SKY NETWORK TELEVISION LIMITED

ANNUAL REPORT 2009

WHEN'S *your skytime*?

Highlights

TOTAL REVENUE	$692.0M
EBITDA	$261.0M
CAPITAL EXPENDITURE	$132.2M
NPAT	$88.1M
ARPU UP 3.1%	$64.00
SHARE OF TV VIEWING	28.6%
LAUNCH	HD TELEVISION
TOTAL SUBSCRIBERS	778,902
ADDITIONAL OUTLETS	103,974
MY SKY HDI DECODERS	85,681
NEW SUBSCRIBERS	30,326
HD CHANNELS	7

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Pick your moments. With so much content and so much control, you decide what, when and even how. **Everything's in here.**

A high definition business

While the impact of the recession continues to affect most parts of the economy, SKY performed well in the year to 30 June 2009, achieving subscriber growth, lower churn and higher revenues while also successfully transitioning to high definition television broadcasting to the new MYSKY HDi decoder.

Revenue increased by $33.2 million to $692.0 million, a gain of 5.0% compared to the previous year. This was largely due to the addition of 30,326 new subscribers during the year, which raised total subscriber numbers to 778,902.

Operating costs increased by $57.0 million, a 12.1% increase over the previous year. The fall in value of the NZ dollar, increased costs associated with the lease of the sixth transponder and the costs of investing in and operating four high definition television channels all contributed to the increase in operating costs.

Earnings before interest, tax and depreciation decreased by 2.1% to $261.0 million and net profit after tax was 9.8% lower, at $88.1 million for the year, reflecting higher depreciation charges on the digital television station and MYSKY HDi decoders.

Gross annual "churn", the number of subscribers who disconnected their service during the year, decreased from 14.9% in 2008 to 14.0% in 2009.

In late July, SKY began rolling out the new MYSKY HDi decoders. By 30 June 2009, a total of 85,681 new MYSKY HDi decoders had been installed in homes throughout New Zealand. Including the standard definition MYSKY decoders that SKY launched in 2007, more than 13.0% of SKY subscribers are MYSKY customers.

SKY's current high definition channel package, in addition to SKY Sport 1 and 2, SKY Movies and SKY Movies Greats and TV3 HD, now includes TVONE HD and TV2 HD making SKY the home of HD in New Zealand.

The impact of the MYSKY HDi decoder, the ability to watch key channels in high definition, the variety and choice of viewing options plus the launch of two new channels, Comedy Central and The Country Channel have all helped contribute to increasing SKY's share of television viewing by a further 6.3% to 28.6%, up from 26.9% in the previous year.

SKY continues to plan for the future in order to ensure that new and emerging internet, mobile and online technologies will become a key component of how we deliver content to consumers keeping SKY at the forefront as New Zealand's primary entertainment and information provider.

I would like to extend my thanks to Chief Executive John Fellet, SKY's management team and its employees, and the company's contractors and subscribers for their continued support of the company.

Peter Macourt
Chairman

See for yourself

Right in front of our eyes.

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 of you were living overseas and that the only information you received about SKY was derived from the information contained in this report.

As always, the financial information contained here is quite detailed but still only provides a financial snapshot of the business. In my annual letter I attempt to explain the trends and to give some insight into the areas of business that the financials do not necessarily cover.

SKY has a simple business model. We do not consider ourselves either a pay television company or a satellite company, but rather a company that creates and aggregates content for consumers to watch and listen to in their living room, hotel room or even on a boat. Our subscribers may elect to watch the content on their big screens, computers or on a 3G mobile phone. They may want to watch it live, when we schedule it or when they want it. The content can be in the form of physical tapes, digital impressions, internet downloads or one of our 23,000 DVD titles in the library of our DVD on line rental business, Fatso.

I am pleased to report that in spite of strong headwinds facing the company it was another strong year. While net income was $88.1 million, down 9.8%, revenues grew to $692.0 million, an increase of over 5%. Our subscriber count was 778,902 which was a gain of 30,326 net subscribers. Again, this was a fantastic lift in subscribers, considering the issues that I will address later in this letter.

Out of everything we did on an operational front our greatest success was the launch of MYSKY HDi. We now have over 80,000 MYSKY HDi customers which brings us to a total of over 100,000 when you include the 20,000 existing first generation MYSKY customers.

DURING A RECESSION, TELEVISION VIEWING ACTUALLY GOES UP

SKY was still able to grow the business despite the greatest recession in New Zealand since SKY's inception in 1990. The best illustration of this economic downturn was in television advertising sales. Over the last 20 years in New Zealand a bad television advertising year was one that went backwards by 2%. This year, television advertising collapsed more than any other year in memory.

In the first quarter of the fiscal year (July – Sept 08) television advertising sales were down 2.15% compared to the previous corresponding quarter. The second quarter fell by 6.69%. The fall would have probably been greater if not for the advertising generated by the Olympics and the General Election. The third quarter fell by 10.28%. The fourth quarter fell by 15.73%. This put the industry loss for the year at 8.39%. What is particularly disturbing is we do not know if we have hit the bottom yet.

You owe yourself
great television.

The drop has been so dramatic that the industry total for the year is now at the same level as it was in 2003. SKY/ Prime has been damaged more than the industry in light of the fact that when companies start to cut back it is easier to cut back on the smaller players first. SKY will normally fare better than Prime because of its continually expanding subscriber base.

