OUR SKY

SKY NETWORK TELEVISION LIMITED
2006 ANNUAL REPORT

CONTENTS

THIS ANNUAL REPORT IS DATED 11 SEPTEMBER 2006 AND IS SIGNED ON BEHALF OF THE BOARD BY:

PETER MACOURT
CHAIRMAN

JOHN FELLET
DIRECTOR AND CHIEF EXECUTIVE

Anything, Anytime, Anywhere

Whenever and wherever New Zealanders tune in, SKY is always there. As our name suggests, SKY covers the world to deliver an amazing selection of star-filled series, award-winning movies, real-life stories, live sport and breaking news.

Of course, what you want to watch, when you want to watch it, and what you want to watch it on, is up to you. Our aim is to provide diversity, choice, quality and value for anyone, anytime, anywhere.

SKY is where Kiwis gather

For great times and getaways, SKY is there.

Imagine your favourite place; the bach, the boat, or your very own living room – SKY covers the length and breadth of the country providing you with more entertainment and information options than ever before. We're the television network that connects you to the 21st century. With SKY, there is no limit.

> HDTV and IPTV

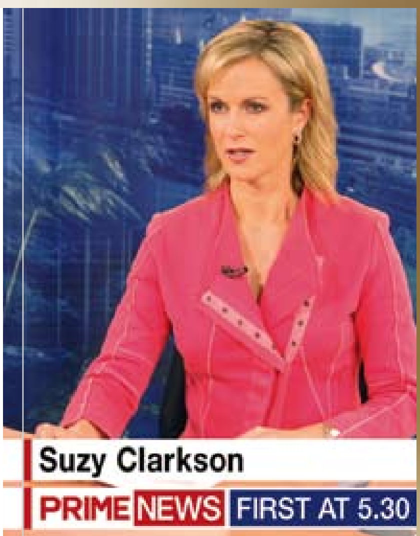
Our home

Where the heart is – and where SKY will always be, open all hours to suit your lifestyle. For sheer volume and variety, no other network provides so much choice – SKY 1, E!, Food Television, MTV, SKY Movies 1 and 2, The Living Channel, Juice TV and the Arts Channel are just a few of the general entertainment channels on offer. SKY makes a point of keeping the mix vibrant so we can appeal to every age and taste.

Our connections

Immediate, informative, intelligent. Thanks to SKY, you can remain up with the play by connecting with an extensive range of local and international news and specialist information services, available every second of every day. Most importantly, SKY delivers what you want, when you need it.

BBC WORLD SKY NEWS NZ CNN PRIME NEWS FIRST AT 5.30



V Prime News – first at 5.30

> SKY Sport

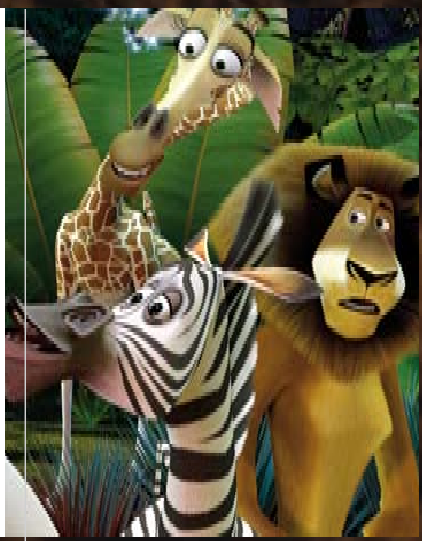
Our passions

Ensuring you are up with the score. SKY has redefined how sport is enjoyed by New Zealanders. We have six designated sports channels and partner with the global leaders of the sporting fraternity. What's more, every year SKY produces more than 10,000 hours of specialist sports programmes. Rest assured, regardless of which side of the camera they're on, the world's best are working together to keep you in the game.

Our play

Fun at your fingertips. SKY's broad selection of entertainment, educational programmes and games channels are designed to satisfy both the young as well as the young at heart. We mix perennial favourites such as Disney Channel, Nickelodeon and Animal Planet with interactive channels like Playin'TV and MindGames. SKY also offers a personalised online subscription service, DVD Unlimited, which delivers the latest DVD releases direct to your doorstep.

NICK CARTOON NETWORK DVD Unlimited Animal Planet



> Madagascar (DVD Unlimited)

^ MY SKY Decoder

Our technology

Bringing our world together. Right from the outset, applying innovative and effective technology has both defined SKY and differentiated us from the rest. Recently, MY SKY added an unprecedented level of individuality to your channel viewing habits by allowing you to personalise your entertainment environment. SKY will continue to deliver the future to your home with the latest technological advancements such as HDTV, Wi-Max, IPTV and Bluetooth.

Our partners

Working together, everything is possible. Broadcasting used to be a one-way street, from provider to viewer. Today, SKY has the means to achieve what real communication is all about – interactivity, flexibility and relevance. SKY works closely with partners including Telecom, TelstraClear, Vodafone, Woosh and the TAB, to support our vision of an 'anything, anytime, anywhere' reality.

V Vodafone

HIGHLIGHTS 05/06

V Sports Rights - Formula One

^ MTV New Zealand launched

NEW SUBSCRIBERS UP
48,102
TO 667,270

TOTAL REVENUE
$548.9m
UP 11.5%

EBITDA
$247.7m
UP 12.6%

CHURN DOWN TO
13.5%

^ World Rally Championships

123

AVERAGE MONTHLY VIEWING HOURS FOR SKY BY SUBSCRIBERS - UP 6%

MY SKY SUBSCRIBERS

8,345

AT 30 JUNE 2006

V The MY SKY Decoder

V IPTV – future developments at SKY

INCREASED REVENUE

11.5%

INCREASED BY $56.5 MILLION
TO $548.9 MILLION

The past year has again been a tremendous year for SKY. We have again achieved a strong result, with a net profit after tax of $60.1 million for the year to 30 June 2006.

Whilst this is a decrease on our last financial year, it is a significant result when taking into account the interest costs incurred on the $500 million of debt raised as part of the merger of SKY and its major shareholder, Independent Newspapers Limited (INL), which occurred on 1 July 2005 and the net loss of $4.9 million incurred by Prime, a free-to-air television channel purchased by SKY on 8 February 2006.

SKY's revenue increased by $56.5 million to $548.9 million, a gain of 11.5% over the preceding year, while SKY's operating costs increased by only $23.5 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 12.6% to $247.7 million.

SKY's subscriber base grew by 48,102 to 667,270, an increase over the previous year of 7.8%. This is a particularly strong result and demonstrates the continuing popularity of SKY's channels and programmes.

Over the last 12 months SKY launched four new channels, Food Television, Playhouse Disney Channel, CCTV-9 and MindGames (a new interactive games channel), all of which contributed to the 11.4% growth in SKY's share of television viewing over the last year.

One of the highlights of the year was the acquisition of the free-to-air Prime, channel. Over several years, Prime had incurred losses of more than $70 million in extending its UHF signal coverage to 91% of New Zealand and reaching a television audience share of 5%, where it had the capacity of operating on a break-even basis.

“**Over the last 12 months SKY launched four new channels,** Food Television, Playhouse Disney Channel, CCTV-9 and MindGames, all of which contributed to the 11.4% growth in SKY's share of television viewing over the last year.”

INCREASED SUBSCRIBER BASE

7.8%

FOR THE 2006 YEAR

NET PROFIT AFTER TAX

$60.1m

FOR THE 2006 YEAR

The acquisition has enabled SKY to strengthen Prime's programming line-up through the broadcast of key sports including rugby, rugby league and cricket, provided SKY with the opportunity to acquire first run television series for broadcast on a free-to-air channel and introduced significant cost efficiencies through Prime's integration with SKY.

Looking ahead, the new Optus D1 satellite, scheduled to be launched and commissioned by November 2006, will initially have an increased capacity of 25%, with the option to add more bandwidth in the future, allowing SKY to continue to increase the number of channels on offer to subscribers.

The board is committed to ensuring that SKY will remain at the leading edge of technology. A comprehensive 24 month plan to convert the television station from analogue to digital, partnerships with telecommunications companies, Vodafone, Telecom, TelstraClear and most recently, Woosh Wireless and the future development and subsequent deployment of a integrated satellite/Internet Protocol Television ("IPTV") decoder will ensure that your company will retain its position as New Zealand's leading television programme provider.

During the year Marko Bogoievski retired from the board and we would like to thank him for the valuable contribution that he made over the five years that he has been a director. Humphrey Rolleston, who was previously an independent director of the board of Independent Newspapers Limited was appointed as an independent director during the year.

Finally I would like to again thank John Fellet, SKY's management team, all our employees and contractors and our subscribers for their dedication and continued support of this great company.

PETER MACOURT **CHAIRMAN**

"**The board is committed to** ensuring that SKY will remain at the leading edge of technology."

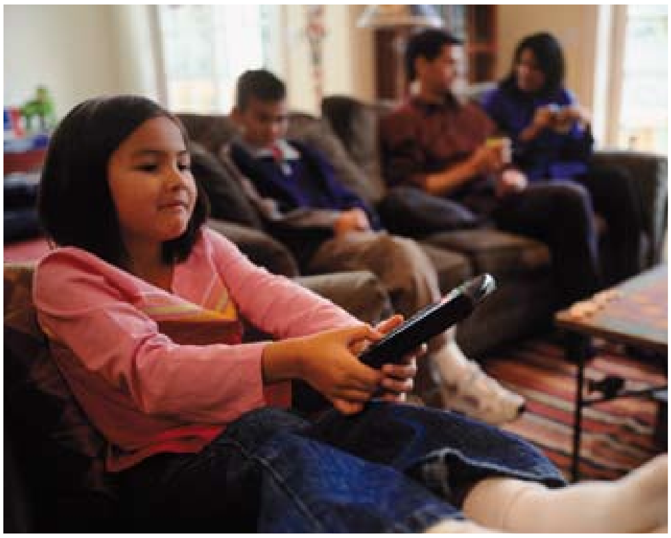
^ Time out

^ Children's choice and variety

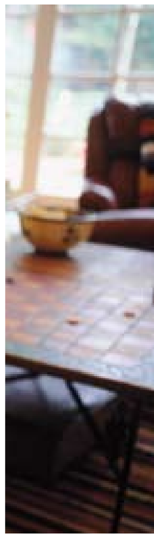
ENTERTAINING NEW ZEALANDERS

Diversity, choice, quality and value spice up our lives. Via conventional television or through mobile connections, New Zealanders are watching us. In an ever increasing world of entertainment options, SKY is in a class of its own. Our destination, to remain connected... and contented.

^ Enjoy inspirational shows on Food Television



^ Relaxing, entertaining or educational, take your pick



V Family entertainment

V Fun on your mobile, wherever you like

V Music and games direct to handheld devices

V Anywhere you want to be, stay up to date with SKY

INTERVIEW

ERIC YOUNG WITH JOHN FELLET

SKY CEO John Fellet knows that every market is unique, and within every market are individuals who are equally different. This philosophy has helped him, according to one commentator, 'quietly and assuredly steer SKY to Number One.' John Fellet took time out from taking care of business to talk to Eric Young about a year of highs and the never ending quest to keep SKY as our entertainment network of choice.

WITH A TOTAL OF 667,270 SUBSCRIBERS, SKY IS NOW IN

42%

OF NZ HOUSEHOLDS

Q It's been another amazing year for SKY hasn't it? Can we talk about the result?

A Yes, this is my sixth annual report and SKY continues to deliver strong results. This year, I am pleased to announce SKY has delivered a $60.1 million dollar profit.

Q Are you happy with progress to date?

A Subscriber numbers have continued to grow year on year. With a total of 667,270 subscribers, we are now sitting on around 42% household penetration. The net increase in subscribers of 48,102 is the best net gain in five years.

For the third year in a row Simon Butterfield, who is the provincial manager for the far North, has won our version of the national provincial championships which is awarded to the province with the biggest net gain in subscribers.

We are also continuing to reduce the percentage of subscribers who disconnect from SKY during the year. This is referred to as churn. Last year, our churn was at an all time low of 15.8%. So this year it is very encouraging that the number of subscribers who choose to disconnect are at an all time low of 13.5%.

Q The big news for the year was the acquisition of a free-to-air television network...

A Yes, on the 8th February 2006, following receipt of Commerce Commission clearance, SKY purchased the free-to-air television broadcasting business of Prime.

This acquisition has enhanced competition between television broadcasters and provided greater viewing choice for New Zealand viewers. Having a free-to-air channel committed to screening important sports events in prime time is also an important element in our involvement in televised sport in New Zealand.

You will also be aware, Eric, that we have introduced a new look Prime News – First at 5:30. We have been very pleased with the ratings that you, Suzy Clarkson and Kelly Swanson-Roe have been achieving. We have also introduced a number of new local programming initiatives for Prime including The Crowd Goes Wild, BP Ultimate Sports Sunday, and Prime Presents, hosted by Alison Mau.

Q So what is SKY's mission?

A SKY's mission is to deliver everything to the subscriber, entertainment and information options anytime, anywhere on any device. We will work with our partners, whether its happens to be Vodafone, Telecom, or TelstraClear to deliver programming any way our subscribers want to watch it.

"**SKY's mission is to be everything to the subscriber,** delivering entertainment and information options anytime, anywhere on any device."

PROFIT

$60.1m

"**We have also introduced a number of new local programming initiatives** for Prime including The Crowd Goes Wild, BP Ultimate Sports Sunday, and Prime Presents, hosted by Alison Mau.

PRIME"

Q Tell me about MY SKY, the new generation hard drive video recorder, is this part of the anytime, anywhere proposition?

A MY SKY is about television fitting around your lifestyle. Appointment viewing is a thing of the past. Now, the viewer can essentially programme his or her own channel, and watch it whenever it suits them.

At home, my family and I have four SKY decoders. In the past, we spent evenings in front of the television watching our favourite programmes. By that I mean on four different TVs in different parts of the house. Now, our time is generally spent in just one room – the room with MY SKY. I might watch The History Channel on my own, my son might join me to catch a sports game, while my wife and daughter are most likely to sit and watch a TV series with me. MY SKY has actually brought our family together, in that now we watch what we want to watch, when it suits us.

I envisage other New Zealanders having a similar experience. The success of MY SKY continues to grow and we now have around 8,300 subscribers currently enjoying the service.

Q How does DVD Unlimited fit into the overall philosophy?

A Over the last year, DVD Unlimited has solidified its position as New Zealand's largest online DVD rental service. For a monthly fee, subscribers can borrow up to ten DVDs at any time, returning them when they have been watched, when another selection of DVDs can be borrowed. DVDs can be kept for as long as the subscriber wants and there are no late fees. Once broadband has developed the future is likely to involve downloading movies to subscribers. However as I have said before, it is still more efficient to 'download a movie' with a postage stamp, which is how DVD Unlimited currently distributes DVDs to its subscribers.

Q In addition to acquiring the business assets of Prime, SKY has also launched a number of new channels this year…

A Yes, we are continually adding value for our subscribers by expanding the number of programming options available. In the last year we have significantly expanded the number of channels on offer to subscribers. In August 2005, we launched CCTV-9, China Central Television's 24-hour English language news channel, in September 2005 we launched a new interactive channel, MindGames, in November 2005, we launched Food Television, New Zealand's first

CHURN DOWN TO
13.5%
FOR THE 2006 YEAR

and only channel dedicated exclusively to food, on Christmas Eve, Playhouse Disney Channel, a new dedicated 24-hour learning-focused channel for preschoolers kicked off, and on the 18 August 2006 MTV launched in New Zealand. Further to this, we have also announced that the Documentary Channel will launch in November 2006.

A number of these channels are being constructed in New Zealand and our subscribers will benefit from local productions, locally tailored programming, scheduling, on-air promos, as well as featuring New Zealand presenters.

Recently there was the suggestion that SKY is an infrastructure company as opposed to a television broadcaster. I strongly disagree. SKY is definitely a company in the business of television broadcasting.

Not only do we source content from New Zealand based producers, we are also responsible for producing around 185 live sports events each year as well as shows that analyse and discuss the performance of the teams each week. We have also recently teamed up with SKY News to produce a daily New Zealand based news show on Prime and have commissioned Ric Salizzo and Left Field Productions to produce a half hour weekday sports magazine show, The Crowd Goes Wild.

SKY has a great relationship with a number of programme suppliers. Among these I include John McCready and Julie Christie from The Living Channel and Food Television, Andrew Hawkin and David Ross from Rialto Channel, Daniel Wrightson from Juice and J2, as well as David Ross from the Arts Channel.

Q Sports wise, it's also been a big year...

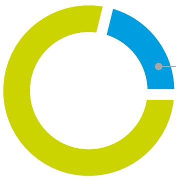
A Over the last 12 months our relationship with key sports codes such as the NZRFU and Cricket New Zealand have continued to see an unprecedented number of sports events on air. In July 2006, thanks to an agreement with Infront Sports & Media, SKY screened full live coverage of the 2006 FIFA World Cup.

SKY is committed to continuing to bring its subscribers live coverage of major sports events of interest to New Zealanders from wherever they occur around the world.

This trend is set to continue. In the last year, SKY signed several new deals including one with Formula One™ Management Ltd which gives SKY the rights to screen the Formula One™ World Championship for the next three years. We have renewed rights to broadcast the Australasian Golf Tour until the end of 2009 and will present live coverage of the New Zealand Open, and signed a broadcast deal with the International Rowing Federation and Rowing New Zealand for the 2006 World Rowing Championship in August at Eton. SKY will also be host broadcaster to the 2010 World Rowing Championships in New Zealand.

“**Once broadband has developed the future is likely to involve downloading movies.** However as I have said before, it is still more efficient to 'download a movie' with a postage stamp.

DVD Unlimited”



22.5%
SHARE OF VIEWING IN NEW ZEALAND HOMES FOR THE JUNE 2006 YEAR

SKY PLANS TO BROADCAST HIGH DEFINITION TELEVISION (HDTV) WITHIN

2 YEARS

MY SKY is about television fitting around your lifestyle. Appointment viewing is a thing of the past. Now, the viewer can essentially programme his or her own channel, and watch it whenever it suits them.

Q Have you seen any new trends?

A One key trend I notice is what, for want of a better phrase, could be called 'the death of the blockbuster'. For example, when SKY started, TVNZ's flagship One Network News had 71% viewership. Now viewership is sitting at around 53%. The once enviable Coronation Street viewership has dropped from 53% to 41%. Why? These programmes are not any less valuable, rather the fragmentation of the market due to factors including the expansion of the channels offered by SKY has allowed for other viewing options.

Q SKY had some issues with the satellite this year...

A Yes, on 30 March 2006, following a routine repositioning of the Optus B1 satellite from which SKY broadcasts its signal, SKY lost its satellite signal for about 13 hours. Optus, the service provider and SKY successfully worked together to implement our service restoration plan. SKY's subscribers were credited for one day's loss of service.

Q Is the B1 satellite past its use by date?

A No, while the satellite is coming near the end of its life, B1 is estimated to be operational until at least June 2007. That said, Optus, is scheduled to commission a new satellite, D1 with increased capacity and power by November this year.

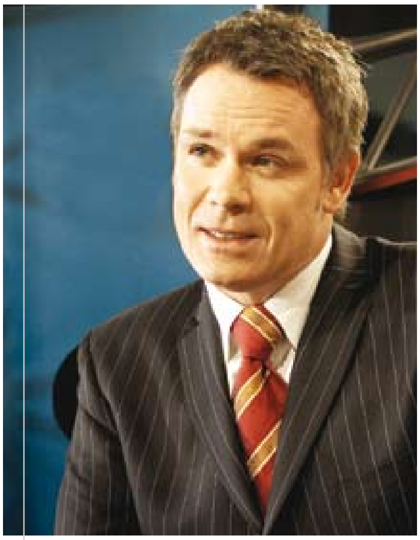
Q Tell me about the broadcast centre upgrade.

A The broadcast centre upgrade is a long term project designed to modernise SKY's facilities. It will replace obsolete equipment and enable us to broadcast more channels and services in future. The project rolls out in three phases.

As part of the first phase, in July 2006, SKY relocated the "uplink" transmission of some of its channels - services previously provided by TelstraClear and TVNZ – to its second broadcast centre at Prime in Albany. These services include all seven box office movies, two of the adult channels and several pass through channels such as BBC World and CNN. While primarily focused out at Albany, the phase also incorporated work at Panorama Road where the satellite uplink has been modified to uplink to a fourth transponder.

This part of the plan will also enable SKY to offer a number of new channels and services following the launch of the new satellite later this year. The move also reduces the possibility of any future service interruption by providing an alternative backup in the unlikely event of a disruption at our current transmitting site.

The expansion also extends to Telecom's Warkworth Satellite station where two new downlink dishes are being installed



for receipt of satellite delivered channels. A new uplink dish will be installed by 1 October 2006 to take over the uplinking of services to the fifth transponder that will be available from the D1 satellite.

The second phase of the operation will take place once the new D1 satellite has been commissioned, at which point SKY will be able to expand the number of channels that are delivered to the subscriber. The Prime broadcast facility has been designed to produce a total of 32 channels.

Phase three is the long awaited update to the Panorama Road facility. The ingest, playout and network operation portions of the broadcast facility will be rebuilt in a brand new state of the art facility. At the end of the day, the entire facility will be server based (not tape machines) following models deployed around the world and will provide up to 80 channels across the two broadcast sites.

Q How far away is HDTV?

A SKY plans to broadcast High Definition Television (HDTV) within two years. Because a high definition picture has over four times as much picture detail as a standard definition picture, viewers will need a television that is able to display this extra picture detail, along with a new digital interface connection (HDMI). To ensure access to all types of content, this new digital connection also needs to support content protection (HDCP).

SKY is currently working with the Consumer Electronics Association to implement an 'HD Ready' labelling scheme as has been done in Europe to help consumers with their purchase decision.

Q How will Free view, the proposed digital television platform for free-to-air television, affect SKY?

A Currently 42% of New Zealanders already receive a digital television service via the SKY platform. Free view is a way for consumers who don't subscribe to SKY to receive a digital television service.

Many countries have already adopted this digital technology and it is a natural evolution for New Zealand's free-to-air broadcasters to move to digital. To date, the Free view model has had little impact on pay television operations throughout the world and similarly, we envisage that it will have little impact on SKY here in New Zealand.

SKY already carries the free-to-air channels on its platform. Whether SKY will carry the Free view channels in the future will depend on the terms and conditions that the various broadcasters may impose. However, SKY supports the move to terrestrial digital for Prime, which will be the biggest beneficiary, as this will equalise its signal strength relative to the other free-to-air channels.

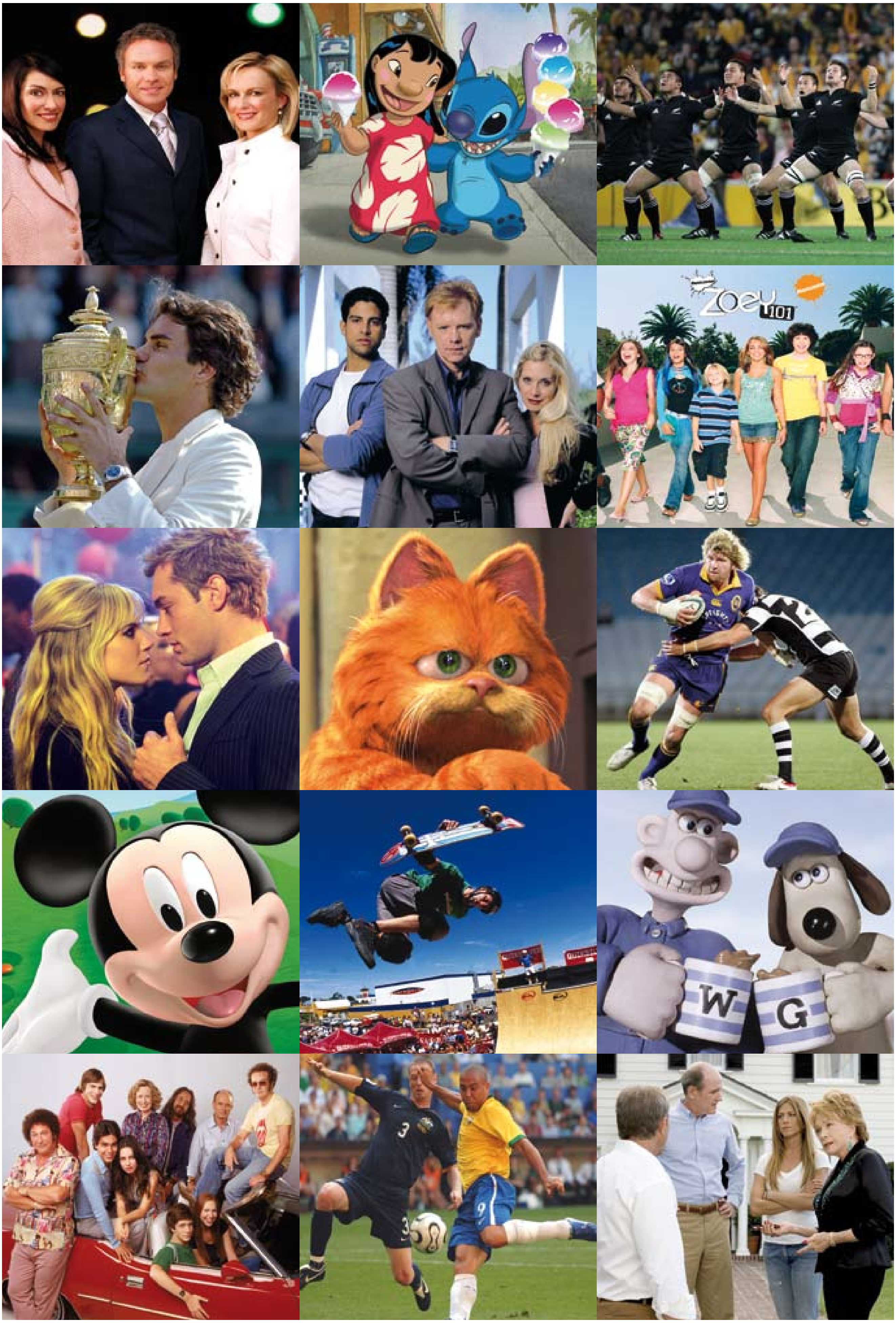
“

Currently viewers can watch items such as Prime News – First at 5:30 as well as live sport on their mobile phone.

”

CHOICE!

Vast selection and endless variety – that about sums up SKY. It's one of our favourite expressions. An extended verbal 'thumbs up' showing we're in a space and place that's as good as it gets. Choice... and thanks SKY.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W
G

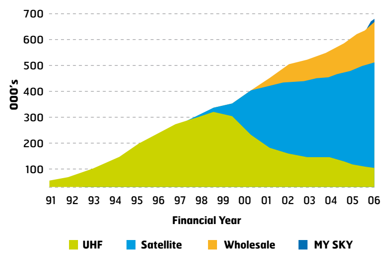
SUBSCRIBERS

667,270

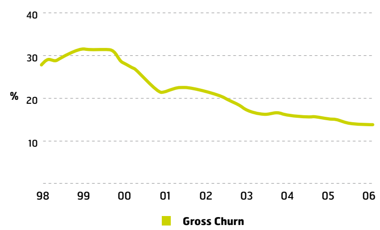
INCREASED BY 48,102, A 7.8% INCREASE

Subscriber Growth We are pleased to report that SKY has added a net 48,102 new subscribers in the 12 months to 30 June 2006 which compares to the 42,566 added in the previous year. SKY is now subscribed to by 42.0% of New Zealand's households. SKY's UHF network lost a net 12,835 residential subscribers compared to the 13,524 subscribers lost in 2005. A significant proportion of these subscribers, 9,274 in 2006 and 11,485 in 2005, migrated to SKY's satellite network.

