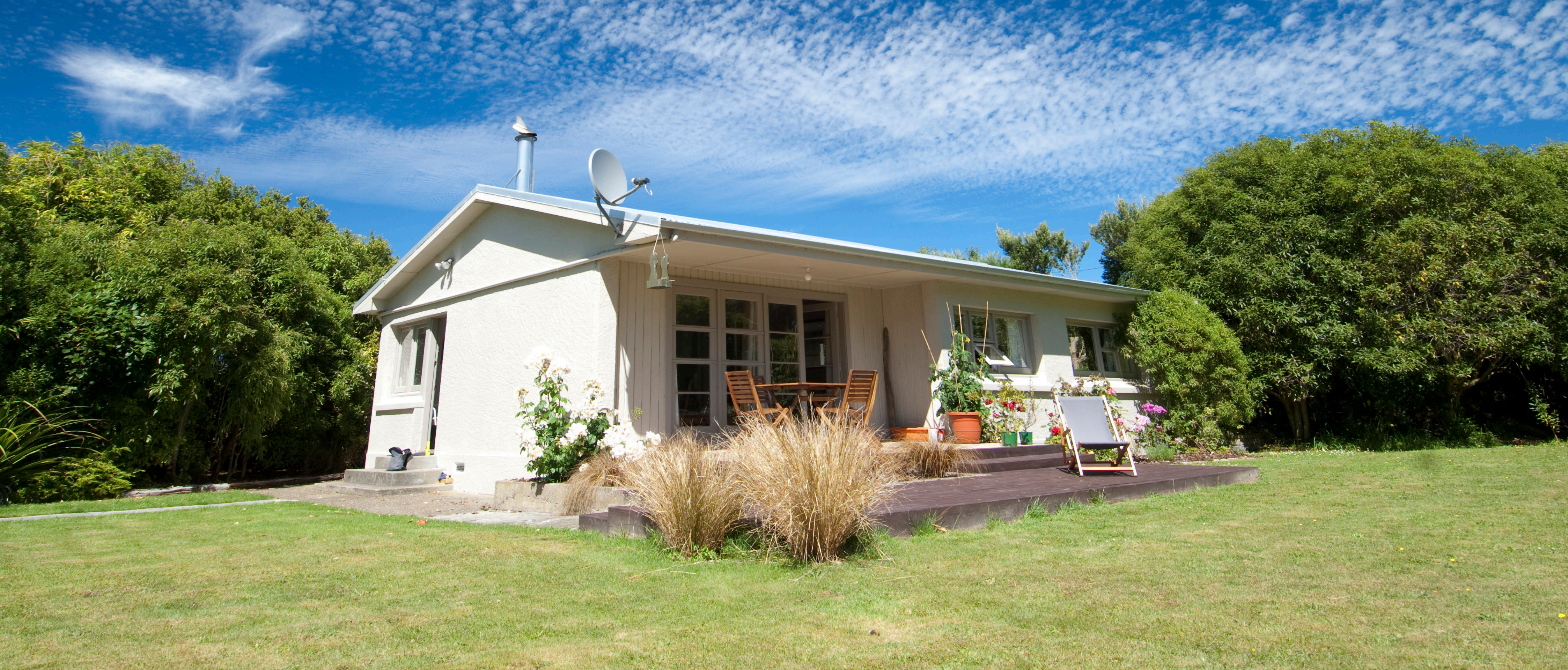
Sky Network Television Limited

What matters most.

Our
Interim Report
2021

For the six
months ended
31 December 2020



Since starting as CEO, I've been focused on getting to the heart of what matters most for Sky to create better value for our customers, our partners, our people, and our shareholders.

What matters most is our customers

I know many CEOs say this, so what does it really mean to be completely customer-focused at Sky?

It means that every decision we make should start by asking ourselves 'how does this make Sky better for our customers?'. If we put that first, the value creation will follow.

To do that well, we need deep insights into what our customers want. Over the past couple of years, we have invested in our customer insight capability and have built up a great data set about Sky customers. And now we're putting it to use.

What we know is that one size does not fit all. Where you live, whether you have access to decent broadband, and your life stage all influence what content you watch, how you watch it, and what you are willing or able to pay for it.

- Some of our customers love their Sky box, the remote, the recording functionality and the way the programme guide looks. They don't want us to touch a thing, except they'd quite like the Black Caps playing at home back on their Sky Box - we hear them on that.
- Others want better ways to find great content – they want a solution for searching across Sky's huge array of content, as well as across various other services from free-to-air TV to streaming apps.
- Some just want to stream. No dish, no contract, just sign up and go. Neon and Sky Sport Now have them covered.
- We believe Sky Broadband will also have appeal with one bill, fast fibre speed and great service. We are in the final stages of receiving customer feedback and we will soon deliver a service that reflects it.

What all of our customers want – regardless of how they watch it – is the best news, sport and entertainment content.

