



Appendix 4D Release to ASX under rule 4.2A

Half Year Information for Sky Network Television Limited for the six months to 31 December 2013

*To be read in conjunction with Sky Network Television Limited financial statements for the year
ended 30 June 2013*

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Results for announcement to market

SKY Network Television Limited Half year ended on 31 December 2013 (In NZD)

Total operating revenues of \$456,371,000 has increased \$13,025,000 from the prior half year, which is a 2.9% increase.

Net profit attributable to security holders of \$83,522,000 has increased \$15,323,000 from the prior half year, which is a 22.5% increase.

Dividends	Amount per security	Franked amount per Security
Interim Dividend payable (March 2014)	14.0 cents	N/A
Final Dividend (paid September 2013)	12.0 cents	N/A
Previous corresponding period – Interim Dividend (paid March 2013)	12.0 cents	N/A
Previous corresponding period – Final Dividend (paid September 2012)	11.0 cents	N/A
Previous corresponding period – Special Dividend (paid December 2012)	32.0 cents	N/A
Record date for determining entitlements to the dividend	10 March 2014	

Brief explanation of any figures reported above, refer attached results commentary.



SKY

INTERIM REPORT

SKY NETWORK TELEVISION LIMITED

DECEMBER 2013

COME WITH US

THIS SUMMER FOR THE FIRST TIME
CUSTOMERS COULD WATCH THE CRICKET
AND ENJOY THE GREAT KIWI OUTDOORS

SKY GO
WATCH ON





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CHIEF EXECUTIVE'S REVIEW

“THIS IMPROVED FINANCIAL POSITION IS PRIMARILY DUE TO THE CONTINUED SUCCESS OF MY SKY AS WELL AS A DECREASE IN PROGRAMMING COSTS.”

AFTER TAX EARNINGS

\$82.1m

TOTAL REVENUE

\$456.4m

Dear Shareholders,

I am pleased to report that SKY has continued to perform strongly in the six months to 31 December 2013.

SKY has reported \$82.1 million in after tax earnings, a 21.9% increase on the previous period. Revenues are up 2.9% to \$456.4 million and earnings before interest, tax and depreciation (EBITDA) increased by 7.4% to \$190.4 million.

This improved financial position is primarily due to the continued success of MY SKY as well as a decrease in programming costs. Programming costs were abnormally high in the comparative period as they included the costs of the Summer Olympics.

MY SKY subscribers now represent 56.7% of SKY's subscriber base compared to 50.1% in the comparative period. At 31 December 2013, SKY had 486,252 MY SKY subscribers compared to 423,973 in December 2012, an increase of 14.7%. Subscribers continue to find great value in the MY SKY product which is demonstrated by continued migration from the standard digital decoder to the MY SKY decoder.

Gross churn for the period ending 31 December 2013 was 13.3% a reduction of 8.9% from the 14.6% in the previous period reflecting a general lowering of customer churn and the increased penetration of the lower churning MY SKY homes. For the rolling 12 months to 31 December 2013, MY SKY HDi gross churn was 10.3% compared to the churn rate for subscribers on the standard digital decoder during this period of 17.4%. This compares to gross churn for MY SKY of 10.9% and a churn rate for subscribers on the standard digital decoders of 18.1% in the comparative period.

Taking a closer look at SKY's financial results, total revenue increased by 2.9% reflecting an increase in advertising revenues of 6.3% as well as an increase in ARPU of 2.3% and in total subscribers of 10,127, the majority of which came from the new low-cost pay television service provided by IGLOO.

SKY's operating costs (excluding depreciation) for the six months to 31 December 2013 showed no overall change from the previous six month period. However programming costs which comprise both the costs of purchasing programme rights and also programme operating costs decreased by \$13.5 million (8.9%). This can be mainly attributed to the cost of the Summer Olympics which were included in the prior period results.

Offsetting this program cost reduction was an increase in subscriber management costs of 71% due to higher volumes of trouble calls and MY SKY repair costs reflecting the expected aging of these decoders. Marketing costs increased by 24% mainly attributed to the timing of marketing production costs and also additional marketing spend by IGLOO and Prime and rebranding of SKY. Advertising costs also increased by 9.1% as a result of increased advertising sales.

SKY increased its capital expenditure during the period to \$47.4 million from \$42.8 million in the comparative period, mainly due to an increase in new projects work such as expansion of the TV station capacity and new products such as SKY GO which went live in December 2013.

Highlights:

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

- SKY confirmed it has the broadcast rights for the 2014 FIFA World Cup, This is the world's biggest single sporting event and will take place in Brazil in June 2014. SKY will screen every match LIVE, with 11 of the matches also being shown free to air.
- In August 2013 SKY and Vodafone renewed their resale and distribution partnership in a new five year agreement which brings together the previously separate arrangements for Vodafone and TelstraClear. Vodafone is committed to working with SKY in promoting a bundle of pay TV and telco services, including the distribution of SKY content over Vodafone's new SuperNet fibre network.