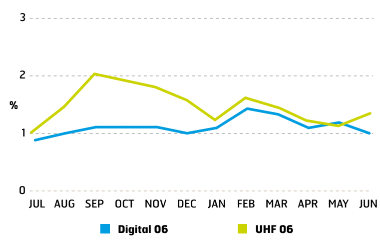
1. SUBSCRIBERS



2. ROLLING ANNUAL GROSS CHURN



3. MONTHLY CHURN SPLIT



SKY has been successful in growing its subscriber base every year since its launch in 1990 as illustrated in graph 1.

SKY continues to target a level of net annual subscriber growth in the range of 35,000 – 40,000, as this is a level that can be efficiently managed within its current infrastructure, without having to heavily discount installation rates, which can increase churn (the rate of disconnect). This year's net increase in subscribers is in excess of this target, partly due to a strong contribution from our wholesale partners who are continuing to promote SKY to their customers and also a result of new subscribers to DVD Unlimited, the online DVD rental business purchased by SKY in October 2004.

Churn

Churn is a measure of the percentage of subscribers who disconnect their service either voluntarily or due to a failure to pay their account. SKY calculates churn on a rolling gross annual basis, which means that each month we calculate the subscribers who have disconnected as a percentage of the average subscribers for that month and total these monthly percentages over the last 12 months. As graph 2 at left illustrates, SKY continues to be successful in reducing the level of gross churn on a rolling annual basis. The rolling gross churn was 13.5% for the year ended 30 June 2006 compared to 15.8% in the previous year.

There is a difference in the level of churn on SKY's UHF and satellite platforms, as illustrated in graph 3 at left, that looks at the monthly churn level on each platform over the last year.

The graphs illustrate that there is no longer a spike in churn in summer months, which did occur in earlier years when SKY's pay TV offering was based mainly on its rights to winter sports codes. The service is now a lot broader offering sports events throughout the year plus a range of basic channels that have broad appeal (for example Food Television, E! Channel, Disney, The History Channel, UKTV).

Viewing

SKY's share of television viewing in New Zealand homes increased from 20.2%[1] last year to 22.5%[1] in 2006. This share of viewing is achieved from the 42.0% of households that have access to SKY. The trend in SKY's share of total television viewing is illustrated by graph 4 opposite.

SKY subscribers have increased the amount of time they spend watching SKY each month from 116[3] hours last year to 123[3] hours in 2006, an increase in viewing time of 6.0%. Graph 5 highlights the average hours of monthly television viewing of SKY's digital subscribers over the last two years compared to total television viewing over these periods.

> SKY Sport

SKY SUBSCRIBERS INCREASE IN VIEWING TIME

6.0%

FOR THE 2006 YEAR

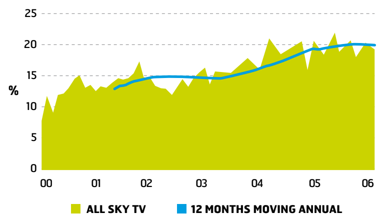
Viewing on the basic channels has increased by 11%[2], with the UKTV and SKY 1 channels performing particularly well. Viewing on the Sports tier has increased by 13%[2], with some of this increase due to World Cup soccer and Super 14. Viewing on the Movie channel has increased by 7%[2] in 2006 as a result of introducing "second chance weekends" which is where a popular title is shown on both movie channels at different start times.

During 2006 SKY launched the following new channels on its satellite platform:

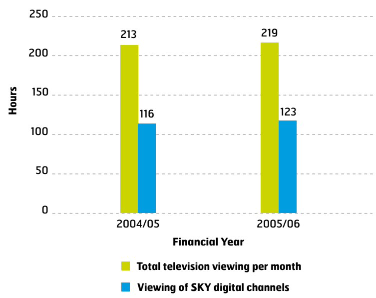
- Food Television, launched in November 2005. Food Television is New Zealand's first and only channel dedicated exclusively to food. The channel features series hosted by celebrity chefs including Nigella Lawson, Rick Stein, Ainsley Harriott, and Jamie Oliver. In addition to the broad range of cooking shows, Food Television will also broadcast other food related programmes looking at everything from nutrition to ethnic food, wine and entertaining.
- Playhouse Disney Channel, launched in December 2005. Children aged 2-5 can play, learn, discover and create with a very special new channel. Playhouse Disney Channel provides an unparalleled line-up of award winning preschool programmes that reflect Disney-quality storytelling, including the popular shows JoJo's Circus, Higglytown Heroes and the exclusive New Zealand premiere of Disney's Little Einsteins.
- CCTV-9, launched in September 2005. This channel covers the entire globe via six satellites. Its programmes can now be seen by 40 million subscribers outside China. Since May 2004 CCTV International has been increasing its coverage of world events. News, in-depth reports, expert analysis and features provide diversity in the information on offer. CCTV International offers a Chinese perspective on international and national events.
- MindGames, launched in September 2005. MindGames is a new interactive channel featuring puzzles, tricky trivia, word games, and against-the-clock challenges. There are five different games available at any one time to keep subscribers entertained.

[1] Source: New Zealand Statistics, plus SKY data [2] Source: Nielsen Media Research/All SKY digital viewers 5+
[3] Source: Nielsen Media Research/All SKY digital viewers 5+, plus SKY data

4. SKY TV % SHARE OF VIEWING IN ALL NZ HOMES



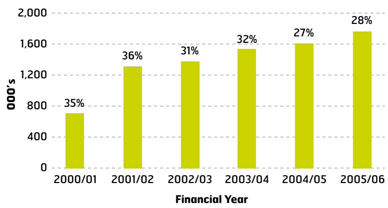
5. AVERAGE HOURS VIEWING SKY DIGITAL PER MONTH, PER SUBSCRIPTION



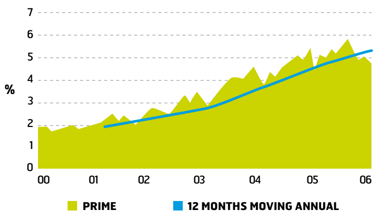
^ Snow Dogs (DVD Unlimited)

^ SKY Sport

6. PPV BUY RATES AND MOVIE PURCHASES



7. PRIME % SHARE OF VIEWING IN ALL NZ HOMES



SKY continues to offer pay-per-view (PPV) movies on its satellite platform, with buy rates, which measure the percentage of subscribers who purchase a movie each month, increasing from 27% to 28%. The trend in PPV buy rates and the total number of PPV movie buys over recent years is illustrated by graph 6 at left.

SKY's PPV movie service continues to be restricted by the bandwidth available to SKY on its current satellite, which means SKY is currently only able to offer seven PPV movie channels. The reduced number of channels limits SKY's ability to stagger the start time for movies which means there is less likelihood that a movie will be commencing at a time that is convenient to a subscriber. SKY will offer more PPV channels when it has additional capacity from the D1 satellite which should assist in increasing buy rates back to historic levels. The decreasing buy rate is also reflective of the increasing availability of movies through other outlets such as retail sales of DVDs, increased choice of movies on airlines and access to movies via online DVD libraries such as the service offered by SKY through DVD Unlimited.

SKY acquired the assets of Prime in February 2006.

The trend in Prime's share of total television viewing over the last five years is illustrated by graph 7 at left.

Prime's share of total television viewing has decreased from 5.5% in 2005 to 5.1% in 2006.

This decrease in Prime's share of viewing in 2006 occurred following SKY's acquisition of Prime. The planned February 2006 launch of Prime's new 2006 season was cancelled due to the uncertainties around the future direction of the channel under SKY ownership. Following the acquisition, SKY took several weeks to familiarise itself with the programme inventory that had been purchased and to consider how certain sports rights would be factored into the new schedule. The new Prime schedule was finalised in May 2006 and several new series including Queer Eye for the Straight Guy, Extras, Weeds and several locally produced shows including Prime News and The Crowd Goes Wild were launched. The new schedule is rating well and there has been a year on year increase in Prime's share of viewing in June and July 2006 as viewers begin to familiarise themselves with the new schedule.

V Nickelodeon

V The Living Channel

Value

For a pay television company to succeed it must offer "value for money" to its subscribers. If not, subscribers can disconnect their service and continue to receive FTA television. Subscribers make this value assessment every month they are asked to pay for their SKY television service. The continued decrease in churn rate suggests that subscribers are satisfied that SKY continues to offer value for money.

The monthly retail price (excl GST) of SKY's most popular packages was as follows:

Charge per month in NZD	2006	2005	%
UHF Super Value	30.20	29.30	3.1
Basic	39.25	37.47	4.8
Basic + Movies	55.80	54.03	3.3
Basic + Sports	52.71	50.93	3.5
Basic + Sports + Movies	67.49	65.71	2.7

Subscribers have the ability to alter the packages that they subscribe to at any time, so there is always movement of subscriber numbers for different services. The following table summarises the percentage of subscribers to each of SKY's core services at 30 June:

Subs by Tier	2006	2005
UHF:		
Sport + Movies	54%	59%
Sport only	44%	40%
Other	2%	1%
Satellite:		
Basic + Movies + Sport	47%	48%
Basic + Sport	33%	32%
Basic + Movies	8%	9%
Other	12%	11%

An increasing number of UHF subscribers are receiving the "Sport only" tier which gives them access to SKY's main sports channel (SKY Sport 1) and the general entertainment channel SKY 1. There are an increasing number of "Sport + Movie" UHF subscribers migrating to SKY's satellite service which is dropping the penetration of this tier.

There has been a small increase in the number of subscribers to the "Basic + Sport" tier on the satellite platform and a reduction in the rate of decline in subscribers to the "Basic + Sport + Movie" tier which is SKY's premium package.

Another approach to assess the value of SKY to its subscribers is to calculate the cost per viewer hour. This can be calculated by dividing the average monthly cost per subscriber by the average number of hours of SKY digital that are viewed each month. In 2006 the average cost per hour for a subscriber was 51 cents[3] compared to 53 cents[3] in 2005.

"**The continued decrease in churn** rate suggests that subscribers are satisfied that SKY continues to offer value for money."

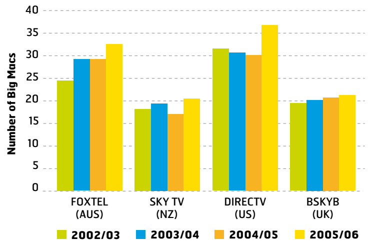
[3] Source: Nielsen Media Research/All SKY digital viewers 5+, plus SKY data

UKTV

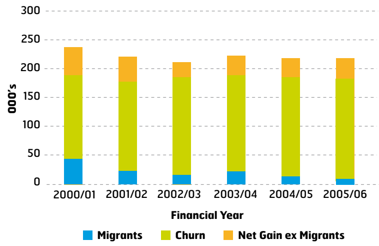
SKY Sport

E!

8. BIG MAC INDEX



9. ACTIVATIONS



Another measure of relative value of SKY compared to the offerings of other pay TV companies internationally is to construct a "Big Mac Index" for pay TV services. Chart 8 at left indicates the number of Big Macs it would take to purchase a full package of pay TV services in a particular country.

This chart highlights that SKY continues to have the most affordable offering based on this measure. However, we recognise that SKY's full package of pay TV services is a lot smaller than that offered in markets such as the US, where economies of scale mean companies like DIRECTV can offer over 200 channels of pay TV in their premiere offering. We believe that SKY needs to continue to offer a service that is affordable given New Zealand's relatively low level of disposable income.

Satellite Activations

The level of installation activity in the business is determined by a combination of the level of churn, net gain in new subscribers, migration of subscribers from the UHF to the satellite network and the number of subscribers transferring their service due to a change of address.
The total number of activations by SKY in the year to 30 June 2006 was 211,181, an increase of 2.7% on the activations in 2005. In 2006, 8% of the activity related to UHF installs compared to 11% in 2005. The trend in activation activity is shown in graph 9 at left.

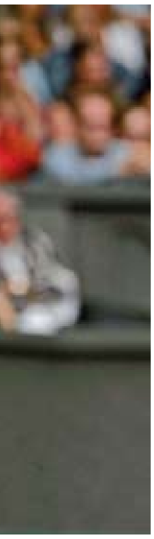
We estimate that there are around 900,000 homes in New Zealand that have been installed with a SKY satellite dish, which represents approximately 58% of New Zealand homes.

SKY is continuing to market its tandem service where customers can subscribe to access SKY services from a second decoder. A UHF decoder which offers access to SKY Sport 1 and SKY 1 is available for $8.00 per month (excl GST) while a second satellite decoder that offers access to all of SKY's satellite channels is available for $22.22 per month (excl GST). The growth in the number of second outlets is as follows:

Additional outlets	2006	2005	% Growth
UHF	29,503	29,417	0.29
Satellite	28,806	20,252	42.2
Total	**58,309**	**49,669**	**17.4**

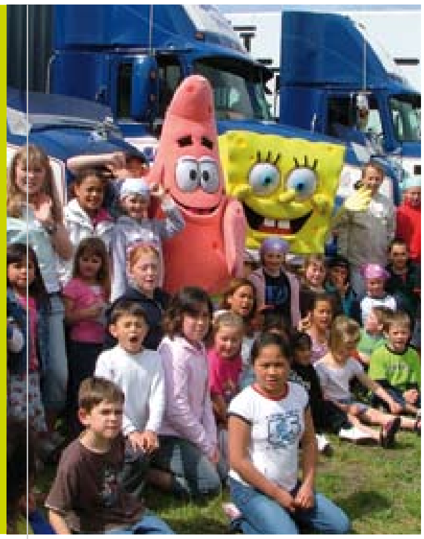
The cost of installing new subscribers is also a determinant in the cost of operating SKY's business. In 2006, the total average install price was $455 compared to $487 in 2005. The install cost comprises:

Install costs in NZD	2006	2005
Decoder	199	257
Material/Labour	256	230
Total	**455**	**487**



V SKY Sport

V Nickelodeon



SKY commenced marketing a new generation of digital decoder known as a personal video recorder (PVR) in December 2005. Branded "MY SKY" this decoder greatly enhances the value of a multi-channel television offering such as SKY. At 30 June 2006 SKY had installed 8,345 MY SKY units which are being sold for an upfront installation fee of $599 (incl GST) and no additional monthly fee. Digital subscribers who keep their old decoder boxes are offered a $100 discount on the install fee. At 30 June 2006, 56% of the MY SKY subscribers had retained their satellite decoder as an additional outlet, and 9% had retained a second UHF decoder.

Staff

SKY employed a total of 714 full time equivalent ("FTE") staff at 30 June 2006, up from the 591 FTE staff employed at 30 June 2005. The increase in staff has been in the following areas:

Staff increase	2006	2005	%
Advertising	29	26	11.5
Broadcast operations	141	127	11.0
Marketing	24	24	0.0
Programming	53	52	1.9
Subscriber management	343	327	4.9
Administration	39	35	11.4
Prime	85	–	100.0
Total	**714**	**591**	**20.8**

The increase in broadcast operations staff is a result of the introduction of an Electronic Programme Guide (EPG) team and the impact of new technology on IT staff requirements. The increase in subscriber management staff has been in response to a 12% increase in call traffic during 2006.

These staffing levels exclude the contractors who undertake SKY installations around New Zealand. We estimate that there are 370 FTE staff involved in this activity. It also excludes the estimated 250 FTE contract staff who are hired to operate the cameras and associated equipment at the approximate 185 live sporting events that are produced by SKY every year.

Ongoing support from the stars of SKY

SKY TV continues their ongoing support for charity organisations and worthy causes, with character appearances at special events.

SpongeBob Squarepants, Patrick Star and Dora The Explorer are among the much-loved costume characters providing children with unforgettable experiences.

The characters visit events such as Special Children's Christmas Parties and The Royal Easter Show, as well as making personal visits to Starship Hospital, to meet and greet their most loyal fans.

V SpongeBob visits his biggest NZ fan Cherokee at the Starship Hospital. Photo Marcia Jessen Manukau Courier.

INCREASE IN CAPACITY

25%

BY PURCHASING FIVE TRANSPONDERS ON THE D1 SATELLITE

Acquisition of Prime The most significant strategic development for SKY in 2006 was the acquisition of the FTA television channel, Prime. Prime was established in July 1997 by the publicly listed Australian company, Prime Television Limited (PTL). PTL had incurred around $70 million in operating losses building Prime's share of the television audience to around 5% and had extended its UHF signal coverage to 91% of New Zealand.

With this share of viewing and given the size of the New Zealand television advertising market, Prime was capable of operating on a "break-even" basis. PTL had also recently invested in an upgrade of the Prime television station at Albany to a digital server based operation.

At the end of 2005 SKY was seeking to negotiate the renewal of the FTA rights to SKY's key sporting programmes including rights to SANZAR rugby games, rights to NRL rugby league games and rights to Black Caps cricket games. The FTA networks were arguing that the value of these FTA rights had diminished significantly as a result of SKY's increasing subscriber numbers and the increased viewing of these events "live" on SKY. They were also suggesting that these events would no longer be screened with a one hour delay but that they would be scheduled later in the evening after "prime time". SKY believed these events should be available FTA a short time after the "live" event.

SKY therefore began an investigation into a number of options, including the possibility of unencrypting one of its existing UHF television networks so that it could create its own FTA channel where the delayed rights to these sports events could be scheduled in prime time. As PTL had already discovered, we realised that it would take considerable investment and risk to build an audience share to the point where the channel would be in a "break-even" position.

When the opportunity to acquire Prime arose SKY saw this as a better alternative than creating its own channel utilising one of its UHF networks. SKY also recognised other potential benefits from ownership of Prime including:

- Providing SKY with the opportunity to acquire "first run" television series that are sold via studio output deals. Without its own FTA network, in the past SKY had been unable to bid on these studio output deals offered by the likes of Disney and Warners.
- Achievement of a number of operational synergies by integrating Prime's operations into SKY's existing multi-channel television infrastructure.

"**Prime has now been fully integrated** into SKY's operations providing cost and infrastructure synergies."

> The Prime News Team

> The planned D1 and D2 Satellites

> Growing Prime's share of viewing as a result of providing FTA access to SKY's sports rights, particularly the rugby that had previously been on TV3.

Prime has now been fully integrated into SKY's operations providing cost and infrastructure synergies. It has taken SKY some time to reschedule the programming on the channel during which time it was difficult to sell advertising. Hence, the financial performance of the business has been disappointing for the five months to 30 June 2006, reporting a loss of $4.9 million. However, we are pleased with the increase in audience share that has occurred in June and July 2006 and continue to be excited about the prospects for the channel.

Launch of Optus D1 Satellite

The construction of the Optus D1 satellite has been completed and we are waiting for the launch of the satellite on the Arianespace rocket, the Ariane 5ECA. The satellite is expected to be commissioned by November 2006. SKY has committed to purchasing five transponders on the D1 satellite, which is a 25% increase in capacity compared to the four transponders purchased on the B1 satellite that is currently used by SKY. SKY has an option to increase capacity by purchasing an additional two transponders on the D1 satellite.

Optus has also committed to launching a second satellite, D1R, which is scheduled for physical pre-launch delivery in February 2007 should there be a failure of the D1 launch. Optus have not purchased a backup launch vehicle in the event of a failure of the D1 launch but are confident that a launch could be secured for D1R in the first half of 2007, if this was required.

SKY is currently receiving its satellite services from the B1 satellite. This satellite is coming to the end of its useful life and current estimates are that it will be capable of providing services to SKY until at least June 2007. SKY has also agreed a restoration plan with Optus that would see satellite capacity restored within a short period (currently estimated at about seven days) at the orbital location where its satellite dishes are currently pointed (at 160° east), should there be a failure of the B1 satellite prior to the launch of D1 or D1R.

Optus also plans to launch at a later date (to be confirmed) an additional satellite (currently named D2), to be positioned at 156° east. When launched and positioned at 156° east this satellite will provide in-orbit redundancy for SKY as it has a purpose built pay load designed to replicate SKY's D1 services, if this is ever required. SKY has designed a dual low noise block (LNB) for use on its satellite dishes so that these can be electronically switched to the 156° east location.

"**Another benefit of the acquisition of Prime has been to** provide SKY with the opportunity to acquire "first run" television series that are sold via studio output deals."

Food Television

SKY Sport/ESPN

With the increasing penetration of 3G mobile hand sets and increasing speeds on these mobile networks, SKY is looking at enhancing the video services it offers these mobile operators.

SKY is progressively installing these dual LNB's on new installations and as it visits customers during normal operations. There are currently approximately 200,000 of these new dual LNB's installed.

Construction of Second Site

Following the acquisition of Prime in February, SKY reviewed its plans to build a second disaster recovery site at Telecom's satellite earth station, located north of Auckland, near Warkworth. The Prime Albany facility offered SKY access to a purpose built television station that already had the capability of broadcasting six television channels.

SKY decided to expand operations at the Prime facility to include the capability to play-out up to 32 channels and to transfer the seven pass through and ten PPV channels being played out for SKY by TelstraClear in Wellington. It was decided that the Warkworth facility would continue to operate as a second dish farm for SKY with the capability to operate two down-link dishes and one 9.2 metre uplink dish to be pointed at the Optus D1 satellite.

To ensure seamless operation of the three sites being SKY's primary facility at Panorama Road, the Prime Albany television station and the Telecom satellite earth station at Warkworth, SKY has purchased ten Gb of fibre capacity between these three sites.

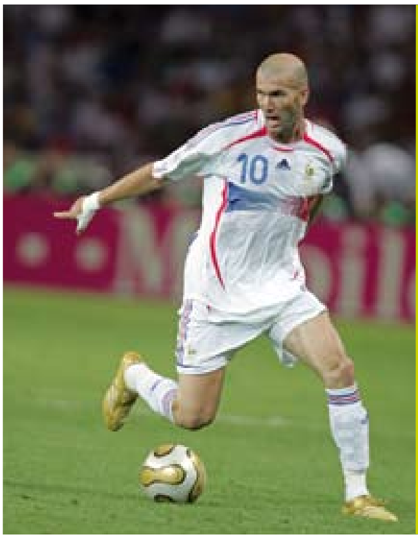
The TelstraClear PPV and pass through channels have been successfully migrated to the Prime facility and commenced transmission on 24 July 2006 via SKY's uplink dish at Panorama Road. Additional PPV channels will be played out from the Prime facility and uplinked via the Warkworth dish when additional bandwidth is available from the new D1 satellite.

SKY is continuing to develop disaster recovery (DR) plans across these three sites, reducing its current exposure to the Panorama Road site. The DR plan is expected to be fully operational within 24 months.

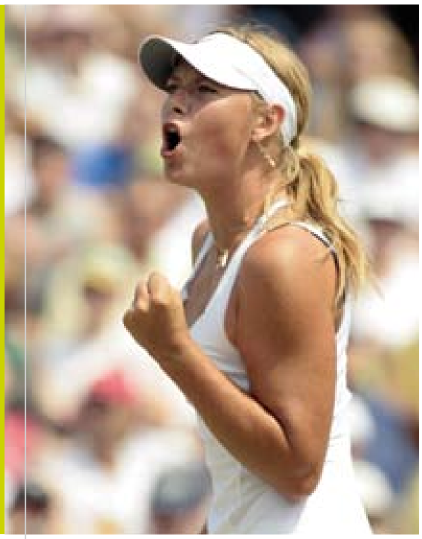
Television Station Upgrade

SKY is committed to upgrading its 16 year old analogue television station to a digital server-based architecture over the next 24 months. The first phase of this project has been completed with the expansion of the play-out capability at the Prime television station.

V Playhouse Disney Channel



V SKY Sport



V SKY Sport

The new technology will create a "tapeless" environment which will provide a number of operational efficiencies. The Panorama Road station will be designed to have the capability to play out up to 48 standard definition channels and will provide the capability to offer widescreen on all channels, Dolby 5.1 digital sound and high-definition television.

The upgrade will ensure that SKY can offer its subscribers access to digital quality video services across a range of possible platforms while also enhancing SKY's ability to reposition and easily manipulate its content assets.

Mobile Video Services

SKY continues to have relationships with Vodafone and Telecom to provide video clips to their mobile telephones. With the increasing penetration of 3G mobile hand sets and increasing speeds on these mobile networks, SKY is looking at enhancing the video services it offers these mobile operators.

Wireless Video Services (Wi-Max)

SKY has recently announced a partnership with Woosh Wireless to provide pay television content on a new wireless network that it is planning to build in the 2.3 GHz spectrum. This spectrum is referred to as "Wi-Max" and a number of companies around the world have announced their intention to develop wireless phone, broadband and pay television services utilising this spectrum. This is yet another technology that is coming to the market place that will provide consumers with an alternative means of receiving SKY television.

This arrangement with Woosh is further evidence of the value SKY can bring to parties looking to develop bundles of voice, data, and video services for their customers. SKY strives to ensure that its content is available on any platform with any partner.

"

Referred to as "Wi-Max" a number of companies around the world have announced their intention to develop wireless phone, broadband and pay television services. SKY strives to ensure its content is available on any platform.

"

> Playhouse Disney Channel

> Food Television

> SKY Movies

INCREASE IN VIEWING HOURS

9%

FROM THE SUPER 14 2006 VERSUS 2005 SUPER 12 COMPETITION

“

We were confident that the new competitions would assist in increasing the amount of viewing of rugby on SKY as the SANZAR contract has consistently provided SKY with its most popular sport content.

”

Growth of DVD Unlimited

SKY purchased the online DVD rental business, DVD Unlimited in October 2004 as it believes these services will eventually transition to being fully available online. The current business model enables subscribers to access the DVD Unlimited web site and select from a list of video titles that are available from a library of titles.

Depending on the package that is subscribed to, a subscriber can have access to 1 - 10 titles at any time. Subscribers may keep the DVDs for as long as they want, there are no “late fees” and when a title is returned another title from the subscribers selected list is sent out.

The current business model relies on the postal service to distribute the rented DVDs by mail. As broadband networks become faster, cheaper and more highly penetrated in New Zealand, we believe that the DVD Unlimited business will be migrated to being a full online service with movies being downloaded or streamed to subscribers. From a strategic perspective, SKY believes it is important to be in the business now to ensure it builds the base of subscribers interested in these services.

We have been pleased with the performance of the business and have gained considerable knowledge about the purchasing habits and interests of subscribers for this type of movie service.

Success of New Super 14

SKY renewed its SANZAR rugby contract for a further five years in May 2005 at prices that were similar (in US$ terms) to those being paid under the previous contract. One of the differences in the new contract was the number of games that were to be played, as the new contract incorporated a new Super 14 competition (94 versus 69 games under the old Super 12 competition), an expanded Tri-Nations (9 versus 6 games) and an expanded National Provincial Competition, renamed the Air New Zealand Cup (70 versus 48 games).

We were confident that the new competitions would assist in increasing the amount of viewing of rugby on SKY as the SANZAR contract has consistently provided SKY with its most popular sport content. A number of commentators believe that SKY viewers had already reached saturation point for rugby content under the previous SANZAR competition formats.

V SKY Movies

V SKY Sport

While it is still too soon to draw any definitive conclusions about the success of the new competition formats, we have seen a 9%[(3)] increase in viewer hours from the Super 14 competition in 2006 versus the viewing hours from the Super 12 competition in the previous year.