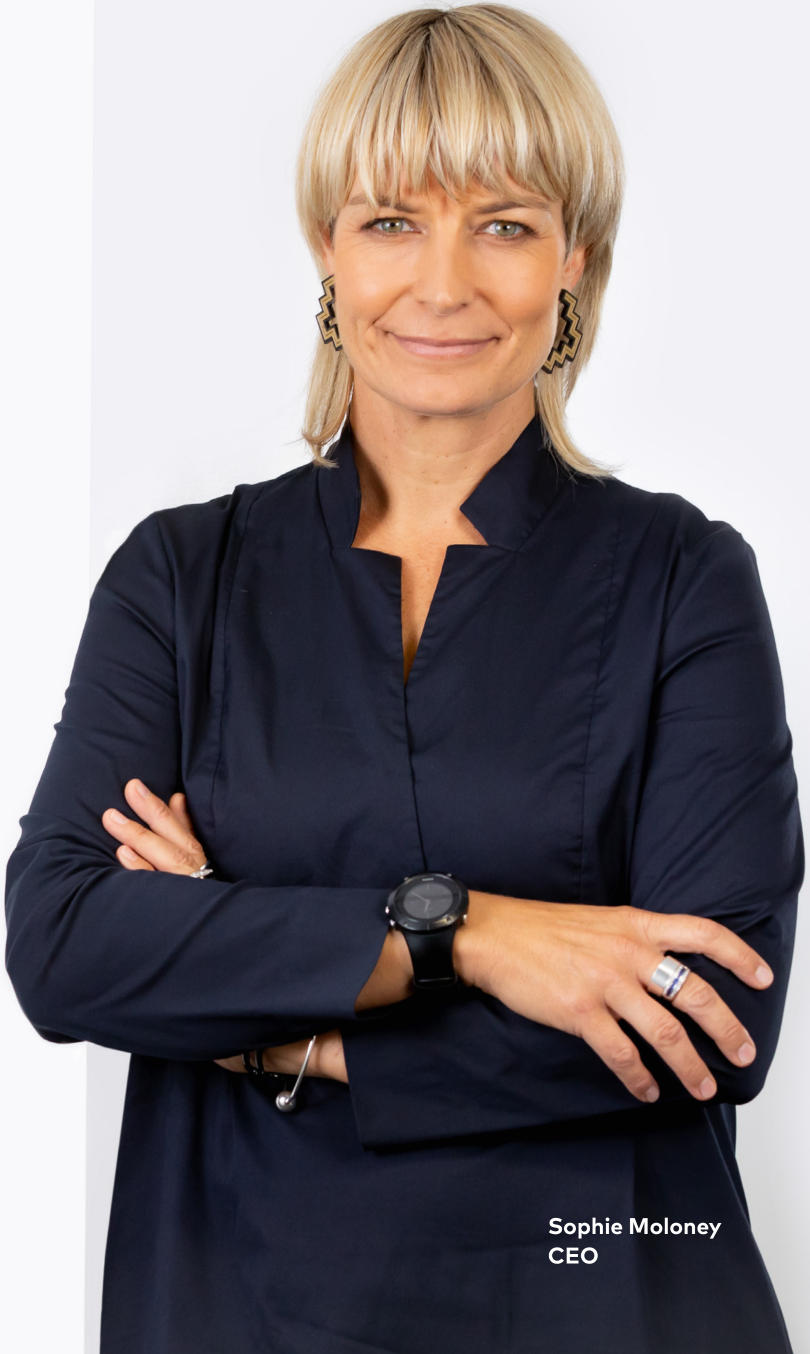
So, you won't hear me talking about our business divided into streaming, satellite and broadband units. We're a *content* business.

- We strive at all times to secure the content rights that matter to our customers.
- We partner where it makes sense to ensure our customers have access to the content they want. The world has changed. We won't turn back the 'direct-to-consumer' trend in a hurry, and neither will we try. We're happy to co-exist with our partners in a new world of co-exclusivity – what matters to us is that our customers can access the content they want, with ease, via Sky.

Our goal is to ensure Sky is the preferred content aggregator for Kiwis who love news, sport, and entertainment. And we must deliver that content in the ways that work best for them.

We know this is what matters most and we are determined to deliver.

Sophie



Sophie Moloney
CEO

Half year performance

FINANCIAL

REVENUE

$356.9m

↓ 7%

OPERATING EXPENSES

$242.8m

↓ 18% (Includes one offs)

