SKY NETWORK TELEVISION LIMITED

2020 Annual Report

Contents

This Annual Report is dated 10 September 2020 and is signed for and on behalf of the Board of Directors by:

Philip Bowman
Director and Chairman

Martin Stewart
Director and Chief Executive

Chairman's Update

Welcome to our Annual Report for the 2020 financial year. To our long-standing shareholders, thank you for your continued support in 2020, and in particular to those who participated in the capital raise.

We also recognise and thank those who have chosen to become new investors in Sky during this year.

The Annual Report provides an opportunity to look across the past 12 months, stepping back from the inevitable focus since March 2020 on mitigating the local and global impacts of COVID-19 on all aspects of the Sky business. Despite what are arguably the most uncertain times for many decades, Sky continued to make good progress in executing on its strategy, and delivering against the milestones endorsed by the Board.

Highlights include:

Satellite

We have continued our improvement of satellite customer retention and achieved net growth in satellite customers in the final month of FY20. We renewed our contract with satellite provider Optus which will deliver a better technical solution with lower pricing and greater contractual flexibility to ensure we can optimise capacity and cost into the future. This renewed arrangement positions Sky to continue to serve our core base of satellite customers with the reliable delivery mechanism that for many Kiwis remains the chosen way to receive our great content.

Streaming

We have delivered significant growth in the number of streaming customers. Our purchase of Lightbox and the subsequent merging of this service with our Neon streaming product has progressed ahead of our expectations, and we are now positioned as the most popular locally-owned subscription video on demand (SVOD) service in New Zealand.

Broadband

We announced Sky's intention to enter the broadband market to broaden customer relationships and add significant additional value to them. We look forward to revealing full details of a broadband proposition that will be differentiated on quality, service and price.

Sky is a business in transformation, positioning itself for future growth. Whilst few of us could have predicted the disruption that was to follow with COVID-19, the Sky team responded professionally during the initial lockdown period and subsequent restrictions. As an essential service we continued to support our customers throughout, always with a strong focus on the safety and wellbeing of staff, customers and other stakeholders. Working during Level 4 lock-down provided an enforced catalyst to challenge many of our processes and we have been able to embed many of the lessons as permanent improvements in the way that we will operate going forward. On behalf of the Board, I thank Martin, the leadership team and all Sky staff for their work and commitment in a challenging year.

I noted in my letter in the Interim Report in February that delivering on Sky's strategy would require a strengthened capital structure. Faced with the additional challenge of the COVID-19 pandemic, the Board moved decisively with a capital raise. With net cash on the balance sheet Sky is now in a much stronger position to navigate any further headwinds from the virus whilst continuing to implement the refreshed growth strategy. As we foreshadowed at the time of the capital raise, further review of the assumptions underlying the carrying value of goodwill has been undertaken. The Board is required to assess the fair value of intangible assets at each reporting date. The decision to make a further non-cash write down of goodwill reflects the combination of heightened uncertainties over key business drivers arising from COVID-19 and the current share price, supported by an independent valuation.

Successfully delivering a compelling broadband proposition for Sky customers is a key priority, as is delivering our ongoing technology innovation programme, where we seek to enhance the experience of customers at every stage of their interaction with Sky.

For three decades Sky has played a vital role in the sport ecosystem of New Zealand supporting an increasing number of the codes, whilst bringing content with great production values to Kiwis across the country. New Zealand is not a large market by world standards and bearing in mind that there are limits to the amount that customers are prepared to pay for content, particularly in uncertain economic times, we recognise the careful balance required between meeting the expansion appetite of sport codes, sustaining our sport partnerships and prudently managing costs to ensure shareholder returns.

As part of the process of refreshing the composition of the Board, it was good to welcome Joan Withers and Keith Smith to the Sky Board in September 2019 and April of this year respectively. Both have already made a positive impact and I look forward to their ongoing contribution. Susan Paterson has announced her intention to retire from the Sky Board in October; her contribution will be missed, and I would like to recognise and thank Susan for her service and contribution to Sky over the last five years.

Thank you again for your investment in and support for Sky. I look forward to speaking with you at the Annual General Meeting in October.

Philip Bowman
INDEPENDENT CHAIRMAN

CEO Update and Q+A

We are living in extraordinary times. As we reflect on the past year for Sky it is inevitable that we are drawn to the last few months of COVID-19 and what it has meant for our business, our people, our partners and our investors.

I am immensely proud of the way the Sky team responded to the COVID-19 challenge, staying focused on meeting the needs of our customers and continuing to deliver on our strategy. Here are some of my personal highlights from the last few months:

- The superb engagement from customers during the lockdown period, with strong viewership and positive feedback, including a pleasing improvement in NPS. It was a reminder of the special role that Sky plays in the lives of our customers, entertaining, informing and inspiring with our great content.
- The 'can do' approach of our people, who pivoted to working from home in less than 48 hours, embraced the Zoom culture, and took a mature approach to the restructuring that we had to undertake.
- The engagement with our sport partners, who worked constructively with us to deliver interesting content when live sport was temporarily on hold. We successfully negotiated rights fees for the lost season, recognising these are difficult times for everyone and trying to reach solutions that were fair for all. We are now working closely with all of our sport partners to continue to deliver great content in the coming months.
- We appreciated the swift support of our entertainment studio partners to help secure additional value for our affected sport package customers.
- Hearing that our 'Streaking Baby' (Life Needs More Sport) ad was chosen as New Zealand's favourite ad. It's great to make people smile.
- The successful launch of new Neon, which merged the best of Lightbox and Neon into one superb streaming service that has quickly become the most popular locally-owned Subscription Video-On-Demand (SVOD) service – nicely timed for our customers to have great content to binge on while 'staying in' is the new reality.
- The feedback from our commercial customers when we let them know that we were discounting and often fully pausing their payments while COVID-19 restrictions were in place. Our customers in the hospitality and accommodation industry have been particularly hard hit and we have done our best to support them through this time.
- I look forward to speaking with you at the Annual General Meeting in October.

Q+A on next page

A key part of being able to continue to deliver and perform was ensuring we were in a strong financial position, and we are grateful for the support of our investors in raising equity. It means we have entered the 2021 financial year with a strong cash position and the ability to implement key aspects of our strategy.

What are the main aspects of Sky's strategy?

Let's start with our goal, which is to connect our customers with the sport and entertainment content they love, in ways that work for them. We do that by securing the rights that matter, delivering it across all platforms and devices, using customer insights to drive our decisions, and innovating in the digital space to meet current and future customer needs.

As a modern multi-media company that means delivering across the four pillars of Satellite, Streaming, Broadband and RugbyPass.

Why is broadband so important?

There's the obvious adjacency as a mechanism for high quality delivery of our streaming and Video-On-Demand services. But it's much more than that. Offering a great broadband experience, differentiated on service, price and quality, means we can deepen our customer relationships and offer them much more value from their Sky bundle. We're getting great feedback from customers about what they want to see from us, with a significant number of our satellite customers indicating they would buy broadband from Sky based on our customer service reputation alone.

When is Sky Broadband coming?

Sky Broadband is already a reality, with successful in-home trials underway with Sky staff. The next phase of testing involves offering Sky Broadband to a group of customers to enjoy and provide feedback on, and we remain focused on a FY21 launch.

What changes have you made internally?

Our transformation initiatives are designed to build a leaner, more responsive and collaborative business. Clearly there is a cost-out focus, with an 18% reduction in staff and ongoing emphasis on cost control. But the main goal is to become a modern, digital, consumer-led multi-media business, and we are well positioned to deliver it.

One of the positive things that emerged from the COVID-19 restrictions was how well our people were able to work remotely. As a result we are implementing a new hybrid flexible working model, with a 'work anywhere' ethos. Many of our people are keen to embrace it, and it also means we can look to reduce our property footprint.

You talk about being customer-focused, but how do you really know what customers want?

In the last year we have made significant progress with data and insights, including creating a great initiative called Sky Nation with over 20,000 highly engaged customers giving us regular feedback on their Sky experience and what they want from us.

Our new 'big data' partnerships with specialists like Dot Loves Data enable us to marry Sky viewing data with external data sources to provide deeper insights, and our new sport viewing and analytics platform enables deeper analysis of what sport fans are watching and how they are watching. We continue to expand our insights capability, and it's a valuable resource for Sky and our partners to become even more customer focused.

What's happening with sport in 2020 and 2021?

We're having positive discussions with all of our sport partners, and there's a real commitment to delivering compelling sport competitions for fans. It's almost certainly going to be different from what customers are used to, and some of the COVID-19 restrictions mean we'll have to keep flexible, but it also means there's a great opportunity to try new things and innovate.

What's happening with RugbyPass?

We bought RugbyPass in August 2019 to expand our reach into the global rugby market and to open up new avenues for future growth. While the current uncertainty surrounding the availability of international rugby has slowed progress in the streaming business, it's been great to work in partnership with NZ Rugby and SANZAAR to bring Super Rugby Aotearoa to audiences outside of New Zealand through RugbyPass. Continuing strong demand across all RugbyPass content platforms, with over three million unique views in April, up 54% on the prior year, indicates ongoing audience appetite. Our immediate focus has been to quickly pivot to a lower cost model to capture opportunities, and we continue to see potential for future growth.

How are you feeling about entertainment content and the threat of big studios going direct to consumer?

One of the positive things that came out of the COVID-19 lockdown was the reinforcement of the 'power of the bundle'. Our customers embraced all aspects of our entertainment content, and even with the temporary paucity of live sport only 8% of our satellite sport customers changed their subscriptions. We were able to keep our loyal customers entertained and engaged because of the deep range of great content we have available. So yes, we absolutely acknowledge that trends are shifting, including towards direct-to-consumer in some markets, but we believe our global partners continue to see the value of using Sky to reach their New Zealand fans and the value of our bundle and strong customer relationships. We also offer the unique ability to deliver their content across satellite, streaming and free-to-air, and the ability to bundle their apps with our existing offers and upcoming broadband service.

We feel ready for FY21. On behalf of the team here at Sky, I would like to thank you for your ongoing support.

Martin Stewart
CHIEF EXECUTIVE

At a Glance

Sky is New Zealand's leading digital multi-media business committed to connecting our customers with the sport and entertainment content they love, in ways that work for them.

Through our partnerships with leading studios and sport rights holders, expert curation and award-winning content production, we provide New Zealanders with the best range of acquired and created content, including sport, movies, shows, documentaries, music and news.

We offer New Zealanders the choice to watch what they want, when they want, how they want, by delivering our content across a range of subscription satellite and streaming products. Our free-to-air channel Prime opens a window into Sky for all New Zealanders, and our international RugbyPass business delivers rugby to a more global audience.

This year we're celebrating our 30th birthday. As a proud New Zealand company, we're committed to supporting our sport and creative sectors, and our local communities.

FY20 Highlights

$747.6m
Revenue

$82.7m
Free cash flow

$13.95
Launched new Neon at attractive price point

153%
Growth in streaming customers

An incredible range of content in New Zealand

70+
Satellite channels

40
Sky Go channels streaming online 24/7

12
Dedicated sport channels and streams

1000s
of TV shows and movies On Demand

50+ different sports and events, from grassroots to the elite


All Blacks


NRL


Netball


V8 Supercars


Sky Sport Breakers


PGA

Delivering great content in all the ways our customers want

MY sky
sky SPORT NEWS
sky SPORT NEXT
NEON
sky SPORT NOW

990k[1]
Customers

$23.5m
Tax contribution in New Zealand

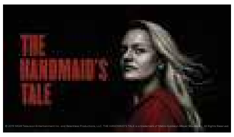
992
Sky Crew

+9pts
NPS improvement through customer first approach

1.2m
Customer calls supported by our New Zealand based team

30
Celebrating 30 years

A world of acquired content


The Handmaid's Tale


Once Upon a Time in Hollywood


Outlander


Westworld

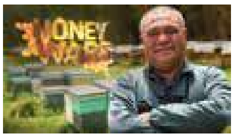

Aussie Gold Hunters


Love Island

Telling local stories in partnership with NZ On Air


Sis


Go Further South


Honey Wars

International News

CNN
BBC World News
CNBC
Fox News Channel
sky news

Dedicated children's channels and services, supporting safe viewing

nick
nick jr.
nickmusic
CN Cartoon Network
hopster
CBeebies BBC

Strong entertainment partnerships

HBO
FX
WarnerMedia
sky studios
Sony
CBS
Discovery
ViacomCBS
BBC Studios
Rialto
Vice
MGM
Universal

sky GO

sky BROADBAND
coming soon

sky BUSINESS

sky SPORT HIGHLIGHTS

sky TV GUIDE

RUGBYPASS

sky ADVERTISING

1) Includes third party bundled wholesale subscribers from the Lightbox acquisition. These subscribers account for approximately 52% of total entertainment streaming customers at 30 June 2020.

How we're enhancing our position for the long term

For our customers, our investors, our people, our partners and New Zealand

Our ambition

Sky's goal is to connect customers with the sport and entertainment they love, in ways that work for them.

We aim to delight our customers across all platforms and devices, and we're innovating in the digital space to meet current and future customer needs.

We focus on securing the rights that matter, and use customer insight to drive our decisions.

We are transforming into a modern multimedia company, with four strategic priorities.

What matters most

Our customers

Delighting our customers by being a truly customer and data-led business

Our content

Sport and entertainment leader through trusted partnerships, expert curation and innovative storytelling

Our products

Connecting our customers to the content they love, in ways that work for them - now and in the future

Our people

Doing right by our people by focusing on our capability and culture, ensuring our ways of working meet the needs of our customers and partners

Our community

Making a positive difference to New Zealand's sport and creative sector and our local communities

Our strategic priorities

Satellite

Strengthen our significant core business through continued reliable delivery and enhanced value perception

Streaming

Grow our entertainment and sport streaming business. We are using digital innovation to improve the customer experience and move to a lower cost model

Broadband connectivity

Grow customer relationships with broadband offers, differentiated on quality, service and price

RugbyPass

Develop and grow an international rugby content business and become the online destination for fans globally

Our Customers

Delighting our customers by being a truly customer and data-led business

This year we've continued to build a culture that genuinely listens and places customers at the heart of our decisions. We've developed more capability in the insights and customer experience areas of our business. We've been talking to our customers to understand what matters most, in order to create meaningful experiences and exceed their expectations now and in the future.

Harnessing data and actionable insights

With a real time understanding of our customers

To shape business decisions, delight our customers and create life-long fans

Sky Nation

Sky Nation is our customer community helping us to uncover direct, agile and actionable insights to make more data-driven decisions at Sky.

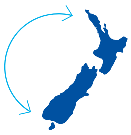
Launched in April 2020, we were thrilled to see our Sky Nation community grow rapidly, with 23,000 customers from across New Zealand opting in to engage with us to help make a positive impact on the products and services that matter to them and hear about the outcome of their feedback.

We use Sky Nation as a panel to get feedback on all sorts of projects, initiatives and new ideas – we've had 40,000 responses to a range of topics including the appeal of Sky's offering and channels, what customers want from Sky Broadband, and what fans want to see in future sport competitions.

The feedback we receive through Sky Nation will help every part of Sky, from marketing and sales through to content and technology, work collectively to craft market leading propositions and deliver customers' expectations. In doing so we aim to deepen our customer relationships, increase customer satisfaction, and consequently loyalty; growing long term value for our investors.

Our Sky Nation community

23,000
Sky customers



Customers from Cape Reinga to Bluff

20% in rural NZ

65% Happy or delighted with Sky

55% Male

44% Female

1% Gender Diverse

What we're hearing from our customers

"Sport coverage cannot be bettered by any other company."
sky SPORT

"I like the large variety of shows ... I got Neon primarily for Game of Thrones, but have discovered a wealth of up to date material. I am so so impressed."
NEON

"I thought it was excellent that Sky offered free movie channels during the lockdown. Well done Sky - this has been greatly appreciated."
sky MOVIES

"The Sky box being Wi-Fi compatible is such a bonus, now Sky On Demand is at a click of a button."
sky ON DEMAND

"I would like to see Sky better reward your long-standing customers."
sky

"Have been a member since 1995 and could not live without Sky. Never had an issue, I get variety and the ability to watch through Sky Go."
sky GO

"I think apart from the free channels, customers should be able to choose the channels they want."
sky

"Great service from Kiwi based call centre, very helpful, pleasant and onto it."
sky

"As a family, we love to watch movies. During lockdown I had upgraded to the movies package. It was super easy to upgrade with the help of a supportive team member online. I also love how we can purchase individual movies to watch as a family cheaper than going to the actual movies! Bonus!"
sky MOVIES

"I like the ability to see it all in one place - free TV, sport, movies etc."
sky

"It's great being able to only buy a pass for the time you want to use it. Has a wide range of sport."
sky SPORT NOW

"I love the restart feature on the movies, ability to download to my box, Box Sets for binge watching sessions."
sky

Our Content

Sport and entertainment leader through trusted partnerships, expert curation and innovative storytelling

A story is powerful. It has the ability to connect humans to their wildest imagination, their history and whakapapa, their feelings, igniting their hopes and dreams. Whether they're an aspiring or armchair athlete, an adventurer, a newly inspired isolation foodie or just a kid at heart, Sky brings New Zealanders stories that connect with the heart, and the content they love in ways that work for them.


OUTLANDER

The Best in Entertainment

The content and media landscape continues to change at pace. Consumers have plenty of choice, there's no question about that – but it's also a pretty confusing landscape.

We make it easy for our customers by bringing a range of great content together in one place, whether on the big screen via satellite or on device with Neon or Sky Go.

Our deep partnerships with world renowned storytellers enable us to share the best of global entertainment, and we also showcase strong local stories, often working with NZ On Air. This year we renewed multi-year partnerships with: BBC Studios, home of BBC UKTV, BBC Earth, BBC World News and new preschool channel, CBeebies; ViacomCBS, home of Comedy Central, MTV, Nickelodeon, Nick Jr, MTV Hits, MTV 80's and Nick Music; Sky News Australia and Vice. We also renewed our partnership with Rialto, marking 20 years of the Rialto Channel and a long-term commitment to New Zealand's independent and festival movie and documentary channel. And we developed new partnerships with Hopster, who offer diverse storytelling for kids; and CuriosityStream, for the ultimate learner.

Buzzworthy and bingeable shows

Premium content lovers were spoiled for choice across Sky and Neon with new seasons of the most talked about shows like Westworld, Peaky Blinders and Outlander and the final seasons of Homeland and Ray Donovan. New obsessions Watchmen, Years And Years and I May Destroy You captivated audiences globally and locally, tapping into timely conversations around diversity, politics and consent. British content overperforms with Sky audiences, from the miniseries Quiz that delved into the Who Wants To Be A Millionaire scandal of the early 2000s to the sumptuous Jane Austen adaptation Sanditon from the BBC.

Coming in hot from Hollywood

With mega-hits such as Jojo Rabbit, Joker, Aquaman and Once Upon A Time in Hollywood our blockbuster movie slate is unrivalled, and with quality animated and family titles like Abominable, Spiderman: Far From Home and The Secret Life Of Pets 2 there is plenty to keep the kids entertained.

The best of real-life entertainment

Perennial hits from our exceptional factual and lifestyle channels continue to deliver large audiences and whether our customers want edge-of-their seat viewing or a lean-back experience, Sky has them covered. It seems viewers just can't get enough of Gold Rush, Love It or List It Australia or Shark Week. From the Australian bushfires to the global pandemic, Sky's array of news channels kept our customers informed around the clock. HBO true crime documentary series' McMillion$ and I'll Be Gone In The Dark proved popular across all platforms, while at the opposite end of the reality scale Love Island UK had massive engagement and drove acquisition for Neon.

For our littlest customers

The addition of CBeebies to our suite of family channels further strengthened our offering and bolstered video-on-demand in the kids space across both Sky and Neon, while the recent launch of Nick Music provides a safe space for kids to enjoy their favourite music videos, further expanding the powerhouse brands of Nick and Nick Jr.

Local content, Sky Originals

The keyword for local content is diversity. Diverse teams producing diverse and inclusive local content, much of it funded with the support of NZ On Air.

Comedy special Sis and upcoming drama series Inked are scripted projects which came from an initiative supporting new voices. Sis is the first Polynesian project to premiere on Comedy Central New Zealand with huge engagement from NZ, Australia and around the world, and Inked will be the first largely Chinese language series to premiere on a major free to air network.

The impact of COVID-19 forced the creative community to go into overdrive and Prime's drama INSiDE was created during lockdown.

Recent local factual shows include Honey Wars, an observational series shot in the Far North inside a Māori owned mānuka honey business, and the upcoming Growing Dope, following the ups and downs of a medicinal cannabis business on the East Coast in the heart of Ngāti Porou.

Polynesian comedy Sis breaks new ground

Through Sky Originals, we're committed to supporting and producing an increasingly diverse range of local content for Sky's platforms to reflect a broad range of New Zealand communities.

Made with the support of NZ On Air, Sis is a spin-off of the award-winning web series Baby Mama's Club and yet again broke fresh ground for content in New Zealand.

The comedy sketch special follows the 'ride or die' friendships of cousins Malia, Gee Gee and Miki.

They're street, stylish, and hilariously relatable. As they navigate through a series of stand-alone misadventures, the Polynesian millennials learn about life and sisterhood.

130+

2020 Emmy nominations across Sky. We also have New Zealand's largest range of 2020 Emmy nominated content in the televised primetime categories, with 69 nominations

April 18

Neon's biggest streaming day of FY20

Game of Thrones
Most downloaded series on Sky On Demand

Big Little Lies
Most watched series on Neon

Crazy Rich Asians
Most watched movie on Neon

Bohemian Rhapsody
Most watched movie on Sky Go

Aussie Gold Hunters
Highest rating factual content on Sky

Aquaman
Highest rating movie on Sky Movies & most downloaded movie on Sky On Demand

Vera
Highest rating entertainment content on Sky

Love Island UK
Attracted new customers and a different type of content for Neon

Life Needs More Sport

30 years of sharing the best and most diverse range of sport with New Zealanders has been at the heart of the Sky promise. The breadth and depth of our sport content is nothing short of exceptional.

A glance at our rugby offer demonstrates this best, with premium rugby featuring the All Blacks, Super Rugby, the Black Ferns, Māori All Blacks, international competitions such as the Gallagher Premiership, Super Rugby Australia, TOP14 or the Men and Women's HSBC Sevens, right through to domestic competitions with Mitre 10 Cup, the Farah Palmer Cup, First XV and club rugby from among the 600 plus clubs throughout Aotearoa.

The variety can be seen across a host of other sports including rugby league, netball, football, golf, motorsport, athletics, cricket, cycling, winter sports, tennis, yachting, surfing, basketball, darts, snooker, badminton, and more. In short, "Life Needs More Sport" and Sky Sport is the one to provide an inexhaustible supply.

The Home of Sport

2019 and 2020 has seen rights secured across a wide variety of sport and competitions from the PGA Championship and Masters, through to the Commonwealth Games, Rugby, Netball, Supercars, ICC Cricket tournaments, and deals with Cricket Australia (including Big Bash), BCCI and IPL.

Thrill-seekers can now catch up with the wildest tricks and events featured by Red Bull thanks to a long-term partnership to share their content across all Sky Sport platforms. We're delighted to partner with World Surf League to showcase the best from around the globe in this fast-growing and new Olympic sport. Our landmark 2019 deal with New Zealand Rugby reflects the unique love Kiwis have for the sport which unites and inspires us week in, week out.

But it's about more than accessing broadcast rights. As the Home of Sport, we are invested in the growth of sport at all levels of the game and all parts of our community. This means supporting and sponsoring grassroots and community sport (Sky Sport Next, Rugby League Roadshows), as well as women's sport (Kiwi Ferns, Women's Warriors, Tall Ferns, White Sox, Netball NZ).

This approach strengthens our relationships with key sport partners and athletes through understanding their challenges and supporting our partners and athletes in tackling these.

We are committed to innovating the sport experience at every touchpoint – be that in broadcast, through digital platforms, or in stadium at Sky Stadium and Eden Park. As sport and its fans change over time we're focused on reaching future fans through associations with growth sports like basketball and football through strong relationships with the Sky Sport NZ Breakers and Wellington Phoenix. These sit alongside our connections with established sports in New Zealand – which we continue to nurture such as netball, rugby and rugby league.

Free to access

While delivering the best content possible to our customers is our top priority, we have also committed to providing important content free to access.

Examples are many and varied including the finals of the Cricket World Cup and Netball World Cup, key Super Rugby Aotearoa games on Prime, the ANZ Premiership Grand Final, and free access to Silver Ferns, Constellation Cup games, Vodafone Warriors, Black Ferns and Kiwi Ferns matches.