The final, which we acknowledge was an all New Zealand affair in 2006, had a 19%[(3)] increase in viewer hours compared to the Super 12 final in the 2005 season.

We continue to believe that SKY has access to New Zealand's premium sports content with its SANZAR rugby contract.

Free view Announcement

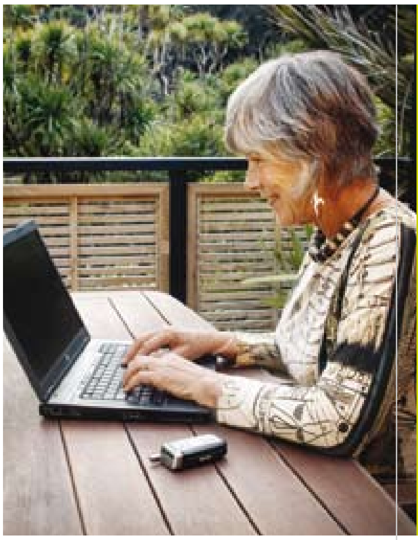
In June 2006 the Government announced its support to the launch of a "free view" multi-channel digital television service and the contribution of $25 million over the next five years. The free view group includes TVNZ, CanWest, Maori Television, Radio New Zealand and The New Zealand Racing Board. The announcement was that the service will be a hybrid satellite and digital terrestrial platform, with the terrestrial coverage being limited to around 75% of the country and the satellite ensuring 100% coverage. The plan is to initially launch free view as a satellite service in mid 2007 to be followed by the terrestrial service.

To receive the free view service customers will be required to purchase a decoder, either a satellite box or a terrestrial box depending on whether they can receive the terrestrial signal. Free view will set the technical specifications for the decoders. Free view is proposing a retail model where these boxes are imported by third party retailers for direct sale to the public.

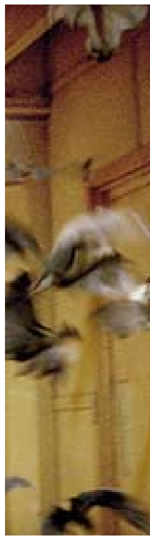
We wait with interest to see how the free view platform develops and acknowledge that while there is the possibility that SKY's subscriber growth could be negatively impacted in the short term due to the general confusion in the market place that is created by the perception that there may be an alternative to SKY, we remain confident that our business model of securing premium content that New Zealanders want to see on television will position us well for continued subscriber growth over the longer term.

"**We remain confident that our business model** of securing the premium content that New Zealanders want to see on television will position us well for continued subscriber growth over the longer term."

(3) Source: Nielsen Media Research/All SKY digital viewers 5+, plus SKY data



< SKY Movies



Telecom Local Loop Unbundling

In June 2006 the Government announced that it would be unbundling the local loop (LLU) that is currently controlled by Telecom. This was a very significant announcement that took both Telecom and the market by surprise. This means that Telecom's competitors will have access to the last copper mile of infrastructure that goes into every home in New Zealand and that they will be able to offer their own telecommunication services to customers.

Competitors to Telecom will be able to invest directly in the infrastructure to provide high speed broadband services to customers without having to rely solely on the wholesale services that are offered by Telecom. This is likely to result in increased third party investment in this area, faster broadband networks in the metropolitan areas and generally more competition in the telecommunications market.

The Government has yet to announce the full details of its plans and it is not clear how quickly the LLU will occur.

We believe this decision is good news for SKY as it will increase the number of alternative distribution platforms for its content as IPTV technology is dependent on fast, cheap broadband infrastructure. SKY wants to position itself as the "television partner" of all network operators providing video services as part of their bundled offerings. These developments will take some time to unfold and are likely to impact on SKY's business for some considerable time into the future.

IPTV

IPTV is a technology that enables video to be distributed in a secure way over a broadband network using internet protocol software. It is the next generation of pay television technology that will enable subscribers to have much greater access to real-time on-demand content. This cannot be achieved on a satellite platform which is best suited to the broadcast distribution of content to a large number of viewers at the same time.

SKY is already investigating the prospect of developing an integrated satellite/IPTV decoder that will enable subscribers to receive linear broadcast channels via satellite while also offering subscribers the ability to access specific "on-demand" content via IPTV infrastructure.

These developments are several years away but already SKY is in discussion with parties such as Telecom and Woosh as to how we might work together to enable access to these IPTV services.

> **SKY wants to position itself** as the "television partner" of all network operators providing video services as part of their bundled offerings.

Financial Overview SKY has earned a net profit after tax of $60.1 million for the year ended 30 June 2006. This is a decrease on last year's after tax profit of $74.5 million, primarily as a result of the interest costs incurred on the additional $500 million of debt that was raised as part of the merger of SKY (premerger) and its parent, Independent Newspapers Limited, on 1 July 2005.

NET PROFIT AFTER TAX

$60.1m

FOR THE YEAR ENDED 30 JUNE 2006

SKY's 2006 results also include the net loss of $4.9 million incurred by Prime, a FTA television broadcast network purchased by SKY on 8 February 2006 for $29.5 million.

A summary of the 2006 financial results and the comparative 2005 results is as follows.

It is important to note when analysing SKY's 2006 accounts the comparative figures are for the INL Group.

Please note that certain amounts in 2005 have been adjusted and/or reclassified so as to comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

For the years ended 30 June in NZD millions	2006	2005	% Inc/(dec)
Financial performance data			
Total revenue	548.9	492.4	11.5
Total operating expenses	301.2	272.5	10.5
EBITDA	**247.7**	**219.9**	**12.6**
Less/(Plus)			
Depreciation and amortisation	106.1	111.3	(4.7)
Net interest expense and financing charges	50.6	(4.6)	–
Unrealised losses/(gains) on currency	1.0	2.1	(52.4)
Net profit before income tax	**90.0**	**111.1**	**(19.0)**

Further analysis of the 2006 financial results is provided below.

Revenue Analysis

SKY revenue has increased by 11.5% to $548.9 million.

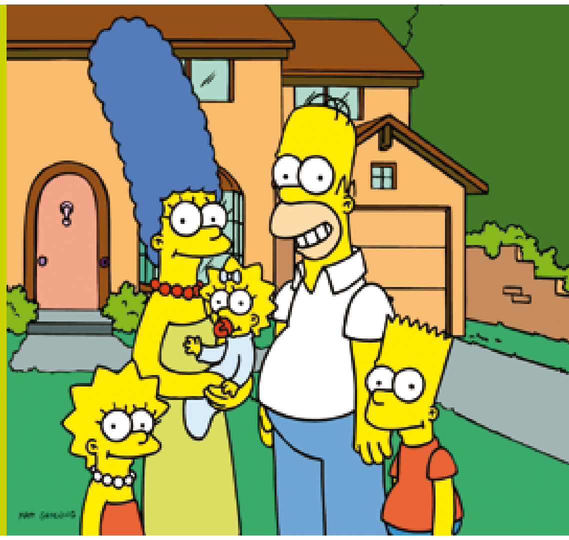
For the years ended 30 June in NZD millions	2006	2005	% Inc/(dec)
Residential	428.2	389.7	9.9
Commercial	29.1	25.4	14.6
SkyWatch	10.7	9.1	17.6
Total subscription revenue	**468.0**	**424.2**	**10.3**
Advertising	47.3	35.6	32.9
Installation, programme sales and other	33.6	32.6	3.1
Total other revenue	**80.9**	**68.2**	**18.6**
Total revenue	**548.9**	**492.4**	**11.5**

RESIDENTIAL SUBSCRIPTION REVENUE INCREASED

9.9%

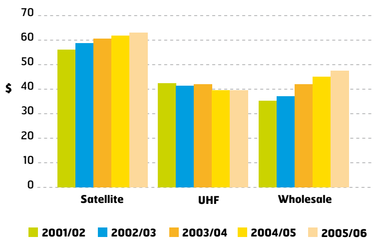
FOR THE 2006 YEAR

> National Geographic Channel

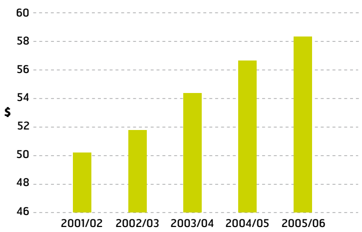


> SKY 1

10. ARPU



11. TOTAL ARPU



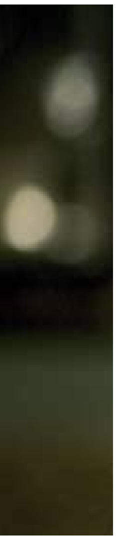
Residential subscription revenue increased by 9.9%, reflecting a 7.8% increase in subscribers, an average 1.8% price increase implemented in June 2005 and the net impact of a change in the mix of services purchased by subscribers. The 2006 revenues were impacted by the satellite outage that occurred on 30 March 2006 as subscribers were credited with one day's subscription due to the loss of service at a cost to SKY of $1.1 million.

Average revenue earned per month per subscriber, or "**ARPU**" is a measure of the average revenue that SKY earns from subscribers each month. While several analysts focus on ARPU as a measure of business performance, this approach can be misleading because ARPU does not recognise the differing costs that attach to different types of subscribers. For example, SKY earns less revenue (ARPU) from TelstraClear under its retransmission agreement, simply because TelstraClear provides the capital to install these customers, operates its own network and manages all aspects of customer service. However, this does not mean these customers are less "profitable", as clearly the costs to SKY of installing and servicing these customers are also lower. Similarly, SKY receives less ARPU from its UHF customers reflecting the reduced services that are available on this platform (a maximum of four channels). However, the costs of operating this UHF network are also low as the infrastructure utilised by these subscribers is now 16 years old and a large component of the programming available to these subscribers is purchased on a fixed cost basis (eg Sports rights and SKY 1 content) so the marginal costs of providing pay television services to these customers are also lower than on SKY's multi-channel satellite platform. In other words, the mix of customers determines the level of ARPU but ARPU does not reflect the level of profitability of these customers.

Table 11 outlines SKY's ARPU over the last five years, calculated on a rolling monthly basis.

SKY's total ARPU increased by 2.5% from $56.86 to $58.30 in 2006. Satellite ARPU increased by 1.0% from $62.49 to $63.13, reflecting the effect of a 1.8% average price increase, partially offset by a reduction in the number of subscribers purchasing both the sport and movie packages. Wholesale ARPU has increased by 4.6% from $46.27 to $48.39 reflecting an increasing number of customers on the resale agreement with Telecom relative to the Telstra re-transmission agreement where the discounts are larger reflecting Telstra's utilisation of its own distribution network. UHF ARPU increased by 0.2% from $39.42 to $39.51. Table 10 provides a more detailed breakdown of SKY's ARPU over the last five years.

Commercial revenues continue to grow and were up by 14.6% in 2006. An increasing number of commercial subscribers are switching from UHF to SKY's satellite service and as a result, are purchasing more of the services that are available on this platform.



> SKY Box Office

> SKY Sport

SkyWatch is SKY's monthly programme guide. Revenue from the guide increased by 17.6% to $10.7 million in 2006. There were 399,910 subscriptions to the guide at 30 June 2006, an increase of 12% for the year. The penetration of the guide has increased from 63% of residential subscribers to 65% of subscribers.

Advertising sales revenues have increased by 33% to $47.3 million in 2006. This includes $7.1 million of advertising revenue from the FTA channel Prime, acquired by SKY on 8 February 2006. If this revenue is excluded, advertising revenue from SKY's pay television platform increased 12.9% to $40.2 million. SKY continues to benefit from increased viewing on SKY channels, with SKY's share of total television viewing increasing from an average of 20.2% in 2005 to 22.5% in 2006. Advertisers also recognise the value of being able to target specific niche audiences on SKY. Advertising was not inserted in any additional channels during the year so the increase in revenue has been as a result of increased yields. SKY is inserting advertisements on a total of 18 channels.

SKY's pay television advertising revenue represents 6.1% of the total New Zealand television advertising revenue for this period, which is below the 22.5% average share of viewing of SKY channels during 2006. Similar trends are seen in other markets where pay TV businesses are unable to attract their share of the television advertising spend due primarily to the fractured nature of this viewing across a number of channels and fewer advertisements in sport and movie programmes.

Installation revenue is the revenue received from subscribers who are charged an initial installation fee for subscribing to the UHF or satellite service. Installation revenue is also received from Telecom under the reseller agreement. SKY's accounting policy is to recognise this revenue as income, when it is charged. The current listed installation rate for new UHF subscribers is $50 (including GST), while the rate for new DBS subscribers is $99 (including GST). From time to time, the DBS and UHF installation rates are reduced to attract new subscribers.

In December 2005 SKY launched MY SKY, a personal video recorder with features such as a 160 Gb hard-drive recording device, two television tuners that enable you to watch one channel while another is being recorded and the ability to "pause" live television. MY SKY units are currently available to subscribers for an upfront installation fee of $599 (including GST).

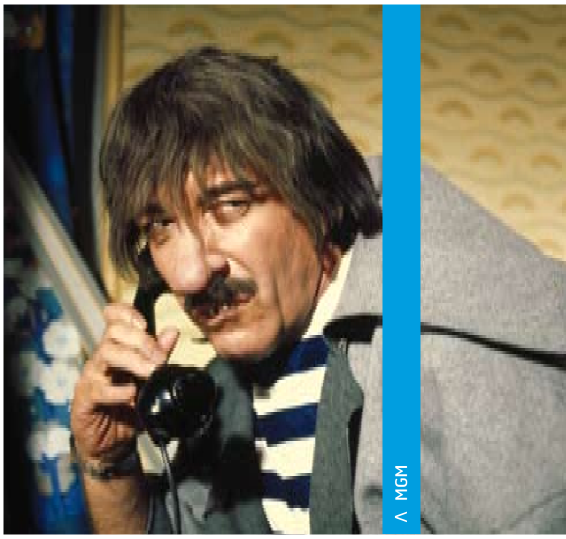
This fee is also recognised as installation revenue. There is no additional monthly fee for MY SKY subscribers. There were 8,345 MY SKY units installed in the period to 30 June 2006.

Programme sales revenue is the revenue received from selling the replay rights of certain sporting events to the FTA networks. A total of $3.4 million was received for

"**SKY is in discussion with parties such as Telecom and Woosh** as to how we might work together to enable access to these IPTV services."

∧ SKY Movies

∧ SKY Sport



∧ MGM

ADVERTISING REVENUES

$47.3m

INCREASED FROM $35.6 MILLION IN 2005

these rights in 2006, compared to $6.4 million in 2005. During the year, TV3 purchased the right to replay rugby games and Prime purchased the rights to replay NRL rugby league games and New Zealand cricket. Following SKY's acquisition of Prime in February 2006, all of these FTA sports rights were transferred to Prime and no programme sales revenue is recognised in SKY's accounts from this date.

Other revenue is revenue received from satellite dish sales, rental to third parties of transponder capacity and production revenue for programmes sold to third parties.

Expense Analysis

A further breakdown of SKY's operating expenses for 2006 and 2005 is provided below:

In NZD millions	2006	2006 % of revenue	2005	2005 % of revenue	% Inc/(dec)
Programming	177.6	32.4	168.4	34.2	5.5
Subscriber management	35.5	6.5	29.8	6.1	19.1
Broadcasting and infrastructure	24.3	4.4	18.2	3.7	33.5
Sales and marketing	32.8	6.0	26.4	5.4	24.2
Other administrative	31.0	5.6	29.7	6.0	4.4
Depreciation and amortisation	106.1	19.3	111.3	22.6	(4.7)
Total operating expenses	**407.3**	**74.2**	**383.8**	**78.0**	**6.1**

Programming expenses have reduced to 32.4% of revenue from 34.2% the previous year. Programming costs are made up as follows:

In NZD millions	2006	2005
Rights	146.0	140.5
Operations production	31.6	27.9
Total	**177.6**	**168.4**

SKY Box Office

Cartoon Network

The bulk of programming costs relate to the purchase of programme rights, including the cost of sports content, pass-through channels, movies (including PPV) and music rights. Programming operations costs include the costs of producing live sporting events, satellite linking costs for bringing in live events, in-house shows (such as Reunion, Try Time, etc), and taping, formatting, editing and adding other features to programmes. From 8 February 2006, programming costs include the costs of the FTA channel, Prime.

A significant proportion of SKY's programme rights costs are in US dollars. This means the NZ dollar cost included in SKY's accounts is affected by the strength of the NZ dollar during a particular year and by SKY's hedging policy.

The board's policy is to hedge a minimum of 85% of the forecast exposures over 0 to 12 months and 25% to 45% of variable exposures over 13 to 36 months. Fixed price contracts denominated in foreign currencies are at least 70% hedged for a minimum of 36 months from the time they are entered into.

In 2006, SKY made US dollar operating expense payments at an average exchange rate of 61.82 cents. Based on 2006 results, a one cent movement in the USD/NZD rate would have affected operating costs by around NZ$1.5 million.

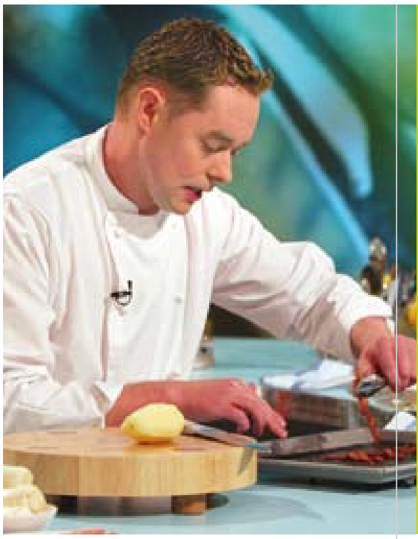
In 2006, SKY's total rights costs of NZ$146.0 million included US$64.6 million of rights costs. If this is converted to NZ$ at the average NZD/USD exchange rate of 61.8 cents, this equates to NZ$104.5 million which means 72% of SKY's programme rights are paid in US dollars.

Subscriber management costs include the cost of servicing and monitoring equipment installed at subscribers' homes, the costs of SKY's customer service department and general administrative costs associated with SKY's sixteen regional offices. They also include indirect installation costs which were previously capitalised and amortised on a straight-line basis over a five year period. Subscriber management costs typically increase in line with the percentage growth in subscribers. They are higher this year due partly to an increase in decoder repair costs of $0.7 million. There is also an increase in bad debt costs due to contract terms being extended to a minimum of one year and additional costs associated with the satellite outage on 30 March 2006.

PROGRAMMING EXPENSES REDUCED TO

32.4%

OF REVENUE



Food Television

Playhouse Disney Channel

TOTAL OPERATING EXPENSES INCREASED

6.1%

COMPARED TO A 11.5% INCREASE IN REVENUE

As SKY's subscriber base increases, it is possible that the credit quality of these customers could deteriorate. To avoid this, SKY maintains an active approach to managing accounts receivable. Bad and doubtful debts were 0.26% of revenue in 2006, up from 0.06% as a result of a $1 million reduction in the size of the bad debt provision from $1.5 million to $0.5 million in the comparative period.

A policy of billing customers in advance for their services, maintaining a credit limit of $60 on PPV purchases, establishing an up-front cost via an installation fee and encouraging customers to utilise direct debit as a form of payment, all assist in minimising bad debt levels.

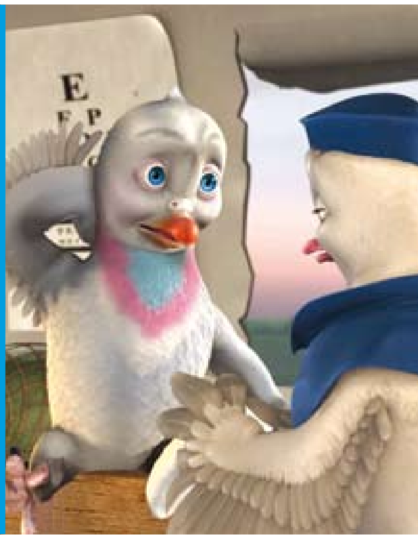
Broadcasting and infrastructure costs consist of transmission and linking fees paid to Broadcast Communications Limited (BCL) for transmitting SKY's UHF signals from its studios in Auckland to other locations, using a digital microwave and optical fibre distribution network. The costs of operating SKY's television station at Panorama Road, Mount Wellington are also included.

From 8 February 2006, SKY has also paid BCL to link Prime's UHF television signal around New Zealand and incurred costs of operating the Prime television station located at Albany, 20km north of Auckland. In the period from 8 February to 30 June 2006, $2.5 million of the broadcasting and infrastructure costs were attributed to operating Prime. Part of the increase in these costs in 2006 is attributable to the expansion of SKY's activities to a second building at Panorama Road and additional software support costs resulting from the system upgrades required for launch of MY SKY in December 2005.

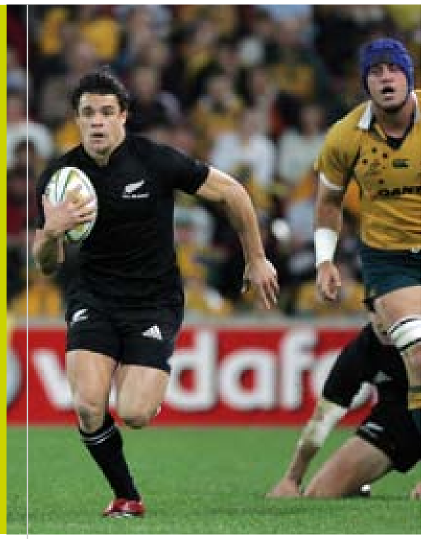
Sales and marketing costs include the costs of marketing SKY to existing and new subscribers, subscriber acquisition costs including the costs of advertising campaigns, sales commissions paid to direct sales and tele-sales agents, the overheads and costs of producing advertisements promoting SKY products, and production of the SkyWatch programming guide. The increase in sales and marketing expense is a result of additional marketing costs associated with the launch of MY SKY and new marketing initiatives targeted at increasing ARPU.

V SKY Movies

V SKY Movies



V SKY Sport



Other administrative costs include overhead costs relating to corporate management, the finance department, costs of DVD Unlimited and the costs of SKY's advertising sales department which includes advertising sales commissions.

Depreciation and amortisation includes depreciation charges for subscriber equipment, including aerials, satellite dishes and decoders, owned by SKY and fixed assets such as the studio facilities and the UHF transmission equipment. There are no longer depreciation charges relating to installation costs capitalised under previous GAAP. Depreciation of $20.6 million relates to the finance lease of the transponders on the Optus satellite. Amortisation of intangible assets amounts to $5.5 million. No amortisation has been attributed to goodwill which has been tested for impairment in accordance with NZ IFRS.

Interest and financing charges include interest on the bank loan, interest on the capital notes (both inclusive of interest received or paid on swaps) and also the amortisation of capital notes issue costs, bank commitment and facility fees.

The weighted average interest rates for the relevant years have been calculated to be as follows:

	2006	2005
Bank loans	7.9%	7.3%
Capital notes	9.8%	9.5%
Combined weighted average	8.2%	9.3%

Finance lease interest of $2.4 million relating to the four Optus transponders is also included in interest expense. This lease is expected to terminate on commissioning of the new Optus D1 satellite. The new lease on the Optus D1 satellite will be treated as an operating lease in SKY's accounts and its cost will be included as a broadcasting and infrastructure cost.

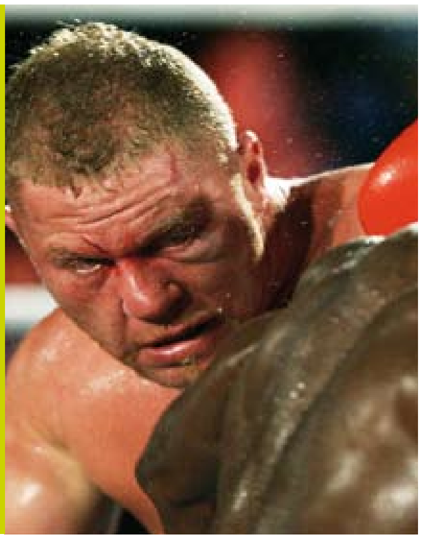
The significant increase in interest costs is due to the additional $500 million of bank debt that was borrowed on 1 July 2005 to effect the merger of SKY (premerger) and its parent, Independent Newspapers Limited (INL) by way of a court approved scheme of arrangement. Prior to the merger at 30 June 2005, SKY (premerger) had cash reserves of $30.1 million and $111.1 million of capital notes.

DEPRECIATION AND AMORTISATION COSTS DOWN

4.7%

TO $106.1M

< Playhouse Disney Channel



< SKY Sport

< MGM

It is important to note when analysing SKY's 2006 accounts the comparative figures are for the INL Group and included cash reserves of $305.1 million held by INL at 30 June 2005.

Taxation expense is calculated at 33% of SKY's pre tax accounting profits adjusted for non-deductible expenses. The tax loss offset agreement that existed between SKY and its parent, INL was terminated on 1 July 2005 and INL paid SKY the $11.5 million that was due under this agreement. This payment is eliminated as an intra-group transaction in accounting for the merger. There are no longer any tax losses available to SKY.

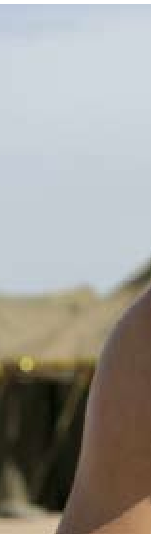
The Inland Revenue Department has reviewed the correctness of the taxation position adopted in relation to the exchange of shares by INL and SKY shareholders for cash and shares in the company surviving amalgamation. In particular, the Commissioner has been considering whether any part of that transaction constituted a dividend or otherwise gave rise to a tax consequence for the relevant parties. Based on the information presently at hand, we have been advised that the Commissioner does not propose taking any further action in relation to this matter.

Capital Expenditure

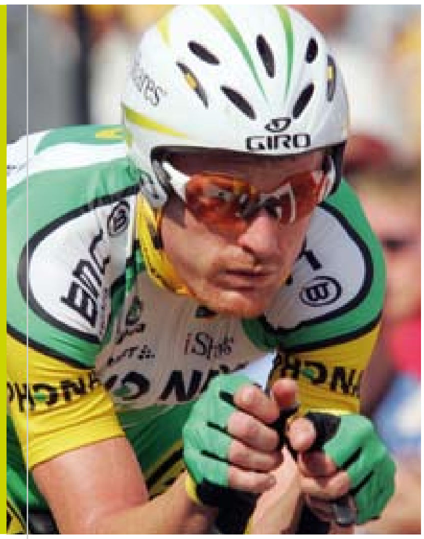
SKY's capital expenditure over the last 5 years is summarised as follows:

In NZD millions	2006	2005	2004	2003	2002
Satellite transponder lease	–	2.4	–	19.7	17.5
Subscriber equipment:					
Decoders, smartcards and associated equipment	25.9	21.6	14.5	31.1	38.5
Installation costs	36.4	36.6	38.2	43.3	47.2
Digital expansion	0.7	0.8	2.2	1.5	2.0
Building	1.9	5.4	–	–	–
PVR project	9.0	5.5	–	–	–
Studio upgrade	5.2	0.5	–	–	–
Interactive applications	–	–	0.2	0.7	3.0
Renewal rights	–	–	–	7.6	10.7
Other	7.7	3.2	2.3	1.9	4.5
Total capital expenditure	**86.8**	**76.0**	**57.4**	**105.8**	**123.4**

This capital expenditure does not include the $11.2 million of fixed assets that were purchased from Prime.



