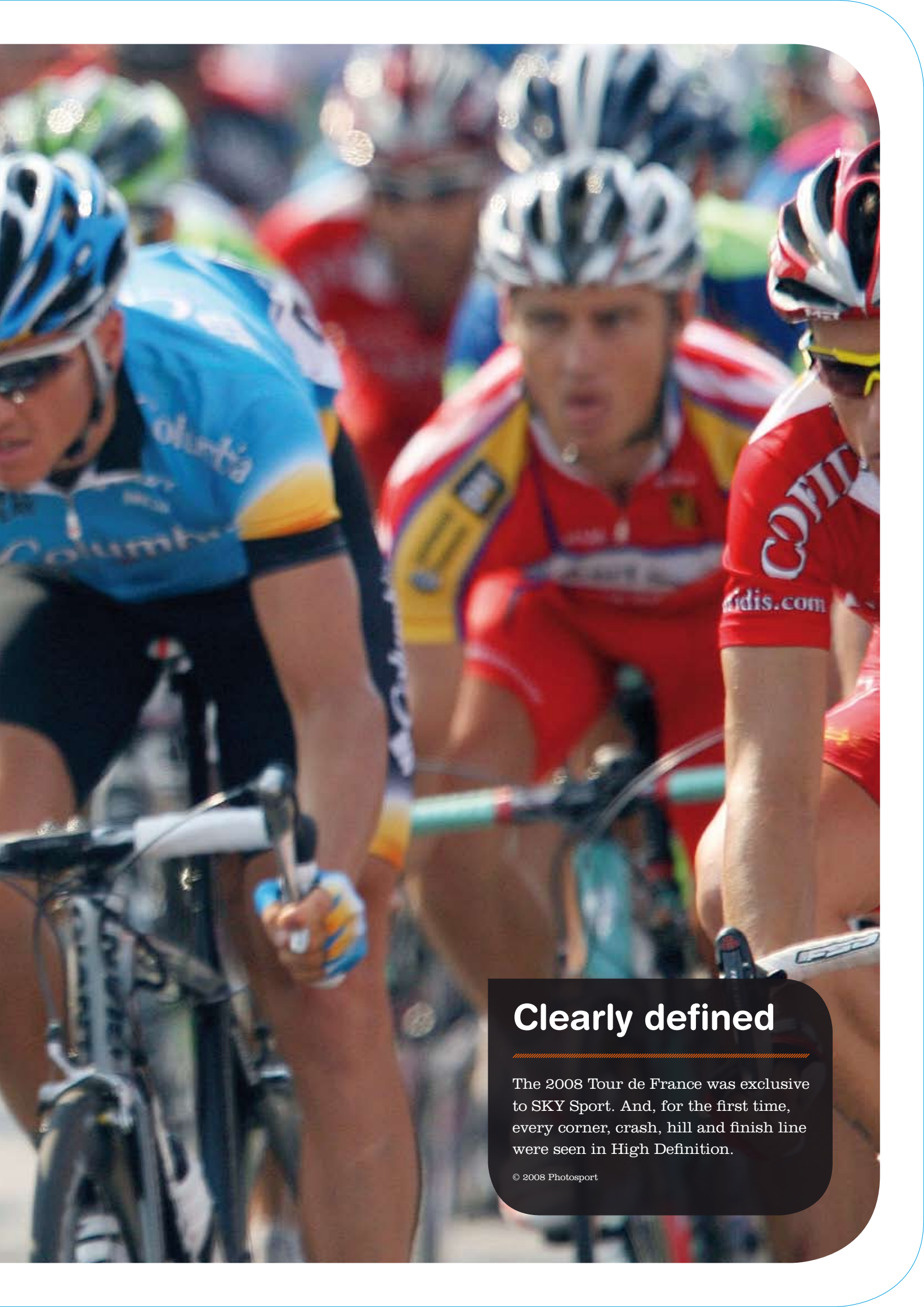




**SKY NETWORK
TELEVISION LIMITED
ANNUAL REPORT
2008**



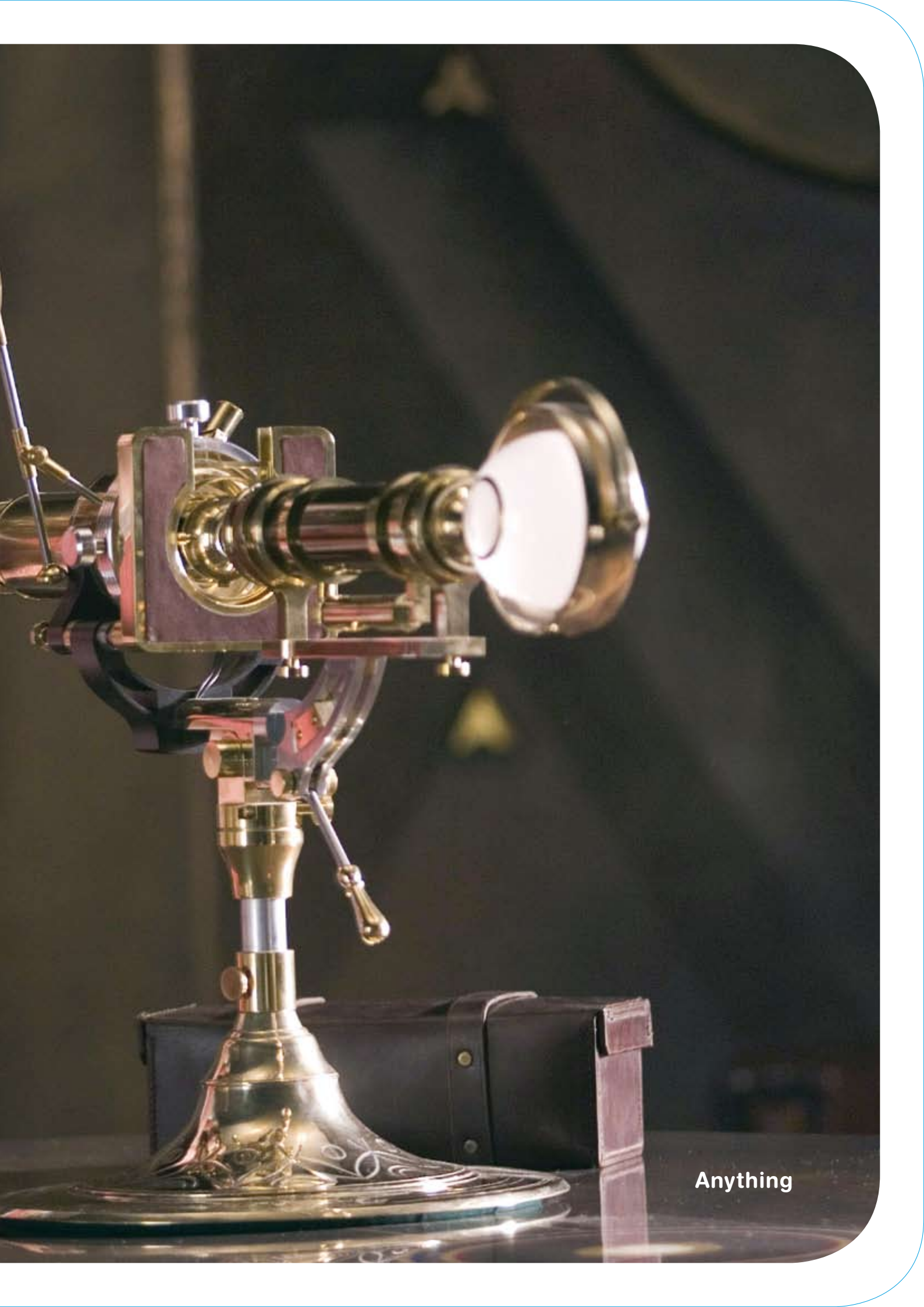


Clearly defined

The 2008 Tour de France was exclusive to SKY Sport. And, for the first time, every corner, crash, hill and finish line were seen in High Definition.

© 2008 Photosport





Anything





Anytime





Anywhere

Highlights

\$658.8m total revenue

8,427 mobile TV subscribers

748,576 total subscribers

37,365 new subscriptions

\$266.6m ebitda

5.3% increased subscriber base

6.5% revenue increase

25.5% net income increase

27% share of TV viewing

6 new channels

Launch of SKY Online



Jacqui Miller

Role: Rugby Channel
Producer

Favourite channels:
Rugby Channel, Rialto

Favourite programme:
Sex and the City



Stephanie Whyte

Role: Presentation Director

Favourite channels:

SKY Sport 1
Crime & Investigation

Favourite programme:
The Soup



Pritesh Chandra

Role: Applications Support

Favourite channels:

SKY Sport 1, SKY Movies

Favourite programme:
All Blacks' matches



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Prime viewing

SKY generated highly satisfactory results in the year to 30 June 2008, achieving higher revenues and profits despite the impact of the recession that affected most parts of the economy.

Revenue increased \$40.3 million to \$658.8 million, a gain of 6.5% compared to the prior year. This was largely due to the addition of more than 37,000 new subscribers during the year, which raised total subscriber numbers to 748,576.

Costs were also well contained over the year, increasing by just \$23.1 million, largely as a result of a reduction in programming costs as a percentage of revenue to an all time low.

As a result, earnings before interest, tax and depreciation (EBITDA) increased by 6.9% to \$266.6 million and net profit after tax was 25.5% higher at \$97.7 million for the year.

The recession resulted in a slight increase in the number of subscribers who disconnected their service during the year, with gross annual "churn" increasing from 13.4% in the preceding year to 14.9% for 2008.

Viewership of SKY rose a further 8%, as consumers enjoyed a wider choice of high quality programming. Over the last year SKY launched six new channels; SKY Sport Highlights, SKY Movies Greats, Crime and Investigation Network, Vibe, CNBC and Fashion TV all of which helped SKY lift its share of total television viewing in New Zealand from 25% to 27%.



Peter Macourt, Chairman

We greeted the era of High Definition (HD) in the past year as SKY passed some important milestones.

In June 2008, SKY completed the upgrade of its television station replacing the old tape based technology with a server based HD multi channel facility and commenced broadcasting in HD in July.

SKY's initial HD package includes two sports channels (SKY Sport 1 and 2), two movie channels (SKY Movies and SKY Movies Greats) and TV3HD.

Subscribers can now enjoy events including SANZAR Rugby, NRL Rugby League, International Golf, English Premier League Football and blockbuster movies in crystal clear HD and Dolby Digital surround sound.

SKY also launched the MY SKY HDi next generation personal video recorder in July. This new device has 320 GB of storage, four television tuners, an ethernet connection for IPTV and the capability to receive High Definition television channels.

To date, there has been strong interest in MY SKY HDi from subscribers, many of whom have already purchased HD televisions.

With six dedicated sport channels, SKY's position as the home of New Zealand sport has been further enhanced with the launch of the new Trans Tasman Netball competition in April 2008 and the acquisition of the rights to the 2010 Winter Olympics in Vancouver and the 2012 Summer Olympics in London.

The significant investment in HD technology, the development of exciting new content, the launch of new channels and the ability for each subscriber to create their own program schedules using MY SKY, are all examples of SKY's strategy to deliver the best value and choice in quality television in New Zealand.

All this would not have been possible without the support of SKY CEO John Fellet, SKY's management team and its employees, and the company's contractors and subscribers and I thank them for their continued support of the company.



PETER MACOURT
Chairman

SKY's free-to-air channel, PRIME, has secured the broadcast rights for the Vancouver 2010 and London 2012 Olympic Games.

Your content, your way

Dear Shareholders

If you have been a shareholder of Sky Network Television Limited for more than a year, you will note that in my annual letter to shareholders, I attempt to draft my correspondence as if all shareholders are living overseas and that the only information they know about their investments is from the information contained in the annual report.

The financial information is quite detailed and provides a financial snapshot of the business. However, just by looking at the financials, it is more difficult to spot trends in the business as well as in the industry. In this letter it is my goal to enlighten you on these trends.

SKY has a simple business model. We do not consider ourselves a pay television or a satellite company but rather a company that creates and aggregates content for consumers to watch in their living room, hotel room, office, boat, pub or bach. They can now choose to watch SKY on giant projector screens, 52" high definition sets, 3G phone handsets and computer screens. The content is delivered to SKY in the form of physical tapes, a stream of digital impressions (as in the case of CNBC or CNN), a live feed from one of our studios or a sports stadium or on one of the 160,000 DVDs from our online DVD rental business.



John Fellet, Chief Executive Officer

I am pleased to report that it was another strong year. Net income was \$97.7 million, an increase on last year of 25.5%. Revenue grew to \$658.8 million, an increase of 6.5% on the previous year. The key to this growth, as always, was the increase in subscriber numbers. At 30 June 2008, SKY had a total of 748,576 subscribers, an increase of 5.3% over the previous year.

Year on year, the most watched statistic by the financial analysts is the subscriber net gain number. Two of the greatest wild cards in determining the value of SKY is projecting the ultimate penetration of pay television in New Zealand and then forming an opinion on the part SKY will play in that penetration.

As mentioned, your company had a solid result with respect to a net gain of subscribers of 37,365. I am pleased with this result as I knew the year was always going to be challenging.

You will recall in the 2007 annual report, the year (which for us started on 1 July 06) started well but tapered off over the last few months. The new year started just as poorly and was marked with a series of hurdles. I would like to cover what I believe were the four largest ones.

First of all there was the economy. For all of this year, New Zealand in general and the retail sector in particular has faced the most difficult economy since SKY started in 1990.

During my 30 years in the pay television business I have seen several economic downturns. In my experience these declines have the following impact on pay television companies: reduction in number of new subscribers; roll off of pay-per-view; a slight increase in churn and decrease in advertising. However the business typically still moves forward with a net gain in subscribers and increased viewing. Historically, pay TV subscribers would cancel the big vacation that year or put off replacing the car for another year, meaning they would spend more weekends and evenings at home making SKY better value than ever. This year's downturn seems to show similar traits.

Another hurdle was that SKY does not do particularly well in the year that the Rugby World Cup (RWC) is held. Four years ago, during the last RWC, the gain in subscribers for the year was 33,711.

Whenever there is a RWC, the All Blacks are typically not in the domestic rugby competition, the Air New Zealand Cup, and generally there are fewer All Black tests during the June/July test window. It also means there will be no end of the year tour to the northern hemisphere in November and December. The television rights to these games are typically picked up by SKY and used as a key acquisition tool for new subscribers. So when we do not have the tour, we have a dead period and a corresponding decline in our net gain numbers.

Also, if the All Blacks fail to do well (in New Zealand failing to do well is not winning the World Cup) the country goes through a mourning period where there is limited interest in rugby. This year with the perceived failure of the World Cup campaign the sport went into a deep freeze that did not thaw out for several months.

This year, SKY Television celebrated a revenue increase of 6.5% and a 25.5% net income increase to June 2008.

Thirdly, with the launch of High Definition ("HD") SKY consolidated all of the main local sports on SKY Sport 1 & 2, which went HD in August. In March and April we devoted a great deal of installation capacity to converting UHF analogue subscribers to our digital platform. During this period installers that would normally be working on installing new subscribers were working on customer conversions.

Finally, for much of the year we had outstanding weather that actually bordered on drought like conditions. Although this is a terribly unscientific opinion, I am convinced there is a strong correlation between wet weather and subscriber take up. Some day I will take the time to commission a study to test my theory.

With all of these excuses you would think that our net gain number was something to hide from, however we had a very respectable 37,365 net gain. But this gain was flattened in part by a very aggressive marketing offering which discounted the cost of installations and by the acquisition of Screen Enterprises Limited.

Screen Enterprises Limited was formed by merging the businesses of DVD Unlimited, Fatso and Movie Shack. The three firms were all struggling with a business model that has yet to be accepted in New Zealand. SKY owns 51% of the new company and as such all subscribers are consolidated into SKY's results. The total subscriber count of the new consolidated online rental business represents a very small part of Sky's business. We believe that the business model is sound and has been proven successful in other markets around the world. New price points are being researched now and the business will be re-launched in the near future. I am convinced that the new entity will add shareholder value in the future.

New Investments

There have been some new events that you should be aware of as you attempt to consider the impact of this year's results on future years.

Four years ago we started a program to rebuild our television station. In 1990 SKY launched with a three channel UHF analogue tape based delivery chain. Over the years we have added over 80 audio and television channels while transitioning to a satellite digital service. Our broadcast operations have historically expanded by one channel at a time to a point where four years ago we found we were operating in an environment of outdated equipment that, to some degree, was incompatible with the rise of new media developments, such as TV on mobile phones and High Definition television.

As some of you may know, we dislike spending capital that is used for anything that is not involved with an installation for a new subscriber. But it was clearly time to upgrade. This upgrade has taken over a year to complete and cost \$63 million dollars. This will result in an increase in yearly depreciation charges of \$12 million a year.

The other investment has been the launch of the High Definition platform, which around the world has proved to be a successful new television format. In July we launched our HD service by offering SKY Sport 1, SKY Sport 2, SKY Movies 1, SKY Movies Greats and TV3HD. This required a launch of a new set top box which we are marketing under the name of MY SKY HDi. This new box is similar to the existing MY SKY decoder launched in December 2005, which features a personal video recorder (PVR) or more accurately a digital video recorder. The new MY SKY HDi is not just a PVR but it is capable of receiving High Definition signals and in the future, content delivered via the internet.