- In October SKY announced that the Commerce Commission had advised that they had completed their 18 month investigation into SKY's content and retail internet service (RSP) agreements. No action was taken by the Commission, who issued SKY with a warning letter noting that they will continue to monitor SKY's conduct under the RSP agreements.
- SKY successfully expanded its TV station at Panorama Road providing additional capacity for new channels, production facilities for major sporting events like the Sochi Winter Olympics and Commonwealth Games in July 2014, and infrastructure for additional "Pop-Up" channels. Pop-Up channels are a new initiative that enables SKY to launch additional channels for a short period of time for example a school holiday Pop-Up family movie service, or additional coverage of tennis from the Australian Open.
- In December 2013 we launched SKY GO, our live streaming App for iPhone and iPods and iSKY became skygo.co.nz. The SKY GO brand now includes all our content propositions on non television devices. We're happy to report that the App, featuring ten live streamed SKY channels, has launched with early success reaching more than 50,000 downloads in the first month prior to marketing promotion. The App is very intuitive and brings many of the favourite MY SKY features to mobile devices such as the ability to browse the guide while watching TV and set recordings to your MY SKY. An android version of the App will launch in the first part of 2014 and on-demand content will be available later in 2014. We believe this should delight our customers and see some improvement in retention figures.

Two new Directors, Geraldine McBride and Derek Handley, were appointed to the Board of SKY in September 2013.

Geraldine is chief executive and co-founder of MyWave Holdings, a leading edge technology and consumer experience business. A former vice-president of Dell, Geraldine also had a highly successful career spanning over 17 years at SAP where her growth and transformation roles included President of North America and President of the Asia Pacific Japan region.

Derek Handley is currently the founding CEO of The B Team, a global non-profit leadership collective and is well-known as the co-founder of The Hyperfactory, one of the first agencies in the world to recognise the power of mobile devices for connecting consumers, brands and mass media. He is also co-founder and Chairman of mobile advertising network Snakk Media, which listed on the NZX earlier this year.

Dividends

The Board of Directors has considered the performance of the business over the last six months and its prospects for the full year and announced on 24 February 2014 that it will pay an increased fully imputed dividend of 14 cents per share (prior interim dividend 12 cents) with the record date being 10 March 2014. A supplementary dividend of 2.4706 cents per share will also be paid to non-resident shareholders.



John Fellet
Chief Executive Officer

FINANCIALS

SUBSCRIBER BASE

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

	31 Dec 2013	30 Jun 2013	31 Dec 2012
Total number of households in New Zealand ⁽¹⁾	1,684,800	1,678,100	1,678,100
Subscribers			
Residential	684,841	690,990	688,800
Wholesale ⁽²⁾	135,399	131,555	130,166
Commercial	8,401	8,494	8,479
Other: ⁽³⁾	28,474	24,859	19,543
Total subscribers	857,115	855,898	846,988
MY SKY Subscribers⁽⁴⁾	486,252	456,419	423,973
Percentage of households subscribing to the SKY network:			
Penetration (residential and wholesale)	48.7%	49.0%	48.8%
Gross churn rate ⁽⁵⁾	13.3%	14.4%	14.6%
Average monthly revenue per residential subscriber:			
Residential	62.48	62.53	64.89
Wholesale	67.87	67.08	67.09
MY SKY	87.13	86.89	87.39
All subscribers	77.51	75.83	75.78

Notes

- 1 Based on New Zealand Government census data as of March 2006. Prior year comparatives have been adjusted to reflect updated census data.
- 2 Includes subscribers receiving SKY packages via affiliate services, such as arrangements with Telecom and Vodafone.
- 3 Includes subscribers to programmed music and online DVD rentals via SKY's subsidiary companies, SKY DMX Music Limited and Screen Enterprises Limited. Also includes residential subscribers to IGLOO's package launched in December 2012.
4. Included in total subscribers.
- 5 Gross churn refers to the percentage of residential subscribers over the 12-month period ended on the date shown who terminated their subscription, net of existing subscribers who transferred their service to new residences during the period.

HISTORY OF DIVIDEND PAYMENTS

By calendar year in cents per share

	2013	2012	2011	2010	2009
Interim dividend (paid in March)	12.0	11.0	8.0	7.0	7.0
Final dividend (paid in September)	12.0	11.0	10.5	7.0	7.0
Total ordinary dividend	24.0	22.0	18.5	14.0	14.0
Add special dividend	–	32.0	25.0	–	–
Total dividend for the year	24.0	54.0	43.5	14.0	14.0

CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 31 December 2013 (unaudited)

in NZD 000	31 Dec 2013 (6 months)	31 Dec 2012 (6 months)	30 Jun 2013 (1 year) (audited)
Revenue			
Residential satellite subscriptions	371,802	363,307	726,322
Other subscriptions	31,719	31,022	61,965
Installation	4,271	4,695	9,448
Advertising	37,555	35,320	68,040
Other income	11,024	9,002	19,249
	456,371	443,346	885,024
Expenses			
Programme rights	110,791	117,997	229,206
Programme operations	26,931	33,172	60,114
Subscriber management	33,106	30,915	62,719
Sales and marketing	20,442	16,491	38,754
Advertising	11,654	10,678	20,842
Broadcasting and infrastructure	44,266	43,644	88,320
Depreciation and amortisation	61,832	67,647	134,260
Corporate	18,820	13,272	31,929
	327,842	333,816	666,144
Operating profit	128,529	109,530	218,880
Financial (expense) income			
Finance income	203	297	638
Finance expense	(14,137)	(15,502)	(29,831)
Realised exchange loss	(461)	(585)	(730)
Unrealised exchange (loss)/gain	(11)	(83)	38
	(14,406)	(15,873)	(29,885)
Profit before tax	114,123	93,657	188,995
Income tax expense	32,047	26,298	56,780
Profit for the period	82,076	67,359	132,215
Non-controlling interest	(1,446)	(840)	(4,982)
Attributable to equity holders of the Company	83,522	68,199	137,197
Earnings per share (from continuing operations)			
Basic and diluted earnings per share (cents)	21.46	17.53	35.26