V SKY Box Office



V SKY Sport

The increase in capital expenditure in the year to 30 June 2006 can be attributed to the completion of the PVR project and commencement of the first phase of the studio upgrade project.

The first phase of this studio upgrade project involved transferring the PPV and pass-through channels that were originated at TelstraClear's facilities in Wellington and uplinked by TVNZ, to SKY's new Prime television station at Albany. The Prime facility incorporates a new digital server based architecture and is linked via fibre to uplink dishes at SKY's Panorama Road facility and also to a second uplink facility leased from Telecom at Warkworth. In addition to playing out the six regional feeds of Prime, the Albany television station has the capability to play-out up to 15 pass through and 17 PPV channels. The Albany site will also be developed into a disaster recovery site in the event of a major disruption occurring at SKY's primary television station at Panorama Road.

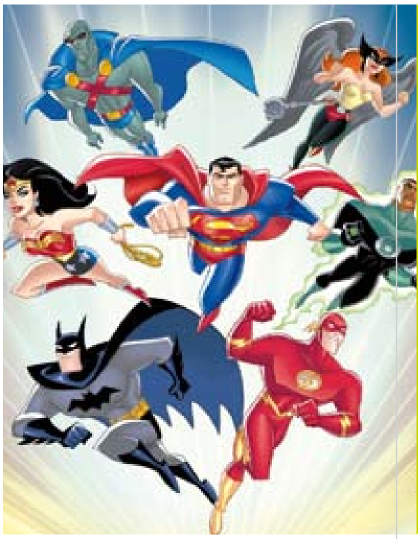
The remaining phases of the studio upgrade project will occur over the next two years and will involve the rebuilding of SKY's existing tape based analogue television station at Panorama Road into a digital file based information technology infrastructure. The estimated cost for the remainder of the project is $40 million but this is still subject to receipt and approval of the final designs.

New Zealand Equivalents to International Financial Reporting Standards

SKY's financial statements for the year ended 30 June 2006 have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and as such are also in compliance with International Financial Reporting Standards (IFRS).

In preparing the 2006 accounts it was necessary to prepare a NZ IFRS opening balance sheet at 1 July 2004, which is the opening balance sheet for the comparative accounting period. As an early adopter of NZ IFRS, SKY has taken advantage of certain exemptions from complying with NZ IFRS for the comparative period, with these exemptions primarily relating to the disclosure and measurement of financial instruments.

A complication that arises in relation to SKY's accounts is that the merger of SKY (premerger) and its parent INL occurred on 1 July 2005 and this transaction is required to be accounted for under NZ IFRS. The accounting treatment of the merger identifies INL as the acquirer of the outstanding 22% minority shareholding in SKY. The comparative figures for the Group are therefore INL's Group accounts, restated for NZ IFRS. The parent company in these accounts is the new company that was formed on 25 January 2005 to effect the merger and it was dormant until 1 July 2005.

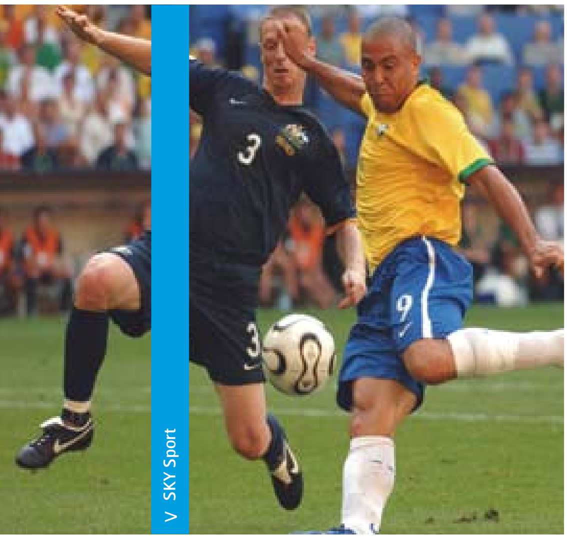


> Cartoon Network

> SKY Movies

The main impact of the transition to NZ IFRS on SKY's accounts is highlighted by the changes that were required to the 2005 comparative financial statements that had previously been prepared under NZ GAAP. The main changes have been in the following areas:

- SKY has ceased to capitalise internal costs associated with the installation of new subscribers. This has resulted in an increase in subscriber management costs as these costs are now expensed as incurred and a decrease in depreciation costs on the amounts previously capitalised. The impact on the 2005 results was to increase subscriber management costs by $6.1 million and decrease depreciation costs by $8.0 million.
- SKY has recognised deferred tax assets under NZ IFRS on the basis that it is probable that future taxable profits will be available against which these assets can be utilised. Under previous NZ GAAP, the test required that there be virtual certainty that these assets would be realised and this test could not be met due to SKY (premerger) history of losses. The impact of this was to recognise a deferred tax asset at 1 July 2004 of $15.2 million and increase tax expense by $9.7 million in the 2005 year.
- SKY's long term sports rights were previously recognised on an annual basis and amortised to income over 12 months. As these are executory contracts, SKY's liability relating to these rights does not arise until the sports event has occurred. The asset and liability previously recognised on the balance sheet have been adjusted to reflect only the current obligation. In the year to 30 June 2005 this resulted in a reduction in programme right asset and current liability creditors of $24 million. There is also a $0.1 million impact on the programme rights expense in the 2005 income statement due to the net impact of the hedging of the asset and liability.



> SKY Sport

> Disney Channel

> ESPN

- As part of the transition to NZ IFRS the Group decided not to apply the exemption for business combinations and re-opened the business combination of June 2001 when INL acquired a controlling interest in SKY (premerger) of 66.25%. At the time, INL had treated the difference between cost and its share of the net assets acquired as a "brand" intangible asset. NZ IFRS allows previous business combinations to be re-opened and the Group reassessed the fair value of the tangible and intangible assets which existed at acquisition date. An intangible "brand" asset comprising the value of SKY (premerger)'s customer relationships was identified. However this was assessed as having an immaterial value. The difference between the acquisition price and the fair value of the assets acquired has therefore been recorded as goodwill. The reopening of this business combination and INL's subsequent acquisition of a further 12.05% of SKY (premerger) in October 2003 resulted in Goodwill of $830 million being recognised in the Group balance sheet at 1 July 2004.
- SKY has taken advantage of the exemption available to first-time adopters of NZ IFRS under NZ IFRS 1 and not applied the requirements of NZ IAS 32 and NZ IAS 39 which relate to the disclosure, recognition and measurement of financial instruments. Hence the impact on SKY's comparative financial statements is simply the separate disclosure of the $6.6 million liability that related to derivative financial instruments in the 2005 accounts. The impact of NZ IAS 32 and 39 can be seen in SKY's 2006 accounts where derivative financial assets of $30.0 million and liabilities of $1.6 million are recognised, together with a hedging reserve in equity of $17.8 million.

< PETER MACOURT

PETER MACOURT CHAIRMAN

Mr Macourt was appointed as chairman of the board of SKY in August 2002. He is currently chief operating officer of News Limited based in Sydney, Australia.
Mr Macourt joined News Limited in 1983. He was appointed as its deputy chief executive in 1998 and to his current position at News Limited in July 2001.
Mr Macourt is a director of News Limited and other subsidiaries of The News Corporation Limited, Fox Studios Australia Pty Limited, Foxtel Management Pty Limited and Premier Media Group Pty Limited.
He holds a degree in commerce from the University of New South Wales.

< ROBERT BRYDEN

ROBERT BRYDEN DEPUTY CHAIRMAN

Mr Bryden was appointed a director in 1990 of SKY and deputy chairman in February 2001.
He is the managing director of Todd Capital Limited. He is also a director of Todd Communications Limited and other subsidiaries of the Todd Corporation Limited, Crown Castle Australia Pty Limited, Crown Castle Australia Holdings Pty Limited and Landco Limited.
Mr Bryden holds a BCA from Victoria University in Wellington.

< ALBERT (BARRIE) DOWNEY

ALBERT (BARRIE) DOWNEY DIRECTOR

Mr Downey has been a director of SKY since 1991. He was chairman from 1991 to 1997.
Mr Downey has spent most of his working career in the Fletcher Challenge Group where he became executive director in 1988. He was awarded the CBE and is a Fellow of the Institute of Chartered Accountants of New Zealand and New Zealand Institute of Forestry.
Mr Downey is a director of Salvus Strategic Investments Limited.

< JOHN FELLET

JOHN FELLET DIRECTOR AND CHIEF EXECUTIVE

Mr Fellet joined SKY as chief operating officer in 1991. He was appointed as chief executive in January 2001 and as a director of SKY in April 2001.
Mr Fellet holds a BA degree in Accounting from Arizona State University, United States and has 25 years' experience in the pay TV industry, including ten years' experience with Telecommunications Inc. in the United States.

< MICHAEL MILLER

MICHAEL MILLER DIRECTOR

Mr Miller was appointed a director of SKY in September 2004. He is currently the managing director of Advertiser Newspaper Pty Limited (a division of News Limited). Joining News Limited in 1991, he was previously News Limited's Group Marketing Director for eight years.
Mr Miller is a director of Rugby International Pty Limited, Fox Sports Australia and Premier Media Group Pty Limited.
He has a degree in applied science in communications from the University of Technology in Sydney.

< JOHN HART

JOHN HART DIRECTOR

Mr Hart was appointed a director of SKY in October 1997. He was also the former coach of the All Blacks and an international rugby selector.
Mr Hart was employed by Fletcher Challenge Limited from 1966 to 1995 in a variety of positions including employee relations director. He currently manages his own consultancy business.
Mr Hart is a director of Bayleys Corporation Limited, Warriors League Limited, Global Rugby Enterprises Limited and Superlife Trustees Limited.

< HUMPHRY ROLLESTON

HUMPHRY ROLLESTON DIRECTOR

Mr Rolleston was appointed as a director of SKY in September 2005. He was an independent director of Independent Newspapers Limited (INL) from 1999 until INL's merger with SKY in July 2005.
He is a director of Asset Management Limited, Broadway Industries Limited and subsidiaries, Ledger Acquisitions Limited, Matrix Security Limited, Infratil Limited, Property for Industry Limited and Fraser, McAndrew Ryan Limited.

> SKY Sport

> SKY 1

Financial Information

CONTENTS

Financial Trends Statement

The selected consolidated financial data set out below has been derived from the consolidated financial statements. The data should be read in conjunction with, and are qualified in their entirety by reference to, the consolidated financial statements and accompanying notes included in the Annual Report.

The figures for the 2005 and 2006 years have been adjusted to comply with NZ IFRS. They reflect the results of the merger between SKY and INL and as such the comparative figures for 2005 are those of INL. SKY (premerger) figures have not been adjusted for NZ IFRS. As such the figures for 2006 and 2005 are not comparable to the prior years.

INCOME STATEMENT – FIVE YEAR SUMMARY

For the years ended 30 June in NZD 000	Adjusted for NZ IFRS 2006 [3]	2005 [3]	SKY (premerger) 2005	2004	2003	2002
Total revenue	**548,954**	492,359	489,381	440,617	391,272	344,608
Total operating expenses [1]	**301,216**	272,497	258,853	253,395	240,466	236,413
EBITDA [2]	**247,738**	219,862	230,528	187,222	150,806	108,195
Less/(Plus)						
Depreciation and amortisation	**106,077**	111,304	119,303	128,065	124,083	113,050
Net interest expense and financing charges	**50,615**	(4,672)	15,238	22,160	27,971	26,744
Unrealised losses/(gains) on currency	**1,003**	2,130	2,130	1,713	(1,942)	(1,541)
Net profit/(loss) before income tax	**90,043**	111,100	93,857	35,284	694	(30,058)

BALANCE SHEET – FIVE YEAR SUMMARY

As at 30 June in NZD 000	Adjusted for NZ IFRS 2006 [3]	2005 [3]	SKY (premerger) 2005	2004	2003	2002
Property, plant, equipment and non-current intangibles	**241,862**	256,632	273,106	315,235	384,812	406,658
Goodwill	**1,422,115**	829,990	–	–	–	–
Total assets	**1,818,831**	1,476,974	409,580	407,560	477,394	494,871
Total debt and lease obligations	**610,017**	146,034	146,034	208,764	327,705	331,967
Working capital [4]	**19,814**	282,245	(13,572)	(35,085)	(20,069)	(34,708)
Total liabilities	**720,062**	239,387	262,688	316,135	421,189	439,941
Total equity	**1,098,769**	1,237,587	146,892	91,425	56,205	54,930

(1) Exclusive of unrealised losses/(gains) on currency.

(2) Net profit/(loss) before income tax, interest expense, depreciation and amortisation and unrealised gains and losses on currency.

(3) The years 2006 and 2005 include NZ IFRS adjustments and as such are not prepared on the same basis as the previous annual report. Years relating to SKY (premerger) have not been adjusted for NZ IFRS.

(4) Working capital excludes current borrowings and capital notes.

OTHER FINANCIAL DATA (UNAUDITED)

For the years ended 30 June in NZD 000	Adjusted for NZ IFRS 2006 [3]	2005 [3]	SKY (premerger) 2005	2004	2003	2002
Capital expenditure (accrual basis) [1]	**86,854**	76,020	76,020	57,362	105,812	123,387
Free cash inflows/(outflows) [2]	**(56,187)**	437,602	145,867	117,746	31,995	(37,179)

(1) This does not include assets purchased as part of the acquisition of Prime.

(2) Free cash inflows (outflows) are defined as cash flows from operating activities less cash flows from investing activities.

Financial Trends Statement continued

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

As at 30 June	2006	2005	2004	2003	2002
Total UHF, DBS and other subscribers					
Total number of households in New Zealand [1]	**1,558,300**	1,535,700	1,508,200	1,482,200	1,458,500
Subscribers - UHF:					
Residential	**64,927**	77,762	91,286	117,682	136,309
Commercial	**780**	888	1,069	1,639	1,880
Total UHF	**65,707**	78,650	92,355	119,321	138,189
Subscribers - DBS (Satellite):					
Residential	**492,381**	442,385	394,190	340,384	284,297
Residential - wholesale [2]	**97,812**	89,654	83,890	77,973	76,588
Commercial	**7,234**	6,437	5,437	4,334	3,482
Total DBS	**597,427**	538,476	483,517	422,691	364,367
Subscribers - Other: [3]	**4,136**	2,042	730	879	693
Total subscribers	**667,270**	619,168	576,602	542,891	503,249
Percentage of households subscribing to the SKY network:					
Total UHF and DBS - residential	**42.0%**	39.7%	37.8%	36.2%	34.1%
Gross churn rate [4]	**13.5%**	15.8%	17.1%	17.6%	19.9%
Average monthly revenue per residential subscriber:					
UHF	**39.51**	39.42	40.68	40.36	42.06
DBS excluding wholesale	**63.13**	62.49	61.33	59.35	56.56
DBS wholesale	**48.39**	46.27	41.86	36.94	36.09
Total UHF and DBS excluding wholesale	**60.01**	58.68	56.68	54.65	52.85
Total UHF and DBS including wholesale	**58.30**	56.86	54.55	51.83	50.14

(1) Based on New Zealand Government census data as of March 2001, with estimates from Statistics New Zealand.

(2) Includes subscribers receiving SKY packages via affiliate services, such as arrangements with TelstraClear and Telecom.

(3) Includes subscribers to programmed music, via SKY's subsidiary company, SKY DMX Music Limited, and DVD Unlimited.

(4) Gross churn refers to the percentage of residential subscribers over a rolling twelve-month period ended on the date shown who terminated their subscription, net of existing subscribers who transferred their service to new residences during the period.

Directors' Responsibility Statement

The directors of Sky Network Television Limited (formerly Merger Company 2005 Limited) (the Company) are responsible for ensuring that the financial statements of the Company give a true and fair view of the income statement of the Company and the Group as at 30 June 2006 and its balance sheet and cash flows for the year ended on that date.

The directors consider that the financial statements of the Company and 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 Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

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

The directors have pleasure in presenting the financial statements of the Company and Group for the year ended 30 June 2006.

The board of directors of Sky Network Television Limited (formerly Merger Company 2005 Limited) authorise these financial statements for issue on 17 August 2006.

For and on behalf of the board of directors

Peter Macourt
Chairman

Robert Bryden
Director

17 August 2006

Income Statement

FOR THE YEAR ENDED 30 JUNE 2006

in NZD 000	Notes	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company Period from 25 Jan 05 - 30 June 05
Revenue					
Residential satellite subscriptions		**381,023**	338,159	**381,023**	–
Other subscriptions		**87,071**	86,031	**87,071**	–
Installation		**18,134**	13,436	**18,130**	–
Advertising		**47,341**	35,594	**47,341**	–
Other income		**15,385**	19,139	**14,684**	–
		548,954	492,359	**548,249**	–
Expenses					
Programme rights		**145,992**	140,542	**145,806**	–
Programme operations		**31,678**	27,857	**31,678**	–
Subscriber management		**35,525**	29,844	**35,525**	–
Sales and marketing		**32,830**	26,431	**32,830**	–
Advertising		**14,032**	11,132	**14,032**	–
Broadcasting and infrastructure		**24,269**	18,222	**24,140**	–
Depreciation and amortisation	6	**106,077**	111,304	**105,965**	–
Corporate		**16,890**	18,469	**16,629**	–
		407,293	383,801	**406,605**	–
Operating profit	6	**141,661**	108,558	**141,644**	–
Financial (expense)/income					
Interest (expense)/income		**(50,399)**	4,165	**(50,855)**	–
Other financial income	29	**–**	–	**951,442**	–
Realised exchange (loss)/gain		**(216)**	507	**(216)**	–
Unrealised exchange loss		**(1,003)**	(2,130)	**(1,003)**	–
	7	**(51,618)**	2,542	**899,368**	–
Profit before tax		**90,043**	111,100	**1,041,012**	–
Income tax expense	8	**29,892**	36,626	**29,726**	–
Profit after tax		**60,151**	74,474	**1,011,286**	–
Attributable to:					
Equity holders of the Company		**60,151**	53,619	**1,011,286**	–
Minority interest		**–**	20,855	**–**	–
Profit for the year		**60,151**	74,474	**1,011,286**	–
Earnings per share					
Basic and diluted earnings per share (cents)	9	**15.46**	20.42	**–**	–

Balance Sheet

AS AT 30 JUNE 2006

In NZD 000	Notes	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company 30-Jun-05
Current assets					
Cash and cash equivalents		42,394	305,056	42,329	–
Trade and other receivables	10	48,027	53,367	49,897	–
Programme rights	11	23,804	16,150	23,804	–
Derivative financial instruments	19	8,973	19	8,973	–
Income tax receivable		4,657	641	4,799	–
		127,855	375,233	129,802	–
Non–current assets					
Property, plant and equipment	12	212,378	225,006	212,200	–
Other intangible assets	13	29,484	31,626	29,484	–
Shares in subsidiary companies	14	–	–	241,710	–
Goodwill	15	1,422,115	829,990	1,422,115	–
Derivative financial instruments	19	20,989	–	20,989	–
Deferred tax	16	6,010	15,119	6,008	–
Loans from subsidiary companies	29	–	–	1,008,993	–
		1,690,976	1,101,741	2,941,499	–
Total assets		1,818,831	1,476,974	3,071,301	–
Current liabilities					
Trade and other payables	17	106,602	84,918	108,580	–
Borrowings	18	6,055	23,737	6,055	–
Derivative financial instruments	19	1,439	6,256	1,439	–
Income tax payable		–	1,814	–	–
Capital notes	18	105,035	–	105,035	–
		219,131	116,725	221,109	–
Non–current liabilities					
Borrowings	18	498,927	12,429	498,927	–
Capital notes	18	–	109,868	–	–
Derivative financial instruments	19	169	365	169	–
Provisions	20	1,835	–	1,835	–
Loans to subsidiary companies	29	–	–	1,269,388	–
		500,931	122,662	1,770,319	–
Total liabilities		720,062	239,387	1,991,428	–
Equity					
Share capital	21	577,403	222,055	577,403	–
Hedging reserve	22	17,832	–	17,832	–
Retained earnings	23	503,534	985,454	484,638	–
Total equity attributable to equity holders of the Company		1,098,769	1,207,509	1,079,873	–
Minority interest	24	–	30,078	–	–
Total equity		1,098,769	1,237,587	1,079,873	–
Total equity and liabilities		1,818,831	1,476,974	3,071,301	–

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2006

Group **In NZD 000**	Notes	Share capital	Hedging reserve	Retained earnings	Minority interest	**Total equity**
Balance at 1 July 2005		222,055	–	985,454	30,078	**1,237,587**
Adoption of NZ IAS 32 and NZ IAS 39	22/23	–	(7,209)	(309)	–	**(7,518)**
Minority share of adjustments	23/24	–	–	1,627	(1,627)	**–**
As restated 1 July 2005		222,055	(7,209)	986,772	28,451	**1,230,069**
Merger transactions						
Exchange INL shares for SKY shares	21/23	(119,384)	–	(529,780)	–	**(649,164)**
Issue of shares to SKY (premerger) shareholders	21/25	484,395	–	–	–	**484,395**
Disposal of minority interest	24	–	–	–	(26,494)	**(26,494)**
Cost of share issue	21	(625)	–	–	–	**(625)**
		586,441	(7,209)	456,992	1,957	**1,038,181**
Profit for the period		–	–	60,151	–	**60,151**
Fair value gains net of tax	22	–	25,041	–	–	**25,041**
Total recognised income for the year		–	25,041	60,151	–	**85,192**
Termination of executive share options	21/23/24	(9,038)	–	1,957	(1,957)	**(9,038)**
Dividend paid		–	–	(15,566)	–	**(15,566)**
Supplementary dividends		–	–	(1,709)	–	**(1,709)**
Foreign investor tax credits		–	–	1,709	–	**1,709**
Balance at 30 June 2006		577,403	17,832	503,534	–	**1,098,769**
Balance at 1 July 2004		222,055	–	991,020	19,859	**1,232,934**
Effect of changes in accounting policies in adopting NZ IFRS	4h	–	–	(2,657)	(737)	**(3,394)**
As restated 1 July 2004		222,055	–	988,363	19,122	**1,229,540**
Profit for the period		–	–	53,619	20,855	**74,474**
Total recognised income for the year		–	–	53,619	20,855	**74,474**
Dividend paid		–	–	(56,528)	(10,529)	**(67,057)**
Contribution from minority interest		–	–	–	630	**630**
Balance at 30 June 2005		222,055	–	985,454	30,078	**1,237,587**

Company **in NZD 000**	Notes	Share capital	Hedging reserve	Retained earnings	Minority interest	**Total equity**
Balance at 1 July 2005		–	–	–	–	**–**
Merger transactions		577,403	(7,209)	(511,082)	–	**59,112**
Profit for the period		–	–	1,011,286	–	**1,011,286**
Fair value gains net of tax	22	–	25,041	–	–	**25,041**
Total recognised income for the year		–	25,041	1,011,286	–	**1,036,327**
Dividend paid		–	–	(15,566)	–	**(15,566)**
Supplementary dividends		–	–	(1,709)	–	**(1,709)**
Foreign investor tax credits		–	–	1,709	–	**1,709**
Balance at 30 June 2006		577,403	17,832	484,638	–	**1,079,873**

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2006

In NZD 000	Notes	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company Period from 25 Jan 05 – 30 June 05
Cash flows from operating activities					
Cash was provided from:					
Customers		547,225	465,488	546,537	–
Related parties		–	21,323	–	–
Interest received		3,036	21,733	3,036	–
		550,261	508,544	549,573	–
Cash was applied to:					
Suppliers and employees		(253,096)	(202,986)	(252,338)	–
Related parties		(46,063)	(58,731)	(46,063)	–
Interest paid		(48,809)	(14,252)	(48,809)	–
Net GST paid		(778)	(1,324)	(735)	–
Income tax paid		(33,553)	(29,526)	(33,528)	–
		(382,299)	(306,819)	(381,473)	–
Net cash from operating activities		167,962	201,725	168,100	–
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		283	352	283	–
Reduction in short term investments		–	310,370	–	–
Purchase of SKY (premerger) minority interest	25	(108,004)	–	(108,004)	–
Payment of merger related costs		–	(7,905)	–	–
Acquisition of assets of Prime Television New Zealand Limited	25	(29,992)	–	(29,992)	–
Acquisition of property, plant, equipment and intangibles		(86,436)	(66,940)	(86,390)	–
Net cash (used in)/from investing activities		(224,149)	235,877	(224,103)	–
Cash flows from financing activities					
Proceeds from borrowings		760,000	12,000	760,000	–
Repurchase and cancellation of INL shares		(649,164)	–	(649,164)	–
Repayment of borrowings		(260,000)	(58,000)	(260,000)	–
Repayment of capital notes	18	(5,869)	–	(5,869)	–
Payment of issue costs	21	(625)	–	(625)	–
Termination of executive share options	21	(9,038)	–	(9,038)	–
Payment of bank facility fees		(80)	(1,340)	(80)	–
Contribution from minority interest		–	630	–	–
Payment of finance lease liabilities		(24,424)	(21,354)	(24,424)	–
Dividends paid		(17,275)	(73,292)	(17,275)	–
Net cash used in financing activities		(206,475)	(141,356)	(206,475)	–
Net (decrease)/increase in cash and cash equivalents		(262,662)	296,246	(262,478)	–
Cash and cash equivalents at beginning of year		305,056	8,810	304,807	–
Cash and cash equivalents at end of year		42,394	305,056	42,329	–

Statement of Cash Flows continued

FOR THE YEAR ENDED 30 JUNE 2006

Reconciliation of operating cash flows with net profit

In NZD 000	Notes	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company 30-Jun-05
Net profit		**60,151**	82,175	**1,011,286**	–
Deduct NZ IFRS profit adjustments		**–**	(7,701)	**–**	–
Restated net profit after income tax		**60,151**	74,474	**1,011,286**	–
Plus/(Less) non–cash items:					
Depreciation and amortisation	6	**106,077**	111,304	**105,965**	–
Unrealised foreign exchange loss	7	**1,003**	2,130	**1,003**	–
Bad debts and movement in provision for doubtful debts		**1,448**	288	**1,447**	–
Amortisation of capital notes issue costs	7	**934**	934	**934**	–
Movement in deferred tax	8	**478**	40	**478**	–
Accrued interest receivable – related parties	29	**–**	–	**(1,769)**	–
Accrued interest payable – related parties	29	**–**	–	**2,226**	–
Other non cash items		**(695)**	(772)	**(695)**	–
Items classified as investing activities:					
Gain on disposal of assets		**(134)**	(289)	**(134)**	–
Gain on transfer of subsidiary	29	**–**	–	**(951,442)**	–
Movement in working capital items:					
(Increase)/decrease in receivables		**(6,708)**	4,296	**(6,694)**	–
Increase in payables		**13,501**	5,847	**13,740**	–
Decrease in provision for tax		**(4,123)**	(760)	**(4,275)**	–
(Increase)/decrease in programme rights		**(3,970)**	4,233	**(3,970)**	–
Net cash from operating activities		**167,962**	201,725	**168,100**	–

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

1. GENERAL INFORMATION

Sky Network Television Limited 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 of the Group for the year ended 30 June 2006 comprise the Company, Sky Network Television Limited (formerly Merger Company 2005 Limited) and its subsidiaries.