The reason why I am focusing on this is that we see this box as the next major shift in decoder evolution. In 1990 SKY launched with an analogue UHF service. In 1997 the box for our future was the SKY satellite decoder. Now in 2008 the MY SKY HDi is where we think our future is.

If, as we expect, there is a massive uptake of the new MY SKY HDi decoder we will see an increase in capital spend which will result in greater depreciation. This depreciation should be offset by increased revenue. The new boxes will be depreciated over four years compared to the five years that digital boxes have historically been written off. The reason for this change is that the MY SKY HDi decoder has a major moving part, the hard drive, that can record up to 100 hours of programming that our customers have recorded.

We started buying UHF decoders in 1990 and stopped buying them in 1997 when we launched the digital service. At year end we still had 25,000 subscribers using UHF as their only service 10 years after we stopped buying these decoders. I suspect we will still be using some of the existing decoders ten years after we stop buying them.

Currency Hedging

In an effort to smooth the random nature of currency moves, several years ago, SKY starting hedging out its currency exposure.

The policy was fairly rigid and required SKY to purchase cover to hedge prescribed percentages of forecast future exposures out to 36 months. While this policy assisted in forecasting future costs, it did not reduce our exposure to the volatility of the New Zealand dollar as we were hedging on a rolling monthly basis.

The policy also introduced an extra level of cost in the business because as the interest rate differential between New Zealand and the United States widens, it costs SKY more to purchase forward its foreign exchange requirements (in terms of receiving a forward rate that is lower than the prevailing spot exchange rate).

We reviewed the policy during the year and have decided to continue to hedge a minimum of 85% of our forecast variable exposures over 0–12 months and to hedge our fixed exposures for a minimum of 36 months. However we will take a more tactical approach to hedging exposures outside of these boundaries, taking into account the strength of the New Zealand dollar and the forward cost of hedging.

Viewing Trends

There are two viewing trends I would like to brief you on. The first one is regarding the basic channels. When SKY first started, our programming strength was in the movie channels. In the late 90's and into this decade it was the sports content that dominated the growth in viewing. For the last five years we have continued to add additional content to our basic channel line up. The viewing of these channels has exploded and today basic channels generate more viewing than both movies and sports together.

Sadly for us, many of these channels either do not take advertising (like Disney), sell their own advertising (like MTV) or are too small to attract advertisers.

The other trend centres on the impact of the introduction of MY SKY, the fastest growing decoder in our fleet. Our subscribers say it

transforms the use and the value of their subscription to SKY. Put simply it allows subscribers to "design" a channel just for their family. They can, at a push of a button, record selected programs across the broad spectrum of channels. With two clicks of a button they can series link their favourite shows so they never miss an episode.

Our subscribers tell us that, with the exception of maybe news or live sports, they have stopped watching live television. That has certainly happened in our household. The biggest impact of this has been the potential to fast forward through advertising.

Is this actually happening, are subscribers fast forwarding through advertising? The answer is that we just do not know yet. Preliminary research from the UK indicates that there is a large amount of fast forwarding through the traditional 30 second spot using the PVR.



Amber Brown

Role: Marketing Executive

Favourite channels:

E!, SKY Sport

Favourite programme:

Warriors – The Hills



Bryan Olding

Role: Assistant Technical Director

Favourite channel:

Discovery

Favourite movie:

The Hunt for Red October



But not all the commercials are skipped and because of the PVR, television viewing has increased, so that at the end of the day, more commercials are being watched than ever before.

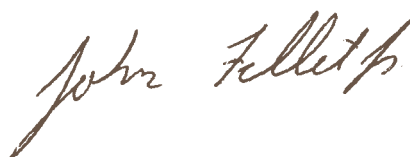
In the next year we will start to measure this activity in New Zealand and report back in a future CEO letter.

Partners

SKY's philosophy has always been about being on as many platforms as possible. We do not spend too much time on worrying which decoder or bundle of services that the subscriber selects as long as they take SKY. To this end we have in the past entered into supply agreements with telecommunication companies, mobile phone operators, electric lines companies, electricity retailers and consumer electronic retailers.

One of the more important partners has been Telecom New Zealand. SKY and Telecom have worked together for over 10 years to serve our mutual customers. The current arrangement has expired and we have mutually agreed to extend the arrangement on a month by month basis until either we are able to negotiate a new contract or terminate negotiations.

I look forward to discussing SKY's performance with you at our annual general meeting at the Langham Hotel in Auckland on 6 November 2008.



JOHN FELLET
Chief Executive Officer



Anina Fiso

Role: Customer Relations

Favourite channels:

MTV, SKY Digital Music

Favourite movie:

Armageddon



Moa Kingi

Role: Team Leader

– Inhouse Collections Team

Favourite channels:

SKY Sport, Discovery

Favourite programme:

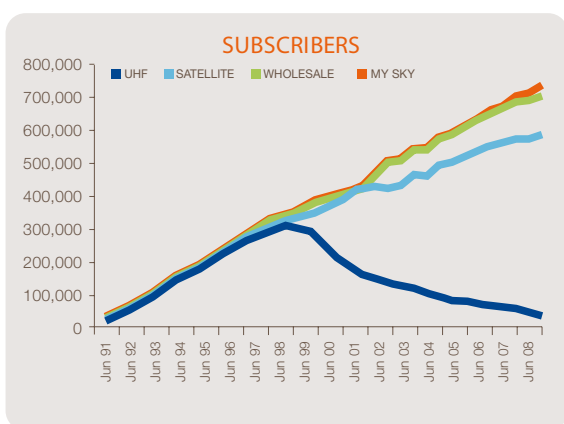
Myth Busters



Business overview

Subscribers

SKY has continued to increase its total subscriber base in the year to 30 June 2008, adding a net 37,365 subscribers, an increase of 5.3%. This compares to the 43,941 net subscribers added in the comparative period.



During the year 17,153 subscribers migrated from the UHF to the satellite network, compared to 8,040 in the previous year. This increase in migrants is a result of UHF subscribers opting for a discounted installation offer that was made when the Warriors' rugby league games were transferred from "SKY 1" to the SKY Sport 2 channel in preparation for HD transmission later in the year. A decision was also made in 2008 to stop adding new subscribers to the UHF service due to the planned digitisation of this network in 2010. There were 31,655 subscribers on the UHF network at 30 June 2008, compared to 706,181 subscribers on the DBS satellite platform and Telstra's cable network.

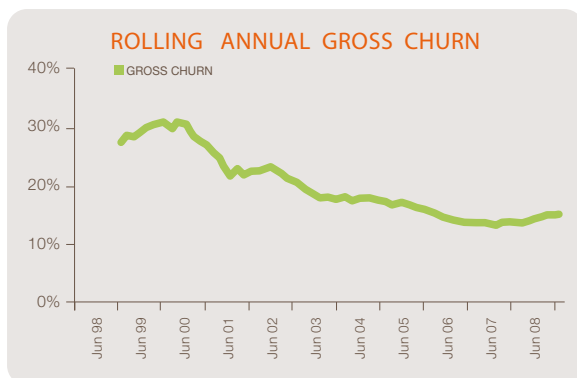
There were 10,740 "other" subscribers, which includes subscribers to SKY's commercial music business SKY DMX Music and its online DVD rental business, Screen Enterprises Limited. In June 2008, SKY merged the operations of its DVD online rental business "DVD Unlimited" with two other online DVD rental businesses, Fatso and Movieshack. An additional 5,753 subscribers were attributable to the merger at 30 June. SKY retains 51% ownership of the merged entity.

In addition to these subscribers, SKY has entered into a content supply agreement with Vodafone for its 3G mobile phones. The service was launched in February 2007 and there were 8,427 subscribers to "SKY Mobile TV" at 30 June 2008.

During the year, SKY acquired SKY Sport Magazine, a monthly magazine that had previously been published in a joint venture with Fairfax. There were 11,111 subscribers to this magazine at 30 June 2008.

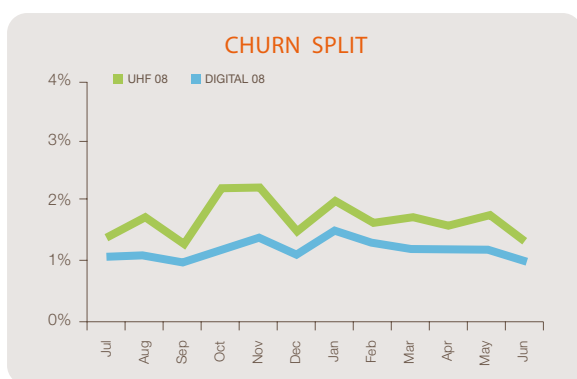
Churn

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 12 months.



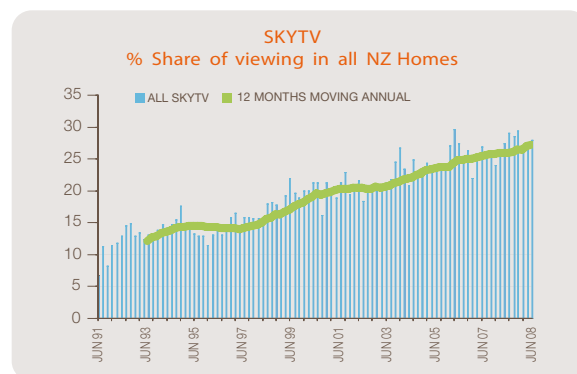
Annual gross churn has increased to 14.9% during the 2008 year up from 13.4% last year. This increase in churn reflects the difficult economic conditions that have prevailed in New Zealand during the year. While this is the first time SKY's churn has increased for several years, it is still below the level of churn experienced three years ago in 2005.

Satellite churn continues to be lower than UHF churn, as illustrated in the graph:

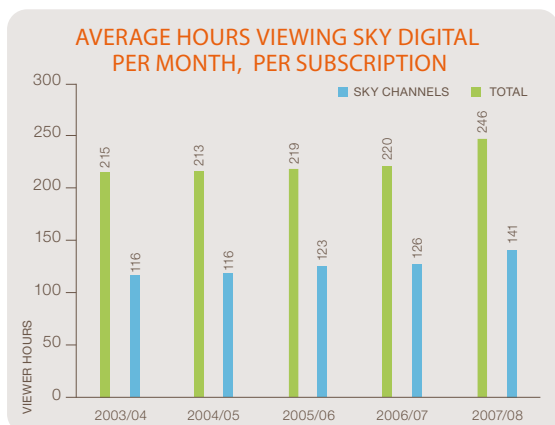


Viewing

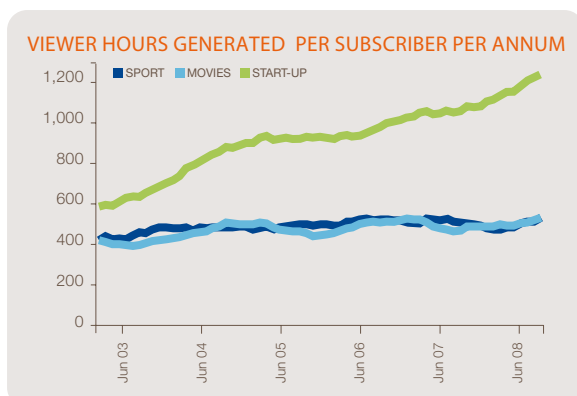
SKY's share of television viewing in New Zealand homes increased from 25% in 2007 to 27% in 2008. This share of viewing was achieved from the 46% of households that have access to SKY. The trend in SKY's viewing share over recent years is illustrated in the following graph:



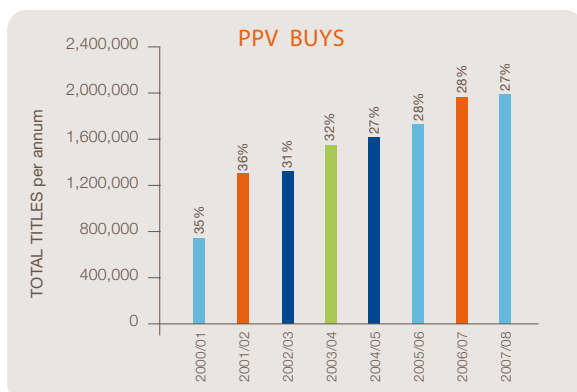
SKY subscribers have increased the amount of time they spend watching SKY each month from 126 hours last year to 141 hours in 2008, an increase of 11.9%. The average total time subscribers watch television has also increased from 220 hours to 246 hours, an increase of 11.8%. A comparison of the average monthly hours spent watching SKY to the total amount of time spent watching television over the last five years is illustrated in the following graph:



Most of this increase in viewing has been on SKY's start-up tier of channels which we continue to expand to attract new subscribers and to grow viewership. This is illustrated by the following graph that measures the rolling average viewer hours per annum on the start-up, movie and sports tiers.



SKY continues to offer pay-per-view ("PPV") programming on its satellite platform, with 14 scheduled PPV channels. Buy rates, which measure the percentage of subscribers who purchase a title each month have dropped from 28% to 27%. A total of 2,009,250 PPV buys were purchased in 2008 compared to 1,972,927 buys purchased in 2007.



New Channels

SKY made a significant investment in new content during the year and has launched six new channels:

On 1 July 2007, a new sports channel "SKY Sport Highlights" was launched. The channel offers the top sporting action packed into three hours and is updated on a regular basis to keep the highlights package as current as possible.

Also on 1 July 2007, SKY added a new movie channel to its digital line up. "SKY Movies Greats" plays alongside "SKY Movies" and "SKY Movies 2". By adding an additional movie channel, SKY digital movie subscribers get a greater choice of films in all timeslots.

On 2 September 2007, SKY launched "Crime & Investigation Network", a channel providing unique and exclusive content relating to crime programming including in-depth quality documentaries, docu-dramas and a broad range of true crime dramas.

On 1 October 2007, SKY launched "Vibe", a pure entertainment channel exclusive to New Zealand, targeting a female audience and including comedy series, compelling one-hour documentaries, high-concept reality shows, international hits and exclusive NZ premieres.

In October 2007, SKY also re-launched "CNBC", a dedicated business news channel that was welcomed back to the SKY platform by its very dedicated audience.

On 1 May 2008 SKY launched "Fashion TV", a 24/7 channel dedicated to the international fashion world, design and life-style.

Value

To be successful SKY must offer value to its subscribers. Every month subscribers make a value assessment and decide whether to continue to pay for their SKY television service.

The monthly retail prices (incl GST) of SKY's most popular packages at 30 June were as follows:

Price per month	2008 \$	2007 \$
UHF Super Value	33.97	33.97
Start up	46.78	45.28
Start up + Movies	66.58	65.08
Start up + Sports	63.05	61.55
Start up + Sports + Movies	80.80	79.30

Subscribers can change the packages that they subscribe to at any time, so there is always movement in the number of subscribers subscribing to different services. The following table summarises the percentage of subscribers to each of SKY's core services at 30 June:

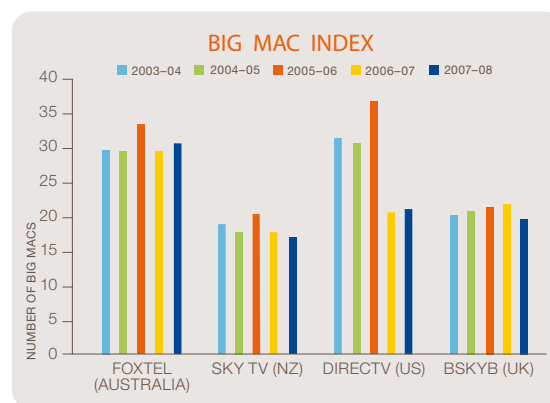
Subs by Tier	2008	2007
UHF:		
Sport + Movies	47%	52%
Sport only	51%	47%
Other	2%	1%
Satellite:		
Start up + Movies + Sport	39%	43%
Start up + Sport	35%	33%
Start up + Movies*	8%	8%
Other*	18%	16%

* Prior year figures have been updated

There continues to be a decline in the percentage of subscribers to SKY's premium package of "Start Up+Movies+Sport" from 43% to 39%, with offsetting increases in the "Start up+Sport" penetration from 33% to 35%. Penetration of the "Start Up + Movies" tier is flat and there is an increase in "Other" which is primarily "Start up" only subscribers, from 16% to 18%.

There have been small declines in the number of subscribers to SKY's premium tier channels the Rugby channel, Rialto and the interactive games services, Playin TV and Mind Games. This is likely to be a reaction by subscribers to the tougher economic conditions. The recently launched Hindi channel STAR PLUS and the Arts channel have continued to add subscribers during the year.

SKY also keeps track of the value of SKY relative to other pay TV companies internationally. To do this we construct a "Big Mac Index" for pay TV services. The chart below indicates the number of Big Mac hamburgers it would take to purchase a full package of pay TV services in a particular country.