It is ironic that during a recession television viewing actually goes up. During a recession families may hang onto the car for another year, they may postpone planned house renovations, they may abandon their plans for the family vacation that year, but they are probably staying at home and watching more television than ever.

Sadly in the free- to-air industry which includes Prime it is difficult to monetise this increase in viewing because of the drop in advertising. However, pay television effectively monetises downturns with the drop in churn. Churn, the term the industry uses for disconnects, actually decreases in a recession because more time spent at home probably means more time spent in front of the television which means an increase in value. For the year churn dropped from 14.9% to 14.0%. It may not look like a big difference but over our subscriber base it would amount to about 7,000 net subscribers over the year.

If you are comparing this year's financial statements to last year's there are a few insights you should know.

In order to launch High Definition (HD), we needed to rebuild our ten year old studio, which was incapable of passing HD through our "internal plumbing". The good news is we needed the broadcast facilities to be upgraded anyway in order to convert from a tape system to a digital server base. If we had converted three years ago we would still have had to make another substantial investment to go to HD now. The refit cost $61.8 million. The cost of this investment will be spread out over five years meaning that there is an extra layer of depreciation of $10 million this year that did not exist last year.

After a hard day at the office, you don't want to have to work the channels looking for something to watch.

In addition to the broadcast facilities, in order to launch HD we needed to create a new marketing effort. Making a series of new commercials as well as pushing HD in the media required an extra $3.8 million above and beyond our normal cost of marketing SKY. In order to provide more HD Sports, all of the production vans (which we lease) had to be upgraded to HD as well. To bring HD Sports from around the world we had to contract "fatter and more expensive pipes". And finally, the average HD channel takes up the same space as 4.5 Standard Definition Channels, so we needed more satellite capacity. We now carry seven HD channels in the form of SKY Sport 1 & 2, SKY Movies, SKY Movies Greats, TVONE, TV2 and TV3.

Once we had the broadcast facility, the marketing in place, the channel space, the upgraded production vans and linking capacity, all we needed were HD customers. This required the installation

When everyone else is out . . .

of a new HD decoder in each subscriber's home. The decoder we selected to do this was MYSKY HDi.

MYSKY is what the industry terms as a Personal Video Recorder or PVR. A PVR is a device that will record video to a disk drive inside the decoder. In addition, the PVR is typically integrated with a pay television company's "Electronic Programme Guide" which allows the user to navigate the channel line-up over a seven day period to select programmes to record and watch at the users convenience. In the case of the MYSKY HDi there are four tuners which allow viewers to record two channels simultaneously while watching a previously recorded programme.

THE LAUNCH OF MYSKY HAS CHANGED THE VERY FOUNDATIONS OF OUR BUSINESS.

These boxes are not cheap. During the year they cost SKY US$326 versus the cost for the traditional digital box which was US$110. It should be noted that when we first started buying the traditional digital boxes they cost US$300 each. Already, we are seeing the prices start to drop for the MYSKY boxes. More importantly, as we install a MYSKY box, the existing digital box is either being installed as an additional outlet or recycled to a new subscriber who does not want or need an HD box.

During the past ten years we have typically spent 85% of our capital expenditure (excluding the broadcast upgrade) on dishes, decoders and labour to install new subscribers. In these years, capital expenditure of around $60 million on decoders and installation costs would normally mean a net gain of somewhere between 40,000 to 45,000 subscribers.

This year we spent $109.7 million on dishes, decoders and labour. About $54.0 million was spent on MYSKY HDi boxes. In comparing years of capital spend by the business it is important to note that MYSKY HDi boxes did not necessarily go directly to new subscribers but for the most part to existing subscribers. If done right, this investment in existing subscribers will mean increased revenue streams.

And finally, the last major issue in comparing this year's results to last year is how we now depreciate our new MYSKY HDi decoders. Historically, we would "write off" a purchase of a decoder over five years.

It is important to note this is an accounting entry only. There is no expectation that the decoders will only last five years. In fact in my career in the industry, the decoders normally become obsolete long before they are worn out.

As an example, we started buying UHF boxes when we started SKY back in 1990. We stopped buying them in 1997 when we first launched the digital service. We still have over 20,000 UHF customers with a box with an average age of about 15 years. Likewise, we started buying the standard digital boxes in 1997 and stopped buying them in 2009 and I would

You've got a date with the sofa while the house is quiet. There's no better way to watch a movie.


No need to rush.
ENGAGED

be surprised if they were still not in the field eight years from now.

In this type of business, new technology waves continually hit the side of the boat, but the new technology seldom eliminates the incumbent overnight. Where management adds the greatest value is in navigating these waters.

As mentioned before, the new MYSKY boxes have a hard disk drive which can record hours of programming. We don't have a history on the technical life of these decoders, but we do know they have a moving part which separates them from our existing decoders.

We have elected to take a conservative approach and write off the MYSKY decoders over four years. The purchase of the more expensive MYSKY boxes and writing these boxes off over four years rather than five means $7.2 million more in depreciation in this year.

The launch of MYSKY has changed the very foundation of our business. For starters, once you experience MYSKY you will not want to watch regular television again. Evidence of the success of the new box is that the overall churn rate is 14.0% a year, although for those customers who ordered a MYSKY box, the churn rate is about 9.9%.

Never again will you hear the old phrase "seventy channels and nothing to watch", because subscribers build their own collection of shows that they want to watch.

