

Appendix 1 Release to NZX

Half Year Preliminary Announcements and Half Year Results

Sky Network Television Limited	
Results for announcement to the market	
Reporting Period	6 months to 31 December 2010
Previous Reporting Period	6 months to 31 December 2009

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$397,982	7.8% increase
Profit (loss) from ordinary activities after tax attributable to security holder.	\$60,263	18.9% increase
Net profit (loss) attributable to security holders.	\$60,263	18.9% increase

Interim/Final Dividend	Amount per security	Imputed amount per security
Interim	\$0.08	\$0.034286

Record Date	4 March 2011
Dividend Payment Date	11 March 2011

Comments:	Refer management commentary attached.
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December 2010

SKY NETWORK
TELEVISION LIMITED

INTERIM REPORT

CONTENTS

004	LETTER FROM THE CHIEF EXECUTIVE
008	FINANCIALS
010	SUBSCRIBER BASE
011	CONSOLIDATED INTERIM INCOME STATEMENT
012	CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
013	CONSOLIDATED INTERIM BALANCE SHEET
014	CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
016	CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
017	RECONCILIATION OF OPERATING CASH FLOWS WITH NET PROFIT
018	NOTES TO THE INTERIM FINANCIAL STATEMENTS
022	INDEPENDENT ACCOUNTANTS' REPORT
023	DIRECTORY



**STILL
ON THE RISE**

DEAR SHAREHOLDERS

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

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

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

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

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

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

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

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

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

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

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

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

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

- Launch of SKY On Demand HD offering customers the latest blockbuster movies in crystal clear high definition at the touch of a button.
 - Extended coverage of the 2010-2011 Australian National Basketball League (NBL) Season.
 - Twenty four hour coverage of the Commonwealth Games with five dedicated channels including a special Commonwealth Games Mosaic Channel.
 - Purchase of the On Site Broadcasting (NZ) Limited's business from Australia's Prime Media Group. OnSite provided all outside broadcast facilities for SKY.
 - Launch of iSKY, an online TV service that delivers SKY subscribers five live streaming channels, (two news and three sports) and more than 375 catch-up TV episodes from 20 channels.
 - Launch of "RECORD ME" enabling subscribers to book a programme for recording directly from a promo.
-

SKY is committed to providing New Zealanders with the best video entertainment available and will continue to invest in the technology that is required to deliver the services consumers demand where we are confident in earning reasonable financial returns. Our decision to invest in high definition television and personal video recorder capability four years ago is starting to pay off and we are committed to ensuring that we continue to leverage the capabilities of new technologies, including the wider availability of higher broadband speeds in New Zealand.

DIVIDENDS

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



John Fellet
Chief Executive



December 2010

SKY NETWORK
TELEVISION LIMITED

FINANCIALS

SUBSCRIBER BASE

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

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

Notes

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

CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 31 December 2010 (unaudited)

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

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2010 (unaudited)

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

CONSOLIDATED INTERIM BALANCE SHEET

As at 31 December 2010 (unaudited)

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2010 (unaudited)

in NZD 000

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2010 (unaudited)

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

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RECONCILIATION OF OPERATING CASH FLOWS WITH NET PROFIT

in NZD 000

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 31 December 2010 (unaudited)

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

4. GROUP STRUCTURE

At 31 December 2010 SKY had the following subsidiaries:

SKY DMX Music Limited

Cricket Max Limited

Media Finance Limited

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

Screen Enterprises Limited

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 31 December 2010 (unaudited)

5. BONDS

Terms and conditions of outstanding bonds are as follows:

	31 Dec 2010	31 Dec 2009	30 Jun 2010 (Audited)
Nominal interest rate	4.06%	4.01%	4.01%
Date of maturity	16-Oct-16	16-Oct-16	16-Oct-16
in NZD 000			
Carrying amount	198,268	197,969	198,117
Face value	200,000	200,000	200,000

The bonds are subject to a call option commencing on 16 October 2009 and each subsequent 16 October until 16 October 2015 whereby the Company has the right to redeem or repurchase all or some of the bonds on each anniversary of the issue date. The market yield of the bonds at 31 December 2010 was 8.25% (31 December 2009: 4.66%, 30 June 2010: 7.62%). The fair value of the bonds at December 2010 was \$176 million (31 December 2009: \$172 million; 30 June 2010: \$178 million). The difference between carrying amount and fair value has not been recognised in the interim financial statements as the bonds are intended to be held until maturity.

6. RELATED PARTY TRANSACTIONS

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

Transactions included in the balance sheet Owing to related parties

Owing to affiliates of The News Corporation Limited and non-controlling shareholders of Screen Enterprises Limited	2,743	3,633	4,757
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Transactions included in the income statement Transactions with related parties

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 31 December 2010 (unaudited)

7. CAPITAL EXPENDITURE

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

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

8. DIVIDENDS

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

9. BUSINESS ACQUISITIONS

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 31 December 2010 (unaudited)

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

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

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

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

10. BORROWINGS

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

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

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

The lease liabilities are secured by the leased assets.

REPORT ON THE INTERIM FINANCIAL STATEMENTS

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

DIRECTORS' RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS

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

ACCOUNTANTS' RESPONSIBILITY

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

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

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

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

OPINION

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

RESTRICTION ON DISTRIBUTION OR USE

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



Chartered Accountants Auckland
17 February 2011

DIRECTORY**REGISTRARS**

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

NEW ZEALAND ORDINARY SHARE REGISTRAR

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

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

AUSTRALIAN BRANCH REGISTER

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

BONDHOLDER TRUSTEE

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

DIRECTORS

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

EXECUTIVES

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

NEW ZEALAND REGISTERED OFFICE

10 Panorama Road, Mt Wellington, Auckland
Tel: 64 9 579 9999; Fax: 64 9 579 0910
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

AUDITOR TO SKY

PricewaterhouseCoopers
PricewaterhouseCoopers Tower,
188 Quay Street, Auckland
Tel: 64 9 355 8000; Fax: 64 9 355 8001

SOLICITORS TO SKY

Buddle Findlay
PricewaterhouseCoopers Tower,
188 Quay Street, Auckland
Tel: 64 9 358 2555; Fax: 64 9 358 2055

Other Information

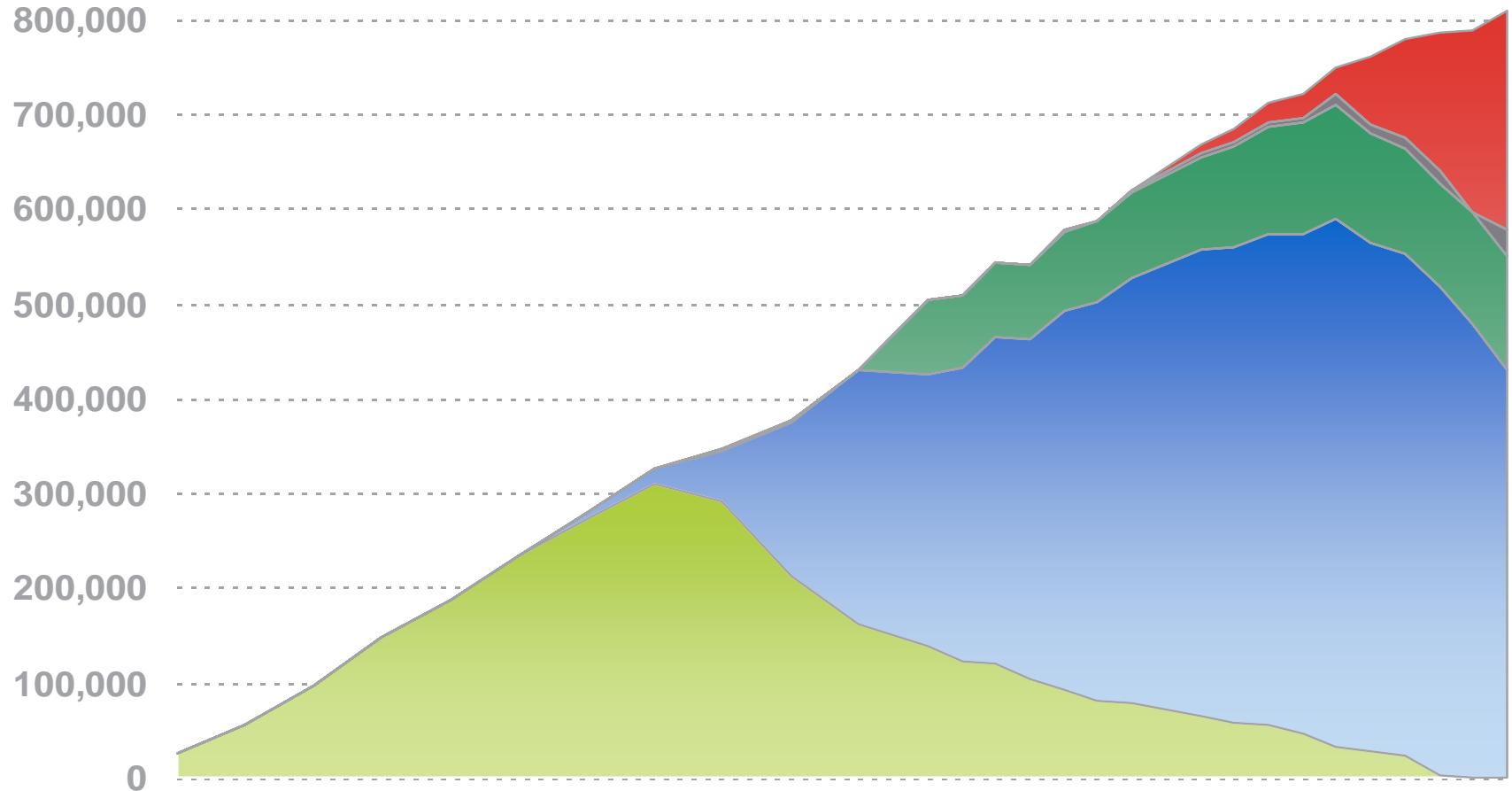
Sky Network Television Limited Half Year ended on 31 December 2010