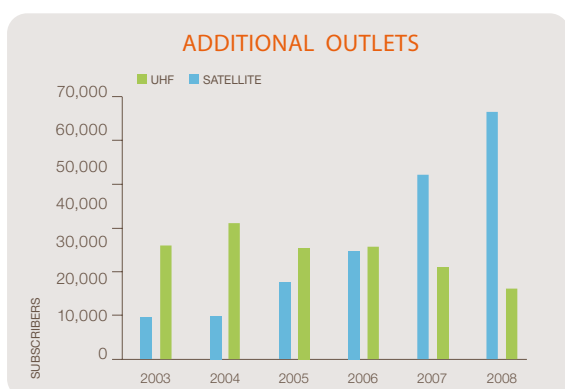
The chart highlights that SKY continues to have the most affordable offering based on this measure. However, we recognise that SKY's full package of pay TV services is a lot smaller than that offered in other countries, but believe that SKY needs to continue to offer an affordable service given New Zealand's lower level of disposable income.

Activations

The level of installation activity 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 due to a change of address. The total number of customer activations in 2008 was 219,662 compared to 218,651 in 2007.

There are around 1.1 million homes in New Zealand that have been installed with a SKY satellite dish, which represents approximately 70% of New Zealand homes. The benefit of this is that around 39% of SKY's activations are "decoder" only installs, which are significantly cheaper than the cost of a full install that includes a dish, telephone jack, internal wiring and labour costs.

SKY is continuing to market its "multi-room" service to subscribers, enabling subscribers to receive access to SKY services from a second decoder in their home for \$25 per month (incl GST). The growth in the number of multi-room outlets is as follows:



Installation costs

The majority of SKY's capital expenditure reflects the cost of installing new subscribers. The average installation cost for a standard digital subscriber has decreased from \$506 in 2007 to \$439 in 2008 due to a \$49 decrease in the cost of decoders relating to an increase in the US\$/NZ\$ exchange rate and an \$18 decrease in installation costs (labour and materials).

A breakdown of these costs is as follows:

Installation costs	2008 \$	2007 \$	% change
Decoder	170	219	(22.4)
Material/labour	269	287	(6.3)
Total	439	506	(13.2)

SKY launched the MY SKY personal video recorder in December 2005. These decoders have a 160 GB hard drive, two television tuners and offer features such as the ability to pause and rewind live television, record a channel while watching another channel and series link the recording of programmes directly from the electronic programme guide ("EPG"). These decoders have been installed for an up front installation fee of \$599 (incl. GST). During the year digital subscribers who kept their old digital decoders as multi-room outlets were offered a \$100 discount on this installation fee. These MY SKY decoders cost on average \$376 in 2008 compared to \$486 in 2007.

At 30 June 2008 SKY had installed a total of 27,764 MY SKY units, with 44% of these subscribers retaining a second multi-room outlet. This compares to 20,108 MY SKY units that had been installed at 30 June 2007.

In July 2008 SKY launched the new MY SKY HDi decoder. In addition to the features of the MY SKY unit above, this decoder has four television tuners, a 320 GB hard drive, an ethernet connection to enable transmission of video via IPTV in the future and the ability to broadcast television channels in High Definition ("HD"). Subscribers will be given the option of paying an upfront installation fee of \$599 or renting the decoder for a monthly fee of \$15 (incl GST).

Satellite

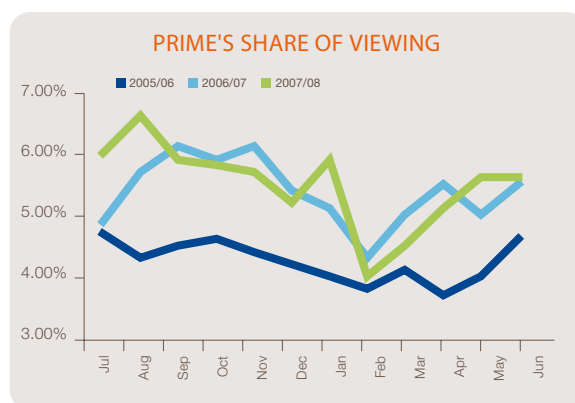
The Optus D1 satellite was successfully launched on 13 October 2006 and SKY successfully transitioned services from the old Optus B1 satellite on 15 November 2006. SKY is currently utilising six transponders on the D1 satellite.

Optus also launched the D2 satellite at the 152° E position in October 2007 and the D3 satellite is scheduled to be launched by March 2009 at the 156° E position. Both of these satellites have transponders capable of delivering direct to home ("DTH") satellite services to New Zealand. SKY has agreed a restoration plan with Optus that would see satellite capacity restored within a short time should there ever be a failure of SKY's primary D1 satellite.

To assist in the recovery of services should there ever be a failure of the D1 satellite, SKY has developed a dual low noise block ("LNB") that can be electronically switched to the 156° E orbital location. This would enable SKY to utilise the dedicated back-up transponders that are to be included in the design of the new Optus D3 satellite. Currently 58% of digital subscribers have been fitted with the new dual LNB.

Prime

Prime performed well during the first half of the year as a result of programming initiatives including the continued success of programmes such as "Top Gear", "America's Got Talent" and "Midsomer Murders", and with the summer launch of new series such as "Don't Forget the Lyrics" and "Antiques Roadshow". Ratings declined in January and February due to the launch of new season products by competing networks. The highest rating show on Prime during 2008 was "Top Gear". The following graph demonstrates Prime's share of the television audience over the last three years in the demographic 25–54 age range during the peak hours of 6pm to 10.30pm.



Olympics

During the year SKY was successful in acquiring the rights to the 2010 Winter Olympics in Vancouver and the 2012 Summer Olympics in London.

SKY's proposal is to broadcast the Winter Olympics in HD for 12 hours per day on Prime and on four dedicated pay television channels on SKY running live and delayed coverage 24 hours per day. For the 2012 Summer Olympics, it is proposed that Prime's free-to-air coverage will increase to 22 hours per day in HD, with SKY running eight to ten dedicated Olympic channels with live and delayed coverage of events.

We believe this is an exciting development for New Zealand as it will give sports fans more extensive coverage of all Olympic events.

ANZ Trans-Tasman Netball

This has been the first year of the ANZ Trans-Tasman netball competition, featuring five teams from New Zealand and Australia in a 17 week professional netball competition. It was good to see both a New Zealand and an Australian team in the final, which was won by the Swifts, a team based in New South Wales. We have been pleased with the television ratings for this competition in its first year and believe it has been a valuable addition to our sports coverage.

Television Station Upgrade

SKY completed the upgrade of its Panorama Road television station to a new digital server based HD facility in June 2008. SKY's HD sports and movie channels were successfully migrated onto the new infrastructure in July 2008 and the remainder of the channels will be migrated by October 2008. SKY will then de-commission the old television station and complete the upgrade of its post production facilities, with this work scheduled to be completed by June 2009.

DVD rental business

In June 2008 SKY merged its online DVD rental business, DVD Unlimited with two other players, Fatso and Movieshack. SKY owns 51% of the new entity, Screen Enterprises Limited.



John Cowsill

Role: Entertainment Programming Manager

Favourite channels:

The Box, SKY Movies

Favourite programme:

CSI, Dexter



Moetetau Irangi

Role: Senior Administrator
– DVD Unlimited

Favourite channels:

SKY Sports, MTV

Favourite programme:

The Avatar



The online DVD rental business model enables subscribers to select DVD and game titles from a website and depending on the package that is subscribed to, a subscriber can access one to ten titles at any time. Subscribers can keep the DVDs as long as they want to and there are no late fees. When a title is returned another title is posted to the subscriber from their selected list.

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, we believe that the business will migrate to a fully online service with movies being downloaded or streamed to subscribers.

There were a total of 10,462 subscribers to this business at 30 June 2008.

Mobile Video Services

SKY launched a mobile television service on the Vodafone 3G network in February 2007. For a weekly subscription of \$2.50 (incl GST) subscribers get access to the following SKY television channels, specifically programmed for mobile phone access, including:

- MTV
- Cartoon Network
- SKY Sport Highlights
- SKY News
- E!
- Discovery
- CNN

In addition to these channels subscribers can also purchase live sports events such as All Black rugby and also "Adult" content, on a pay-per-view basis.



Claire Wallath

Role: General Finance Assistant

Favourite channels:

MTV, SKY Movies

Favourite programme:

Juice Music



Rajenal Prasad

Role: Technician

Favourite channels:

Rugby Channel, SKY Movies

Favourite programme:

National Geographic



FreeView

The Government has supported the development of a new digital television platform, FreeView, as part of a strategy to enable switch off of the current analogue television networks. As the FreeView digital terrestrial platform will only cover around 70% of the country, a satellite platform offering 100% coverage has also been launched. FreeView report that 7.8% of New Zealand homes currently have access to the FreeView platform.

To encourage New Zealanders to convert, the Government also assisted in funding additional channels that include Te Reo, Parliament TV, TVNZ 6 and TVNZ 7. TVNZ 6 and TVNZ 7 were financed by an additional \$79 million of funding over six years.



Alex Liu

Role: Accounts Assistant

Favourite channels:

SKY Movies, SKY Sports

Favourite movie:

The Tuxedo



SKY's satellite decoders are able to receive the FreeView satellite signals and the owners of the FreeView channels Cue, Maori Television, Stratos, and Parliament TV have asked SKY to tune its decoders into these channels. This assists in increasing the viewing on these channels by making them accessible to the 46% of New Zealand homes that currently access digital television via a SKY decoder. Viewership is very important to these channels as they are reliant on advertising revenue to fund their programming and other costs. However, TVNZ has asked that SKY does not tune its decoders to channels TVNZ 6 and TVNZ 7, and these channels are not currently available to SKY subscribers.

Prime has not been subsidised, as the other free-to-air networks have, to join FreeView and therefore at this stage, Prime is not on the FreeView platform. We will continue to monitor the uptake of FreeView and Prime may join in the future if this can be supported on a financial basis.

One of the subscription packages offered by SKY is the "broadcast tier" which, for \$18.29 per month (incl GST), gives access to free-to-air channels on SKY's digital platform. This package was attractive to viewers who had difficulty receiving free-to-air analogue television signals and did not want to subscribe to pay television. We had expected that a number of these subscribers would be attracted to FreeView when it was launched. Surprisingly, the number of subscribers to this tier has increased during the year from 31,568 at 30 June 2007 to 35,541 at 30 June 2008, an increase of 13%.

Launch of SKY Online

In May 2008 SKY launched a new service, SKY Online. This service enables subscribers to download and stream video content over the internet to their PC. The service is currently

only available to SKY subscribers and, for a fee of \$5.00 (incl GST) per month, subscribers can download and view for a limited period delayed sports broadcasts from SKY's sports channels, movies from the SKY Movie channels and a selection of content from SKY's "start up" tier of basic channels.

There are plans to extend the service to offer new release SKY Box Office Movies and live sport from SKY Sport 1, 2 and 3.

Government Regulatory Review

In connection with the launch of digital free-to-air broadcasting in New Zealand via FreeView, the Government committed to undertaking a wide ranging review of the policy and regulation governing the digital broadcasting market. In April 2007 the Ministry of Culture and Heritage ("MCH") initiated a research project to review the local market and regulatory settings and analyse key global trends and international regulatory responses as the basis for an assessment of likely developments and risks in New Zealand's broadcasting future.

The review was released in January 2008 together with a discussion paper prepared by MCH. The review covered a range of topics including the regulatory framework, content distribution, technological developments, advertising rules, digital rights management, illegal online activities, media ownership, technical and equipment standards and identified various possible regulatory responses in these areas.

A change in the current regulatory settings could have a potential impact on every company that operates in the technology or media industry. The potential impact on SKY is in the area of cross media ownership restriction, content regulations such as anti-siphoning rules, platform access regulation and local content requirement.

SKY and many other interested parties, made written submissions to MCH on this broadcasting review. In addition SKY participated in public workshops conducted by MCH and also made a cross-submission in response to submissions made by some other parties.

MCH is due to report back to Cabinet on the outcome of the public consultations. Should the review result in any proposals for change to the regulatory regime, there will be a further process of public consultation. SKY would engage appropriately in any such process to the extent that any proposals for change had significant implications for SKY.



Futi Vaufusu

Role: Café employee

Favourite channels:

ESPN, The Box

Favourite movie:

Shawshank Redemption



Board of Directors



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, 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, 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 Land Holdings Limited and Todd Winegrowers Limited and various other subsidiaries of Todd Capital Limited, Crown Castle Australia Pty Limited, Crown Castle Australia Holdings Pty Limited, Provenco Cadmus Limited and Landco Limited. Mr Bryden holds a BCA from Victoria University in Wellington.



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 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, News Limited and other subsidiaries of the News Corporation Limited and Premier Media Group Pty Limited. He has a degree in applied science in communications from the University of Technology in Sydney.



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 Bayley Corporation Limited, New Zealand Warriors Limited, Excell Corporation Limited, Global Rugby Enterprises Limited and Superlife Trustees Limited.



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, Media Metro NZ Limited, Matrix Security Limited, Infratil Limited, Property for Industry Limited and Fraser, MacAndrew Ryan Limited.

Financial overview

Summary

SKY has earned a net profit after tax ("NPAT") of \$97.7 million for the year ended 30 June 2008, a 25.5% increase on the previous year's net profit after tax of \$77.9 million.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 6.9% to \$266.6 million. This percentage increase is lower than the increase in NPAT due to the accounting treatment of the new Optus D1 satellite lease. This lease is treated as an operating lease in SKY's accounts whereas the lease on the previous B1 satellite was treated as a finance lease. SKY's 2008 results include \$24.6 million of satellite lease costs whereas the comparative year recognised only \$18.8 million of satellite lease costs reflecting 9 months of the new D1 satellite lease. If we adjust the 2007 result for a full 12 months of satellite lease cost, SKY's 2008 EBITDA grew by 9.5%.

The results are summarised as follows:

For the years ended 30 June in NZD millions	2008	2007	% Inc/(dec)
Financial performance data			
Total revenue	658.8	618.5	6.5
Total operating expenses	392.2	369.1	6.3
EBITDA	266.6	249.4	6.9
Less/(Plus)			
Depreciation and amortisation	78.0	85.0	(8.2)
Net interest expense and financing charges	44.0	46.6	(5.6)
Unrealised losses/(gains) on currency and other	.5	–	–
Net profit before income tax	144.1	117.8	22.3

A more detailed commentary on these results is provided below.

Revenue Analysis

SKY's total revenue increased by 6.5% to \$658.8 million, as follows:

For the years ended 30 June in NZD millions	2008	2007	% Inc/(dec)
Residential	515.6	477.6	8.0
Commercial	34.8	32.4	7.4
SkyWatch	11.8	11.5	2.6
Total subscription revenue	562.2	521.5	7.8
Advertising	66.5	63.4	4.9
Installation, programme sales and other	30.1	33.6	(10.4)
Total other revenue	96.6	97.0	(0.4)
Total revenue	658.8	618.5	6.5

Residential subscription revenue increased 8.0% to \$515.6 million reflecting a 5.3% increase in subscribers and a 2.6% increase in average revenue per subscriber ("ARPU"). ARPU is a measure of the average revenue that SKY earns from subscribers each month.

The following chart provides a summary of the average monthly revenue per residential subscriber:

For the years ended 30 June NZD	2008	2007	% Inc/(dec)
UHF	38.83	39.68	(2.1)
DBS excluding wholesale	66.12	64.88	1.9
DBS wholesale	52.15	50.88	2.5
Total UHF and DBS excluding wholesale	64.08	62.27	2.9
Total UHF and DBS including wholesale	62.10	60.50	2.6

Commercial revenue is the revenue earned from SKY installations at hotels, motels, restaurants and bars throughout New Zealand. This revenue increased 7.4% to \$34.8 million in 2008, reflecting a 0.7% increase in subscribers and an increase in the purchase of additional services.

SkyWatch is SKY's monthly programme guide that is sold for \$2.45 per month (incl.GST). Revenue from the guide increased 2.6% to \$11.8 million. There were 425,285 subscribers to SkyWatch at 30 June 2008, an increase of 3.7% from the 410,042 subscribers at 30 June 2007.

Advertising sales revenue increased 4.9% to \$66.5 million in 2008. This increase is attributable to a 15.7% increase in Prime revenues from \$22.9 million in 2007 to \$26.5 million in 2008 and a 1.2% decrease in pay television advertising revenue from \$40.5 million in 2007 to \$40.0 million in 2008.

Installation, programme sales and other revenues decreased by 10.4% to \$30.1 million in 2008. There was a \$4.8 million decline in installation revenue to \$16.1 million reflecting fewer MY SKY installs and lower standard digital installation revenue reflecting the free installation offer that was available from April 2008. This decrease was partly offset by an increase in "other revenues" of \$1.4 million to \$14.0 million. This includes revenues such as DVD Unlimited, Movielink and third party satellite access revenues.