MYSKY has given new life to our movie channels as subscribers can now record movies to be shown when the subscriber wants to watch them. For many other subscribers, the HD movies on SKY are the only way they watch movies. Also, once you watch sport in HD you will never

Because you can still take a break when you need to.

want to watch sport any other way. Even the basic channels are seeing the benefit. As an example, a small basic channel such as the History Channel still shows its best programme for the day at 8.30pm. This is the time slot when most people are watching television. Sadly, no matter how strong its programme is it is unlikely to match up with one of the big US dramas such as "House" or "Desperate Housewives". Previously people only watched the high profile dramas. Now they "MYSKY" the programme on the History Channel which they playback at another time.

MOST FREQUENTLY ASKED QUESTIONS

Over the course of the year we receive visits from individuals who represent the most successful Fund Managers. In an effort to give insights to the questions they ask I have listed the most common questions and my typical response.

How is your company holding up in the recession?

In my 32 years in the pay television industry I have experienced several recessions. This recession may be deeper or longer than the previous ones. But the good news is that pay television


The chores won't do themselves.

companies typically perform better than most "retail" companies in bad times.

It is my experience that during a recession, pay television companies have to work harder than ever for sales but the gains still come. Pay-per-view buys drop, as does the take up of tiers like the Rialto Channel. However, it is always a surprise to outsiders that during these hard times churn actually drops.

The recession even drives an increase in viewership because of the additional time spent at home. However, this increase is hard to monetise if you are totally dependent on advertising sales because businesses cut back on marketing. Fortunately less than ten percent of SKY's revenue is dependent on advertising sales.

I emphasise that this recession may be different from previous recessions but so far SKY is performing as I would expect.

What impact will the launch of MYSKY have on SKY and television in general?

I have been in the industry long enough to have experienced the launch of Nicam stereo sound television and interactive television. I have delivered pay television over cable, fibre, microwave, satellite and now even over 3G phones. Systems that I ran were some of the first to deliver pay-per-view options, Wrestlemania, CNN, MTV and HBO. But by far the greatest success of anything I have ever been involved with has been with the launch of MYSKY HDi.

The box is a triple treat. First of all it provides all the fantastic features of any PVR. It allows you to easily record your favourite show by merely pushing one button! You can "series link" which instructs the recorder to record every episode of your favourite television series with one command. If you are

watching the big game and get a phone call from your mother you can push "live pause". The decoder continues to record even though the last frame you saw remains on the screen. When the call is complete you can push play and start watching where you left off.

Most subscribers review the Electronic Programme Guide or SKY Watch and then pick their favourite programmes from several different channels. They effectively build their own channel.

The second key value of the MYSKY HDi is that it has HD capability. At the end of the year we had 50,133 HD customers. With the seven channels of HD, SKY has become the home of HD.

Finally "i" in HDi stands for internet capability. As mentioned earlier we now have over 80,000 MYSKY HDi boxes in the field. When we have a critical mass in the field of around 200,000 we will start downloading content on demand.

Aren't you concerned that the internet will become a threat to your business?

It could be, but I believe it is actually an opportunity rather than a threat. In a way, the internet is nothing more or less than another platform over which to deliver content . When we were just a four

TV's great at any time. But it's best when you feel like you've really earned it.


Don't miss a single detail.
LCL
BANQUE
LCL
BANQUE
ASTANA

channel UHF network everyone used to ask me "aren't you afraid that satellite television will destroy your business?" I always answered "why wouldn't we use the satellite to deliver the content?" When the technology and economics of satellite delivery methods finally came together we had a prime location on the corner.

Today the state of the internet in New Zealand does not lend itself to a good user experience. Low broadband speeds and data caps can keep it from being a viable business. This forced us to shut down our SKY online service because of feedback we received from customers.

Frankly, we entered the market a year or two too soon. Economics and technology will soon improve and we will be back.

In the United States where fast and uncapped broadband is commonplace, you can see the impact on both the free-to-air and pay television industry. To date the internet has had limited impact on pay television. In fact it is pay television that seems to be using the internet to its advantage.

Will the launch of Freeview damage SKY?

All around the world Governments are trying to convert analogue broadcasters to digital. The reasons for the move are purely economic. The digital technology allows the existing channels to be squeezed into a tighter area of bandwidth. Once all television stations are converted, Governments can convert the old analogue spectrum to digital and then sell the "increase" in spectrum to the highest bidder, probably telecommunications firms who will use the spectrum for wireless internet.

There are several countries such as the United Kingdom and the United States who have already started making the conversion. In all countries this conversion

did not damage the pay television operators; just the opposite happened.

The analogue shut-off forces the consumer to make a decision to move to digital. If the US and UK are examples, there is just as much chance that the decision will be to move to pay television.

During the transition to digital, new free-to-air channels will open up. The problem is that television advertising revenue does not increase. Therefore you end up with more channels, increased cost of content, the viewers spread over more channels with the overall revenue remaining the same.

I look forward to discussing SKY's performance with you at our annual general meeting at the Stamford Plaza Hotel in Auckland on 29 October 2009.

John Fellet

John Fellet
Chief Executive Officer

Sport in high definition is so real, sometimes you feel like you're taking part.

Business Overview

SUBSCRIBERS

01 SKY has continued to increase its total subscriber base in the year to 30 June 2009, adding a net 30,326 subscribers, an increase of 4.1%. This compares to the 37,365 net subscribers added in the comparative period.

During the year 4,862 (15.4%) subscribers migrated from the UHF to the satellite network, compared to 17,153 (31.56%) in the previous year. SKY stopped marketing its UHF service in 2008 due to the planned decommissioning of this network in 2010.