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2013 (unaudited)

in NZD 000	31 Dec 2013 (6 months)	31 Dec 2012 (6 months)	30 Jun 2013 (1 year) (audited)
Profit for the period	82,076	67,359	132,215
Other comprehensive income items that may be reclassified subsequently to profit and loss			
Cash flow hedges, net of tax	134	2,326	9,845
Other comprehensive income for the period net of income tax	134	2,326	9,845
Total comprehensive income for the period	82,210	69,685	142,060
Attributable to:			
Equity holders of the Company	83,686	70,525	147,042
Non-controlling interest	(1,476)	(840)	(4,982)
	82,210	69,685	142,060

CONSOLIDATED INTERIM BALANCE SHEET

As at 31 December 2013 (unaudited)

in NZD 000	Notes	31 Dec 2013	31 Dec 2012	30 Jun 2013 (audited)
Current assets				
Cash and cash equivalents	10	29,729	49,519	20,676
Trade and other receivables	10	70,921	68,601	72,130
Inventory		474	2,588	934
Programme rights inventory		39,693	32,994	39,362
Derivative financial instruments	10	417	192	2,324
		141,234	153,894	135,426
Non-current assets				
Property, plant and equipment		293,444	342,725	303,305
Other intangible assets		30,084	21,057	34,697
Deferred tax asset		-	1,723	-
Goodwill		1,424,494	1,424,494	1,424,494
Derivative financial instruments	10	4,861	116	2,371
		1,752,883	1,790,115	1,764,867
Total assets		1,894,117	1,944,009	1,900,293
Current liabilities				
Borrowings	9/10	3,435	3,213	3,288
Trade and other payables	6/10	165,132	156,959	163,512
Income tax payable		12,245	2,423	9,380
Derivative financial instruments	10	7,659	8,738	6,821
		188,471	171,333	183,001
Non-current liabilities				
Borrowings	9/10	234,893	359,186	281,484
Bonds	5/10	199,165	198,866	199,014
Derivative financial instruments	10	15,630	20,948	14,388
Provisions		431	375	387
Deferred tax		38,117	37,082	40,122
		488,236	616,457	535,395
Total liabilities		676,707	787,790	718,396
Equity				
Share capital		577,403	577,403	577,403
Hedging reserve		(9,816)	(17,479)	(9,960)
Retained earnings		643,934	584,953	607,089
Total equity attributable to equity holders of the Company		1,211,521	1,144,877	1,174,532
Non-controlling interest		5,889	11,342	7,365
Total equity		1,217,410	1,156,219	1,181,897
Total equity and liabilities		1,894,117	1,944,009	1,900,293

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013 (unaudited)

in NZD 000	Attributable to owners of the parent				Non-controlling interest	Total equity
	Share capital	Hedging reserve	Retained earnings	Total		
Balance at 1 July 2013	577,403	(9,960)	607,089	1,174,532	7,365	1,181,897
Profit/(loss) for the period	–	–	83,522	83,522	(1,446)	82,076
Cash flow hedges, net of tax	–	144	20	164	(30)	134
Total comprehensive income for the period	–	144	83,542	83,686	(1,476)	82,210
Transactions with owners in their capacity as owners						
Dividend paid	–	–	(46,697)	(46,697)	–	(46,697)
Supplementary dividends	–	–	(5,141)	(5,141)	–	(5,141)
Foreign investor tax credits	–	–	5,141	5,141	–	5,141
	–	–	(46,697)	(46,697)	–	(46,697)
Balance at 31 December 2013	577,403	(9,816)	643,934	1,211,521	5,889	1,217,410
For the six months ended 31 December 2012 (unaudited)						
Balance at 1 July 2012	577,403	(19,805)	684,084	1,241,682	12,182	1,253,864
Profit/(loss) for the period	–	–	68,199	68,199	(840)	67,359
Cash flow hedges, net of tax	–	2,326	–	2,326	–	2,326
Total comprehensive income for the period	–	2,326	68,199	70,525	(840)	69,685
Transactions with owners in their capacity as owners						
Dividend paid	–	–	(167,330)	(167,330)	–	(167,330)
Supplementary dividends	–	–	(6,651)	(6,651)	–	(6,651)
Foreign investor tax credits	–	–	6,651	6,651	–	6,651
	–	–	(167,330)	(167,330)	–	(167,330)
Balance at 31 December 2012	577,403	(17,479)	584,953	1,144,877	11,342	1,156,219
For the year ended 30 June 2013 (audited)						
Balance at 1 July 2012	577,403	(19,805)	684,084	1,241,682	12,182	1,253,864
Profit/(loss) for the year	–	–	137,197	137,197	(4,982)	132,215
Cash flow hedges, net of tax	–	9,845	–	9,845	–	9,845
Total comprehensive income for the period	–	9,845	137,197	147,042	(4,982)	142,060
Transactions with owners in their capacity as owners						
Change in non-controlling interest	–	–	(165)	(165)	165	–
Dividend paid	–	–	(214,027)	(214,027)	–	(214,027)
Supplementary dividends	–	–	(11,071)	(11,071)	–	(11,071)
Foreign investor tax credits	–	–	11,071	11,071	–	11,071
	–	–	(214,192)	(214,192)	165	(214,027)
Balance at 30 June 2013	577,403	(9,960)	607,089	1,174,532	7,365	1,181,897