EBITDA

$116.3m

↑ 30%

NPAT

$39.6m

↑ 234%

CUSTOMERS

CUSTOMER RELATIONSHIPS

+17% YOY ↑

TOTAL CUSTOMER RELATIONSHIPS

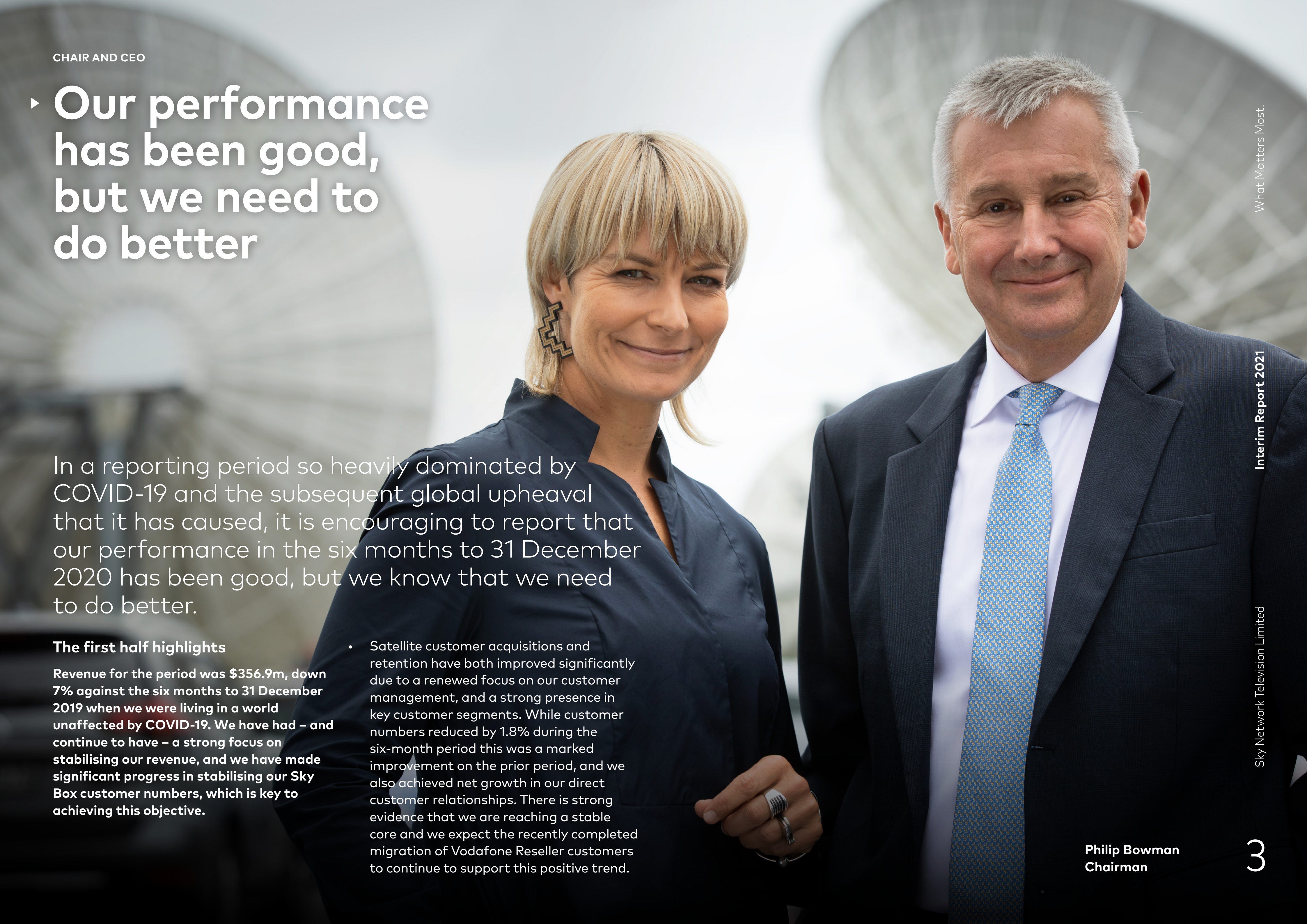
926,530

SKY BOX CUSTOMERS

566,497

GROWTH IN STREAMING CUSTOMERS

↑ 80%



Our performance has been good, but we need to do better

In a reporting period so heavily dominated by COVID-19 and the subsequent global upheaval that it has caused, it is encouraging to report that our performance in the six months to 31 December 2020 has been good, but we know that we need to do better.

The first half highlights

Revenue for the period was $356.9m, down 7% against the six months to 31 December 2019 when we were living in a world unaffected by COVID-19. We have had – and continue to have – a strong focus on stabilising our revenue, and we have made significant progress in stabilising our Sky Box customer numbers, which is key to achieving this objective.

- Satellite customer acquisitions and retention have both improved significantly due to a renewed focus on our customer management, and a strong presence in key customer segments. While customer numbers reduced by 1.8% during the six-month period this was a marked improvement on the prior period, and we also achieved net growth in our direct customer relationships. There is strong evidence that we are reaching a stable core and we expect the recently completed migration of Vodafone Reseller customers to continue to support this positive trend.

Philip Bowman
Chairman

"We have great clarity on what we need to do to ensure Sky continues to add value to our customers, partners, people and shareholders, and most importantly, the confidence that we can deliver this."

- Streaming customer numbers have continued to rise with organic growth and acquisitions resulting in an 80% increase since the previous reporting period. We are pleased with the growth in Neon, including strong conversion of Lightbox customers following the merge of the two services, whilst the return of sport after COVID-19 disruptions saw excellent growth in Sky Sport Now.
- Commercial customer numbers have remained stable despite the impact of COVID-19 on the events and hospitality sectors. We supported our customers through the 2020 lockdown periods, and, absent any further prolonged periods of lockdown, we expect further improvements in our Commercial revenues this calendar year.

We have continued prudently to invest in areas that add value for our customers, strengthen our relationships and secure Sky's long-term future, including:

- Progressing our Sky Broadband product launch. Sky crew and customer trials have been valuable, and we are confident we have developed a product that will make life easier for our customers and create more value for them. But we also promise to keep testing and learning as we roll Sky Broadband out in the coming weeks, with our initial focus on ensuring we offer a great value product to our loyal Sky Box customers.
- Striving to secure the content rights that matter to our customers, while remaining disciplined in valuing content and rationalising where it makes sense, including by means of co-exclusivity Renewed deals have been concluded with Discovery, Viacom CBS, Studiocanal and Sony as well as securing rights for major events in golf, tennis, football, cricket, and motor racing.

We have also made progress in reducing our cost base, with operating expenses of $242.8m (down 18%) and capital expenditure of $20m (down 40%); our emphasis in the coming period is to lock in further permanent cost savings.

- We secured a range of one-off cost reductions in programming rights and through lower production costs due to COVID-19.
- Permanent savings were delivered from operating efficiencies, headcount reductions in FY20, programming changes and by bringing RugbyPass costs under control.
- Our approach to capital expenditure has been disciplined, and the recently approved sale of Outside Broadcast Ltd (OSB) is further evidence of our focus on becoming a less capital intensive business and with capital spend in the future focused to meet customer-facing needs.

Our earnings before interest, tax, depreciation, and amortisation of $116.3m were 30% higher than the previous period and we delivered a net profit after tax of $39.6m, an improvement of $234%.

In reporting these encouraging results to our investors, we acknowledge the role of Martin Stewart who served as Chief Executive during most of the period. Martin injected a much needed energy to kick off the transformation of Sky when he joined in early 2019, and we thank him for his service during his time with Sky in New Zealand.

We also acknowledge and are grateful for the contribution of Susan Paterson and Derek Handley, both of whom retired from the Sky Board since the last reporting cycle.

Looking ahead, we have great clarity on what we must do to ensure Sky continues to add value for our customers, partners, people, and shareholders, and most importantly, the confidence that we can deliver this.

What's coming next?

THE IMMEDIATE FOCUS FOR SKY IS:

1. **Stabilising revenue by:**
   a. Protecting and satisfying our core Sky Box customer base customer base
   b. Continuing to grow streaming subscriptions
   c. Continuing to grow Commercial and other revenue opportunities (including in the digital advertising space).

2. **Delivering sustainable cost reduction**

3. **Focusing on successful delivery of key initiatives**

4. **Growing a confident and capable organisation by:**
   a. Accelerating our efforts to nurture the very best talent
   b. Continuing to build a business that reflects the customers and communities we serve
   c. Creating an environment where our people are enabled to do their life's best work.

All successful businesses have a unique advantage; something their customers and partners value over others.

Ours is clear: our investment in satellite delivery technology means we are here for all New Zealanders. From farms in the foothills to central city apartments, you can easily stay connected, entertained and informed with Sky.

To maximise this unique advantage, we must:

- Secure the content our customers want via exclusive and co-exclusive partnerships, together with Sky original content.
- Reward the loyalty of our strong base of customers with a Sky Box - they are crucial to our future. Yes, streaming is important to some customers and we will continue to deliver excellent streaming choices, but we are clear that our Sky Box customers in the home are fundamental to our success.
- Shift gears when it comes to execution. We are working swiftly to turn our customer insights into tangible initiatives that will add value for customers, improve our financial performance, reduce our content cost base and continue the momentum we are gaining.