Connecting

A significant change in the way we tell our story as the home of sport is through our award-winning marketing campaigns. Everyday New Zealanders and industry experts have repeatedly voted our Life Needs More Sport advertisements as their favourites. Our Summer of Sport campaign featuring a cheeky toddler on a typical Kiwi beach perfectly captured the joy and inspiration sport delivers week in, week out. We reach hundreds of thousands of New Zealanders every day and week through our social media platforms, engaging them in conversations about their favourite sports and athletes and our in-house promotions team creates and despatches eye-catching advertisements for the vast array of content we offer on Sky Sport.

Against a backdrop of a global pandemic and thanks to the co-operation of the entire population, New Zealand Rugby pulled off a spectacular tournament in Investec Super Rugby Aotearoa; captivating rugby fans here and around the world.

322,260 people flooded through the gates with an average crowd of 17,903; up 55.35% on the 2019 regular season and up 65.23% on 2020 pre-COVID. Sky Sport viewership increased 65.2% (vs pre-COVID) across all our platforms with fans engaging on Sky Sport, Sky Sport Now and Sky Go, and in pubs and clubs throughout New Zealand.

Initially the novelty of being able to play and attend live sport was likely a huge contributor to the success of the competition, but it quickly became evident that the finest players in the world were meeting each week in a battle to win big in some of the most creative, exciting and explosive rugby we have seen in a while.

The Sky Sport crew tested a variety of new initiatives designed to heighten interest in the games such as Player Cam, Fan Cam and in-game coach interviews. The stadia also pulled out all the stops to provide fun-filled experiences for families and fans.

Sky congratulates everyone involved in Super Rugby Aotearoa. Bring it on in 2021.

All Blacks v Wallabies 17 August 2019

Top sport event on Sky Sport and Sky Sport Now

22,634

Hours of live sport

The way sporting codes have pulled together to get back up in the face of COVID-19 just goes to show how sport itself builds resilience.

In addition to the success of rugby, Sky Sport has been right behind the ANZ Premiership, the Vodafone Warriors who have taken on the challenge of competing in the re-started NRL away from family and friends, and the Wellington Phoenix who have also competed in the A-League away from home.

Out of adversity comes opportunity and Sky Sport has supported, broadcast and live-streamed the unique and unprecedented events such as the Sal's NBL Competition, the New Zealand Tennis League and the New Zealand Badminton League.

COVID-19 brought out the best in the Sky Sport team with popular new shows launched and produced remotely during lockdown including Isolation Nation, NetFit, Netball Zone and Sky Sport Presents The Pod. The latter show digs deep into some of the personal histories of outstanding leaders in their respective sporting fields and has generated substantial coverage in mainstream media.

Our Products

Connecting our customers to the content they love, in ways that work for them – now and in the future

We know that we have a privileged role in our customers' lives – we entertain them, we amuse them, we inform and inspire them. We know our customers choose Sky for our great content – and we're obsessed about delivering it in ways that best meet their needs.

The breadth and depth of our sport and entertainment content and the way in which our customers can access it means that Sky can be in the lives of all New Zealanders.

Neon and Lightbox: Better together

In February 2020 Sky purchased the New Zealand streaming service Lightbox. The recent merge of Lightbox with our own streaming service Neon has created a powerhouse paid streaming service for New Zealanders, bringing together the finest features from both services under a reinvigorated Neon brand.

The best hit TV shows, movies and blockbuster movie rentals are now all in one place, and we're adding new content regularly. We've made the platform easier to use, increased stability and added new features. Customers can access Neon on more devices than ever before, create up to five profiles per account with profile-based recommendations for a more personalised experience, and enjoy a dedicated kids area with parental controls for safer viewing.

With Download to Go, customers can download their favourite shows or movies to mobile or tablet devices to watch offline or while on the move, and with movie rentals customers can rent the latest digital release movies.

For $13.95 per month with no contract required, the new Neon offers a world-class streaming experience that delivers the best range of quality content and value for money.

Since the migration to new Neon

2 hours

Average hours customers spend on Neon per day

Gangs of London

Most watched TV series

Joker

Most watched movie

Sky Sport Now: Game-changing sport streaming

Sky was the first company to bring sport streaming to New Zealand, first with Sky Go and then FanPass, which streamed four sport channels 24/7 for four and a half years. In August 2019 we changed the game again when we transformed FanPass into Sky Sport Now, adding eight additional live channels including ESPN plus a library of On Demand content.

Sky Sport Now provides customers with the choice to watch all of Sky Sport's great content on a range of devices through a weekly, monthly or yearly pass. No long-term contracts, instant access, and no Sky Box needed. With its unrivalled line up of Live and On Demand sport and huge range of feature content, highlights and stats, Sky Sport Now is New Zealand's premiere sport streaming service.

Sky Sport Now simultaneously streams 12 high-definition sport channels 24/7. That's over 100,000 hours of sport streaming, and thousands of events every year.

Over the past year we've continued to enhance Sky Sport Now, making it available on more devices and adding more features to meet customer needs. Sport is best on the big screen and Sky Sport Now customers can now watch sports content on smart TVs from Panasonic, Sony, TCL, and Samsung, via Freeview's Android TV platform as well as Apple TV and PlayStation 4. There's so much sport on Sky Sport Now that there are simply not enough hours in the day to be able to watch it in real time, so we've extended the catch-up features across more platforms so fans don't miss out on the action.

As New Zealand's ultra-fast broadband access and uptake increases, and more and more New Zealanders choose to stream their sport content, we'll continue to optimise Sky Sport Now to ensure we continue to deliver the best possible sport streaming experience to New Zealanders.

The future of satellite

While Sky is embracing a streaming future, we remain committed to the hundreds of thousands of New Zealanders who currently rely on our satellite services to receive their sport and entertainment.

We've recently announced a revised contract with our satellite provider Optus. The updated agreement enables Optus to build and launch a new breed of satellite that is fully configurable in space, meaning its location, coverage, bandwidth and capacity can be changed in orbit as customer demands evolve – where traditional satellites are limited by on-ground configurations that can't be altered after launch. The new software-defined satellite, Optus 11, will give Sky the ability to flex the transponder capacity as customer demands evolve over the course of the ten year arrangement.

The revised contract with Optus gives our customers comfort that we'll be able to continue to deliver our great content to them without disruption as we have done successfully for many years. The New Zealanders who don't have access to streaming-capable internet can rest assured that we have them covered.

Sky Broadband

In May we announced plans to become a one-stop-shop for connectivity and content through the launch of a high-performance broadband service.

We want to provide the best possible sport and entertainment experience to New Zealanders, and a high-quality, high-speed broadband service built specifically for entertainment helps us do that. It also enables us to reward our customers with greater value whilst opening opportunities for growth. The service will draw on our wide reach, rich content offering, and New Zealand based customer services team. We've harnessed customer insights to design Sky Broadband around exactly what New Zealanders want – super-fast reliable broadband, genuine responsive service, simple packages, great pricing and not a word of jargon in sight.

We'll first offer Sky Broadband to our customers as an opportunity to reward their loyalty. We'll then focus on the hundreds of thousands of New Zealand homes that are fibre ready through the Ultra-Fast Broadband scheme but not yet connected.

Sky Nation insights

- Our own customers are significantly more likely to consider Sky Broadband due to stronger brand perceptions and the desire to bundle their TV and broadband packages
- The majority of Sky customers believe we are credible and have a reputation for quality service and reliable service into Kiwi homes. Sky Broadband can lean on our strengths of reliable and quality service into Kiwis homes
- Customers overwhelmingly want us to focus on three key areas; speed, value for money and rewarding existing customers for their loyalty
- Our base has strongly advised they want a good value for money bundles and prices for broadband, and appear more interested in long term value, rather than one off deals or upfront discounts

RugbyPass

RugbyPass is the premier destination for rugby fans across the globe, with news, analysis, shows, highlights, podcasts, documentaries, and in some territories live streaming of rugby competitions all in HD.

RugbyPass' subscription arm consisting of sport streaming, on demand rugby content and a linear TV channel operates primarily in Asia, with smaller outlets in Europe and Australia, whilst the advertising-funded web content and media arm has built the largest independent rugby audience in the major rugby markets.

Sky purchased RugbyPass in 2019 to open up growth opportunities and in particular, expand our reach into the global rugby market. While COVID-19 has impacted our ambitions for the sport streaming side of RugbyPass due to the lack of global rugby product, we've taken the opportunity to refocus towards the audience media business.

3 million unique views in April

54% ▲ on the prior year

Our People

Doing right by our people by focusing on our capability and culture, ensuring our ways of working meet the needs of our customers and partners

Critical to our organisation is a talented and diverse workforce who share a common goal – delivering for our customers.

Our people are crucial to our success as a business. We work hard to ensure that we continue to attract the best, develop skills and make Sky a great place to work.

Our People have experienced a lot of change this year, and we recognise that organisational change and the impact of COVID-19 bring with them challenges and uncertainty.

As we transform Sky into a leaner, more responsive, collaborative organisation, we have farewelled a number of our team members. Many have been a part of the Sky family for many years, and we thank them for their dedication and contribution to Sky.

Our superb team showed resilience and a strong customer service ethos through the COVID-19 lockdown. The rapid pivot to working from home while continuing to deliver Sky services, at a time when our customers needed them most, has paved the way for a hybrid flexible working policy aptly dubbed 'Anywhere Works'. It also accelerated our digital capability and will have positive impacts on our property needs.

As New Zealand and the world continues to grapple with the challenges of COVID-19, the safety and wellbeing of our people will remain a core focus. We have worked with Sir John Kirwan and his Mentemia team to deliver mental wellbeing programmes for our people, including making available the Mentemia wellbeing app and workshops to equip our people with the tools and techniques to improve mental wellbeing.


sky
SPORT

Our Community

Making a positive difference to New Zealand's sport and creative sector and our local communities

We're proud to make a significant social, cultural and economic contribution to New Zealand.

This year Sky supported 992 jobs, invested millions into our creative and sporting industries, and continued our rich history of working alongside our customers, crew and partners to make a positive difference in our local communities.

Sky is a longstanding supporter of causes supporting youth health and wellbeing. Special Children's Christmas Parties is a charity helping to bring some joy to more than 10,000 special Kiwi kids at the six events held across New Zealand. The parties are filled with bouncy castles, games and gifts for Kiwi kids in need, and Sky has been a part of these special days for 14 years. The Starship Foundation gives our children better health and brighter futures. We've been a supporter since 2001 – ensuring Sky channels are at every Starship bedside to entertain (and sometimes just distract) patients and families during their stay, and donating airtime to help the Foundation raise awareness and donations for their fundraising efforts.

Sport has a great part to play in fostering children's wellbeing, social skills and academic success. As the Home of Sport, we're committed to improving access and engagement to sport for all New Zealanders. In addition to supporting grassroots sport, over the past year we have continued to donate thousands of sport tickets to schools and junior club sports teams throughout New Zealand.

This year we've been delighted to launch a number of new initiatives that have been designed to make a positive difference to New Zealand's sport and creative sector and our local communities.

Sky Sport Next

Sky Sport Next was launched in November 2019 in partnership with the New Zealand Sport Collective.

This initiative gives more than 50 rising and grassroots sports a greater profile in the community to drive awareness and participation. We do this by funding filming and streaming from diverse events such as Badminton and Basketball to Condor Sevens, Golf Croquet, Canoe Racing, Equestrian, Athletics and Water Polo. Tens of thousands of New Zealanders have been able to watch up and coming athletes of all ages compete at events throughout New Zealand on the free to access Sky Sport Next YouTube channel. From time to time events have also been screened on Sky Sport and free to access on Prime.

Sky Sport Next is an initiative supporting rising talent and grassroots sport across New Zealand.

Showcasing over 50 sporting codes and 1000's of sporting events.

Sky Community Advertising

While New Zealand was in COVID-19 lockdown in April, our people pulled together to quickly launch Sky Community Advertising, an initiative designed to help raise the profile of organisations making a real difference in Kiwis lives, particularly during COVID-19.

Since then, we've donated $1.9 million of TV advertising airtime to community groups working across a wide range of causes - from youth development, health and wellbeing, and domestic violence, to organisations that support the arts, small business and rural sectors.

Having received such a positive response, we've since extended our offer to more organisations who applied for Sky Community Advertising and will continue to do so over the months ahead to make the biggest difference possible.

Doing our bit to help, through COVID-19 and beyond.

Sky has donated airtime to:

- White Ribbon
- Make-a-Wish Foundation
- Manaaki
- Rural Support Trust
- Read NZ Te Pou Muramura
- MusicHelps
- Graeme Dingle Foundation
- National Foundation for Deaf & Hard of Hearing
- Mentemia
- Leukaemia & Blood Cancer
- NZ KidsCan
- The Student Volunteer Army
- Pet Refuge
- Starship Foundation
- Age Concern NZ
- Bowel Cancer NZ
- Ronald McDonald House
- UNICEF
- Fred Hollows Foundation
- Halberg Foundation
- Prostate Cancer Foundation of New Zealand

Our Board of Directors

Philip Bowman

INDEPENDENT CHAIRMAN

Philip was appointed Chair of Sky in September 2019. Philip is a distinguished businessman who has led several major global companies and served on the Board of a significant number of public and private companies. Philip brings knowledge of the media sector, including having served on the Board of Sky UK for ten years. Other roles include Group Finance Director of Bass, CEO of Bass Retail, CEO of Allied Domecq, CEO of Scottish Power, CEO of Smiths Group, senior non-executive director of Burberry, Chairman of Liberty, Chairman of Coral Eurobet, Chairman of Miller Group, and non-executive director of Scottish & Newcastle. He currently sits on the Boards of two other listed companies, Kathmandu and Ferrovial SA. Philip has a degree with honours in Natural Sciences (University of Cambridge) and Master in Natural Sciences (University of Cambridge). He is also a Fellow of the Institute of Chartered Accountants of England and Wales.

Martin Stewart

CHIEF EXECUTIVE & DIRECTOR

Martin joined Sky as Chief Executive in February 2019 and was appointed to the Board in April 2019. A highly-regarded media sector operator with a wealth of experience in the UK, Europe and the Middle East, Martin brings a valuable international perspective to Sky. In the Media and Communications space Martin has been CEO of OSN, the leading pay TV network in the Middle East and was CFO of Sky in the United Kingdom when Sky launched its digital platform and the company doubled its subscriber base in 4 years. Other major roles include CFO of the Football Association in the UK, CEO of ONO (Cable Europa in Madrid), and CFO and Executive Director of EMI Group.

Geraldine McBride

INDEPENDENT DIRECTOR

Geraldine was appointed to the Board in September 2013. A renowned Enterprise Business Technology and AI thought leader with a science background, Geraldine's global career spans 30 years, with senior executive roles in IBM, Dell and SAP. Her most recent roles were President & CEO of SAP North America and SAP Asia Pacific Japan. Geraldine is a Director of National Australia Bank, and Fisher and Paykel Healthcare. She is also CEO & Director of MyWave.AI, a market leading Enterprise AI company focused on Intelligent Personalisation by putting the customer at the centre of business.

Derek Handley

INDEPENDENT DIRECTOR

Derek was appointed to the Board in September 2013. He is a New Zealand-based entrepreneur and founding General Partner at Aera VC, a global venture capital investor backing deep-technology start-ups tackling the United Nations Sustainable Development Goals across the future of climate, carbon, food, health, work and learning. For the last ten years, while based in New York Derek co-created companies and platforms delivering social impact and environmental transformation. He co-founded the sustainability alliance, 'The B Team' with Sir Richard Branson and helped build NY-based start-up studio 'Human Ventures'. Previously Derek was named in the 'Silicon Alley 100' most influential technology people in New York. He is Adjunct Professor at AUT University in Auckland, was a formative member of the Air New Zealand Sustainability Advisory Panel, and is an aspiring civilian astronaut with Virgin Galactic. Derek also created the Aera Foundation, a charitable studio advancing new models that fuse social and financial goals.

Susan Paterson ONZM
INDEPENDENT DIRECTOR

Susan was appointed to the Sky Board in August 2015. Susan began her career as a pharmacist and later completed a MBA at London Business School, leading to a career in management and strategy consulting in New Zealand, Europe and the United States of America. She has been a professional director for over 20 years, and is a Chartered Fellow of the Institute of Directors. Susan is Chair of Steel and Tube and Theta, and a director of Goodman NZ, Arvida Group, ERoad, Les Mills NZ and the Reserve Bank of New Zealand. She is also a Member of the Electricity Authority, and past director or Chair of a number of commercial infrastructure and growth companies and not for profit entities including Airways Corp, Transpower New Zealand, Abano Healthcare, Housing New Zealand, Home of Cycling (Avantidrome), NZ Golf Board, Auckland Hockey, the NZ Eco-Labelling Trust, St. Cuthbert's College and EECA. Previously she was an external Monetary Policy Advisor to the Reserve Bank Governor. In 2015 Susan was made an Officer of the New Zealand Order of Merit for her services to corporate governance.

Susan will conclude her term on the Sky Board in October 2020 and has chosen not to seek re-election at the forthcoming Annual General Meeting.

Mike Darcey
INDEPENDENT DIRECTOR

With an extensive track record of strategy and delivery across television, publishing and technology, Mike was appointed to the Board in September 2017. A New Zealander, he has lived and worked in the UK since 1989. Fifteen of those years were spent at Sky UK, initially as the Director of Strategy, then six years as Chief Operating Officer. He played a prominent role in most of Sky UK's major strategic decisions and its major commercial and regulatory dealings during this period. From 2013 to 2015 Mike was CEO of News UK. Since 2015, Mike has had a series of non-executive roles and these currently include Chairman of M247 (a global connectivity and cloud services provider), Chairman of British Gymnastics, and director of Arqiva (the UK's main independent provider of television broadcast and mobile infrastructure). He also provides strategic consulting services in the media sector.

Joan Withers
INDEPENDENT DIRECTOR

Joan was appointed to the Board in September 2019. She brings a wealth of experience spanning a 25-year career in the media industry, including CEO positions at Fairfax and the Radio Network as well as being the former Chair of TVNZ. Joan's depth of governance experience includes her current roles as Chair of The Warehouse Group, a director of ANZ NZ, and previously Chair of Auckland International Airport and Mercury NZ Ltd. Joan is a Trustee of the Louise Perkins Foundation, and is Chair of a steering committee working to increase the percentage of South Auckland Maori and Pacific Island students taking up roles in the health sector. She holds a Masters Degree in Business Administration from the University of Auckland. In 2015 Joan was named Supreme Winner in the Women of Influence Awards and was named as Chairperson of the Year in the Deloitte Top 200 Management Awards.

Keith Smith
INDEPENDENT DIRECTOR

Keith was appointed to the Board in April 2020. He has a long-standing record of leadership as a director and advisor to companies in a diverse range of industries, including the energy sector, rural services, printing, media and exporting. Keith is Chair of listed company Goodman (NZ) Limited (the Manager of Goodman Property Trust), Deputy Chair of The Warehouse Group Limited, and is a director of Mercury NZ Ltd and several other private companies. He is a past President of the Chartered Accountants Australia and New Zealand.

Our 2020 **Financials**

For the year ended 30 June 2020

Financial Overview

Summary

The 2020 financial year began well for Sky with pleasing progress on strategy and positive momentum building within the business. The onset of the COVID-19 pandemic in the second half of the year presented challenges for the business, and Sky's operations were swiftly adapted to deal with the immediate and ongoing implications. As a result, Sky was able to continue to operate as an essential service and worked to minimise the impact on customers, staff and Sky's financial performance while also strengthening our funding position for the longer term.

The net loss after tax for the year ended 30 June 2020 was $156.8 million compared to a net loss of $607.8 million in the prior year. The net loss includes a goodwill impairment charge of $177.5 million (prior year $670.0 million). Earnings before interest, tax, depreciation and amortisation are $164.2million compared to $230.1 million in the prior year.

However, the adjusted results are in line with our expectations after confronting the impacts of COVID-19, with adjusted net profit after tax of $41.0 million, compared to an adjusted net profit after tax of $97.4 million in the prior year. COVID-19 affected many aspects of Sky's business in the final quarter of FY20, including a reduction in advertising and commercial revenues. Some of that reduction was offset by revenue from acquired businesses Lightbox and RugbyPass, and a reduction in satellite revenue was partially offset by a growth in streaming revenue. Satellite revenue decline was driven mainly by lower satellite customers during the period.

As foreshadowed in the investor presentation released on 21 May 2020, Sky has continued to review the assumptions underlying the carrying value of goodwill during the balance of the reporting period. The Board is required to assess the fair value of intangible assets at each reporting period and has decided to recognise a further $177.5 million impairment of goodwill. The Board's decision reflects the ongoing uncertainty of the impacts of COVID-19 on Sky, supported by an independent valuation undertaken subsequent to its 21 May 2020 disclosure, and with reference to the current market share price. The impairment of goodwill is a non-cash charge that had no impact on Sky's 2020 cash flows or any of its bank covenants.

Along with implementing its strategy to enhance streaming services and serve satellite customers, Sky has undertaken a significant transformation of its business in FY20. Sky has repositioned to be a modern multimedia company, with this revitalised focus leading to changes in our structure and expansion into new opportunities for growth, including our plans to offer a broadband service. Alongside these changes, Sky is maintaining a sharp focus on costs with these initiatives leading to ongoing reductions in operating and capital expenditure.

Costs incurred in FY20 included a number of one-off costs totalling $28.2 million, including redundancy costs, non-recurring consultancy fees, satellite reservation fees and content write-offs. Prior year adjustments include costs relating to the decision to cancel the infinite video platform (IVP) project, content write-offs, redundancy and consultancy payments.

Non-GAAP Financial Information

Sky has used non-GAAP profit measures when discussing financial performance (refer to note 32 of the Financial Statements). The directors and management believe that these measures provide useful information on the underlying performance of the Group. They are used internally to evaluate performance, analyse trends, and allocate resources. Non GAAP financial measures are not prepared in accordance with NZ IFRS and are not uniformly defined and therefore should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.

The adjustments are summarised below:

For the years ended 30 June

in NZD millions	2020 (adjusted)	2020 (reported)	2019 (adjusted)	2019 (reported)	% inc/(dec)
Financial performance data					
Total revenue	747.6	747.6	795.1	795.1	(6.0)
Total operating expenses	555.2	583.4	554.1	565.0	0.2
EBITDA	192.4	164.2	241.0	230.1	(20.2)
Less					
Depreciation, amortisation and impairment	119.3	119.3	93.0	131.1	28.3
Net operating profit before interest, income tax and impairment of goodwill	73.1	44.9	148.0	99.0	(50.6)
Impairment of goodwill	-	177.5	-	670.0	-
Net finance costs	13.7	13.7	12.4	12.4	10.5
Profit/(loss) before tax	59.4	(146.3)	135.6	(583.4)	(56.2)
Income tax expense	18.4	10.5	38.2	24.4	(51.8)
Profit/(loss) after tax	41.0	(156.8)	97.4	(607.8)	(57.9)

Summary of Adjustments

The adjustments do not account for the impacts of acquiring RugbyPass and Lightbox during the year or for the impacts of COVID-19. Information on the acquisition of RugbyPass and Lightbox can be found in Note 27 of the Financial Statements and the impacts of COVID-19 are discussed in Note 3 of the Financial Statements.

In NZD millions	**30-Jun-20**	**30-Jun-19**
Statutory loss after tax	(156.8)	(607.8)
Adjustments to earnings as follows:		
Content write-offs	3.2	5.7
Non-recurring costs included in other costs (1)	25.0	5.0
Impairment of property, plant and equipment	-	4.8
Cancellation of IVP project	-	33.4
Impairment of goodwill	177.5	670.0
Tax effect of adjustments	(7.9)	(13.7)
Total adjustments	**197.8**	**705.2**
Adjusted profit after tax	**41.0**	**97.4**

(1) Adjustments for non-recurring costs include redundancy costs of $15.5 million and Holidays Act compliance provision of $3.2 million (refer notes 5 and 26), non-recurring consultancy costs of $3.3 million and satellite reservation fee of $3.0 million.

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) for the year ended 30 June 2020 are $192.4 million, a decrease of 20.2% on the previous year's comparative of $241.0 million.

EBITDA was impacted by the adoption of NZ IFRS 16 leases from 1 July 2019 as per the table below:

In NZD millions	**30-Jun-20**
Operating expenses - previously reported in EBITDA	40.3
Depreciation on right-of-use assets	33.6
Interest on finance liabilities	3.4
Cash flow - reduction of liability	36.9

Adjusted net operating profit before interest and tax decreased from $148.0 million to $73.1 million.

Customers

Sky delivers sport and entertainment content to customers through satellite and streaming services. Since the beginning of the 2020 financial year, Sky accelerated its focus on growing its streaming customer base while continuing to serve satellite customers.

Total customer numbers returned to growth in FY19 and significantly increased in FY20 through organic growth of the Neon and Sky Sport Now streaming products and through the acquisition of RugbyPass and Lightbox, with improved retention of satellite customers also making a positive contribution.

Average revenue per user (ARPU) for satellite customers continued to reduce slightly and was impacted in the final quarter of FY20 by COVID-19.