On 27 June 2005 the High Court approved a scheme of arrangement to take effect on 1 July 2005 where a newly formed company, Merger Company 2005 Limited ("MergeCo") acquired all of the ordinary shares of the public listed companies Independent Newspapers Limited ("INL") and Sky Network Television Limited ("SKY (premerger)"). The three companies were then amalgamated with MergeCo being the surviving company. INL shareholders received 0.836 shares in MergeCo and $1.78 in cash in exchange for each INL share. SKY (premerger) shareholders, other than INL received one share in MergeCo and $1.28 in cash for each SKY (premerger) share held. This resulted in MergeCo issuing a total of 389,139,785 shares, being the same number of shares on issue by SKY (premerger). MergeCo was then renamed Sky Network Television Limited and listed on the New Zealand and Australian stock exchanges.

Throughout these notes to the financial statements the previous Sky Network Television Limited is referred to as "SKY (premerger)", being the company of that name in existence throughout the year to 30 June 2005. Merger Company 2005 Limited which changed its name to Sky Network Television Limited on 1 July 2005 is referred to as "SKY" or the "Company".

The accounting treatment for the merger has identified INL as the acquirer of the outstanding minority interest in SKY (premerger). The INL Group accounts are therefore shown as the comparative figures for the Group. The parent company of the group, SKY, was incorporated on 25 January 2005 and was dormant until 1 July 2005. The comparative figures for the Company are for the period from incorporation, 25 January 2005 to 30 June 2005.

SKY is a company registered under the Companies Act 1993 and is an issuer in terms of the Financial Reporting Act 1993 (refer also to note 25 regarding the amalgamation on 1 July 2005). These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993.

On 8 February 2006 SKY acquired the assets of Prime Television New Zealand Limited ("Prime") for a net cost of $29.5 million. Assets acquired included land and buildings, plant and equipment, programme rights and spectrum licences. The difference between the fair value of the assets acquired and the acquisition price has been allocated to goodwill (refer note 25).

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

These financial statements were authorised for issue by the Board on 17 August 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements are for the year ended 30 June 2006. They have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and are covered by NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards. Accounting policies applied in these financial statements comply with NZ IFRS and NZ IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (August 2006) as applicable to SKY as a profit-oriented entity. SKY in complying with NZ IFRS is simultaneously in compliance with International Financial Reporting Standards (IFRS).

The preparation of the financial statements in accordance with NZ IFRS resulted in changes in the accounting policies as compared with the most recent annual financial statements prepared under previous NZ GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS balance sheet at 1 July 2004 for the purposes of the transition to NZ IFRS, except in specific areas allowed by NZ IFRS 1 exemptions. The most significant of these provisions is the exemption from complying with NZ IAS 32 Financial Instruments: Disclosure and Presentation and NZ IAS 39 Financial Instruments: Recognition and Measurement for the comparative period.

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

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

At the date of authorisation of these financial statements, the following Standards and interpretations were in issue but not yet effective:

NZ IFRS 6	Exploration for and Evaluation of Mineral Resources
NZ IFRS 7	Financial Instruments: Disclosures
NZ IFRIC 4	Determining whether an Arrangement contains a Lease
NZ IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
NZ IFRIC 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
NZ IFRIC 7	Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies
NZ IFRIC 8	Scope of NZ IFRS 2

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

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

Reconciliations and descriptions of the effect of the transition from previous NZ GAAP to NZ IFRS on the Group's equity and its net income and cash flows are provided in note 4.

The following specific accounting policies have a significant effect on the measurement of results and financial position.

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of subsidiaries, using the purchase method.

The purchase method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Any increase in ownership percentage after control is obtained is accounted for as a step acquisition whereby the difference between the acquisition price and the acquirer's share of the net assets acquired (including previously assessed fair value adjustments) is recorded as goodwill.

SUBSIDIARIES

Subsidiaries are entities that are controlled, either directly or indirectly, by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. 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 unrealised gains unless the transaction provides evidence of an impairment of the asset transferred.

FOREIGN CURRENCIES

Functional presentation currency

The financial statements are presented in New Zealand dollars which is the Company's and its subsidiaries' functional currency.

Transactions and balances - From 1 July 2004 to 30 June 2005

Transactions denominated in foreign currencies during the comparative year are translated to New Zealand dollars at rates of exchange ruling at the date of the transaction or at forward cover rates where specifically identified. Amounts receivable and payable in foreign currencies at balance date are translated to New Zealand dollars at rates of exchange at balance date. Foreign currency non-monetary assets are translated at exchange rates in effect when the amounts of these assets are determined. Except where a foreign currency liability is designated as a hedge, the related non-monetary assets are translated at the closing rate and the exchange difference is taken to the foreign currency translation reserve. 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 the income statement.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

From 1 July 2005
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. 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 the income statement except where hedge accounting is applied and foreign exchange gains and losses are deferred in equity.

PROPERTY, PLANT AND EQUIPMENT
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 aerial and satellite dish installations are represented by the cost of aerials, satellite dishes, installation costs and direct 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. All other costs are recognised in the income statement as an expense as incurred.

From 1 July 2004 to 30 June 2005
The cost of property, plant and equipment includes any gains or losses on maturity of forward currency contracts used to hedge the property, plant and equipment.

From 1 July 2005
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.

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:

Land	Nil
Leasehold improvements	5 - 50 years
Buildings	50 years
Studio and broadcasting equipment	5 - 10 years
Decoders and associated equipment	5 years
Other plant and equipment	3 - 10 years
Capitalised aerial and satellite dish installations	5 years

The capitalised satellite transponder leases are being depreciated over their useful lives of between four and nine years.

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

GOODWILL
Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The SKY business is considered to comprise only a single cash-generating unit. UHF and DBS (satellite) are both distribution platforms and as such do not comprise separate cash generating units.

OTHER INTANGIBLE ASSETS

Broadcasting rights
Broadcasting rights, consisting of UHF spectrum licenses are recognised at cost and are amortised on a straight-line basis over the lesser of the period of the licence term and 20 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Renewal rights
Renewal rights for programmes are capitalised and amortised over the period that any new rights are acquired. If a contract is not expected to be renewed the costs are expensed.

Software
Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

PROGRAMME RIGHTS
Programme rights are recognised as an asset in the balance sheet provided the programme is available and the rights period has commenced at the balance date. Long-term sports rights are executory contracts as the obligation to pay for the rights does not arise until the event has been delivered. Most sports rights contracts are however payable in advance and as such are recognised only to the extent of the unamortised payment amount. Rights are amortised over the period they relate to, generally not exceeding twelve months. Any rights not expected to be utilised are written off during the period.

IMPAIRMENT OF ASSETS
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation 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.

LEASES - FINANCE LEASES
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are included as non-current assets in the balance sheet. The present value of the minimum lease payments is recognised as an asset at the beginning of the lease term and depreciated on a straight-line basis over the shorter of the lease term or the expected useful life of the leased asset. A corresponding liability is also established and each lease payment is allocated between the liability and interest expense so as to produce a constant period rate of interest on the remaining balance of the liability.

LEASES - OPERATING LEASES
Leases under which all the risks and benefits of ownership are substantially retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the periods the amounts are payable. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

FINANCIAL INSTRUMENTS
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables
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. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is expensed in the income statement.

Cash and cash equivalents
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.

Short term investments
Short term investments comprise call deposits with maturities of three months or more but less than one year.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Borrowings

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 the income statement over the period of the borrowings, using the effective interest method. Arrangement fees are amortised over the term of the loan facility. Other borrowing costs are expensed when incurred.

Capital notes

Capital notes are recognised initially at face value less costs of issue. Costs of issue are amortised over the period of the capital notes. Subsequent to initial recognition, capital notes are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the notes, using the effective interest method. Capital notes are classified in the balance sheet as non-current liabilities unless settlement of the liability is due within 12 months after the balance date.

Trade and other payables

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

Derivative financial instruments and hedge accounting

(a) Managing financial risk

The Group's activities expose it primarily to the financial risks of changes in credit risk, foreign exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

(i) Credit risk

The Group has no significant concentrations of credit risk. Credit risk with respect to trade receivables is limited due to the large number of subscribers included in the Group's subscriber base. 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 financial institution.

(ii) 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. Foreign exchange risk arises when future commercial transactions, recognised as assets and liabilities 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 movements in exchange rates on foreign currency denominated liabilities.

The Group's risk management policy is to hedge (a) 70% to 100% of fixed commitments for a period of up to 60 months - principally fixed payment sports contracts and Optus lease payments and (b) a minimum of 85% of anticipated transactions (foreign currency purchases) on a rolling 12 month basis, 35% to 45% on a rolling 13 to 24 month basis and 25% to 35% on a rolling 25 to 36 month basis. Approximately 90% of anticipated transactions in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

(iii) Cash flow and fair value interest rate risk

The Group's cash flow 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 approximately 45% to 90% of its borrowings in fixed rate instruments.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps, options and swaptions. 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. Occasionally, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(iv) Liquidity risk

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.

(v) Price risk

The Group does not have any price risk exposure.

(b) Accounting for derivative financial instruments and hedging activities

Derivatives consist mainly of currency forwards, and interest rate swaps, options and swaptions.

From 1 July 2004 to 30 June 2005

The Group initially records derivative financial instruments at cost.

For foreign exchange instruments, only forward currency contracts and foreign currency options that can meet the conditions for hedge accounting, according to the Group's policy for risk management, are entered into. These derivative financial instruments are revalued when the underlying asset or liability is recognised, thus the gains and losses on derivative financial instruments are included in the income statement to match the recognition of the underlying hedged transactions.

For interest rate instruments, the Group entered into interest rate swap agreements with respect to specific borrowings in which the swap is designated as, and is an effective hedge under previous NZ GAAP, of the underlying borrowing. Differential payments made or received with respect to interest rate swap agreements are recognised as a component of interest expense in the period to which it relates. Realised gains or losses on terminated swap agreements are expensed to the income statement. Revaluation of swap contracts to market value was not recognised in the financial statements.

From 1 July 2005

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are remeasured 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. The Group designates hedges of both firm commitments and highly probable forecast transactions as cash flow hedges. Changes in the fair value of derivatives qualifying as cash flow hedges are recognised in equity. At the time of dedesignation i.e. the period that the hedged item will affect the income statement, amounts accumulated in equity are either released to the income statement or used to adjust the carrying value of assets purchased (basis adjustments). When hedging forecast purchases of programme rights in foreign currency, releases from equity via a basis adjustment occurs when the programme right is recognised on-balance sheet. The ineffective component of the fair value changes on the hedging instrument is recorded directly in the income statement. The fair value of foreign currency forward contracts is determined by using forward exchange market rates at the balance sheet date.

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 the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under NZ IAS 39 are recognised immediately in the income statement.

For qualifying hedge relationships, the Group documents at the inception of the transaction, 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 ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

FAIR VALUE ESTIMATION

The fair value of forward exchange contracts is their quoted market price at the balance date. 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 and the current creditworthiness of the swap counterparties. The carrying amount of cash and cash equivalents, short term investments, payables and accruals, receivables and current portion of borrowings approximate fair value due to the short-term maturity of these instruments.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

EMPLOYEE BENEFITS

Wages and salaries and annual leave

Employee entitlements to salaries and 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.

Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using quoted forward interest rates for periods with terms to maturity that match as closely as possible the estimated future cash flows.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either, terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance date are discounted to present value.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing 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.

Share-based payment transactions

Share options may be granted to certain employees of the Group. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using recognised valuation methods, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to share prices not achieving the threshold for vesting in which case the expense is not reversed. As at 30 June 2006 the Group has not granted any share options to employees.

PROVISIONS

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

REVENUE RECOGNITION

a) Sales of goods and services

Revenue comprises the fair value of the sales of goods and services, net of goods and services tax and is recognised as follows:

Subscription revenue - over the period to which the subscription relates;

Advertising revenue - over the period in which the advertising is screened;

Installation revenue - when the installation has been completed;

Other revenue - when the product has been delivered to the customer or in the accounting period in which the actual service is provided.

b) Interest income

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.

TAXATION

Current income tax expense is recognised in these consolidated financial statements based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 equity, in which case the tax expense is also recognised in equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement 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.

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 affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially 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.

GOODS AND SERVICES TAX (GST)

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

SEGMENTAL REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. SKY's business is carried out solely in New Zealand and provides only one distinguishable service i.e. the delivery of multi-channel television services. Accordingly there are no separate segments either on a business or geographic basis.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The value of goodwill at the balance date was $1,422 million (30 June 2005 $830 million). No impairment loss has been recognised. Details of the value-in-use calculation are provided in note 15.

b) Estimated life of technical assets

The estimated life of technical assets such as satellite transponders, 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 previous estimates. The Board and management regularly review economic life assumptions of these assets as part of management reporting procedures. (Refer note 12 for book value of these assets).

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

4. ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS)

The Group's financial statements for the year ended 30 June 2006 are the Group's first annual financial statements that comply with NZ IFRS.

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, IFRS and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. They are covered by NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards because they are the Group and Company's first annual NZ IFRS financial statements.

The adoption of these new and revised standards and interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current and prior periods:

Capitalised installation costs NZ IAS 16

Deferred tax NZ IAS 12

Programme rights and renewal rights NZ IAS 38

Business combinations NZ IFRS 3

Financial instruments NZ IAS 32 and NZ IAS 39

The impact of these changes in accounting policies is described in detail below.

In adopting NZ IFRS the Group has applied NZ IFRS 1 which requires an entity to use the same accounting policies in its opening NZ IFRS balance sheet and throughout all periods presented in its first NZ IFRS financial statements. As such, prior year comparatives for the Group have been restated except where NZ IFRS 1 has allowed exemptions. Since the Company was dormant from incorporation until the date of the merger on 1 July 2005, there has been no impact on the Company's financial statements as a result of the adoption of NZ IFRS.

In preparing its opening NZ IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous NZ GAAP). An explanation of how the transition from previous NZ GAAP to NZ IFRS has affected the Group's balance sheet, income statement and cash flow statement is set out in the following tables and the notes that accompany the tables.

NZ IFRS 1 EXEMPTIONS ELECTED

The classification and accounting treatment of business combinations that occurred prior to 1 July 2004 has been reconsidered in preparing the Group's opening NZ IFRS balance sheet as at 1 July 2004. The Group has reconsidered business combinations that occurred on or after 14 June 2001, when INL acquired a controlling interest in SKY (premerger) of 66.35%. Business combinations that occurred before this date have not been reconsidered as allowed by NZ IFRS 1. Exemptions from adopting the requirements of NZ IAS 32 and NZ IAS 39 have been taken up for the comparative period.

4. ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) CONTINUED

RECONCILIATION BETWEEN PREVIOUS NZ GAAP AND NZ IFRS

Consolidated income statement

		30-Jun-05		
in NZD 000	Note	Previous NZ GAAP	Effect of transition to NZ IFRS	**NZ IFRS**
Income				
Residential satellite subscriptions		338,159	–	**338,159**
Other subscriptions		86,031	–	**86,031**
Installation		13,436	–	**13,436**
Advertising		35,594	–	**35,594**
Other income		19,139	–	**19,139**
		492,359	–	**492,359**
Expenses				
Programme rights	a	140,648	(106)	**140,542**
Programme operations		27,857	–	**27,857**
Subscriber management	b	23,694	6,150	**29,844**
Sales and marketing		26,431	–	**26,431**
Advertising		11,132	–	**11,132**
Broadcasting and infrastructure		18,222	–	**18,222**
Depreciation and amortisation	b,c	119,342	(8,038)	**111,304**
Corporate		18,469	–	**18,469**
		385,795	(1,994)	**383,801**
Operating profit		106,564	1,994	**108,558**
Financial income (expense)				
Interest and other financial income		4,165	–	**4,165**
Realised exchange gain		507	–	**507**
Unrealised exchange loss		(2,130)	–	**(2,130)**
		2,542	–	**2,542**
Profit before tax		109,106	1,994	**111,100**
Income tax expense	f	26,931	9,695	**36,626**
Profit for the year		82,175	(7,701)	**74,474**
Attributable to:				
Equity holders of the Company		59,649	(6,030)	**53,619**
Minority interest	g	22,526	(1,671)	**20,855**
Profit for the year		82,175	(7,701)	**74,474**

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

4. ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) CONTINUED

Consolidated balance sheet

		As at 30-Jun-05			As at 1-Jul-04		
in NZD 000	Note	Previous NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS	Previous NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS
Current assets							
Cash and cash equivalents		305,056	–	**305,056**	8,810	–	8,810
Short term investments		–	–	**–**	310,370	–	310,370
Trade and other receivables		53,367	–	**53,367**	40,723	–	40,723
Programme rights	a	40,197	(24,047)	**16,150**	44,536	(26,893)	17,643
Derivative financial instruments	e	–	19	**19**	–	–	–
Income tax receivable		641	–	**641**	850	–	850
		399,261	(24,028)	**375,233**	405,289	(26,893)	378,396
Non–current assets							
Property, plant and equipment	b	245,363	(20,357)	**225,006**	284,065	(22,114)	261,951
Other intangible assets	c	27,743	3,883	**31,626**	31,197	3,752	34,949
Brand	d	829,990	(829,990)	**–**	829,990	(829,990)	–
Goodwill	d	–	829,990	**829,990**	–	829,990	829,990
Deferred tax assets	f	9,655	5,464	**15,119**	–	15,159	15,159
		1,112,751	(11,010)	**1,101,741**	1,145,252	(3,203)	1,142,049
Total assets		1,512,012	(35,038)	**1,476,974**	1,550,541	(30,096)	1,520,445
Current liabilities							
Trade and other payables	e	115,482	(30,564)	**84,918**	107,874	(34,403)	73,471
Borrowings		23,737	–	**23,737**	20,039	–	20,039
Derivative financial instruments	e	–	6,621	**6,621**	–	7,701	7,701
Income tax payable		1,814	–	**1,814**	969	–	969
		141,033	(23,943)	**117,090**	128,882	(26,702)	102,180
Non–current liabilities							
Borrowings		12,429	–	**12,429**	79,792	–	79,792
Capital notes		109,868	–	**109,868**	108,933	–	108,933
		122,297	–	**122,297**	188,725	–	188,725
Total liabilities		263,330	(23,943)	**239,387**	317,607	(26,702)	290,905
Equity							
Share capital		222,055	–	**222,055**	222,055	–	222,055
Retained earnings	h	994,141	(8,687)	**985,454**	991,020	(2,657)	988,363
Total equity attributable to equity holders of the Company		1,216,196	(8,687)	**1,207,509**	1,213,075	(2,657)	1,210,418
Minority interest	g	32,486	(2,408)	**30,078**	19,859	(737)	19,122
Total equity		1,248,682	(11,095)	**1,237,587**	1,232,934	(3,394)	1,229,540
Total equity and liabilities		1,512,012	(35,038)	**1,476,974**	1,550,541	(30,096)	1,520,445

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

4. ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) CONTINUED

Explanation of material adjustments to the cash flow statement

		30-Jun-05		
in NZD 000	Note	Previous NZ GAAP	Effect of transition to NZ IFRS	**NZ IFRS**
Net profit		59,649	(6,030)	**53,619**
Minority interest in profit of subsidiary	g	22,526	(1,671)	**20,855**
Net profit after income tax		82,175	(7,701)	**74,474**
Plus/(Less) non-cash items:				
Depreciation and amortisation	b,c	119,342	(8,038)	**111,304**
Unrealised foreign exchange loss		2,130	–	**2,130**
Movement in provision for doubtful debts		288	–	**288**
Amortisation of capital notes issue costs		934	–	**934**
Movement in deferred tax	f	(9,655)	9,695	**40**
Other non-cash items		(772)	–	**(772)**
Items classified as investing activities				
Gain on disposal of assets		(289)	–	**(289)**
Movement in working capital items:				
Receivables		4,296	–	**4,296**
Payables		5,847	–	**5,847**
Provision for tax		(760)	–	**(760)**
Programme rights	a	4,339	(106)	**4,233**
Net cash from operating activities		207,875	(6,150)	**201,725**
Cash flow from investing activities		229,727	6,150	**235,877**
Cash flow used in financing activities		(141,356)	–	**(141,356)**
Net increase in cash and cash equivalents		296,246	–	**296,246**

Notes to the reconciliations

a) Programme rights (note 11)

in NZD 000	**30-Jun-05**	1-Jul-04
De-recognition of programme rights classified as executory contracts		
Cost	**(46,094)**	(51,786)
Amortisation	**22,047**	24,893
Total impact - decrease in programme rights	**(24,047)**	(26,893)
Income statement impact - decrease in programme rights expense	**(106)**	–

Long term sports rights were previously recognised on an annual basis and amortised over 12 months. Since these contracts are executory contracts, the asset and liability should only be recognised to the extent that the payment is due. Accordingly both programme rights and payable and accruals (refer note 4e) have been adjusted to reflect the amount of the current obligation. The impact on the income statement represents the difference between the unrealised exchange gain included in creditors and the hedged value of the programme rights.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

4. ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) CONTINUED

b) Property, plant and equipment (note 12)

in NZD 000	30-Jun-05	1-Jul-04
Capitalisation of overhead installation costs		
Cost	**(83,391)**	(83,264)
Accumulated depreciation	**66,564**	65,267
Net adjustment	**(16,827)**	(17,997)
Reclassification of software to intangible assets		
Cost	**(14,608)**	(13,169)
Accumulated depreciation	**11,078**	9,052
Net adjustment	**(3,530)**	(4,117)
Total impact - decrease in property, plant and equipment	**(20,357)**	(22,114)
Income statement impact - decrease in depreciation	**(7,320)**	–
Income statement impact - increase in subscriber management costs	**6,150**	–

A review of SKY's fixed asset registers indicated that certain capitalised indirect overhead costs would not meet the definition of property, plant and equipment under NZ IAS 16. These costs have been identified and derecognised in accordance with NZ IAS 16. The opening adjustment on 1 July 2004 less deferred tax at 33% has been debited against retained earnings (refer note 4h). The income statement impact represents the reversal of the depreciation booked on these assets and the increase in subscriber management expense relating to the reversal of the capitalised costs.

Software costs have been reclassified from property, plant and equipment to intangible assets in compliance with NZ IAS 38.

c) Other intangible assets (note 13)

in NZD 000	30-Jun-05	1-Jul-04
Renewal rights	**1,608**	1,608
Other intangibles	**(408)**	(532)
New channel development costs	**(51)**	(86)
Satellite service costs	**(796)**	(1,355)
Reclas of software from property, plant and equipment	**3,530**	4,117
Total impact - increase in intangible assets	**3,883**	3,752
Income statement impact - decrease in amortisation	**(718)**	–

Renewal rights incurred in June 2003 were previously expensed. Under NZ IAS 38, Intangible Assets, these costs should be capitalised and amortised over the period of the future rights. The opening adjustment on 1 July 2004 less the deferred tax at 33% has been credited to retained earnings (refer note 4h). No depreciation has been charged to the income statement since the period of the rights had not yet commenced.

NZ IAS 38 allows only separately identifiable intangible assets to be recognised. A review of intangible assets indicated that capitalised costs for new channel development, satellite service development and some of the other capitalised costs included in other intangibles do not meet the definition of an intangible asset and they have therefore been derecognised. The opening adjustment on 1 July 2004 less the deferred tax at 33% has been debited against retained earnings (refer note 4h). The income statement impact represents the reversal of the amortisation booked on these assets.

4. ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) CONTINUED

d) Goodwill on acquisition (note 15)

in NZD 000	30-Jun-05	1-Jul-04
Re-opening of business combination June 2001	**617,688**	617,688
Re-opening of business combination October 2003	**212,302**	212,302
Total impact - increase in goodwill	**829,990**	829,990

Re-opening of business combination for INL acquisition of SKY (premerger)

As part of the NZ IFRS transition process the Group has decided not to apply the exemption for business combinations and to re-open the business combination of June 2001 when INL acquired a controlling interest in SKY (premerger) of 66.25%. At the time of acquisition the difference between the acquisition cost and INL's share of the net assets acquired was accounted for as a "brand" intangible asset. NZ IFRS 3 allows previous business combinations to be re-opened and in order to comply with NZ IFRS 3 the Group has re-assessed the fair value of the tangible and intangible assets which existed at the acquisition date. The intangible "brand" asset was identified as comprising the value of SKY (premerger) customer relationships. Based on valuation methodology and assumptions which existed at acquisition date, these customer relationships have been assessed to have an immaterial value. As such the difference between the acquisition price and the fair value of the assets acquired has been recorded as goodwill. No other material changes to the fair value of the acquired assets were identified.

The effect of re-opening the business combination on the Group's balance sheet is as follows:

Purchase of controlling interest in June 2001 of 66.25%	
Property, plant and equipment	359,001
Other intangibles	22,201
Current assets	84,688
Current liabilities	(122,748)
Borrowings	(278,362)
Net assets acquired	64,780
Less minority interest	(21,904)
INL share of net assets acquired	42,876
Less acquisition cost	(660,564)
Acquired goodwill (note 15)	617,688
Acquisition cost is made up as follows:	
Book value of investment in associate at date of acquisition	375,718
SKY (premerger) shares purchased for cash	128,310
SKY (premerger) shares purchased by issue of shares	156,536
	660,564

Purchase of additional interest in October 2003 of 12.05%	
Equity of SKY (premerger) at acquisition date 24 October 2003	64,010
INL additional share of SKY (premerger) equity (12.05%)	7,713
Less acquisition cost	(220,015)
Acquired goodwill (note 15)	212,302

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

4. ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) CONTINUED

e) Trade and other payables (note 17)

in NZD 000	30-Jun-05	1-Jul-04
Derecognition of creditors relating to programme rights	**(23,962)**	(26,702)
Reclassification to derivative financial instruments - current assets	**19**	–
Reclassification to derivative financial instruments - current liabilities	**(6,621)**	(7,701)
Total impact - decrease in payables and accruals	**(30,564)**	(34,403)

The derecognition of programme rights results in a corresponding derecognition in payables and accruals. These contracts are executory contracts which are payable quarterly in advance. As such they do not meet the definition of a liability under NZ IAS 37. Accordingly, both programme rights and accounts payable (refer note 4a) have been adjusted to reflect the amount of the current obligation.

f) Deferred tax (note 16)

The above changes increased (decreased) deferred tax as follows based on a tax rate of 33%.

in NZD 000	30-Jun-05	1-Jul-04
Property, plant and equipment	**5,553**	5,939
Renewal rights	**(531)**	(531)
Other intangibles	**135**	176
New channel development costs	**17**	28
Satellite service costs	**262**	447
Previously unrecognised deferred tax asset (note 8)	**–**	9,037
Programme rights	**28**	63
Total impact - increase in deferred tax asset	**5,464**	15,159
Impact on the income statement is as follows:		
Property, plant and equipment	**386**	–
Intangible assets	**237**	–
Previously unrecognised deferred tax	**9,037**	–
Programme rights	**35**	–
Total impact - increase in tax expense	**9,695**	–

Under previous NZ GAAP the Group did not recognise deferred tax assets since realisation of these assets was not virtually certain due to the Company's history of operating losses. In accordance with NZ IAS 12 such assets are recognised as deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The effect of the change at the transition date is an increase in the deferred tax asset of $9,037,000. This asset had been recognised in full in the previous annual financial statements for the year ended 30 June 2005.

g) Minority interest (note 24)

in NZD 000	30-Jun-05	1-Jul-04
Minority interest percentage	**21.7%**	21.7%
Impact of NZ IFRS adjustments on minority interest (refer 4h)	**(737)**	(737)
Impact of NZ IFRS adjustments on minority share of profits	**(1,671)**	–
Total impact - decrease in minority interest	**(2,408)**	(737)

4. ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) CONTINUED

h) Retained earnings (note 23)

in NZD 000	Property, plant and equipment	Renewal rights	Other intangible assets	Deferred tax asset	Programme rights	Total
At 30 June 2005						
Adjustment to retained earnings	(16,827)	1,608	(1,255)	9,037	(85)	**(7,522)**
Deferred tax	5,553	(531)	414	(9,037)	28	**(3,573)**
Net impact on equity	(11,274)	1,077	(841)	–	(57)	**(11,095)**
Attributable to minority interest	(2,447)	234	(183)	–	(12)	**(2,408)**
Attributable to equity holders	(8,827)	843	(658)	–	(45)	**(8,687)**
Total	(11,274)	1,077	(841)	–	(57)	**(11,095)**
At 1 July 2004						
Adjustment to retained earnings	(17,997)	1,608	(1,973)	9,037	(191)	**(9,516)**
Deferred tax	5,939	(531)	651	–	63	**6,122**
Net impact on equity	(12,058)	1,077	(1,322)	9,037	(128)	**(3,394)**
Attributable to minority interest	(2,617)	234	(287)	1,961	(28)	**(737)**
Attributable to equity holders	(9,441)	843	(1,035)	7,076	(100)	**(2,657)**
Total	(12,058)	1,077	(1,322)	9,037	(128)	**(3,394)**

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

5. SEGMENT REPORTING

The Group operates as a single business segment being a multi-channel provider of pay-per-view and free-to-air television services in New Zealand only.