- **Net tangible assets per security:**

Current period \$(0.457): 1

Previous period \$(0.583): 1

Subscribers



■ UHF

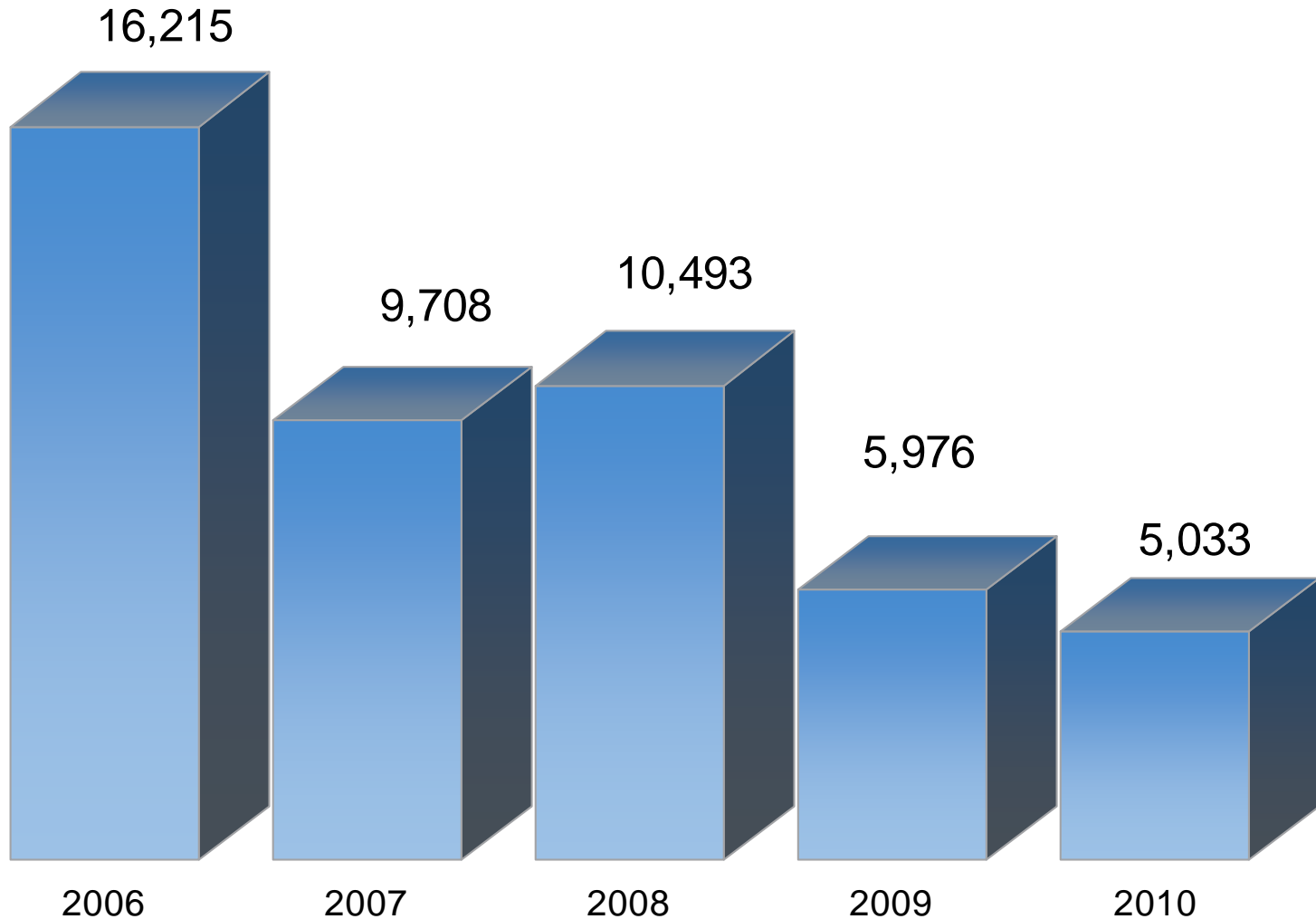
■ Satellite

■ Wholesale Satellite

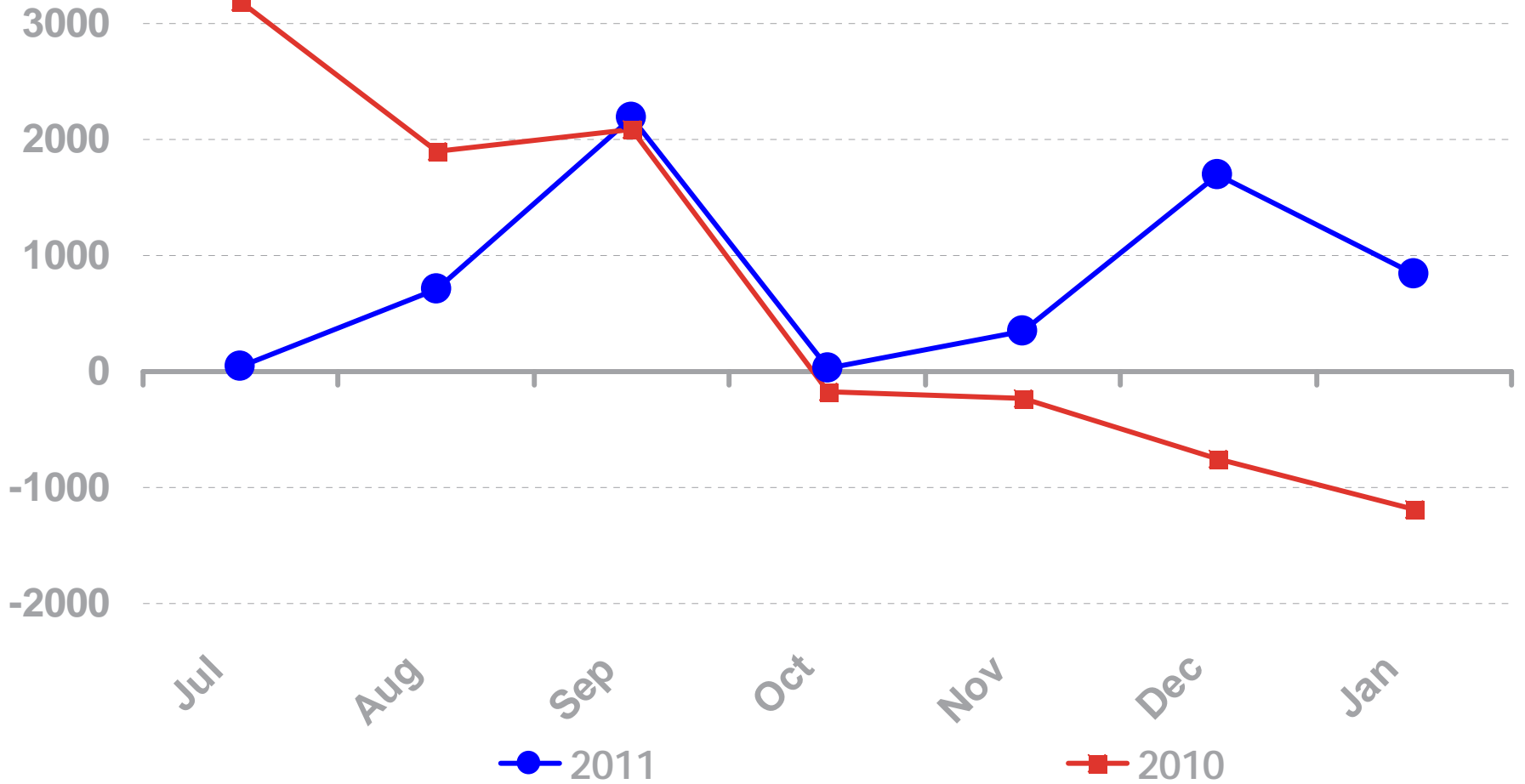
■ My SKY



Net Gain as at December 31



Net Gain by Month

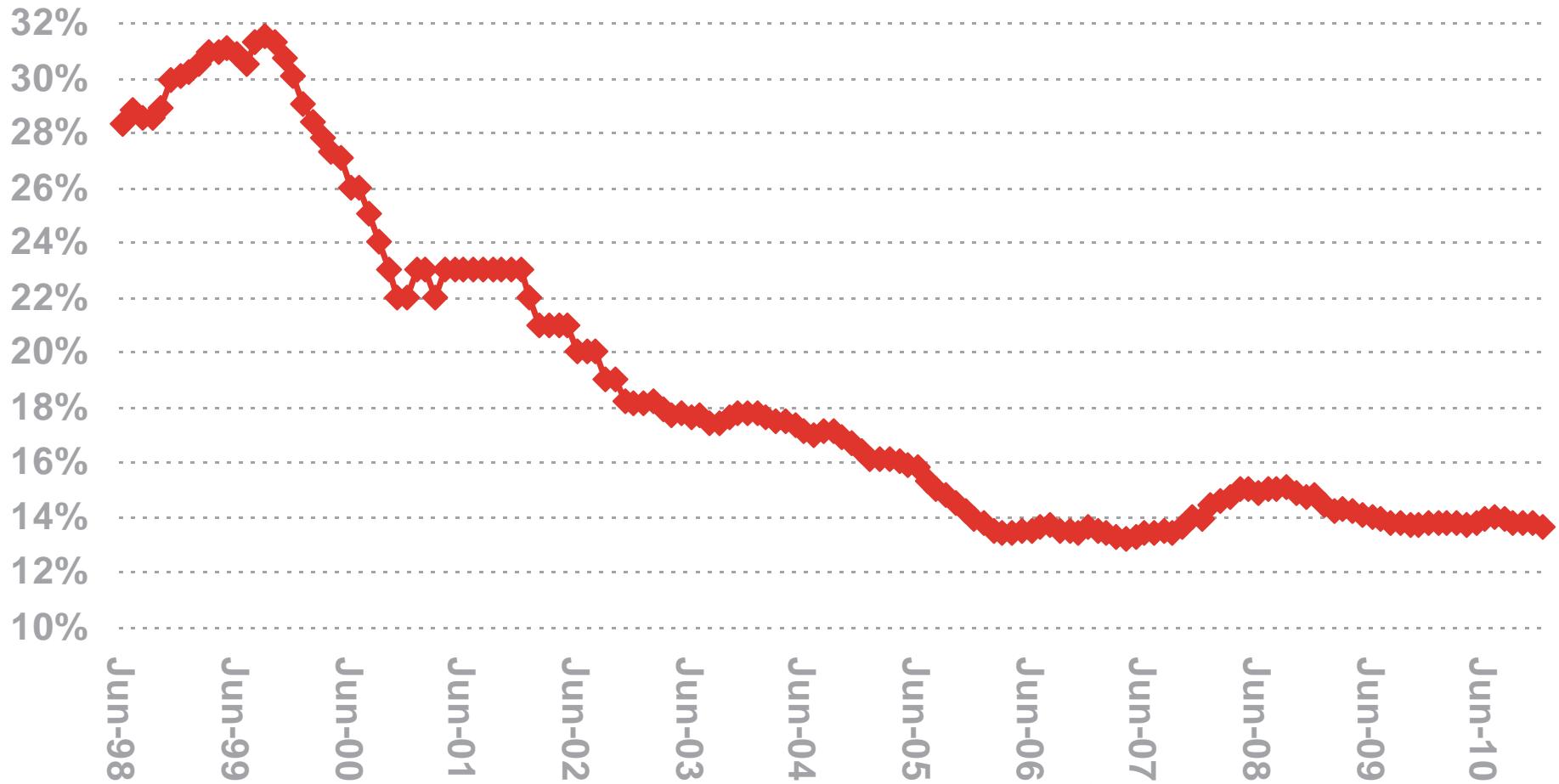