	2020	2019	2018	2017	2016
Satellite customers (1)	585,248	619,073	661,361	705,652	739,558
Streaming customers (2)	404,321	159,767	106,366	110,861	91,218
Other customers (3)	-	-	-	8,269	21,903
Total customers	989,569	778,840	767,727	824,782	852,679
Net customer growth - satellite	-5%	-6%	-6%	-5%	-9%
Net customer growth - streaming	153%	50%	-4%	22%	121%
Satellite acquisition (4)	41,510	49,952	59,603	79,685	88,957
Satellite churn (4)	(75,643)	(91,841)	(103,394)	(113,226)	(131,401)
Satellite ARPU (monthly) (5)	$82.08	$83.46	$84.54	$85.05	$86.59
Streaming ARPU (monthly) (6)	$19.80	-	-	-	-

(1) Satellite customer groups comprise residential satellite customers including reseller and commercial.

(2) Streaming customer group comprise Neon, Lightbox, Sky Sport Now (formerly FanPass), RugbyPass and retransmission.

(3) Other customers include customers from non-trading businesses, IGLOO and Fatso.

(4) Satellite acquisition and churn is for Sky residential customers only, including reseller.

(5) Satellite subscription ARPU is average revenue per user for Sky residential customers only, including reseller customers, calculated as the average for the twelve-month period.

(6) Streaming subscription ARPU is the blended rate across Neon, Lightbox, Sky Sport Now (formerly FanPass), RugbyPass and retransmission.

Revenue Analysis

Sky's total revenue was $747.6 million, as follows:

In NZD millions	2020	2019	% inc/(dec)
Residential satellite subscriptions (1)	582.0	629.8	(7.6)
Other subscriptions (2)	105.4	98.6	6.9
Total subscription revenue	**687.4**	**728.4**	(5.6)
Advertising	45.2	51.8	(12.7)
Other revenue and other income	15.0	14.9	0.7
Total other revenue	**60.2**	**66.7**	(9.6)
Total revenue	**747.6**	**795.1**	**(6.0)**

(1) Residential satellite subscriptions include residential satellite customers and reseller customers.

(2) Other subscriptions include Neon, Lightbox, Sky Sport Now, RugbyPass, retransmission and commercial customers.

The COVID-19 pandemic and the associated restrictions on movement, travel and gatherings adversely impacted Sky's revenue during the final quarter of FY20.

Sky took a proactive approach with commercial customers (e.g. hotels, motels, restaurants and bars), including discounting or suspending charging on a case by case basis for customers impacted by lockdown and gathering restrictions. A return to normal billing practices commenced for the majority of customers from 1 August 2020, with additional support provided later that month for customers in the Auckland region impacted by a further period of Level 3 restrictions.

Advertising revenues were subdued through the last quarter of FY20, due to market uncertainty surrounding COVID-19 as well as the absence of live sport. The availability of sport content also impacted on Sky's residential customer base with a portion of Sky Sport Now streaming customers electing to pause subscriptions and 8% of satellite customers that subscribe to sport electing to downgrade their packages. Sky's satellite sport subscribers were offered complimentary upgrades that reduced the extent of downgrades, with this initiative well received by customers. The return of live sport events during May saw most satellite sport customers return by year-end and delivered a strong increase in Sky Sport Now subscriptions.

In contrast, increased demand for entertainment content during the Level 3 and 4 lockdown period resulted in strong growth for Sky's entertainment streaming services, Neon and Lightbox.

Sky's programming costs were lower than anticipated as sport production costs were avoided through the COVID-19 impacted period. Sky also worked closely with key sport partners to negotiate equitable reductions for COVID-19 impacted sport payments in 2020.

Residential satellite subscriptions revenue decreased by 7.6% to $582.0 million due to fewer satellite customers, a lower uptake of premium services (sport and movies) and lower pay-per-view buys. A continuing focus on customer retention saw a 21% improvement in net annual churn rates as targeted initiatives gained traction.

Other subscriptions revenue includes commercial revenue earned from Sky subscriptions at hotels, motels, restaurants and bars throughout New Zealand, revenue derived from transmission of programming for third parties and revenue from streaming subscription services such as Neon, Lightbox, Sky Sport Now and RugbyPass. This revenue increased 6.9% to $105.4 million in 2020 due mainly to an increase in subscriber numbers for Sky's streaming services from the acquisitions of RugbyPass and Lightbox.

Advertising revenue decreased by 12.7% to $45.2 million in 2020 due to a general weakening of market conditions for advertising expenditure and impacts of COVID-19.

Other revenue and other income increased marginally by 1.3% to $15.0 million in 2020 mainly due to an increase in satellite access fees received.

Expense Analysis

A further breakdown of Sky's operating expenses for 2020 and 2019 is provided below:

	30 - Jun - 20				30 - Jun - 19		
In NZD millions	**Adjusted**	**Reported**	**% inc/(dec)**	**% of revenue**	**Adjusted**	**Reported**	**% of revenue**
Programming	335.5	342.1	4.6	44.9	320.8	326.5	40.3
Subscriber related costs	101.9	106.6	15.4	13.6	88.3	88.3	11.1
Broadcasting and infrastructure	70.3	77.9	(26.6)	9.4	95.8	95.8	12.0
Other costs	47.5	56.8	(3.3)	6.4	49.2	54.3	6.2
Depreciation, amortisation and impairment	119.3	119.3	28.3	16.0	93.0	131.1	11.7
Total operating expenses	**674.5**	**702.7**	**4.3**	**90.2**	**647.1**	**696.0**	**81.4**

Programming costs comprise both the costs of purchasing programme rights and also programme operating costs. Programme rights costs include the costs of sport rights, pass-through channel rights (e.g. ESPN, Living Channel, National Geographic etc.), movies (including pay-per-view), streaming rights and music rights. Programme operating costs include the costs of producing live sport events, satellite and fibre linking costs and original shows produced in-house.

Sky's adjusted programming costs have increased by $14.7 million and equate to 44.9% of revenue in 2020, up from 40.3% in 2019. The increase is mainly due to the rights costs of $16.7 million relating to the acquisitions of RugbyPass and Lightbox. Adjusted programming costs exclude impairment of RugbyPass and other entertainment programme rights of $3.2 million (refer note 9 of the Financial Statements) and redundancy costs of $3.4 million.

Subscriber related costs include the costs of servicing and monitoring equipment installed at subscribers' homes, indirect installation costs, the costs of Sky's customer service department, sales and marketing costs and general administrative costs associated with managing the subscriber relationship.

In 2020, subscriber related costs increased by 15.4% due to an increase in sales and marketing costs as Sky implemented initiatives to attract and grow streaming subscribers. Adjusted subscriber related costs exclude redundancy costs of $4.7 million.

Broadcasting and infrastructure costs consist of transmission and linking costs for transmitting Sky and Prime's content from its studios in Auckland to customers over satellite, streaming and other distribution platforms and the costs of operating Sky's television stations at Mt Wellington and Albany.

Sky's broadcasting and infrastructure costs are detailed below:

In NZD millions	**2020**	**2019**
Broadcasting and infrastructure	70.3	63.1
Optus lease expense	-	32.7
Satellite reservation fees	3.0	-
Redundancy	4.6	-
	77.9	**95.8**

The change from 2019 mainly reflects the effect of the adoption of NZ IFRS 16 from 1 July 2019. Optus lease costs are now expensed as depreciation and interest, whereas previously the cost was an operating cost included in broadcasting and infrastructure costs. Other adjustments included a one-off satellite reservation fee incurred while Sky worked through the future of the Optus satellite of $3.0 million and redundancy costs of $4.6 million. The remaining increase is due to costs relating to internet delivery costs and support for Sky's streaming services, Neon, Lightbox, Sky Sport Now and RugbyPass.

Other costs include advertising costs and the overhead costs relating to corporate management of the Sky Group including consultancy costs. The adjusted other costs have decreased by 3.3% to $47.5 million. Adjusted other costs exclude redundancy costs of $2.7 million, $3.2 million Holidays Act compliance provision and $3.3 million of one-off consultancy costs.

Depreciation, amortisation and impairment costs include depreciation charges for subscriber equipment including satellite dishes and decoders owned by Sky, fixed assets such as television station facilities, amortisation of the right-of-use assets created under NZ IFRS 16 and amortisation of computer software and intangible assets. The current year includes depreciation relating to right-of-use assets of $33.6 million. This increase offsets the prior year impairment cost for the infinite video platform (IVP) of $38.2 million. Depreciation of property, plant and equipment has decreased as decoders and installation costs reach the end of their useful lives while amortisation of intangibles has increased in relation to acquired intangibles for Lightbox and RugbyPass.

Depreciation, amortisation and impairment costs are summarised below:

In NZD millions	2020	2019
Depreciation of property, plant and equipment	54.7	70.9
Amortisation of intangibles	31.0	22.0
Depreciation of right-of-use assets	33.6	-
Impairment of IVP project	-	38.2
Total depreciation, amortisation and impairment	**119.3**	**131.1**

Finance costs, net have increased from $12.4 million to $13.7 million. The increase relates to interest of $3.4 million on lease liabilities as a result of adopting NZ IFRS 16 lease accounting on 1 July 2019. This is partially offset by a reduction in interest as debt levels have reduced throughout the year. Sky's weighted average interest rates are as follows:

	2020	2019
Borrowings	5.42%	6.52%
Bonds	6.16%	6.13%
Lease liabilities	4.30%	-
Combined weighted average	5.21%	6.34%

Capital expenditure

Sky's capital expenditure over the last two years ended 30 June is summarised as follows:

In NZD millions	2020	2019
Subscriber equipment	4.4	7.3
Installation costs	12.6	15.5
Projects under development	11.7	34.5
Software	19.7	10.0
Other	8.1	9.0
Capital expenditure	56.5	76.3
Assets acquired by way of business acquisitions	16.4	-
Total capital expenditure	**72.9**	**76.3**

Sky has a stated objective to manage capital expenditure within a target band of 7% - 9% of revenue, with FY20 spending of 7.6% comfortably within this range. The average over the past five years has been 9.6% with this year's performance contributing to a positive downward trend.

Capital expenditure had a greater emphasis on Sky's streaming services in 2020, and less on costs associated with Sky's satellite delivery platform.

This approach is consistent with Sky's accelerated focus on streaming, requiring additional investment in the Sky Go, Sky Sport Now and Neon platforms which led to an increase in expenditure included as software within intangible assets.

Satellite installation costs and subscriber equipment costs decreased by 25.4%. Capital expenditure in FY19 included expenditure for the IVP project that was subsequently discontinued. Assets acquired by way of business acquisitions include the Lightbox streaming platform and other intangible assets.

Financial Performance Trends (as reported)

In NZD 000	2020	2019	2018	2017	2016
For the year ended 30 June					
Income statement					
Total revenue	747,646	795,126	852,710	893,485	928,200
Total operating expenses	583,395	564,958	566,900	601,145	602,914
EBITDA (1)	**164,251**	**230,168**	**285,810**	**292,340**	**325,286**
Depreciation, amortisation and impairment (2)	119,318	131,103	102,414	105,148	100,241
Impairment of goodwill	177,500	670,000	360,000	-	-
Net interest expense and financing charges	15,859	13,650	17,576	20,470	19,684
Losses/(gains) on currency and other	(2,120)	(1,208)	(66)	(850)	371
Net (loss)/profit before income tax	**(146,306)**	**(583,377)**	**(194,114)**	**167,572**	**204,990**
Balance sheet					
Property, plant,and equipment, intangibles and right-of-use assets	287,962	213,702	268,925	301,008	331,157
Goodwill	256,312	395,331	1,065,331	1,425,331	1,425,331
Total assets	837,936	771,353	1,503,002	1,887,200	1,943,564
Interest bearing loans and liabilities	212,513	193,662	235,344	298,663	348,085
Working capital (3)	90,291	8,607	9,038	10,215	30,945
Total liabilities	462,966	419,785	476,315	559,322	612,641
Total equity	374,970	351,568	1,026,687	1,327,878	1,330,923
Cash flow					
Net cash from operating activities	157,300	178,026	213,613	244,536	275,844
Net cash used in investing activities	(74,627)	(69,780)	(58,194)	(79,640)	(133,635)
Free cash flow	82,673	108,246	155,419	164,896	142,209
Capital expenditure					
Capital expenditure	56,458	76,300	58,200	79,700	128,800
Assets acquired by way of business combination (4)	16,354	-	-	-	-
Total capital expenditure	72,812	76,300	58,200	79,700	128,800

(1) Earnings before income tax, interest expense, depreciation, amortisation and impairment, unrealised gains and losses on currency and interest rate swaps.

(2) The 2020 year includes depreciation on right-of-use assets of $33.6 million. (refer note 13). The 2019 year includes impairment of property, plant and equipment of $38.2 million relating to the cancellation of the infinite video platform (IVP) and related decoders and equipment (refer note 12).

(3) Working capital excludes current borrowing, bonds, derivative financial instruments, available for sale financial assets and contract liabilities and lease liabilities. Prior periods have been adjusted to exclude contract liabilities.

(4) RugbyPass and Lightbox, acquired in the 2020 financial year (refer note 27), were the only substantial acquisitions in the last five years.

Directors' Responsibility Statement

The directors of Sky Network Television Limited (Sky) are responsible for ensuring that the consolidated financial statements of Sky and its subsidiaries (the Group) present fairly the financial position of the Group as at 30 June 2020 and the results of its operations and cash flows for the year ended on that date.

The directors consider that the consolidated financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the consolidated financial statements with the Financial Markets Conduct Act 2013.

The directors consider they have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors present the consolidated financial statements of the Group for the year ended 30 June 2020.

The Board of Directors of Sky authorise these financial statements for issue on 9 September 2020.

For and on behalf of the Board of Directors

Philip Bowman
Director and Chairman

Martin Stewart
Director and Chief Executive

Date: 9 September 2020

Contents

Consolidated Income Statement

For the year ended 30 June 2020

In NZD 000	Notes	30-Jun-20	30-Jun-19
Revenue		746,641	795,126
Other income		1,005	-
Total revenue	4	**747,646**	**795,126**
Expenses			
Programming		342,096	326,461
Subscriber related costs		106,554	88,323
Broadcasting and infrastructure		77,942	95,846
Depreciation, amortisation and impairment of assets	5	119,318	131,103
Other costs		56,803	54,328
Total expenses		**702,713**	**696,061**
Operating profit before impairment		44,933	99,065
Impairment of goodwill	5,15	177,500	670,000
Operating loss		**(132,567)**	**(570,935)**
Finance costs (net)	18	13,739	12,442
Loss before tax		**(146,306)**	**(583,377)**
Income tax expense	7	10,466	24,460
Loss for the year		**(156,772)**	**(607,837)**
Attributable to			
Equity holders of the Company	6	(156,979)	(608,158)
Non-controlling interests		207	321
		(156,772)	**(607,837)**
Loss per share			
Basic and diluted loss per share (cents)	6	**(23.91)**	**(119.99)**

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

In NZD 000	**30-Jun-20**	**30-Jun-19**
Loss for the year	(156,772)	(607,837)
Items that may be reclassified to profit or loss		
Exchange difference on translation of foreign operations	220	-
Deferred hedging gains/ (losses) transferred to operating expenses during the year	1,196	(2,745)
Income tax effect	(335)	769
Net other comprehensive income/(loss) to be reclassified to profit or loss, net of income tax	**1,081**	**(1,976)**
Items that may not be reclassified to profit and loss		
Deferred hedging losses transferred to non-financial assets during the year	(51)	(10,097)
Income tax effect	14	2,827
Net other comprehensive loss not being reclassified to profit or loss, net of income tax	**(37)**	**(7,270)**
Total comprehensive loss for the year	**(155,728)**	**(617,083)**
Attributable to:		
Equity holders of the Company	(155,935)	(617,404)
Non-controlling interest	207	321
	(155,728)	**(617,083)**

Consolidated Balance Sheet

As at 30 June 2020

In NZD 000	Notes	30-Jun-20	30-Jun-19
Current assets			
Cash and cash equivalents		110,677	4,283
Trade and other receivables	8	56,854	61,996
Programme rights inventory	9	113,822	89,458
Derivative financial instruments	21	3,265	5,019
		284,618	**160,756**
Non-current assets			
Property, plant and equipment	12	124,585	163,217
Right-of-use assets	13	96,821	-
Intangible assets	14	66,556	50,485
Deferred tax asset	7	216	-
Goodwill	15	256,312	395,331
Derivative financial instruments	21	461	1,564
		544,951	**610,597**
Assets held for sale	11	8,367	-
Total assets		**837,936**	**771,353**
Current liabilities			
Interest bearing loans and borrowings	16	100,765	1,701
Lease liabilities	17	36,562	-
Trade and other payables	10	176,021	136,078
Contract liabilities	10	51,180	54,396
Income tax payable		15,041	11,052
Derivative financial instruments	21	922	2,721
		380,491	**205,948**
Non-current liabilities			
Interest bearing loans and borrowings	16	1,883	191,961
Lease liabilities	17	73,303	-
Contingent consideration	26	5,283	-
Deferred tax liability	7	-	18,924
Derivative financial instruments	21	405	2,952
		80,874	**213,837**
Liabilities associated with assets held for sale	11	1,601	-
Total liabilities		**462,966**	**419,785**
Equity			
Share capital	19	767,608	577,403
Reserves	20	991	(53)
Retained deficit		(394,875)	(227,111)
Total equity attributable to equity holders of the Company		**373,724**	**350,239**
Non-controlling interest		1,246	1,329
Total equity		**374,970**	**351,568**
Total equity and liabilities		**837,936**	**771,353**

Philip Bowman
Director and Chairman

Martin Stewart
Director and Chief Executive

For and on behalf of the Board 9 September 2020

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

		Attributable to owners of the parent					
In NZD 000	**Notes**	**Share capital**	**Reserves**	**Retained deficit**	**Total**	**Non-controlling interest**	**Total equity**
For the year ended 30 June 2020							
Balance at 1 July 2019		577,403	(53)	(227,111)	350,239	1,329	351,568
Impact of adoption of new accounting standard	3	-	-	(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	20	-	824	-	824	-	824
Total comprehensive loss 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	19	157,091	-	-	157,091	-	157,091
Issue of ordinary shares related to business combination	19	24,378	-	-	24,378	-	24,378
Issue of ordinary shares to NZ Rugby Union	9,19	15,436	-	-	15,436	-	15,436
Transaction costs relating to share issues	19	(7,086)	-	-	(7,086)	-	(7,086)
Dividend paid		-	-	-	-	(290)	(290)
CEO share based remuneration	28	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**
For the year ended 30 June 2019							
Balance at 1 July 2018		577,403	9,032	438,998	1,025,433	1,254	1,026,687
Reversal of deferred tax on held for sale investment		-	-	420	420	-	420
Balance at 1 July 2018 (restated)		**577,403**	**9,032**	**439,418**	**1,025,853**	**1,254**	**1,027,107**
Loss for the year		-	-	(608,158)	(608,158)	321	(607,837)
Cash flow hedges, net of tax	20	-	(9,246)	-	(9,246)	-	(9,246)
Total comprehensive loss for the year		**-**	**(9,246)**	**(608,158)**	**(617,404)**	**321**	**(617,083)**
Transactions with owners in their capacity as owners							
Dividend paid		-	-	(58,371)	(58,371)	(246)	(58,617)
Supplementary dividends		-	-	(8,552)	(8,552)	-	(8,552)
Foreign investor tax credits		-	-	8,552	8,552	-	8,552
CEO share based remuneration	19,28	-	161	-	161	-	161
		-	**161**	**(58,371)**	**(58,210)**	**(246)**	**(58,456)**
Balance at 30 June 2019		**577,403**	**(53)**	**(227,111)**	**350,239**	**1,329**	**351,568**

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

In NZD 000	Notes	30-Jun-20	30-Jun-19
Cash flows from operating activities			
Loss before tax		(146,306)	(583,377)
Adjustments for:			
Depreciation and amortisation	5	119,318	131,103
Impairment of goodwill	5	177,500	670,000
Impairment of programme rights	9	3,240	5,715
Unrealised foreign exchange loss/(gain)	18	1,953	(258)
Interest expense	18	16,020	13,895
Bad debts and movement in provision for loss allowance	5	1,352	1,186
Other non-cash items		1,040	605
Movement in working capital items:			
Decrease/(increase) in receivables		10,128	(65)
Increase in payables		17,631	5,362
Increase in programme rights		(5,056)	(16,795)
Cash generated from operations		**196,820**	**227,371**
Interest paid		(15,995)	(14,045)
Bank facility fees paid		(25)	(800)
Income tax paid		(23,500)	(34,500)
Net cash from operating activities		**157,300**	**178,026**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	228
Acquisition of property, plant, and equipment	12	(27,470)	(66,307)
Acquisition of intangibles	14	(28,988)	(10,035)
Acquisition of subsidiaries,net of cash acquired	27	(18,169)	-
Disposal of held for sale financial asset	11	-	6,334
Net cash used in investing activities		**(74,627)**	**(69,780)**
Cash flows from financing activities			
Proceeds from rights issue and placement of shares	19	157,091	-
Transaction costs incurred for rights issue	19	(7,086)	-
Repayment of borrowings - bank loan	16	(207,000)	(300,000)
Advances received - bank loan	16	119,000	257,000
Vendor finance received	16	-	3,205
Repayment of other borrowings	16	(1,093)	(1,693)
Payments for lease liability principal	17	(36,901)	-
Dividend paid to minority shareholders		(290)	(246)
Dividends paid		-	(66,923)
Net cash from/(used in) financing activities		**23,721**	**(108,657)**
Net increase/(decrease) in cash and cash equivalents		106,394	(411)
Cash and cash equivalents at beginning of year		4,283	4,694
Cash and cash equivalents at end of year		**110,677**	**4,283**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

1. General Information

This section sets out the Group's accounting policies that relate to the consolidated financial statements as a whole. They have been presented in a structure which is intended to make them more relevant to shareholders. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

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 financial statements for the year ended 30 June 2020 comprise Sky Network Television Limited 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. The consolidated financial statements of the Group have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

The Group's primary activity is to operate as a provider of sport and entertainment media services in New Zealand and overseas.

These consolidated financial statements were authorised for issue by the Board on 9 September 2020.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a for-profit entity for the purpose of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

These consolidated financial statements are prepared on the basis of historical cost except where otherwise identified.

The consolidated financial statements are presented in New Zealand dollars.

Group structure

The Group has a majority share in the following subsidiaries:

Name of Entity	Principal Activity	Country of Incorporation	Parent	Interest held	
				Jun-20	**Jun-19**
Sky DMX Music Limited	Commercial Music	New Zealand	Sky	50.50%	50.50%
Sky Ventures Limited	Investment	New Zealand	Sky	100.00%	100.00%
Media Finance Limited	Non-trading	New Zealand	Sky	100.00%	100.00%
Outside Broadcasting Limited	Broadcasting services	New Zealand	Sky	100.00%	100.00%
Screen Enterprises Limited	Non-trading	New Zealand	Sky	100.00%	100.00%
Igloo Limited	Non-trading	New Zealand	Sky	100.00%	100.00%
Believe It Or Not Limited	Entertainment quizzes	New Zealand	Sky	51.00%	51.00%
Sky Investment Holdings Limited (incorporated 15 August 2019)	Investment	New Zealand	Sky	100.00%	–
RugbyPass Limited (acquired 19 August 2019)	Streaming services	Ireland	Sky Investment Holdings Limited	100.00%	–
RugbyPass Asia Pte Ltd (acquired 19 August 2019)	Management services	Singapore	RugbyPass Limited	100.00%	–
Lightbox New Zealand Limited (acquired 31 January 2020)	Streaming services	New Zealand	Sky	100.00%	–

2. Basis of Consolidation

The Group financial statements consolidate the financial statements of Sky and its subsidiaries. The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred and the liabilities incurred. Each identifiable asset and liability is generally measured at its acquisition date fair value except if another NZ IFRS requires another measurement basis. The excess of the consideration of the acquisition and the amount of any non-controlling interest in the acquired company, less the Group's share of the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed, is recognised as goodwill. Acquisition related costs are expensed as incurred.

Subsidiaries

Subsidiaries are entities that are controlled, either directly or indirectly, by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns from its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as are unrealised gains unless the transaction provides evidence of an impairment of the asset transferred.

Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3. Significant Accounting Policies and Key Sources of Estimation Uncertainty

Growth strategy and future performance

In the 31 December 2019 interim financial statements, the Group reported that it has continued to execute its strategy which included:

- The acquisition of RugbyPass Limited in August (refer note 27).
- Negotiating a five-year partnership agreement with the New Zealand Rugby Union (NZR) as a result of successfully renewing the SANZAAR contract for the five years from 2021 to 2025 (refer note 15), including the issuance of 21,801,325 Sky shares to NZR with a fair value of $15 million (refer note 9).
- Changing the organisational design and structure within the Group (refer note 5), and
- Completing the acquisition of Lightbox from Spark in January 2020 (refer note 27).