As a result, you can expect to see us:

- Roll out a new Sky Go companion app that improves the search and viewing experience for customers on the go, delivering on feedback our customers have shared with us.
- Deliver Sky Broadband as a value-add service, first to our Sky Box customers.
- Commission a new set top box to meet the future needs of our customers, improving search functionality, and improving the overall viewing experience. But if you want to keep the old box, that will be all good too: it's our customer's choice.
- Rethink our Sky packages to ensure we deliver value and choice to customers whatever their life stage, so we can achieve the crucial goal of growing our Sky Box customers.
- Strengthen and deepen our customer relationships through improved customer insights, service, communication and being responsive to their feedback.

Thirty years ago, we changed how Kiwis watched TV forever by introducing more choice. Much has changed since then, but what has remained constant is what our customers expect – to watch great content, wherever, whenever and however they want it.

We haven't always got it right. Commercial realities, the rise of streaming, new competitors and not listening well enough to our customers meant we took our eye off the ball at times.

And that's why we have firmly refocused on our customers, what they want the most from us, and making sure we deliver it well.

We also have a strong focus on our people and culture, bringing in fresh leadership to our People team and implementing changes to ensure we have the right foundations in place to be a high performing, customer-focused business in the future.

It's a real privilege to lead a business that is here for all New Zealanders. I'm excited about what lies ahead and look forward to sharing more progress on our delivery against these goals and our strategy, roadmap and key targets throughout the year.

Consolidated Interim Statement of Comprehensive Income

For the six months ended 31 December 2020 (unaudited)

In NZD 000	Notes	31-Dec-2020 (6 months)	31-Dec-2019 (6 months)	30-Jun-2020 (1 year audited)
Revenue from contracts with customers	4	356,870	384,839	746,641
Other income		2,220	-	1,005
Expenses				
Programming	8	141,739	174,685	342,096
Subscriber related costs		42,569	50,767	106,554
Broadcasting and infrastructure		30,655	38,837	77,942
Depreciation and amortisation		55,069	61,336	119,318
Other costs		27,842	30,830	56,803
Total expenses		**297,874**	**356,455**	**702,713**
Operating profit before impairment		61,216	28,384	44,933
Impairment of goodwill		-	-	177,500
Operating profit/(loss)		**61,216**	**28,384**	**(132,567)**
Finance costs, net		4,692	8,800	13,739
Profit/(loss) before tax		**56,524**	**19,584**	**(146,306)**
Income tax expense		16,943	7,716	10,466
Profit/(loss) for the period		**39,581**	**11,868**	**(156,772)**
Attributable to:				
Equity holders of the Company		39,427	11,715	(156,979)
Non-controlling interests		154	153	207
		39,581	**11,868**	**(156,772)**
Earnings/(loss) per share				
Basic and diluted earnings/(loss) per share (cents)	12	2.26	2.20	(23.91)
OTHER COMPREHENSIVE INCOME				
Profit/(loss) for the period		39,581	11,868	(156,772)
Items that may be reclassified to profit and loss				
Exchange differences on translation of foreign operations		(228)	283	220
Deferred hedging gains transferred to operating expenses during the period		510	523	1,196
Income tax effect		(143)	(146)	(335)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods, net of income tax		**139**	**660**	**1,081**
Items that may not be reclassified to profit or loss				
Deferred hedging losses transferred to non-financial assets during the period		(6,974)	(4,095)	(51)
Income tax effect		1,953	1,146	14
Net other comprehensive loss not being reclassified to profit or loss in subsequent periods, net of income tax		**(5,021)**	**(2,949)**	**(37)**
Total comprehensive income/(loss) for the period		**34,699**	**9,579**	**(155,728)**
Attributable to:				
Equity holders of the Company		34,545	9,426	(155,935)
Non-controlling interests		154	153	207
		34,699	**9,579**	**(155,728)**

Consolidated Interim Balance Sheet

As at 31 December 2020 (unaudited)

In NZD 000	Notes	31-Dec-2020	31-Dec-2019	30-Jun-2020 (audited)
Current assets				
Cash and cash equivalents	10	123,279	3,898	110,677
Trade and other receivables		54,089	59,731	56,854
Programme rights inventory	8	95,285	112,786	113,822
Income tax receivable		-	294	-
Derivative financial instruments	10	626	2,865	3,265
		273,279	**179,574**	**284,618**
Non-current assets				
Property, plant and equipment		116,455	162,053	124,585
Intangible assets		57,357	45,491	66,556
Right of use assets		81,978	68,133	96,821
Deferred tax asset		82	-	216
Goodwill	3	256,312	433,812	256,312
Derivative financial instruments	10	164	261	461
		512,348	**709,750**	**544,951**
Assets held for sale	9	8,225	-	8,367
Total assets		**793,852**	**889,324**	**837,936**
Current liabilities				
Interest bearing loans and borrowings	6/10	100,671	1,103	100,765
Lease liabilities	10	41,219	39,114	36,562
Contingent consideration	3/14	2,542	-	-
Trade and other payables		115,424	125,379	176,021
Contract liabilities		51,256	51,788	51,180
Income tax payable		6,358	-	15,041
Derivative financial instruments	10	6,170	4,650	922
		323,640	**222,034**	**380,491**
Non-current liabilities				
Interest bearing loans and borrowings	6/10	876	215,854	1,883
Lease liabilities	10	52,664	41,619	73,303
Contingent consideration	3/14	2,741	5,283	5,283
Derivative financial instruments	10	1,589	2,546	405
Deferred tax liability		-	10,374	-
		57,870	**275,676**	**80,874**
Liabilities associated with assets held for sale	9	1,676	-	1,601
Total liabilities		**383,186**	**497,710**	**462,966**
Equity				
Share capital		767,608	617,094	767,608
Reserves		(2,894)	(2,149)	991
Retained deficit		(355,448)	(224,813)	(394,875)
Total equity attributable to equity holders of the Company		**409,266**	**390,132**	**373,724**
Non-controlling interest		1,400	1,482	1,246
Total equity		**410,666**	**391,614**	**374,970**
Total equity and liabilities		**793,852**	**889,324**	**837,936**