Subscriber Growth – Dec v Dec

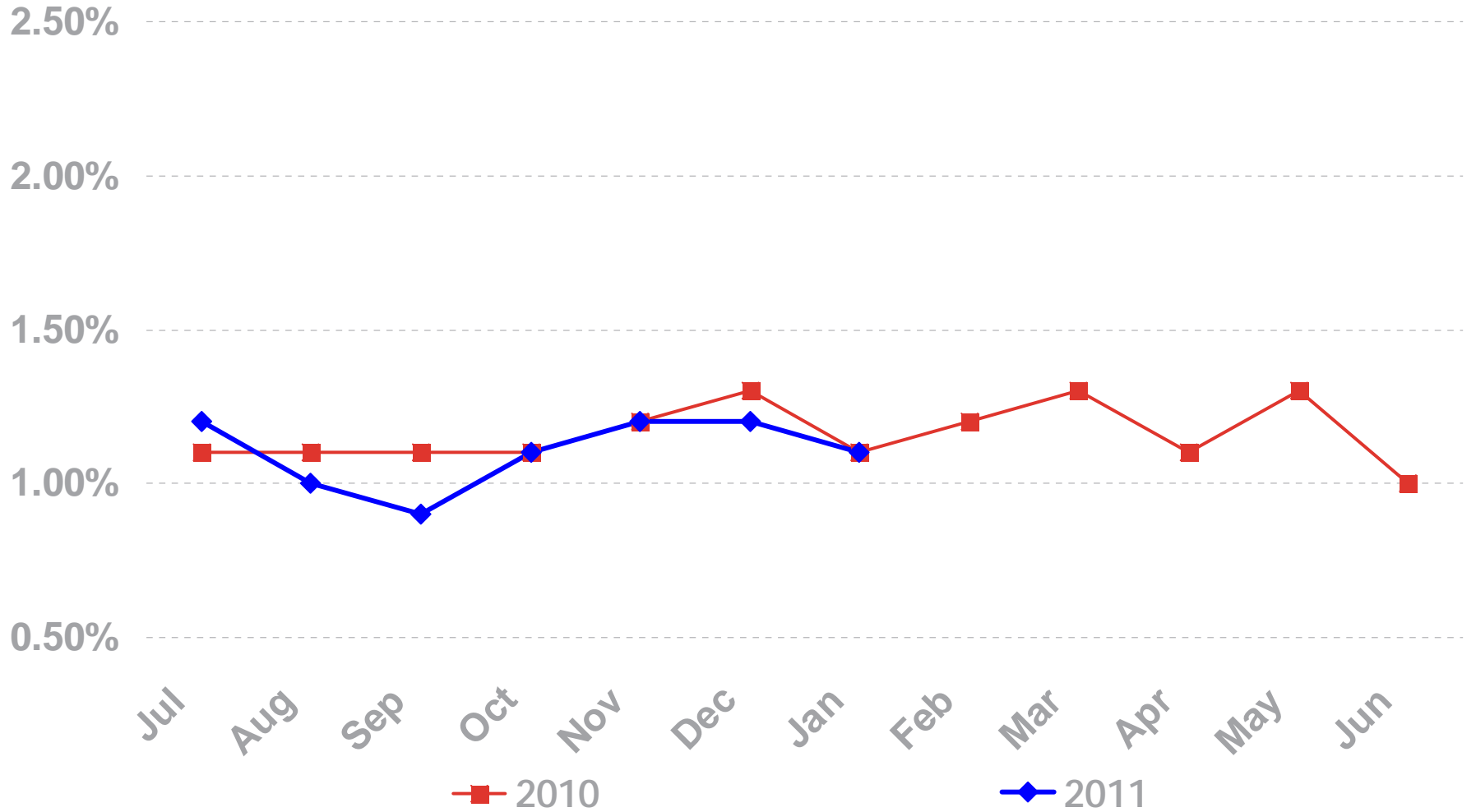
'000	Dec 2009	Dec 2010	% Change
UHF Residential	3.1	0	(100%)
DBS (Satellite) Residential	506.6	428.5	(15.4%)
DBS Wholesale	107.8	121.5	12.7%
DBS MYSKY	144.1	231.1	60.4%
Commercial	23.3	26.3	12.9%
Total Subscribers	784.9	807.4	2.9%