COVID-19

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this, on 25 March 2020 the New Zealand Government raised its Alert Level to 4 (nationwide lockdown of non-essential services) for an initial four-week period. Restrictions on movement, travel and gatherings resulted in the significant reduction of live sports, and increased uncertainty around the future scheduling of sporting events and flow of content, both in New Zealand and internationally. Sky's operations were considered to be an essential service and were able to operate during Alert Level 4. The lockdown resulted in increased demand for entertainment content as people stayed at home and as a result Neon and Lightbox recorded strong growth.

The Group took several immediate steps to support customer retention and to manage liquidity including:

- Proactively reducing charges to commercial customers and allowing them to suspend their accounts while they were unable to operate.
- Offering entertainment and movie package upgrades to sports subscribers to reward loyalty, mitigate downgrades and churn.
- Undertaking cost saving measures in relation to operating expenditure, particularly in relation to programming operations due to a reduction in sports related production.
- Deferring non-essential capital projects.
- Accelerated the raising of additional capital.

3. Significant Accounting Policies and Key Sources of Estimation Uncertainty (Continued)

As discussed above, the Group was in the process of implementing its growth strategy and ensuring the appropriate funding structure was in place to support the strategy. The Group completed a capital raise on 21 May 2020 to raise $157 million of additional capital to strengthen Sky's balance sheet and reposition for its refreshed strategy and help mitigate the impacts of COVID-19. The capital raise and renegotiation of bank facility terms (refer note 16) enabled the Group to repay debt and have access to sufficient capital to repay the bonds in March 2021, withstand near term headwinds and to execute on future growth opportunities based on the Board approved forecasts. Based on the additional capital secured, including consideration of an earlier return to sport than forecast, the Board considers that compliance with financial covenants will continue to be met for at least the next 12 months from approving these consolidated financial statements (refer note 16).

The ongoing uncertainties discussed and other economic effects of the pandemic have been considered in the Group's key estimates and judgements as disclosed in the following notes:

- Intangible assets - the ability to achieve future forecasts and the consequential impacts on the carrying value of goodwill and other finite life intangibles (refer notes 14 and 15).
- Receivables - the ability of its subscribers and commercial customers to pay (refer note 8).
- Programming rights - the ability to monetise prepaid and future sports programming rights (refer note 9).
- Identification of cash generating units (CGUs) and allocation of goodwill to CGUs - the Board reassessed their view of the Group's CGUs and believe that Sky and RugbyPass are separate individual CGUs which require judgement (refer note 15).

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

Accounting policies

The accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019 (detailed below). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has applied NZ IFRS 16 Leases for the first time for the year ended 30 June 2020, using a modified retrospective approach which does not require restatement of previous financial statements. The nature and effect of these changes are disclosed below.

NZ IFRS 16 - Impact on the financial statements

NZ IFRS 16 primarily changes lease accounting for lessees; lease agreements now give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs are recognised in the form of depreciation of the right-of-use asset and interest is recognised on the lease liability. The new standard has substantively changed the accounting treatment for operating leases where rental charges were previously recognised on a straight-line basis and no lease asset or lease obligation was recognised. The standard was effective for accounting periods beginning on or after 1 January 2019 and the Group adopted the standard from 1 July 2019.

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

- Use of a single discount rate to leases with reasonably similar characteristics.
- Use of hindsight in determining a lease term.
- Exclusion of initial direct costs for the measurement of the lease asset at the date of initial recognition.
- Exclusion of leases with a remaining term of less than 12 months.

Lease liabilities are measured at the present value of the remaining lease payments using the Group's incremental borrowing rate (IBR) as at 1 July 2019 as described in note 17. The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. Right-of-use assets are classified as transmission, property, equipment and motor vehicles. Finance leases at 30 June 2019 were transferred to lease liabilities and right-of-use assets on 1 July 2019.

The impact of adoption of NZ IFRS 16 on the Group's consolidated financial statements is summarised in the table below:

In NZD 000	Note	30-Jun-20	1-Jul-19
Right-of-use assets	13	96,821	77,962
Lease liabilities	17	(109,865)	(92,944)
Deferred tax		3,652	4,194
Retained earnings		10,785	10,785

Lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, which is the case for most of the Group's leases, the Group's incremental borrowing rate (IBR) is used. The IBR is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the IBR, the Group calculates its internal borrowing rate on a quarterly basis. The weighted average IBR at 30 June 2020 was 4.37% (1 July 2019: 4.00%).

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

Commitments disclosed as at 30 June 2019	
Operating leases	92,660
Contracts for transmission service	7,038
Other service commitments (note 29)	26,511
	126,209
Less short term and immaterial leases recognised on a straight-line basis as an expense	(2,354)
Less contracts assessed as service commitments	(22,813)
Adjustment for transponder accrual	(3,070)
Discounting using the Group's incremental borrowing rate at the date of initial application	(5,028)
Operating lease liability	**92,944**
Current lease liabilities	36,873
Non-current lease liabilities	56,071
	92,944

The adoption of NZ IFRS 16 does not have any significant impact on the Group's banking covenants since transmission leases were already treated as finance leases in the covenant calculations.

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

3. Significant Accounting Policies and Key Sources of Estimation Uncertainty (Continued)

Foreign operations

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

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

Goods and services tax (GST)

The consolidated statement of comprehensive income and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the consolidated balance sheet are stated net of GST with the exception of receivables and payables, which include GST invoiced.

4. Segment and Revenue Information

In NZD 000	30-Jun-20	30-Jun-19
Residential satellite subscriptions	581,962	629,763
Other subscriptions	105,381	98,595
Advertising	45,155	51,805
Other revenue	14,143	14,963
Other income	1,005	-
	747,646	**795,126**

Description of revenue streams

Within its operating business segment Sky has several revenue streams which it reports against. These include:

Residential satellite revenue: This includes revenue from Sky's subscription services linked to its satellite customers. Customers are invoiced on a monthly basis and contracts are normally for a period of 6 or 12 months with monthly renewals thereafter. Early termination fees apply. Revenue is recognised over the period to which the subscription related.

Unearned subscriptions and deferred revenues are revenues that have been invoiced relating to services not yet performed and are reported as contract liabilities (refer note 10).

Other subscription revenue: This includes commercial revenue earned from Sky subscriptions at businesses throughout New Zealand, revenue from content sold to third parties for retransmission and revenue from streaming services such as Neon, Sky Sport Now, RugbyPass and Lightbox. This revenue is recognised over time based on the timing of the services provided. Contracts vary in length, including daily, weekly, monthly and are payable in advance.

Contracts with wholesale customers, where some of the Group's services, (including Neon, Lightbox and Sky Sport Now) are combined with the customer's products and sold as part of a bundled service have differing provisions such that the Group has been determined to be either the principal or the agent depending on the wholesale contract terms. Revenue from these contracts is invoiced monthly depending on the services provided, and is reported on a gross basis with the commission paid or discount offered being treated as an operating expense where the Group is determined to be the principal and on a net basis where the Group is determined to be the agent.

Advertising revenue: This relates to revenue received from customers in return for advertising placed on the Group's services. This revenue is reported when the advertisement is screened. Contract terms and rates vary depending on the customer and services provided. Customers are billed monthly in arrears. Revenue is earned at a point in time.

Other revenue: This includes revenue from installation services, transmission services and various other non-subscriber related revenue. This revenue is recorded when the product or service has been delivered to the customer at a point in time.

Key estimates and judgements

Gross versus net presentation

If the Group has control of goods or services when they are delivered to a customer, then the Group is the principal in the sale to the customer, otherwise the Group is acting as an agent. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating flows. Scenarios requiring judgement to determine whether the Group is a principal or an agent include, for example, those where the Group contracts through a third party to deliver its services such as Neon, Sky Sport Now, RugbyPass and Lightbox to customers via a bundled service offering.

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 will form a separate cash generating unit for the year ended 30 June 2020. 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 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 as described below.

In NZD 000	Residential satellite subscriptions	Other subscriptions	Advertising	Other revenue	Total revenue from contracts with customers
For the year ended 30 June 2020					
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	-	7,585	684,106
	581,962	105,381	45,155	15,148	747,646
For the year ended 30 June 2019					
Revenue from customers	629,763	98,595	51,805	32,847	813,010
Inter-segment revenue	-	-	-	(17,884)	(17,884)
Total revenue	**629,763**	**98,595**	**51,805**	**14,963**	**795,126**
Timing of revenue recognition					
At a point in time	13,895	-	51,805	7,505	73,205
Over time	615,868	98,595	-	7,458	721,921
	629,763	**98,595**	**51,805**	**14,963**	**795,126**

Inter-segment revenue relates to intergroup production services.

5. Operating Expenses

Loss before tax includes the following separate expenses/(credits):

In NZD 000	Notes	30-Jun-20	30-Jun-19
Depreciation, amortisation and impairment			
Depreciation and impairment of property, plant and equipment (1)	12	54,698	109,100
Amortisation of intangibles	14	31,050	22,003
Depreciation of right-of-use assets	13	33,570	-
Impairment of goodwill	15	177,500	670,000
Total depreciation, amortisation and impairment		**296,818**	**801,103**
Credit loss			
Movement in provision		319	(57)
Net write-off		1,033	1,243
Total credit loss	8	**1,352**	**1,186**
Fees paid to external auditors			
Audit fees paid to principal auditors (2)		649	369
Regulatory reporting		3	2
Non-assurance services by principal auditors			
Agreed upon procedures on the bank compliance certificate		3	3
Treasury related financial markets risk analysis and commentary		35	28
Scenario analysis of property requirements		36	
Total fees to external auditors		**726**	**402**
Employee costs (3)		105,707	92,483
Kiwisaver employer contributions		2,304	2,193
Donations		302	214
Operating lease and rental expenses (4)		916	35,872

(1) The majority of depreciation and amortisation relates to broadcasting assets (refer note 12).

(2) The audit fee includes the fee for both the annual audit of the financial statements and the review of the interim financial statements.

(3) Redundancy costs of $15.5 million (30 June 2019: $2.2 million) and a Holidays Act 2003 compliance provision of $3.2 million (note 26) and share based payments of $386,000 (note 28) are included within employee costs.

(4) The balance includes short term and immaterial operating leases which have been excluded from the new accounting treatment for leases, which under NZ IFRS 16 have been capitalised as lease liabilities and right-of-use assets (refer notes 13 and 17).

Employee entitlements to salaries, wages and annual leave, to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided up to the reporting date calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

Incentive plans are recognised as a liability and an expense for discretionary short term incentives (STIs) based on a formula that takes into account the economic value added by employees during the reporting period. The Group recognises this provision where contractually obliged or where there is a past practice that has created a constructive obligation.

6. Earnings Per Share

Basic and diluted loss per share

	30-Jun-20	30-Jun-19 (restated)	30-Jun-19
Loss after tax attributable to equity holders of the parent (NZD 000)	(156,979)	(608,158)	(608,158)
Weighted average number of ordinary shares on issue (thousands)	656,639	506,842	389,140
Basic and diluted earnings/(loss) per share(cents)	**(23.91)**	**(119.99)**	**(156.28)**

	30-Jun-20	30-Jun-19	30-Jun-19
Issued ordinary shares at the beginning of the year	389,139,785	389,139,785	389,139,785
Ordinary shares issued on 19 August 2019	25,085,408	-	-
Ordinary shares issued on 1 November 2019	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	389,139,785	389,139,785
Weighted average number of ordinary shares on issue	**656,638,762**	**506,842,173**	**389,139,785**

The prior year loss per share has been restated to adjust for the impact of the rights issue completed in June 2020 (refer note 19).

Basic loss per share

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

Diluted earnings per share

Diluted earnings or loss per share is calculated by adjusting the weighted average of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Sky had no dilutive potential ordinary shares during the current or prior period.

7. Taxation

Income tax expense

The total charge for the year can be reconciled to the accounting profit/(loss) as follows:

In NZD 000	30-Jun-20	30-Jun-19
Loss before tax	(146,306)	(583,377)
Prima facie tax expense at 28%	(40,966)	(163,346)
Non deductible expenses	49,806	187,812
Prior year adjustment	9	(8)
Adjustment for change to building depreciation	(2,487)	-
Tax loss not recognised	1,813	-
Other	2	2
Effect of foreign tax rates	2,289	-
Income tax expense	**10,466**	**24,460**
Allocated between		
Current tax payable	27,656	42,344
Deferred tax	(17,190)	(17,884)
Income tax expense	**10,466**	**24,460**

7. Taxation (Continued)

Buildings are currently not depreciable for tax purposes. As a result of a change in tax legislation enacted on 25 March 2020 with effect from 1 July 2020, (being the beginning of the 2020/2021 income year), the ability to tax depreciate buildings has been reinstated. The change requires the restatement of the tax base (representing the future benefit of available tax deductions) in the current 2019/2020 income year. This has resulted in a decrease to the deferred tax liability of $2,486,958.

Current income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax, except to the extent that it relates to items recognised directly in other comprehensive income, in which case the tax expense is also recognised in other comprehensive income. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the rates that have been enacted or substantively enacted by the balance date.

Imputation credits

In NZD 000	30-Jun-20	30-Jun-19
Imputation credits available for subsequent reporting periods based on a tax rate of 28%	**145,963**	**119,646**

The above amounts represent the balance of the imputation credit account as at the end of the reporting period adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax;
- Imputation debits that will arise from the payment of dividends. Availability of these credits is subject to continuity of ownership requirements.

Deferred tax (assets) and liabilities

The following are the major deferred tax liabilities and assets and the movements thereon during the current and prior reporting periods.

In NZD 000	Notes	Fixed assets	Leased assets	Other	Recognised directly in equity	Total
For the year ended 30 June 2020						
At 1 July 2019		8,178	15,983	(5,271)	34	18,924
Acquired on acquisition of subsidiaries	27	1,923	-	-	-	1,923
NZ IFRS 9 hedging adjustment recognised through other comprehensive income	20	-	-	-	321	321
Reinstatement of building depreciation		(2,487)	-	-	-	(2,487)
Leased assets under NZ IFRS 16 - retained earnings impact on transition	3	-	(4,194)	-	-	(4,194)
(Credited)/charged to profit and loss		(5,715)	(4,911)	(4,077)		(14,703)
Balance at 30 June 2020		**1,899**	**6,878**	**(9,348)**	**355**	**(216)**
For the year ended 30 June 2019						
At 1 July 2018		17,543	22,364	(3,133)	4,052	40,826
NZ IFRS 9 hedging adjustment recognised through other comprehensive income	20	-	-	-	(3,597)	(3,597)
Revaluation of available for sale investment recognised through other comprehensive income		-	-	-	(421)	(421)
(Credited)/charged to profit and loss		(9,365)	(6,381)	(2,138)	-	(17,884)
Balance at 30 June 2019		**8,178**	**15,983**	**(5,271)**	**34**	**18,924**

Certain deferred tax assets and liabilities have been offset as allowed under NZ IAS 12 where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and liabilities are levied by the same taxation authority.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction neither affects accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Key estimates and judgements

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits. No deferred tax asset has been recognised in relation to the RugbyPass accumulated losses of $14,506,000 and Igloo Limited's accumulated losses of $12,150,000 (30 June 2019: $12,150,000). Those tax losses can be carried forward for use against future taxable profits of both entities subject to meeting the requirements of the income tax legislation in the local tax jurisdiction including shareholder continuity.

8. Trade and Other Receivables

In NZD 000	Notes	30-Jun-20	30-Jun-19
Trade receivables		40,193	51,405
Less provision for loss allowance		(898)	(579)
Trade receivables - net		39,295	50,826
Other receivables		6,019	2,308
Prepaid expenses		11,540	8,862
Balance at end of year		**56,854**	**61,996**
Deduct prepaid expenses		(11,540)	(8,862)
Financial instruments	25	**45,314**	**53,134**

Impairment of trade receivables

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses trade receivables have been grouped based on the shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of revenue over a period of 24 months before 30 June 2020 and 1 July 2019 respectively and the corresponding historical credit losses experienced within this period. As a result of the COVID-19 pandemic the Group has increased its expected loss rates due to the uncertain future outlook for its residential and commercial satellite customers. The ability of these customers to settle receivables in the near future is not currently considered to relate to the historical credit risk characteristics of those customers.

The impairment of trade receivables as at 30 June 2020 is as follows:

	30-Jun-20		30-Jun-19	
In NZD 000	**Gross**	**Impairment**	**Gross**	**Impairment**
Residential subscribers	24,383	(653)	31,622	(423)
Commercial subscribers	2,975	(58)	5,197	(17)
Wholesale customers	7,900	-	8,040	-
Advertising	2,894	(32)	5,132	(42)
Other	2,041	(155)	1,414	(97)
	40,193	**(898)**	**51,405**	**(579)**

8. Trade and Other Receivables (Continued)

As at 30 June, the ageing analysis of trade receivables is as follows:

30-Jun-20				30-Jun-19			
In NZD 000	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**In NZD 000**	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**
Not past due	0.2%	34,735	71	Not past due	0.2%	44,527	84
Past due 0-30 days	2.2%	3,566	80	Past due 0-30 days	2.3%	5,177	118
Past due 31-60 days	6.4%	937	60	Past due 31-60 days	6.9%	944	65
Past due 61-90 days	53.7%	406	218	Past due 61-90 days	39.1%	399	156
Greater than 90 days	85.4%	549	469	Greater than 90 days	43.6%	358	156
		40,193	**898**			**51,405**	**579**

Movements in the provision for impairment of receivables were as follows:

In NZD 000	Note	30-Jun-20	30-Jun-19
Opening balance		579	636
Charged during the year	5	1,352	1,186
Utilised during the year		(1,033)	(1,243)
Closing balance		**898**	**579**

The provision charged and the amount utilised for impaired receivables has been included in subscriber related costs in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of receiving additional cash, usually ninety days after a customer has been disconnected. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable. The Group holds collateral of $1.2 million (30 June 2019: $1.3 million) in the form of deposits for satellite commercial customers.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An impairment loss is recognised based on expected credit losses for each trade receivable group.

9. Programme Rights Inventory

In NZD 000	30-Jun-20	30-Jun-19
Opening balance	89,458	78,378
Acquired as part of acquisition of RugbyPass and Lightbox (note 27)	9,517	-
Settled by issue of shares to NZ Rugby Union (Note 19)	15,436	-
Acquired during the year	280,247	275,789
Written off during the year	(3,240)	(5,715)
Charged to programming expenses	(277,596)	(258,994)
Balance at end of year	**113,822**	**89,458**

Programme rights inventories for broadcast are stated at the lower of cost and net realisable value ('NRV'), and net of the accumulated expense charged to the income statement to date. Such programming rights are included as inventories when the legally enforceable licence period commences and all of the following conditions have been met: (a) the cost of each programme is known or reasonably determinable; (b) the programme material has been accepted by the Group in accordance with the conditions of the rights; and (c) the programme is available for its first showing.

Prior to being included in inventories, the programming rights are classified as television programme rights not yet available for transmission and not recorded as inventories on the Group's balance sheet and are instead disclosed as contractual commitments (see note 29).

The cost of television programme inventories is recognised as programming rights in the income statement, over the period the Group utilises and consumes the programming rights, applying linear-broadcast and time-based methods of amortisation depending on the type of programme right, taking into account the circumstances primarily as described below.

These circumstances may change or evolve over time and, as such, the Group regularly reviews and updates the method used to recognise programming expense.

- Sports – the majority or all of the cost is recognised in the income statement on the first broadcast or, where the rights are for multiple seasons or competitions, such rights are recognised principally on a straight-line basis across the contracted broadcast period or season.
- Movies – the cost is recognised in the income statement on an "as played" basis over the period for which the broadcast rights are licensed.
- Pass through channels – the cost is amortised in the month of activity.
- Entertainment streaming content is amortised on a straight-line basis over the licence period.

The Group regularly reviews its programming rights for impairment. Where programme broadcast rights are surplus to the Group's requirements, and no gain is anticipated through a disposal of the rights, or where the programming will not be broadcast for any other reason, a write-down to the income statement is made. Any reversals of inventory write-downs are recognised as reductions in operating expense.

Key estimates and judgements

The COVID-19 pandemic has resulted in uncertainty around the valuation and amortisation of sports rights specifically in relation to the value of major sports competitions. Some competitions have been delayed or postponed. As at 30 June 2020 it is not clear when and if certain sports events will take place, and as a consequence, management have exercised judgement in assessing the value of programming rights at year end and the estimated amortisation of rights costs. Where the Group has negotiated an equitable reduction due to COVID-19 prior to balance date on contracted payments for certain sports rights where content has been prepaid but not delivered or where content has been contracted for but will not be delivered, the amortisation expense has been adjusted accordingly.

10. Trade and Other Payables and Contract Liabilities

In NZD 000	Notes	30-Jun-20	30-Jun-19
Trade payables		94,009	79,000
Deferred consideration	27	10,522	-
Employee entitlements		7,307	13,575
Tax payables		13,750	8,885
Accruals		41,159	34,618
Provisions	26	9,274	-
Balance at end of year		**176,021**	**136,078**
Less			
Payables not classified as financial instruments		(30,331)	(22,460)
Financial instruments	25	**145,690**	**113,618**

Trade payables have increased due to accruals for sports rights payments where delivery of rights has been either postponed or delayed.

Tax payables, provisions and employee benefits do not meet the definition of a financial instrument and have been excluded from the "Trade and other payables" category.

Trade and other payables, other than contingent consideration which is measured at fair value, are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

Contract liabilities

In NZD 000	30-Jun-20	30-Jun-19
Deferred revenue	51,180	54,396

The opening balance of contract liabilities at 1 July 2018 was $60,746,000. Contract liabilities of $54,396,000 were expensed during the year ending 30 June 2020.

Contract liabilities are not classified as financial instruments.

Contract liabilities are recognised for payments received from customers in advance and are recognised into revenue over the service period. Sky invoices customers in advance for both residential and commercial subscriptions. Contract liabilities recognised at the end of the financial year are recognised as revenue in the following year.

11. Assets Held for Sale

On 11 February 2020, the Board made the decision to dispose of the assets of Outside Broadcasting Limited (OSB) a subsidiary of Sky. The sale of the assets of OSB is expected to be completed within a year from the reporting date. As at 30 June 2020 the assets have been classified as held for sale in the financial statements. Assets and liabilities held for sale have been reported at their book values. OSB is part of the Sky operating segment. The sale of OSB was announced on 12 August 2020 (refer note 31).

In NZD 000	Note	30-Jun-20
Assets		
Property, plant and equipment (net)	12	7,245
Right-of-use assets (net)	13	1,122
Assets held for sale		8,367
Liabilities		
Employee entitlements		235
Short term lease liabilities	17	349
Long term lease liabilities	17	1,017
Liabilities associated with assets held for sale		1,601

12. Property, Plant and Equipment

In NZD 000	Land, buildings & leasehold improvements	Broadcasting & studio equipment	Decoders & associated equipment	Capitalised installation costs	Other plant & equipment	Projects under development	Total
For the year ending 30 June 2020							
Cost							
Balance at 1 July 2019	70,011	144,811	321,242	261,914	89,091	42,866	929,935
Acquired as part of the acquisition of RugbyPass and Lightbox	-	-	-	-	385	-	385
Transfer between categories	(2,408)	(78)	-	-	2,486	-	-
Transfer from projects	937	1,676	-	-	4,663	(9,440)	(2,164)
Assets held for sale (note 11)	(196)	(48,942)	-	-	(6,485)	(52)	(55,675)
Additions	2,419	3,681	681	12,597	5,654	2,438	27,470
Disposals	-	(503)	(17,840)	(22,590)	(3,252)	-	(44,185)
Balance at 30 June 2020	**70,763**	**100,645**	**304,083**	**251,921**	**92,542**	**35,812**	**855,766**
Accumulated depreciation							
Balance at 1 July 2019	26,267	136,325	298,351	209,012	63,337	33,426	766,718
Depreciation for the year	2,380	6,460	15,586	23,471	6,801	-	54,698
Assets held for sale (note 11)	(125)	(42,414)	-	-	(5,891)	-	(48,430)
Disposals	-	(503)	(17,830)	(22,590)	(882)	-	(41,805)
Balance at 30 June 2020	**28,522**	**99,868**	**296,107**	**209,893**	**63,365**	**33,426**	**731,181**
Net book value at 30 June 2020	**42,241**	**777**	**7,976**	**42,028**	**29,177**	**2,386**	**124,585**
For the year ending 30 June 2019							
Cost							
Balance at 1 July 2018	64,582	139,293	331,720	287,210	77,062	23,295	923,162
Transfer between categories	3,364	1,737	-	-	6,739	(11,840)	-
Transfer to software assets	-	-	-	-	-	(3,127)	(3,127)
Additions	2,951	4,153	3,229	15,566	5,476	34,538	65,913
Disposals	(886)	(372)	(13,707)	(40,862)	(186)	-	(56,013)
Balance at 30 June 2019	**70,011**	**144,811**	**321,242**	**261,914**	**89,091**	**42,866**	**929,935**
Accumulated depreciation							
Balance at 1 July 2018	24,753	129,828	280,099	222,512	56,388	-	713,580
Depreciation for the year	2,400	6,869	27,165	27,362	7,135	-	70,931
Impairment	-	-	4,743	-	-	33,426	38,169
Disposals	(886)	(372)	(13,656)	(40,862)	(186)	-	(55,962)
Balance at 30 June 2019	26,267	136,325	298,351	209,012	63,337	33,426	766,718
Net book value at 30 June 2019	**43,744**	**8,486**	**22,891**	**52,902**	**25,754**	**9,440**	**163,217**

12. Property, Plant and Equipment (Continued)

Land, buildings and leasehold improvements at 30 June 2020 includes land with a cost of $8,820,000 (30 June 2019: $8,820,000). Depreciation related to broadcasting assets (including decoders and capitalised installation costs) of $45,527,000 (30 June 2019: $61,391,000) accounts for the majority of the total depreciation charge. Due to immateriality of the remaining depreciation, no allocation of depreciation has been made across expense categories in the consolidated statement of comprehensive income.