Philip Bowman
Director and Chairman

Keith Smith
Director

For and on behalf of the Board 22 February 2021

Consolidated Interim Statement of Changes in Equity

For the six months ended 31 December 2020 (unaudited)

		Attributable to owners of the parent					
In NZD 000	Notes	Share capital	Reserves	Retained deficit	Total	Non-controlling interest	Total equity
For the six months ended 31 December 2020							
Balance at 1 July 2020		767,608	991	(394,875)	373,724	1,246	374,970
Profit for the period		-	-	39,427	39,427	154	39,581
Exchange difference on translation of foreign operations		-	(228)	-	(228)	-	(228)
Cash flow hedges, net of tax		-	(4,654)	-	(4,654)	-	(4,654)
Total comprehensive income for the period		**-**	**(4,882)**	**39,427**	**34,545**	**154**	**34,699**
Transactions with owners in their capacity as owners							
CEO share based remuneration	5	-	997	-	997	-	997
		-	997	-	997	-	997
Balance at 31 December 2020		**767,608**	**(2,894)**	**(355,448)**	**409,266**	**1,400**	**410,666**
For the six months ended 31 December 2019							
Balance at 1 July 2019		577,403	(53)	(227,111)	350,239	1,329	351,568
Impact of change in accounting policy		-	-	(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		-	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**	**9,579**
Transactions with owners in their capacity as owners							
Issue of ordinary shares related to business combination		24,378	-	-	24,378	-	24,378
Issue of ordinary shares to NZ Rugby Union		15,436	-	-	15,436	-	15,436
Transaction costs relating to share issues		(123)	-	-	(123)	-	(123)
CEO share based remuneration	5	-	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 year ended 30 June 2020 (audited)							
Balance at 1 July 2019		577,403	(53)	(227,111)	350,239	1,329	351,568
Impact of adoption of new accounting standard		-	-	(10,785)	(10,785)	-	(10,785)
Adjusted balance		577,403	(53)	(237,896)	339,454	1,329	340,783
Loss for the year		-	-	(156,979)	(156,979)	207	(156,772)
Exchange difference on translation of foreign operations		-	220	-	220	-	220
Cash flow hedges, net of tax		-	824	-	824	-	824
Total comprehensive (loss)/ income for the year		**-**	**1,044**	**(156,979)**	**(155,935)**	**207**	**(155,728)**
Transactions with owners in their capacity as owners							
Rights issue and placement of shares		157,091	-	-	157,091	-	157,091
Issue of ordinary shares related to business combination		24,378	-	-	24,378	-	24,378
Issue of ordinary shares to NZ Rugby Union		15,436	-	-	15,436	-	15,436
Transaction costs relating to share issues		(7,086)	-	-	(7,086)	-	(7,086)
Dividend paid		-	-	-	-	(290)	(290)
CEO share based remuneration	5	386	-	-	386	-	386
		190,205	-	-	190,205	(290)	189,915
Balance at 30 June 2020		**767,608**	**991**	**(394,875)**	**373,724**	**1,246**	**374,970**

Consolidated Interim Statement of Cash Flows

For the six months ended 31 December 2020 (unaudited)

In NZD 000	Notes	31-Dec-2020 (6 months)	31-Dec-2019 (6 months)	30-Jun-2020 (1 year audited)
Cash flows from operating activities				
Profit/(loss) before tax		56,524	19,584	(146,306)
Adjustment for non-cash items:				
Depreciation and amortisation		55,069	61,336	119,318
Impairment of goodwill		-	-	177,500
Impairment of programme rights	8	3,072	1,396	3,240
Unrealised foreign exchange loss/(gain)		(923)	644	1,953
Interest expense		7,000	8,588	16,020
Bad debts and movement in provision for doubtful debts		245	500	1,352
Other non-cash items		254	447	1,040
Movement in working capital items:				
Decrease in receivables		2,520	2,490	10,128
(Decrease)/increase in payables		(57,006)	(11,595)	17,631
Decrease/(increase) in programme rights		15,465	(7,407)	(5,056)
Cash generated from operations		**82,220**	**75,983**	**196,820**
Interest paid		(6,587)	(10,492)	(15,995)
Bank facility fees paid		(928)	(25)	(25)
Income tax paid		(23,500)	(23,500)	(23,500)
Net cash from operating activities		**51,205**	**41,966**	**157,300**
Cash flows from investing activities				
Acquisition of property, plant, equipment and intangibles		(11,059)	(10,417)	(27,470)
Acquisition of intangibles		(8,841)	(22,832)	(28,988)
Acquisition of subsidiary, net of cash acquired		-	(15,193)	(18,169)
Net cash used in investing activities	7	**(19,900)**	**(48,442)**	**(74,627)**
Cash flows from financing activities				
Proceeds from rights issue and placement of shares		-	-	157,091
Transaction costs incurred for rights issue		-	-	(7,086)
Advances received - bank loan		-	49,000	119,000
Repayment of borrowings - bank loan		-	(23,000)	(207,000)
Payments for lease liability principal		(18,117)	(19,366)	(36,901)
Repayment of other borrowings		(586)	(543)	(1,093)
Dividend paid to minority shareholders		-	-	(290)
Net cash used in financing activities		**(18,703)**	**6,091**	**23,721**
Net increase/(decrease) in cash and cash equivalents		12,602	(385)	106,394
Cash and cash equivalents at beginning of the period		110,677	4,283	4,283
Cash and cash equivalents at end of the period	10	**123,279**	**3,898**	**110,677**

Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2020 (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 2020 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.

Sky is a leading media company in New Zealand and operates as a provider of sport and entertainment media services in New Zealand and overseas.

These consolidated interim financial statements were approved by the Board on 22 February 2021.

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 Listing Rules and the ASX Listing Rules.

These consolidated interim financial statements of Sky are for the six months ended 31 December 2020. 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 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 2020. 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 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 consolidated interim financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments (including derivative instruments).

Group structure

The Group has a majority share in the following subsidiaries.