6. OPERATING EXPENSES

in NZD 000	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company 30-Jun-05
Depreciation and amortisation				
Depreciation of property, plant and equipment (note 12)	100,557	115,786	100,448	–
NZ IFRS reclassification to intangible assets (note 13)	–	(2,026)	–	–
P & L effect of NZ IFRS adjustment - capitalised installation costs (note 4b)	–	(7,320)	–	–
Amortisation of intangibles (note 13)	5,520	3,556	5,517	–
NZ IFRS reclassification from property, plant and equipment (note 13)	–	2,026	–	–
P & L effect of derecognised intangibles (note 4c)	–	(718)	–	–
Total depreciation and amortisation	106,077	111,304	105,965	–
Bad and doubtful debts				
Movement in provision	153	(993)	152	–
Net write-off	1,295	1,281	1,295	–
Total bad and doubtful debts	1,448	288	1,447	–
Fees paid to auditors				
Audit fees paid to principal auditors	128	83	128	–
Tax and advisory services by principal auditors	23	54	23	–
NZ IFRS conversion audit work	88	–	88	–
Audit fees to auditors of subsidiary company	6	156	–	–
Other services by subsidiary auditors	–	27	–	–
Total fees to auditors	245	320	239	–
Donations	83	12	83	–
Employee costs	42,006	36,770	41,809	–
Directors' fees	424	1,942	424	–
Operating lease and rental expenses	1,647	1,696	1,647	–

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

7. FINANCIAL INCOME/(EXPENSE)

in NZD 000	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company 30-Jun-05
Interest income	3,067	20,239	3,067	–
Interest income related parties (note 29)	–	–	1,769	–
Interest expense	(38,990)	(1,191)	(38,989)	–
Interest expense related parties (note 29)	–	–	(2,226)	–
Interest expense on capital notes	(9,918)	(10,505)	(9,918)	–
Amortisation of capital notes issue costs	(934)	(934)	(934)	–
Bank facility fees	(764)	(1,069)	(764)	–
Interest expense on financial leases	(2,429)	(2,375)	(2,429)	–
Realised exchange (loss)/gain	(216)	507	(216)	–
Unrealised exchange loss	(1,003)	(2,130)	(1,003)	–
Interest rate swaps - held for trading	(431)	–	(431)	–
Gain on transfer of subsidiary (note 29)	–	–	951,442	–
	(51,618)	2,542	899,368	–

8. INCOME TAXES

The total charge for the year can be reconciled to the accounting profit as follows:

in NZD 000	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company 30-Jun-05
Profit before tax	90,043	111,100	1,041,012	–
Prima facie tax expense at 33% (2005: 33%)	29,714	36,663	343,534	–
Non assessable income	–	–	(313,976)	–
Non deductible expenses	155	–	155	–
Temporary differences not previously recognised	–	(6,770)	–	–
Prior year adjustment	9	388	–	–
Benefit of tax losses not previously recognised	–	(2,133)	–	–
Deferred tax asset not previously recognised (note 4f)	–	9,037	–	–
Other	14	(559)	13	–
Income tax expense	29,892	36,626	29,726	–
Allocated between				
Current tax payable	29,414	36,586	29,248	–
Deferred tax (note 16)	478	40	478	–
Income tax expense	29,892	36,626	29,726	–

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

8. INCOME TAXES CONTINUED

Tax loss remimbursement to SKY (premerger)

Prior to the merger, INL and SKY (premerger) were members of the same Group for New Zealand income tax purposes and had an agreement for SKY (premerger) to elect to transfer to INL tax losses incurred after 1 July 2001. INL compensated SKY (premerger) for the tax losses transferred at their tax value as and when SKY (premerger) became liable to pay income tax using the corporate tax rate applicable in the year of offset. This arrangement received a binding ruling from the Inland Revenue Department. In respect of the June 2003 year, losses amounting to $48,638,000 were offset at a tax value of $16,050,000. This brought the total tax compensation amount under the agreement to $33,589,000. No tax loss offset occurred for the 2004 year.

For the year ended 30 June 2005, INL paid $22,141,000 of the compensation due to SKY (premerger), leaving a further $11,448,000 due as at 30 June 2005. This amount was paid to SKY (premerger) on 1 July 2005, as part of the amalgamation arrangements. In addition to the $22,141,000 compensation paid in cash SKY (premerger) accrued a further $9,692,000 for accounting purposes at 30 June 2005 and this was reciprocated by INL, to bring the total reimbursement for accounting purposes for the year ended 30 June 2005 to $31,833,000. The amount of $11,448,000 paid to SKY (premerger) has no impact on the financial statements as it is eliminated as an intragroup transaction as part of the merger accounting.

in NZD 000	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company 30-Jun-05
Imputation credit account				
Balance at beginning of the year	6,499	4,500	–	–
Adjustment to opening balance	–	89	–	–
Acquired through merger	–	–	6,309	–
Tax payments	33,553	28,779	33,528	–
Tax refunds	(193)	(75)	(192)	–
Use of money interest	(93)	–	(93)	–
Credits attached to dividends paid	(5,959)	–	(5,959)	–
- to INL shareholders	–	(22,758)	–	–
- to minority interests	–	(4,036)	–	–
Balance at 30 June 2006	**33,807**	6,499	**33,593**	–

Availability of these credits is subject to continuity of ownership requirements.

9. EARNINGS PER SHARE

Basic earnings per share

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

in NZD 000	Group 30-Jun-06	Group 30-Jun-05
Profit after tax	60,151	74,474
Weighted average number of ordinary shares on issue (thousands)	389,140	364,699
Basic earnings per share (cents)	**15.46**	20.42

Weighted average number of ordinary shares	No. of Shares 30-Jun-06	No. of Shares 30-Jun-05
Issued ordinary shares at beginning of year	–	364,698,867
Issued ordinary shares at end of year (note 21)	389,139,785	364,698,867
Weighted average number of ordinary shares	**389,139,785**	364,698,867

For the Group, shares on issue at 30 June 2006 reflect those of SKY (as a result of the merger) whereas the shares on issue at 30 June 2005 reflect those shares issued by INL.

Diluted earnings per share

Diluted earnings 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 period. In the comparative period to 30 June 2005, INL had no dilutive ordinary shares.

10. TRADE AND OTHER RECEIVABLES

in NZD 000	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company 30-Jun-05
Trade receivables	44,762	38,100	44,700	–
Less provision for impairment of receivables	(675)	(522)	(674)	–
Trade receivables - net	44,087	37,578	44,026	–
Receivable from group subsidiaries	–	–	1,931	–
Other receivables	1,852	3,304	1,852	–
Prepaid expenses	2,088	3,211	2,088	–
Prepaid merger costs	–	9,274	–	–
Balance at 30 June 2006	**48,027**	53,367	**49,897**	–

The carrying amount of trade and other receivables approximates fair value due to the short-term maturity of these instruments.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

11. PROGRAMME RIGHTS

in NZD 000	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company 30-Jun-05
Cost	**73,739**	101,365	**73,739**	–
NZ IFRS adjustment (note 4a)	–	(46,094)	–	–
Adjusted cost	**73,739**	55,271	**73,739**	–
Amortisation	**49,935**	61,168	**49,935**	–
NZ IFRS Adjustment (note 4a)	–	(22,047)	–	–
Adjusted amortisation	**49,935**	39,121	**49,935**	–
Balance at 30 June 2006	**23,804**	16,150	**23,804**	–

12. PROPERTY, PLANT AND EQUIPMENT

in NZD 000 Group	Land, buildings & leasehold improvements	Broadcasting & studio equipment	Satellite transponders (subject to finance lease)	Decoders & associated equipment	Capitalised installation costs	Other plant & equipment	Total cost
Cost (1)							
Balance 1 July 2005	19,070	73,692	138,028	332,678	337,146	16,988	**917,602**
Acquisition of Prime	3,812	6,357	–	–	–	1,011	**11,180**
Change in lease term	–	–	(7,109)	–	–	–	**(7,109)**
Additions	1,856	14,864	–	25,924	36,336	4,932	**83,912**
Disposals	(463)	(10,738)	–	(7,435)	(3,708)	(1,825)	**(24,169)**
Balance at 30 June 2006	24,275	84,175	130,919	351,167	369,774	21,106	**981,416**
Accumulated depreciation							
Balance 1 July 2005	3,608	54,397	104,334	263,681	254,944	11,632	**692,596**
Depreciation for year	725	8,038	20,629	29,434	36,054	5,677	**100,557**
Disposals	(418)	(10,731)	–	(7,435)	(3,708)	(1,823)	**(24,115)**
Balance at 30 June 2006	3,915	51,704	124,963	285,680	287,290	15,486	**769,038**
Net book value 30 June 2006	20,360	32,471	5,956	65,487	82,484	5,620	**212,378**
Net book value 1 July 2005	15,462	19,295	33,694	68,997	82,202	5,356	**225,006**

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

in NZD 000 Group	Land, buildings & leasehold improvements	Broadcasting & studio equipment	Satellite transponders (subject to finance lease)	Decoders & associated equipment	Capitalised installation costs	Other plant & equipment	Total
Cost (2)							
Balance 1 July 2004	13,439	67,106	134,339	328,284	384,260	28,476	**955,904**
NZ IFRS adjustments (note 4b)	–	–	–	–	(83,264)	–	**(83,264)**
NZ IFRS reclassification to intangible assets	–	–	–	–	–	(13,169)	**(13,169)**
Adjusted opening balance	13,439	67,106	134,339	328,284	300,996	15,307	**859,471**
Additions	5,631	6,760	3,689	21,401	36,150	1,899	**75,530**
Disposals	–	(174)	–	(17,007)	–	(218)	**(17,399)**
Balance at 30 June 2005	19,070	73,692	138,028	332,678	337,146	16,988	**917,602**
Accumulated depreciation							
Balance 1 July 2004	3,249	48,942	84,839	238,744	276,208	19,857	**671,839**
NZ IFRS adjustments	–	–	–	–	(65,267)	–	**(65,267)**
NZ IFRS reclassification to intangible assets	–	–	–	–	–	(9,052)	**(9,052)**
Adjusted opening balance	3,249	48,942	84,839	238,744	210,941	10,805	**597,520**
Depreciation for period	359	5,579	19,495	41,944	45,302	3,107	**115,786**
NZ IFRS reclassification to intangible assets	–	–	–	–	–	(2,026)	**(2,026)**
P&L effect of NZ IFRS adjustments	–	–	–	–	(1,170)	–	**(1,170)**
Disposals	–	(124)	–	(17,007)	(129)	(254)	**(17,514)**
Balance at 30 June 2005	3,608	54,397	104,334	263,681	254,944	11,632	**692,596**
Net adjusted book value 30 June 2005	15,462	19,295	33,694	68,997	82,202	5,356	**225,006**
Net book value 1 July 2004	10,190	18,164	49,500	89,540	108,052	8,619	**284,065**
Net adjusted book value 1 July 2004	10,190	18,164	49,500	89,540	90,055	4,502	**261,951**

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

in NZD 000 Company	Land, buildings & leasehold improvements	Broadcasting & studio equipment	Satellite transponders (subject to finance lease)	Decoders & associated equipment	Capitalised installation costs	Other plant & equipment	Total
Cost [1]							
Balance 1 July 2005	–	–	–	–	–	–	–
Acquired by merger transaction	19,070	73,672	138,028	332,678	337,146	16,285	**916,879**
Acquisition of Prime	3,812	6,357	–	–	–	1,011	**11,180**
Change in lease term	–	–	(7,109)	–	–	–	**(7,109)**
Additions	1,856	14,864	–	25,924	36,336	4,885	**83,865**
Disposals	(463)	(10,738)	–	(7,435)	(3,708)	(1,822)	**(24,166)**
Balance at 30 June 2006	24,275	84,155	130,919	351,167	369,774	20,359	**980,649**
Accumulated depreciation							
Balance 1 July 2005	–	–	–	–	–	–	–
Acquired by merger transaction	3,608	54,388	104,334	263,681	254,944	11,162	**692,117**
Depreciation for period	725	8,037	20,629	29,434	36,054	5,569	**100,448**
Disposals	(418)	(10,732)	–	(7,435)	(3,708)	(1,823)	**(24,116)**
Balance at 30 June 2006	3,915	51,693	124,963	285,680	287,290	14,908	**768,449**
Net book value 30 June 2006	20,360	32,462	5,956	65,487	82,484	5,451	**212,200**

(1) Land, buildings and leasehold improvements at 30 June 2006 includes land with a cost of $2,626,000.

(2) Land, buildings and leasehold improvements at 30 June 2005 includes land with a cost of $1,026,000.

The latest independent valuation of land and buildings for 10 Panorama Road prepared by Darroch Valuations Limited, registered independent valuers, in July 2005 records a value of $13 million. The book value of those land and buildings, excluding leasehold improvements, is $10.1 million. The latest independent valuation for 1 John Glenn Avenue prepared by Darroch Valuations Limited in September 2005 records a value of $3.8 million which reflects its book value.
The directors consider the valuations to be a reasonable basis for the assessment of fair value.

The government valuation at July 2005 for 10 Panorama Road was $8.2 million. Additions since that period to 30 June 2006 totalled $320,682. The government valuation for 1 John Glenn Avenue at September 2005 was $3.9 million and additions since date of acquisition, 8 February 2006, to 30 June 2006 totalled $179,647.

13. OTHER INTANGIBLE ASSETS

in NZD 000 Group	Software	Broadcasting rights	Renewal rights	Other intangibles	Total
Cost					
Balance 1 July 2005	14,608	2,309	37,088	811	**54,816**
Acquisition of Prime	–	–	–	474	**474**
Additions	2,681	–	–	261	**2,942**
Disposals	(40)	–	–	–	**(40)**
Balance at 30 June 2006	17,249	2,309	37,088	1,546	**58,192**
Accumulated amortisation					
Balance 1 July 2005	11,078	1,733	9,848	531	**23,190**
Amortisation for period	1,643	119	3,649	109	**5,520**
Disposals	(2)	–	–	–	**(2)**
Balance at 30 June 2006	12,719	1,852	13,497	640	**28,708**
Net book value 30 June 2006	4,530	457	23,591	906	**29,484**
Net book value 1 July 2005	3,530	576	27,240	280	**31,626**

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

13. OTHER INTANGIBLE ASSETS CONTINUED

in NZD 000 Group	Software	Broadcasting rights	New channel development	Renewal rights	Satellite service costs	Other intangibles	Total
Cost							
Balance 1 July 2004	–	2,309	280	35,480	4,519	1,488	**44,076**
NZ IFRS adjustments	–	–	(280)	1,608	(4,519)	(793)	**(3,984)**
NZ IFRS reclassification from property, plant and equipment	13,169	–	–	–	–	–	**13,169**
Adjusted opening balance	13,169	2,309	–	37,088	–	695	**53,261**
Additions	1,439	–	–	–	–	116	**1,555**
Balance at 30 June 2005	14,608	2,309	–	37,088	–	811	**54,816**
Accumulated amortisation							
Balance 1 July 2004	–	1,614	194	7,197	3,164	710	**12,879**
NZ IFRS adjustments	–	–	(194)	–	(3,164)	(261)	**(3,619)**
NZ IFRS reclassification from property, plant and equipment	9,052	–	–	–	–	–	**9,052**
Adjusted opening balance	9,052	1,614	–	7,197	–	449	**18,312**
Amortisation for period	–	119	34	2,651	559	193	**3,556**
NZ IFRS reclassification from property, plant and equipment	2,026	–	–	–	–	–	**2,026**
NZ IFRS adjustments	–	–	(34)	–	(559)	(111)	**(704)**
Balance at 30 June 2005	11,078	1,733	–	9,848	–	531	**23,190**
Net adjusted book value 30 June 2005	3,530	576	–	27,240	–	280	**31,626**
Net book value 1 July 2004	–	695	86	28,283	1,355	778	**31,197**
Net adjusted book value 1 July 2004	–	4,117	695	–	29,891	246	**34,949**

in NZD 000 Company	Software	Broadcasting rights	Renewal rights	Other intangibles	Total
Cost					
Balance 1 July 2005	–	–	–	–	**–**
Acquired by merger	14,608	2,309	37,088	467	**54,472**
Acquisition of Prime	–	–	–	474	**474**
Additions	2,679	–	–	261	**2,940**
Disposals	(38)	–	–	–	**(38)**
Balance at 30 June 2006	17,249	2,309	37,088	1,202	**57,848**
Accumulated amortisation					
Balance 1 July 2005	–	–	–	–	**–**
Acquired by merger	11,078	1,733	9,848	188	**22,847**
Amortisation for period	1,639	119	3,649	110	**5,517**
Balance at 30 June 2006	12,717	1,852	13,497	298	**28,364**
Net book value 30 June 2006	4,532	457	23,591	904	**29,484**

As part of the NZ IFRS conversion adjustments it was determined that new channel development, satellite service costs and some components included in other intangibles did not meet the NZ IFRS definition of an intangible asset and accordingly these intangibles have been written off as of the date of transition (note 4c). Software has been reclassified from property, plant and equipment.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

14. SHARES IN SUBSIDIARY COMPANIES

The Company's investment in its subsidiaries comprises shares at cost less any provision for impairment. All subsidiaries have a balance date of 30 June.

Name of Entity	Principal Activity	Parent	Interest held 2006
Sky DMX Music Limited	Commercial Music	SKY	50.50%
INL Holdings Limited	Non-trading	SKY	100.00%
Independent Publishers Limited	Non-trading	SKY	100.00%
Cricket Max Limited	Non-trading	SKY	100.00%
Media Finance Limited	Non-trading	SKY	100.00%
Sky Telecommunications (MR7) Limited	Non-trading	SKY	100.00%
INL Publishing	Non-trading	INL Holdings Limited	100.00%
INL Investments (Australia) Limited	Non-trading	Independent Publishers Limited	100.00%
INL Newspapers Limited	Non-trading	INL Investments (Australia) Limited	100.00%
INL Bendigo Pty Limited	Non-trading	INL Newspapers Limited	100.00%
The Independent Property Company Pty Limited	Non-trading	INL Bendigo Pty Limited	100.00%
INL Wimmera Pty Limited	Non-trading	INL Newspapers Limited	100.00%
INL Horshamprint Pty Limited	Non-trading	INL Wimmera Pty Limited	100.00%
The following companies were liquidated during the year:			
Mercer Investments Limited	Liquidated		100.00%
Alpha Mining Limited	Liquidated		100.00%
Alpha Petroleum Limited	Liquidated		100.00%
Evening Post Superannuation Nominees Limited	Liquidated		100.00%
News Media Ownership Limited	Liquidated		100.00%
Taupo Times Limited	Liquidated		100.00%
Yellowfin Limited	Liquidated		100.00%
Zaroma Investments Limited	Liquidated		100.00%

Sky Network Television Limited and Independent Newspapers Limited amalgamated on 1 July 2005 with Merger Company 2005 Limited to form a single operating company. The amalgamated company was renamed Sky Network Television Limited. On 23 June 2006 SKY and Independent Publishers Limited sold their respective shareholdings in INL Publishing Limited to a newly formed company, INL Holdings Limited. INL Publishing Limited changed its status to an unlimited liability company.

Cost of investments in NZD 000	**Company 30-Jun-06**	Company 30-Jun-05
Sky DMX Music Limited	**5**	–
Independent Publishers Limited	**241,705**	–
	241,710	–

15. GOODWILL

in NZD 000 Group	
Goodwill arising from re-opening of business acquisition	
Goodwill on acquisition in 2001 (note 4d)	617,688
Goodwill on acquisition of 12.05% of SKY (premerger) on 24 October 2003 (note 4d)	212,302
Balance at 30 June 2005	829,990
Group and Company	
Goodwill arising from merger transaction on 1 July 2005 (note 25)	575,179
Goodwill arising from acquisition of Prime (note 25)	16,946
Balance at 30 June 2006	1,422,115

The Group tests goodwill annually for impairment, or more frequently, if there are indications that goodwill might be impaired. The key assumptions for the value-in-use calculation are those regarding the discount rates, subscription rates and expected churn percentages and any expected changes to subscriptions or direct costs during the period. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the business. Growth rates are based on expected forecasts and changes in prices and direct costs based on past practice and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next ten years and incorporates a present value calculation. The rate used to discount forecast cash flows is 9.7%. Growth rate is based on an annual net gain in subscribers of 35,000.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

16. DEFERRED TAX

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

in NZD 000 **Group**	Fixed assets	Forward currency contracts	Other	Fair value adjustments	Tax losses	**Total**
At 1 July 2005	17,777	(3,240)	582	–	–	**15,119**
NZ IAS 39 hedging adjustment credited direct to equity	–	–	152	(8,783)	–	**(8,631)**
Credited/(charged) to income statement (Note 8)	(2,418)	891	1,049	–	–	**(478)**
Balance at 30 June 2006	15,359	(2,349)	1,783	(8,783)	–	**6,010**
At 1 July 2004						
Opening NZ IFRS adjustment credited direct to equity	5,939	–	183	–	–	**6,122**
NZ IFRS adjustment - recognition of previously unrecognised deferred tax	9,152	(2,426)	503	–	1,808	**9,037**
Adjusted opening balance	15,091	(2,426)	686	–	1,808	**15,159**
NZ IFRS adjustment charged to income statement	(386)	–	(272)	–	–	**(658)**
Reversal of opening NZ IFRS adjustment through income statement	(9,152)	2,426	(503)	–	(1,808)	**(9,037)**
Credited/(charged) to income for the year	12,224	(3,240)	671	–	–	**9,655**
Balance at 30 June 2005	17,777	(3,240)	582	–	–	**15,119**

in NZD 000 **Company**	Fixed assets	Forward currency contracts	Other	Fair value adjustments	Tax losses	**Total**
At 1 July 2005	–	–	–	–	–	**–**
Acquired by merger	17,775	(3,240)	582	–	–	**15,117**
NZ IAS 39 hedging adjustment credited direct to equity	–	–	152	(8,783)	–	**(8,631)**
Credited/(charged) to income statement (Note 8)	(2,418)	891	1,049	–	–	**(478)**
Balance at 30 June 2006	15,357	(2,349)	1,783	(8,783)	–	**6,008**

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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

17. TRADE AND OTHER PAYABLES

in NZD 000	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company 30-Jun-05
Trade payables	42,280	39,964	42,243	–
Less NZ IFRS adjustments for derecognised programme rights creditors (4e)	–	(23,962)	–	–
Adjusted trade payables	42,280	16,002	42,243	–
Due to related parties	3,971	21,191	6,200	–
Unearned subscriptions	34,379	28,979	34,316	–
Employee entitlements	7,255	6,047	7,255	–
Deferred revenue	267	1,185	267	–
Accruals	18,450	18,116	18,299	–
Reclassification of derivative financial instruments – current liabilities (4e)	–	(6,621)	–	–
Reclassification of derivative financial instruments – current assets (4e)	–	19	–	–
Balance at 30 June 2006	106,602	84,918	108,580	–

The carrying amount of trade and other payables approximates their fair value due to the short-term maturity of these instruments.

18. BORROWINGS

in NZD 000	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company 30-Jun-05
Lease liabilities (present value)				
Current	6,055	23,737	6,055	–
Non current	–	12,429	–	–
	6,055	36,166	6,055	–
Bank loans				
Current	–	–	–	–
Non current	498,927	–	498,927	–
	498,927	–	498,927	–
Capital notes				
Current	105,035	–	105,035	–
Non current	–	109,868	–	–
105,309,000 (30 June 2005 - 111,076,000) notes at $1.00 at amortised cost including transaction costs	105,035	109,868	105,035	–
Repayment terms				
Finance lease liabilities – minimum lease payments				
Within one year	6,117	25,307	6,117	–
One to two years	–	12,653	–	–
	6,117	37,960	6,117	–
Future finance charges on finance leases	(62)	(1,794)	(62)	–
Present value of finance lease liabilities	6,055	36,166	6,055	–
Bank loans				
Five years	498,927	–	498,927	–

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

18. BORROWINGS CONTINUED

Lease liabilities

Interest rates on the Australian dollar denominated transponder finance leases varied in the range of 6.1% to 7.0% (30 June 2005: 6.1% to 13.0%). The lease liabilities are secured by the leased assets.

Bank loans

In June 2005 Merger Company 2005 Limited arranged a NZD 610 million negative pledge five-year revolving credit bank facility and an AUD 40 million letter of credit facility from a syndicate of banks comprising ANZ National Bank Limited, Bank of New Zealand, Commonwealth Bank of Australia and The Toronto-Dominion Bank. The facility was drawn to $500 million at 30 June 2006. Interest is charged on drawing under the facility at a rate between 0.375% and 0.60% per annum above the average bid rate for the purchase of bank accepted bills of exchange. There is also a commitment fee payable on the undrawn balance of the facility of between 0.175% and 0.30% per annum. There is no required repayment tranches of the facility. The facility can be partially or fully cancelled at SKY's discretion. In June 2006 the bank facility termination date was extended by one year to 1 July 2011.

There are convenants in the bank facility that: (i) limit SKY's ability to dispose of its assets, although certain disposals are permitted, such as the disposal of certain assets in the ordinary course of business; (ii) prohibit SKY from investing, commencing business or acquiring material capital assets outside its core business; (iii) prohibit SKY from materially changing its licensing arrangements; (iv) impose limits on additional external borrowing and (v) limit interest and debt coverage ratios. It is an event for review under the joint facility agreement if News Corporation owns less than a 27.5% shareholding in SKY.

No security other than a negative pledge over the total Group's assets has been provided.

Fair values

The carrying amount of borrowings, with the exception of capital notes, reflects fair value as the borrowing finance rates approximate market rates.

Capital notes

On 15 July 2005, 5,767,000 capital notes were repaid as part of the merger transaction between INL and SKY (premerger) at a price of $1.0177 per capital note. The remaining 105,309,000 capital notes continue to be listed on the New Zealand Debt Exchange. Capital notes mature on 15 October 2006. SKY has the ability to refinance these capital notes under its NZD 610 million negative pledge bank facility.