There were 23,172 subscribers on the UHF network at 30 June 2009, compared to 742,991 subscribers on the DBS satellite platform and Telstra's cable network. There were 12,739 "other" subscribers which includes subscribers to SKY's commercial music business SKY DMX Music and its online DVD rental business, Fatso.

In addition to these subscribers, there were 7,800 subscribers to "SKY Mobile TV" on the Vodafone 3G mobile phone network at 30 June 2009, compared to 8,427 at 30 June 2008.

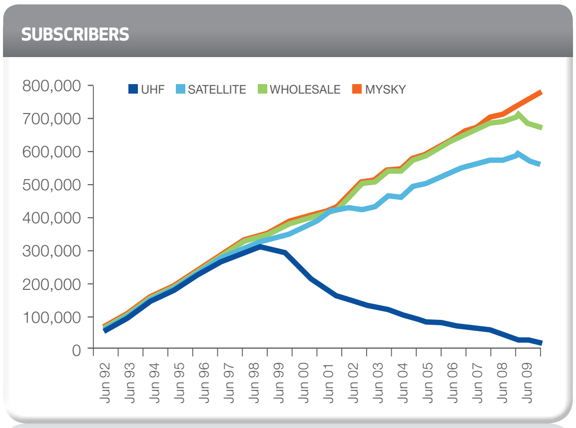
CHURN

02 Churn is a measure of the percentage of subscribers who disconnect their service either voluntarily or due to a failure to pay their account. SKY calculates churn on a rolling gross annual basis, which means that each month we calculate the subscribers who have disconnected as a percentage of the average subscribers for that month and total these monthly percentages over the preceding 12 months.

Annual gross churn has decreased to 14.0% during the 2009 year from 14.9% last year. This decrease in churn reflects lower churn of 9.9% in MYSKY homes compared to churn of 14.3% in standard digital homes.

MYSKY churn has the potential to drop below this level as some of the higher churn months can be attributed to specific marketing campaigns that were offered during the launch of the MYSKY HDi services and these will not be repeated.

01



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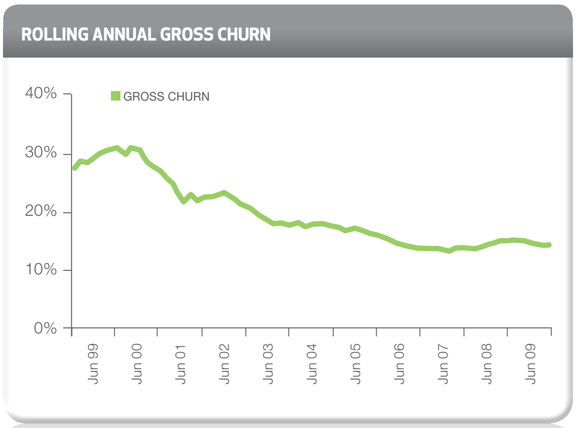


VIEWING

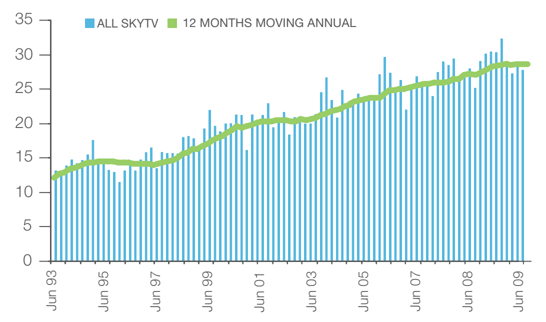
03 SKY's share of television viewing in New Zealand homes increased from 26.9% in 2008 to 28.6% in 2009. This share of viewing was achieved from the 47% of households that have access to SKY. The trend in SKY's viewing share over recent years is illustrated in graph 03.

04 SKY subscribers have increased the amount of time they spend watching SKY each month from 141 hours last year to 152 hours in 2009, an increase of 7.8%. The average total time subscribers watch television has also increased from 246 hours per month to 274 hours, an increase of 11.4%. 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 graph 04.

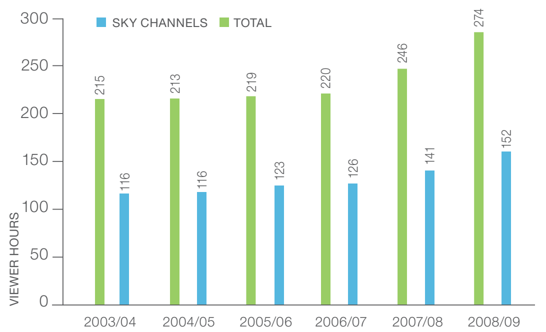
While over recent years most of the growth in SKY's viewing has been on its start up tier of channels, this has not been the case this year with viewing on the Movie channels increasing by 26% and the Sports channels by 14%, compared to a 14% increase in viewing on the start up tier of channels.

05 This increase in viewing on the Movie and Sports channels cannot be attributed to the broadcast of these channels in HD, as the Neilson panel from which this viewing information is obtained specifically excludes MYSKY HDi homes. We attribute growth in Movie channels viewership to the success of time-shifting of SKY Movies 1 content to Sky Movies 2 and the quality of the content on SKY Movies Greats, which is library content specifically selected by SKY. The growth of SKY Sport can be attributed to a greater focus on our prime time schedule and also the impact of the Rugby World Cup on viewing patterns in the 2008 comparative year.