Name of Entity	Principal Activity	Country of Incorporation	Parent	Interest held	
				Jun 2020 and Dec 2020	**Dec 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[1]	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	Investment	New Zealand	Sky	100.00%	100.00%
Rugby Pass Limited	Streaming services	Ireland	Sky Investment Holdings Limited	100.00%	100.00%
Rugby Pass Asia Pte Ltd	Management services	Singapore	Rugby Pass Limited	100.00%	100.00%
Lightbox New Zealand Limited	Streaming services	New Zealand	Sky	100.00%	0.00%

[1]Igloo Limited was renamed to Sky Network Services Limited on 19 January 2021

3. Significant Accounting Policies and Critical Judgements and Estimations

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 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Group performance review

Earnings before interest, tax, depreciation and amortisation (EBITDA[1]) were $116 million for the six months to 31 December 2020, ahead of plan and $26 million higher than the $90 million for the six months ended 31 December 2019.

- Revenues were $357 million in the current period, a decrease of $28 million from the prior half year but ahead of plan. Subscription revenues were down on the prior half year mainly due to declining satellite customer numbers and ARPU's, however the decrease was lower than plan following a period of growth in direct satellite customers (excluding reseller subscribers) driven by improvements in annualised churn. Commercial and advertising revenues were impacted by lockdowns, border closures and event cancellations as a result of COVID-19, however, are recovering ahead of plan. The Group experienced growth in the current period in streaming subscribers and revenues, both organically and through the acquisition of Lightbox in the previous financial year.
- Operating expenses excluding depreciation, amortisation and impairment decreased to $243 million in the current period from $295 million in the prior period, primarily due to the impact of decreases in programming rights and sports production costs as a result of COVID-19 restrictions on events, reduced employee costs as a result of restructuring undertaken in prior periods, and a general reduction in expenses as a result of cost saving strategies.

Impact of COVID-19

COVID-19 continues to have an impact on the Group, with a favourable increase in demand for entertainment content and reduced churn for our satellite customers offset by ongoing uncertainties relating to the reduction of live sports, scheduling of sports events and the subsequent lack of content.

As outlined in the 2020 Annual Report, there continues to be uncertainties due to the COVID-19 pandemic that affects the Group's key estimates and judgements, including:

Intangible assets and goodwill – the ability to achieve future forecasts and the consequential impact on the carrying value of goodwill and other finite life intangibles. Management and the directors have considered whether there are any events or changes in circumstances since the recognition of impairment as at 30 June 2020 and the signing of the 2020 financial statements that may be an impairment indicator as at 31 December 2020, having considered factors such as:

- The Group's first half results, which have exceeded the prior year and the first half plan;
- The improvement in the Group's share price between 30 June 2020 and 31 December 2020; and
- The premium of net assets to market capitalisation being broadly consistent to the position as at 30 June 2020, noting that this market capitalisation excludes any control premium,

have concluded that there are no material adverse events or changes in circumstances that would require impairment testing to be performed as at 31 December 2020.

Programming rights – the ability to monetise prepaid and future sports programming rights. Management continues to exercise judgement in assessing both the value and estimated future amortisation profile of programming rights costs in response to uncertainty that COVID-19 has created around the value of certain major sports competitions, some of which may be delayed or postponed. Management has also considered any negotiations for equitable reductions due to COVID-19 that have been concluded prior to balance date.

RugbyPass contingent consideration – Sky continues to measure the fair value of the contingent consideration at NZD 5.3 million, having considered the current performance of RugbyPass, its new strategic direction, the uncertainty surrounding the economic environment given the existence of COVID-19, and the probability of payment. Management commenced negotiations with the vendor to settle the contingent consideration, and while no binding agreement was reached prior to 31 December 2020, a subsequent agreement has been reached to settle the contingent consideration for USD 1.25 million (NZD 1.7 million) (refer note 14).

Capital structure

At 31 December 2020 the Group had negative working capital of $50 million (31 December 2019: $42 million; 30 June 2020: $96 million). This is mainly as a result of the classification as current of the $100 million of bonds which are due for repayment in March 2021 (refer note 6).

Despite the continuing impact of COVID-19, the directors are satisfied that there will be adequate cash flows generated from operating and financing activities to meet the obligations of the Group for a period of at least 12 months from approving the consolidated interim financial statements, after taking into consideration the current trading results and that the Group has available cash of $123 million and an undrawn banking facility of $200 million at 31 December 2020 (refer note 6).

[1] EBITDA is operating profit before impairment of $61 million plus depreciation and amortisation of $55 million as per the consolidated interim statement of comprehensive income.

4. Segment and Revenue 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 2020					
Revenue from customers	270,656	56,201	22,404	15,372	364,633
Inter-segment revenue	-	-	-	(7,763)	(7,763)
Total revenue	**270,656**	**56,201**	**22,404**	**7,609**	**356,870**
Timing of revenue recognition					
At a point in time	2,422	-	22,404	4,237	29,063
Over time	268,234	56,201	-	3,372	327,807
	270,656	**56,201**	**22,404**	**7,609**	**356,870**
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 year ended 30 June 2020 (audited)					
Revenue from customers	581,962	105,381	45,155	28,000	760,498
Inter-segment revenue	-	-	-	(13,857)	(13,857)
Total revenue	**581,962**	**105,381**	**45,155**	**14,143**	**746,641**
Timing of revenue recognition					
At a point in time	10,822	-	45,155	7,563	63,540
Over time	571,140	105,381	-	6,580	683,101
	581,962	**105,381**	**45,155**	**14,143**	**746,641**

Operating segments are reported in a manner consistent with the internal reporting provided to Sky's executive team who are the chief operating decision-makers. Sky's executive team is responsible for allocating resources and assessing performance of the operating segments. Sky operates in a single operating segment; the provision of sport and entertainment media services in New Zealand. RugbyPass has been identified as a separate operating segment and forms a separate cash generating unit. For financial reporting purposes and with reference to the aggregation criteria in the accounting standards RugbyPass will be aggregated with the Sky business operating segment for the purposes of reporting segment disclosure. The table above shows the disaggregation of the Group's revenue from contracts with customers based on when revenue is recognised for its principal revenue streams.

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 $4,958,000 (31 December 2019: $9,163,000; 30 June 2020: $9,517,000). The remuneration in the prior periods includes redundancy costs paid to executive directors and key management personnel (including department heads, who were considered as part of key management personnel at that time). From 1 July 2020, as a result of restructuring the business, key management personnel was re-defined to include only directors and the executive leadership team, and no longer includes department heads. The 31 December 2019 gross remuneration of directors and key management personnel under the new re-defined structure would have been $6,206,000.