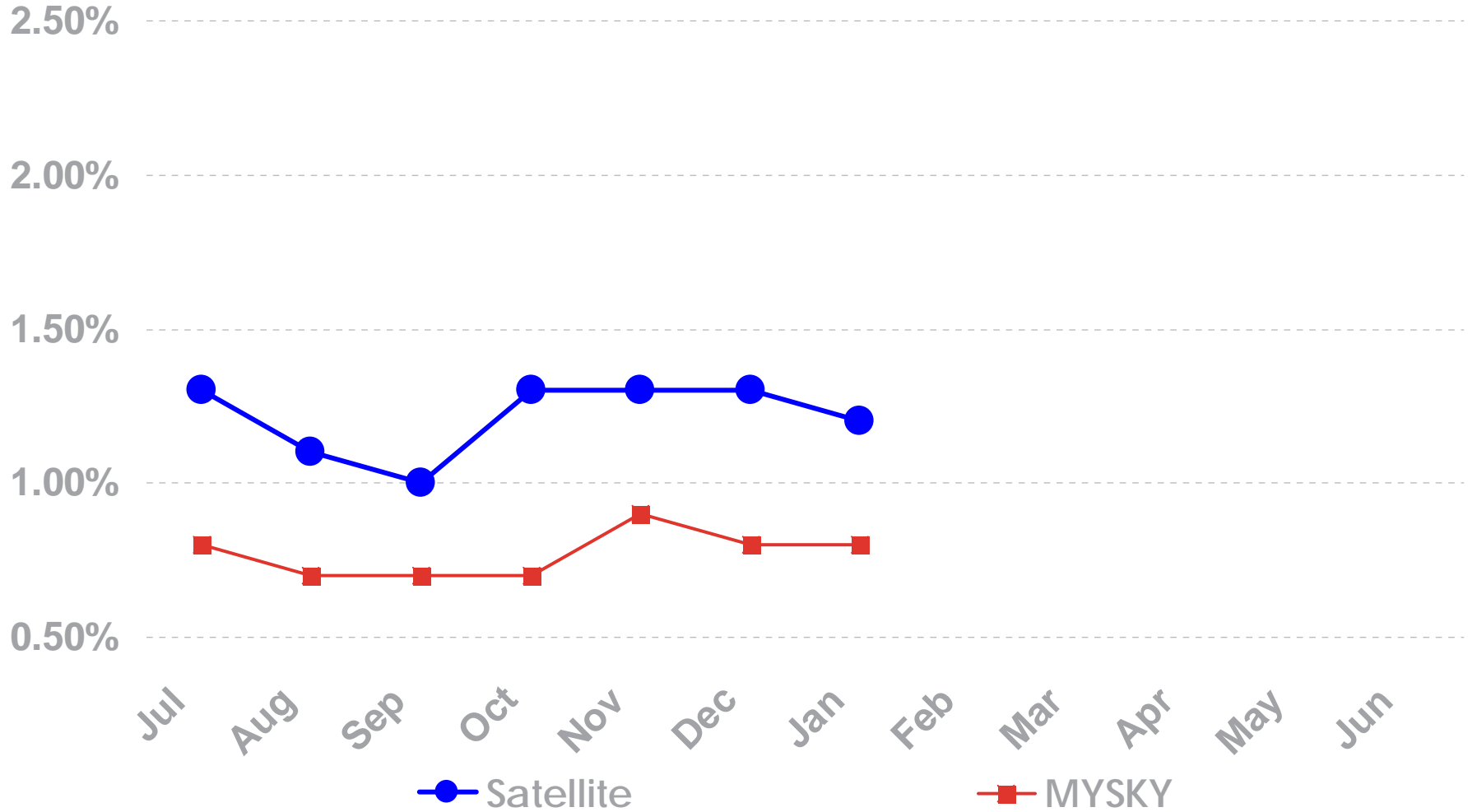
Moving Annual Churn



Monthly Churn

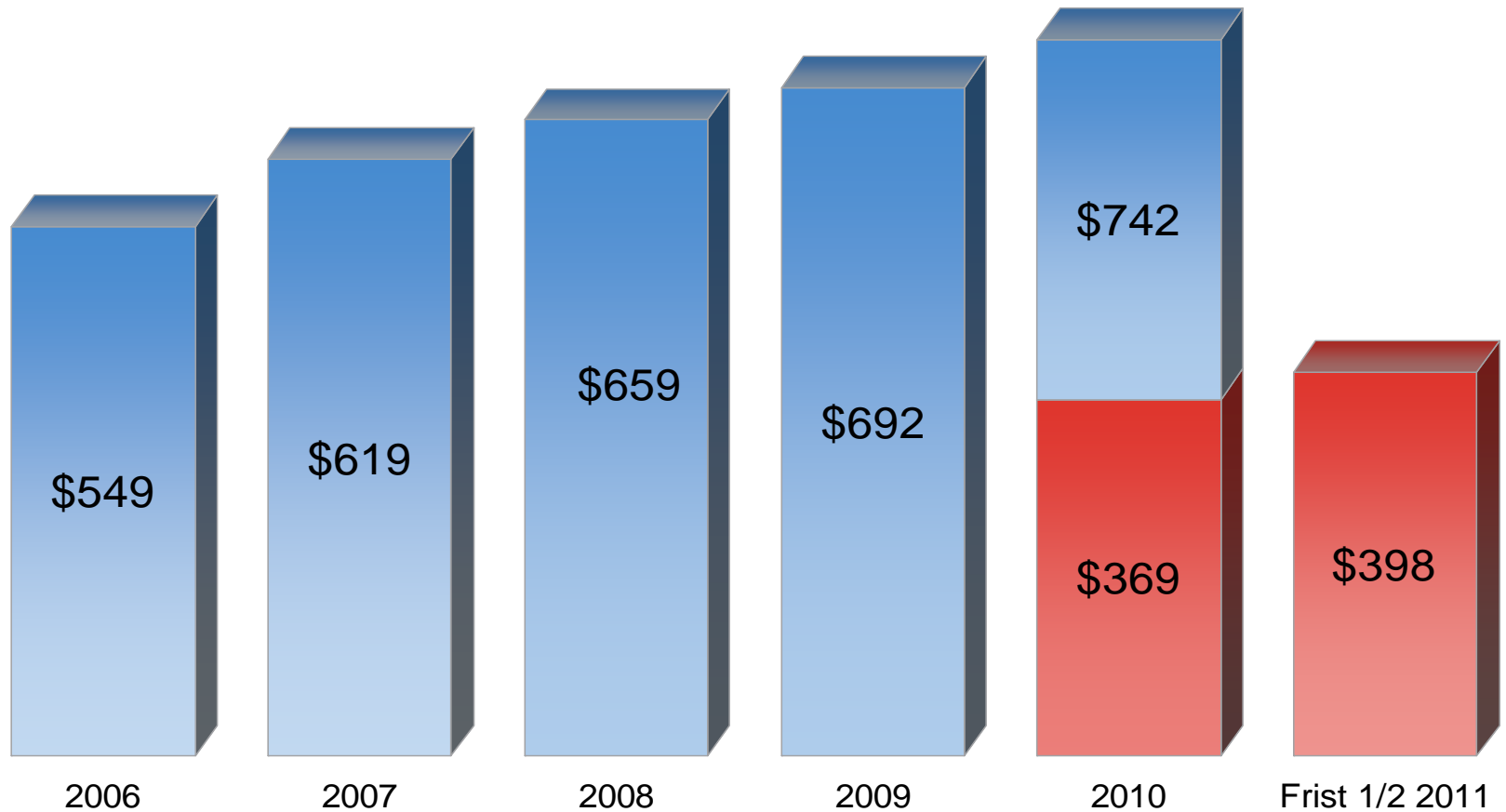


Monthly Churn by Category



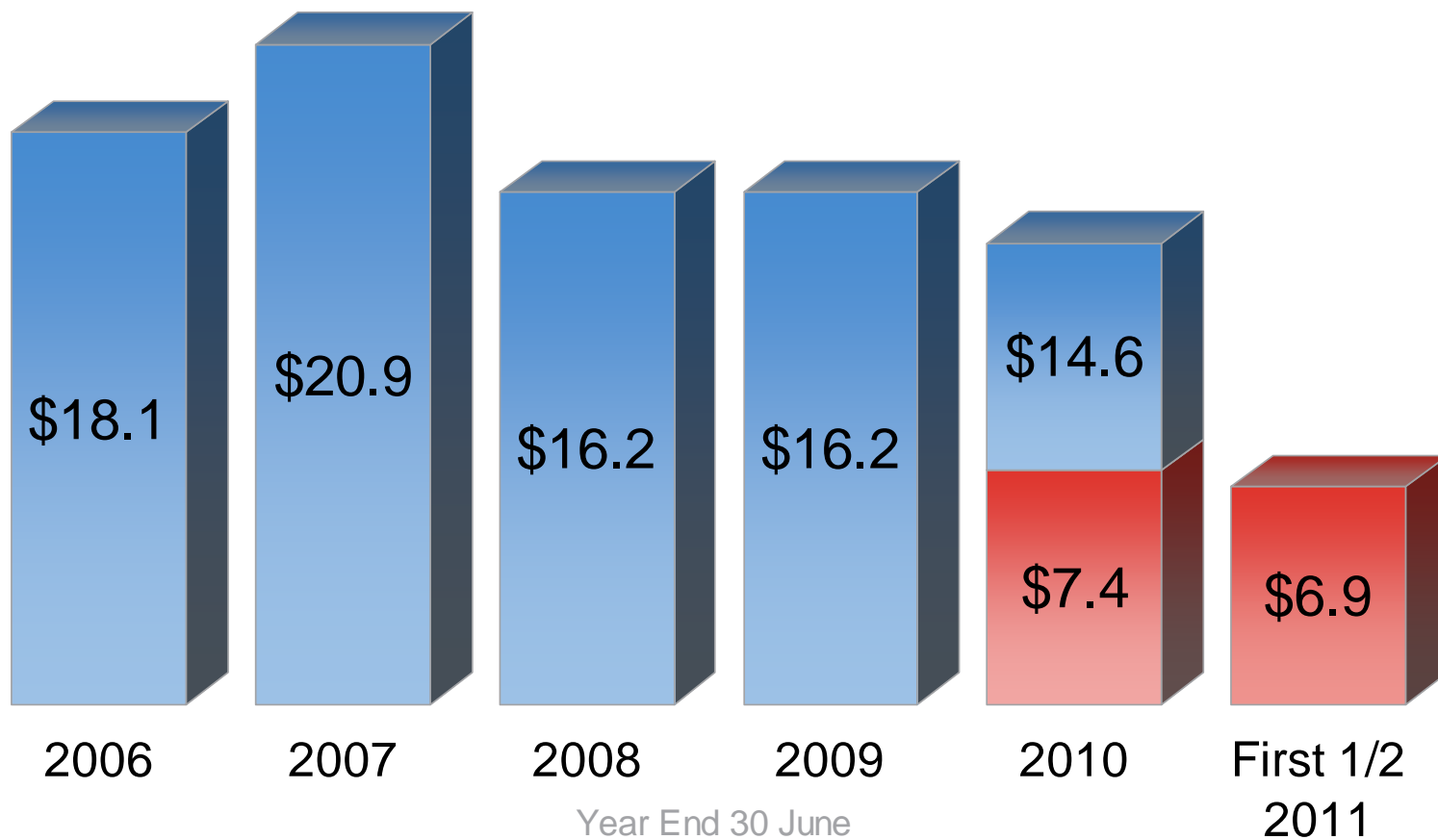
Total Revenue