Expense Analysis

A further breakdown of SKY's operating expenses for 2008 and 2007 is provided below:

	2008	2008	2007	2007	
		% of		% of	%
IN NZD MILLIONS		revenue		revenue	inc/(dec)
Programming	209.7	31.9	204.6	33.1	2.5
Subscriber management	45.1	6.8	41.7	6.7	8.2
Broadcasting and infrastructure	61.5	9.3	51.4	8.3	19.6
Sales and marketing	39.8	6.1	37.4	6.0	6.4
Advertising	19.8	3.0	18.7	3.0	5.9
Other administrative	16.2	2.5	15.3	2.5	5.9
Depreciation and amortisation	78.0	11.8	85.0	13.7	(8.2)
Total operating expenses	470.1	71.4	454.1	73.4	3.5

Programming costs comprise both the costs of purchasing programme rights and also programme operating costs. Programme rights costs include the costs of sports rights, pass-through channel rights (eg Disney channel, Documentary channel, etc), movies (including PPV) and music rights. Programme operating costs include the costs of producing live sports events, satellite and fibre linking costs, in-house studio produced shows (such as Reunion) and taping, formatting, editing and adding other features to programmes. The following table provides a split between programme rights and operating costs over the last two years:

IN NZD MILLIONS	2008	2007
Programme rights	169.5	166.6
Programme operations	40.2	38.0
Total	209.7	204.6

SKY's programming expenses have decreased from 33.1% to 31.9% of revenue in 2008.

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 foreign exchange hedging policy.

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

In 2008, SKY made US dollar operating expense payments at an average exchange rate of 69.0 cents compared to the 63.5 cent rate in the previous year. Based on the 2008 results, a one cent movement in the US\$/NZ\$ rate would have affected operating costs by around NZ\$1.1 million.

In 2008, SKY's total rights' costs of NZ\$169.6 million included US\$68.0 million of rights denominated in US dollars. If these costs are converted to NZ dollars at the average US\$/NZ\$ exchange rate of 69.0 cents, it equates to NZ\$98.6 million, so 58% of SKY's programme rights are paid in US dollars. This is a decrease from the 66% of rights that were estimated to have been paid in US\$ in 2007.

SKY's programming costs incorporate both fixed and variable costs. The majority of sports rights are purchased for a fixed annual cost regardless of how many subscribers there are to the SKY's sports tier. The rights' costs typically require SKY to meet the costs of producing any live games in New Zealand, which is disclosed as the programme operations' costs in the table above. These costs can also be considered as fixed. These fixed costs can increase over time however as SKY adds new sport content to its platform, for example the new ANZ Trans Tasman Netball competition. The rights' costs themselves can also change when contracts are renewed.

The programme rights and operations costs for channels programmed and built by SKY such as the Box, Vibe and Prime, are also a fixed cost. Again, the level of fixed costs will depend on the nature of the content that is purchased and the term of any contract.

The costs of purchasing third party channels such as the Disney and History channels are typically paid for on a cost-per-subscriber basis, as is the cost of purchasing movies for the Movie tier and PPV service. These costs are therefore variable and increase as SKY's subscriber base increases.

In 2008, 54% of SKY's total programming costs of \$209.8 million could be regarded as fixed costs, compared to 53% of the \$204.6 million of programming costs in 2007.

Subscriber management cost includes the costs of servicing and monitoring equipment installed in subscribers' homes, indirect installation costs, the costs of SKY's customer service department and general administrative costs associated with SKY's eleven provincial offices. Subscriber management costs typically increase in line with the percentage growth in subscribers.

In 2008 subscriber management costs increased 8.2% to \$45.1 million. This increase is higher than the 5.3% growth in subscribers and is due to a \$1.4 million increase in bad debts expense to \$3.3 million, or 0.50% of revenue. This is an increase from the 0.30% of revenue last year and is reflective of the difficult economic environment that is currently prevailing in New Zealand.

Sales and marketing costs include the costs of marketing SKY to existing and new subscribers, subscriber acquisition costs including costs of advertising campaigns, sales commissions paid to direct sales and tele-sales agents, the costs of producing on-air promotions for SKY and Prime, marketing costs for Prime and the costs of producing SkyWatch magazine. Sales and marketing costs increased 6.4% to \$39.8 million in 2008.

Advertising costs include the costs of operating SKY's advertising sales department which sells both SKY and Prime channels and includes the 20% sales commission that is paid to advertising agencies. Advertising sales costs increased 5.9% to \$19.8 million, primarily as a result of the increased sales commission paid on increased advertising revenue.

Broadcasting and infrastructure costs consist of transmission and linking costs for transmitting SKY and Prime's UHF signals from its studios in Auckland to other locations in New Zealand and the costs of operating SKY's television stations at Mount Wellington and Albany. From October 2006, the costs of leasing five transponders on the new Optus D1 satellite have also been included in these costs.

Broadcast and infrastructure costs increased by \$10.1 million (19.6%) to \$61.5 million. Of this increase, \$5.8 million relates to having a full 12 months of the new D1 transponder lease costs compared to only 9 months in the comparative year.

Other administrative costs include the overhead costs relating to corporate management and the finance department. These costs have increased by 5.9% to \$16.2 million.

Depreciation and amortisation costs includes depreciation charges for subscriber equipment including aerials, satellite dishes and decoders owned by SKY and fixed assets such as television station facilities. There are no depreciation costs associated with SKY's satellite transponder lease from October 2006, as the new D1 lease is treated as an operating lease rather than a finance lease.

Depreciation and amortisation costs decreased by \$7.0 million (8.2%) to \$78.0 million primarily due to the 2007 year having \$5.1 million of satellite depreciation expense for the period to September 2006.

Interest and financing costs have reduced by 5.6% to \$44.0 million due to total interest bearing debt reducing from \$531 million at 30 June 2007 to \$502 million at 30 June 2008. SKY's weighted average interest cost has increased from 8.0% in 2007 to 8.4% in 2008, as follows:

	2008	2007
Bank loans	7.9%	7.7%
Bonds/capital notes	9.2%	8.9%
Combined weighted average	8.4%	8.0%

Taxation expense has increased by \$6.5 million (16.3%) to \$46.4 million reflecting the 22% increase in pre-tax profit and the effect of the change in the corporate tax rate to 30% from 1 July 2008.

Capital expenditure

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

IN NZD MILLIONS	2008	2007	⁽¹⁾ 2006	2005	2004
Satellite transponder lease	–	–	–	2.4	
Subscriber equipment	22.4	24.0	25.9	21.6	14.5
Installation costs	40.2	38.0	36.4	36.6	38.2
Building	2.7	2.2	1.7	5.4	–
PVR project	–	–	9.0	5.5	–
Broadcast upgrade	42.6	12.3	8.1	–	–
Other	11.6	4.9	5.7	4.5	4.7
Total capital expenditure	119.5	81.4	86.8	76.0	57.4

Capital expenditure increased by \$38.1 million (47%) in 2008 to \$119.5 million. SKY spent a total of \$42.6 million on upgrading its television station in the 2008 year, a \$30.3 million increase on what was spent the previous year. This brings the total spent on upgrading the Panorama Road television station and the Prime television station in Albany to \$63.0 million. The increase in capex from \$4.9 million to \$11.6 million is partly attributed to additional costs of developing the new MY SKY HDi decoder, a new subscriber management system and costs of SKY Online and the new website.

(1) Capital expenditure for 2006 does not include assets purchased from Prime with a value of \$11.2 million.

SKY NETWORK TELEVISION LIMITED

2008 FINANCIALS



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 2008, 2007, 2006 and 2005 years 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 2008, 2007, 2006 and 2005, prepared under NZ IFRS are not comparable to the prior years.

INCOME STATEMENT – FIVE YEAR SUMMARY

	NZ IFRS				SKY (PREMERGER)	
For the years ended 30 June IN NZD 000	2008 ⁽³⁾	2007 ⁽³⁾	2006 ⁽³⁾	2005 ⁽³⁾	2005	2004
Total revenue	658,751	618,458	548,954	492,359	489,381	440,617
Total operating expenses ⁽¹⁾	392,168	369,094	301,216	272,497	258,853	253,395
EBITDA ⁽²⁾	266,583	249,364	247,738	219,862	230,528	187,222
Less/(Plus)						
Depreciation and amortisation	77,971	84,988	106,077	111,304	119,303	128,065
Net interest expense and financing charges	43,866	46,550	50,615	(4,672)	15,238	22,160
Unrealised losses on currency and other	684	58	1,003	2,130	2,130	1,713
Net profit before income tax	144,062	117,768	90,043	111,100	93,857	35,284

BALANCE SHEET – FIVE YEAR SUMMARY

	NZ IFRS				SKY (PREMERGER)	
As at 30 June IN NZD 000	2008 ⁽³⁾	2007 ⁽³⁾	2006 ⁽³⁾	2005 ⁽³⁾	2005	2004
Property, plant, equipment and non-current intangibles	279,650	237,440	241,862	256,632	273,106	315,235
Goodwill	1,423,077	1,422,115	1,422,115	829,990	–	–
Total assets	1,834,656	1,780,181	1,818,831	1,476,974	409,580	407,560
Total debt and lease obligations	501,983	531,415	610,017	146,034	146,034	208,764
Working capital ⁽⁴⁾	(21,791)	(22,580)	19,814	282,245	(13,572)	(35,085)
Total liabilities	652,998	664,870	720,062	239,387	262,688	316,135
Total equity	1,181,658	1,115,311	1,098,769	1,237,587	146,892	91,425

(1) Exclusive of depreciation and amortisation.

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

(3) The years 2008, 2007, 2006 and 2005 are prepared in accordance with NZ IFRS and as such are not prepared on the same basis as the figures prior to the adoption of NZ IFRS on 1 July 2005. Years relating to SKY (premerger) have not been adjusted.

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

Financial trends statement

(continued)

OTHER FINANCIAL DATA (UNAUDITED)

	NZ IFRS				SKY (PREMERGER)	
For the years ended 30 June IN NZD 000	2008 ⁽³⁾	2007 ⁽³⁾	2006 ⁽³⁾	2005 ⁽³⁾	2005	2004
Capital expenditure (accrual basis) ⁽¹⁾	119,465	81,416	86,854	76,020	76,020	57,362
Free cash inflows/(outflows) ⁽²⁾	83,917	92,410	(56,187)	437,602	145,867	117,746

(1) This does not include assets purchased as part of the acquisition of Screen Enterprises Limited in 2008 and Prime in 2006.

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

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

As at 30 June	2008	2007	2006	2005	2004
Total UHF, DBS and other subscribers					
Total number of households in New Zealand ⁽¹⁾	1,584,800	1,566,800	1,548,700	1,530,300	1,511,600
Subscribers – UHF:					
Residential	31,134	53,679	64,927	77,762	91,286
Commercial	521	667	780	888	1,069
Total UHF	31,655	54,346	65,707	78,650	92,355
Subscribers – DBS (Satellite):					
Residential	578,016	529,830	492,381	442,385	394,190
Residential – wholesale ⁽²⁾	120,170	113,961	97,812	89,654	83,890
Commercial	7,995	7,789	7,234	6,437	5,437
Total DBS	706,181	651,580	597,427	538,476	483,517
Subscribers – Other: ⁽³⁾	10,740	5,285	4,136	2,042	730
Total subscribers	748,576	711,211	667,270	619,168	576,602
Percentage of households subscribing to the SKY network:					
Total UHF and DBS – residential	46.0%	44.5%	42.3%	39.8%	37.7%
Gross churn rate ⁽⁴⁾	14.9%	13.4%	13.5%	15.8%	17.1%
Average monthly revenue per residential subscriber:					
UHF	38.83	39.68	39.51	39.42	40.68
DBS excluding wholesale	66.12	64.88	63.13	62.49	61.33
DBS wholesale	52.15	50.88	48.39	46.27	41.86
Total UHF and DBS excluding wholesale	64.08	62.27	60.01	58.68	56.68
Total UHF and DBS including wholesale	62.10	60.50	58.30	56.86	54.55
Additional outlets					
UHF	18,953	24,400	29,503	29,417	35,955
Satellite	65,817	49,351	28,806	20,252	11,400
Total	84,770	73,751	58,309	49,669	47,355

(1) Based on New Zealand Government census data as of March 2006. Prior year comparatives have been adjusted to reflect updated census data.

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

(3) Includes subscribers to programmed music, via SKY's subsidiary company, SKY DMX Music Limited, and an additional 5,753 subscribers acquired through the acquisition of Screen Enterprises Limited.

(4) Gross churn refers to the percentage of residential subscribers over the 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 (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 2008 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.

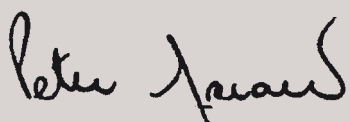
The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

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 2008.

The board of directors of Sky Network Television Limited authorise these financial statements for issue on 19 August 2008.

For and on behalf of the board of directors



Peter Macourt
Chairman



Robert Bryden
Director

Date: 19 August 2008

Income statement for the year ended 30 June 2008

		GROUP		COMPANY	
IN NZD 000	NOTES	30 JUN 08	30 JUN 07	30 JUN 08	30 JUN 07
REVENUE					
Residential satellite subscriptions		476,325	433,402	476,325	433,402
Other subscriptions		85,860	88,064	85,860	88,064
Installation		16,086	20,920	16,064	20,913
Advertising		66,451	63,437	66,451	63,437
Other income		14,029	12,635	13,043	11,888
		658,751	618,458	657,743	617,704
EXPENSES					
Programme rights		169,515	166,667	169,324	166,460
Programme operations		40,221	37,978	40,221	37,978
Subscriber management		45,118	41,716	44,625	41,447
Sales and marketing		39,821	37,372	39,810	37,372
Advertising		19,760	18,657	19,760	18,657
Broadcasting and infrastructure		61,503	51,357	61,373	51,228
Depreciation and amortisation	6	77,971	84,988	77,812	84,898
Corporate		16,230	15,347	16,407	15,522
		470,139	454,082	469,332	453,562
Operating profit		188,612	164,376	188,411	164,142
FINANCIAL (EXPENSE)/INCOME					
Interest expense		(43,568)	(46,377)	(43,568)	(63,991)
Other financial income	28/7	-	-	2,349	-
Realised exchange loss		(298)	(173)	(298)	(173)
Unrealised exchange (loss)/gain		(476)	144	(476)	144
	7	(44,342)	(46,406)	(41,993)	(64,020)
Share of loss from equity accounted investee	15	(208)	(202)	-	-
Profit before tax		144,062	117,768	146,418	100,122
Income tax expense	8	46,376	39,913	46,359	34,087
Profit after tax		97,686	77,855	100,059	66,035
Attributable to equity holders of the company					
		97,709	77,855	100,059	66,035
Minority interest		(23)	-	-	-
		97,686	77,855	100,059	66,035
EARNINGS PER SHARE					
Basic and diluted earnings per share (cents)	9	25.11	20.01		

Balance sheet as at 30 June 2008

		GROUP		COMPANY	
IN NZD 000	NOTES	30 JUN 08	30 JUN 07	30 JUN 08	30 JUN 07
CURRENT ASSETS					
Cash and cash equivalents		18,817	16,602	18,478	16,498
Trade and other receivables	10	58,549	52,292	58,735	52,418
Programme rights	11	32,221	23,418	32,221	23,418
Derivative financial instruments	20	8,154	364	8,154	364
Income tax receivable		8	1,728	–	1,714
		117,749	94,404	117,588	94,412
NON-CURRENT ASSETS					
Property, plant and equipment	12	254,876	212,117	253,850	211,933
Other intangible assets	13	24,774	25,323	24,201	25,323
Shares in subsidiary companies	14	–	–	4,007	5
Investments in equity accounted investees	15	–	107	–	107
Goodwill	16	1,423,077	1,422,115	1,422,115	1,422,115
Derivative financial instruments	20	14,180	13,547	14,180	13,547
Deferred tax	17	–	12,568	–	12,568
		1,716,907	1,685,777	1,718,353	1,685,598
Total assets		1,834,656	1,780,181	1,835,941	1,780,010
CURRENT LIABILITIES					
Trade and other payables	18	130,516	102,496	130,013	102,245
Income tax payable		421	–	421	–
Derivative financial instruments	20	8,603	14,488	8,603	14,488
		139,540	116,984	139,037	116,733
NON-CURRENT LIABILITIES					
Borrowings	19	304,464	334,195	304,464	334,195
Bonds	19	197,519	197,220	197,519	197,220
Deferred tax	17	4,308	–	4,308	–
Derivative financial instruments	20	6,320	15,294	6,320	15,294
Provisions	21	847	1,177	847	1,177
		513,458	547,886	513,458	547,886
Total liabilities		652,998	664,870	652,495	664,619
EQUITY					
Share capital	22	577,403	577,403	577,403	577,403
Hedging reserve	23	6,236	(8,457)	6,236	(8,457)
Retained earnings	24	597,377	546,365	599,807	546,445
Total equity attributable to equity holders of the Company		1,181,016	1,115,311	1,183,446	1,115,391
Minority interest		642	–	–	–
Total equity		1,181,658	1,115,311	1,183,446	1,115,391
Total equity and liabilities		1,834,656	1,780,181	1,835,941	1,780,010