On 1 December 2020 Martin Stewart left by mutual agreement and Sophie Moloney was appointed the new CEO on this date.

The six months ended 31 December 2020 includes the accrued cost of termination benefits associated with the former CEO of $1,331,000, and short-term employee benefits of $390,000 which are based on achieving targets for the year to 30 June 2021. Therefore, the actual short-term employee benefits paid may ultimately differ from what has been estimated.

On 21 February 2020, 200,000 ordinary shares vested to the former CEO as part of a contractual entitlement to receive a total of 800,000 ordinary shares in instalments of 200,000 on each of the first four anniversaries of commencement of employment. As a result of the CEO's decision to leave by mutual agreement the 600,000 ordinary shares yet to vest have been recognised at balance date. While the share price at 31 December 2020 was $0.16, this equity-settled share scheme is accounted for and measured based on the fair value at grant date (1 February 2019) of $1.93 per share ($1,158,000).

6. Interest Bearing Loans and Borrowings

	31-Dec-2020			31-Dec-2019			30-Jun-2020 (audited)		
In NZD 000	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Borrowings	738	876	1,614	1,103	116,194	117,297	970	1,883	2,853
Bonds	99,933	-	99,933	-	99,660	99,660	99,795	-	99,795
	100,671	**876**	**101,547**	**1,103**	**215,854**	**216,957**	**100,765**	**1,883**	**102,648**

Bank loans

On 2 July 2020 the Group signed a renegotiated bank facility with a syndicate of banks comprising Bank of New Zealand, Commonwealth Bank of Australia and Westpac Bank securing a facility of $200 million ending on 31 July 2023. The renegotiated facility does not include a stepdown in facility limit during the term of the facility. Previously the Group's bank facility was for a value of $200 million expiring in July 2022 with the facility reducing to $150 million from July 2021.

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. In addition, the renegotiated bank facility also provides for RugbyPass Limited to accede to the shared security arrangements by providing a guarantee and general security deed. The loan facility is subject to certain covenant clauses whereby the Group is required to meet certain key financial ratios.

There have been no breaches of covenant clauses and no breaches are anticipated within the next 12 months.

Bank overdrafts of $535,000 (31 December 2019: $6,301,000; 30 June 2020: $1,902,000) have been set off against cash balances.

Bonds

Terms and conditions of outstanding bonds are as follows:

	31-Dec-2020	**31-Dec-2019**	**30-Jun-2020 (audited)**
Nominal interest rate	6.25%	6.25%	6.25%
Market yield	4.65%	3.80%	4.37%
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	99,933	99,660	99,795
Face value	100,000	100,000	100,000
Fair value	100,400	102,977	101,380

The directors' intend to fully repay the bonds upon their maturity on 31 March 2021.

7. Capital Expenditure

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

In NZD 000	**31-Dec-2020 (6 months)**	**31-Dec-2019 (6 months)**	**30-Jun-2020 (1 year audited)**
Capital projects in progress (includes PPE & Intangibles)	4,002	22,046	11,729
Land and buildings	-	926	2,419
Broadcasting and studio equipment	340	520	3,681
Plant and equipment and other	1,975	789	5,654
Decoders	-	1,435	681
Installation costs	7,628	6,648	12,597
Intangibles	6,035	786	19,697
	19,980	**33,150**	**56,458**
Movement in capital expenditure creditors	(80)	99	-
Cash outflow in the period	**19,900**	**33,249**	**56,458**

8. Programme Rights Inventory

In NZD 000	31-Dec-2020	31-Dec-2019	30-Jun-2020 (audited)
Opening balance	113,822	89,458	89,458
Acquired during the period	98,029	146,206	280,247
Settled by issue of shares to NZ Rugby Union	-	15,436	15,436
Acquired as part of acquisiton of Rugby Pass & Lightbox	-	1,882	9,517
Written off during the year	(3,072)	(1,396)	(3,240)
Charged to profit or loss	(113,494)	(138,800)	(277,596)
Balance at end of period	**95,285**	**112,786**	**113,822**

9. Assets and Liabilities Held for Sale

Outside Broadcasting Limited (OSB)

On 11 August 2020 Sky entered into agreements with NEP New Zealand Limited for:

- The sale of OSB's assets to NEP; and
- The supply of outside broadcasting services by NEP to Sky for a ten-year period.

The OSB assets to be sold include six HD OB units and all ancillary equipment including leases for two OSB warehouse facilities. The majority of OSB team members and some Sky broadcast specialists will transition to NEP New Zealand.

At reporting date the transaction had not been approved by the Commerce Commission and therefore is still classified as held for sale. Subsequently the Commerce Commission approved the transaction on 4 February 2021 (refer note 14). The table shows the book value of the OSB assets and liabilities.

In NZD 000	31-Dec-2020	30-Jun-2020 (audited)
Assets		
Property, plant and equipment (net)	7,245	7,245
Right-of-use assets (net)	980	1,122
Assets held for sale	**8,225**	**8,367**
Liabilities		
Employee entitlements	462	235
Short term lease liabilities	353	349
Long term lease liabilities	861	1,017
Liabilities associated with assets held for sale	**1,676**	**1,601**

10. Fair Value Measurement of Financial Instruments

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

The 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 2020. There have been no changes in any risk management policies since year end.

Financial assets of the Group include cash and cash equivalents, trade and other receivables and 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, interest bearing loans and borrowings, lease liabilities, contingent consideration 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 (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. 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-2020		31-Dec-2019		30-Jun-2020 (audited)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortised cost						
Cash and cash equivalents	123,279	123,279	3,898	3,898	110,677	110,677
Trade and other receivables	43,139	43,139	49,601	49,601	45,314	45,314
Financial assets at fair value through OCI						
Derivatives designated as hedging instruments (cash flow hedges)	505	505	2,152	2,152	2,926	2,926
Derivatives not designated as hedging instruments (fair value hedges)	285	285	974	974	800	800
	167,208	**167,208**	**56,625**	**56,625**	**159,717**	**159,717**
Financial liabilities at amortised cost						
Bank loans	(1,119)	(1,119)	113,460	110,809	(434)	(434)
Other loans	2,733	2,634	3,836	3,715	3,287	3,218
Bonds	99,933	100,400	99,660	102,997	99,795	101,380
Lease liabilities	93,883	88,828	80,733	76,696	109,865	102,463
Trade and other payables	85,378	85,378	96,896	96,896	145,690	145,690
Financial liabilities at fair value through profit or loss						
Contingent consideration	5,283	5,283	5,283	5,283	5,283	5,283
Financial liabilities at fair value through OCI						
Derivatives designated as hedging instruments (cash flow hedges)	5,135	5,135	4,613	4,613	683	683
Derivatives not designated as hedging instruments (fair value hedges)	2,624	2,624	2,583	2,583	644	644
	293,850	**289,163**	**407,064**	**403,592**	**364,813**	**358,927**

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.