The capital notes are included in the Group's accounts at a face value of $105,309,000 (30 June 2005: $111,076,000) less issue costs. The market yield of the notes at 30 June 2006 was 8.7% (30 June 2005: 7.75%). The fair value of the capital notes at 30 June 2006 was $107,529,966 (2005: $112,817,583). The difference between carrying amount and fair value has not been recognised in the accounts as the notes are intended to be held until maturity.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

19. DERIVATIVE FINANCIAL INSTRUMENTS

in NZD 000	Group and Company 30-Jun-06 Assets	Group and Company 30-Jun-06 Liabilities	Group and Company 30-Jun-06 Notional amounts	Group 30-Jun-05 Assets	Group 30-Jun-05 Liabilities	Group 30-Jun-05 Notional amounts
Interest rate hedges – cash flow	**918**	**–**	**290,000**	–	–	–
Interest rate leases – held for trading	**–**	**(298)**	**55,000**	–	–	–
Forward foreign exchange contracts – cash flow hedges	**26,224**	**(520)**	**363,206**	–	–	–
Forward foreign exchange contracts – held for trading	**2,820**	**(790)**	**47,366**	19	(6,621)	74,730
Balance	**29,962**	**(1,608)**	**755,572**	19	(6,621)	74,730
Analysed as:						
Current	**8,973**	**(1,439)**	**215,243**	19	(6,256)	65,547
Non current	**20,989**	**(169)**	**540,329**	–	(365)	9,183
Balance	**29,962**	**(1,608)**	**755,572**	19	(6,621)	74,730

The fair value and notional amounts of off balance sheet financial instruments at 30 June 2005 was:

in NZD 000	Group 30-Jun-05 Fair value	Group 30-Jun-05 Notional amount
Interest rate swaps	(461)	55,000
Forward foreign exchange contracts	(8,016)	175,259

Derivative financial instruments related to foreign exchange risks are denominated in the following currencies:

Currencies purchased forward	Group and Company 30-Jun-06 On balance sheet	Group 30-Jun-05 On balance sheet	Group 30-Jun-05 Off balance sheet	Total
USD	**160,487**	35,490	138,964	174,454
AUD	**248,251**	39,240	33,445	72,685
GBP/JPY	**1,835**	–	2,850	2,850
	410,573	74,730	175,259	249,989

Derivative financial instruments relating to cash flow hedges have the following maturities:

In NZD 000	30-Jun-06	30-Jun-05
Within one year	**112,876**	81,319
One to two years	**112,269**	55,890
More than two years	**138,061**	38,050
	363,206	175,259

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

19. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Gains and losses in equity on forward foreign exchange contracts as at 30 June 2006 will be released to the balance sheet account relating to the hedged asset or liability as a basis price adjustment at the same time that the hedged asset or liability is recognised on the balance sheet. The basis price adjustment is subsequently amortised over the same period as the hedged item.

Interest rates
At 30 June 2006, interest rates on borrowings varied in the range of 7.5% to 8.1% (30 June 2005 - 6.1% to 7.7%).

The Group's interest rate structure is as follows:

In NZD 000	Group and Company 30-Jun-06 Effective Interest rate	Current	Non-current	Group 30-Jun-05 Effective Interest rate	Current	Non-current
Assets						
Cash and cash equivalents	**7.07%**	**42,394**	**–**	7.02%	305,056	–
Liabilities						
Bank loans	**7.79%**	**–**	**(498,927)**	–	–	–
Capital notes	**9.91%**	**(105,035)**	**–**	9.66%	–	(109,868)
Finance lease	**6.16%**	**(6,055)**	**–**	7.05%	(23,737)	(12,429)
Off-balance sheet						
Swaptions		**–**	**100,000**		–	–
Collars		**–**	**10,000**		–	–
Floating to fixed interest rate swaps		**–**	**180,000**		–	–
Fixed to floating interest rate swaps		**55,000**	**–**		(55,000)	55,000
		(13,696)	**(208,927)**		226,319	(67,297)

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

	30-Jun-06	30-Jun-05
USD	**0.6089**	0.7006
AUD	**0.8215**	0.9175
GBP	**0.3322**	0.3887
JPY	**70.00**	77.25

Material foreign currency monetary assets and liabilities
Monetary liabilities denominated in foreign currencies recognised in the balance sheet are:

in NZD 000	30-Jun-06	30-Jun-05
USD	**20,926**	22,630
AUD	**8,114**	30,747
GBP	**359**	310

The Group does not have any material monetary assets denominated in foreign currencies.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

20. PROVISIONS

in NZD 000	Group and Company 30-Jun-06	Group and Company 30-Jun-05
Programme Rights		
Acquisition of Prime	**2,173**	–
Used during the year	**(338)**	–
Balance at 30 June 2006	**1,835**	–
Analysis of total provisions		
Current	**866**	–
Non-current	**969**	–
	1,835	–

As part of the purchase of Prime, provision has been made for programme rights acquired which are considered to be onerous. Some of these rights extend for periods of up to five years.

21. SHARE CAPITAL

Group and Company	No. of shares (000)	Ordinary shares (NZD 000)
Shares on issue at 1 July 2004 and 30 June 2005	**364,699**	222,055
Cancellation of shares as result of merger transaction on 1 July 2005	**(364,699)**	(119,384)
Exchange INL shares for SKY shares	**304,897**	102,671
Termination of executive share options	–	(9,038)
Issue of shares to SKY (premerger) shareholders	**84,243**	484,395
Issue costs charged against share capital	–	(625)
Shares on issue at 30 June 2006	**389,140**	577,403

On incorporation of the Company on 25 January 2005, 1,000 ordinary shares were issued to Kenneth Cowley for no consideration. As at 30 June 2005 there were 1,000 shares issued.

The Company issued 389,139,785 shares on 1 July 2005 in accordance with the scheme of arrangement (refer note 25). INL shareholders received 0.836 shares in the Company for each INL share held and SKY (premerger) shareholders excluding INL received one share in the Company for each SKY (premerger) share held. In addition shareholders received cash payments as compensation for their shares in INL and SKY (premerger) respectively. The total shares issued on 1 July 2005 equals the number of shares on issue in SKY (premerger) prior to the arrangement.

The payment made to INL shareholders of $649.164 million has been treated as a return of capital and allocated between retained earnings and share capital on the basis of premerger equity.

As at 30 June 2006 there were 389,139,785 ordinary shares issued and fully paid (2005: 1,000 shares issued for nil consideration). Ordinary shares rank equally, carry voting rights and participate in distributions. At 30 June 2005 INL had 364,698,867 shares issued and fully paid.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

21. SHARE CAPITAL CONTINUED

Share options

SKY (premerger) had issued 1.7 million ordinary shares at $2.10, partly paid to $0.01, to a trust, for purchase by certain directors and executives of SKY (premerger) under an equity participation plan. Options to purchase 1 million shares at $2.10 per share had been previously exercised. At 30 June 2004 the remaining 0.7 million ordinary shares were held in trust by Sky Nominees Limited for possible future allocation. On 17 December 2004 Sky Nominees Limited was amalgamated with SKY (premerger) and the 700,000 ordinary shares partly paid to $0.01 were deemed cancelled on the date of amalgamation.

Between December 1997 and November 2001 SKY (premerger) had also granted a total of 5,930,000 call options for purchase by certain directors and executives of which 3,700,000 had been exercised by 30 June 2005, leaving 2,230,000 outstanding. These options were cancelled for consideration totalling $9,038,614 on 1 July 2005 as part of the SKY (premerger) and INL merger arrangements.

22. HEDGING RESERVE

in NZD 000	Group and Company 30-Jun-06
Adoption of NZ IAS 32 and NZ IAS 39 cash flow hedges at 1 July 2005	(10,759)
Deferred tax on balance	3,550
Balance at 1 July 2005	(7,209)
Cash flow hedges	
Fair value gains during the year	32,537
Transfer to basis price adjustment	4,837
Deferred tax	(12,333)
	25,041
Balance at 30 June 2006	17,832

23. RETAINED EARNINGS

in NZD 000	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company 30-Jun-05
Opening balance	985,454	991,020	–	–
Retained earnings arising from merger transaction	–	–	(511,082)	–
Adoption of NZ IAS 39 - fair value adjustment	(309)	–	–	–
Minority share of adjustments on 1 July 2005 (note 24)	1,627	–	–	–
Capitalised installation costs (NZ IAS 16)	–	(12,058)	–	–
Programme rights (NZ IAS 38)	–	(128)	–	–
Recognition of unrecognised tax losses (NZ IAS 12)	–	9,037	–	–
Renewal rights (NZ IAS 38)	–	1,077	–	–
Intangibles (NZ IAS 38)	–	(1,322)	–	–
Minority interest share of adjustments	–	737	–	–
Adjusted opening balance	986,772	988,363	(511,082)	–
Termination of executive share options	1,957	–	–	–
Exchange INL shares for SKY (premerger) shares	(529,780)	–	–	–
Add net profit for the period	60,151	53,619	1,011,286	–
Less dividends paid	(15,566)	(56,528)	(15,566)	–
Balance at 30 June 2006	503,534	985,454	484,638	–

24. MINORITY INTEREST

in NZD 000	Group 30-Jun-06	Group 30-Jun-05
Opening balance	**30,078**	19,859
Minority share of NZ IFRS adjustments	**(1,627)**	(737)
Adjusted opening balance	**28,451**	19,122
Add minority share of termination of share options	**(1,957)**	–
Minority share of profits	–	20,855
Less dividend paid to minority	–	(10,529)
Contribution by minority	–	630
Less disposal of minority interest - merger transaction (note 25)	**(26,494)**	–
Balance at 30 June 2006	–	30,078

25. BUSINESS COMBINATIONS

Merger transaction of SKY (premerger) and INL on 1 July 2005

The merger of INL with its 78.3% owned subsidiary company, SKY (premerger), was implemented on 1 July 2005. Under the scheme of arrangement, INL shareholders received 0.836 shares in a new company, Merger Company 2005 Limited ('MergeCo") and $1.78 in cash in exchange for each INL share. SKY (premerger) shareholders, other than INL, received one share in MergeCo and $1.28 in cash for each SKY (premerger) share held. This resulted in MergeCo issuing a total of 389,139,785 shares, being the same number of shares on issue by SKY (premerger) prior to the merger. INL and SKY (premerger) then amalgamated with MergeCo becoming the surviving company. MergeCo was then renamed Sky Network Television Limited and listed on the New Zealand and Australian stock exchanges.

The Inland Revenue has been considering the correctness of the tax position adopted in relation to the exchange of shares by INL and SKY (premerger) shareholders for cash and shares in the company surviving amalgamation. In particular, the Commissioner has been considering whether any part of that transaction constituted a dividend or otherwise gave rise to a tax consequence for the relevant parties. Based on the information presently at hand, we have been advised that the Commissioner does not propose taking any further action in relation to this matter.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

25. BUSINESS COMBINATIONS CONTINUED

NZ IFRS 3 requires business combinations to be accounted for under the purchase method of accounting such that a fair value exercise is performed at the date that control is acquired. INL has been deemed to be the acquirer of the remaining 21.7% of SKY (premerger) as INL already controlled SKY (premerger). The difference between the acquisition price and the Group's share of the carrying amount of the net assets acquired has been recorded as goodwill.

The effect of the amalgamation transaction on the Group's balance sheet including NZ IFRS adjustments is as follows:

in NZD 000	
Assets and liabilities of SKY (premerger) at the date of amalgamation included:	
Property, plant and equipment and other non-current assets	282,761
Current assets	126,819
Current liabilities	(140,391)
Borrowings and capital notes	(122,297)
Net assets of SKY (premerger) per annual report 30 June 2005	146,892
Termination of executive share options (note 21)	(9,038)
Adjustment to net assets for adoption of NZ IFRS (note 4h)	(11,095)
Adjustment to net assets for adoption of NZ IAS 39 (note 22/23)	(7,518)
Adjusted net assets	119,241
Acquisition of minority interest in net assets of acquiree (note 24)	26,494
Acquired goodwill (note 15)	575,179
Total consideration paid	601,673
Settled by:	
Issue of equity instruments to SKY (premerger) minority shareholders	484,395
Payment of cash	107,831
Capitalisation of direct acquisition costs	9,447
	601,673

The fair value of the shares issued to the SKY (premerger) minority shareholders was based on 84,242,659 shares issued at the published share price on 1 July 2005 of $5.75 per share.

Reconciliation for cash flow purposes

Consideration paid	601,673
Less equity instruments issued	(484,395)
Less acquisition costs paid in prior year	(9,274)
Cash paid per cash flow statement	108,004

25. BUSINESS COMBINATIONS CONTINUED

Acquisition of Prime

On 8 February 2006 the Group purchased the assets of Prime Television New Zealand Limited for a cash consideration of $29.5 million. This transaction has been accounted for using the purchase method of accounting. The acquired business contributed revenues of $7.1 million and a net loss of $4.9 million for the period from 8 February 2006 to 30 June 2006.

If the acquisition had occurred on 1 July 2005 the Group revenue would have been $563.4 million and the profit would have been $56.9 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2005, together with the consequential tax effects.

The fair value of the assets acquired in the transaction, and the goodwill arising, are as follows:

in NZD 000	Fair value	Carrying amount at acquisition date
Land	1,600	779
Buildings	2,212	2,254
Plant and equipment	7,368	7,391
Intangible assets	474	–
Programme rights	6,970	7,610
Programme creditors	(3,405)	(3,405)
Provisions	(2,173)	–
Goodwill	16,946	–
	29,992	14,629
Settled by:		
Cash paid for Prime assets	29,538	
Capitalised acquisition costs	454	
Cash paid per cash flow statement	29,992	

26. EMPLOYEE BENEFITS

Share based payments

As at 30 June 2005 SKY (premerger) had 2,530,000 share options outstanding. The transitional provisions for NZ IFRS 2 allow an exemption from requirements to recognise share based payments in the financial statements for share option arrangements granted before 7 November 2002. All share options existing in SKY (premerger) were issued prior to the transitional date and accordingly no adjustment has been made under NZ IFRS for share based payments.

As part of the merger transaction with INL on 1 July 2005 (refer note 21) $9,038,614 was paid to option holders to terminate the options held by four company executives and two directors.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

27. COMMITMENTS

in NZD 000	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company 30-Jun-05
Operating leases:				
Year 1	**1,223**	987	**1,223**	–
Year 2	**1,071**	997	**1,071**	–
Year 3	**950**	741	**950**	–
Year 4	**728**	620	**728**	–
Year 5	**612**	345	**612**	–
Later than 5 years	**1,763**	1,725	**1,763**	–
	6,347	5,415	**6,347**	–
Contracts for transmission services:				
Year 1	**13,006**	8,627	**13,006**	–
Year 2	**11,841**	8,627	**11,841**	–
Year 3	**10,984**	7,622	**10,984**	–
Year 4	**7,639**	6,904	**7,639**	–
Year 5	**–**	4,810	**–**	–
	43,470	36,590	**43,470**	–
Contracts for future programmes:				
Year 1	**119,132**	94,570	**119,132**	–
Year 2	**81,171**	70,501	**81,171**	–
Year 3	**59,760**	44,229	**59,760**	–
Year 4	**45,606**	30,376	**45,606**	–
Year 5	**14,502**	11,562	**14,502**	–
	320,171	251,238	**320,171**	–
Capital expenditure commitments - property, plant and equipment:				
Year 1	**14,411**	15,411	**14,411**	–
Capital expenditure commitments - intangibles:				
Year 4	**4,422**	–	**4,422**	–
Year 5	**–**	4,422	**–**	–
	18,833	19,833	**18,833**	–
Other services commitments:				
Year 1	**10,370**	9,108	**10,370**	–
Year 2	**10,135**	8,700	**10,135**	–
Year 3	**9,656**	8,400	**9,656**	–
Year 4	**9,396**	8,400	**9,396**	–
Year 5	**9,211**	8,400	**9,211**	–
Later than 5 years	**4,731**	8,214	**4,731**	–
	53,499	51,222	**53,499**	–

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

27. COMMITMENTS CONTINUED

On 11 October 2003, SKY (premerger) entered into an agreement with Optus Networks Pty Limited in Australia to obtain the use of the transponders on their D1 satellite, due to be launched in September 2006. Payments under this agreement are expected to commence around October 2006 when services from the craft will commence and payment obligations in relation to the currently used B1 satellite will cease. The commitment is for 15 years.
Using an average hedge exchange rate of 0.8858 for the five year hedged portion and a balance date rate of 0.8215 for the remaining portion (June 20005: 9175) against the Australian dollar, the present value of the commitment equates to $228.7 million (June 2005: $211.4 million).

28. CONTINGENT LIABILITIES

The Group and Company have undrawn letters of credit at 30 June 2006 of $48,789,000 (30 June 2005: $43,698,000).

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

29. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

in NZD 000	Group 30-Jun-06	Group 30-Jun-05	Company 30-Jun-06	Company 30-Jun-05
Transactions included in the income statement				
The News Corporation Limited				
- Programme, smartcard and broadcasting equipment and publishing	**49,805**	37,179	**49,805**	–
Telecom Corporation of New Zealand Limited				
- Wholesaling revenue	**–**	21,181	**–**	–
- Telecommunications costs	**–**	3,704	**–**	–
Interest received from subsidiary companies (note 7)	**–**	–	**1,769**	–
Interest paid to subsidiary companies (note 7)	**–**	–	**(2,226)**	–
Gain on transfer of subsidiary company	**–**	–	**951,442**	–
Transactions included in the balance sheet				
Payable to subsidiary companies (note 17)	**–**	–	**2,229**	–
Payable to related parties (note 17)	**3,971**	3,064	**3,971**	–
Receivable from related parties (note 10)	**–**	–	**1,931**	–
Loans to subsidiary companies	**–**	–	**1,008,993**	–
Loans from subsidiary companies	**–**	–	**1,269,388**	–

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

29. RELATED PARTY TRANSACTIONS CONTINUED

Related parties include Nationwide News Pty Limited, a principal shareholder which is an affiliate of The News Corporation Limited. (30 June 2005 related parties also included Telecom Corporation of New Zealand Limited).

On 23 June 2006, SKY and Independent Publishers Limited transferred their holdings in INL Publishing Limited to INL Holdings Limited. INL Publishing Limited was transferred at its equity value of $1,206,876,902 resulting in a gain on disposal recorded in SKY of $951,441,567 and in Independent Publishers Limited of $14,157,710. These gains are eliminated on consolidation. The interest rate on intercompany loans established at this date is 8%.

On 28 June 2005, Telecom Corporation of New Zealand Limited sold its shareholding in INL to Nationwide News Pty Limited, an affiliated company of The News Corporation Limited.

There were no loans to directors by the Company or associated parties at balance date (30 June 2005: nil).

The gross renumeration of directors and key management personnel during the year was as follows:

in NZD 000	**Group and Company 30-Jun-06**	Group and Company 30-Jun-05
Directors' fees	**424**	1,942
Remuneration key management personnel	**6,471**	5,422
	6,895	7,364

30. SUBSEQUENT EVENTS

There have been no subsequent events after balance date.

31. PROSPECTIVE FINANCIAL INFORMATION

The prospective summary information provided in the Information Memorandum published on 12 May 2005 relates to the 12 month period ended 11 May 2006. This information compares to the 12 month period to 30 June 2006 as follows:

In NZD 000	Year ended 30-Jun-06	Period ending 11-May-06
Net cash inflows from operating activities	167,962	127,991
Net cash outflows from investing activities	(224,149)	(108,899)
Net cash outflows from financing activities	(206,475)	(41,978)
Net decrease in cash held	(262,662)	(22,886)
Opening cash brought forward	305,056	24,803
Closing cash carried forward	42,394	1,917

Explanations of the principal differences between the actual results and the prospective summary information are as follows:

Opening cash brought forward	
Reconciliation of the opening cash brought forward position is as follows:	
Opening balance per Group consolidation 30 June 2005	305,056
Less INL opening cash balance	(274,991)
Less options paid out prior to amalgamation	(9,038)
INL tax reimbursement (difference between projection and actual)	3,126
Difference in forecasted free cash flow movements	650
Balance per Information Memorandum	24,803
Net cash inflows from operating activities	
Operating cash flow at 30 June 2006	167,962
Differences between projections and actual	
Interest paid	(7,270)
Tax paid	(12,193)
Working capital and other movements	(20,508)
Balance per Information Memorandum	127,991
Net cash outflows from investing activities	
Cash flow from investing activities at 30 June 2006	224,149
Acquisition of Prime	(29,992)
Payment to SKY (premerger) minority shareholders (included in financing activities)	(108,004)
Over estimation of capital expenditure	22,746
Balance per Information Memorandum	108,899
Net cash outflows from financing activities	
Cash flow from financing activities at 30 June 2006	206,475
Payment to minority holders	108,004
Finance lease liabilities (difference due to change in lease extension)	(13,594)
Dividend paid	(17,275)
Repayment of capital notes	(5,869)
Termination of executive share options	(9,038)
Adjustment for cash acquired and repaid	(226,214)
Other movements	(511)
Balance per Information Memorandum	41,978

Auditors' Report

TO THE SHAREHOLDERS OF SKY NETWORK TELEVISION LIMITED (FORMERLY MERGER COMPANY 2005 LIMITED)

PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay Street
Private Bag 92162
Auckland
New Zealand
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

We have audited the financial statements on pages 53 to 97. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2006 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 58 to 65.

DIRECTORS' RESPONSIBILITIES

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2006 and their financial performance and cash flows for the year ended on that date.

AUDITORS' RESPONSIBILITIES

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We carried out other assignments on behalf of the Company and Group in the area of assurance services. In addition, certain partners and employees of our firm may have dealt with the Company and Group on normal terms within the ordinary course of trading activities of the Company and Group. We had no other relationships with or interests in the Company and Group.

UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

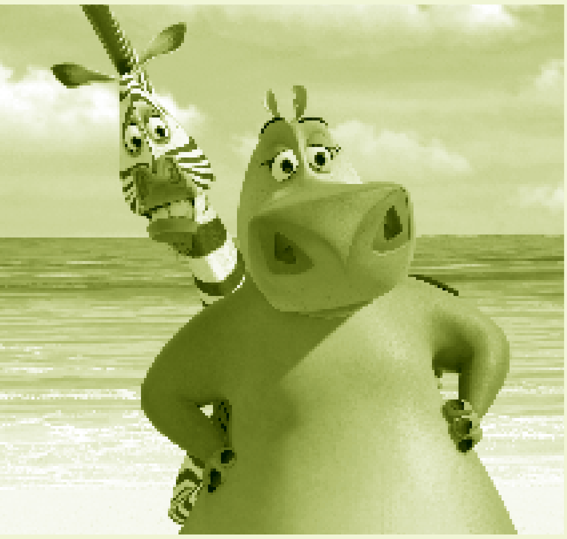
(b) the financial statements on pages 53 to 97:
   - (i) comply with generally accepted accounting practice in New Zealand;
   - (ii) comply with International Financial Reporting Standards; and
   - (iii) give a true and fair view of the financial position of the Company and Group as at 30 June 2006 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 17 August 2006 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants

Auckland



< Madagascar (DVD Unlimited)

< SKY Movies

Other Information

CONTENTS

Corporate Governance Statement

BOARD OF DIRECTORS

MEMBERSHIP

SKY's board is elected or appointed by the shareholders of SKY by ordinary resolution. As at 30 June 2006, the board consisted of seven directors whose relevant skills, experience and expertise are outlined in their biographies on page 48. SKY's constitution provides for a minimum of three directors and a maximum of ten directors. The actual number of directors may be changed by resolution of the board. The board may appoint directors to fill casual vacancies that occur or add persons to the board up to the maximum number prescribed by the constitution. At each annual meeting all directors appointed by the board must retire and one-third of the other directors must retire, although they can offer themselves for re-election during the year. Directors' fees have been set at a maximum amount of $500,000 per annum.

ROLE OF THE BOARD

The board of directors oversees SKY's business and is responsible for its corporate governance. The board sets broad corporate policies, sets the strategic direction, and oversees management with the objective of enhancing the interests of shareholders. Management is responsible for the implementation of corporate policies and the day-to-day running of SKY's business.

Various information reports are sent to the board in order to keep them informed about SKY's business. Directors also receive operating and financial reports, and access to senior management at board and committee meetings.

INDEPENDENT AND EXECUTIVE DIRECTORS

At 30 June 2006 the independent directors on SKY's board were Barrie Downey, John Hart and Humphry Rolleston. The other directors are not considered to be independent.

SKY has not adopted any quantitative materiality thresholds because it was considered more appropriate to determine independence on a case-by-case basis.

John Fellet is the only executive director on the board.

TERM OF OFFICE

Each director, other than Humphry Rolleston, was appointed to SKY's board on 2 May 2005. Humphry Rolleston was appointed to SKY's board on 8 September 2005.

The term of each director's association with SKY is indicated in their biographies set out on page 48.

MEETINGS

The board has regularly scheduled meetings and also meets when a matter of particular significance arises. During the period between 1 July 2005 and 30 June 2006 the board met seven times. Attendance at meetings was as follows:

	Meetings held while a director	Attendance
Peter Macourt	7	7
Robert Bryden	7	7
Marko Bogoievski (1)	5	4
Barrie Downey	7	6
John Fellet	7	7
John Hart	7	7
Michael Miller	7	6
Humphry Rolleston (2)	6	5

(1) M Bogoievski resigned from the board on 7 April 2006.
(2) H Rolleston joined the board on 8 September 2005.

Corporate Governance Statement continued

BOARD COMMITTEES

The board has established the following committees to act for, and/or make recommendations to, the full board on certain matters as described below.

AUDIT AND RISK COMMITTEE
The audit and risk committee is responsible for overseeing the financial and accounting activities of SKY including the activities of SKY's auditors, accounting functions, internal audit programmes, financial reporting processes and dividend policies. The committee operates under a formal charter and, in addition to its audit functions, is also responsible for establishing and evaluating risk management policies and procedures for risk assessment. The current members are Barrie Downey, Robert Bryden and Humphry Rolleston.

NOMINATION AND REMUNERATION COMMITTEE
The nomination and remuneration committee is responsible for providing recommendations regarding the appointment, compensation levels and evaluation of SKY's directors, chief executive officer and senior executives and overseeing SKY's general human resources policies, including remuneration. The current members are John Hart, Peter Macourt and Robert Bryden.

RELATED PARTIES COMMITTEE
The related parties committee reviews significant proposed transactions between SKY and its related parties. Where the committee is satisfied that a proposed transaction is in SKY's best interests and on arm's length terms and/or in the ordinary course of SKY's business, it may either approve the transaction or recommend to the board that the transaction be approved. The current members are Barrie Downey and John Hart.

COMMITTEE MEETINGS
During the year ending 30 June 2006:

(a) the audit and risk committee met three times and all members were present;

(b) the nomination and remuneration committee met three times and all members were present; and

(c) the related parties committee met once and all members were present.

POLICIES AND PROCEDURES

SKY has a number of policies and procedures that establish guidelines and practices to be followed in certain circumstances or in relation to certain matters. These policies and practices are under regular review by management and the board.

TREASURY POLICY
SKY has a formalised treasury policy that establishes a framework for:

- foreign exchange risk management;
- interest rate risk management;
- borrowing, liquidity and funding risk;
- cash management;
- counter-party credit risk;
- operational risk and dealing procedures; and
- reporting and performance management.