In the prior year, an impairment charge of $38,169,000 was incurred in relation to the closure of infinite video platform project (IVP) and impairment of decoders and associated equipment.

In compliance with NZ IFRS 16 'Leases', assets relating to finance leases with a value of $2,387,000 were transferred to right-of-use assets on 1 July 2019. (Refer note 13).

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except land which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Capitalised installation costs are represented by the cost of satellite dishes, installation costs and direct labour costs. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The cost of additions to plant and other assets constructed by the Group consist of all appropriate costs of development, construction and installation, comprising material, labour, direct overhead and transport costs. For qualifying assets directly attributable interest costs incurred during the period required to complete and prepare the asset for its intended use are capitalised as part of the total cost. All other costs are recognised in profit or loss as an expense is incurred. Additions in the current year include $2,064,000 of capitalised labour costs (30 June 2019: $746,000) and $205,000 of capitalised interest (30 June 2019: $997,000).

Projects under development comprise expenditure on partially completed assets. The projects include items of property, plant and equipment and intangible assets. At completion of the project the costs are allocated to the appropriate asset categories and depreciation or amortisation commences.

Costs may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recognised in other costs in profit or loss.

Depreciation

Property, plant and equipment are depreciated using the straight-line method so as to allocate the costs of assets to their residual values over their estimated useful lives as follows:

Leasehold improvements	5-50 years
Buildings	50 years
Broadcasting and studio equipment	5-10 years
Decoders and associated equipment	4-5 years
Other plant and equipment	3-10 years
Capitalised installation costs	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Key estimates and judgements

The estimated life of technical assets such as decoders and other broadcasting assets is based on management's best estimates. Changes in technology may result in the economic life of these assets being different from that estimated previously. The Board and management regularly review economic life assumptions of these assets as part of management reporting procedures.

13. Right-Of-Use Assets

In NZD 000	Transmission	Property	Equipment	Motor vehicles	Total
Right-of-use assets					
Transition balance on 1 July 2019	61,898	7,602	8,038	424	77,962
Reclassify assets relating to finance leases previously recognised	-	-	2,387	-	2,387
Held for sale (note 11)	-	(1,029)	-	(93)	(1,122)
Additions and lease modification	42,875	5,628	3,504	21	52,028
Terminations	-	(864)	-	-	(864)
Depreciation	(25,341)	(1,740)	(6,342)	(147)	(33,570)
Balance at 30 June 2020	**79,432**	**9,597**	**7,587**	**205**	**96,821**

In the previous year, the Group only recognised lease assets for those assets relating to finance leases under NZ IAS 17 Leases. The assets were presented in property, plant and equipment.

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

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

Due to COVID-19 some lessors have provided the Group with lease concessions, being by way of reduction or postponement of monthly payments, for periods of up to three months. These concessions have not resulted in any changes in either the lease asset or the lease liability (refer note 17). The value of lease concessions received is $309,000 for property leases and $440,000 for equipment leases. These are recorded as a deduction from operating expenses.

14. Intangible Assets

In NZD 000	Notes	Software	Other intangibles	Projects under development	Total
For the year ending 30 June 2020					
Cost					
Balance at 1 July 2019		151,889	1,083	-	152,972
Acquired as part of the acquisition of RugbyPass and Lightbox	27	7,995	7,974	-	15,969
Transfer from projects under development	12	2,164	-	-	2,164
Additions		19,697	-	9,291	28,988
Disposals		(3)	-	-	(3)
Balance at 30 June 2020		**181,742**	**9,057**	**9,291**	**200,090**
Accumulated amortisation					
Balance at 1 July 2019		101,424	1,063	-	102,487
Amortisation for the year		29,330	1,720	-	31,050
Disposals		(3)		-	(3)
Balance at 30 June 2020		**130,751**	**2,783**	**-**	**133,534**
Net book value at 30 June 2020		**50,991**	**6,274**	**9,291**	**66,556**
For the year ending 30 June 2019					
Cost					
Balance at 1 July 2018		138,883	1,083	-	139,966
Transfer from projects under development	12	3,127	-	-	3,127
Additions		10,035	-	-	10,035
Disposals		(156)	-	-	(156)
Balance at 30 June 2019		**151,889**	**1,083**	**-**	**152,972**
Accumulated amortisation					
Balance at 1 July 2018		79,573	1,050	-	80,623
Amortisation for the year		21,990	13	-	22,003
Disposals		(139)	-	-	(139)
Balance at 30 June 2019		**101,424**	**1,063**	**-**	**102,487**
Net book value at 30 June 2019		**50,465**	**20**	**-**	**50,485**

Software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives (generally three to five years).

Direct costs associated with the development of broadcasting and business software for internal use are capitalised where it is probable that the asset will generate future economic benefits. Capitalised costs include external direct costs of materials and services consumed and direct payroll-related costs for employees (including contractors) directly associated with the project and interest costs incurred during the development stage of a project. Additions in the current year to software include $9,432,000 of accumulated capitalised labour costs (30 June 2019: $4,014,000), $7,956,000 of which were incurred in the current year (30 June 2019: $3,331,000) and $513,000 of capitalised interest (30 June 2019; $60,000).

Projects under development comprise expenditure on partially completed assets. The projects include items of property, plant and equipment and intangible assets. At completion of the project the costs are allocated to the appropriate asset categories and depreciation or amortisation commences.

Key estimates and judgements

Assets that are subject to amortisation and depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

15. Goodwill

In NZD 000	Notes	30-Jun-20	30-Jun-19
Opening balance		395,331	1,065,331
Acquisition of RugbyPass	27	38,481	-
Impairment	5	(177,500)	(670,000)
Closing balance		**256,312**	**395,331**

Assets that have an indefinite useful life are not subject to amortisation and are tested at each reporting date for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment tests are performed by assessing the recoverable amount of each individual asset or cash generating unit (CGU). The recoverable amount is determined as the higher amount calculated under a value-in-use or a fair value less costs of disposal calculation. Both methods utilise pre-tax future cash flows which are included in the Group's five-year business plan. Following the emergence of COVID-19 and in advance of raising capital, the Group revisited its five-year strategy including overlaying the known impacts of COVID-19 and any delays in growth as a result. The final five-year business plan used for the impairment testing was approved by the Board in May 2020. Given the heightened level of uncertainty at present, as detailed in the key estimates and judgments outlined below, forecasting with confidence and high levels of accuracy is difficult and actual results may differ significantly from the forecasts contained in the Board approved five-year business plan.

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition and the fair value of the non-controlling interest in the acquired subsidiary. In prior years the goodwill balance has been allocated to the Group's single reportable segment. The majority of goodwill arose as a result of the acquisition of Sky by Independent Newspapers Limited (INL) in 2005. Subsequent acquisitions have resulted in increases to goodwill. In August 2019, the Group acquired RugbyPass and recognised goodwill of $38.5 million (refer note 27).

For the year ended 30 June 2020, RugbyPass is reported as a separate CGU, albeit it continues to be included as part of the Group's single reportable segment (refer note 4). This differs from the reporting as at 31 December 2019 where the Group reported one CGU, combining Sky and RugbyPass cash flows. Since the December 2019 reporting date, the Board has reassessed their view of the Group's CGUs and now believe that the separation of Sky and RugbyPass into individual CGUs represents the lowest level for which there are separately identifiable cash inflows largely independent of the cash inflows from other assets. This reassessment was largely driven by COVID-19 and the uncertainty it caused in the global sporting rights market. This uncertainty has led the Board to pivot the RugbyPass strategy away from content rights monetisation through streaming to the monetisation of its audience reach and self-generated content through advertising, sponsorship and lower priced subscriptions to view non-rights content. This means the forecast revenue model for RugbyPass now largely differs from that of Sky's which continues to primarily be subscriber-based content rights monetisation.

In separating out the RugbyPass CGU from Sky's, all of the RugbyPass acquisition goodwill of $38.5 million was allocated to the RugbyPass CGU as it is management's view that in conjunction with the factors described above, the existing Sky business has not received any material synergy benefits from the acquisition of RugbyPass to date.

In performing impairment testing, if the carrying values exceed the recoverable amounts of the CGU, then the goodwill allocated to each of these units is considered to be impaired and an impairment expense is recognised in the income statement. The recoverable amounts of both CGUs for the year ended 30 June 2020 have been determined based on fair value less cost of disposal calculations using the discounted cash flow (DCF) model. Valuations for the year ended 30 June 2020 have been completed by an independent third-party valuer. This valuation methodology uses level three inputs in terms of the fair value hierarchy in NZ IFRS 13.

The fair value less cost of disposal calculations include benefits of future changes to the cost structure as the Group leverages new technologies and continues to refine its operating models. For RugbyPass, it also includes the impacts of the change in strategy. Some of these changes would not be included if value-in-use calculations were used to determine the recoverable amounts of the CGUs and therefore fair value less cost of disposal calculations lead to the highest recoverable amounts for both CGUs.

Key estimates and judgements

The determination of CGUs and the allocation of goodwill to these CGUs required judgement by management and this has been outlined above.

The forecasts used in impairment testing also require assumptions and judgements about the future, such as discount rates, terminal growth rates, forecast revenues, and assumptions around programming rights, and other costs and capital expenditure to which the impairment models are very sensitive, and which are inherently uncertain. Actual results may differ materially from those forecast or implied. The forecasts are not, and should not be read as, a forecast of, or guidance as to, the future financial performance and earnings of the Group.

15. Goodwill (Continued)

Cash flows over the forecast period (FY21 to FY25)

Forecast cash flows are prepared based on management's current expectations, with consideration given to internal information and relevant external industry data and analysis. The cash flow assumptions reflect the Group's growth ambitions which are included in the Board approved five-year plan.

In determining the cash flows for the five-year business plan, the Group considered forecasts under several scenarios given the uncertainty arising from the COVID-19 pandemic before selecting the most likely scenario representing a partial return of live sports through 2020, with a more fulsome sports calendar in 2021. The Board acknowledges that there continues to be ongoing uncertainties surrounding:

- the quantum and timing of subscription revenues including expected acquisition and retention rates for streaming and satellite customers
- timing of live sports across the various sporting codes and delivery of rights according to contract, or delivery of equivalent content
- formalised agreement of cost reductions for sports rights which were not delivered due to COVID-19 in accordance with contractual commitments
- expansion of content delivery by means other than satellite, specifically the launch of broadband services.

Key cash flow assumptions include the following:

Sky CGU

Residential satellite and streaming revenues have been forecast based on management's current expectations of subscriber numbers and average revenues per user (ARPU). In forming these expectations, management has referenced past acquisitions, churn, and acquisition performance. As well as past experience, the forecasts factor in management intervention and planned growth strategies, specifically in streaming following Sky's acquisition and merger of the Lightbox platform with Neon and the repositioning of Sky Sport Now to increase its appeal to customers.

Broadband revenues represent a new revenue stream for Sky following its anticipated launch date in the 2021 financial year and are estimated based on management's expectations of Sky's market penetration with reference to relevant industry data and Sky's expected ARPU.

Programming expenses include both programming rights and programming costs. Programming rights expenses have been forecast with reference to contractual arrangements for content currently in place and management's expectations of future renewal of content arrangements. Management assumes the continuity of rugby content supply as envisioned in the short form agreements (NZR Agreements) entered into by Sky, SANZAAR and NZ Rugby in October 2019. The parties continue to negotiate relevant updates to the NZR Agreements reflecting changes to rugby content and competitions as a result of restrictions arising from COVID-19 or as mutually agreed by the contractual parties. Management has assumed that sufficient volume of quality rugby content will be delivered for the length of the contracted period and that the applicable contracted payments will be paid. Programming costs largely comprise of sports production costs and are forecast with reference to the latest sporting calendar and management's expectations of future events.

Broadcasting and infrastructure expenses are forecast with reference to historical trends with assumed cost savings as Sky continues to refine its operational activities through a period of transformational change and right-sizes its cost base.

RugbyPass CGU

Future RugbyPass revenues and costs are estimated with reference to comparable content generation, subscription, and marketing businesses leveraging RugbyPass' existing industry and user relationships, audience reach and content engagement.

Capital expenditure within both CGUs is forecast with reference to revenue consistent with historical trends and the changing nature of the Group's asset base.

Discount rates and terminal growth rates

The terminal growth rates and discount rates used in the 30 June 2020 impairment assessment calculations (and the equivalent assumptions for 30 June 2019) are detailed below. Costs of disposal are assumed to be 1% of enterprise value.

	30-Jun-20		30-Jun-19	
%	Sky CGU	RugbyPass CGU	Sky CGU	RugbyPass CGU
Terminal growth rate	1.4%	2.0%	0.0%	-
Discount rate (post-tax)	15.3%	35.0%	9.0%	-
Discount rate (pre-tax)	21.3%	48.6%	12.5%	-

*Note that FY19 only had the Sky CGU

Management has assumed that a terminal growth rate of 1.4% (2019: 0%) more accurately reflects the long-term growth rate to apply to cash flows beyond those explicitly modelled. The 1.4% rate takes into account the surety of content supply from entering into long-term content supply agreements in the current financial year and the changing balance of future revenues with streaming and other subscription revenue that are likely to more than offset the decline of residential satellite revenues. Any risks of not achieving this long-term growth rate have been adequately factored into the discount rate.

The discount rates represent the current assessment of the risks specific to each CGU, taking into account the time value of money and risks of achieving the cash flow estimates. The discount rate calculation is based on the specific circumstances of the CGUs and is derived from its weighted average costs of capital (WACC).

The discount rates applied to the CGUs as at 30 June 2020 are materially higher than the prior year and interim reporting period due to a number of factors driven in the most part by the impacts of COVID-19. The key impacts are summarised as follows:

- A higher risk weighting for RugbyPass given its recent change in strategy due to COVID-19 whereby the cash flows from the higher certainty streaming business have been replaced with cash flows from the less advanced monetisation of its audience and self-generated content business.
- Uncertainty of access to, and the nature of, content being delivered, especially sport content and future rugby content
- The delay of the launch of Sky Broadband to later than initially planned with launch now planned for later in FY21
- Uncertainty which exists within the overall economic environment and the impacts on Sky still being unknown

The increases in discount rates for the reasons described above are the key driver of impairment across both the CGUs.

Impairment of goodwill

In NZD 000	Notes	Sky CGU	RugbyPass CGU
Opening balance		395,331	-
Acquisition of RugbyPass	27	-	38,481
Impairment	5	(150,000)	(27,500)
Closing balance		**245,331**	**10,981**

Based on the assumptions outlined above, an impairment of $177.5 million has been recognised. This impairment review recognised that the difference between the Group's total market capitalisation and the carrying value of net assets had increased beyond a level that could be supported. Following the current year impairment of goodwill, the recoverable amounts of both CGUs now equal their carrying amounts.

Sky CGU

Using the fair value less cost of disposal approach, a recoverable amount for the Sky CGU of $349.7 million has been calculated. As a result, an impairment to the goodwill balance of $150 million has been recognised as at 30 June 2020.

RugbyPass CGU

Using the fair value less cost of disposal approach, a recoverable amount for the RugbyPass CGU of $15.8 million has been calculated. An impairment to the goodwill balance of $27.5 million has been recognised as at 30 June 2020.

15. Goodwill (Continued)

Sensitivities

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

The key forecast cash flow assumptions by CGU are outlined below. For each key assumption management has identified what a reasonable possible change may be, based on expected ranges which would significantly impact the recoverable amount. The expected impacts on the CGU recoverable amount which result from a sensitivity to subscribers also captures the change in the directly attributable variable costs caused by the increase/decrease to subscribers. The expected impact on the CGU recoverable amount from the cost sensitivities do not capture any changes in revenue which may result if costs were to increase/decrease.

	Sensitivity	Expected impact on CGU recoverable amount	
		Upside $000	Downside $000
Sky CGU			
Residential Satellite revenues	+/-10% change to subscribers	181,618	(181,956)
	+/-10% change to ARPU	346,057	(338,166)
Streaming revenues	+/-10% change to subscribers	39,249	(48,929)
	+/-10% change to ARPU	59,064	(45,407)
Broadband revenues	+/-10% change to subscribers	3,367	(3,367)
	+/-10% change to ARPU	19,861	(14,895)
Sky CGU costs	+/-20% change to programming expenses	393,206	(393,206)
	+/-10% change to broadcasting and infrastructure costs	16,205	(16,205)
	+/-1% change to capex as % of revenue	64,935	(64,935)
DCF assumptions	+/-2% change to discount rate	68,510	(50,775)
	+/-1% change to terminal growth rate	20,867	(18,062)
RugbyPass CGU			
Revenues	+/-10% change to audience reach	1,913	(1,913)
	+/-10% change to RugbyPass subscribers	706	(763)
	+/-10% change to RugbyPass ARPU	1,349	(1,349)
Costs	+/-1% change to capex as % of revenue	571	(571)
DCF assumptions	+/-10% change to discount rate	13,750	(6,557)
	+/-1% change to terminal growth rate	453	(426)

Market capitalisation comparison

The Group compares the carrying amount of net assets with its market capitalisation value at each reporting balance date. The share price as at 30 June 2020 was $0.15 equating to a market capitalisation of $261.9 million. As at 8 September 2020, the date prior to the financial statements being signed, the share price was $0.16 equating to a market capitalisation of $281.2 million. This market value excludes any control premium and may not reflect the value of the Group's net assets. The carrying amount of the Group's net assets as at 30 June 2020 was $375.0 million ($0.21 per share) following the impairment of goodwill across the Sky and RugbyPass CGUs. Management and the directors have considered the market capitalisation and net assets and concluded that this has been adequately considered in determining the appropriate impairment.

16. Borrowings

	30-Jun-20			30-Jun-19		
In NZD 000	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Borrowings	970	1,883	2,853	1,093	90,643	91,736
Lease liabilities(note 17)	-	-	-	608	1,796	2,404
Bonds	99,795	-	99,795	-	99,522	99,522
	100,765	**1,883**	**102,648**	**1,701**	**191,961**	**193,662**

Borrowings include bank debt and third party loans.

Bank loans

On 18 May 2020 the Group agreed a Facility Commitment Letter with a syndicate of banks comprising Bank of New Zealand, Commonwealth Bank of Australia and Westpac Bank which included key terms for the renegotiated bank facility. One of the terms included in this letter was to undergo an equity raise which the Group successfully completed by raising a total amount of approximately $157,000,000 (refer to note 19). The Facility Commitment Letter also granted a waiver for COVID-19 pandemic related business activity that could affect the Group's covenant compliance.

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 $1,902,000 (30 June 2019; $6,780,000) have been set off against cash balances.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings, using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Bonds

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

Terms and conditions of outstanding bonds are as follows:

	30-Jun-20	30-Jun-19
	Bond	**Bond**
Nominal interest rate	6.25%	6.25%
Market yield	4.37%	3.58%
Issue date	31-Mar-14	31-Mar-14
Date of maturity	31-Mar-21	31-Mar-21
In NZD 000		
Carrying amount	99,795	99,522
Fair value	101,380	104,523
Face value	100,000	100,000

16. Borrowings (Continued)

Bonds are recognised initially at fair value less costs of issue. Costs of issue are amortised over the period of the bonds. Subsequent to initial recognition, bonds are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the bonds, using the effective interest method. Bonds are classified in the consolidated balance sheet as current liabilities since settlement of the liability is due within 12 months after the balance date.

The difference between carrying amount and fair value has not been recognised in the consolidated financial statements as the bonds are intended to be held until maturity.

Changes in liabilities arising from financing activities

In NZD 000	1 July 2019	Adoption NZ IFRS 16	Additions	Repayment	Fees	Reclass	Other movements	30 June 2020
Current liabilities								
Third party loan	1,093	-	-	(1,093)	-	970	-	970
Bonds	-	-	-	-	-	99,795	-	99,795
Finance lease	608	-	-	-	-	(608)	-	-
Lease liabilities	-	-	-	-	-	36,562	-	36,562
Derivatives - Interest rate	631	-	-	-	-	-	(631)	-
Non- current liabilities								
Borrowings	87,356	-	119,000	(207,000)	212	143	-	(289)
Third party loan	3,287	-	-	-	-	(1,115)	-	2,172
Finance lease	1,796	-	-	-	-	(1,796)	-	-
Lease liabilities	-	95,357	52,028	(36,901)	-	(34,156)	(3,025)	73,303
Bonds	99,522	-	-	-	273	(99,795)	-	-
Derivatives - Interest rate	(11)	-	-	-	-	-	11	-
	194,282	**95,357**	**171,028**	**(244,994)**	**485**	**-**	**(3,645)**	**212,513**

In NZD 000	1 July 2018	Additions	Repayment	Fees	Reclass	Other movements	30 June 2019
Current liabilities							
Borrowings	458	-	-	-	635	-	1,093
Finance lease	582	-	-	-	26	-	608
Derivatives - Interest rate	412	-	-	-	219	-	631
Non- current liabilities							
Borrowings	130,822	257,000	(300,000)	(466)	-	-	87,356
Third party loan	1,803	3,205	(1,086)	-	(635)	-	3,287
Finance lease	2,429	-	(607)	-	(26)	-	1,796
Bonds	99,250	-	-	272		-	99,522
Derivatives - Interest rate	1,475	-	-	-	(219)	(1,267)	(11)
	237,231	**260,205**	**(301,693)**	**(194)**	**-**	**(1,267)**	**194,282**

Other movements include, exchange differences, and changes in fair value.

17. Lease Liabilities

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

In NZD 000	Transmission	Property	Equipment	Motor vehicles	Total
Lease liabilities					
Transition balance on 1 July 2019	75,353	8,954	8,211	426	92,944
Reclassification of finance leases previously recognised	-	-	2,413	-	2,413
Additions for the period	42,875	5,628	3,504	21	52,028
Add interest for period	2,258	550	530	19	3,357
Lease terminations	-	(913)	-	-	(913)
Held for sale (note 11)	-	(1,270)	-	(96)	(1,366)
Less repayments	(30,459)	(2,261)	(7,375)	(163)	(40,258)
Foreign currency revaluation	1,411	-	249	-	1,660
Balance at 30 June 2020	**91,438**	**10,688**	**7,532**	**207**	**109,865**
Current	29,828	1,979	4,657	98	36,562
Two to five years	61,610	7,981	2,875	109	72,575
More than five years	-	728	-	-	728
	91,438	**10,688**	**7,532**	**207**	**109,865**

Expense relating to short term leases for the period included in expenses in the consolidated statement of comprehensive income is $6,471,000. A property lease was terminated during the period resulting in a lease gain of $50,000 which is recorded in other income in the profit or loss statement.

On 29 June 2020 the Group agreed a variation of its satellite lease with Optus which extended the lease period until the launch of a new satellite which is expected to be between 31 December 2023 and 31 May 2024. The lease also alters the payment profile of the transponders and allows the Group to utilise between five and seven transponders. The variation has been treated as a lease modification which increased lease assets and lease liabilities by a value of $42,875,000.

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

17. Lease Liabilities (Continued)

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

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

Critical judgements in determining the lease term

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

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

The COVID-19 pandemic has resulted in some lessors providing the Group with lease concessions for periods of up to three months. These concessions have not resulted in any changes in either the lease asset or the lease liability (refer note 13). The value of lease concessions received is $749,000. These are recorded as a deduction from operating expenses.

18. Finance Costs, Net

In NZD 000	30-Jun-20	30-Jun-19
Finance income		
Interest income	(161)	(275)
	(161)	**(275)**
Finance expense		
Interest expense on bank loans	5,952	6,564
Interest expense on bonds	6,155	6,132
Lease interest	3,357	261
Amortisation of bond costs	273	272
Bank facility finance fees	283	666
Total interest expense	**16,020**	**13,895**
Unrealised exchange loss/(gain) - foreign currency payables	401	(599)
Unrealised exchange loss - foreign currency hedges	1,552	341
Realised exchange (gain)/loss - foreign currency payables	(4,073)	(920)
	13,739	**12,442**

Interest income is recognised on a time-proportion basis using the effective interest method, which is the rate that exactly discounts estimated future cash flow receipts through the expected life of the financial asset to that asset's net carrying amount.