Statement of changes in equity for the year ended 30 June 2008

IN NZD 000	NOTES	SHARE CAPITAL	HEDGING RESERVE	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
GROUP						
Balance at 1 July 2007		577,403	(8,457)	546,365	–	1,115,311
Acquisition of subsidiary	28	–	–	–	665	665
Profit for the period		–	–	97,709	(23)	97,686
Fair value gains net of tax	23	–	14,693	–	–	14,693
Total recognised income for the year		–	14,693	97,709	(23)	112,379
Dividend paid		–	–	(46,697)	–	(46,697)
Supplementary dividends		–	–	(4,980)	–	(4,980)
Foreign investor tax credits		–	–	4,980	–	4,980
Balance at 30 June 2008		577,403	6,236	597,377	642	1,181,658
Balance at 1 July 2006		577,403	17,832	503,534	–	1,098,769
Profit for the period		–	–	77,855	–	77,855
Fair value losses net of tax	23	–	(26,289)	–	–	(26,289)
Total recognised income for the year		–	(26,289)	77,855	–	51,566
Dividend paid		–	–	(35,024)	–	(35,024)
Supplementary dividends		–	–	(3,798)	–	(3,798)
Foreign investor tax credits		–	–	3,798	–	3,798
Balance at 30 June 2007		577,403	(8,457)	546,365	–	1,115,311
COMPANY						
Balance at 1 July 2007		577,403	(8,457)	546,445	–	1,115,391
Profit for the period		–	–	100,059	–	100,059
Fair value gains net of tax	23	–	14,693	–	–	14,693
Total recognised income for the year		–	14,693	100,059	–	114,752
Dividend paid		–	–	(46,697)	–	(46,697)
Supplementary dividends		–	–	(4,980)	–	(4,980)
Foreign investor tax credits		–	–	4,980	–	4,980
Balance at 30 June 2008		577,403	6,236	599,807	–	1,183,446
Balance at 1 July 2006		577,403	17,832	484,638	–	1,079,873
Gain on amalgamation of subsidiaries	14	–	–	30,796	–	30,796
Profit for the period		–	–	66,035	–	66,035
Fair value losses net of tax	23	–	(26,289)	–	–	(26,289)
Total recognised income for the year		–	(26,289)	96,831	–	70,542
Dividend paid		–	–	(35,024)	–	(35,024)
Supplementary dividends		–	–	(3,798)	–	(3,798)
Foreign investor tax credits		–	–	3,798	–	3,798
Balance at 30 June 2007		577,403	(8,457)	546,445	–	1,115,391

Statement of cash flows for the year ended 30 June 2008

		GROUP		COMPANY	
IN NZD 000	NOTES	30 JUN 08	30 JUN 07	30 JUN 08	30 JUN 07
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Customers		655,132	613,278	654,168	612,428
Interest received		1,489	2,336	1,489	2,336
		656,621	615,614	655,657	614,764
Cash was applied to:					
Suppliers and employees		(336,329)	(315,505)	(335,701)	(314,820)
Related parties		(52,274)	(51,423)	(52,274)	(51,423)
Interest paid		(43,998)	(46,346)	(43,998)	(46,346)
Net GST paid		(2,555)	(297)	(2,607)	(284)
Income tax paid		(29,088)	(26,924)	(29,068)	(26,907)
		(464,244)	(440,495)	(463,648)	(439,780)
NET CASH FROM OPERATING ACTIVITIES		192,377	175,119	192,009	174,984
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		126	95	126	95
Acquisition of property, plant, equipment and intangibles		(107,936)	(82,804)	(107,803)	(82,708)
Acquisition of subsidiary	28	(650)	–	(650)	–
NET CASH USED IN INVESTING ACTIVITIES		(108,460)	(82,709)	(108,327)	(82,613)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings – bank loan (net)		(30,000)	(165,000)	(30,000)	(165,000)
Proceeds from bond issue ⁽¹⁾		–	163,140	–	163,140
Repayment of capital notes ⁽¹⁾	19	–	(68,449)	–	(68,449)
Payment of bond issue costs		–	(2,991)	–	(2,991)
Payment of bank facility fees		(25)	(25)	(25)	(25)
Payment of finance lease liabilities		–	(6,055)	–	(6,055)
Dividends paid		(51,677)	(38,822)	(51,677)	(38,822)
NET CASH USED IN FINANCING ACTIVITIES		(81,702)	(118,202)	(81,702)	(118,202)
Net increase/(decrease) in cash and cash equivalents					
		2,215	(25,792)	1,980	(25,831)
Cash and cash equivalents at beginning of year		16,602	42,394	16,498	42,329
Cash and cash equivalents at end of year		18,817	16,602	18,478	16,498

Footnote

- Under the terms of the bond issue dated 11 September 2006, \$36.9 million of the \$105.3 million of capital notes outstanding were converted to bonds.

Statement of cash flows (continued) for the year ended 30 June 2008

		GROUP		COMPANY	
IN NZD 000	NOTES	30 JUN 08	30 JUN 07	30 JUN 08	30 JUN 07
RECONCILIATION OF OPERATING CASH FLOWS WITH NET PROFIT					
Profit after tax		97,686	77,855	100,059	66,035
Plus/(Less) non-cash items:					
Depreciation and amortisation	6	77,971	84,988	77,812	84,898
Unrealised foreign exchange loss/(gain)	7	476	(144)	476	(144)
Bad debts and movement in provision for doubtful debts	6	3,259	1,832	3,252	1,832
Amortisation of bond/capital notes issue costs	7	300	484	300	484
Movement in deferred tax	8	10,167	6,261	10,167	6,259
Accrued interest receivable – related parties	27	–	–	–	(38,480)
Accrued interest payable – related parties	27	–	–	–	56,095
Share of loss/impairment of equity accounted investee	15	208	202	208	202
Other non-cash items		1,383	135	1,388	135
ITEMS CLASSIFIED AS INVESTING ACTIVITIES:					
Gain on disposal of assets		(70)	(110)	(2,419)	(110)
MOVEMENT IN WORKING CAPITAL ITEMS:					
Increase in receivables		(4,812)	(6,356)	(4,628)	(6,358)
Increase in payables		7,491	2,859	7,083	2,837
Increase in provision for tax		7,121	6,727	7,114	913
(Increase)/decrease in programme rights		(8,803)	386	(8,803)	386
Net cash from operating activities		192,377	175,119	192,009	174,984

Notes to the financial statements for the year ended 30 June 2008

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 2008 comprise the Company, Sky Network Television Limited and its subsidiaries.

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

On the 4 June 2008 the Group acquired a 51% interest in Screen Enterprises Limited, a newly formed company. At this date Screen Enterprises acquired the businesses and assets of DVD Unlimited (Sky's DVD rental business), Westside Media Limited and Movieshack Limited as an agent for the parties which have combined to operate a joint venture online DVD rental business within New Zealand (refer note 28).

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

These financial statements were authorised for issue by the Board on 19 August 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements are for the year ended 30 June 2008. They have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). 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 2008) 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 financial statements in accordance with NZ IFRS requires management to make judgments, 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

NZ IFRS 1/NZ IAS 27: Amendments to Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate (*Effective date periods beginning on or after 1 January 2009*).

NZ IFRS 2: Amendments to Share Based Payment: vesting conditions and cancellation (*Effective date periods beginning on or after 1 July 2009*).

NZ IFRS 3: Business combinations revised (*Effective date periods beginning on or after 1 July 2009*).

NZ IFRS 4: Insurance Contracts (*Effective date periods beginning on or after 1 January 2009*).

NZ IFRS 8: Operating Segments (*Effective date periods beginning on or after 1 January 2009*). This specifies a new way of determining segments with a focus on information provided to the chief operating decision makers.

NZ IAS 1: Presentation of Financial Statements (revised) (*Effective date periods beginning on or after 1 January 2009*). This standard is a revision of NZ IAS 1 as amended in 2005 and introduces changes in the presentation of total comprehensive income, Statement of comprehensive income and Statement of Changes in Equity.

NZ IAS 1; and NZ IAS 32: Amendments to puttable financial instruments and obligations arising on liquidation (*Effective date periods beginning on or after 1 January 2009*).

NZ IAS 23: Borrowing Costs (revised) (*Effective date periods beginning on or after 1 January 2009*).

NZ IAS 27: Consolidated and Separate Financial Statements (amended) (*Effective date periods beginning on or after 1 July 2009*).

NZ IFRIC 12: Service Concession Arrangements (*Effective date periods beginning on or after 1 January 2008*).

NZ IFRIC 13: Customer Loyalty Programmes (*Effective date periods beginning on or after 1 July 2008*).

NZ IFRIC 14/NZ IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (*Effective date periods beginning on or after 1 January 2008*).

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 Company or the Group.

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

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.

Notes to the financial statements for the year ended 30 June 2008

(continued)

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.

Associates and joint ventures (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that significant influence or joint control ceases.

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 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.

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	4 – 5 years
Other plant and equipment	3 – 10 years
Capitalised aerial and satellite dish installations	5 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.

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).

Notes to the financial statements for the year ended 30 June 2008

(continued)

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 assets

Financial assets are classified in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the assets. Regular way purchases or sales of financial assets are sales or purchases that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are categorised as held for trading unless they are designated as hedges. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those assets with maturities greater than 12 months after the balance sheet date when they are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired as well as through the amortisation process.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account with the amount of the loss being recognised in profit or loss.

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. Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. 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 for the year ended 30 June 2008

(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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Bonds

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

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks. The Group does not hold or issue derivatives for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

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

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.

Cash flow hedges

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.

Amounts accumulated in the hedging reserve in equity on interest rate swaps are recycled in the income statement in the periods when the hedged item affects profit and loss (for example when the forecast interest payment that is hedged is made). The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in the income statement within the interest expense charge in finance costs. The gain or loss relating to the ineffective portion is recognised in the income statement as the "interest rate swaps – fair value" in finance costs.

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 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 hedges

The Group designates hedges of the fair value of recognised assets and liabilities as fair value hedges. These include hedges of borrowings issued at fixed interest rates which expose the Group to fair value interest rate risk. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and assumptions that are based on market conditions existing at each balance date. Techniques, such as estimated discounted cash flows, are used to determine the fair value of financial instruments.

Notes to the financial statements for the year ended 30 June 2008

(continued)

Fair value estimation (continued)

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. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market rate that is available to the Group for similar financial instruments.

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 2008 and 30 June 2007 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.

Notes to the financial statements for the year ended 30 June 2008

(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 substantively enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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. The DVD online business and the free-to-air business of Prime represent less than ten percent of the Group's profit and net assets and as such are not separately disclosed.

Changes in accounting policies

Accounting policies have been applied on a consistent basis throughout the periods presented.

3 FINANCIAL RISK MANAGEMENT

Financial risk management objectives

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

These activities result in exposure to financial risks that include market risk (currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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

The Corporate Treasury function reports monthly to the Board of Directors. The Board has established an Audit and Risk Management Committee which is responsible for developing and monitoring the Group's risk management policies.

Market risk

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

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

(a) Foreign exchange risk

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

The Group's risk management policy is to hedge foreign capital expenditure (Capex) and foreign operating expenditure (Opex) in accordance with the following parameters. Following a Treasury policy review by the Board the parameters were changed in February 2008 as specified in the table below. Approximately 90% of anticipated transactions in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

Notes to the financial statements for the year ended 30 June 2008

(continued)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

FOLLOWING POLICY REVIEW FEBRUARY 2008				PRIOR TO POLICY REVIEW		
	PERIOD	MINIMUM HEDGING	MAXIMUM HEDGING	PERIOD	MINIMUM HEDGING	MAXIMUM HEDGING
Capex order greater than NZ \$250,000	Time of issuing order	100%	100%	Time of issuing order	100%	100%
Opex						
Fixed commitments	Up to 3 years	100%	100%	Up to 60 months	70%	100%
	> 3 years	0%	30%			
Variable commitments	0–12 months	85%	95%	0–12 months	85%	95%
	13–36 months	0%	70%	13–24 months	35%	45%
	> 36 months	0%	30%	25–36 months	25%	35%

A detailed summary of the Group's currency risks and a sensitivity analysis are given in note 20.

(b) Cash flow and fair value interest rate risk

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

A detailed summary of the Group's interest rate risks and a sensitivity analysis are given in note 20.

(c) Price risk

The Group does not have any price risk exposure.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from cash and cash equivalents, deposits with banks, derivative financial instruments and the Group's receivables from customers.

The 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. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss

component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The maximum exposure is the carrying amount as disclosed in note 10. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

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

The Group maintains a line of credit of \$70,000,000 (June 2007: \$50,000,000) that can be drawn down to meet short-term working capital requirements (refer note 19). Contractual maturities of the Group's financial liabilities are shown below.

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

The information shown below relates to the Group only. Company information is not shown separately since there is no material difference between the Company and the Group.

Notes to the financial statements for the year ended 30 June 2008

(continued)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

IN NZD 000	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN ONE YEAR	1-2 YEARS	2-5 YEARS	> 5 YEARS
At 30 June 2008						
Non derivative financial liabilities						
Secured bank loans	304,464	(416,020)	(27,755)	(27,755)	(360,510)	-
Bonds	197,519	(355,465)	(18,740)	(18,740)	(56,220)	(261,765)
Trade and other payables	90,599	(90,599)	(90,599)	-	-	-
Derivative financial liabilities						
Interest rate swaps – fair value ⁽¹⁾	356	(698)	(190)	(405)	(103)	-
	592,938	(862,782)	(137,284)	(46,900)	(416,833)	(261,765)
At 30 June 2007						
Non derivative financial liabilities						
Secured bank loans	334,195	(461,799)	(25,360)	(25,360)	(76,079)	(335,000)
Bonds	197,220	(340,775)	(16,680)	(16,680)	(50,040)	(257,375)
Trade and other payables	67,284	(67,284)	(67,284)	-	-	-
Derivative financial instruments						
Interest rate swaps – fair value	648	(405)	(405)	-	-	-
	599,347	(870,263)	(109,729)	(42,040)	(126,119)	(592,375)

Trade and other payables (note 18) includes unearned subscriptions and deferred revenues totalling \$39,917,000 (2007: \$35,212,000) which are not classified as financial instruments. These balances are excluded from the amounts shown above.

(1) The table includes only the contractual cash flows of the interest rate swaps which are accounted for as fair value hedges through the income statement.

Notes to the financial statements for the year ended 30 June 2008

(continued)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	EXCHANGE RATE	CONTRACTUAL CASH FLOWS FOREIGN CURRENCY AMOUNT	CONTRACTUAL CASH FLOWS NZD 000	LESS THAN ONE YEAR NZD 000	1-2 YEARS NZD 000	2-5 YEARS NZD 000
At 30 June 2008						
Forward foreign exchange contracts						
Outflow						
USD			(232,189)	(113,904)	(75,876)	(42,409)
AUD			(156,443)	(65,007)	(48,275)	(43,161)
JPY			(1,728)	(1,728)	-	-
Inflow						
USD	0.7634	158,406	207,500	103,888	66,311	37,301
AUD	0.7913	134,487	169,957	70,738	52,761	46,458
JPY	80.6227	141,708	1,758	1,758	-	-
			(11,145)	(4,255)	(5,079)	(1,811)
At 30 June 2007						
Forward foreign exchange contracts						
Outflow						
USD			(224,564)	(101,755)	(58,921)	(63,888)
AUD			(193,914)	(60,299)	(49,340)	(84,275)
JPY			(1,492)	(1,492)	-	-
Inflow						
USD	0.7724	146,360	189,487	88,013	48,875	52,599
AUD	0.9086	168,163	185,078	58,166	47,215	79,697
JPY	95.1800	136,349	1,433	1,433	-	-
			(43,972)	(15,934)	(12,171)	(15,867)

Notes to the financial statements for the year ended 30 June 2008

(continued)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of debt which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the parent comprising share capital, hedging reserve and retained earnings as disclosed in notes 22, 23 and 24 respectively.

The Board reviews the Company's capital structure on a regular basis. The Company has a facility agreement in place with a syndicate of banks and a retail bond issue as described in note 19.

The gearing ratio at the year end was as follows:

IN NZD 000	GROUP	
	30 JUN 08	30 JUN 07
Debt	501,983	531,415
Cash and cash equivalents	(18,817)	(16,602)
Net debt	483,166	514,813
Equity	1,181,658	1,115,311
Net debt to equity ratio	41%	46%

The Group is subject to externally imposed capital requirements which it has complied with for the entire year reported (2007: complied)

4 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 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 \$1,423 million (30 June 2007: \$1,422 million). No impairment loss has been recognised. Details of the value-in-use calculation are provided in note 16.

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).

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.

Notes to the financial statements for the year ended 30 June 2008

(continued)

6 OPERATING EXPENSES

	GROUP		COMPANY	
IN NZD 000	30 JUN 08	30 JUN 07	30 JUN 08	30 JUN 07
Depreciation and amortisation				
Depreciation of property, plant and equipment (note 12)	70,347	77,756	70,205	77,666
Amortisation of intangibles (note 13)	7,624	7,232	7,607	7,232
Total depreciation and amortisation	77,971	84,988	77,812	84,898
Bad and doubtful debts				
Movement in provision	301	333	294	333
Net write-off	2,958	1,499	2,958	1,499
Total bad and doubtful debts	3,259	1,832	3,252	1,832
Fees paid to auditors				
Audit fees paid to principal auditors	168	145	161	138
Other assurance services by principal auditors	138	7	138	7
Total fees to auditors ⁽¹⁾	306	152	299	145
Donations	12	45	12	45
Employee costs	57,400	50,485	57,092	50,272
Directors' fees	389	415	389	415
Impairment of investment in equity accounted investee (note 15)	-	-	208	202
Operating lease and rental expenses	26,495	20,508	26,467	20,508

(1) In addition to the audit fees noted above, fees paid to the company's auditors for due diligence services amounted to \$66,000 in the prior year and have been capitalised as part of the bond issue transactions costs (refer note 19).

