103			1,674			1,701
Between one and five years			215,854			211,577			191,961
			216,957			213,251			193,662

Bank loans

In October 2018 the Group renegotiated its bank facility with a syndicate of banks comprising Bank of New Zealand, Commonwealth Bank of Australia and Westpac Bank for a value of \$200 million expiring on 22 July 2022 with the facility reducing to \$150 million by July 2021.

Notes to the interim financial statements (continued)

For the six months ended 31 December 2019 (unaudited)

7. Interest bearing loans and borrowings (continued)

The facility arrangements (together with certain hedging arrangements and the existing \$100 million bond) take the benefit of shared security granted by certain members of the Group, including (i) a general security deed granted by each of Sky Network Television Limited and Outside Broadcasting Limited, (ii) real property mortgages granted over certain real property interests of Sky Network Television Limited and (iii) a spectrum mortgage granted over certain spectrum. The loan facility is subject to certain covenant clauses whereby the Group is required to meet certain key financial ratios.

These financial ratios are calculated in accordance with the new strategy and business plan (refer Note 2 – Growth strategy). There have been no breaches of covenant clauses and no breaches are anticipated within the next 12 months.

Bank overdrafts of \$6,301,000 (31 December 2018: \$1,118,000; 30 June 2019: \$6,780,000) have been set off against cash balances.

Bonds

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

Terms and conditions of outstanding bonds are as follows:

Bonds	31-Dec-2019	31-Dec-2018	30-Jun-2019 (Audited)
Nominal interest rate	6.25%	6.25%	6.25%
Market yield	3.80%	4.13%	3.58%
Issue date	31-Mar-14	31-Mar-14	31-Mar-14
Date of maturity	31-Mar-21	31-Mar-21	31-Mar-21
in NZD 000			
Carrying amount	99,660	99,387	99,522
Face value	100,000	100,000	100,000
Fair value	102,977	104,533	104,523

8. Leases

This note provides information for leases where the Group is a lessee.

IN NZD 000	Property	Transmission	Equipment	Motor vehicles	Total
Right-of-use assets					
Transition balance on 1 July 2019	7,602	62,282	8,038	424	78,346
Reclassification of assets relating to finance leases previously recognised	–	–	2,361	–	2,361
Additions for the period	998	–	2,928	14	3,940
Depreciation	(685)	(12,750)	(3,007)	(72)	(16,514)
Balance at 31 December 2019	7,915	49,532	10,320	366	68,133
Lease liabilities					
Transition balance on 1 July 2019	8,954	76,215	8,211	426	93,806
Reclassification of finance leases previously recognised	–	–	2,404	–	2,404
Additions for the period	998	–	2,928	14	3,940
Add interest for the period	244	1,368	286	11	1,909
Less repayments	(928)	(16,590)	(3,679)	(80)	(21,277)
Foreign currency revaluation	–	(73)	24	–	(49)
Balance at 31 December 2019	9,268	60,920	10,174	371	80,733
Current	1,463	30,802	6,703	146	39,114
Two to five years	5,948	30,118	3,471	225	39,762
More than five years	1,857	–	–	–	1,857
	9,268	60,920	10,174	371	80,733

The consolidated interim statement of comprehensive income includes operating expenses of \$4,163,000 which relate to short term leases or leases of low value assets.

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as finance leases under NZ IAS 17 "Leases". The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings (refer Note 7).

The Group leases various premises, transmission equipment, motor vehicles and sundry equipment. Rental contracts vary between one and five years with some office leases containing renewal options. Sky has incorporated renewal options into the lease term where it is reasonably certain that the lease will be extended.

In applying NZ IFRS 16 for the first time the Group has used the following practical expedients permitted by the standard:

- Use of a single discount rate to leases with reasonably similar characteristics.
- Use of hindsight in determining a lease term.
- Exclusion of initial direct costs for the measurement of the lease asset at the date of initial recognition.
- Exclusion of low value assets (less than \$20,000).
- Exclusion of leases with a remaining term of less than 12 months.

Notes to the interim financial statements (continued)

For the six months ended 31 December 2019 (unaudited)

8. Leases (continued)

At the transition date (1 July 2019) Sky has valued its existing lease contracts using the modified retrospective method whereby the value of the lease asset and liability is calculated using the Group's incremental borrowing rate at the date of transition. Assets are accounted for as if they had existed at the contract start date. The difference between the transition lease asset and lease liability and the related deferred tax is accounted for as an adjustment to retained earnings.

Lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined which is the case for most of the Group's leases the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate (IBR), the Group calculates its internal borrowing rate on a quarterly basis. The average IBR at 31 December 2019 was 3.95% (1 July 2019: 4.0%). The Group uses this rate for contracts with a value of less than \$100,000.

For higher value contracts the Group makes adjustments to the IBR after considering the effect of the lease term, the currency and value of the lease, any security given, and the economic environment in which the Group operates.

For leases where there are renewal options the lease payments may change. When lease payments are adjusted, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period.

Right-of-use assets are measured at cost which includes the initial measurement of the lease liability, plus any lease payment made before the commencement date, initial direct costs and restoration costs less any lease incentives received. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Critical judgments in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a renewal option. Renewal options are only included in the lease term if the option is reasonably certain to be exercised.

Most of the Group's property leases contain renewal options, and generally where it is likely that these options will be exercised they have been included in the calculation of the lease liability. Management reassesses the likelihood of exercising termination options at each reporting date or when there is any significant change in circumstances. Any changes in the lease term or value affect the valuation of the liability and the right-of-use asset and are adjusted accordingly.

9. Share capital and reserves

	Notes	Number of shares (000)	Ordinary shares (NZD 000)
Shares on issue at 30 June 2019		389,140	577,403
Shares issued for purchase of Rugby Pass	11	25,085	24,378
Shares issued to NZ Rugby Union	6	21,801	15,436
Less transaction costs		-	(123)
		436,026	617,094

On 19 August 2019 Sky issued 25,085,408 shares at a value of \$1.24 per share to RugbyPass Investors, LLC as part of the consideration for the purchase of Rugby Pass (refer Note 11).

Sky issued a further 21,801,325 shares on 1 November 2019 at a value of \$0.92 per share to the NZ Rugby Union as part of the consideration in relation to the Rugby Union Partnership agreement. The value of the consideration has been recorded as a prepayment for programme rights.

Due to restriction clauses in both contracts for disposal of the shares a discount has been allocated to determine the fair value of the consideration for the shares as follows:

IN NZD 000	RugbyPass	NZ Rugby Union
Shares issued at market value	29,600	20,057
Less discount	(5,222)	(4,621)
Fair value of consideration	24,378	15,436

Basic and diluted earnings/(loss per share)	31-Dec-2019	31-Dec-2018	30-Jun-2019
Profit/(loss) after tax attributable to equity holders of the parent (NZD 000)	11,715	53,434	(608,158)
Weighted average number of ordinary shares on issue (thousands)	416,860	389,140	389,140
Basic and diluted earnings/(loss) per share (cents)	2.81	13.73	(156.28)

Basic earnings or loss per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

Diluted earnings or loss per share is calculated by adjusting the weighted average of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Notes to the interim financial statements (continued)

For the six months ended 31 December 2019 (unaudited)

9. Share capital and reserves (continued)

Reserves

IN NZD 000	Notes	Hedge reserve	Share based compensation reserve	Currency translation reserve	Total reserves
As at 31 December 2019					
Balance as at 1 July 2019		(214)	161	-	(53)
Acquisition of Rugby Pass	11	-	-	33	33
Translation of subsidiary		-	-	250	250
Employee share scheme		-	193	-	193
Cash flow hedges (net of tax)					
Revaluation		(4,095)	-	-	(4,095)
Reclassification to profit and loss		523	-	-	523
Deferred tax		1,000	-	-	1,000
Balance at 31 December 2019		(2,786)	354	283	(2,149)
As at 30 June 2019					
Balance as at 1 July 2018		9,032	-	-	9,032
Employee share scheme		-	161	-	161
Cash flow hedges (net of tax)					
Revaluation		(911)	-	-	(911)
Reclassification to profit and loss		(11,932)	-	-	(11,932)
Deferred tax		3,597	-	-	3,597
Balance at 30 June 2019		(214)	161	-	(53)

10. Capital expenditure

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

in NZD 000	31-Dec-2019 (6 months)	31-Dec-2018 (6 months)	30-Jun-2019 (1 year) (Audited)
Capital projects in progress	22,046	16,989	34,538
Land and buildings	926	132	2,951
Broadcasting and studio equipment	520	-	4,153
Plant and equipment and other	789	1,220	5,476
Decoders	1,435	732	3,229
Installation costs	6,648	7,709	15,566
Intangibles	786	1,080	10,035
	33,150	27,862	75,948
Movement in capital expenditure creditors	99	10,901	394
Cash outflow in the period	33,249	38,763	76,342

11. Business combination

On 19 August 2019 the Group through its subsidiary Sky Investment Holdings Limited acquired 100% of the share capital of Rugby Pass Limited (Ireland) and Rugby Pass Asia Pte Limited (together RugbyPass).