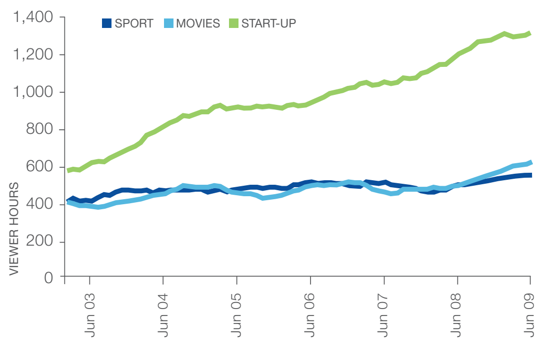
03 SKY TV % SHARE OF VIEWING IN ALL NZ HOMES



04 AVERAGE HOURS VIEWING SKY DIGITAL PER MONTH, PER SUBSCRIPTION



05 SKY VIEWER HOURS GENERATED PER SUBSCRIBER PER ANNUM



Business Overview (continued)

06 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 27% to 23%. A total of 1,827,117 PPV buys were purchased in 2009 compared to 2,009,250 buys purchased in 2008.

PROGRAMMING INITIATIVES

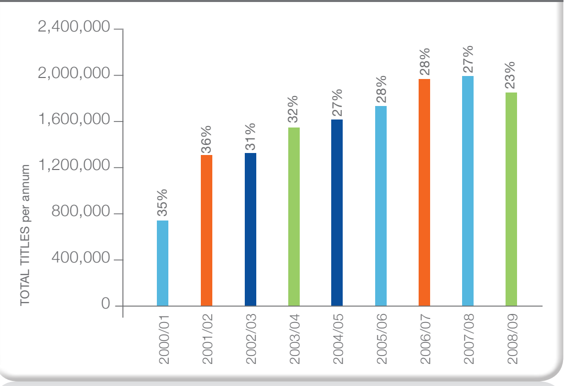
Programming initiatives in 2009 were not so focused on new channel launches but rather on the launch of high definition "HD" television. HD television is the broadcast of very high quality pictures that enables the viewer at home to fully experience the visual detail and surround sound of a movie, television series or sporting event. In August 2008 SKY launched two HD movie and two HD sport channels, and since June 2009 has also been carrying the free-to-air channels TVONE, TV2 and TV3 in HD on its platform.

SKY is currently broadcasting over 20 hours per day of HD sport content on the two sport channels and around 95% of the movies on SKY Movies 1 and SKY Movies Greats are in HD. The level of HD content could be expected to increase over time as more content is filmed and made available in HD.

To receive SKY programs in HD, subscribers must have an HD television set, a MYSKY HDi decoder and pay an additional $10.00 per month.

New channels launched in 2009 include Comedy Central and the Country Channel. Comedy Central is New Zealand's first 24/7 comedy channel and caters to many different tastes. The line up includes classic comedy shows such as *Mash* and *Seinfield*, the latest hits like *How I met your Mother* and *Reno 911* and stand up comedy specials starring some of the world's best comedians. Comedy Central is exclusive to SKY. The Country Channel was launched as a premium tier channel in October 2008. This channel offers a broad range of programming targeted at rural New Zealand and covers many different subjects including agricultural, pastoral, dairy, new technology, best land utilisation, rural weather and international trends along with classic country based dramas.

06 PPV BUYS WITH BUY RATE%



MYSKY HDI

The new MYSKY HDi decoder was launched in August 2008. At 30 June 2009, 85,681 MYSKY HDi decoders had been installed. The total number of MYSKY decoders installed at 30 June 2009, including the original standard definition decoders launched in December 2005, was 103,991. Twenty one percent of MYSKY installs in 2009 were to new SKY subscribers.

Subscribers have had the choice of paying a one-off installation fee of $599 (incl GST) for a MYSKY HDi decoder or a lower installation fee with an ongoing monthly fee of $15 (incl GST).

As at 30 June 2009, 12% of subscribers had opted to pay the up front fee. MYSKY HDi subscribers also have the option of paying $10 per month (incl GST) to receive SKY's HD channels, or paying $25 per month (incl GST) for a multiroom decoder including access to SKY's HD channels. At 30 June, 17% of MYSKY HDi subscribers had opted to purchase the SKY HD channels and 41% had installed multiroom. This means 58% of the MYSKY subscribers were receiving HD services. The ARPU from MYSKY subscribers to 30 June 2009 was $78.02.

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.

07 The monthly retail prices (incl GST) of SKY's most popular packages at 30 June are shown in table 07.

08 Subject to limited restrictions, subscribers can alter the packages that they subscribe to at any time, so there is always movement in the number of subscribers subscribing to different services. Table 08 summarises the percentage of subscribers to each of SKY's core services at 30 June.

The rate of decline in subscribers to SKY's premium package of "Start up + Movies + Sport" has reduced with the penetration of this package declining by 1% to 38%, compared to a 4% decline in the previous year. The penetration of the "Start up + Sport" package has increased from 35% to 36%. A total of 506,240 subscribers receive SKY Sports tier, compared to 485,455 last year.

The "Start up + Movies" tier has maintained an 8% share of the subscriber base.

07

PRICE PER MONTH	2009	2008
	$	$
Start up	48.43	46.78
Start up + Movies	68.19	66.58
Start up + Sports	65.19	63.05
Start up + Sports + Movies	**82.95**	**80.80**

08

SUBS BY TIER	2009	2008
Start up + Sports + Movies	38%	39%
Start up + Sports	36%	35%
Start up + Movies	8%	8%
Other	18%	18%

Business Overview (continued)

There have been small declines in the number of subscribers to SKY's premium tier channels The Rugby Channel, Rialto, The Arts Channel and the interactive games services, Playin TV and Mind Games. The Hindi channel STAR PLUS has continued to add subscribers during the year, totaling 7,205 at 30 June 2009.