7 FINANCIAL INCOME/(EXPENSE)

	GROUP		COMPANY	
IN NZD 000	30 JUN 08	30 JUN 07	30 JUN 08	30 JUN 07
Interest income	1,489	2,336	1,489	2,336
Interest income related parties (note 27)	-	-	-	38,480
Gain on disposal of assets to subsidiary (note 27/28)	-	-	2,349	-
Interest expense on bank loans	(25,085)	(31,631)	(25,085)	(31,631)
Interest expense related parties (note 27)	-	-	-	(56,095)
Interest expense on bond/capital notes	(18,588)	(14,683)	(18,588)	(14,683)
Amortisation of bond/capital notes issue costs	(300)	(484)	(300)	(484)
Bank facility fees	(429)	(446)	(429)	(445)
Interest expense on financial leases	-	(862)	-	(862)
Realised exchange loss	(298)	(173)	(298)	(173)
Unrealised exchange (loss)/gain	(476)	144	(476)	144
Interest rate swaps – fair value	(655)	(607)	(655)	(607)
	(44,342)	(46,406)	(41,993)	(64,020)

Notes to the financial statements for the year ended 30 June 2008

(continued)

8 INCOME TAXES

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

IN NZD 000	GROUP		COMPANY	
	30 JUN 08	30 JUN 07	30 JUN 08	30 JUN 07
Profit before tax	144,062	117,768	146,418	100,122
Prima facie tax expense at 33% (2007: 33%)	47,540	38,863	48,318	33,040
Non assessable income	(334)	–	(1,105)	–
Non deductible expenses	162	219	162	217
Prior year adjustment	–	9	–	9
Change in tax rate	(1,017)	821	(1,016)	821
Other	25	1	–	–
Income tax expense	46,376	39,913	46,359	34,087
Allocated between				
Current tax payable	36,209	33,652	36,192	27,828
Deferred tax (note 17)	10,167	6,261	10,167	6,259
Income tax expense	46,376	39,913	46,359	34,087
Imputation credit account				
Balance at beginning of the year	47,357	33,807	47,126	33,593
Tax payments	29,088	26,924	29,068	26,907
Use of money interest	–	77	–	77
Credits attached to dividends paid	(18,020)	(13,451)	(18,020)	(13,451)
Balance at end of year	58,425	47,357	58,174	47,126

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.

	GROUP	
	30 JUN 08	30 JUN 07
Profit after tax (NZD 000)	97,709	77,855
Weighted average number of ordinary shares on issue (thousands)	389,140	389,140
Basic earnings per share (cents)	25.11	20.01
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	NUMBER OF SHARES	
Issued ordinary shares at beginning of year	389,139,785	389,139,785
Issued ordinary shares at end of year (note 22)	389,139,785	389,139,785
Weighted average number of ordinary shares	389,139,785	389,139,785

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 has no dilutive potential ordinary shares during the current or prior period.

Notes to the financial statements for the year ended 30 June 2008

(continued)

10 TRADE AND OTHER RECEIVABLES

IN NZD 000	GROUP		COMPANY	
	30 JUN 08	30 JUN 07	30 JUN 08	30 JUN 07
Trade receivables	55,202	47,591	55,110	47,537
Less provision for impairment of receivables	(1,309)	(1,008)	(1,301)	(1,007)
Trade receivables – net	53,893	46,583	53,809	46,530
Receivable from group subsidiaries (note 27)	–	–	289	197
Other receivables	2,276	3,347	2,271	3,330
Prepaid expenses	2,380	2,362	2,366	2,361
Balance at end of year	58,549	52,292	58,735	52,418
Deduct prepaid expenses	(2,380)	(2,362)	(2,366)	(2,361)
Balance financial instruments (note 30)	56,169	49,930	56,369	50,057

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.

The information shown below relates to the Group only. Company information is not shown separately since there is no material difference between the Company and the Group.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

IN NZD 000	GROUP			
	GROSS 30 JUN 08	IMPAIRMENT 30 JUN 08	GROSS 30 JUN 07	IMPAIRMENT 30 JUN 07
Residential subscribers	35,664	751	30,620	603
Commercial subscribers	1,151	25	1,246	–
Advertising	6,004	70	6,493	10
Commercial music	92	8	55	–
Other	12,291	455	9,177	395
	55,202	1,309	47,591	1,008

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

	30 JUN 08	30 JUN 08	30 JUN 07	30 JUN 07
Not past due	41,018	–	38,231	–
Past due 0–30 days	11,181	–	7,121	–
Past due 31–60 days	1,468	–	1,200	–
Past due 61–90 days	607	381	452	421
Greater than 90 days	928	928	587	587
	55,202	1,309	47,591	1,008

Based on past experience the Group believes that no impairment allowance is necessary in respect of trade receivables past due less than 60 days.

Notes to the financial statements for the year ended 30 June 2008

(continued)

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the provision for impairment of receivables were as follows

	GROUP	
IN NZD 000	30 JUN 08	30 JUN 07
Opening balance	1,008	675
Charged during the year (note 6)	3,259	1,832
Utilised during the year	(2,958)	(1,499)
Closing balance	1,309	1,008

The creation and release of the provision for impaired receivables has been included in subscriber management expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of receiving additional cash. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable. The Group does not hold any collateral as security.

11 PROGRAMME RIGHTS

	GROUP AND COMPANY	
IN NZD 000	30 JUN 08	30 JUN 07
Cost	90,539	62,625
Less amortisation	(58,318)	(39,207)
Balance at end of year	32,221	23,418

Notes to the financial statements for the year ended 30 June 2008

(continued)

12 PROPERTY, PLANT AND EQUIPMENT

IN NZD 000	LAND, BUILDINGS & LEASEHOLD IMPROVEMENTS	BROADCASTING & STUDIO EQUIPMENT	SATELLITE TRANSPONDERS (SUBJECT TO FINANCE LEASE)	DECODERS & ASSOCIATED EQUIPMENT	CAPITALISED INSTALLATION COSTS	OTHER PLANT & EQUIPMENT	TOTAL
GROUP							
Cost							
Balance 1 July 2007	29,710	91,321	–	371,389	403,711	24,791	920,922
Acquisition of subsidiary (note 28)	–	–	–	–	–	828	828
Additions	10,131	37,709	–	22,420	39,977	2,743	112,980
Disposals	(1,222)	(25)	–	(21,091)	(3,207)	(5,839)	(31,384)
Balance at 30 June 2008	38,619	129,005	–	372,718	440,481	22,523	1,003,346
Accumulated depreciation							
Balance 1 July 2007	4,792	59,654	–	308,703	317,255	18,401	708,805
Depreciation for the year	1,937	8,673	–	22,040	34,633	3,064	70,347
Disposals	(1,185)	(17)	–	(21,076)	(3,157)	(5,247)	(30,682)
Balance at 30 June 2008	5,544	68,310	–	309,667	348,731	16,218	748,470
Net book value 30 June 2008	33,075	60,695	–	63,051	91,750	6,305	254,876
Cost							
Balance 1 July 2006	24,275	84,175	130,919	351,167	369,774	21,106	981,416
Additions	5,435	7,314	–	23,995	37,840	3,761	78,345
Disposals	–	(168)	(130,919)	(3,773)	(3,903)	(76)	(138,839)
Balance at 30 June 2007	29,710	91,321	–	371,389	403,711	24,791	920,922
Accumulated depreciation							
Balance 1 July 2006	3,915	51,704	124,963	285,680	287,290	15,486	769,038
Depreciation for the year	877	8,113	5,116	26,796	33,868	2,986	77,756
Disposals	–	(163)	(130,079)	(3,773)	(3,903)	(71)	(137,989)
Balance at 30 June 2007	4,792	59,654	–	308,703	317,255	18,401	708,805
Net book value 30 June 2007	24,918	31,667	–	62,686	86,456	6,390	212,117

Notes to the financial statements for the year ended 30 June 2008

(continued)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

IN NZD 000	LAND, BUILDINGS & LEASEHOLD IMPROVEMENTS	BROADCASTING & STUDIO EQUIPMENT	SATELLITE TRANSPONDERS (SUBJECT TO FINANCE LEASE)	DECODERS & ASSOCIATED EQUIPMENT	CAPITALISED INSTALLATION COSTS	OTHER PLANT & EQUIPMENT	TOTAL
COMPANY							
Cost							
Balance 1 July 2007	29,710	91,301	–	371,389	403,711	23,948	920,059
Additions	10,131	37,709	–	22,420	39,977	2,588	112,825
Disposals	(1,222)	(25)	–	(21,091)	(3,207)	(5,681)	(31,226)
Balance at 30 June 2008	38,619	128,985	–	372,718	440,481	20,855	1,001,658
Accumulated depreciation							
Balance 1 July 2007	4,792	59,641	–	308,703	317,255	17,735	708,126
Depreciation for the year	1,937	8,673	–	22,040	34,633	2,922	70,205
Disposals	(1,185)	(17)	–	(21,076)	(3,157)	(5,088)	(30,523)
Balance at 30 June 2008	5,544	68,297	–	309,667	348,731	15,569	747,808
Net book value 30 June 2008	33,075	60,688	–	63,051	91,750	5,286	253,850
Cost							
Balance at 1 July 2006	24,275	84,155	130,919	351,167	369,774	20,359	980,649
Additions	5,435	7,314	–	23,995	37,840	3,665	78,249
Disposals	–	(168)	(130,919)	(3,773)	(3,903)	(76)	(138,839)
Balance at 30 June 2007	29,710	91,301	–	371,389	403,711	23,948	920,059
Accumulated depreciation							
Balance 1 July 2006	3,915	51,693	124,963	285,680	287,290	14,908	768,449
Depreciation for the year	877	8,111	5,116	26,796	33,868	2,898	77,666
Disposals	–	(163)	(130,079)	(3,773)	(3,903)	(71)	(137,989)
Balance at 30 June 2007	4,792	59,641	–	308,703	317,255	17,735	708,126
Net book value 30 June 2007	24,918	31,660	–	62,686	86,456	6,213	211,933

Land, buildings and leasehold improvements at 30 June 2008 and 30 June 2007 includes land with a cost of \$2,626,000.

An independent valuation of land and buildings for 10 Panorama Road prepared by Darroch Valuations Limited, registered independent valuers, in July 2005 recorded a value of \$13.0 million. No current valuation has been obtained due to ongoing building improvements which have not yet been completed.

The Group is in process of upgrading its broadcasting operations. The total value of work in progress at balance sheet date is \$20.3 million.

Notes to the financial statements for the year ended 30 June 2008

(continued)

13 OTHER INTANGIBLE ASSETS

IN NZD 000	SOFTWARE	BROADCASTING RIGHTS	RENEWAL RIGHTS	OTHER INTANGIBLES	TOTAL
GROUP					
Cost					
Balance 1 July 2007	20,228	2,309	37,088	1,638	61,263
Acquisition of subsidiary (note 28)	302	–	–	288	590
Additions	5,243	–	–	1,242	6,485
Balance at 30 June 2008	25,773	2,309	37,088	3,168	68,338
Accumulated amortisation					
Balance 1 July 2007	14,695	1,971	18,406	868	35,940
Amortisation for the year	1,916	119	5,168	421	7,624
Balance at 30 June 2008	16,611	2,090	23,574	1,289	43,564
Net book value 30 June 2008	9,162	219	13,514	1,879	24,774
Cost					
Balance 1 July 2006	17,249	2,309	37,088	1,546	58,192
Additions	2,979	–	–	92	3,071
Balance at 30 June 2007	20,228	2,309	37,088	1,638	61,263
Accumulated amortisation					
Balance 1 July 2006	12,719	1,852	13,497	640	28,708
Amortisation for the year	1,976	119	4,909	228	7,232
Balance at 30 June 2007	14,695	1,971	18,406	868	35,940
Net book value 30 June 2007	5,533	338	18,682	770	25,323
COMPANY					
Cost					
Balance 1 July 2007	20,228	2,309	37,088	1,294	60,919
Additions	5,243	–	–	1,242	6,485
Balance at 30 June 2008	25,471	2,309	37,088	2,536	67,404
Accumulated amortisation					
Balance 1 July 2007	14,693	1,971	18,406	526	35,596
Amortisation for the year	1,907	119	5,168	413	7,607
Balance at 30 June 2008	16,600	2,090	23,574	939	43,203
Net book value 30 June 2008	8,871	219	13,514	1,597	24,201
Cost					
Balance 1 July 2006	17,249	2,309	37,088	1,202	57,848
Additions	2,979	–	–	92	3,071
Balance at 30 June 2007	20,228	2,309	37,088	1,294	60,919
Accumulated amortisation					
Balance 1 July 2006	12,717	1,852	13,497	298	28,364
Amortisation for the year	1,976	119	4,909	228	7,232
Balance at 30 June 2007	14,693	1,971	18,406	526	35,596
Net book value 30 June 2007	5,535	338	18,682	768	25,323

Notes to the financial statements for the year ended 30 June 2008

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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	
			2008	2007
Sky DMX Music Limited	Commercial Music	SKY	50.50%	50.50%
Cricket Max Limited	Non-trading	SKY	100.00%	100.00%
Media Finance Limited	Non-trading	SKY	100.00%	100.00%
Sky Telecommunications (MR7) Limited	Non-trading	SKY	100.00%	100.00%
Screen Enterprises Limited	Online DVD rental	SKY	51.00%	–
The following companies were merged into SKY during the prior year:				
INL Publishing	Non-trading	INL Holdings	Merged	100.00%
INL Holdings Limited	Non-trading	SKY	Merged	100.00%
Independent Publishers Limited	Non-trading	SKY	Merged	100.00%
The following companies were liquidated during the prior year and deregistered on 28 February 2007:				
INL Investments (Australia) Limited	Liquidated			100.00%
INL Newspapers Limited	Liquidated			100.00%
INL Bendigo Pty Limited	Liquidated			100.00%
The Independent Property Company Pty Limited	Liquidated			100.00%
INL Wimmera Pty Limited	Liquidated			100.00%
INL Horshamprint Pty Limited	Liquidated			100.00%
			COMPANY	
IN NZD 000			30 JUN 08	30 JUN 07
Cost of investments				
Sky DMX Music Limited			5	5
Screen Enterprises Limited			4,002	–
			4,007	5

On 4 June 2008 the group acquired a 51% interest in Screen Enterprises Limited a newly formed company. Details of the transaction are disclosed in note 28.

On 21 December 2006 INL Holdings Limited was amalgamated into SKY and on 22 December 2006 INL Publishing was amalgamated into SKY. Following the liquidation and deregistration of the Australian subsidiaries on 28th February 2007 Independent Publishers Limited was amalgamated into SKY on 1 May 2007.

Notes to the financial statements for the year ended 30 June 2008

(continued)

15 EQUITY ACCOUNTED INVESTEE

Up until February 2008 the Group had a 50% interest in an unincorporated joint venture Sky Sport Magazine which publishes a sports magazine for general distribution. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost less provision for impairment by the Company.

In February 2008 the Group terminated the joint venture agreement and the investment was liquidated at its book value.

Movements in carrying value of equity accounted investee:

IN NZD 000	30 JUN 08	30 JUN 07
Group		
Opening balance	107	–
Contribution to joint venture costs	–	309
Share of loss (note 6)	(208)	(202)
Termination of joint venture contract.	101	–
Balance at end of year	–	107

The “Sky Sport Magazine” is now produced for SKY on a contract basis.

There are no contingent liabilities relating to the Group’s interest in the joint venture, and no contingent liabilities of the joint venture itself.

IN NZD 000	30 JUN 08	30 JUN 07
Company		
Opening balance	107	–
Contribution to joint venture costs	–	309
Provision for impairment (note 6)	(208)	(202)
Termination of joint venture contract	101	–
Balance at end of year	–	107

16 GOODWILL

	GROUP AND COMPANY	
IN NZD 000	30 JUN 08	30 JUN 07
Balance at beginning of year	1,422,115	1,422,115
Acquisition of business (note 28)	962	–
Balance at end of year	1,423,077	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 11.6% (2007: 9.7%). Growth rate is based on an annual net gain in subscribers of 39,000 (2007: 36,000).