\$NZ million

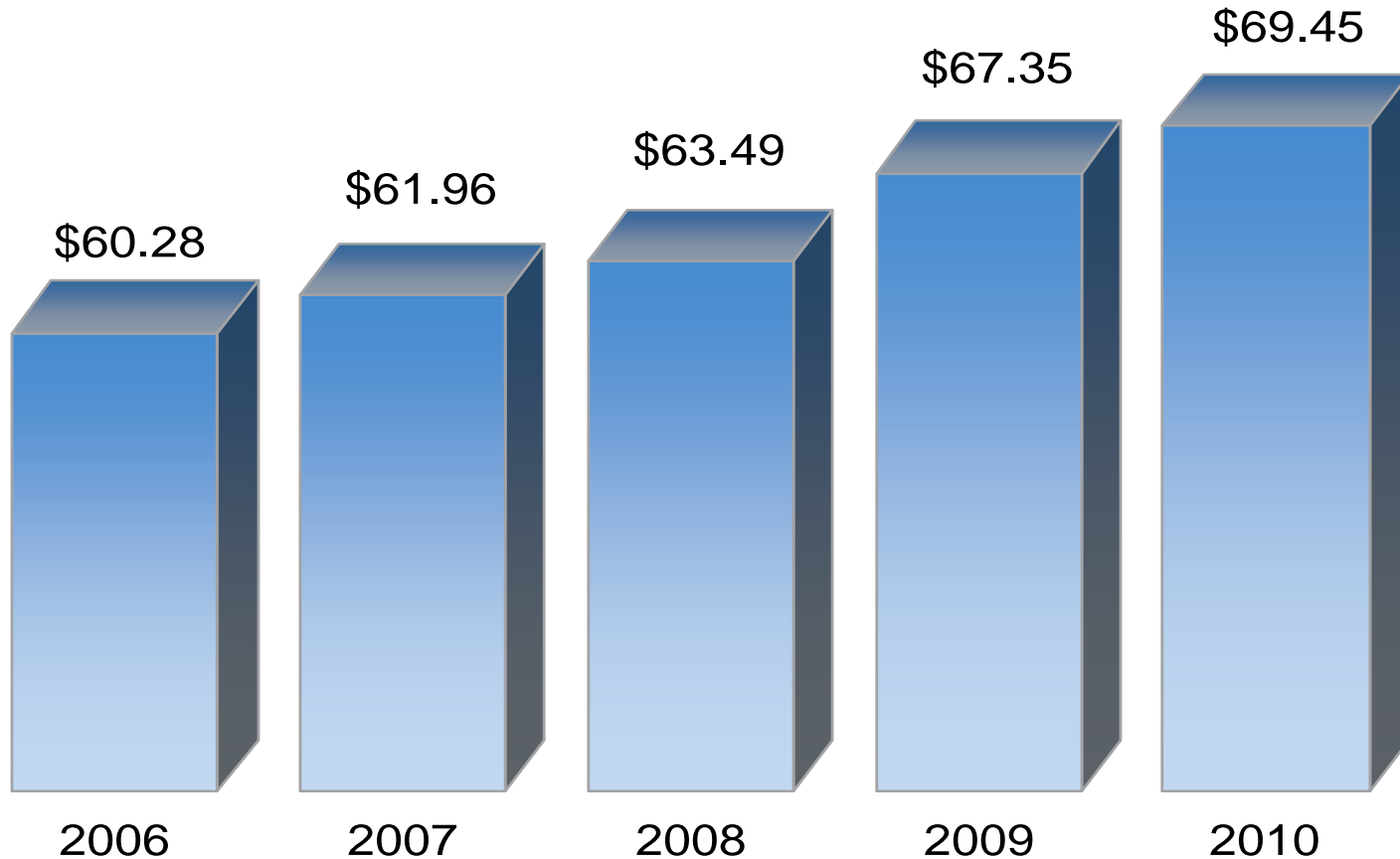


Install Revenue

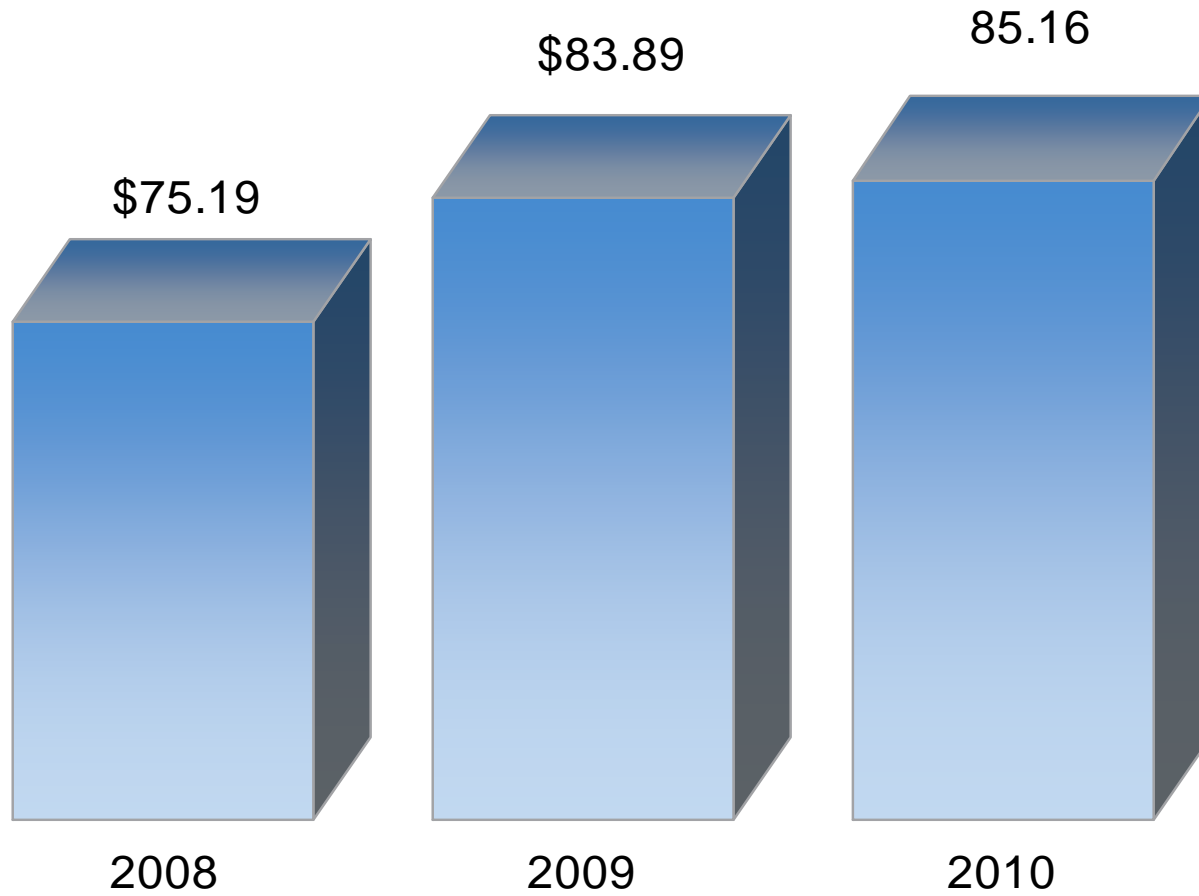
\$NZ million



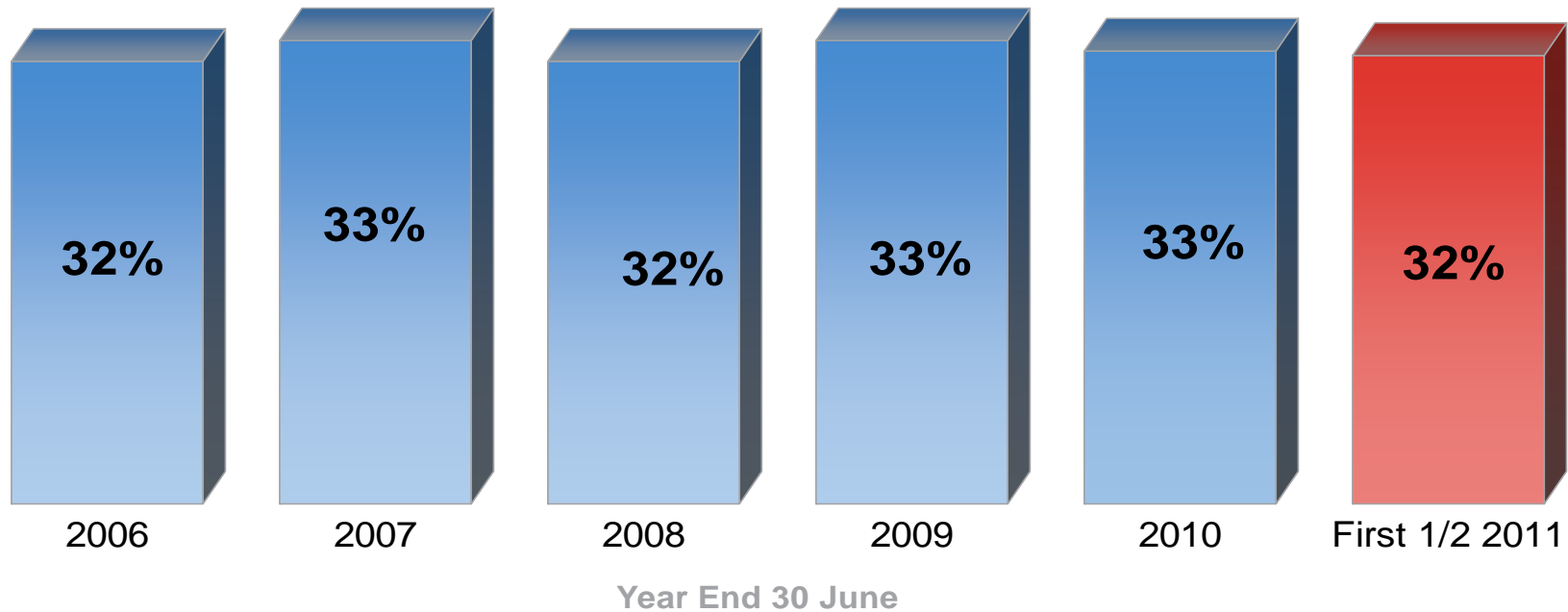
Total ARPU as at December 31