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2013 (unaudited)

in NZD 000	Notes	31 Dec 2013 (6 months)	31 Dec 2012 (6 months)	30 Jun 2013 (1 year) (audited)
Cash flows from operating activities				
Net profit		82,076	67,359	132,215
Plus/(less) non-cash items:				
Depreciation and amortisation		61,832	67,647	134,260
Unrealised foreign exchange loss/(gain)		11	83	(38)
Bad debts and movement in provision for doubtful debts		2,064	2,925	5,526
(Reversal)/impairment of inventory		(906)	(74)	1,405
Amortisation of bond issue costs		151	151	299
Movement in deferred tax		(2,113)	801	2,698
Other non-cash items		(373)	(607)	861
Items classified as investing activities:				
Gain on disposal of assets		(31)	(18)	(16)
Movement in working capital items:				
(Increase)/decrease in receivables		(372)	3,085	(5,102)
Increase in payables		4,274	4,310	8,094
Increase/(decrease) in provision for tax		8,077	(4,571)	6,813
Decrease in inventory		1,365	548	723
(Increase)/decrease in programme rights		(332)	9,194	2,827
Net cash from operating activities		155,723	150,833	290,565
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		42	18	30
Acquisition of property, plant, equipment and intangibles	7	(47,608)	(43,059)	(82,372)
Net cash used in investing activities		(47,566)	(43,041)	(82,342)
Cash flows from financing activities				
Advances received – bank loan	9	33,000	124,000	169,000
Repayment of borrowings – bank loan	9	(78,000)	(34,000)	(155,000)
Payment of bank facility fees		(640)	(678)	(1,247)
Payment of finance lease liabilities		(1,626)	(1,517)	(3,105)
Dividends paid	8	(51,838)	(173,981)	(225,098)
Net cash used in financing activities		(99,104)	(86,176)	(215,450)
Net increase/(decrease) in cash and cash equivalents		9,053	21,616	(7,227)
Cash and cash equivalents at beginning of the period		20,676	27,903	27,903
Cash and cash equivalents at end of the period		29,729	49,519	20,676

PARENT COMPANY INTERIM INCOME STATEMENT

For the six months ended 31 December 2013 (unaudited)

in NZD 000	31 Dec 2013 (6 months)	31 Dec 2012 (6 months)	30 Jun 2013 (1 year) (audited)
Revenue			
Residential satellite subscriptions	371,802	363,307	726,322
Other subscriptions	31,111	31,020	61,827
Installation	4,269	4,693	9,427
Advertising	37,555	35,320	68,040
Other income	4,953	5,001	9,242
	449,690	439,341	874,858
Expenses			
Programme rights	110,445	117,843	228,856
Programme operations	29,744	35,507	64,790
Subscriber management	31,149	29,325	59,458
Sales and marketing	18,392	15,839	36,535
Advertising	11,654	10,678	20,842
Broadcasting and infrastructure	42,676	42,119	85,208
Depreciation and amortisation	56,886	63,864	125,586
Corporate	15,364	12,757	33,278
	316,310	327,932	654,553
Operating profit	133,380	111,409	220,305
Financial (expense) income			
Finance income	707	921	1,819
Finance expense	(13,665)	(14,922)	(28,739)
Realised exchange loss	(457)	(577)	(722)
Unrealised exchange (loss)/gain	(119)	(92)	83
	(13,534)	(14,670)	(27,559)
Profit before tax	119,846	96,739	192,746
Income tax expense	33,620	27,186	55,938
Profit for the period	86,226	69,553	136,808

PARENT COMPANY INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2013 (unaudited)

in NZD 000	31 Dec 2013 (6 months)	31 Dec 2012 (6 months)	30 Jun 2013 (1 year) (audited)
Profit for the period	86,226	69,553	136,808
Other comprehensive income items that may be reclassified subsequently to profit and loss			
Cash flow hedges, net of tax	204	2,223	9,700
Other comprehensive income for the period net of income tax	204	2,223	9,700
Total comprehensive income for the period	86,430	71,776	146,508
Attributable to:			
Equity holders of the Company	86,430	71,776	146,508