Notes to the financial statements for the year ended 30 June 2008

(continued)

17 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	FIXED ASSETS	HEDGES THROUGH INCOME STATEMENT	OTHER	HEDGES THROUGH EQUITY	TOTAL
GROUP AND COMPANY					
At 1 July 2007	12,077	(629)	(2,916)	4,036	12,568
Reclassification of opening balance	(3,177)	–	3,177	–	–
Adjusted opening balance	8,900	(629)	261	4,036	12,568
NZ IAS 39 hedging adjustment credited direct to equity (note 23)	–	–	–	(6,709)	(6,709)
Credited/(charged) to income statement (Note 8)	(5,671)	456	(4,952)	–	(10,167)
Balance at 30 June 2008	3,229	(173)	(4,691)	(2,673)	(4,308)
Less deferred tax reversing within 12 months	(4,545)	(338)	(7,543)	68	(12,358)
Deferred tax to be recovered after more than 12 months	(1,316)	(511)	(12,234)	(2,605)	(16,666)
GROUP					
At 1 July 2006	15,359	(2,349)	1,783	(8,783)	6,010
NZ IAS 39 hedging adjustment credited direct to equity (note 23)	–	–	–	12,819	12,819
Credited/(charged) to income statement (Note 8)	(3,282)	1,720	(4,699)	–	(6,261)
Balance at 30 June 2007	12,077	(629)	(2,916)	4,036	12,568
Less deferred tax reversing within 12 months	(4,746)	629	3,798	(3,177)	(3,496)
Deferred tax to be recovered after more than 12 months	7,331	–	882	859	9,072
COMPANY					
At 1 July 2006	15,357	(2,349)	1,783	(8,783)	6,008
NZ IAS 39 hedging adjustment credited direct to equity (note 23)	–	–	–	12,819	12,819
Credited/(charged) to income statement (Note 8)	(3,280)	1,720	(4,699)	–	(6,259)
Balance at 30 June 2007	12,077	(629)	(2,916)	4,036	12,568
Less deferred tax reversing within 12 months	(4,746)	629	3,798	(3,177)	(3,496)
Deferred tax to be recovered after more than 12 months	7,331	–	882	859	9,072

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 for the year ended 30 June 2008

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18 TRADE AND OTHER PAYABLES

IN NZD 000	GROUP		COMPANY	
	30 JUN 08	30 JUN 07	30 JUN 08	30 JUN 07
Trade payables	57,217	35,129	57,065	35,096
Due to related parties (note 27)	2,584	2,655	2,584	2,670
Unearned subscriptions	39,761	35,032	39,687	34,967
Employee entitlements	9,083	7,695	8,988	7,695
Deferred revenue	156	180	156	180
Accruals	21,715	21,805	21,533	21,637
Balance at end of year	130,516	102,496	130,013	102,245
Less				
Deferred revenue	(156)	(180)	(156)	(180)
Unearned subscriptions	(39,761)	(35,032)	(39,687)	(34,967)
Balance financial instruments (note 30)	90,599	67,284	90,170	67,098

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

19 BORROWINGS

IN NZD 000	30 JUN 08	30 JUN 07
GROUP AND COMPANY		
Bank loans		
Non-current	304,464	334,195
Bonds		
Non-current	197,519	197,220
\$200,000,000 bonds at \$1.00 at amortised cost including transaction costs	197,519	197,220
Repayment terms		
Bank loans		
Four years	304,464	–
Five years	–	334,195

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 reduced to \$375 million and drawn to \$305 million at 30 June 2008. Interest is charged on drawings 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 are no required repayment tranches of the facility. The facility can be partially or fully cancelled at SKY's discretion. In June 2007 the bank facility termination date was extended by one year to 1 July 2012.

There are covenants 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 The 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.

Notes to the financial statements for the year ended 30 June 2008

(continued)

19 BORROWINGS (CONTINUED)

Fair values

The fair value of the variable rate bank loans at 30 June 2008 was \$292.0 million (30 June 2007: \$334.2 million). The difference from carrying value at 30 June 2008 reflects the increase in market margins over the past year and the estimated margin if the loan facility were to be renewed at balance date. The difference between carrying amount and fair value has not been recognised in the financial statements as the bank loans are intended to be held to maturity.

Bonds

On 16 October 2006 the Group issued bonds for a value of \$200 million which were fully subscribed. The funds were utilised for repayment of the capital notes maturing on 15 October 2006 and repayment of bank debt.

Terms and conditions of outstanding bonds are as follows:

	30 JUN 08	30 JUN 07
GROUP AND COMPANY		
Bonds		
Nominal interest rate	9.37%	8.34%
Date of maturity	16 Oct 16	16 Oct 16
IN NZD 000		
Carrying amount	197,519	197,220
Face value	200,000	200,000

The bonds are subject to a call option commencing on 16 October 2009 and each subsequent 16 October until 16 October 2015 whereby the Group has the right to redeem or repurchase all or some of the bonds on each anniversary of the issue date. The market yield of the bonds at 30 June 2008 was 10.14% (30 June 2007: 8.5%). The fair value of the bonds at 30 June 2008 was \$179 million (30 June 2007 \$198 million). The difference between carrying amount and fair value has not been recognised in the financial statements as the bonds are intended to be held until maturity.

20 DERIVATIVE FINANCIAL INSTRUMENTS

GROUP AND COMPANY 30 JUN 08				GROUP AND COMPANY 30 JUN 07		
IN NZD 000	ASSETS	LIABILITIES	NOTIONAL AMOUNTS	ASSETS	LIABILITIES	NOTIONAL AMOUNTS
Interest rate hedges – cash flow	8,098	–	290,000	13,499	–	290,000
Interest rate hedges – fair value	–	(356)	250,000	–	(648)	200,000
Total interest rate hedges	8,098	(356)	540,000	13,499	(648)	490,000
Forward foreign exchange contracts – cash flow hedges	13,256	(12,025)	346,026	394	(25,499)	393,793
Forward foreign exchange contracts – fair value	980	(2,542)	44,389	18	(3,635)	26,177
Total forward foreign exchange hedges	14,236	(14,567)	390,415	412	(29,134)	419,970
	22,334	(14,923)	930,415	13,911	(29,782)	909,970
Analysed as:						
Current	8,154	(8,603)	390,693	364	(14,488)	363,546
Non-current	14,180	(6,320)	539,722	13,547	(15,294)	546,424
	22,334	(14,923)	930,415	13,911	(29,782)	909,970

Notes to the financial statements for the year ended 30 June 2008

(continued)

20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Exchange rates

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

	30 JUN 08	30 JUN 07
USD	0.7634	0.7724
AUD	0.7913	0.9086
GBP	0.3827	0.3849
JPY	80.6227	95.1800

Forward foreign exchange contracts

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 36 months. Gains and losses recognised in the hedging reserve in equity (note 23) on forward exchange contracts as of 30 June 2008 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is generally within 12 months from the balance date unless the gain or loss is recognised as a basis price adjustment for the purchase of assets, including programme rights, in which case the asset recognition is over the lifetime of the asset (one to five years).

Credit risk – derivative financial instruments

The maximum exposure to credit risk on the derivative financial instruments is the value of the derivative assets' receivable portion of \$22,334,000 (2007:\$13,911,000).

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	30 JUN 08			30 JUN 07		
IN NZD 000	USD	AUD	GBP/JPY	USD	AUD	GBP/JPY
Foreign currency payables	(31,352)	(8,433)	(498)	(15,823)	(4,643)	(313)
De-designated forward exchange contracts	36,838	7,551	–	20,164	6,014	–
Net balance sheet exposure	5,486	(882)	(498)	4,341	1,371	(313)
Forward exchange contracts (for forecasted transactions)	195,352	148,892	1,782	204,400	187,900	1,492
Total forward exchange contracts	232,190	156,443	1,782	224,564	193,914	1,492

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

Sensitivity analysis

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

Notes to the financial statements for the year ended 30 June 2008

(continued)

20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

IN NZD 000 (LOSS)/GAIN	10% RATE INCREASE		10% RATE DECREASE	
	EQUITY	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS
As at 30 June 2008				
USD	(15,940)	(3,125)	19,715	3,832
AUD	(13,348)	(705)	16,318	862
JPY/GBP	(162)	–	199	–
	(29,450)	(3,830)	36,232	4,694
As at 30 June 2007				
USD	(15,234)	(1,503)	18,778	1,840
AUD	(14,960)	(504)	18,378	617
JPY/GBP	(132)	–	163	–
	(30,326)	(2,007)	37,319	2,457

Interest rates

At 30 June 2008, interest rates on borrowings varied in the range of 6.5% to 9.5% (30 June 2007: 6.5% to 8.7%).

The Group's interest rate structure is as follows:

IN NZD 000	GROUP 30 JUN 08			GROUP 30 JUN 07		
	EFFECTIVE INTEREST RATE	CURRENT	NON- CURRENT	EFFECTIVE INTEREST RATE	CURRENT	NON- CURRENT
Assets						
Cash and cash equivalents	8.41%	18,817	–	7.87%	16,602	–
Liabilities						
Bank loans	7.87%	–	(304,464)	7.57%	–	(334,195)
Bonds	9.21%	–	(197,519)	8.74%	–	(197,220)
Derivatives						
Collars		10,000	100,000		–	110,000
Floating to fixed interest rate swaps		–	180,000		–	180,000
Fixed to floating interest rate swaps		200,000	–		200,000	–
		228,817	(221,983)		216,602	(241,415)

The Company's interest rate structure and balances are the same as the Group except for cash and cash equivalent balances which are \$18,478,000 (30 June 2007: \$16,498,000).

Notes to the financial statements for the year ended 30 June 2008

(continued)

20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis for interest bearing instruments

A change of 100 basis points in interest rates at the reporting date would have (increased)/decreased equity and profit or loss (before tax) by the amounts shown below. Based on historical movements a 10 percent increase or decrease in the NZD is considered to be a reasonably possible estimate. The analysis is performed on the same basis for the prior year. This analysis assumes that all other variables remain constant.

IN NZD 000	100 BP INCREASE		100 BP DECREASE	
	EQUITY	PROFIT AND LOSS	EQUITY	PROFIT AND LOSS
30 June 2008				
Expense/(income)				
Variable rate instruments – bank loans	–	2,856	–	(2,856)
Interest rate hedges – cash flow	(6,192)	(1,162)	6,439	791
Interest rate hedges – fair value	–	(387)	–	405
	(6,192)	1,307	6,439	(1,660)
30 June 2007				
Expense/(income)				
Variable rate instruments	–	3,176	–	(3,176)
Interest rate hedges – cash flow	(9,277)	367	8,564	276
Interest rate hedges –fair value	–	466	–	(472)
	(9,277)	4,009	8,564	(3,372)

21 PROVISIONS

IN NZD 000	GROUP AND COMPANY	
	30 JUN 08	30 JUN 07
Programme Rights		
Opening balance	1,177	1,835
Used during the year	(330)	(658)
Balance at end of year	847	1,177
Analysis of total provisions		
Current	283	449
Non-current	564	728
	847	1,177

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

Notes to the financial statements for the year ended 30 June 2008

(continued)

22 SHARE CAPITAL

	GROUP AND COMPANY	
	NUMBER OF SHARES (000)	ORDINARY SHARES (NZD 000)
Shares on issue at 30 June 2008 and 30 June 2007	389,140	577,403

SKY paid a dividend of 12.0 cents per share (30 June 2007: 9.0 cents).

As at 30 June 2008 and 2007 there were 389,139,785 ordinary shares authorised, issued and fully paid.

Ordinary shares rank equally, carry voting rights and participate in distributions.

23 HEDGING RESERVE

IN NZD 000	GROUP AND COMPANY	
	30 JUN 08	30 JUN 07
Balance at 1 July	(8,457)	17,832
Cash flow hedges		
Unrealised gains/(losses) during the year	33,123	(30,810)
Transfer to basis price adjustment	(11,721)	(8,298)
Deferred tax (note 17)	(6,709)	12,819
	14,693	(26,289)
Balance at end of year	6,236	(8,457)

24 RETAINED EARNINGS

IN NZD 000	GROUP		COMPANY	
	30 JUN 08	30 JUN 07	30 JUN 08	30 JUN 07
Opening balance	546,365	503,534	546,445	484,638
Merger reserve	–	–	–	30,796
Add net profit for the period	97,709	77,855	100,059	66,035
Less dividends paid	(46,697)	(35,024)	(46,697)	(35,024)
Balance at end of year	597,377	546,365	599,807	546,445

Notes to the financial statements for the year ended 30 June 2008

(continued)

25 COMMITMENTS

	GROUP AND COMPANY	
IN NZD 000	30 JUN 08	30 JUN 07
Operating leases:		
Year 1	28,192	26,026
Year 2	32,427	26,352
Year 3	33,247	26,490
Year 4	34,886	26,498
Year 5	34,616	25,431
Later than 5 years	286,298	232,989
	449,666	363,786
Contracts for transmission services:		
Year 1	11,582	12,177
Year 2	8,047	11,493
Year 3	–	7,985
	19,629	31,655
Contracts for future programmes:		
Year 1	131,042	120,021
Year 2	114,569	97,122
Year 3	89,791	81,932
Year 4	45,668	55,544
Year 5	11,091	20,004
	392,161	374,623
Capital expenditure commitments:		
<i>Property, plant and equipment</i>		
Year 1	21,868	13,554
<i>Intangibles</i>		
Year 2	4,422	–
Year 3	–	4,422
	26,290	17,976
Other services commitments:		
Year 1	9,932	10,036
Year 2	9,700	9,648
Year 3	9,656	9,454
Year 4	5,457	8,754
Year 5	1,257	1,053
Later than 5 years	2,948	3,951
	38,950	42,896

The Group has entered into a contract with Optus Networks Pty Limited (Optus) to lease five transponders on the D1 satellite which was launched in October 2006 and commissioned in November 2006. The contract is for a period of 15 years from the time of commissioning with monthly payments in Australian Dollars. These payments are hedged for a period of three years (2007: four years) in accordance with the Group's current hedging policy. This contract is accounted for as an operating lease. Non-cancellable operating lease payments, including Optus lease payments, are included in operating leases above.

In prior periods the lease commitments were stated on a net present value basis. The commitments shown above represent the gross payments due, with the comparatives restated on the same basis.

During the year ended 30 June 2008, \$24.6 million (2007: \$18.8 million) was recognised as an expense in the income statement in respect of the Optus operating lease.

SKY has options to purchase an additional two transponders on the D1 satellite should it require additional capacity in the future. During the year SKY negotiated access to an additional transponder to enable launch of HD services. The cost of leasing this transponder is included in the commitments schedule from April 2009. However the timing of the exercise of the option on this transponder is conditional upon future events.

Notes to the financial statements for the year ended 30 June 2008

(continued)

26 CONTINGENT LIABILITIES

The Group and Company have undrawn letters of credit at 30 June 2008 of \$600,000 (30 June 2007: \$46,654,000), relating to future lease payments due to Optus in the prior year and to Datacom Employer Services for executive payroll liabilities in the current year.

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.

27 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

IN NZD 000	GROUP		COMPANY	
	30 JUN 08	30 JUN 07	30 JUN 08	30 JUN 07
Transactions included in the income statement:				
The News Corporation Limited				
– Programme, smartcard and broadcasting equipment and publishing	52,204	50,107	52,204	50,107
Sky DMX Music Limited				
– Administration support, accounting services and broadcasting charges	–	–	188	166
Gain on disposal of assets (note 7)	–	–	2,349	–
Interest received from subsidiary companies (note 7)	–	–	–	38,480
Interest paid to subsidiary companies (note 7)	–	–	–	(56,095)
Transactions included in the balance sheet:				
Payable to related parties (note 18)	2,584	2,655	2,584	2,670
Receivable from related parties (note 10)	–	–	289	197

Related parties include Nationwide News Pty Limited, a principal shareholder which is an affiliate of The News Corporation Limited.

There were no loans to directors by the Company or associated parties at balance date (30 June 2007: nil).

No amounts owed by related parties have been written off or provided against during the year (30 June 2007: nil).

Short term employee benefits

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

IN NZD 000	GROUP AND COMPANY	
	30 JUN 08	30 JUN 07
Directors' fees	389	415
Remuneration key management personnel	8,228	7,591
	8,617	8,006

Notes to the financial statements for the year ended 30 June 2008

(continued)

28 BUSINESS COMBINATIONS

On the 4 June 2008 the Group acquired a 51% interest in Screen Enterprises Limited a newly formed company. At this date, Screen Enterprises Limited acquired the business and assets of DVD Unlimited (Sky's DVD rental business), Westside Media Limited and Movieshack Limited as an agent for the parties which have combined to operate a joint venture online DVD rental business within New Zealand. The acquired business contributed revenues of \$241,631 and net loss of \$46,326 to the group from the period from 4 June 2008, the date on which it commenced operations.

Disclosure of the revenue and net result of the business as if it had been effected on 1 July 2007 has not been provided since the subsidiary is a newly created entity.

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

	FAIR VALUE AND COST
Stock of DVD's	656
Property, plant and equipment	172
Intangible assets – software	302
Intangible assets – subscriber base	288
Accounts receivable	4
Holiday pay provision	(66)
Net assets acquired	1,356
Minority interest 49%	(665)
Net assets acquired	691
Fair value of consideration provided by the parent:	
Cash paid	650
Fair value of assets contributed	3,352
SKY cost of investment (note 14)	4,002
Less elimination of unrealised profit (note 7)	(2,349)
Net assets contributed to subsidiary at cost	1,653
Less net assets acquired	(691)
Goodwill on acquisition (note 16)	962

Goodwill is attributable to significant synergies expected to arise from the joint venture.

29 SUBSEQUENT EVENTS

There have been no subsequent events after balance date.