Borrowing costs directly attributable to acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurs with the borrowing of funds.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are translated to New Zealand dollars at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss except where hedge accounting is applied and foreign exchange gains and losses are deferred in other comprehensive income.

19. Share Capital

	Notes	Number of shares (000)	Ordinary shares (NZD 000)
Shares on issue at 30 June 2019		389,140	577,403
Shares issued for purchase of RugbyPass	27	25,085	24,378
Shares issued to NZ Rugby Union	9	21,801	15,436
Shares issued to Chief Executive	28	200	386
Rights issue and placement May 2020		1,310,053	157,091
Less transaction costs		-	(7,086)
		1,746,279	**767,608**

On 19 August 2019 Sky issued 25,085,408 shares at a value of $1.24 to RugbyPass Investors,LLC as part of the consideration for the purchase of RugbyPass (refer note 27).

On 1 November 2019 Sky issued 21,801,325 shares at a value of $0.92 to the NZ Rugby Union as part of the consideration in relation to the SANZAAR and Rugby Union Partnership agreement. The shares were valued at fair value being the listed price on the acquisition date less an attributable discount (refer note 9). The Group has measured the value of the consideration received indirectly by reference to the fair value of the equity instruments granted and recorded this as a prepayment for programme rights.

On 21 February 2020, 200,000 ordinary shares were issued to Sky's Chief Executive Martin Stewart as part of Mr Stewart's employment agreement with Sky at a value of $1.93 per share.

On 21 May 2020 the Group announced an equity raising at an offer price of NZ$0.12 per share, comprising: a fully underwritten $9.0 million institutional placement and fully underwritten $148.0 million pro-rata non-renounceable accelerated entitlement offer (the Offer) to eligible shareholders, at a ratio of 2.83 for 1. A total of 1,310,053,040 new shares were issued under the Offer raising a total amount of approximately $157.0 million. Transaction costs of $7.1 million have been deducted from the proceeds of the Offer.

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

In NZD 000	RugbyPass	NZ Rugby Union
Shares issued at market value	31,106	20,057
Translation adjustment	(1,506)	-
Less discount	(5,222)	(4,621)
Fair value of consideration	**24,378**	**15,436**

20. Reserves

In NZD 000	Notes	Hedge reserve	Share based compensation reserve	Currency translation reserve	Total reserves
As at 30 June 2020					
Balance as at 1 July 2019		(214)	161	-	(53)
Translation of subsidiary		-		220	220
Employee share scheme	28	-	386	-	386
Credit to equity for equity-settled share based payment	19	-	(386)	-	(386)
Cash flow hedges (net of tax)					
Revaluation		2,243	-	-	2,243
Reclassification to profit or loss		(1,098)	-	-	(1,098)
Deferred tax	7	(321)	-	-	(321)
Balance at 30 June 2020		**610**	**161**	**220**	**991**
As at 30 June 2019					
Balance as at 1 July 2018		9,032	-	-	9,032
Employee share scheme	28	-	161	-	161
Cash flow hedges (net of tax)					-
Revaluation		(911)	-	-	(911)
Reclassification to profit or loss		(11,932)	-	-	(11,932)
Deferred tax	7	3,597	-	-	3,597
Balance at 30 June 2019		**(214)**	**161**	**-**	**(53)**

21. Derivative Financial Instruments

		30-Jun-20			30-Jun-19		
In NZD 000	**Notes**	**Assets**	**Liabilities**	**Notional amounts**	**Assets**	**Liabilities**	**Notional amounts**
Interest rate swaps - cash flow hedges		-	-	-	-	(855)	60,000
Interest rate swaps - fair value through profit or loss		-	-	-	235	-	10,000
Total interest rate derivatives		-	-	-	235	(855)	70,000
Forward foreign exchange contracts - cash flow hedges		2,926	(683)	127,920	4,557	(4,282)	343,162
Forward foreign exchange contracts - dedesignated		800	(644)	102,910	1,791	(536)	43,596
Total forward foreign exchange derivatives		3,726	(1,327)	230,830	6,348	(4,818)	386,758
		3,726	**(1,327)**	**230,830**	**6,583**	**(5,673)**	**456,758**
Analysed as:							
Current		3,265	(922)	165,900	5,019	(2,721)	291,656
Non-current		461	(405)	64,930	1,564	(2,952)	165,102
		3,726	**(1,327)**	**230,830**	**6,583**	**(5,673)**	**456,758**
Derivatives used for hedging - cash flow hedges	17	2,926	(683)	127,920	4,557	(5,137)	403,162
At fair value through profit or loss	17	800	(644)	102,910	2,026	(536)	53,596
		3,726	**(1,327)**	**230,830**	**6,583**	**(5,673)**	**456,758**

Foreign exchange rates

Foreign exchange rates used at balance date for the New Zealand dollar are:

	30-Jun-20	30-Jun-19
USD	0.6402	0.6714
AUD	0.9342	0.9561
GBP	0.5216	0.5288
EUR	0.5712	0.5896
JPY	68.9423	72.4434

21. Derivative Financial Instruments (Continued)

Sensitivity analysis for foreign exchange

A 10% strengthening or weakening of the NZD against the following currencies as at 30 June would have resulted in changes to equity (hedging reserve) and unrealised gain/losses (before tax) as shown below. Based on historical movements, a 10% increase or decrease in the NZD is considered to be a reasonable estimate. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the prior year.

	10% rate increase		10% rate decrease	
In NZD 000 GAIN/(LOSS)	**Equity**	**Profit or loss**	**Equity**	**Profit or loss**
As at 30 June 2020				
Foreign currency payables				
USD	-	3,036	-	(3,711)
AUD	-	6,222	-	(7,640)
Foreign exchange hedges				
USD	(3,535)	(2,804)	4,321	3,427
AUD	(8,262)	(6,553)	10,098	8,009
	(11,797)	**(99)**	**14,419**	**85**
As at 30 June 2019				
Foreign currency payables				
USD	-	2,334	-	(2,852)
AUD	-	2,057	-	(2,515)
Foreign exchange hedges				
USD	(12,810)	(2,174)	16,565	2,658
AUD	(17,980)	(1,848)	21,975	2,258
	(30,790)	**369**	**38,540**	**(451)**

Interest rates

During the year ended 30 June 2020, interest rates on borrowings varied in the range of 2.1% to 6.25% (30 June 2019:3.2% to 6.5%).

The Group's interest rate structure is as follows:

		30-Jun-20			30-Jun-19		
In NZD 000	**Notes**	**Effective interest rate**	**Current**	**Non-current**	**Effective interest rate**	**Current**	**Non-current**
Assets							
Cash and cash equivalents		0.41%	110,677	-	3.01%	4,283	-
Liabilities							
Borrowings	16	5.42%	(970)	(1,883)	6.52%	(1,093)	(90,643)
Lease liabilities	17	4.30%	(36,562)	(73,303)	-	-	-
Finance leases	17	-	-	-	6.58%	(608)	(1,796)
Bonds	16	6.16%	(99,795)	-	6.13%	-	(99,522)
Derivatives							
Floating to fixed interest rate swaps			-	-		50,000	10,000
Fixed to floating interest rate swaps			-	-		-	10,000
			(26,650)	**(75,186)**		**52,582**	**(171,961)**

Gains and losses on interest rate hedges recognised in the hedging reserve in equity (note 20) are released to profit or loss within finance cost until the repayment of the bank borrowings.

Sensitivity analysis for interest-bearing instruments

As at 30 June 2020 the Group does not hold any variable rate loans nor any interest rate hedges. In the prior year a change of 100 basis points in interest rates on the reporting date, would have increased/(decreased) the hedging reserve in equity and profit or loss (before tax) by the amounts shown below. Based on historical movements, a 100 basis point movement is considered to be a reasonably possible estimate. This analysis assumes that all other variables remain constant.

	100 BP Increase		100 BP decrease	
In NZD 000 GAIN/(LOSS)	**Equity**	**Profit or loss**	**Equity**	**Profit or loss**
As at 30 June 2019				
Variable rate instruments - bank loans	-	(880)	-	880
Interest rate hedges - cash flow	204	-	(204)	-
	204	**(880)**	**(204)**	**880**

Derivative financial instruments

Derivative financial instruments are used to hedge the Group's exposure to foreign exchange and interest rate risks. The Group does not hold or issue derivatives for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are re-measured at their fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

At inception the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Derivatives consist of currency forwards and interest rate swaps. The fair value is recognised in the hedging reserve within equity until such time as the hedged item will affect profit or loss. The amounts accumulated in equity are either released to profit or loss or used to adjust the carrying value of assets purchased. For example, when hedging forecast purchase of programme rights in foreign currency, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the programme rights. The deferred amounts are ultimately recognised in programme rights' expenses in profit or loss.

Amounts accumulated in the hedging reserve in equity on interest rate swaps are recycled in profit or loss in the periods when the hedged item affects profit or loss (for example when the forecast interest payment that is hedged is made). The gain or loss relating to any ineffective portion is recognised in profit or loss as "interest rate swaps - fair value" in finance costs. The gain or loss relating to interest rate swaps which do not qualify for hedge accounting is recognised in profit or loss within the interest expense charge in "finance costs, net".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

22. Financial Risk Management - Market Risk

Financial risk management objectives

The Group undertakes transactions in a range of financial instruments which include cash and cash equivalents, receivables, payables, derivatives and various forms of borrowings including bonds and bank loans.

These activities result in exposure to 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 Group seeks to minimise the effects of currency and interest rate risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provides written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports monthly to the Board. The Audit and Risk Committee (a standing committee of the Board) is responsible for developing and monitoring the Group's risk management policies and advising the Board in this respect.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board. In general the Group seeks to apply hedge accounting in order to manage income statement volatility.

a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Australian dollar and the United States dollar in relation to purchases of programme rights and the lease of transponders on the satellite. Foreign exchange risk arises when purchases are denominated in a currency that is not the entity's functional currency. The net position in each foreign currency is managed by using forward currency contracts and foreign currency options and collars to limit the Group's exposure to currency risk.

The Group's risk management policy is to hedge foreign capital expenditure (capex) and foreign operating expenditure (Opex) in accordance with the following parameters. Approximately 90% of anticipated transactions in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

	Period	Minimum hedging	Maximum hedging
Capex order greater than NZD $250,000	Time of issuing order	100%	100%
Fixed commitments greater than $750,000	Up to 3 years	100%	100%
	>3 years	0%	100%
Variable commitments	0-12 months	85%	95%
	13-24 months	0%	50%
	25-36 months	0%	30%

Due to COVID-19 there was uncertainty of timing of future foreign currency commitments and the Board approved an exemption to operate outside the hedging policy until the commitments are confirmed.

The Group's exposure to foreign currency risk that has been covered by forward foreign exchange contracts is as follows:

	30-Jun-20			30-Jun-19		
In NZD 000	**USD**	**AUD**	**OTHER**	**USD**	**AUD**	**OTHER**
Foreign currency payables	(33,397)	(67,013)	(1,162)	(25,672)	(22,631)	(487)
Dedesignated forward exchange contracts	30,500	72,410	-	24,731	18,865	-
Net balance sheet exposure	(2,897)	5,397	(1,162)	(941)	(3,766)	(487)
Forward exchange contracts (for forecasted transactions)	37,060	90,860	-	138,500	204,662	-
Total forward exchange contracts	67,560	163,270	-	163,231	223,527	-

b) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain its borrowings in fixed rate instruments as follows:

	Period	**Minimum hedging**	**Maximum hedging**
Variable rate borrowings	1 - 3 years	40%	90%
	3 - 5 years	20%	60%
	5 - 10 years	0%	30%

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. The Group also enters into fixed-to-floating interest rate swaps to hedge fair value interest rate risk arising where it has borrowed at fixed rates. The Board approved short term exemptions for interest rate hedging parameters while the long term capital structure is revisited.

23. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from cash and cash equivalents, deposits with banks, derivative financial instruments and the Group's receivables from customers. The carrying amount of these financial assets represents the maximum exposure to credit risk at year end.

Credit control assesses the credit quality of the customer, taking into account, its financial position, past experience and other factors. In monitoring customer credit risk, customers are grouped according to their classification and their credit characteristics and the existence of any previous financial difficulties.

Credit risk with respect to individual residential and commercial customer receivables is limited due to the large number of subscribers included in the Group's subscriber base. The credit risk for advertising, wholesale and reseller customers is assessed individually and trade receivables aging is reviewed monthly. In addition, receivables balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant. The Group establishes an impairment loss that represents its estimate of expected credit losses in respect of trade receivables. The main component of the impairment loss is based on a collective loss component established for Groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets (refer note 8).

As a result of the COVID-19 pandemic the Group has increased its expected loss rates due to the uncertain future outlook for its residential and commercial satellite customers. The ability of these customers to settle receivables in the near future is not currently considered to relate to the recent historical credit risk characteristics of those customers.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution. The maximum exposure to credit risk on the derivative financial instruments is the value of the derivative assets' receivable portion of $3,726,000 (30 June 2019: $6,583,000).

24. Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available. During COVID-19 the Group has strengthened its focus on managing working capital including increase in control around accounts payable, more frequent review of cash balances, and a higher level of interaction with customers having overdue balances.

Management monitors the Group's cash requirements, on a daily basis, against expected cash flows based on a rolling daily cash flow forecast for at least 90 days in advance. In addition management compares actual cash flow reserves against forecast and budget on a monthly basis.

Current liabilities exceed current assets at 30 June 2020 due to the Group's bonds maturing in March 2021 (refer note 16). The Group had an undrawn facility balance of $200,000,000 as at 30 June 2020 (30 June 2019: $112,000,000) that can be drawn down to meet short-term working capital requirements. The facility limit at 30 June 2020 is $200,000,000 (30 June 2019: $200,000,000).

The table below analyses the Group's financial liabilities into relevant maturity Groupings based on the remaining period from the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payments in respect of financial liabilities and the net settled interest rate derivatives that are in a loss position at balance date. Balances due within 12 months equal their carrying value as the impact of discounting is not significant.

In NZD 000	Notes	Carrying amount	Contractual cash flows	Less than one year	1-2 years	>3 years
At 30 June 2020						
Non derivative financial liabilities						
Other loans	16	2,853	(3,391)	(1,172)	(1,172)	(1,047)
Lease liabilities	17	109,865	(114,696)	(38,662)	(27,695)	(48,339)
Bonds	16	99,795	(106,250)	(106,250)	-	-
Trade and other payables	10	145,690	(145,690)	(145,690)		
Contingent consideration	27	5,283	(5,283)	-	(5,283)	-
Derivative financial liabilities						
Forward exchange contracts used for hedging -net outflow/inflow (1)	21	1,327	(1,330)	(923)	(407)	-
		364,813	**(376,640)**	**(292,697)**	**(34,557)**	**(49,386)**
At 30 June 2019						
Non derivative financial liabilities						
Secured bank loans	16	87,356	(96,672)	(2,834)	(2,834)	(91,004)
Other loans	16	4,380	(4,564)	(1,172)	(1,172)	(2,220)
Finance leases	17	2,404	(2,673)	(728)	(728)	(1,217)
Bonds	16	99,522	(110,942)	(6,250)	(104,692)	-
Trade and other payables	10	113,618	(113,618)	(113,618)	-	-
Derivative financial liabilities						
Forward exchange contracts used for hedging -net outflow/inflow (1)	21	4,818	(4,905)	(2,107)	(1,912)	(886)
Interest rate swaps (1)	21	855	(603)	(545)	(58)	-
		312,953	**(333,977)**	**(127,254)**	**(111,396)**	**(95,327)**

1) The table excludes the contractual cash flows of the interest rate swaps and forward exchange contracts which are included in assets.

The table below analyses the Group's foreign exchange derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Inflows have been calculated using balance date spot rates.

In NZD 000	Exchange rate	Contractual cash flows foreign exchange amount	Contractual cash flows	Less than one year	1-2 years	3-5 years
At 30 June 2020						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD			(67,560)	(62,655)	(4,905)	-
AUD			(163,270)	(103,245)	(60,025)	-
Inflow (at year end market rate)						
USD	0.6402	44,676	69,783	64,718	5,066	-
AUD	0.9342	152,559	163,304	103,267	60,038	-
			2,257	**2,085**	**174**	**-**
At 30 June 2019						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD			(163,231)	(132,549)	(28,118)	(2,564)
AUD			(223,527)	(109,106)	(79,829)	(34,592)
Inflow (at year end market rate)						
USD	0.6714	114,011	169,810	137,892	29,251	2,667
AUD	0.9561	208,508	218,086	106,450	77,886	33,750
			1,138	**2,687**	**(810)**	**(739)**

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure. In May 2020 the Group conducted an equity raise comprised of a placement of shares to institutional investors and a pro-rata non-renounceable entitlement offer of shares to eligible shareholders of 2.83 new shares for every 1 existing at the record date at an offer price of 12 cents per share (the Offer). The Offer was fully underwritten and raised a total of approximately $157 million. The Offer raise was conducted to help ensure the Group is well capitalised to withstand the impacts of COVID-19 and positioned to execute on future growth opportunities as conditions improve.

The capital structure of the Group consists of debt which includes the borrowings disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of Sky comprising share capital, reserves and retained earnings as disclosed in note 19.

The Board reviews the Group’s capital structure on a regular basis. The Group has a facility agreement in place with a syndicate of banks and a retail bond issue as described in note 16. The Group’s bank loan facility is subject to a number of covenants, including interest and debt cover ratios, calculated and reported quarterly, with which it has complied for the entire year reported (2019: complied).

As at 30 June 2020 the Group’s debt excluding lease liabilities is $102 million (30 June 2019: $191 million). This is covered by cash reserves of $111 million.

24. Liquidity Risk (Continued)

Fair value estimation

The methods used to estimate the fair value of financial instruments are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or 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.

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

In NZD 000	Note	30-Jun-20	30-Jun-19
Assets measured at fair value			
Dedesignated forward exchange contracts	21	2,926	2,026
Derivatives used for hedging - cash flow hedges	21	800	4,557
Total assets		**3,726**	**6,583**
Liabilities measured at fair value			
Contingent consideration	26,27	(5,283)	-
Dedesignated forward exchange contracts	21	(683)	(536)
Derivatives used for hedging - cash flow hedges	21	(644)	(5,137)
Total liabilities		**(6,610)**	**(5,673)**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The Group uses a variety of methods and assumptions that are based on market conditions existing at each balance date. Techniques, such as estimated discounted cash flows, are used to determine the fair value of financial instruments. The fair value of forward exchange contracts is based on market forward foreign exchange rates at year end. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates, observable yield curves and the current creditworthiness of the swap counterparties.

Contingent consideration is valued on a level 2 basis at market value less an appropriate discount rate (refer note 26).

25. Classification of Financial Instruments

Financial assets are classified in the following categories: those to be measured subsequently at fair value through other comprehensive income or profit or loss, and those to be measured at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risk and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

		30-Jun-20		30-Jun-19	
In NZD 000	**Notes**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets at amortised cost					
Cash and cash equivalents		110,677	110,677	4,283	4,283
Trade and other receivables	8	45,314	45,314	53,134	53,134
Financial assets at fair value through profit or loss					
Derivatives designated as hedging instruments (cash flow hedges)	21	2,926	2,926	4,557	4,557
Derivatives not designated as hedging instruments	21	800	800	2,026	2,026
		159,717	**159,717**	**64,000**	**64,000**
Financial liabilities at amortised cost					
Bank loans	16	(434)	(434)	87,356	85,678
Other loans	16	3,287	3,218	4,380	4,260
Bonds	16	99,795	101,380	99,522	104,523
Lease liabilities	17	109,865	102,463	-	-
Finance leases	17	-	-	2,404	2,440
Trade and other payables	10	145,690	145,690	113,618	113,618
Contingent consideration	26	5,283	5,283	-	-
Financial liabilities at fair value through OCI					
Derivatives designated as hedging instruments (cash flow hedges)	21	683	683	5,137	5,137
Derivatives not designated as hedging instruments (fair value hedges)	21	644	644	536	536
		364,813	**358,927**	**312,953**	**316,192**

Prepaid expenses, contract liabilities, 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.

The fair values of financial assets and financial liabilities are determined as follows:

Cash and cash equivalents, trade and other receivables carried at amortised cost, trade and other payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of quoted notes and bonds is based on price quotations at the reporting date being a 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.

Impairment of financial assets

From 1 July 2019, the Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised costs and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by NZ IFRS 8, which requires expected lifetime losses to be recognised from initial recognition of the receivables (Refer note 8 for further details).

26. Contingent Consideration and Provisions

In NZD 000	Notes	RugbyPass	Holidays Act 2003 compliance provision	Other provisions	Total
Earnout on acquisition of RugbyPass	27	5,283	-	-	5,283
Provision for holiday pay		-	3,215	-	3,215
Provision for onerous contracts			-	670	670
Provision for restructuring		-	-	5,389	5,389
Balance at 30 June 2020		**5,283**	**3,215**	**6,059**	**14,557**
Current - within one year	10	-	3,215	6,059	9,274
Long term - later than one year		5,283	-	-	5,283
		5,283	**3,215**	**6,059**	**14,557**

Earnout on acquisition of RugbyPass

The acquisition agreement allows for a maximum earnout amount of USD10 million based on the achievement of certain specified targets during the earnout period from 1 January 2020 to 31 December 2022. The agreement also provides for an interim earnout amount of up to a maximum of USD 3.5 million payable for the 18 month period from 1 January 2020 to 30 June 2021. The contingent consideration was valued at NZD 5.3 million as at acquisition date (refer note 27).

Holidays Act 2003 compliance provision

Included within other provisions is a provision for holiday pay of $3,215,000. This provision arose from leave entitlement calculation issues under the Holidays Act 2003 and represents management's best estimate of outstanding remediation payments to the affected current and former staff. The provision contains an element of uncertainty around the anticipated rate of success in tracing former staff and judgement has been applied in estimating this rate.

Other provisions

These include restructuring and provision for onerous contracts. The restructuring provision is mostly comprised of redundancy costs incurred as a result of the Group's change in strategic direction (refer note 3) and are expected to be paid out in the short term. Redundancy costs of $15,479,000 have been included within employee costs in the profit and loss statement (refer note 5).

Provisions are recognised when:

- There is a present legal or constructive obligation as a result of past events;
- It is more likely than not that an outflow of economic resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Measurement is the present value of the expenditure expected to be required to settle the obligation.

Key estimates and judgements

Provision for remediation of under-payments under the Holidays Act 2003. The estimated liability has been calculated on a sample basis and extrapolated across the population of employees and former employees impacted. The sample was selected from across the business and detailed calculations of the underpayments were completed for the sample. Both the sample and full population of employees were grouped across occupational groupings to extrapolate the underpayments and reach the estimated liability. Sky has consulted with an expert and obtained external legal advice where necessary to ensure correct interpretation of Sky's employment agreements against the Holidays Act 2003. Key decisions and methodologies were documented, presented and discussed with the Audit and Risk Committee. Due to the complexity involved in calculating amounts due to individual employees, it is possible that more information could become available which results in a material change to the liability.

RugbyPass - Contingent consideration. As at 30 June 2020, Sky reassessed the fair value of the contingent consideration and considered it appropriate to continue to recognise this at NZD 5.3 million. In coming to this conclusion, Sky has considered the current performance of RugbyPass, the uncertainty surrounding the current economic environment given the existence of COVID-19 and the probability of payment. Management will keep monitoring performance and continue to revisit this provision in light of events outside Sky's control and changes in strategic direction driven by those events and other market circumstances.

27. Business Acquisitions

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

The acquisition has significantly expanded the Group's reach into the global rugby market. RugbyPass is an online destination for global rugby fans, offering a live streaming rugby service across Asia, Australia and Europe, along with a wide array of original video content, news, analysis, statistics and a world-first rugby player and team rankings system, the RugbyPass Index.

On 31 January 2020 Sky acquired 100% of the share capital Lightbox New Zealand Limited (Lightbox) from Spark New Zealand Limited (Spark). Lightbox is an entertainment streaming service operating in New Zealand. The assets acquired include subscribers, technology platforms to manage customers and provide entertainment content to a wide range of devices, prepaid content rights and the Lightbox brand. Spark continues to make Lightbox and its successor service Neon available to its customers for an agreed period.