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. Chart 09 indicates the number of Big Mac hamburgers it would take to purchase a full package of pay TV services in a particular country.

09 Chart 09 highlights that SKY continues to have the most affordable offering based on this measure. 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.

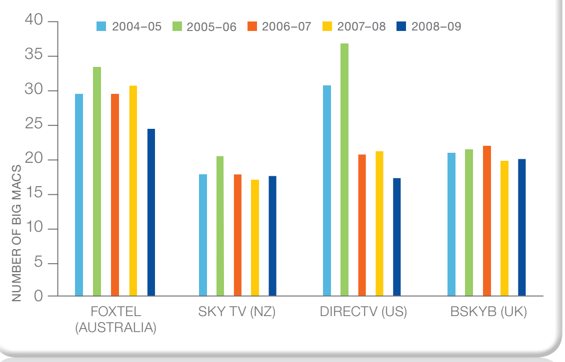
ACTIVATIONS

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 2009 was 220,235 compared to 219,662 in 2008.

There are around 1.2 million homes in New Zealand that have been installed with a SKY satellite dish, which represents approximately 75% of New Zealand homes. The benefit of this is that around 61% of SKY's activations were "decoder" only installs in 2009, which are significantly cheaper than the cost of a full install that includes a dish, telephone jack, internal wiring and labour costs.

10 SKY is continuing to market its "multi-room" service to subscribers, which enables 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 shown in table 10.

09 BIG MAC INDEX



10

	2009	2008
Multiroom UHF	12,086	18,953
Multiroom Satellite	91,888	65,817
Total Multiroom	103,974	84,770

INSTALLATION COSTS

The majority of SKY's capital expenditure reflects the cost of installing new subscribers. The success of MYSKY HDi has meant that SKY no longer has to acquire standard digital decoders as these decoders are recycled from existing subscribers migrating to the new MYSKY HDi decoder.

In 2009 , the average cost of installing digital subscribers reflected the material/labour cost of $308 and the average cost of a MYSKY HDi decoder was $546.

SATELLITE

SKY is currently utilising six transponders on the Optus D1 satellite.

Optus launched the D2 satellite at the 152° E position in October 2007 and the D3 satellite is scheduled to be launched in August 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 approximately 700,000 homes have been fitted with the new dual LNB.

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 SKY's channels were migrated by October 2008. SKY is currently completing upgrade of its post production facilities, with this work scheduled to be completed by December 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 that trades under the name Fatso.

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 full online service with movies being downloaded or streamed to subscribers.

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.

FREEVIEW

In 2006 the Government announced and 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 only covers around 70% of the population, a satellite platform

Business Overview (continued)

offering 100% coverage has also been launched. FreeView report that at 30 June 2009, 15.9% (255,048) of New Zealand homes have access to the FreeView television platform.

To encourage New Zealanders to convert, the Government also assisted in funding additional channels that include Te Reo, Parliament TV, TVNZ6 and TVNZ7.

SKY's satellite decoders are able to receive the FreeView satellite signals and Sky now carries all of the national FreeView satellite channels on its platform following TVNZ's recent decision to allow SKY to carry its FreeView channels TVNZ6 and TVNZ7. This is of significant benefit to these FreeView channels as it means they can be viewed in the 47% of homes that access SKY's pay television platform.

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 is attractive to viewers who have difficulty receiving free-to-air analogue television signals. We have been expecting this subscription tier to be impacted by the growth of FreeView and have been surprised by its continued growth, with the number of subscribers increasing from 35,541 at 30 June 2008 to 38,246 at 30 June 2009, an increase of 7.6%.

SKY ONLINE

In May 2008 SKY launched a new service, SKY Online. This service enabled subscribers to download and stream video content over the internet to their PC. We were disappointed with the uptake of this service and attribute this to the low speeds and data caps that exist in current broadband plans, as well as limitations with the media player that subscribers were required to download.

The service was discontinued in July 2009. We still believe there is an opportunity for SKY to offer premium video content to subscribers via their PCs and this service may be re-launched in the future.

GOVERNMENT REGULATORY REVIEW

In April 2007, under the then Labour Government, 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.

The new Government commissioned a review of the work undertaken by MCH and Ministry of Economic Development and announced on 7 April 2009 that the previous Government's digital broadcasting regulatory review will not proceed further.

WHOLESALE PARTNERSHIPS

SKY currently wholesales its pay television services with telecommunication companies TelstraClear, Vodafone and Telecom, who bundle SKY's services with their telephony and broadband offerings.

SKY benefits from the additional marketing efforts of these telecommunication companies as they promote their bundled services, while they benefit by being able to offer their customers access to SKY's premium television content.

SKY recently renewed its agreement with TelstraClear for a further four years to January 2013 and entered into a new reseller agreement with Vodafone in December 2008 for a period of three years. SKY's agreement with Telecom is currently rolling on a 60 days' notice basis as negotiations continue on the terms and conditions of renewing their agreement.

SANZAR

SKY currently owns the exclusive New Zealand television rights to the SANZAR rugby competitions, which includes the rights to the Tri Nations test matches, Super 14 competition and the Air New Zealand Cup. SKY also acts as the host television broadcaster in New Zealand and will produce over 144 games of rugby in the 2009 calendar year.