PARENT COMPANY INTERIM BALANCE SHEET

As at 31 December 2013 (unaudited)

in NZD 000	Notes	31 Dec 2013	31 Dec 2012	30 Jun 2013 (audited)
Current assets				
Cash and cash equivalents	10	26,679	42,715	13,664
Trade and other receivables	10	71,559	72,828	72,314
Programme rights inventory		39,693	32,994	39,362
Derivative financial instruments	10	456	192	2,266
		138,387	148,729	127,606
Non-current assets				
Property, plant and equipment		265,599	298,652	271,901
Other intangible assets		21,884	20,903	26,094
Shares in subsidiary companies		14,179	14,545	14,179
Related party advance		11,936	16,090	12,964
Goodwill		1,422,465	1,422,465	1,422,465
Derivative financial instruments	10	4,861	116	2,371
		1,740,924	1,772,771	1,749,974
Total assets		1,879,311	1,921,500	1,877,580
Current liabilities				
Trade and other payables	6/10	162,571	155,839	160,538
Income tax payable		14,675	5,788	11,365
Derivative financial instruments	10	7,659	8,738	6,821
		184,905	170,365	178,724
Non-current liabilities				
Borrowings	9/10	226,003	346,888	270,835
Bonds	5/10	199,165	198,866	199,014
Derivative financial instruments	10	15,630	20,948	14,388
Provisions		431	375	387
Deferred tax		35,602	34,251	36,390
		476,831	601,328	521,014
Total liabilities		661,736	771,693	699,738
Equity				
Share capital		577,403	577,403	577,403
Hedging reserve		(9,798)	(17,479)	(10,002)
Retained earnings		649,970	589,883	610,441
Total equity		1,217,575	1,149,807	1,177,842
Total equity and liabilities		1,879,311	1,921,500	1,877,580

PARENT COMPANY INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013 (unaudited)

in NZD 000	Share capital	Hedging reserve	Retained earnings	Total
Balance at 1 July 2013	577,403	(10,002)	610,441	1,177,842
Profit for the period	–	–	86,226	86,226
Cash flow hedges, net of tax	–	204	–	204
Total comprehensive income for the period	–	204	86,226	86,430
Transactions with owners in their capacity as owners				
Dividend paid	–	–	(46,697)	(46,697)
Supplementary dividends	–	–	(5,141)	(5,141)
Foreign investor tax credits	–	–	5,141	5,141
	–	–	(46,697)	(46,697)
Balance at 31 December 2013	577,403	(9,798)	649,970	1,217,575
For the six months ended 31 December 2012 (unaudited)				
Balance at 1 July 2012	577,403	(19,702)	687,660	1,245,361
Profit for the period	–	–	69,553	69,553
Cash flow hedges, net of tax	–	2,223	–	2,223
Total comprehensive income for the period	–	2,223	69,553	71,776
Transactions with owners in their capacity as owners				
Dividend paid	–	–	(167,330)	(167,330)
Supplementary dividends	–	–	(6,651)	(6,651)
Foreign investor tax credits	–	–	6,651	6,651
	–	–	(167,330)	(167,330)
Balance at 31 December 2012	577,403	(17,479)	589,883	1,149,807
For the year ended 30 June 2013 (audited)				
Balance at 1 July 2012	577,403	(19,702)	687,660	1,245,361
Profit for the year	–	–	136,808	136,808
Cash flow hedges, net of tax	–	9,700	–	9,700
Total comprehensive income for the period	–	9,700	136,808	146,508
Transactions with owners in their capacity as owners				
Dividend paid	–	–	(214,027)	(214,027)
Supplementary dividends	–	–	(11,071)	(11,071)
Foreign investor tax credits	–	–	11,071	11,071
	–	–	(214,027)	(214,027)
Balance at 30 June 2013	577,403	(10,002)	610,441	1,177,842

PARENT COMPANY INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2013 (unaudited)

in NZD 000	Notes	31 Dec 2013 (6 months)	31 Dec 2012 (6 months)	30 Jun 2013 (1 year) (audited)
Cash flows from operating activities				
Net profit		86,226	69,553	136,808
Plus/(less) non-cash items:				
Depreciation and amortisation		56,886	63,864	125,586
Unrealised foreign exchange loss/(gain)		119	92	(83)
Bad debts and movement in provision for doubtful debts		2,060	2,921	5,521
Amortisation of bond issue costs		151	151	299
Movement in deferred tax		(867)	486	(283)
Other non-cash items		(778)	(992)	525
Items classified as investing activities:				
Gain on disposal of assets		(31)	(18)	(19)
Impairment of investment		-	-	6,115
Movement in working capital items:				
Decrease/(increase) in receivables		77	2,663	(5,388)
Increase in payables		4,015	7,325	12,963
Increase/(decrease) in provision for tax		8,522	(3,300)	8,988
(Increase)/decrease in programme rights		(332)	9,194	2,827
Net cash from operating activities		156,048	151,939	293,859
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		42	17	30
Acquisition of property, plant, equipment and intangibles	7	(46,625)	(40,388)	(79,027)
Acquisition of business		-	-	(5,750)
Net cash used in investing activities		(46,583)	(40,371)	(84,747)
Cash flows from financing activities				
Advances received – bank loan	9	33,000	124,000	169,000
Repayment of borrowings – bank loan	9	(78,000)	(34,000)	(155,000)
Payment of related party advance		1,028	1,153	2,243
Payment of bank facility fees		(640)	(679)	(1,247)
Dividends paid	8	(51,838)	(173,981)	(225,098)
Net cash used in financing activities		(96,450)	(83,507)	(210,102)
Net increase/(decrease) in cash and cash equivalents		13,015	28,061	(990)
Cash and cash equivalents at beginning of the period		13,664	14,654	14,654
Cash and cash equivalents at end of the period		26,679	42,715	13,664

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2013 (unaudited)

1. GENERAL INFORMATION

SKY Network Television Limited ("SKY") is a company, incorporated and domiciled in New Zealand. The address of its registered office is 10 Panorama Road, Mt Wellington, Auckland, New Zealand. The consolidated interim financial statements of the Group for the six months ended 31 December 2013 comprise SKY and its subsidiaries. The Company financial statements are for SKY Network Television Limited as a separate legal entity. These have been incorporated into the interim report in order to comply with the requirements of SKY's bond prospectus for the offer of bonds (refer to note 12).