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.

The fair value of quoted notes and bonds is based on price quotations at the reporting date being at level 1 basis. The fair value of loans from banks and lease liabilities is estimated on a level 3 basis by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

11. Contracts for Future Programme Commitments

In NZD 000	31-Dec-2020	31-Dec-2019	30-Jun-2020 (audited)
Year 1	294,623	226,600	255,100
Year 2	261,401	211,700	237,100
Year 3	192,490	178,800	184,800
Year 4	167,940	144,500	143,100
Year 5	129,505	130,900	139,600
Later than 5 years	347	112,500	55,500
	1,046,306	**1,005,000**	**1,015,200**

12. Earnings Per Share

Basic and diluted earnings/(loss) per share

In NZD 000	31-Dec-2020	31-Dec-2019 (restated)	30-Jun-2020 (audited)
Profit/(loss) after tax attributable to equity holders of the parent (NZD 000)	39,427	11,715	(156,979)
Weighted average number of ordinary shares on issue (thousands)	1,746,280	532,615	656,639
Basic and diluted earnings/(loss) per share (cents)	**2.26**	**2.20**	**(23.91)**

	31-Dec-2020	31-Dec-2019	30-Jun-2020
Issued ordinary shares at the beginning of period/year	1,746,279,558	389,139,785	389,139,785
Ordinary shares issued on 19 August 2019	-	25,085,408	25,085,408
Ordinary shares issued on 1 November 2019	-	21,801,325	21,801,325
Ordinary shares issued on 21 February 2020	-	-	200,000
Ordinary shares issued on 2 June 2020	-	-	998,629,091
Ordinary shares issued on 16 June 2020	-	-	311,423,949
Total number of shares on issue	1,746,279,558	436,026,518	1,746,279,558
Weighted average number of ordinary shares on issue	**1,746,279,558**	**532,615,110**	**656,638,762**

The prior period earnings per share have been restated to adjust for the impact of the rights issue completed in June 2020.

13. 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.

14. Subsequent Events

On 9 February 2021, Sky settled the contingent consideration which arose from the acquisition of RugbyPass, with the previous owners for USD 1.25 million (NZD 1.7 million). The difference of NZD 3.6 million between the agreed settlement amount and amount recorded at balance date will be released to the profit and loss in the 30 June 2021 financial statements.

On 4 February 2021 the Commerce Commission granted clearance for the sale of the OSB business to NEP New Zealand Limited (refer note 9) for a sale price of $14 million. The sale is now unconditional. The resulting accounting judgements for the sale are yet to be finalised, and therefore any gain or loss attributable to the sale will be determined following completion, which is expected to occur prior to 30 June 2021.

Independent auditor's review report

To the shareholders of Sky Network Television Limited

Report on the consolidated interim financial statements

Our conclusion

We have reviewed the consolidated interim financial statements of Sky Network Television Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated interim balance sheet as at 31 December 2020, 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 six month period ended on that date, and significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 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 2020, and its financial performance and cash flows for the six month period then ended, 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).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. In addition to our role as auditor, our firm carries out other services for the Group in the areas of agreed upon procedures on the bank compliance certificate and regulatory reporting. 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.

Directors' responsibility for the financial statements

The Directors of the Group are responsible on behalf of the Company for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial statements

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. NZ SRE 2410 (Revised) 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. A review of consolidated interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

PricewaterhouseCoopers, 15 Customs Street West, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

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.

The engagement partner on the review resulting in this independent auditor's review report is Keren Blakey.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
22 February 2021

Auckland

Directory

Registrars

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

New Zealand Ordinary Share Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622
New Zealand

Mailing address:
Private Bag 92119
Auckland Mail Centre
Auckland 1142, New Zealand
Tel: +64 9 488 8700 Fax: +64 9 488 8787
Email: enquiry@computershare.co.nz

Australian Branch Register

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street Abbotsford, V C 3067
GPO Box 2975
Melbourne V C 3000, Australia

Freephone: 1800 501 366 (within Australia)
Tel +61 3 9415 5000 (outside Australia)
Fax +61 3 9473 2500
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 (Chair)
Geraldine McBride
Joan Withers
Keith Smith
Mike Darcey
Derek Handley (retired 15 January 2021)
Martin Stewart (resigned 7 December 2020)
Susan Paterson, ONZM (retired 13 October 2020)

Officers

Sophie Moloney	Chief Executive
Chris Major	Director of External Affairs
Tex Teixeira	Chief Content Officer
Michael Frampton	Chief People Officer
Steve Bayliss	Chief Creative Officer
Chaz Savage	Chief Customer Officer
Prabhu Singh	Chief Technology Officer
Jonny Errington	Chief Commercial Officer
Andrew Hirst	Interim Chief Financial Officer

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
Level 4, Deutsche Bank Place,
126 Philip Street,
Sydney, NSW 2000, Australia
Tel: +61 2 9230 4000 Fax: +61 2 9230 5333

Auditors to Sky

PricewaterhouseCoopers
PwC Tower, Level 27
15 Customs Street West, Auckland 1010
Tel: +64 9 355 8000 Fax: +64 9 355 8001

Solicitors to Sky

Buddle Findlay
188 Quay Street, Auckland 1010
Tel: +64 9 358 2555 Fax: +64 9 358 2055

Chapman Tripp
Level 34, PwC Tower
15 Customs Street West, Auckland 1010
Tel: +64 9 357 9000 Fax: +64 9 357 9099