The contract expires in December 2010 and negotiations are currently underway to renew this contract for a further term.

Financial Overview

SUMMARY

SKY has earned a net profit after tax ("NPAT") of $88.1million for the year ended 30 June 2009, a 10% decrease on the previous year's net profit after tax of $97.7 million.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") decreased by 2.1% to $261.0 million.

The results are summarised as follows:

FOR THE YEARS ENDED 30 JUNE IN NZD MILLIONS	2009	2008	% INC/(DEC)
Financial performance data			
Total revenue	**692.0**	658.8	5.0
Total operating expenses	**431.0**	392.2	9.9
EBITDA	**261.0**	266.6	(2.1)
Less			
Depreciation and amortisation	**96.1**	78.0	23.2
Net interest expense and financing charges	**37.0**	44.0	(15.9)
Unrealised losses/(gains) on currency and other	**2.1**	.5	320.0
Net profit before income tax	**125.8**	144.1	(12.7)

A more detailed commentary on these results is provided below.

REVENUE ANALYSIS

SKY's total revenue increased by 5.0% to $692.0 million, as follows:

FOR THE YEARS ENDED 30 JUNE IN NZD MILLIONS	2009	2008	% INC/(DEC)
Residential	**555.2**	515.6	7.7
Commercial	**36.5**	34.8	4.9
SKYWATCH	**12.3**	11.8	4.2
Total subscription revenue	**604.0**	562.2	7.4
Advertising	**57.8**	66.5	(13.1)
Installation, programme sales and other	**30.2**	30.1	0.3
Total other revenue	**88.0**	96.6	(8.9)
Total revenue	**692.0**	658.8	5.0

Residential subscription revenue increased 7.7% to $555.2 million reflecting a 4.1% increase in subscribers and a 3.1% increase in average revenue per subscriber ("ARPU"). ARPU is a measure of the average revenue that SKY earns from subscribers each month.

Financial Overview (continued)

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

NZD	2009	2008	% INC/(DEC)
UHF	**37.24**	38.83	(4.1)
DBS excluding wholesale	**66.57**	66.12	0.7
DBS and wholesale	**53.30**	52.15	2.2
MYSKY	**78.02**	–	–
Total UHF and DBS excluding wholesale	**65.31**	64.08	1.9
Total UHF, DBS and MYSKY including wholesale	**64.00**	62.10	3.1

Commercial revenue is the revenue earned from SKY installations at hotels, motels, restaurants and bars throughout New Zealand. This revenue increased 4.9% to $36.5 million in 2009, reflecting a 0.6% 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 4.2% to $12.3 million. There were 425, 893 subscribers to SKYWATCH at 30 June 2009, an increase of 0.1% from the 425,285 subscribers at 30 June 2008.

Advertising sales revenue decreased 13.1% to $57.8 million in 2009. This decrease is attributable to a $4.7 million decrease in Prime revenues from $26.5 million in 2008 to $21.8 million in 2009. Pay television advertising revenues reduced from $40.0 million in 2008 to $36.0 million in 2009, a decrease of $4.0 million (10%).

Installation, programme sales and other revenues increased by 0.3% to $30.2 million in 2009. There has been a $4.0 million decline in satellite installation revenues to $4.3 million offset by a $4.4 million increase in MYSKY install revenues to $8.9 million.

EXPENSE ANALYSIS

A further breakdown of SKY's operating expenses for 2009 and 2008 is provided below:

		% OF REVENUE		% OF REVENUE	% INC/(DEC)
IN NZD MILLIONS	2009	2009	2008	2008	
Programming	**230.0**	**33.2**	209.7	31.9	9.7
Subscriber management	**54.5**	**7.9**	45.1	6.8	20.8
Broadcasting and infrastructure	**70.3**	**10.2**	61.5	9.3	14.3
Sales and marketing	**41.7**	**6.0**	39.8	6.1	4.8
Advertising	**17.2**	**2.5**	19.8	3.0	(13.1)
Other administrative	**17.3**	**2.5**	16.2	2.5	6.8
Depreciation and amortisation	**96.1**	**13.9**	78.0	11.8	23.2
Total operating expenses	**527.1**	**76.2**	470.1	71.4	12.1

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	2009	2008	% INC/(DEC)
Programme rights	**179.3**	169.5	5.8
Programme operations	**50.7**	40.2	26.1
Total	**230.0**	209.7	9.7

SKY's programming expenses have increased from 31.9% to 33.2% of revenue in 2009.

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 2009, SKY made US dollar operating expense payments at an average exchange rate of 67.1 cents compared to the 69.0 cent rate in the previous year. Based on the 2009 results, a one cent movement in the USD/NZD rate would have affected operating costs by around NZD 1.5 million.

During 2009 SKY's total rights cost of NZD 179.3 million included rights denominated in foreign currencies of USD 61 million (51% of total rights) and AUD 36 million (24% of total rights). These currencies were hedged at an average hedge rate of 67.1 cents for the USD and 84.2 cents for the AUD. If these costs had been converted at the spot rate total programme costs would have been approximately $190.6 million.

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 as SKY adds new sport content to its platform.

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.

Programme operations costs were up 26.1% to $50.7 million. Approximately $5.0 million of this increase is due to the costs of HD broadcasting including linking, tape and outside broadcast costs. There were also additional costs totalling around $4.5 million for producing New Zealand's Got Talent on Prime, the Rugby League World Cup and additional cricket games.