SKY is a company registered under the Companies Act 1993 and is an issuer in terms of the Financial Reporting Act 1993. These interim financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993.

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

These interim financial statements were approved by the Board of Directors on 21 February 2014.

2. BASIS OF PREPARATION

These interim financial statements of SKY are for the six months ended 31 December 2013. 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 financial statements of the Group as at and for the year ended 30 June 2013.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group and the Company in these interim financial statements are the same as those applied by the Group and Company in their consolidated financial statements as at and for the year ended 30 June 2013, except as described below:

NZ IFRS 13 Fair Value Measurement

NZ IFRS 13 establishes a single source of guidance for all fair value measurements. NZIFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under NZ IFRS when fair values are required or permitted. The application of NZ IFRS 13 has not materially impacted the fair value measurements carried out by the Group and Company.

NZ IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards including NZ IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by NZ IAS 34.16A(j), thereby affecting the interim financial statements for the period. The Group and Company provides these disclosures in note 10.

NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2013 (unaudited)

4. GROUP STRUCTURE

At 31 December 2013 SKY had the following subsidiaries:

- Cricket Max Limited (non trading)
- Igloo Limited (66%)
- Media Finance Limited (non trading)
- Outside Broadcasting Limited (100%)
- Screen Enterprises Limited (51%)
- SKY DMX Music Limited (50.5%)
- SKY Arena Limited (100%) (non trading).

SKY Arena Limited was incorporated on 17th October 2013. It was set up to stage and promote pay per view events.

5. BONDS

Terms and conditions of outstanding bonds are as follows:

	31 Dec 2013	31 Dec 2012	30 Jun 2013 (audited)
GROUP AND COMPANY			
Nominal interest rate	3.62%	3.19%	3.19%
Date of maturity	16-Oct-16	16-Oct-16	16-Oct-16
in NZD 000			
Carrying amount	199,165	198,866	199,014
Face value	200,000	200,000	200,000
Fair value	194,600	189,000	191,000
Market yield	5.25%	4.98%	4.80%

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2013 (unaudited)

6. RELATED PARTY TRANSACTIONS

For the Company, related parties include the subsidiary companies of the SKY Group (note 4) and the non-controlling shareholders of these companies. For the Group, related parties include the non-controlling shareholders of subsidiary companies.

In the prior period related parties for the Group included News Limited, a principal shareholder which was an affiliate of The News Corporation Limited, and the non-controlling shareholders of subsidiary companies. News Limited sold its shares in SKY on 4 March 2013. Consequently related party disclosures under "Transactions in the income statement" include transactions with News Limited and its subsidiaries from 1 July 2012 to 4 March 2013.

in NZD 000	31 Dec 2013	31 Dec 2012	30 Jun 2013 (audited)
GROUP			
Transactions included in the income statement			
Transactions with related parties			
The News Corporation Limited and its affiliates and non-controlling shareholders of Igloo Limited			
- Programme, smartcard, broadcasting equipment and publishing	4,024	10,350	16,189
Transactions included in the balance sheet			
Owing to related parties			
Owing to affiliates of The News Corporation Limited and non-controlling shareholders of Igloo Limited			
	647	3,387	482
COMPANY			
Transactions included in the income statement:			
Transactions with related parties			
The News Corporation Limited and its affiliates and non-controlling shareholders of Igloo Limited			
Programme, smartcard, broadcasting equipment and publishing	4,024	10,350	16,189
Transactions with subsidiaries			
SKY DMX Music Limited			
Administration support, accounting services and broadcasting charges	170	170	340
Outside Broadcasting Limited			
Interest received on advance to subsidiary	(558)	(728)	(1,344)
Broadcasting fees paid	6,047	5,337	11,120
Igloo Limited			
Administration costs and unrealised exchange gains on hedging contracts	131	95	212
Transmission services and spectrum licences	1,059	1,076	2,111
Transactions included in the balance sheet:			
Owing to related parties			
Owing to affiliates of The News Corporation Limited and non-controlling shareholders of Screen Enterprises Limited and Igloo Limited			
	1,358	4,022	1,266
Receivable/(payable) from/(to) subsidiaries			
Trade receivable from subsidiaries	1,314	3,903	300
Derivatives issued to subsidiaries	(39)	-	(58)
Current portion of advance to subsidiary	2,056	2,305	2,056
Non-current portion of advance to subsidiary	11,936	16,090	12,964
Total advance to subsidiary	13,992	18,395	15,020

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

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

The gross remuneration of directors and key management personnel during the period was \$7,109,000 (31 December 2012: \$6,542,000; 30 June 2013 (full year): \$10,993,000).

NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2013 (unaudited)

7. CAPITAL EXPENDITURE

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

in NZD 000	31 Dec 2013 (6 months)	31 Dec 2012 (6 months)	30 Jun 2013 (1 year) (audited)
GROUP			
Capital projects in progress	15,196	6,997	7,010
Land and buildings	79	135	1,360
Broadcasting and studio equipment	228	117	341
Plant and equipment and other	1,601	948	5,214
Decoders	9,530	12,813	23,265
Installation costs	18,674	20,843	40,152
Intangibles	2,063	930	6,288
	47,371	42,783	83,630
Movement in capital expenditure creditors	237	276	(1,258)
Cash outflow in the period	47,608	43,059	82,372
COMPANY			
Capital projects in progress	15,196	4,991	7,010
Land and buildings	79	135	1,200
Broadcasting and studio equipment	28	35	104
Plant and equipment and other	953	475	2,381
Decoders	9,517	12,813	23,259
Installation costs	18,672	20,843	40,150
Intangibles	1,943	820	6,181
	46,388	40,112	80,285
Movement in capital expenditure creditors	237	276	(1,258)
Cash outflow in the period	46,625	40,388	79,027

8. DIVIDENDS

In December 2012 the Company paid a fully imputed special dividend of 32 cents per share in addition to the final dividend of 11 cents per share paid in September 2012. A supplementary dividend of 5.6471 cents per share was paid to non-resident shareholders, subject to the foreign investor tax credit regime.

On 24 February 2014 the Board of Directors announced that it will pay a fully imputed dividend of 14 cents per share with the record date being 10 March 2014. A supplementary dividend of 2.4706 cents per share will be paid to non-resident shareholders, subject to the foreign investor tax credit regime.

9. BORROWINGS

Bank loans

During the period bank borrowings of \$78 million were repaid and a new drawdown of \$33 million was taken up.

NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2013 (unaudited)

10. 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 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 2013. There have been no changes in any risk management policies since the year end.

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

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

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

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

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

Fair value estimates of SKY's financial assets and liabilities for recognition or disclosure purposes are all made on a level 2 basis. During the six months ended 31 December 2013, there were no transfers of financial instruments between levels.

Financial instruments measured at fair value

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

in NZD 000	GROUP 31 Dec 2013	COMPANY 31 Dec 2013
Derivative financial instruments (Level 2)		
Current assets	417	456
Non-current assets	4,861	4,861
Current liabilities	(7,659)	(7,659)
Non-current liabilities	(15,630)	(15,630)
	(18,011)	(17,972)

NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2013 (unaudited)

10. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS CONTINUED

Financial instruments not measured at fair value

The following financial instruments are not measured at fair value in the consolidated interim financial statements. These had the following fair values as at December 2013:

in NZD 000	GROUP		COMPANY	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	29,729	29,729	26,679	26,679
Trade and other receivables	66,226	66,226	66,864	66,864
Related party advance	–	–	13,992	15,064
	95,955	95,955	107,535	108,607
Financial liabilities				
Trade and other payables	(104,016)	(104,016)	(101,455)	(101,455)
Bank borrowings	(226,003)	(224,914)	(226,003)	(224,914)
Lease liabilities	(12,325)	(12,909)	–	–
Bonds	(199,165)	(194,600)	(199,165)	(194,600)
	(541,509)	(536,439)	(526,623)	(520,969)

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

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

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

Bond 5.25% Borrowings 4.56% Lease liabilities 6.20%

Specific valuation techniques used to value financial instruments include:

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

11. CONTINGENT LIABILITIES

On 16 May 2012, the Company received notification from the Commerce Commission that it was opening an investigation into SKY's agreements for the acquisition of content and its agreements with internet retail service providers. The Company provided all information requested by the Commission.

The investigation was concluded in November 2013 with a report and warning letter being issued, but no further action being taken against SKY.

12. SUBSEQUENT EVENTS

SKY is intending to make a public bond offering of \$100,000,000 and will issue a simplified disclosure prospectus for an offer of bonds that rank equally with the bonds currently listed on the NZDX by SKY.

On 22 January 2014, SKY Arena entered into an agreement with an events promoter whereby the promoter was issued with a 25% shareholding in SKY Arena leaving SKY with a 75% controlling interest.

On 24 February 2014, the Board of Directors announced that it will pay a fully imputed dividend of 14 cents per share (refer note 8).



INDEPENDENT ACCOUNTANTS' REPORT

to the shareholders of Sky Network Television Limited

Report on the Interim Financial Statements

We have reviewed the interim condensed financial statements ("financial statements") of Sky Network Television Limited on pages 7 to 22, which comprise the balance sheet as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2013 or from time to time during the period.

Directors' Responsibility for the Interim Financial Statements

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Company and the Group as at 31 December 2013, and their financial performance and cash flows for the period ended on that date.

Accountants' Responsibility

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

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

We have reviewed the financial statements of the Company and the Group for the period ended 31 December 2013 in accordance with the Review Engagement Standards issued in New Zealand.

We carry out other assignments for the Company and the Group in the area of assurance services. In addition, certain partners and employees of our firm may deal with the Company and Group on normal terms within the ordinary course of trading activities of the Company and Group. We have no other relationships with or interests in the Company or Group. These services have not impaired our independence as accountants of the Company and Group.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Company and the Group as at 31 December 2013 and their financial performance and cash flows for the period ended on that date.