MYSKY ARPU

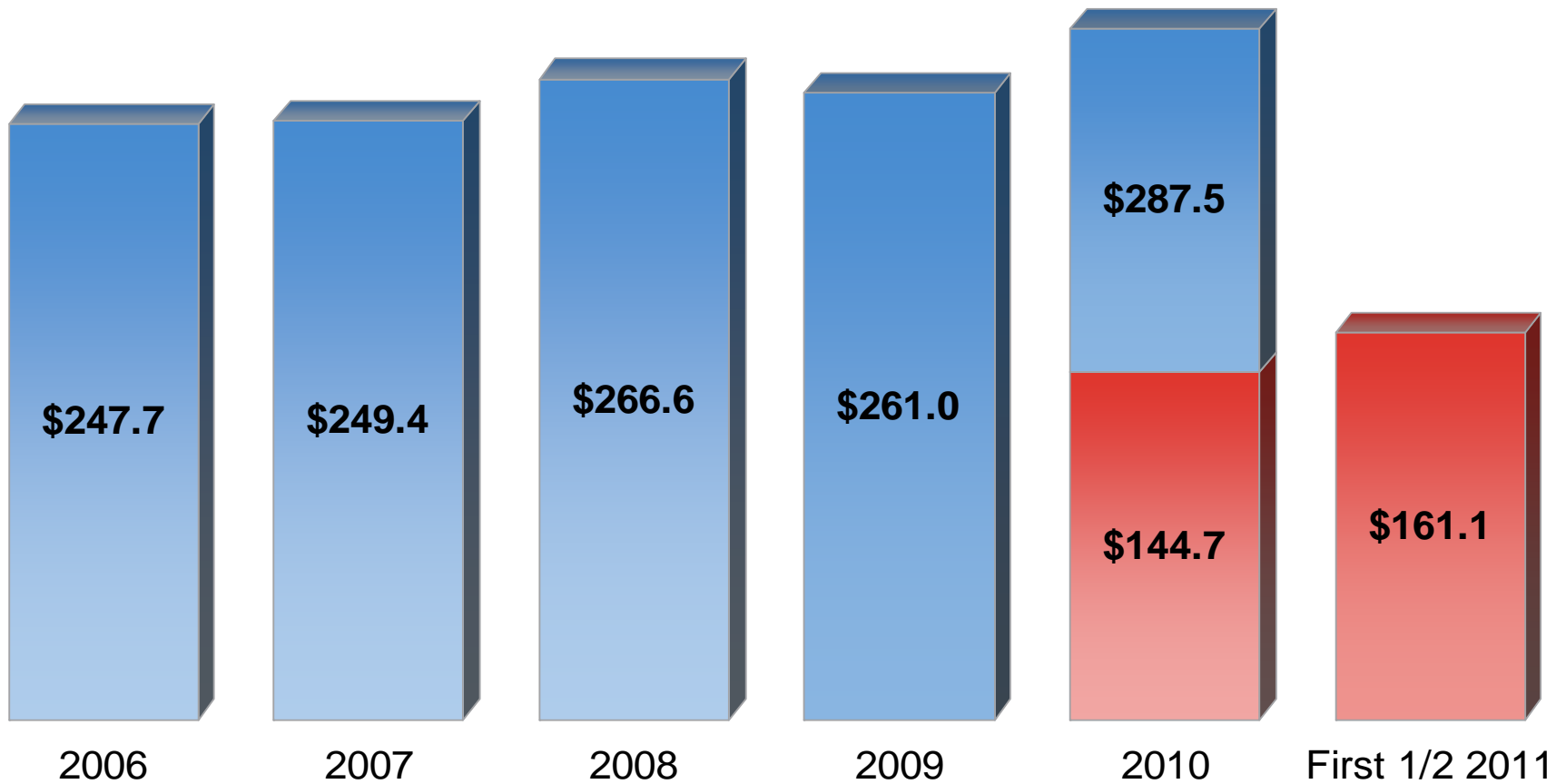


Programming Costs % Revenue



EBITDA

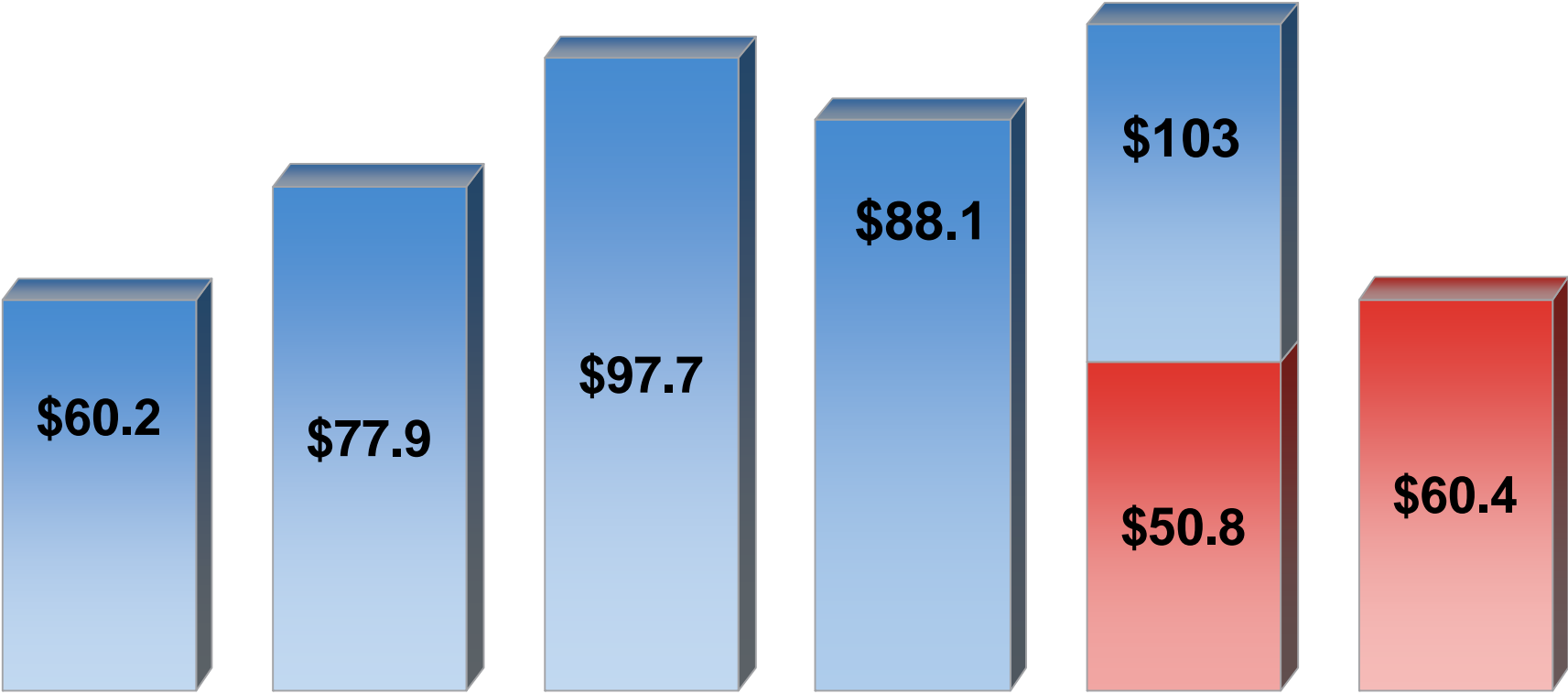
\$NZ million



Year End 30 June

Net Profit/(Loss)