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

In NZD 000	Notes	RugbyPass	Lightbox	Total
Cash paid		15,633	2,977	18,610
Payable for acquisition	10	-	10,522	10,522
Ordinary shares issued	19	24,378	-	24,378
Contingent consideration	26	5,283	-	5,283
Total consideration		**45,294**	**13,499**	**58,793**

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

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

In NZD 000	Notes	RugbyPass	Lightbox	Total
Cash		441	-	441
Trade and other receivables		734	614	1,348
Inventories	9	1,882	7,635	9,517
Intangible assets	14	7,851	8,118	15,969
Property, plant and equipment	12	-	385	385
Trade payables		(2,081)	(1,565)	(3,646)
Deferred revenue		(76)	(267)	(343)
Deferred tax liability	7	(711)	(1,212)	(1,923)
Other liabilities		(1,227)	(209)	(1,436)
Net identifiable assets acquired		**6,813**	**13,499**	**20,312**
Add goodwill		38,481	-	38,481
Fair value of purchase consideration		**45,294**	**13,499**	**58,793**

RugbyPass Limited (Ireland) has accumulated losses relating to prior years of EUR 14,991,000 as at 31 December 2018, that it is able to utilise against taxable income in the future. No deferred tax asset has been recognised for these losses as the timing and extent of their recoverability is uncertain.

For financial reporting purposes the assets and liabilities of RugbyPass have been valued and consolidated as if the acquisition had occurred on 1 July 2019 which is the date the Group effectively obtained control of RugbyPass. RugbyPass contributed revenue of $4,653,000 and losses of $14,506,000 to the Group for the period 1 July 2019 to 30 June 2020. This excludes impairment of RugbyPass goodwill of $27,500,000 which is recorded in the parent company Sky Investment Holdings Limited (refer note 15). A deferred tax asset has not been recorded as recovery is not expected in the short term.

Lightbox contributed revenue of $10,456,000 and losses of $3,968,000 to the Group for the period 1 February 2020 to 30 June 2020. Revenue and earnings for the year from 1 July 2019 to 30 June 2020 have not been disclosed as this is not practicable due to the limited information available.

27. Business Acquisitions (Continued)

Significant estimate: RugbyPass contingent consideration

The acquisition agreement for RugbyPass allows for a maximum earnout amount of USD 10.0 million based on the achievement of certain specified targets during the earnout period from 1 January 2020 to 31 December 2022. The agreement also provides for an interim earnout amount of up to a maximum of USD3.5 million for the 18-month period from 1 January 2020 to 30 June 2021. The contingent consideration has been valued at NZD 5.3 million at the acquisition date. As at 30 June 2020, Sky continues to measure the fair value of the contingent consideration at NZD 5.3 million. In coming to this conclusion, Sky has considered the current performance of RugbyPass, the uncertainty surrounding the current economic environment given the existence of COVID-19 and the probability of payment.

28. Related Parties

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

Related party transactions include the following:

In NZD 000	30-Jun-20	30-Jun-19
Remuneration of key personnel (included in employee costs)	8,691	14,750
CEO share based remuneration	386	161
Directors' fees	826	636
Dividends paid to directors and key management personnel	-	40
Total related party transactions	**9,903**	**15,587**

The first tranche of 200,000 shares of the Chief Executive's entitlement to 800,000 shares vested in February 2020 at a fair value of $386,000 (refer note 19).

The Group's directors and key management personnel collectively had shareholdings of 3,491,032 shares (30 June 2019: 318,243 shares) which carry the normal entitlement to dividends. The increase is the result of acquisitions relating to the Sky's rights issue (refer note 19). Share transactions undertaken by directors can be found as part of the statutory disclosures on page 98.

29. Commitments

In NZD 000	30-Jun-20	30-Jun-19
Lease commitments:		
Year 1	-	35,357
Year 2	-	35,763
Year 3	-	15,924
Year 4	13,105	1,668
Year 5	22,466	1,532
Later than year 5	144,159	2,416
	179,730	**92,660**
Contracts for transmission services:		
Year 1	1,355	4,757
Year 2	680	2,281
Year 3	680	-
Year 4	607	-
Year 5	607	-
	3,929	**7,038**
Contracts for future programmes:		
Year 1	255,100	184,958
Year 2	237,100	106,148
Year 3	184,800	33,785
Year 4	143,100	13,593
Year 5	139,600	2,076
Later than five years	55,500	1,955
	1,015,200	**342,515**
Capital expenditure commitments:		
Property, plant and equipment		
Year 1	861	5,475
	861	**5,475**
Other services commitments:		
Year 1	20,660	22,494
Year 2	10,475	3,389
Year 3	856	535
Year 4	43	93
	32,034	**26,511**

The prior year commitments include contracts which were previously treated as operating leases which have now been reclassified to lease liabilities as a result of the adoption of NZ IFRS 16 Leases and have therefore not been included as lease commitments. Note 3 includes a reconciliation of the prior year operating lease commitments.

Lease commitments relate to the Optus lease contract that has not commenced and which will be recorded as a lease liability from the commencement date.

The contract with Optus Networks Pty Limited (Optus) to lease transponders on the D1 satellite which was launched in October 2006 and commissioned in November 2006 for a period of 15 years was previously accounted for as an operating lease. On 1 July 2019 this lease was classified as a lease liability and a right to use asset (refer notes 13 and 17).

In December 2018 Sky entered into an extension of its satellite service agreement with Optus for a further ten years to 2031. Sky's future payments under the agreement are likely to exceed $200 million. The agreement was conditional on Optus procuring the successful launch of a new satellite to replace the existing D1 satellite. In June 2020, the Group revised the contract with Optus to allow for a late launch date of the replacement satellite (to be known as O11), greater functionality and flexibility over transponder capacity for the term of the contract with corresponding potential cost savings.

30. Contingent Liabilities

The Group has no undrawn letters of credit at 30 June 2020 (30 June 2019: $650,000 relating to Datacom Employer Services for Sky executive payroll liabilities).

The Group is subject to litigation incidental to their business, none of which is expected to be material. No provision has been made in the Group's financial statements in relation to its current litigation and the directors believe that such litigation will not have a significant effect on the Group's financial position, results of operations or cash flows.

31. Subsequent Events

Sale of Outside Broadcasting Limited (OSB)

On 12 August 2020 Sky announced the sale of Outside Broadcasting Limited (OSB) assets to global operator NEP New Zealand Limited. As part of the transaction NEP New Zealand will be Sky's technical production partner in New Zealand for the next ten years. The OSB assets sold will 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. The transaction allows Sky to avoid future significant capital investment of around $50 million for broadcast equipment while continuing to give its customers the best sports viewing experience. Settlement is conditional on the approval of the Commerce Commission and the Overseas Investment Office.

Bank facility

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 facility maturing on 31 July 2023 (refer note 16 for further information).

COVID-19

On 12 August 2020 the government announced a move from Level 1 to Level 3 for Auckland and Level 2 for the rest of the country. This has not resulted in changes to assumptions relating to the Group's key estimates and judgements referred to in these financial statements.

32. Non-GAAP Financial Information

Sky has used operating profit before impairment, which is a non-GAAP profit measure when discussing financial performance. The directors and management believe that this measure provides useful information on the underlying performance of the Group. This is used internally to evaluate performance, analyse trends and allocate resources. Operating profit before impairment does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.

Independent Auditor's Report

To the shareholders of Sky Network Television Limited

We have audited the consolidated financial statements which comprise:

- the consolidated balance sheet as at 30 June 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

Our Opinion

In our opinion, the accompanying consolidated financial statements of Sky Network Television Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter

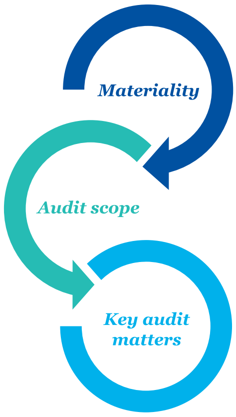
Impairment of goodwill, including the impact of COVID-19
The carrying amount of goodwill as at 30 June 2020 amounted to $256.3 million (2019: $395.3 million). The Group recognised additional goodwill of $38.5 million during the year in relation to the acquisition of RugbyPass Limited (RugbyPass). This increase was offset by an impairment charge recognised of $177.5 million (2019: $670.0 million) during the year.
 	
Goodwill impairment is an area of focus for the audit due to the significance of the carrying value on the balance sheet, the inherent judgement involved in performing the impairment assessment and the impact of COVID-19 on the assumptions that the Group's assessment is based on.
 	
At 30 June 2020, the Group considered the recoverable amount using the Fair Value Less Costs of Disposal (FVLCD) methodology as being the most appropriate approach to assess whether or not there is an impairment in the carrying value of goodwill. The forecasts in the impairment model prepared by the Group are based on the Group's strategy, some elements of which would be excluded under a Value In Use (VIU) methodology under NZ IAS 36, Impairment of assets. As such, management has concluded that the FVLCD methodology results in a higher recoverable amount compared to VIU.
 	
Management has engaged an independent third-party expert to prepare a valuation report for the two separate cash generating units (CGUs) identified: Sky and RugbyPass.
 	
The future cash flows in the FVLCD models were prepared based on the Board approved five year forecast cash flows. The key assumptions used in the impairment models are the following:
• residential satellite and streaming revenues (including subscriber numbers and average revenue per user (ARPU));
• broadband revenues;
• programming expenses;
• broadcasting and infrastructure expenses;
• capital expenditure;
• discount rates; and
• terminal growth rates.
 	
Reasonably possible changes in key assumptions that could result in an impairment are disclosed in note 15 to the consolidated financial statements.
	We obtained the valuation report prepared by management's third-party expert and held discussions with them and management to understand the assumptions used in the goodwill impairment assessment. We gained an understanding of the current and forecast outlook for the industry and the strategic direction of the business relevant to the analysis performed on goodwill impairment and considered management's assessment of FVLCD based on market capitalisation at balance date.
	
	We then performed the following audit procedures:
	• Assessed the appropriateness of the separation of the Sky and RugbyPass CGUs into separate CGUs and considered the basis of allocation of goodwill across the Sky and RugbyPass CGUs;
	• Assessed the appropriateness of using a FVLCD approach against NZ IAS 36;
	• Checked the calculation of the valuation models including the mathematical accuracy and compared the resulting balances to the relevant carrying values of each CGU;
	• Engaged our own valuation expert to assist us to:
	  ◦ understand the valuation methodology applied by management's third-party expert in preparing the valuation models;
	  ◦ assess the economic and industry forecasts, cost of capital and other inputs to comparable organisations in relation to discount rates and terminal growth rates;
	  ◦ challenge the rate used for cost of disposal by comparing it to external evidence; and
	  ◦ challenge management's expert and management on the reasonableness of key cash flow assumptions, including movements in subscriber numbers, ARPU and programming costs, as well as the impact of COVID-19 on these assumptions.
	• Considered the appropriateness of changes in key assumptions from the previous year by performing a lookback procedure against the actual FY20 results, understanding the key elements of the forecast cash flows approved by the Board versus the prior year and considered the impact on our assessment of forecast cash flows;
	• Obtained and evaluated management's third-party expert's sensitivity analyses to ascertain the impact of reasonably possible changes and also considered alternative possible scenarios, including the effect of COVID-19; and
	• Considered the appropriateness of the disclosures in note 15 to the consolidated financial statements against the requirements of the accounting standards.

Key Audit Matter	How our audit addressed the key audit matter

Capital structure and funding considerations, including the impact of COVID-19
 	
For the year ended 30 June 2020, the Group continued to execute its growth strategy which included the completion of the RugbyPass and Lightbox business acquisitions, retention of key programming contracts and change in the organisational design and structure of the Group.
 	
As a result of COVID-19, the Group took steps to manage liquidity. This included renegotiating the bank facility with a syndicate of banks and raising additional capital through a rights issue. The Group had no outstanding bank borrowings and has an undrawn facility balance of $200 million as at 30 June 2020.
 	
The Group concluded that the capital raise and renegotiated bank facility terms will enable the Group to have access to sufficient capital to repay the bonds in March 2021.
 	
This was an area of audit focus due to the impact of funding on compliance with banking financial covenants, going concern considerations and the significance of the capital raise transaction to the Group.
 	
Notes 3 and 16 of the consolidated financial statements include disclosures on the Group's capital structure and borrowings, respectively.
	We performed the following audit procedures to respond to the assessed audit risk arising from the Group's capital structure and future funding requirements:
	
	• Updated our understanding of the Group's strategy, including its response to COVID-19 impacts to the business;
	• Updated our understanding of the relevant banking agreements, financial covenants and any conditions included in the bank facility agreement that may result in a change in the financial ratios and performed the following procedures:
	  ◦ reperformed the compliance with financial covenants calculations for the past year;
	  ◦ reperformed the calculations for the forecast financial covenants and compared the inputs to the calculations to the Board approved budget for the year ending 30 June 2021;
	  ◦ performed sensitivity analysis to assess the level of forecasting risk and the COVID-19 impacts incorporated into the forecast assumptions; and
	  ◦ considered the Group's ability to settle its obligations as they fall due for at least 12 months from the date the consolidated financial statements are signed, including the bond due in March 2021, given the ongoing working capital requirements and capital expenditure required to support the strategy.
	• Obtained an understanding of the background of the capital raising activity through discussions with management and the Directors, including performing the following specific to the transaction:
	  ◦ validated receipt of the capital raise proceeds and agreed the issue of equity securities to the Company's share register (managed by a third party) and the NZ Companies Office; and
	  ◦ tested, on a sample basis, that transaction costs recorded in equity were directly attributable to the capital raise and that it was appropriate to deduct these costs from equity.
	• Reviewed the disclosures in the consolidated financial statements for compliance with accounting standards.

Accounting for business acquisitions The Group acquired the assets and liabilities of RugbyPass in August 2019 for $45.3 million, comprising cash of $15.6 million, $24.4 million of shares and $5.3 million as contingent consideration. In January 2020, the Group also acquired Lightbox for a total cash consideration of $13.5 million. This was a key audit matter due to the complexities in identifying and valuing the assets and liabilities acquired and the significant judgement in relation to the contingent consideration recognised. Intangible assets recognised in relation to the two acquisitions amount to $16.0 million. Management engaged an independent expert to assist in the purchase price allocation exercise of these acquisitions. Refer to note 27 in the consolidated financial statements for disclosures on these business acquisitions.	We performed the following audit procedures: • obtained an understanding of the acquisitions by reading the relevant contractual agreements and documents; • obtained the valuations undertaken by management's expert to determine the purchase price allocations and tested the mathematical accuracy of the models; and • used our own valuation expert to assist us in challenging and evaluating the valuation methodology to measure the assets and liabilities acquired and the significant judgement in valuing the contingent consideration; and • considered the appropriateness of the disclosures in the consolidated financial statements against the accounting standards.

Our Audit Approach



Overview

An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Overall Group materiality: $4.4 million, which represents approximately 2.5% of earnings before interest, depreciation and amortisation (EBITDA) adjusted for goodwill impairment and redundancy costs.

Given the volatility in profit before income tax over recent years and the Group currently executing its growth strategy, in our judgement, adjusted EBITDA provides an appropriate benchmark for calculating materiality.

As reported above, we have three key audit matters, being:

- Impairment of goodwill, including the impact of COVID-19
- Capital structure and funding considerations, including the impact of COVID-19
- Accounting for business acquisitions

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Information other than the Consolidated Financial Statements and Auditor’s Report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), the auditor exercises professional judgement and maintains professional scepticism throughout the audit.

The auditor also:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

The auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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 audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants Auckland
9 September 2020

Other **Information**

Corporate Governance

Sky's Board is committed to fulfilling its corporate governance obligations and maintaining high ethical standards. The Board regularly reviews Sky's corporate governance framework to ensure it is consistent with best practice.

This section of our annual report includes key information about Sky's corporate governance policies and practices. You will find a more detailed corporate governance statement online at sky.co.nz/investor-relations/corporate-governance which provides further information covering all of the required disclosures under the ASX Corporate Governance Principles and Recommendations (ASX Recommendations) and the NZX Corporate Governance Code (NZX Code). The corporate governance statement has been approved by the Board.

Board Of Directors

Committees

The Board operates two permanent board committees, namely the Audit and Risk Committee and the People and Performance Committee (formerly, the Nomination and Remuneration Committee). The members of the Audit and Risk Committee are Keith Smith (Chair), Susan Paterson, Joan Withers and Derek Handley. The members of the People and Performance Committee are Susan Paterson (Chair), Joan Withers and Derek Handley.

Independent and Executive Directors

At 30 June 2020 all of the directors of Sky other than Martin Stewart were considered to be independent directors. Martin Stewart is currently the only executive director on the Board, and is not considered independent as he is also Sky's Chief Executive. All directors other than Martin Stewart are considered independent because they do not have any "Disqualifying Relationship" (as defined by the NZX Listing Rules), and none of the factors in NZX Recommendation 2.4 or ASX Recommendation 2.3 apply to materially diminish independence.

Diversity

Diversity of gender, skill, age, ethnicity, experience and beliefs are valued by Sky. Sky recognises the value of diversity and the organisational strength, problem solving ability and innovative approach that it brings. The provision of equal opportunities for all employees is fundamental to the way in which Sky functions as a business.

Sky's Diversity Policy reflects a continuing commitment to diversity and inclusion, and is available at sky.co.nz/investor-relations/corporate-governance.

The Board acknowledges the importance of gender diversity both on boards and within companies, and as noted in Sky's Diversity Policy, this is one of the diversity characteristics that is considered when evaluating new director candidates.

Gender Diversity for FY20

As at 30 June 2020, Sky's Board had three female directors and five male directors (compared to two female directors and four male directors as at 30 June 2019).

Sky's officers (being a person who is concerned or takes part in the management of Sky and reports to the Board, or to a person who reports to the Board) include two female officers and seven male officers. Sky takes an holistic approach to diversity. Sky's measurable objectives for achieving diversity are that:

- Each year the Board actively considers the composition of the Board and any opportunities for new directors to join the Board with diversity (including gender diversity) being one of the key criteria when considering new appointments.
- Each year the Board compares the number of female and male employees at Sky to the previous financial year's figures to ensure that Sky is maintaining a strong level of female participation at all levels of the organisation.
- Each year the Board considers the extent of age diversification at Sky by comparing the number of employees aged over and under 45 years to the previous financial year's figures, in order to ensure Sky is benefiting from a mix of experience and new ways of thinking.

For the year ended 30 June 2020, the Board is satisfied that Sky achieved its gender diversity objectives and other measurable diversity objectives as follows:

- The Board considered opportunities for new directors to join the Board with diversity (including gender diversity) in mind for new appointments.
- Sky maintained consistent levels of gender and age diversification amongst its Board members, officers and employees across the organisation.

The chart below represents Sky's gender and age diversification as at 30 June 2020:

Board Level	**Officers**	**All Staff**
No of Women: 3 Total Number: 8	No of Women: 2 Total Number: 9	No of Women: 427 Total Number: 992
2019 No of Women: 2 Total Number: 6	2019 No of Women: 2 Total Number: 9	2019 No of Women: 512 Total Number: 1,137
Over 45 - 88% (2019 - 83%)[1]	Over 45 - 89% (2019 - 89%)	Over 45 - 36% (2019 - 36%)

(1) The percentage of the Board over 45 was incorrectly reported as 100% in the 2019 Annual Report.

The table below provides a detailed breakdown of the age diversification of Sky's workforce:

Age	**2020**	**2019**
20 - 30	21%	17%
30 - 40	31%	32%
40 - 50	28%	29%
50 - 60	15%	16%
60 - 70	4%	5%
70 - 80	1%	1%

Risk Management

Sky's risk framework is overseen and monitored by both the Board and the Audit and Risk Committee. Sky maintains a risk register and the Audit and Risk Committee, in conjunction with management, regularly report to the Board on the effectiveness of the management of Sky's business risks and whether the risk management framework and systems of internal compliance and control are operating efficiently and effectively in all material respects.

Sky has a Controlling and Managing Risk Policy which provides an overview of its risk management process. The policy outlines Sky's strategic risk management objectives and guidelines and provides a framework to identify, manage and report on risks, both financial and non-financial. The Audit and Risk Committee reviews the Controlling and Managing Risk Policy annually. The Audit and Risk Committee reviewed Sky's risk management framework during the reporting period to 30 June 2020 and is satisfied that Sky has in place a robust risk assessment process.

Sky's internal audit function is contracted out to an independent third party. An annual internal audit plan is presented and approved by the Audit and Risk Committee and the Audit and Risk Committee receives internal audit reports during the year and monitors completion of action items that arise.

Material exposure to economic, environmental and social sustainability risks

Sky identifies and assesses material exposure to economic, environmental and social sustainability risks on an annual basis. A summary of Sky's risk management framework, the key economic, environmental and social sustainability risks it faces, and how Sky intends to manage those risks is included in the Controlling and Managing Risk Policy on Sky's website (at www.sky.co.nz/investor-relations/corporate-governance).

Principal risks that could affect results and performance include:

- Regulatory environment;
- Competition;
- Programming rights;
- Content protection;
- Business disruption;
- Investment strategy – Adoption of new technology;
- Financial risks;
- Reputational risks and brand perception; and
- Business transformation.

Interests Register

Disclosures of Interest – General Notices

Directors have given general notices disclosing interests in various entities pursuant to section 140(2) of the Companies Act 1993. Those notices which remain current as at 30 June 2020 are as follows:

Director	Entity	Relationship
Philip Bowman[1]	Better Capital PCC Limited	Director
	Kathmandu Holdings Limited (Listed)	Director
	Tegel Group Holdings Limited	Chair
	Ferrovial SA (Listed)	Director
	Majid al Futtaim Holding LLC	Director
	Majid al Futtaim Properties LLC	Chair
	Majid al Futtaim Capital LLC	Director
	Atropos SCI	Président Directeur Générale
	Tom Tom Holdings, Inc.	Director
	Vinula Pty. Limited	Director
	Vinula Super Fund Pty. Limited	Director
Mike Darcey	M247	Chair
	Arqiva Group Limited	Director
	British Gymnastics	Chair
Derek Handley	Aera Limited	Director
	Aera Foundation	Trustee
	Aera VC Management Limited	Director
Geraldine McBride	My Wave Holdings Limited	Director, CEO
	My Wave Limited	Director
	Fisher & Paykel Healthcare Corporation Limited	Director
	National Australia Bank Limited	Director
Susan Paterson ONZM	Reserve Bank of New Zealand[1]	Director
	Theta Systems Limited	Chair, Director
	Les Mills Holdings Limited	Director
	Goodman (NZ) Limited and associated companies	Director
	Arvida Group Limited	Director
	Steel and Tube Holdings Limited	Chair, Director
	The Electricity Authority	Board Member
	Institute of Directors Auckland Branch	Member
	EROAD Limited	Director
	New Zealand Golf[2]	Director (Retired)
	The Home of Cycling Charitable Trust[2]	Chair (Retired)
Keith Smith[1]	Anderson & O'Leary Limited and associated companies	Chair
	Enterprise Group Holdings Limited and associated companies	Chair
	Goodman (NZ) Limited and associated companies	Chair
	H J Asmuss & Co Limited and associated companies	Chair
	Healthcare Holdings Limited and associated companies	Chair
	Mercury NZ Limited	Director
	Mobile Surgical Services Limited	Chair
	The Warehouse Group Limited and associated companies	Director
	Tree Scape Limited	Director
	Gwendoline Holdings Limited (non-trading)	Director
Joan Withers[1]	The Warehouse Group Limited	Chair
	ANZ Bank New Zealand Limited	Director
	Louise Perkins Foundation	Trustee
Martin Stewart	N/A	

(1) Entries added by notices given by the directors during the year ended 30 June 2020.
(2) Entries removed by notices given by the directors during the year ended 30 June 2020.

Disclosures of Interest
– Particular Transactions/Use of Company Information

During the year to 30 June 2020, in relation to Sky:

- no specific disclosures were made in the Interests Register under section 140(1) of the Companies Act 1993; and
- no entries were made in the Interests Register as to the use of company information under section 145(3) of the Companies Act 1993.