The acquisition has significantly expanded the Group's reach into the global rugby market, the largest online rugby network in the world.

RugbyPass is a premier online destination for global rugby fans, offering a live streaming rugby service across Asia, Australia and Europe, along with a wide array of original video content, news, analysis, statistics and a rugby player and team rankings system, the RugbyPass Index.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

Purchase consideration	IN NZD 000
Cash paid	15,633
Ordinary shares issued	24,378
Contingent consideration	5,283
	45,294

The fair value of the 25,085,408 shares issued was based on the published share price on 19 August 2019 of \$1.24 per share less an attributable discount (refer Note 9).

Based on the best information available at the reporting date, the provisionally determined fair value of the assets and liabilities recognised as a result of the acquisition are as follows:

Assets and liabilities acquired	IN NZD 000
Cash	441
Trade and other receivables	700
Programming rights	1,882
Intangible assets	7,885
Trade payables	(2,081)
Deferred revenue	(76)
Deferred tax liability	(711)
Other liabilities	(1,227)
Net identifiable assets acquired	6,813
Add goodwill	38,481
Fair value of purchase consideration	45,294

The goodwill is attributable to the global reach and the streaming technology of the acquired companies. Rugby Pass Limited has accumulated losses relating to prior years of EUR 14,991,000 as at 31 December 2018, that it is able to utilise against taxable income in the future. No deferred tax asset has been recognised for these losses as the timing and extent of their recoverability is uncertain.

For financial reporting purposes the assets and liabilities of Rugby Pass have been valued and consolidated as if the acquisition had occurred on 1 July 2019 which is the date the Group effectively obtained control of RugbyPass. The acquired Group contributed revenue of \$2,804,000 and losses of \$7,057,000 to the Group for the period 1 July 2019 to 31 December 2019. A deferred tax asset has not been recorded as recovery is not expected in the short term.

Significant estimate: Contingent consideration

The acquisition agreement allows for a maximum earnout amount of USD10 million based on the achievement of certain specified targets during the earnout period from 1 January 2020 to 31 December 2022. The agreement also provides for an interim earnout amount of up to a maximum of USD3.5 million payable for the 18 month period from 1 January 2020 to 30 June 2021. The contingent consideration has been valued at NZD 5.3 million.

Notes to the interim financial statements (continued)

For the six months ended 31 December 2019 (unaudited)

12. Goodwill

in NZD 000	31-Dec-2019 (6 months)	31-Dec-2018 (6 months)	30-Jun-2019 (1 year) (Audited)
Opening balance	395,331	1,065,331	1,065,331
Acquisition (Note 11)	38,481	-	-
Impairment	-	-	(670,000)
Closing balance	433,812	1,065,331	395,331

As at 31 December 2019, an impairment test of goodwill was undertaken because of the fall in Sky's share price from \$1.17 at 30 June 2019 to \$0.73 at 31 December 2019. The Group has completed an assessment of the carrying value of goodwill using a fair value less cost to sell basis to determine the recoverable amount consistent with the approach taken by the Group in its consolidated financial statements for the year ended 30 June 2019.

Management has reviewed its assumptions and has considered whether the fall in the share price could be due to factors not reflected in the key assumptions used in its assessment. Based on the calculations and assumptions used in determining the recoverable amount and, noting that the market capitalisation value excludes any control premium and may not reflect the value of 100% of the Group's net assets, the Group has not identified any impairment as at 31 December 2019.

The impact of new product offerings that are planned and proposed price changes and market changes from competitors makes it difficult to estimate subscriber numbers with a high degree of accuracy and therefore there is significant uncertainty in the level of future subscriber numbers and actual results may be materially different from the plan. Adverse changes in the key assumptions, in particular changes in the quality, pricing or retention of key content contracts, subscriber numbers and ARPU could give rise to a further impairment of goodwill.