\$NZ million



2006

2007

2008

2009

2010

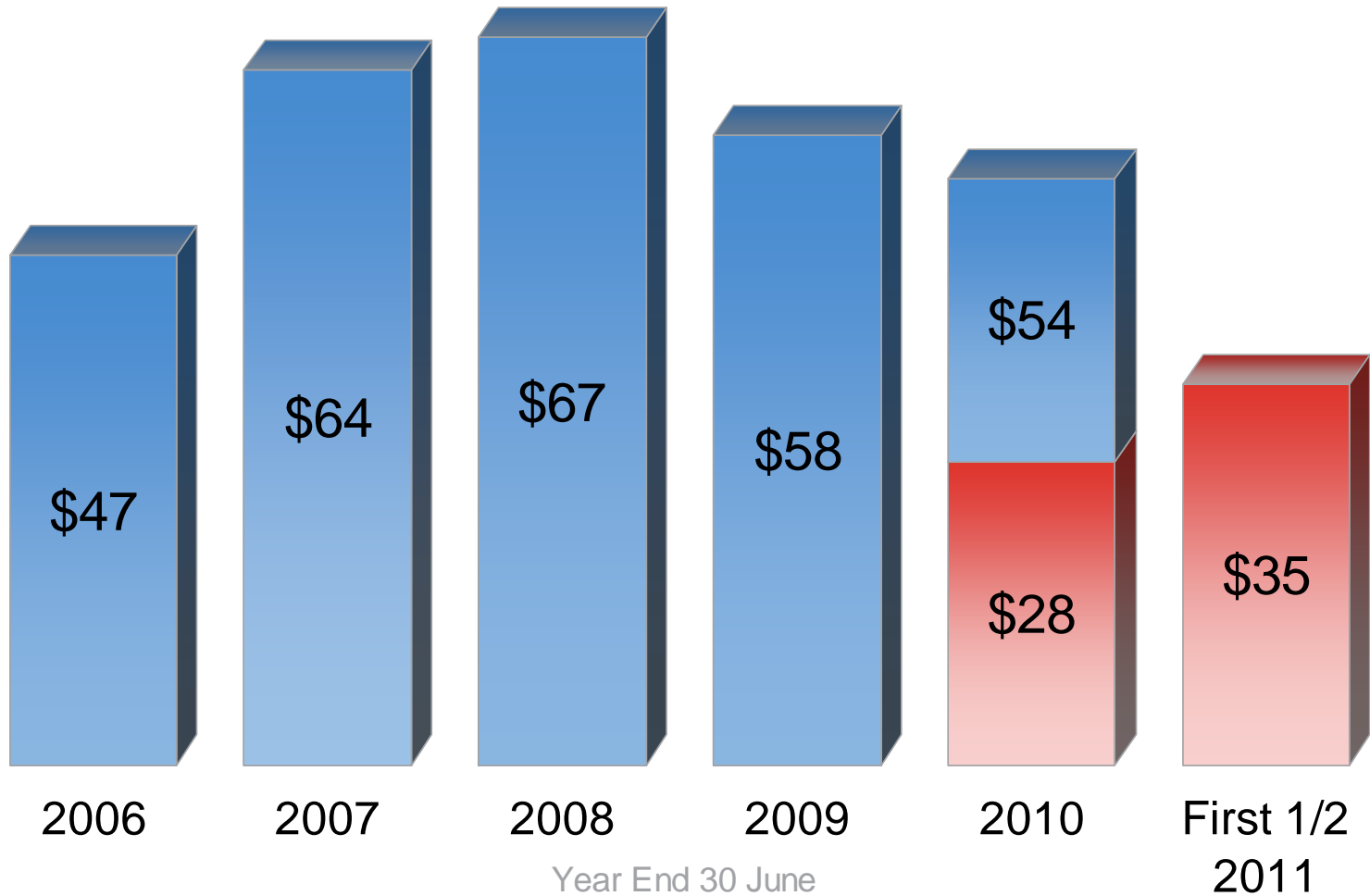
First 1/2 2011

Year End 30 June



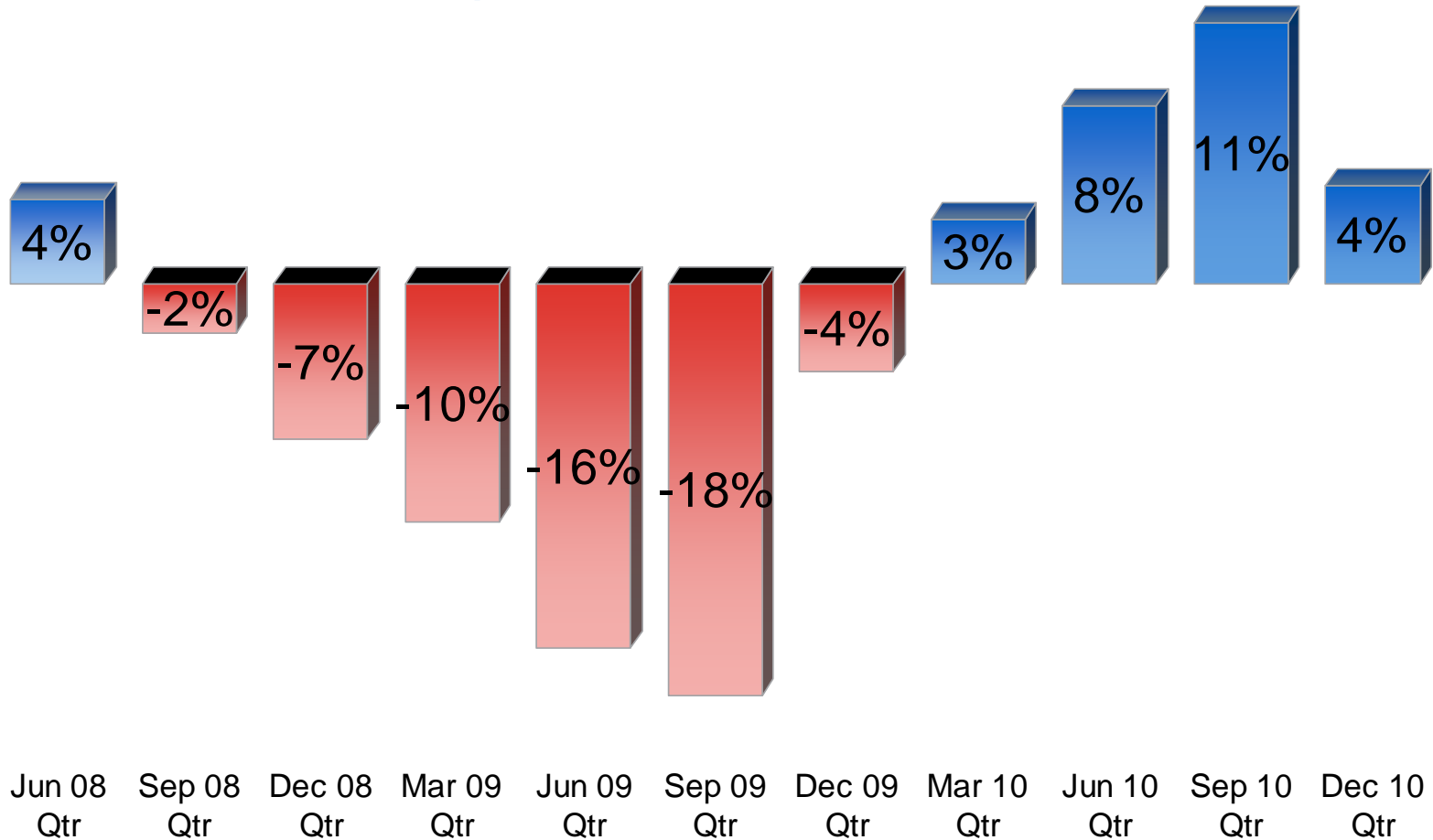
Advertising Revenue

\$NZ million



Total Television Market Advertising Revenue

% Year on Year



Operating Cashflow

\$NZ million	2009	2010	% Change
Operating Cashflow	113.7	132.3	16%
Capex	(80.6)	(58.3)	(28%)
Purchase of OSB	0	(13.4)	(100%)
Debt retirement	6.0	(35.2)	(687%)
Dividends Paid	(30.2)	(28.1)	(7%)

Net Cash Movement

8.9

(2.7)

(130%)