Notes to the financial statements for the year ended 30 June 2008

(continued)

30 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

IN NZD 000	OTHER FINANCIAL LIABILITIES	LOANS AND RECEIVABLES	AT FAIR VALUE THROUGH PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	TOTAL
GROUP 30 June 2008					
Assets as per balance sheet					
Cash and cash equivalents	-	18,817	-	-	18,817
Trade and other receivables (note 10)	-	56,169	-	-	56,169
Derivative financial instruments	-	-	980	21,354	22,334
Liabilities as per balance sheet					
Trade and other payables (note 18)	(90,599)	-	-	-	(90,599)
Borrowings	(304,464)	-	-	-	(304,464)
Bonds	(197,519)	-	-	-	(197,519)
Derivative financial instruments	-	-	(2,898)	(12,025)	(14,923)
	(592,582)	74,986	(1,918)	9,329	(510,185)
GROUP 30 June 2007					
Assets as per balance sheet					
Cash and cash equivalents	-	16,602	-	-	16,602
Trade and other receivables (note 10)	-	49,930	-	-	49,930
Derivative financial instruments	-	-	18	13,893	13,911
Liabilities as per balance sheet					
Trade and other payables (note 18)	(67,284)	-	-	-	(67,284)
Borrowings	(334,195)	-	-	-	(334,195)
Bonds	(197,220)	-	-	-	(197,220)
Derivative financial instruments	-	-	(4,283)	(25,499)	(29,782)
	(598,699)	66,532	(4,265)	(11,606)	(548,038)
COMPANY 30 June 2008					
Assets as per balance sheet					
Cash and cash equivalents	-	18,478	-	-	18,478
Trade and other receivables (note 10)	-	56,369	-	-	56,369
Derivative financial instruments	-	-	980	21,354	22,334
Liabilities as per balance sheet					
Trade and other payables (note 18)	(90,170)	-	-	-	(90,170)
Borrowings	(304,464)	-	-	-	(304,464)
Bonds	(197,519)	-	-	-	(197,519)
Derivative financial instruments	-	-	(2,898)	(12,025)	(14,923)
	(592,153)	74,847	(1,918)	9,329	(509,895)
30 June 2007					
Assets as per balance sheet					
Cash and cash equivalents	-	16,498	-	-	16,498
Trade and other receivables (note 10)	-	50,057	-	-	50,057
Derivative financial instruments	-	-	18	13,893	13,911
Liabilities as per balance sheet					
Trade and other payables (note 18)	(67,098)	-	-	-	(67,098)
Borrowings	(334,195)	-	-	-	(334,195)
Bonds	(197,220)	-	-	-	(197,220)
Derivative financial instruments	-	-	(4,283)	(25,499)	(29,782)
	(598,513)	66,555	(4,265)	(11,606)	(547,829)

Auditor's report



To the shareholders of Sky Network Television Limited

We have audited the financial statements on pages 41 to 75. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2008 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 46 to 51.

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 2008 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 41 to 75:
 - (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 2008 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 19 August 2008 and our unqualified opinion is expressed as at that date.

A stylized, handwritten signature of the PricewaterhouseCoopers firm, written in black ink.

Chartered Accountants

Auckland

Other information

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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 2008, the board consisted of six directors whose relevant skills, experience and expertise are outlined in their biographies on pages 28 and 29. 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 2008 the independent directors on SKY's board were 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 pages 28 and 29.

Meetings

The board has regularly scheduled meetings and also meets when a matter of particular significance arises. During the period between 1 July 2007 and 30 June 2008 the board met eight times, two of which were telephone conferences. Attendance at full board meetings was as follows:

	MEETINGS HELD WHILE A DIRECTOR	ATTENDANCE
Peter Macourt	8	8
Robert Bryden	8	8
Barrie Downey ⁽¹⁾	3	3
John Fellet	8	7
John Hart	8	7
Michael Miller	8	7
Humphry Rolleston	8	7

(1) B Downey retired from the board on 26 October 2007.

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 Robert Bryden, John Hart 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 John Hart and Humphry Rolleston.

Committee meetings

During the year ending 30 June 2008:

- (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 had no meetings.

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;
- counterparty 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, reduce 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 at the discretion of the board. 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.

Corporate governance statement

(continued)

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:

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. The chairman of the nomination and remuneration committee is an independent director.

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 2008.

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 2008:

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:

	ENTITY	RELATIONSHIP
Peter Macourt	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	Crown Castle Australia Pty Limited	Director
	Crown Castle Australia Holdings Pty Limited	Director
	Todd Capital Limited	Director/Officer
	Todd Land Holdings Limited and Todd Winegrowers Limited and various other subsidiaries of Todd Capital Limited	Director
	Provenco Cadmus Limited	Director
	eVentures New Zealand Limited (in liquidation)	Director
Barrie Downey (retired 26 October 2007)	Salvus Strategic Investments Limited	Director
John Fellet	Media Finance Limited	Director
	SKY Telecommunications (MR7) Limited	Director
	Cricket Max Limited	Director
John Hart	Bayley Corporation Limited	Director
	New Zealand Warriors Limited	Director
	Global Rugby Enterprises Limited	Director/Shareholder
	Superlife Trustee Limited	Director
	Excell Corporation Limited	Director
Michael Miller	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	Asset Management Limited	Director/Shareholder
	Broadway Industries Limited and subsidiaries	Director/Shareholder
	Fraser, MacAndrew Ryan Limited	Chairman
	Infratil Limited	Director
	Ledger Acquisitions Limited	Director
	Matrix Security Group Limited	Director
	Property for Industry Limited	Director
	Media Metro NZ Limited	Director

Interests register

(continued)

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 2008.

DISCLOSURES OF INTEREST – PARTICULAR TRANSACTIONS/USE OF COMPANY INFORMATION

During the period to 30 June 2008 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 2008 in relation to SKY's directors and officers:

- no initial or continuous disclosures were made by officers in the Interests Register under section 19T(2) of the Securities Markets Act 1988;
- continuous disclosures were made in the Interests Register as to dealings in SKY shares under section 148 of the Companies Act 1993 and section 19T(2) of the Securities Markets Act 1988 by John Fellet on: (a) 27 August 2007 in relation to the acquisition of 2,000 shares; and (b) 28 August 2007 in relation to the acquisition of 8,100 shares.

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 bondholder information

DIRECTORS HOLDING AND CEASING OFFICE

At 30 June 2008 the following persons were directors of SKY:

Peter Macourt

Robert Bryden

John Fellet

John Hart

Michael Miller

Humphry Rolleston

Barrie Downey retired as a director of SKY on 26 October 2007.

SUBSIDIARIES

At 30 June 2008, SKY had the following subsidiary companies: SKY DMX Music Limited, Screen Enterprises Limited, Cricket Max Limited, Media Finance Limited, and SKY Telecommunications (MR7) Limited. During the period to 30 June 2008 SKY DMX Music Limited operated the SKY DMX music business and Screen Enterprises Limited acted as agent for the Screen Enterprises joint venture. None of the other subsidiaries traded during that period.

DIRECTORS OF SUBSIDIARIES

At 30 June 2008, the directors of SKY DMX Music Limited were Grant McKenzie, Martin Wrigley, Chris Furtado and Philippe Von Stauffenberg. The directors of Screen Enterprises Limited were Timothy Macavoy, Bryan Mogridge and Michael Watson. 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 87 or, in the case of John Fellet, his remuneration is disclosed below under the heading "Remuneration of Directors".

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) in which each director had a relevant interest as at 30 June 2008:

RELEVANT INTERESTS	SHARES
Peter Macourt	–
Robert Bryden	–
John Fellet	75,600
John Hart	25,000
Michael Miller	–
Humphry Rolleston	–

REMUNERATION OF DIRECTORS

Directors' remuneration and value of other benefits received by directors of SKY during the period 1 July 2007 to 30 June 2008 was as follows:

NAME	TOTAL REMUNERATION
Peter Macourt	\$85,000
Robert Bryden	\$82,000
Barrie Downey ⁽¹⁾	\$25,000
John Fellet ⁽²⁾	\$1,125,000
John Hart	\$71,500
Michael Miller	\$55,000
Humphry Rolleston	\$70,000

(1) Retired 26 October 2007.

(2) John Fellet is also SKY's chief executive and a director of Cricket Max Limited, Media Finance Limited and SKY Telecommunications (MR7) Limited. However, he did not receive any directors' fees during the above period. His remuneration, as specified above, comprises salary and performance based remuneration.

Shareholder and bondholder information (continued)

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 12 August 2008:

ENTITY	SECURITIES
Nationwide News Pty Limited	169,854,716
Todd Communications Limited	43,220,277
Fortis Investment Management Australia Limited	20,863,788
AXASA and AXA Asia Pacific Holdings Limited	19,268,827
Commonwealth Bank of Australia and Subsidiaries	17,236,940
ASB Securities Limited and ASB Nominees Limited	16,927,000

The total number of issued voting securities of SKY as at 12 August 2008 was 389,139,785.

TWENTY LARGEST SHAREHOLDERS AS AT 12 AUGUST 2008

HOLDER NAME	HOLDING	PERCENTAGE (TO 2 D.P.)
Nationwide News Pty Limited	169,854,716	43.65
Todd Communications Limited	43,220,277	11.11
National Nominees Limited	19,189,321	4.93
National Nominees New Zealand Limited	14,049,523	3.61
HSBC Nominees (New Zealand) Limited	13,038,619	3.35
NZ Superannuation Fund Nominees Limited	11,311,516	2.91
Premier Nominees Limited	10,019,783	2.57
HSBC Custody Nominees (Australia) Limited	8,368,576	2.15
Accident Compensation Corporation	7,041,339	1.81
J P Morgan Nominees Australia Limited	7,009,760	1.80
Citicorp Nominees Pty Limited	6,475,922	1.67
TEA Custodians Limited	6,300,467	1.62
Citibank Nominees (New Zealand) Limited	5,152,422	1.32
Custody and Investment Nominees Limited	3,708,925	0.95
NZGT Nominees Limited	3,146,268	0.81
AMP Investments Strategic Equity Growth Fund	2,954,839	0.76
Forsyth Barr Custodians Limited	2,849,818	0.73
Asteron Life Limited	2,476,075	0.64
Public Trust – Australian Equity Nominee Pool	2,350,322	0.60
ANZ Nominees Limited	2,276,503	0.59

Shareholder and bondholder information (continued)

DISTRIBUTION OF ORDINARY SHARES AND SHAREHOLDINGS AS AT 12 AUGUST 2008

	NO. OF SHAREHOLDERS	PERCENTAGE (TO 2 D.P.)	NO. OF SHARES	PERCENTAGE (TO 2 D.P.)
1 – 1,000	2,565	34.66	1,654,043	0.42
1,001 – 5,000	3,512	47.47	8,855,108	2.27
5,001 – 10,000	734	9.92	5,279,503	1.36
10,001 – 100,000	509	6.88	12,207,266	3.14
100,001 and over	79	1.07	361,143,865	92.81
TOTAL	7,399	100.00	389,139,785	100.00

NON MARKETABLE PARCELS OF SHARES

As at 12 August 2008, 170 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 12 August 2008:

- 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.

VOTING RIGHTS ATTACHED TO SHARES

Each share entitles the holder to one vote.

DISTRIBUTION OF BONDS AND BONDHOLDINGS AS AT 12 AUGUST 2008

	NO. OF BONDHOLDERS	PERCENTAGE (TO 2 D.P.)	NO. OF BONDS	PERCENTAGE (TO 2 D.P.)
1 – 1000	–	–	–	–
1,001 – 5,000	241	8.81	1,205,000	0.60
5,001 – 10,000	623	22.77	5,985,000	2.99
10,001 – 100,000	1,766	64.55	61,304,000	30.65
100,001 and over	106	3.87	131,506,000	65.76
TOTAL	2,736	100.00	200,000,000	100.00

VOTING RIGHTS ATTACHED TO BONDS

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

Shareholder and bondholder 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	20
110,001 – 120,000	12
120,001 – 130,000	12
130,001 – 140,000	2
140,001 – 150,000	1
150,001 – 160,000	2
160,001 – 170,000	1
170,001 – 180,000	6
180,001 – 190,000	1
190,001 – 200,000	1
200,001 – 210,000	3
210,001 – 220,000	2
220,001 – 230,000	3
230,001 – 240,000	2
240,001 – 250,000	1
300,001 – 310,000	1
310,001 – 320,000	2
350,001 – 360,000	2
360,001 – 370,000	1
370,001 – 380,000	1
420,001 – 430,000	1
430,001 – 440,000	1
480,001 – 490,000	1

The remuneration of SKY's chief executive, John Fellet, is not included in the above table as he is also a director of SKY. His remuneration is disclosed under the heading "Remuneration of Directors" on page 84.

DONATIONS

During the period 1 July 2007 to 30 June 2008, SKY made donations totalling \$12,434. 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 2008 for statutory audit services was \$161,000 and for other assurance services (principally related to an IT review) was \$138,000. SKY DMX Music Limited paid PricewaterhouseCoopers \$7,000 in audit fees during the 2008 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 2008.

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).

In connection with the proposed share buy back programme approved at SKY’s last annual meeting, SKY was given the following waivers by the ASX:

- (a) a waiver from ASX Listing Rule 7.29 to the extent necessary to permit SKY to buy back shares on the NZX without reference to the number of days on which trades are recorded on ASX; and
- (b) a waiver from ASX Listing Rule 7.33 to the extent necessary to permit SKY to buy back shares on the NZX at a price which is greater than five per cent above the average of the market price for securities in that class calculated over the last five days on which sales in the shares were recorded before the day on which the purchase under the buy-back was made, on condition that SKY conducts the buy-back on NZX in accordance with New Zealand law.

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 Act 2005 (and associated regulations) regulate certain investments in New Zealand by overseas persons. In general terms the consent of the New Zealand Overseas Investment Office 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.

Share market 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 bonds are listed on the NZDX and trade under the symbol SKTFA. SKY's International Security Identification Number issued for the Company by the NZX is NZSKTE0001S6.

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 9338 0000; Fax: 61 2 9227 0885; Website: www.asx.com.au

FINANCIAL CALENDAR

2007/2008 Financial year end	30 June 2008
2007/2008 Full year results announced	20 August 2008
Next Annual Meeting	6 November 2008
2008/2009 Half year results announced	February 2009
2008/2009 Financial year end	30 June 2009
2008/2009 Full year results announced	August 2009

ANNUAL MEETING

The next annual meeting of Sky Network Television Limited will be held at the Langham Hotel, 83 Symonds Street, Auckland, New Zealand, on 6 November 2008, commencing at 2 pm.

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 1142, New Zealand
Tel: 64 9 488 8700; Fax: 64 9 488 8787
Email: enquiry@computershare.co.nz

AUSTRALIAN BRANCH REGISTER

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street,
Sydney, NSW 2000, Australia
Mailing address: As above
Tel: 61 2 8234 5000; Fax: 61 2 8235 8150
Email: sydney.services@computershare.com.au

BONDHOLDER TRUSTEE

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

DIRECTORS

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

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

c/- Allens Arthur Robinson Corporate Advisory Pty Limited
Level 4, Deutsche Bank Place
Corner Hunter and Philip Streets
Sydney, NSW 2000;
Tel: 61 2 9230 4000; Fax: 61 2 9230 5333

AUDITOR TO SKY




























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





SOLICITORS TO SKY







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

SKY channels as at 30 June 2008

TYPES OF CHANNELS					
Basic channels	27	Free-to-air channels	11	PPV Movie channels	14
Sport tier channels	5	Special interest channels	14	PPV event channels	1
Movie tier channels	6	Radio channels	7	PPV adult channels	3
Interactive channels	5	Audio music channels	14	Total	107





























BASIC CHANNELS – 27					
BBC World News		Animal Planet		Juice TV	
SKY News New Zealand		Crime and Investigation Network		63	
CNN		UKTV		E!	
CNBC		Vibe		The Living Channel	
FOX News		BOX		ESPN	
The History Channel		Nickelodeon		Food Television	
National Geographic Channel		Cartoon Network		Alt TV	
Discovery Channel		Disney		MTV	
Documentary Channel		Playhouse Disney		Fashion TV	

SPORT TIER – 5					
SKY Sport 1		SKY Sport 3		Rugby Channel	
SKY Sport 2		SKY Sport Highlights			

MOVIE TIER – 6					
SKY Movies		SKY Movies Greats		TCM	
SKY Movies 2		MGM		Rialto Channel	

SKY channels as at 30 June 2008

(continued)

INTERACTIVE CHANNELS – 5			
Weather Channel		SkyBet Trackside	
			
SkyBet Sport		Playin' TV	
FREE-TO-AIR CHANNELS – 11			
TAB Trackside		C4	
			
TV One		Prime	
			
TV2		Maori Television	
			
TV3		Cue	
SPECIAL INTEREST – 14			
Arts Channel		CCTV-9	
			
Shine Television		World TV – 10 channels	
RADIO CHANNELS – 7			
Radio New Zealand National		Tahu FM	
			
Radio New Zealand Concert		Kiwi FM	
Calvary Chapel Radio		Real Good Life (World TV)	
OTHER			
Audio music channels	14		
PPV movie channels	14		
PPV event channels	1		
PPV adult channels	3		