The objective of the policy is to reduce, spread and smooth interest rate and foreign exchange risk impacts on financial results over a multi-year period, eliminate volatility in financial performance and ensure appropriate debt and liquidity arrangements for the business.

COMMUNICATION AND DISCLOSURE POLICY
SKY has a communication and disclosure policy designed to keep both the market and SKY's shareholders properly informed. The policy is also designed to ensure compliance with SKY's continuous disclosure obligations and includes posting press releases, annual reports and assessments, and other investor-focused material on its website. The policy is overseen by SKY's chief executive and company secretary.

Corporate Governance Statement continued

REMUNERATION POLICY AND PERFORMANCE MONITORING

SKY has policies in place to ensure that it remunerates fairly and responsibly. All executives and employees receive a portion of their salary based on individual and company-wide performance. The executive incentive scheme is based on the concept of economic value added. In addition to their base salary, executives are remunerated for increasing the level of economic return on capital employed in the business. Bonuses are "banked", with 33% of the bank being paid out each year. The scheme promotes employee loyalty while ensuring that the cost of the scheme is proportionate to SKY's level of economic return.

The performance of key executives is monitored on a continual basis by the board and chief executive but principally as part of annual salary reviews.

REGULATORY POLICY

SKY has policies and procedures in place to ensure compliance with relevant laws, regulations and the NZX and ASX Listing Rules.

HEALTH AND SAFETY

SKY has an occupational health and safety policies and procedures manual and a group health and safety management committee to ensure that SKY fully complies with its health and safety obligations.

INSIDER TRADING POLICY

SKY has a formal policy in relation to insider trading which is set out in SKY's policies manual and included in its code of conduct. The policy provides that directors, officers and employees of SKY may not buy or sell securities in SKY, nor may they tip others, while in the possession of inside information. SKY's policy affirms the law relating to insider trading contained in the Securities Markets Act 1988.

CODE OF CONDUCT

SKY has a code of conduct which outlines SKY's policies in respect of conflicts of interest, corporate opportunities, confidentiality, insider trading and dealing with corporate assets, in addition to encouraging compliance with applicable laws and regulations. The code of conduct is posted on SKY's website: www.skytv.co.nz

AUDIT AND RISK COMMITTEE CHARTER AND AUDIT INDEPENDENCE POLICY

SKY has in place an audit and risk committee charter to govern the operation of the audit and risk committee as well as an audit independence policy to ensure that SKY's relationship with its auditors is appropriate. The audit and risk committee focuses on internal controls and risk management and particular areas of emphasis include:

- adequacy, appropriateness and effectiveness of accounting and operating controls;
- extent of compliance with SKY policies and procedures;
- accuracy of, and security over, data and information;
- accountability for SKY's assets to safeguard against loss;
- ensuring an effective internal control environment is fostered; and
- economy and efficiency with which resources are employed.

The audit independence policy is designed to ensure that there is no perception of conflict in the independent role of the external auditor. It restricts and monitors the types of services that the external auditor can provide to SKY, prohibits contingency-type fees and requires audit partner rotation every five years.

INDEPENDENT ADVICE

SKY has a procedure for board members to seek independent legal advice at SKY's expense.

NZX AND ASX CORPORATE GOVERNANCE BEST PRACTICE CODES

The board considers that SKY complies with the NZX and ASX corporate governance best practice codes, except in relation to the following matters:

Corporate Governance Statement continued

INDEPENDENT DIRECTORS AND CHAIRMAN (ASX RECOMMENDATION 2.1 AND 2.2; NZX RECOMMENDATION 3.10):
The board considers that it is inappropriate to have a majority of independent directors and for the chairman to be independent because of the large number of shares held by Nationwide News Pty Limited and Todd Communications Limited. The board is comfortable that the minority shareholder interests are protected because it complies with the NZX Listing Rule requirement for the number of independent directors.

In addition, the related parties committee, which is made up solely of independent directors, reviews significant proposed related party transactions to ensure that they are conducted on an arm's length basis.

While the nomination and remuneration committee does not contain a majority of independent directors, the board considers that the members of that committee fulfill their roles and have the expertise required of members of such a committee, and that the chairman of the board best fulfills the role of chairman of the nomination and remuneration committee.

FORMAL CODE OF CONDUCT AND ETHICS (ASX RECOMMENDATION 3.1; NZX RECOMMENDATION 1.2):
SKY's code of conduct does not outline how breaches of its requirements are investigated or sanctioned as it is the board's view that this would be addressed on a case-by-case basis depending on the nature and seriousness of the breach.

DISCLOSURE OF EXECUTIVE REMUNERATION (ASX RECOMMENDATION 9.1 AND 9.5):
SKY complies with the NZX Listing Rules and Companies Act 1993 requirements regarding the disclosure of executives' and directors' remuneration and the board does not therefore consider that complying with ASX recommendations in this regard is appropriate for SKY.

PERFORMANCE BASED EQUITY SECURITY COMPENSATION PLAN (NZX RECOMMENDATION 2.7):
SKY did not provide a performance-based equity security compensation plan, nor were the directors encouraged to invest a portion of their remuneration in purchasing SKY's equity securities, in the period to 30 June 2006.

CONFIRMATION OF FINANCIAL STATEMENTS (ASX RECOMMENDATION 4.1):
SKY requires management to confirm in a written statement to the board that the financial statements are true and correct, although the wording of that statement is not exactly the same as the wording set out in ASX Recommendation 4.1.

ATTENDING AUDIT AND RISK COMMITTEE MEETINGS (ASX RECOMMENDATION 3.4):
SKY considers it appropriate that any director (whether or not a member of the committee) may attend audit and risk committee meetings without invitation.

PUBLIC DISCLOSURE/WEBSITE DISCLOSURE (VARIOUS ASX AND NZX RECOMMENDATIONS):
SKY discloses its annual and half-yearly reports, announcements and analysis, as well as other investor-focused material, on its website. The board does not currently consider that disclosing specific company policies on SKY's website is appropriate or necessary. The board will review this policy if industry practice changes.

Interests Register

The following are particulars of entries recorded in the Interests Register for the period to 30 June 2006:

DISCLOSURES OF INTEREST – GENERAL NOTICES

Directors have given general notices disclosing interests in the following entities pursuant to section 140(2) of the Companies Act 1993:

Peter Macourt	Entity	Relationship
	Fox Studios Australia Pty Limited	Director
	Foxtel Management Pty Limited	Director
	News Limited and other subsidiaries of The News Corporation Limited	Director/Officer
	Premier Media Group Pty Limited	Director

Robert Bryden	Entity	Relationship
	Crown Castle Australia Pty Limited	Director
	Crown Castle Australia Holdings Pty Limited	Director
	Landco Limited	Director
	Todd Capital Limited	Director/Officer
	Todd Communications Limited and other subsidiaries of The Todd Corporation Limited	Director
	Woosh Wireless Limited	Director (1)

(1) Mr Bryden ceased to be a director of Woosh Wireless Limited on 28 August 2006.

Marko Bogoievski (No longer a director)	Entity	Relationship
	Hutchison 3G Australia Pty Limited and subsidiaries of Hutchison 3G Australia Pty Limited	Director
	Telecom New Zealand Limited and other subsidiaries of Telecom Corporation of New Zealand Limited	Director/Officer

Barrie Downey	Entity	Relationship
	Salvus Strategic Investments Limited	Director

John Fellet	Entity	Relationship
	Media Finance Limited	Director
	SKY Telecommunications (MR7) Limited	Director
	Cricket Max Limited	Director
	INL Holdings Limited and subsidiaries	Director
	Independent Publishers Limited	Director

John Hart	Entity	Relationship
	Bayleys Corporation Limited	Director
	Warriors League Limited	Director
	Global Rugby Enterprises Limited	Director/Shareholder
	Superlife Trustee Limited	Director

Interests Register continued

Michael Miller	Entity	Relationship
	International Newspaper Marketing Association	Director
	News Limited and other subsidiaries of The News Corporation Limited	Director/Officer
	Premier Media Group Pty Limited	Director
	Rugby International Pty Limited	Director

Humphry Rolleston	Entity	Relationship
	Asset Management Limited	Director
	Broadway Industries Limited and subsidiaries	Director
	Fraser, MacAndrew Ryan Limited	Chairman
	Infratil Limited	Director
	Ledger Acquisitions Limited	Director
	Matrix Security Limited	Director
	Property for Industry Limited	Director

DISCLOSURES OF INTEREST – AUTHORISATION OF REMUNERATION AND OTHER BENEFITS

SKY's board did not authorise any additional payments of annual directors' fees during the period to 30 June 2006.

DISCLOSURES OF INTEREST – PARTICULAR TRANSACTIONS/USE OF COMPANY INFORMATION

During the period to 30 June 2006 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 period to 30 June 2006 in relation to SKY's directors and officers:

- the following initial disclosures were made in the Interests Register on 1 July 2005 under section 19T(1) of the Securities Markets Act 1988:

NAME	POSITION	SHARES	CAPITAL NOTES
Barrie Downey	Director	100,000	-
John Fellet	Director	33,500	-
John Hart	Director	25,000	50,000
Brian Green	Officer	27,177	-
Travis Dunbar	Officer	1,000	-
Grant McKenzie	Officer	1,000	-
Paresh Patel	Officer	1,000	-

- a continuous disclosure was made in the Interests Register as to dealings in SKY shares under section 19T(2) of the Securities Markets Act 1988 by Brian Green on 2 May 2006 in relation to the acquisition of 2,823 shares.
- no disclosures were made in the Interests Register as to dealings in SKY shares under section 148 of the Companies Act 1993.

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.

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.

Shareholder and Noteholder Information

DIRECTORS HOLDING AND CEASING OFFICE

At 30 June 2006 the following persons were directors of SKY:

- Peter Macourt
- Robert Bryden
- Barrie Downey
- John Fellet
- John Hart
- Michael Miller
- Humphry Rolleston

Marko Bogoievski ceased to be a director of SKY during the period to 30 June 2006.

SUBSIDIARIES

At 30 June 2006, SKY had the following subsidiary companies:

New Zealand subsidiaries: SKY DMX Music Limited, Cricket Max Limited, Media Finance Limited, SKY Telecommunications (MR7) Limited, INL Holdings Limited, INL Publishing, and Independent Publishers Limited. Only SKY DMX Music Limited traded during the period to 30 June 2006. On 23 June 2006, SKY and Independent Publishers Limited sold their respective shareholdings in INL Publishing Limited to a newly formed company, INL Holdings Limited. INL Publishing Limited changed its status to an unlimited liability company.

Australia subsidiaries: INL Investments (Australia) Limited, INL Newspapers Limited, INL Bendigo Pty Limited, The Independent Property Company Pty Limited, INL Wimmera Pty Limited, and INL Horshamprint Pty Limited. These subsidiaries were in the process of being wound up as at 30 June 2006.

The following subsidiary companies were liquidated during the year: Mercer Investments Limited, Alpha Mining Limited, Alpha Petroleum Limited, Evening Post Superannuation Nominees Limited, News Media Ownership Limited, Taupo Times Limited, Yellowfin Limited, and Zaroma Investments Limited.

DIRECTORS OF SUBSIDIARIES

New Zealand subsidiaries: At 30 June 2006, the directors of SKY DMX Music Limited were Grant McKenzie, Martin Wrigley, Chris Furtado and Bob Baxter. John Simmons ceased to be a director of SKY DMX Music Limited during the period to 30 June 2006. John Fellet was the only director of the remaining New Zealand subsidiaries. No director of any subsidiary company received directors' fees or other benefits as a director. The remuneration of SKY's employees acting as directors of subsidiary companies is disclosed in the relevant banding for employee remuneration on page 110 or, in the case of John Fellet, his remuneration is disclosed below under the heading "Remuneration of Directors".

Australian subsidiaries: Directors of the Australian subsidiaries at 30 June 2006 were Kenneth Cowley, John Hunn and Blair Burr.

STATEMENT OF DIRECTORS' INTERESTS

For the purposes of NZX Listing Rule 10.5.3(c), the following table sets out the equity securities (shares in SKY and SKY's capital notes) in which each director had a relevant interest as at 30 June 2006:

Relevant Interests	Shares	Capital Notes
Peter Macourt	–	–
Robert Bryden	–	–
Barrie Downey	100,000	–
John Fellet	33,500	–
John Hart	25,000	50,000
Michael Miller	–	–
Humphry Rolleston	–	–

Shareholder and Noteholder Information continued

REMUNERATION OF DIRECTORS

Directors' remuneration and value of other benefits received by directors of SKY during the period 1 July 2005 to 30 June 2006 was as follows:

Name	Total Remuneration
Peter Macourt	$78,178
Robert Bryden	$75,178
Marko Bogoievski [(1)]	$47,260
Barrie Downey	$69,315
John Fellet [(2)]	$775,000
John Hart	$58,293
Michael Miller	$51,589
Humphry Rolleston	$44,027

[(1)] No longer a director.

[(2)] John Fellet was also SKY's chief executive and a director of Cricket Max Limited, Media Finance Limited, SKY Telecommunications (MR7) Limited, INL Holdings Limited, INL Publishing and Independent Publishers Limited. However, he did not receive any directors' fees during the above period to June 2006. His remuneration, as specified above, comprises salary and performance based remuneration.

SUBSTANTIAL SECURITY HOLDERS

According to notices given to SKY under the Securities Markets Act 1988, the following persons were substantial security holders in SKY as at 1 September 2006:

Entity	Securities
Nationwide News Pty Limited	169,854,716
Commonwealth Bank of Australia and subsidiaries	40,946,557
Todd Communications Limited	43,220,277
AXA SA and AXA Asia Pacific Holdings Limited	19,268,827

The total number of issued voting securities of SKY as at 1 September 2006 was 389,139,785.

Shareholder and Noteholder Information continued

TWENTY LARGEST SHAREHOLDERS AS AT 23 AUGUST 2006

Holder Name	Holding	Percentage (2 d.p.)
Nationwide News Pty Limited	169,854,716	43.65
Todd Communications Limited	43,220,277	11.11
Citicorp Nominees Pty Limited	29,680,615	7.63
National Nominees New Zealand Limited	18,206,919	4.68
Westpac Banking Corporation	12,752,174	3.28
TEA Custodians Limited	8,880,797	2.28
Citibank Nominees (New Zealand) Limited	8,815,382	2.27
Accident Compensation Corporation	7,138,364	1.83
NZ Superannuation Fund Nominees Limited	6,330,054	1.63
National Nominees Limited	4,456,457	1.15
Premier Nominees Limited	4,227,965	1.09
Cogent Nominees Pty Limited	3,717,665	0.96
Custody and Investment Nominees Limited	3,648,490	0.94
Asteron Life Limited	2,647,614	0.68
ANZ Nominees Limited	2,419,124	0.62
Westpac Custodian Nominees Limited	2,217,165	0.57
AMP Investments Strategic Equity Growth Fund	1,848,152	0.47
AMP Life Limited	1,574,152	0.40
First NZ Capital Custodians Limited	1,336,659	0.34
AMP Superannuation Tracker Fund	1,303,102	0.33

DISTRIBUTION OF ORDINARY SHARES AND SHAREHOLDINGS AS AT 23 AUGUST 2006

	No. of Shareholders	Percentage (2 d.p.)	No. of Shares	Percentage (2 d.p.)
1 – 1,000	2,681	34.02	1,753,686	0.45
1,001 – 5,000	3,749	47.58	9,348,933	2.40
5,001 – 10,000	804	10.20	5,776,865	1.49
10,001 – 100,000	554	7.03	13,222,689	3.40
100,001 – and over	92	1.17	359,037,612	92.26
TOTAL	**7,880**	**100.00**	**389,139,785**	**100.00**

NON MARKETABLE PARCELS OF SHARES

As at 23 August 2006, 158 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, 4.10.18 and 4.10.21, as at 23 August 2006:

- no securities in SKY were subject to voluntary escrow;
- there was no on-market buy-back; and
- SKY was not subject to s611 of the Corporations Act 2001.

Shareholder and Noteholder Information continued

VOTING RIGHTS ATTACHED TO SHARES

Each share entitles the holder to one vote.

TWENTY LARGEST CAPITAL NOTE HOLDERS AS AT 23 AUGUST 2006

Holder Name	Holding	Percentage (2 d.p.)
Investment Custodial Services Limited	5,906,000	5.61
Tappenden Holdings Limited	4,208,000	4.00
Portfolio Custodian Limited	3,347,000	2.95
ASB Nominees Limited	3,103,000	3.18
First NZ Capital Custodians Limited	2,197,000	2.09
Citibank Nominees (New Zealand) Limited	1,259,000	1.20
Katherine Heatley and Tony Lendrum	1,000,000	0.95
Jarden Investments Limited	1,000,000	0.95
Presbyterian Support Services (South Canterbury) Incorporated	1,000,000	0.95
Presbyterian Savings & Development Society of New Zealand Incorporated	1,000,000	0.95
Rect Funds Management Limited	1,000,000	0.95
Private Nominees Limited	835,000	0.79
The Fletcher Trust Incorporated	700,000	0.66
Manchester Unity Friendly Society	600,000	0.57
Custodial Services Limited	556,000	0.53
New Zealand Methodist Trust Association	540,000	0.51
NZ Guardian Trust Investment Nominees Limited	515,000	0.49
Sutherland Self Help Trust Nominees	500,000	0.47
NZ Airline Pilots Mutual Benefit Fund	447,000	0.42
The Trustees Executors and Agency Company of NZ Limited	419,000	0.40

Note: New Zealand Central Securities Depositing Limited's holdings are aggregated on the register but disclosed by individual entities in the above table.

DISTRIBUTION OF CAPITAL NOTES AND NOTEHOLDINGS AS AT 23 AUGUST 2006

	No. of Noteholders	Percentage (2 d.p.)	No. of Notes	Percentage (2 d.p.)
1 – 1000	4	0.13	3,500	0.00
1,001 – 5,000	526	17.00	2,624,500	2.49
5,001 – 10,000	815	26.33	7,722,333	7.33
10,001 – 100,000	1,673	54.05	55,275,667	52.50
100,001 and over	77	2.49	39,683,000	37.68
TOTAL	**3,095**	**100.00**	**105,309,000**	**100.00**

VOTING RIGHTS ATTACHED TO CAPITAL NOTES

Each noteholder is entitled to one vote for every dollar of principal outstanding on their capital notes at meetings of noteholders. Noteholders have a right to attend but not vote at shareholders' meetings.

Shareholder and Noteholder Information continued

EMPLOYEE REMUNERATION

The number of employees (excluding directors but including employees holding office as directors of subsidiaries, other than the chief executive) whose remuneration and benefits is within specified bands is as follows:

Remuneration $	Number of Employees
100,000 – 110,000	13
110,001 – 120,000	2
120,001 – 130,000	2
140,001 – 150,000	3
160,001 – 170,000	3
170,001 – 180,000	2
180,001 – 190,000	1
190,001 – 200,000	4
220,001 – 230,000	4
230,001 – 240,000	1
240,001 – 250,000	1
250,001 – 260,000	1
260,001 – 270,000	1
270,001 – 280,000	1
280,001 – 290,000	2
320,001 – 330,000	1
330,001 – 340,000	1
440,001 – 450,000	2

The remuneration of SKY's chief executive, John Fellet, is not included in the above table as he was also a director of SKY. His remuneration is disclosed under the heading "Remuneration of Directors" above.

DONATIONS

During the period 1 July 2005 to 30 June 2006, SKY made donations totalling $83,493. 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 2006 for statutory audit services was $127,500, for other audit services (predominately relating to international financial reporting standards) was $92,775 and for other advisory services was $18,150. SKY DMX Music Limited paid PricewaterhouseCoopers $5,700 in audit fees during the 2006 year and did not pay PricewaterhouseCoopers for any other services. SKY's other subsidiaries did not pay PricewaterhouseCoopers any fees.

Waivers and Information

CURRENT AND ONGOING WAIVERS

Set out below are the waivers granted in favour of SKY which were applicable at 30 June 2006, in addition to information relating to SKY's admission to the official list of the ASX.

SKY was given the following waivers and confirmations by the ASX that apply to SKY on an ongoing basis:

(a) 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;

(b) 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;

(c) a waiver from ASX Listing Rule 7.1 to the extent necessary to permit SKY to issue securities under an off-market bid or to fund the cash consideration of a takeover bid, and ASX Listing Rule 10.11 to the extent necessary to permit SKY to issue securities to directors under an off-market bid, which is in each case required to comply with the New Zealand takeovers regime or an issue made pursuant to an arrangement, amalgamation or compromise effective pursuant to Part XIII or Part XV of the New Zealand Companies Act, without prior approval of shareholders in general meeting on the condition that at the relevant time the New Zealand Takeovers Code and any other applicable legislation governing corporate takeovers and mergers continues to provide a regime that is comparable to Australian law;

(d) a waiver from ASX Listing Rule 15.7 to permit SKY to provide announcements simultaneously to both ASX and NZX;

(e) 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;

(f) confirmation that SKY is not required to lodge accounts for the last three full financial years in accordance with ASX Listing Rule 1.3.5(a) in connection with its application for admission and quotation;

(g) 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;

(h) 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;

(i) confirmation that SKY can provide substantial holder information provided to it under the New Zealand Securities Markets Act 1988; and

(j) confirmation that SKY's structure and operations are appropriate for an ASX listed entity for the purposes of ASX Listing Rule 1.1 (condition 1).

Waivers and Information continued

ADMISSION TO THE OFFICIAL LIST OF THE AUSTRALIAN STOCK 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 Corporations Act 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 Regulations regulate certain investments in New Zealand by overseas persons. In general terms the consent of the New Zealand Overseas Investment Commission 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 25% or more, 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.

Sharemarket and Other Information

NEW ZEALAND

SKY's ordinary shares are listed on the main board of the NZX and trade under the symbol SKT. SKY's capital notes are listed on the NZDX and trade under the symbol SKT010. SKY's International Security Identification Number issued for the Company by the NZX is NZSKYD000158.

New Zealand Exchange Limited, Level 2, NZX Centre, 11 Cable Street, Wellington, New Zealand.
Mailing address: P.O. Box 2959, Wellington, New Zealand.
Tel: 64 4 472 7599; Fax: 64 4 496 2893; Website: www.nzx.com

AUSTRALIA

SKY's ordinary shares are also listed on the ASX and trade under the symbol SKT.

Australian Stock Exchange, Exchange Centre, 20 Bridge Street, Sydney, NSW 2000, Australia.
Mailing address: P.O. Box H224, Australia Square, Sydney, NSW 1215, Australia.
Tel: 61 2 9227 0634; Fax: 61 2 9241 7620; Website: www.asx.com.au

UNITED STATES OF AMERICA

Prior to the merger of Sky Network Television Limited and Independent Newspapers Limited on 1 July 2005 certain SKY (premerger) shares were represented by American Depository Receipts ("ADRs"), with each ADR representing the right to receive ten ordinary shares in SKY (premerger) held on deposit by a custodian for The Bank of New York as depository for the ADRs.

The ADR listing on NASDAQ was terminated in June 2000 and the ADR facility was terminated on 28 June 2005. Any residual ADR holders should contact their broker or The Bank of New York, as depository for the ADRs.

The Bank of New York, 22nd Floor, 101 Barclay Street, New York, NY 10286, United States.
Mailing address: Shareholder Relations, P.O. Box 11258, Church Street Station, New York, NY10286-1258, United States.
Tel: from within the US: 1-888-843 4269 (toll free); from outside the US: 1 212 815 2154.
Email: shareowner-svcs@bankofny.com

FINANCIAL CALENDAR

2005/2006 Financial year end	30 June 2006
2005/2006 Full year results announced	18 August 2006
Next Annual Meeting	27 October 2006
2006/2007 Half year results announced	February 2007
2006/2007 Financial year end	30 June 2007
2006/2007 Full year results announced	17 August 2007

ANNUAL MEETING

The next annual meeting of Sky Network Television Limited will be held at the Rendezvous Hotel (previously the Carlton Hotel), corner of Vincent Street and Mayoral Drive, Auckland, New Zealand, on 27 October 2006, commencing at 2 p.m.

Directory

REGISTRARS

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

NEW ZEALAND ORDINARY SHARE REGISTRAR

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna,
Auckland, New Zealand
Mailing address: Private Bag 92119,
Auckland 1020, 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
Level 4, 60 Carrington Street,
Sydney, NSW 2000, Australia
Mailing address: G.P.O Box 7045,
Sydney, NSW 1115, Australia
Tel: 61 2 8234 5000; Fax: 61 2 8234 5050
Email: sydney.services@computershare.com.au

CAPITAL NOTES TRUSTEE

The New Zealand Guardian Trust Company Limited
Level 7, 48 Shortland Street, Auckland, New Zealand
Mailing address: P.O. Box 19345
Auckland, New Zealand
Tel: 64 9 377 7300; Fax: 64 9 377 7470
Email: web.headoffice@nzgt.co.nz

DIRECTORS

Peter Macourt (Chairman)
Robert Bryden (Deputy Chairman)
A. Barrie Downey, CBE
John Fellet (Chief Executive)
John Hart, ONZM
Michael Miller
Humphry Rolleston

EXECUTIVES

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

NEW ZEALAND REGISTERED OFFICE

10 Panorama Road, Mt Wellington, Auckland
Tel: 64 9 579 9999; Fax: 64 9 579 0910
Website: www.skytv.co.nz

AUSTRALIAN REGISTERED OFFICE

News House, 2 Holt Street, Surrey Hills
Sydney, NSW 2010, Australia
Tel: 61 2 9288 3000; Fax: 61 2 9288 2300

AUDITOR TO SKY

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

SOLICITORS TO SKY

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

Notes

Notes

SKY Channels

AS AT 30 JUNE 2006

TYPES OF CHANNELS

Basic channels	19
Sport tier channels	4
Movie tier channels	5
Interactive channels	5
Free-to-air channels	7
Special interest channels	11
Radio channels	9
Audio music channels	14
PPV movie channels	7
PPV event channels	1
PPV adult channels	3
Total	85

BASIC CHANNELS 19

BBC World
SKY News Australia/New Zealand
CNN
The History Channel
National Geographic
Discovery
Animal Planet
UKTV
SKY 1
Nickelodeon
Cartoon Network
Disney
Juice TV
J2
E!
The Living Channel
ESPN
Food Television
Playhouse Disney

SPORT TIER 4

SKY Sport 1
SKY Sport 2
SKY Sport 3
Rugby Channel

MOVIE TIER 5

SKY Movies 1
SKY Movies 2
MGM
TCM
Rialto

INTERACTIVE CHANNELS 5

Weather Channel
SkyBet Sport
SkyBet Trackside
Playin'TV
MindGames

FREE-TO-AIR CHANNELS 7

TAB Trackside
TV One
TV2
TV3
C4
Prime
Maori Television

SPECIAL INTEREST 11

Arts Channel
Shine Television
Southland TV
CCTV-9
World TV - 7 channels

RADIO CHANNELS 9

George FM
National Radio
Concert FM
Niu FM
Calvary Chapel Radio
Tahu FM
Kiwi
Real Good Life (World TV)
New Supremo (World TV)

OTHER

Audio music channels	14
PPV movie channels	7
PPV event channels	1
PPV adult channels	3

TOTAL 85

Designed and produced by Imagination

WWW.SKYTV.CO.NZ