Disclosures of Relevant Interests in Securities

During the year to 30 June 2020, the following disclosures were made in the Interests Register in relation to Sky's directors and senior managers acquiring a relevant interest in Sky's shares under section 148 of the Companies Act 1993 and under the Financial Markets Conduct Act 2013:

- Geraldine McBride (Director) made two disclosures during the 2020 financial year:
  - on 29 August 2019 regarding an acquisition of 23,016 ordinary shares in Sky; and
  - on 23 June 2020 regarding an indirect interest in the acquisition of 65,135 ordinary shares in Sky by Wongaling Pty Limited.
- Martin Stewart (Director and CEO) made three disclosures during the 2020 financial year:
  - on 21 February 2020 regarding the vesting of 200,000 ordinary shares 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, with the shares vesting if Sky exercises its no fault termination right or if there is a change of control and Mr Stewart is no longer Chief Executive;
  - on 5 June 2020 regarding the acquisition of 270,000 ordinary shares in Sky; and
  - on 23 June 2020 regarding the acquisition of 566,000 ordinary shares in Sky.
- Keith Smith (Director) made four disclosures during the 2020 financial year:
  - an initial disclosure notice on 28 April 2020 regarding his beneficial interest in 20,901 ordinary shares in Sky by Gwendoline Holdings Limited;
  - on 5 June 2020 regarding his indirect interest in the acquisition of 30,000 ordinary shares in Sky by Lily Wong;
  - on 15 June 2020 regarding his indirect interest in the acquisition of a further 30,000 ordinary shares in Sky by Lily Wong; and
  - on 23 June 2020 regarding his interest in the acquisitions of 59,149 ordinary shares in Sky by Gwendoline Holdings Limited, and 55,468 ordinary shares in Sky jointly acquired by Keith and his brother Robert Smith.
- Philip Bowman (Director and Chair) made one disclosure on 5 June 2020 regarding the acquisition of 500,000 ordinary shares in Sky.
- Mike Darcey (Director) made one disclosure on 8 June 2020 regarding the acquisition of 1,500,000 ordinary shares in Sky.
- Derek Handley (Director) made one disclosure on 23 June 2020 regarding the acquisition of 13,584 ordinary shares in Sky.
- Susan Paterson (Director) made one disclosure on 23 June 2020 regarding a beneficial interest in the acquisition of 33,960 ordinary shares by herself and Richard Taylor jointly as trustees of the SM Taylor Family Trust.
- Sophie Moloney (Chief Commercial Officer) made one disclosure on 8 June 2020 regarding the acquisition of 908,333 ordinary shares in Sky.
- Blair Woodbury (Chief Financial Officer) made one disclosure on 8 June 2020 regarding the acquisition of 208,333 ordinary shares in Sky.

Insurance and Indemnities

Sky has in place directors' and officers' liability insurance to cover risks normally covered by such policies arising out of acts or omissions of Sky directors or employees in that capacity. In addition, Sky put in place additional insurance in respect of directors' liability that may arise as a result of the capital raise which was announced to the market on 21 May 2020.

Sky has entered into a deed of indemnity pursuant to which it has agreed to indemnify directors, senior management and officers of Sky against liability incurred from acts or omissions of such directors, senior management or officers, subject to certain exceptions, which are normal in such indemnities.

Sky Subsidiaries' Interests Registers

The directors of Sky's subsidiaries have given notices disclosing interests in various entities pursuant to section 140 of the Companies Act 1993. Those notices which remain current as at 30 June 2020 are set out below:[1]

- Screen Enterprises Limited: Martin Stewart has given a general notice disclosing interests arising from being an employee of Sky.
- Sky DMX Music Limited: Martin Stewart and Chaz Savage have each given a general disclosure notice disclosing interests arising from being senior employees of Sky and, in Martin Stewart's case, a shareholder of Sky.
- Believe It Or Not Limited: Chaz Savage has given notice disclosing interests arising from being an employee of SKY. Brendan Lochead has given a general notice disclosing his interest arising from being a shareholder of Believe It Or Not Limited and a director and shareholder of Mad If You Don't Limited. Annabelle Lochead has given a general notice disclosing her interest arising from being the wife of Brendan Lochead (who is a shareholder of Believe It Or Not Limited) and a director and shareholder of Mad If You Don't Limited.
- Lightbox New Zealand Limited: Martin Stewart has given a general notice disclosing interests arising from being an employee of Sky.
- Sky Investment Holdings Limited: Martin Stewart, Sophie Moloney and Blair Woodbury have each given a general disclosure notice disclosing interests arising from being senior employees and shareholders of Sky.

(1) Grant McKenzie retired as a director of Sky DMX Music Limited and Believe it Or Not Limited on 16 December 2019. Martin Wrigley retired as a director of Sky DMX Music Limited on 16 December 2019. George McFarlane retired as a director of Screen Enterprises Limited on 8 November 2019. Mr McKenzie, Mr Wrigley and Mr McFarlane had each disclosed interests arising as employees of Sky.

Company and Bondholder Information

Directors Holding and Ceasing Office

- Philip Bowman (Chair) (appointed 1 September 2019)
- Peter Macourt (ceased 17 October 2019)
- Martin Stewart
- Mike Darcey
- Derek Handley
- Geraldine McBride
- Susan Paterson, ONZM[1]
- Joan Withers (appointed 17 September 2019)
- Keith Smith (appointed 21 April 2020)

Statement of Directors' Interests

For the purposes of NZX Listing Rule 3.7.1(d), the following table sets out the quoted financial products in which each director had a relevant interest as at 30 June 2020:

Relevant interests	Shares
Philip Bowman	500,000
Mike Darcey	1,500,000
Derek Handley	17,584
Geraldine McBride	88,151
Susan Paterson	43,960
Keith Smith[2]	215,118
Martin Stewart	1,036,000
	600,000[3]
Joan Withers	Nil

(1) Susan Paterson will conclude her current term on the Sky Board in October and has chosen not to seek re-election at the forthcoming Annual General Meeting.

(2) 75,068 shares jointly held by Keith and his brother Robert Smith; 80,050 held by Gwendoline Holdings Limited to which Keith is a discretionary beneficiary of a trust which owns Gwendoline Holdings Limited; and 60,000 held by Keith's partner Lily Wong.

(3) Power to control the acquisition/disposal of 600,000 ordinary shares as a result of a contractual entitlement to receive such shares in instalments of 200,000 on each of the next three anniversaries of commencement of employment, with the shares vesting if Sky exercises its no fault termination right or if there is a change of control and Mr Stewart is no longer Chief Executive.

Subsidiaries

At 30 June 2020, Sky had the following subsidiary companies:

Subsidiary	Director(s)	Business during FY20
Believe It Or Not Limited	Anabelle Lochead Brendan Lochead Grant McKenzie (retired 16 December 2019) Christopher Shaw Chaz Savage (appointed 16 December 2019)	Quizzes for the hotel entertainment industry.
Igloo Limited	Martin Stewart	Did not trade.
Lightbox New Zealand Limited (acquired 31 January 2020)	Martin Stewart (appointed 31 January 2020) Matthew Bain (retired 31 January 2020) Stefan Knight (retired 21 January 2020) David Chalmers (retired 20 December 2020)	Streaming services within New Zealand.
Media Finance Limited	Martin Stewart	Did not trade.
Outside Broadcasting Limited	Martin Stewart	Mobile on-site broadcasting facilities and services.
Screen Enterprises Limited	George MacFarlane (retired 8 November 2019) Martin Stewart (appointed 8 November 2019)	Did not trade.
Sky DMX Music Limited	Grant McKenzie (retired 16 December 2019) Martin Wrigley (retired 16 December 2019) Steven Hughes Kenneth Eissing Jr (retired 16 August 2019) David Hoodis (appointed 25 September 2019) Chaz Savage (appointed 16 December 2019) Martin Stewart (appointed 16 December 2019)	Operates the Sky DMX music business.
Sky Investment Holdings Limited (incorporated 15 August 2019)	Martin Stewart (appointed 15 August 2019) Sophie Moloney (appointed 15 August 2019) Blair Woodbury (appointed 15 August 2019)	Investment in the form of acquisition of Rugby Pass Limited (Ireland) and Rugby Pass Asia Pte Limited (Singapore).
Sky Ventures Limited (previously Cricket Max Limited)	Martin Stewart	Did not trade.
Rugby Pass Asia Pte (Singapore)	Tang Edmund Koon Kay Timothy Martin (retired 27 July 2020)	Management service.
Rugby Pass Limited (Ireland)	Timothy Martin Neil Martin	International streaming service.

The remuneration of Sky's employees acting as directors of subsidiary companies is disclosed in the relevant banding for employee remuneration or, in the case of Martin Stewart, his remuneration is disclosed below under the heading of "Chief Executive Remuneration".

No director of any subsidiary company received directors' fees or extra benefits by virtue of the fact that they are acting as directors of subsidiary companies.

Remuneration of Directors

The total remuneration and value of other benefits received by directors of Sky during the year 1 July 2019 to 30 June 2020 was as follows:

Name	Board Fees	Audit and Risk Committee	People and Performance Committee	Other[1]	Total Remuneration
Martin Stewart[2]	-	-	-	-	-
Derek Handley	100,000	12,000	5,000	-	117,000
Peter Macourt (ceased 17 October 2019)	50,767	3,584	1,493	-	55,844
Geraldine McBride	100,000	-	-	-	100,000
Susan Paterson	100,000	16,665	12,000	-	128,665
Mike Darcey	100,000	-	-	-	100,000
Philip Bowman (appointed 1 September 2019)	166,667	-	-	15,000	181,667
Joan Withers (appointed 17 September 2019)	79,167	8,333	2,084	15,000	104,583
Keith Smith (appointed 21 April 2020)	19,166	3,833	-	15,000	38,000
Totals	**715,767**	**44,415**	**20,577**	**45,000**	**825,759**

(1) Remuneration categorised "Other" comprises fees paid for the relevant directors' participation in the due diligence committee for the capital raise which was announced to the market on 21 May 2020.

(2) Martin Stewart did not receive any remuneration for the performance of his duties as a director during the year to 30 June 2020. His remuneration for the performance of his duties as CEO is set out below.

The directors' fee pool has been set at a maximum amount of $950,000 per annum since October 2015. The current fees paid to Sky directors are set out in the table above. Directors do not receive any performance or equity-based remuneration or superannuation or retirement benefits (for their role as directors). This reflects the role of the directors which is to provide oversight and guide strategy, whereas the role of management is to operate the business and execute Sky's strategy.

Chief Executive Remuneration

The CEO remuneration is a mix of base salary, short-term incentive (STI) and share entitlements, and is benchmarked against the market annually.

The CEO's remuneration for the year ending 30 June 2020 and for the period 21 February 2019 to 30 June 2019[3] was:

	2020	2019
Base salary	1,500,000	625,000
STI	-	312,500[4]
Total remuneration	1,500,000[5]	937,500

(3) Martin Stewart was appointed as CEO of Sky on 21 February 2019. CEO remuneration for the full year ending 30 June 2019 is reported in Sky's 2019 Annual Report.

(4) The CEO's remuneration for FY19 included an STI entitlement of $312,500, which was paid during FY20 but for accounting purposes is treated as accruing during FY19.

(5) In addition to cash remuneration, the CEO's FY20 remuneration included 200,000 ordinary shares in Sky Network Television Limited issued as part of the remuneration arrangements in the CEO's employment agreement and notified to the market on 21st February 2020. The value of the shares as at the date of issue was $65,800 (at $0.329 per share).

The CEO is entitled to participate in an STI scheme based on 50% of the CEO's base salary. The STI framework and specific metrics are considered by the People and Performance Committee and recommended to the Board for approval on an annual basis. The Board is extremely cognisant of the requirement to ensure that any STI is aligned to shareholder interests. While an STI was proposed for FY20 for the CEO and senior leadership team, as a result of COVID-19, the CEO agreed with the Board and senior management that no STI bonus would be payable for the 2020 financial year.

Shareholders

Substantial Product Holders

According to notices given to Sky under the Financial Markets Conduct Act 2013 the following persons were substantial product holders in Sky as at 30 June 2020 and 31 July 2020 (as indicated below):

Entity	SKT: Voting Securities as at 30 June 2020
Jupiter Asset Management Limited and its related bodies corporate	154,729,719
Accident Compensation Corporation	134,665,936
UBS Group AG and its related bodies corporate	93,369,859
Black Crane Asia Pacific Opportunities Fund	89,496,785
Mitsubishi UFJ Financial Group, Inc., First Sentier Investors (Australia) IM Ltd, First Sentier Investors Realindex Pty. Limited	82,208,566
Kiltearn Partners LLP and The Kiltearn Global Equity Fund[1]	34,939,993

Entity	SKT: Voting Securities as at 31 July 2020
Jupiter Asset Management Limited and its related bodies corporate	154,729,719
Accident Compensation Corporation	134,665,936
Kiltearn Partners LLP and The Kiltearn Global Equity Fund[1]	122,095,343
UBS Group AG and its related bodies corporate	93,369,859
Black Crane Asia Pacific Opportunities Fund	89,496,785
Mitsubishi UFJ Financial Group, Inc., First Sentier Investors (Australia) IM Ltd, First Sentier Investors Realindex Pty. Limited	82,208,566

(1) Prior to 30 June 2020, the last substantial product holder notice provided by Kiltearn Partners LLP and The Kiltearn Global Equity Fund was released on 30 April 2020, prior to the issuance of shares under the capital raising announced by Sky on 21 May 2020, and therefore the figures shown as at 30 June 2020 are prior to the allotment of any shares to Kiltearn Partners LLP and The Kiltearn Global Equity Fund. A further notice was released on 2 July 2020, showing the interests held by Kiltearn Partners LLP and The Kiltearn Global Equity Fund after the allotment of shares under the capital raising.

The total number of issued voting securities of Sky as at 30 June 2020 and 31 July 2020 was 1,746,279,558.

Twenty Largest Shareholders as at 31 July 2020

Name	Holding	Percentage (2 d.p.)
HSBC Nominees (New Zealand) Limited	297,370,877	17.03
JPMorgan Chase Bank NA NZ Branch	222,318,616	12.73
Accident Compensation Corporation	149,973,898	8.59
New Zealand Depository Nominee Limited	99,937,934	5.72
HSBC Nominees (New Zealand) Limited A/C State Street	87,165,841	4.99
Citibank Nominees (New Zealand) Limited	79,144,350	4.53
HSBC Custody Nominees (Australia) Limited	69,024,686	3.95
BNP Paribas Nominees (NZ) Limited	33,380,773	1.91
BNP Paribas Nominees (NZ) Limited	27,973,315	1.60
National Nominees Limited	25,724,896	1.47
RugbyPass Investors LLC	25,085,408	1.44
JBWere (NZ) Nominees Limited	23,717,377	1.36
New Zealand Rugby Union Incorporated	21,801,325	1.25
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	16,666,666	0.95
Forsyth Barr Limited	15,575,879	0.89
Leveraged Equities Finance Limited	12,235,778	0.70
Citicorp Nominees Pty Limited	11,689,272	0.67
ANZ Wholesale Australasian Share Fund	9,627,585	0.55
Forsyth Barr Limited	8,540,842	0.49
BNP Paribas Nominees Pty Ltd	8,258,099	0.47

Twenty Largest Bondholders as at 31 July 2020

Name	Holding	Percentage (2 d.p.)
FNZ Custodians Limited	15,016,000	15.02
Investment Custodial Services Limited	10,138,000	10.14
JBWere (NZ) Nominees Limited	5,416,000	5.42
Citibank Nominees (New Zealand) Limited	5,392,000	5.39
Custodial Services Limited	3,755,000	3.76
Masfen Securities Limited	3,430,000	3.43
Custodial Services Limited	2,546,000	2.55
Custodial Services Limited	2,537,000	2.54
FNZ Custodians Limited	1,486,000	1.49
ANZ Custodial Services New Zealand Limited	1,449,000	1.45
Forsyth Barr Custodians Limited	1,424,000	1.42
Custodial Services Limited	1,300,000	1.30
Custodial Services Limited	1,239,000	1.24
Tappenden Holdings Limited	1,000,000	1.00
Investment Custodial Services Limited	965,000	0.97
Investment Custodial Services Limited	600,000	0.60
Zhenji Rong & Yizhen Wu	572,000	0.57
Investment Custodial Services Limited	500,000	0.50
JML Capital Limited	500,000	0.50
University Of Otago Foundation Trust	500,000	0.50

Distribution of Ordinary Shares and Shareholdings as at 31 July 2020

	No. of shareholders	Percentage (to 2 d.p.)	No. of shares	Percentage (to 2 d.p.)
1 – 1,000	1,952	19.24	1,101,680	0.06
1,001 – 5,000	2,777	27.37	7,911,384	0.45
5,001 – 10,000	1,360	13.40	10,552,038	0.60
10,001 – 100,000	3,162	31.16	116,731,346	6.68
100,001 and over	912	8.99	1,609,983,110	92.20
TOTAL	**10,163**	**100.16**	**1,746,279,558**	**100.00**

Non-Marketable Parcels of Shares

As at 31 July 2020, 4,169 shareholders in Sky had non-marketable parcels of shares for the purposes of ASX Listing Rule 4.10.8.

Other Information

For the purposes of ASX Listing Rule 4.10.14 and 4.10.18, as at 31 July 2020:

- Sky had a total of 46,886,733 ordinary shares deemed securities subject to voluntary escrow on issue, as disclosed to the market in Substantial Product Holder notices dated 19 August 2019 and 1 November 2019; and
- There was no on-market buy back.

For the purposes of ASX Listing Rule 4.10.16, as at 31 July 2020 Sky had a total of 600,000 unquoted equity securities on issue, held by one holder.[1]

Voting Rights Attached to Shares

Each share entitles the holder to one vote.

Distribution of Bonds and Bondholdings as at 31 July 2020

SKT020 Bonds	No. of bondholders	Percentage (to 2 d.p.)	No. of bonds	Percentage (to 2 d.p.)
1 – 1,000	-	0.00	-	0.00
1,001 – 5,000	123	10.93	615,000	0.62
5,001 – 10,000	231	20.53	2,228,000	2.23
10,001 – 100,000	678	60.27	24,259,000	24.26
100,001 and over	89	7.91	72,898,000	72.90
TOTAL	**1,125**	**100.00**	**100,000,000**	**100.00**

Voting Rights Attached to Bonds

Each bondholder is entitled to one vote for every dollar of principal outstanding on their bonds at meetings of bondholders. Bondholders do not have the right to attend or vote at shareholders' meetings.

(1) See the explanatory note in relation to the 600,000 share rights held by Martin Stewart, in the Statement Of Directors' Interests section above.

Employee Remuneration

The number of employees or former employees of Sky and its subsidiaries (excluding directors of Sky but including employees of Sky holding office as directors of subsidiaries, other than the Chief Executive[1]) whose remuneration and benefits were within specified bands for the year to 30 June 2020 is as follows:

These figures include severance payments made during the financial year.

Remuneration $	No. of employees
100,000 – 110,000	59
110,001 – 120,000	56
120,001 – 130,000	36
130,001 – 140,000	28
140,001 – 150,000	26
150,001 – 160,000	14
160,001 – 170,000	14
170,001 – 180,000	8
180,001 – 190,000	6
190,001 – 200,000	11
200,001 – 210,000	3
210,001 – 220,000	4
220,001 – 230,000	5
230,001 – 240,000	2
240,001 – 250,000	6
260,001 – 270,000	1
270,001 – 280,000	3
280,001 – 290,000	2
300,001 – 310,000	1
320,001 – 330,000	1
330,001 – 340,000	1
380,001 – 390,000	1
440,001 – 450,000	3
460,001 – 470,000	1
490,001 – 500,000	1
510,001 – 520,000	2
550,001 – 560,000	2
580,001 – 590,000	1

(1) The remuneration of Sky's Chief Executive Martin Stewart is not included in the above table as he is also a director of Sky. His remuneration is disclosed under the heading "Chief Executive Remuneration" above.

Donations

During the year 1 July 2019 to 30 June 2020, Sky made cash donations totalling $302,000. Sky's subsidiaries did not make any donations.

Auditors

The auditors of Sky and its subsidiaries were PricewaterhouseCoopers. The amount paid to PricewaterhouseCoopers by Sky in the year to 30 June 2020 for statutory audit services and for other assurance services was:

	Statutory audit services ($000)	Other assurance services ($000)
Sky	649	77

Sky's subsidiaries did not pay PricewaterhouseCoopers any fees.

Waivers and Information

Current and Ongoing Waivers and Confirmations

The following is a summary of all waivers granted in favour of Sky and confirmations which were relied upon by Sky in the year to 30 June 2020. These were:

1. A waiver to permit Sky to lodge its half yearly and final reports in the form of an NZX Appendix 1 instead of an ASX Appendix 4D and ASX Appendix 4E, on the condition that Sky provides any additional information required by the ASX Appendices as an annexure to the NZX Appendix 1.
2. A waiver from ASX Listing Rule 6.10.3 to the extent necessary to permit Sky to set the "specified time" to determine whether a security holder is entitled to vote at a shareholders' meeting in accordance with the requirements of relevant New Zealand legislation.
3. A waiver from ASX Listing Rule 15.7 to permit Sky to provide announcements simultaneously to both ASX and NZX.
4. A waiver from ASX Listing Rule 14.3 to the extent necessary to allow Sky to receive director nominations between the date three months and the date two months before the annual meeting.
5. A waiver from ASX Listing Rule 7.11.3 to the extent this rule required Sky to make a non-renounceable offer of not greater than one equity security for each equity security held, and a waiver from ASX Listing Rule 7.1, 7.40 and 10.11 to allow Sky to utilise extra placement capacity.
6. Confirmation that the rights attaching to Sky shares set out in Sky's constitution are appropriate and equitable for the purpose of ASX Listing Rule 6.1 and comply with ASX Listing Rule 2.1.
7. Confirmation that ASX will accept financial accounts prepared in accordance with New Zealand GAAP and New Zealand Auditing Standards, and denominated in New Zealand dollars.
8. Confirmation that Sky can provide to ASX substantial holder information provided to it under the New Zealand Securities Markets Act 1988 (now the Financial Markets Conduct Act 2013).
9. A waiver from NZX Listing Rule 7.8.5(b) to the extent this rule requires Sky to prepare an appraisal report to accompany a notice of meeting provided to Sky shareholders to consider a resolution to approve the issue of the CEO Retention Shares.
10. A waiver from NZX Listing Rules 4.1 and 4.4 to the extent these Rules required Sky to obtain approval by Ordinary Resolution to issue equity securities under an accelerated non-renounceable rights offer and a waiver for NZX Listing Rule 4.5 to allow Sky to utilise additional placement capacity.

Admission to the official list of the Australian Securities Exchange

In connection with Sky's admission to the official list of the ASX, the following information is provided:

1. Sky is incorporated in New Zealand.
2. Sky is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 dealing with the acquisition of shares (such as substantial holdings and takeovers).
3. Limitations on the acquisition of the securities imposed by New Zealand law are as follows:

   (a) In general, Sky securities are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.

   (b) The New Zealand Takeovers Code creates a general rule under which the acquisition of more than 20% of the voting rights in Sky or the increase of an existing holding of 20% or more of the voting rights in Sky can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of Sky shares.

   (c) The New Zealand Overseas Investment Act 2005 (and associated regulations) regulates certain investments in New Zealand by overseas persons. The rules applicable to overseas investments have recently been amended through the Overseas Investment (Urgent Measures) Amendment Act 2020 (and associated regulations). In general terms, consent or notification is likely to be required where an 'overseas person' acquires shares or an interest in shares in Sky that amount to more than 25% of the shares issued by SKY or, if the overseas person already holds more than 25%, the acquisition increases that holding.

   (d) The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring Sky shares if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

Share Market and Other Information

Enquiries

Sky is continually striving to improve its electronic communications with investors and stakeholders and reduce our environmental impact by encouraging investors to receive communications electronically via Sky's share registry, Computershare Investor Services Limited. Sky investors can elect to receive communications from Sky electronically by visiting www.investorcentre.com/nz.

New Zealand

Sky's ordinary shares are quoted on the NZX Main Board and trade under the code SKT. Sky's bonds are listed on the NZX Debt Market and trade under the code SKT020. Sky's International Security Identification Number issued for the Company by the NZX is NZSKTE0001S6.

NZX Limited

Level 1, NZX Centre
11 Cable Street
Wellington 6011, New Zealand

Mailing address:

PO Box 2959
Wellington 6140, New Zealand
Tel: +64 4 472 7599 Fax: +64 4 496 2893
Website: nzx.com

Australia

Sky's ordinary shares are also quoted on the ASX and trade under the code SKT.

ASX Limited

Exchange Centre
20 Bridge Street, Sydney
NSW 2000, Australia

Mailing address

PO Box H224
Australia Square, Sydney
NSW 1215, Australia
Tel: +61 2 9338 0000 Fax: +61 2 9227 0885

Annual Meeting

Details of the Annual Shareholder Meeting are available on Sky's website.

The next Annual Shareholder Meeting of Sky Network Television Limited will be held via a web platform at www.web.lumiagm.com, on Tuesday 13 October 2020, commencing at 10:30 a.m. (NZ time).

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, VIC 3067
GPO Box 2975
Melbourne VIC 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) (appointed 1 September 2019)
Derek Handley
Geraldine McBride
Joan Withers (appointed 17 September 2019)
Keith Smith (appointed 21 April 2020)
Martin Stewart
Mike Darcey
Susan Paterson, ONZM
Peter Macourt (ceased 17 October 2019)

Officers

Martin Stewart	Director and Chief Executive
Blair Woodbury	Chief Financial Officer
Sophie Moloney	Chief Commercial Officer and Company Secretary
Chris Major	Director of External Affairs
Tex Teixeira	Chief Content Officer
Steve Bayliss	Chief Creative Officer
Chaz Savage	Chief Customer Officer
Prabhu Singh	Chief Technology Officer
Justin Tomlinson	Chief Innovation Advisor

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
PwC Tower,
15 Customs Street West, 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