Restriction on Distribution or Use

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

PricewaterhouseCoopers

**Chartered Accountants
Auckland**

21 February 2014

DIRECTORY

REGISTRARS

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

NEW ZEALAND ORDINARY SHARE REGISTRAR

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road
Takapuna, North Shore City 0622

Mailing address:

Private Bag 92119, Auckland Mail Centre
Auckland 1142, New Zealand

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

Email: enquiry@computershare.co.nz

AUSTRALIAN BRANCH REGISTER

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067
GPO Box 2975EE
Melbourne, VIC 3000, Australia

Tel: 61 3 9415 4000

Email: enquiry@computershare.co.nz

Freephone: 1300 850 505 (within Australia)

BONDHOLDER TRUSTEE

The New Zealand Guardian Trust Company Limited

Level 7, Vero Centre, 48 Shortland Street
Auckland, New Zealand

Mailing address:

PO Box 1934, Auckland, New Zealand

Tel: 64 9 377 7300 **Fax:** 64 9 377 7470

Email: web.corporatetrusts@nzgt.co.nz

DIRECTORS

Peter Macourt (Chairman)
Robert Bryden (Deputy Chairman)
John Fellet (Chief Executive Officer)
Derek Handley
John Hart, ONZM
Geraldine McBride
Humphry Rolleston
John Waller

EXECUTIVES

John Fellet	Director and Chief Executive Officer
Jason Hollingworth	Chief Financial Officer and Company Secretary
Gregory Drummond	Director of Broadcast and Media
Travis Dunbar	Director of Programming – Entertainment and Movies
Martin Enright	Director of SVOD, Copyright Protection and Affiliate Channels
Charles Ingleby	Director of Technology
Megan King	Director of Content, Strategy, Planning and Delivery
Richard Last	Director of Sport
Chris Major	Director of Government Relations
Rawinia Newton	Director of Advertising Sales
Cathryn Oliver	Chief of Staff
Michael Watson	Director of Marketing
Kirsty Way	Director of Corporate Communications
Martin Wrigley	Director of Operations

NEW ZEALAND REGISTERED OFFICE

10 Panorama Road, Mt Wellington, Auckland, 1060

Tel: 64 9 579 9999 **Fax:** 64 9 579 8324

Website: www.skytv.co.nz

AUSTRALIAN REGISTERED OFFICE

c/- Allens Arthur Robinson
Corporate Pty Limited
Level 28, Deutsche Bank Place
Corner Hunter and Philip Streets
Sydney, NSW 2000

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

PricewaterhouseCoopers Tower
188 Quay Street, Auckland, 1010, New Zealand

Tel: 64 9 358 2555 **Fax:** 64 9 358 2055



**SKY NETWORK
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Auckland 1149
New Zealand

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Mt Wellington
Auckland 1060
New Zealand

www.sky.co.nz





Director's Declaration

The directors declare that the consolidated financial statements set out on pages 7 - 22:

- (i) comply with New Zealand International Financial Reporting Standards
- (ii) give a true and fair view of the financial position of SKY Network Television Limited and its subsidiaries as at 31 December 2013 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date.

In the directors' opinion at the date of this declaration there are reasonable grounds to believe that SKY Network Television Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors and is signed for and on behalf of the Board of Directors.

Dated at Auckland this 21st day of February 2014.

A handwritten signature in black ink, appearing to read "Peter Macourt".

Peter Macourt
Chairman

A handwritten signature in black ink, appearing to read "John Fellet".

John Fellet
Director

Other Information

SKY Network Television Limited Half Year ended on 31 December 2013 (In NZD)

- **Net tangible assets per security:**

Current period \$(0.625): 1

Previous period \$(0.719): 1

- **Control gained over entities**

SKY Arena Limited was incorporated on 17 October 2013, a 100% owned subsidiary set up to stage and promote pay per view events. On 22 January 2014, SKY Arena entered into an agreement with an events promoter whereby the promoter was issued with a 25% shareholding in SKY Arena leaving SKY with a 75% controlling interest.

- **Loss of control of entities**

There was no loss of control of entities during the half year.

- **Dividends**

Interim dividend payable: \$54.5 million

Record date to determine entitlements to the interim dividend: 10 March 2014

Date interim dividend payable: 17 March 2014

Previous corresponding period – interim dividend (paid March 2013): \$46.7 million (ordinary securities)

Previous corresponding period – final dividend (paid September 2012) \$42.8 million and special dividend (paid December 2012): \$124.5 million (ordinary securities)

- **Amount per security**

	Amount per security	Franked amount per Security	Amount per security of foreign sourced dividend	Amount per security payable on each dividend to non resident shareholders
Final Dividend	NA			
Interim Dividend	14.0 cents	NA	NA	
NZ imputation credits - final	NA			
NZ imputation credits - interim	5.4444 cents			
Supplementary dividend - final				NA
Supplementary dividend - interim				2.4706 cents

- **Details of aggregate share of profits (losses) of associates and joint venture entities**

Not applicable

- **Accounting standards**

New Zealand international financial reporting standards used in compiling report.

- **Directors' Details**

The directors of Sky Network Television Limited at any time during the half year are as follows:

Peter Macourt	Chairman
Robert Bryden	Deputy Chairman
John Fellet	Director & Chief Executive
John Hart	Director
Humphry Rolleston	Director
John Waller	Director
Derek Handley	Director
Geraldine McBride	Director