The Board's assessment is that the recoverable amount continues to support the existing carrying value of goodwill. Given the execution risk associated with the growth strategy (refer Note 2), the Board will closely monitor the financial performance of the business and will reassess the carrying value of goodwill, as required, to consider whether there is any future impairment.

The table below illustrates the sensitivity of the impairment assessment to changes in key assumptions over the five year forecast period used in the model:

in NZD (million)	Headroom	Impairment
Increase/(Decrease) of 10% in satellite subscriber numbers	253	(253)
Increase/(Decrease) of 10% in satellite ARPU	339	(340)
Decrease/(Increase) of 10% in programming costs	250	(258)

Additions to goodwill relate to the acquisition of Rugby Pass (refer Note 11).

13. Fair value measurements of financial instruments

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

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, they should be read in conjunction with the Group's annual financial statements as at 30 June 2019. There have been no changes in any risk management policies since year end.

Financial assets of the Group include cash, and cash equivalents, trade and other receivables, financial assets at fair value through other comprehensive income (OCI) (unquoted investments held for disposal and derivative financial assets). Financial liabilities of the Group include trade and other payables, borrowings, bonds, and derivative financial liabilities. The Group does not hold or issue financial instruments for trading purposes.

The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: Quoted prices (unadjusted in active market for identical assets and liabilities).
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs), for example discounted cash flow.

Sky's financial assets and liabilities carried at fair value are valued on a level 2 basis.

Classification of financial instruments

The following table presents the Group's financial assets and liabilities according to classifications.

in NZD 000	31-Dec-2019		31-Dec-2018		30-Jun-2019 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortised cost						
Cash and cash equivalents	3,898	3,898	6,957	6,957	4,283	4,283
Trade and other receivables	49,601	49,601	57,918	57,918	53,134	53,134
Financial assets at fair value through OCI						
Derivatives designated as hedging instruments (cash flow hedges)	2,152	2,152	9,211	9,211	4,557	4,557
Derivatives not designated as hedging instruments (fair value hedges)	974	974	1,860	1,860	2,026	2,026
	56,625	56,625	75,946	75,946	64,000	64,000
Financial liabilities at amortised cost						
Bank loans	113,460	110,809	106,250	105,738	87,356	85,678
Other loans	3,836	3,715	7,614	7,263	6,784	6,700
Bonds	99,660	102,997	99,387	104,533	99,522	104,523
Trade and other payables	96,896	96,896	91,070	91,070	113,618	113,618
Financial liabilities at fair value through OCI						
Derivatives designated as hedging instruments (cash flow hedges)	4,613	4,613	6,193	6,193	5,137	5,137
Derivatives not designated as hedging instruments (fair value hedges)	2,583	2,583	461	461	536	536
	321,048	321,613	310,975	315,258	312,953	316,192

Prepaid expenses, deferred revenue, unearned subscriptions, tax payables and employee benefits do not meet the definition of a financial instrument and have been excluded from the "Trade and other receivables" and "Trade and other payables" categories above. Due to their short-term nature, the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables is assumed to approximate their fair value.

Notes to the interim financial statements (continued)

For the six months ended 31 December 2019 (unaudited)

13. Fair value measurements of financial instruments (continued)

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

	31-Dec-2019	31-Dec-2018	30-Jun-2019 (Audited)
Bond	3.80%	4.13%	3.41%
Bank Borrowings	4.05%	4.34%	4.12%
Other loans	1.81%	3.02%	2.00%

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

14. Contracts for future programme commitments

in NZD 000	31-Dec-2019	30-Jun-2019 (Audited)
Year 1	226,600	184,958
Year 2	211,700	106,148
Year 3	178,800	33,785
Year 4	144,500	13,593
Year 5	130,900	2,076
Later than 5 years	112,500	1,955
	1,005,000	342,515

Programme rights renewals are cyclical in nature and the range of year end commitments over the last five years peaked at \$740 million in June 2016. The future programming commitments should be considered in relation to the programming rights expense which was \$326 million for the 12 months ended 30 June 2019.