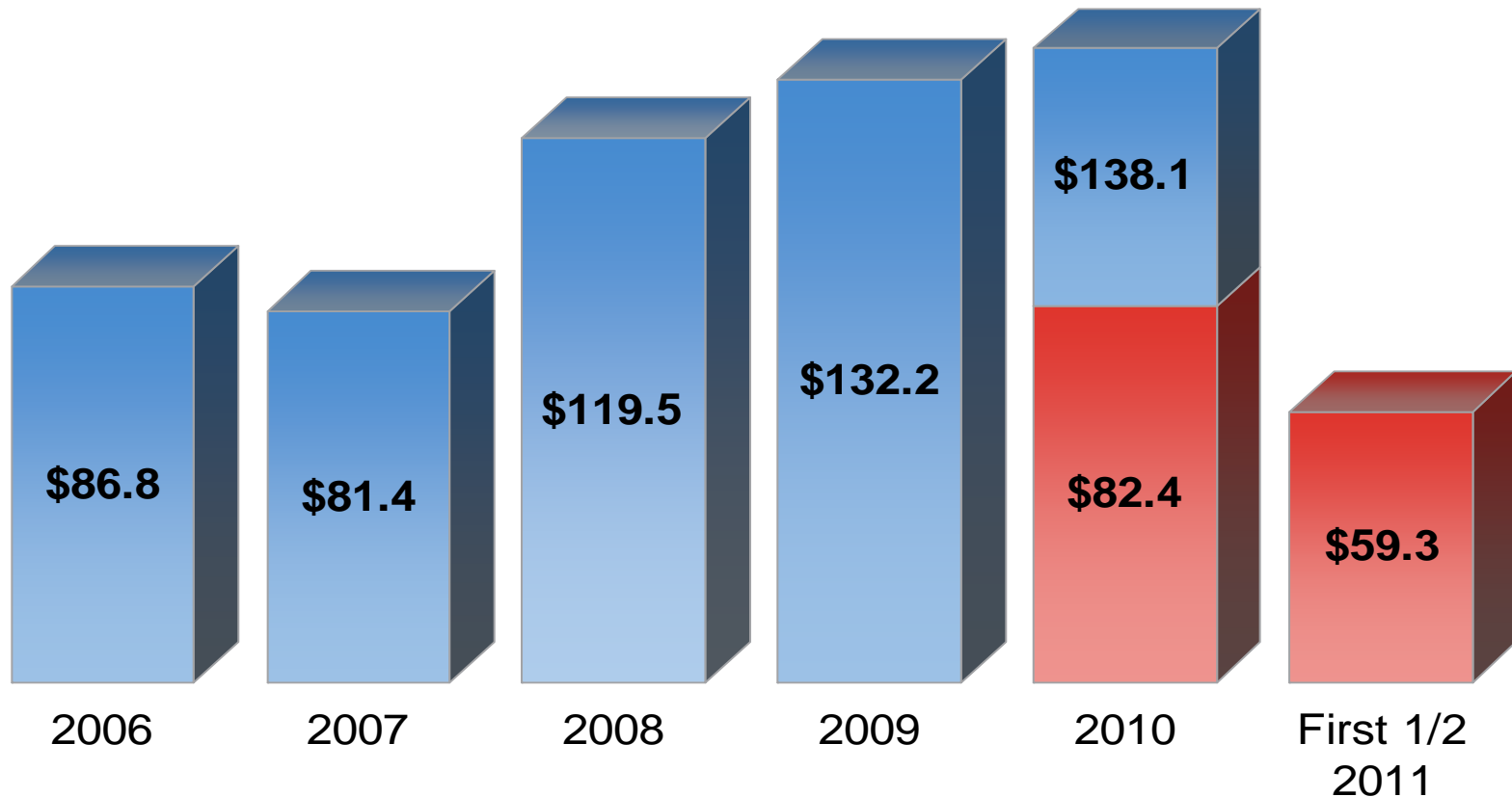


JASON HOLLINGWORTH CFO



Capital Expenditure

\$NZ million



(excluding transponders)

Year End 30 June



Capital Expenditure Analysis

\$ NZ million	2009	2010	%Change
Install	34.0	24.6	(27.6%)
Decoders	27.6	20.2	(26.8%)
TV Station Upgrade	9.9	2.7	(72.7%)
Building Improvements	0.9	1.7	88.9%
i-SKY	0.0	3.9	0%
UHF Spectrum	5.4	0	0%
Other	4.6	6.2	34.8%
Total Capital Expenditure	82.4	59.3	(28.0%)



Results Summary

\$NZ Million	2009	2010	% Change
Revenue	369.1	397.9	7.8%
Operating Expenses	224.3	236.8	5.6%
EBITDA	144.8	161.1	11.3%
Depn & Amort	54.9	62.2	13.3%
EBIT	89.9	98.9	10.0%
Interest	17.1	13.4	(21.6%)
Tax	22.0	25.1	14.1%
Net Profit after Tax	50.8	60.4	18.9%



Revenue Analysis

\$NZ million	2009	2010	% Change
Residential satellite subscriptions	293.6	316.6	7.8%
Other subscriptions	32.3	29.7	(8.0%)
Installation	7.4	6.9	(6.8%)
Advertising	27.7	35.1	26.7%
Other income	8.1	9.6	18.5%

Total Revenue

369.1

397.9

7.8%



Expense Analysis

\$million	2009	2010	% Change
Programme rights	96.6	103.3	6.9%
Programme operations	23.4	25.3	8.1%
Subscriber management	29.7	31.8	7.1%
Sales and marketing	19.2	19.7	2.6%
Advertising	8.4	10.2	21.4%
Broadcasting and infrastructure	37.9	35.7	(5.8%)
Depreciation and amortisation	54.9	62.2	13.3%
Corporate	9.1	10.8	18.7%

Total Operating Expenses



279.2

299.0

7.1%

MYSKY HDi



	% Churn	HDi Subs	% New	% Multiroom	% HD Ticket	% Upfront
YTD Dec 10	9.5%	212,698	21%	33%	22%	9%



Funding

	FACILITY	DRAWN	MARGIN	MATURITY
Bank Debt	\$375m	\$240m	37.5bp	July 2012
Bond	\$200m	\$200m	65bp	Oct 2016



Foreign Currency Hedging

- For USD exposures
 - 95% hedged for 6 months to 30 June 2011 @ 0.6811 (OPEX ONLY)
 - 84% hedged for June 2012 year @ 0.6899
 - 42% hedged for June 2013 year @ 0.6753
- For AUD exposures
 - 89% hedged for 6 months to 30 June 2011 @ 0.8519
 - 59% hedged for June 2012 year @ 0.8051
- Average \$US payment rate for Opex for the 6 months to Dec 10 @ 0.6633



SKY Highlights

1. New Channels on SKY

- Nick Jr.
- Russia Today
- DayStar

2. SKY Sports

- Commonwealth Games 2010
- Rowing World Champs
- Trans Tasman Netball

3. OSB

- Purchase and rebranding

4. i-SKY

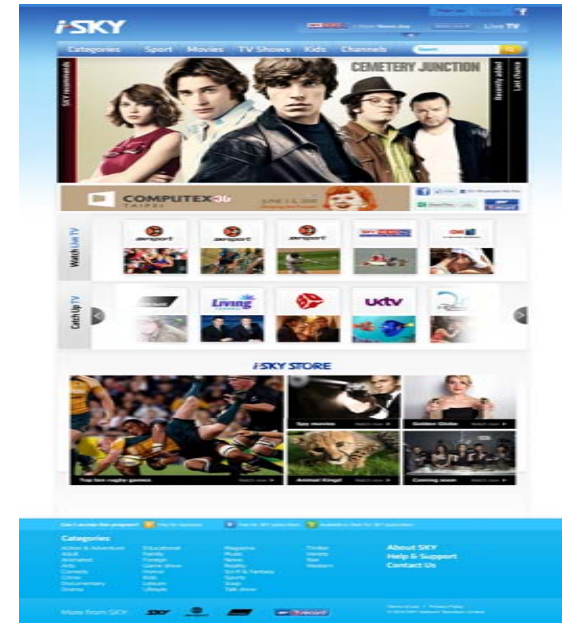
- Exceeding initial visitor targets



i-SKY

Phase #1 Completed January 2011

- Delivery to home or office computer
- Open to SKY Subscribers only
- Stream 3 Sport Channels and 2 News
- Movies Tier Subscribers will have the ability to view 25 -40 different movie titles which are scheduled on the SKY Movies tier.
- Viewers able to catch up on 200 programmes across the Basic Channels and Prime.
- Rent Movies and Series. 650 choices available today, and at least 2000 by the end of March 2011.
- Unique visitors are 260% higher than original targets for this month.



FY11 Guidance

Analysts have the following mean forecasts* for SKY :

	Analysts MEAN (\$m)	October SKY Guidance
EBITDA	321	320
NPAT	124	121
Capex	120	119
Subscribers	827	827

Sky continues to support its October guidance with the exception of Capex, which we expect will be \$130 million due to the purchase of a fourth HD van for OSB.

* excluding highest and lowest outliers



Interim Dividend

The Board has declared a fully imputed interim dividend of 8.0 cps to be paid (= \$31.1m). Supplementary dividend of 1.4118 cps to non-residents. Record date is 04 March 2011. Payment date is 11 March 2011.