15. Contingent liabilities

The Group is subject to litigation incidental to its business, none of which is expected to be material. No provision has been made in the Group's consolidated interim 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 consolidated interim financial position, results of operations or cash flows.

16. Subsequent events

Sky acquired Lightbox New Zealand Limited (Lightbox) from Spark on 31 January 2020 for \$6 million cash plus the fair value of prepaid content rights, yet to be determined. Lightbox is an entertainment streaming service providing services in NZ. The assets acquired of Lightbox include subscribers, technology platforms to manage customers and provide entertainment content to a wide range of devices, prepaid content rights, and the Lightbox brand. In return, Spark will continue to make Lightbox available to its customers for an agreed period. The accounting for the acquisition is not yet complete and a fair value assessment is yet to be carried out.

In December 2018, Sky entered into a satellite service agreement with Optus for ten years from 2021. Sky's future payments under the agreement are likely to exceed \$200m. The agreement is conditional on Optus procuring the successful launch of a new satellite to replace the existing D1 satellite. In January 2020, Optus indicated there may be a delay to the launch of a replacement satellite from the expected deployment in 2022 to 2023. Sky is working with Optus and other satellite organisations to ensure that there is continuity of service.

Independent review report



To the shareholders of Sky Network Television Limited

Report on the consolidated interim financial statements

We have reviewed the accompanying consolidated interim financial statements of Sky Network Television Limited (the Company) and its subsidiaries (the Group) on pages 5 to 14, which comprise the consolidated interim balance sheet as at 31 December 2019, and the consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the period ended on that date, and a summary of significant accounting policies and selected explanatory notes.

Directors' responsibility for the consolidated interim financial statements

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

Our responsibility

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

A review of consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of providing treasury related financial markets risk analysis and commentary, agreed upon procedures on the bank compliance certificate, regulatory reporting and scenario analysis of property requirements. In addition, certain partners and employees of our firm may subscribe to Sky services on normal terms within the ordinary course of the trading activities of the Group. These relationships and other services have not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and cash flows for the period then ended, in accordance with IAS 34 and NZ IAS 34.

Emphasis of matter

We draw attention to notes 2, 7 and 12 to the consolidated interim financial statements which describe the significant uncertainties relating to the execution of the Group's growth strategy and the potential impact on future banking facility terms and impairment assessments. Our conclusion is not modified in respect of this matter.

Who we report to

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

For and on behalf of:

Chartered Accountants

11 February 2020

Auckland

Directory

To the shareholders of Sky Network Television Limited

Registrars

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

New Zealand ordinary share registrar

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Email: enquiry@computershare.co.nz

Bondholder trustee

The New Zealand Guardian Trust Company Limited
Level 6, 191 Queen Street
Auckland 1010, New Zealand

Mailing address:

PO Box 274, Shortland Street
Auckland 1140, New Zealand
Tel: 0800 683 909 Fax: +64 9 377 7470
Email: ct-auckland@nzgt.co.nz

Directors

Philip Bowman (appointed 1 September 2019), Chair
Michael Darcey
Derek Handley
Geraldine McBride
Susan Paterson ONZM
Martin Stewart, Chief Executive Officer
Joan Withers (appointed 17 September 2019)

Officers

Martin Stewart	Director and Chief Executive Officer
Sophie Moloney	Chief Legal, People and Partnerships Officer and Company Secretary
Blair Woodbury	Chief Financial Officer
Steve Bayliss	Chief Marketing Officer
Chris Major	Director of External Affairs
Tex Teixeira	Chief Content Officer
Chaz Savage	Chief Revenue Officer
Prabhu Singh	Director of Technology
Justin Tomlinson	Advisor for Digital Products and Technology

New Zealand registered office

10 Panorama Road, Mt Wellington,
Auckland 1060, New Zealand
Tel: +64 9 579 9999 Fax: +64 9 579 8324
Website: sky.co.nz

Australian registered office

c/- Allens Arthur Robinson Corporate Pty Limited
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126 Philip Street, Sydney, NSW 2000, Australia
Tel: +61 2 9230 4000 Fax: +61 2 9230 5333

Auditors to Sky

PricewaterhouseCoopers

PricewaterhouseCoopers Tower,
188 Quay Street, Auckland 1010, New Zealand
Tel: +64 9 355 8000 Fax: +64 9 355 8001

Solicitors to Sky

Buddle Findlay

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sky