Financial Overview (continued)

In 2009, 59% of SKY's total programming costs of $230.0 million could be regarded as fixed costs, compared to 54% of the $209.7 million of programming costs in 2008.

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

In 2009 subscriber management costs increased $9.4 million (20.8%) to $54.5 million. This increase is primarily due to a $5.3 million (19%) increase in employee costs due to a 25% increase in call volumes during the year. This increase in calls is attributable to the launch of MYSKY HDi and the significant interest there has been in this product. Telecommunication costs were also up $1.0 million (33%) due to these higher call volumes. The other area where costs have increased during the year is bad debt expense, with these costs increasing from $3.3 million to $5.2 million, a 57% increase. Bad debts represent 0.75% of SKY's revenue, up from 0.50% last year. This is reflective of the difficult economic environment that has prevailed during the year.

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 4.8% to $41.7 million in 2009.

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 decreased 13.1% to $17.2 million, reflecting the lower advertising revenues in 2009.

Broadcasting and infrastructure costs consist of transmission and linking costs for transmitting SKY and Prime's UHF signals from their studios in Auckland to other locations in New Zealand and the costs of operating SKY's television stations at Mount Wellington and Albany. The costs of leasing an additional sixth transponder on the Optus D1 satellite are included, as are the costs of operating the new digital television station and high definition television broadcasting.

Broadcasting and infrastructure costs increased by $8.8.million (14.3%) to $70.3 million.

Other administrative costs include the overhead costs relating to corporate management and the finance department. These costs have increased by 6.8% to $17.3 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.

Depreciation and amortisation costs increased by $18.1 million (23.2%) to $96.1 million. $10.1 million of this increase is due to depreciation on the new television station and $7.2 million of the increase is for MYSKY depreciation. These decoders which are more expensive are depreciated over four years versus the five years for standard digital decoders.

Interest and financing costs have reduced by 15.9% to $37.0 million due to SKY's weighted average interest cost decreasing from 8.4% in 2008 to 7.2% in 2009, as follows:

	2009	2008
Bank loans	**7.0%**	7.9%
Bonds	**7.4%**	9.2%
Combined weighted average	**7.2%**	8.4%

Taxation expense has decreased by $8.7 million (18.8%) to $37.7 million reflecting the $18.3 million (12.7%) decrease 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 five years is summarised as follows:

IN NZD MILLIONS	2009	2008	2007	2006	2005
Satellite transponder lease	**–**	–	–	–	2.4
Subscriber equipment	**63.2**	22.4	24.0	25.9	21.6
Installation costs	**46.5**	40.2	38.0	36.4	36.6
Building	**0.9**	2.7	2.2	1.7	5.4
PVR project	**–**	–	–	9.0	5.5
Broadcast upgrade [1]	**8.6**	42.6	12.3	8.1	–
Other	**13.0**	11.6	4.9	5.7	4.5
Total capital expenditure	**132.2**	119.5	81.4	86.8	76.0

[1] Includes $9.8 million for Prime broadcasting upgrade in 2006 and 2007.

Capital expenditure increased by $12.7 million (10.6%) in 2009 to $132.2 million.

The most significant increase in capital expenditure was a $40.8 million increase in subscriber equipment expenditure. This is a result of spending $54.0 million on purchasing new MYSKY HDi decoders, compared to $9.4 million spent on MYSKY decoders in the previous year. There was a $4.0 million reduction in capital spent on standard digital decoders to $9.1 million as we were able to recycle decoders being returned from MYSKY HDi homes. There was also a reduction on spending on the Broadcast Upgrade project as the new TV station facility was commissioned in August 2008.

Board of Directors







From left to right – Peter Macourt, Robert Bryden, John Fellet, Michael Miller, John Hart, Humphry Rolleston, John Waller

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, Foxtel Management Pty Limited, Fox Entertainment Precinct Pty Limited, Premier Media Group Pty Limited and various other companies. He holds a degree in commerce from the University of New South Wales.

ROBERT BRYDEN – DEPUTY CHAIRMAN

Mr Bryden was appointed a director of SKY in 1990 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, Todd Winegrowers Limited, Crown Castle Australia Pty Limited and various other companies. 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 television 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 News Limited's Group Marketing Director for eight years. Mr Miller is a director of Rugby International Pty Limited, News Limited, Premier Media Group Pty Limited and various other companies. 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 is also a former coach of the All Blacks. 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's other directorships include Bayley Corporation Limited, New Zealand Warriors Limited and Global Rugby Enterprises 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, Matrix Security Limited, Infratil Limited and various other companies.

JOHN WALLER – DIRECTOR

Mr Waller was appointed as a director of SKY and member of the Audit Committee in April 2009. He was a partner at PricewaterhouseCoopers for over 20 years, was a member of their Board and led their Advisory practice.

He is the Chairman of the BNZ, and a director of Fonterra Co-operative Group Limited, National Australia Bank Limited, Alliance Group Limited, Donaghys Limited and various other companies. He is also on the NZ Takeovers Panel, a member of the Auckland Transition Authority, Chairman of the Eden Park Redevelopment Board and a Trustee of Eden Park.

2009 Financials

SKY NETWORK TELEVISION LIMITED

Financial trends statement

The selected consolidated financial data set out below have 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 2009, 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 2005 to 2009, prepared under NZ IFRS are not comparable to the SKY (premerger) years.

INCOME STATEMENT – FIVE YEAR SUMMARY

			NZ IFRS			SKY (PREMERGER)
For the years ended 30 June **IN NZD 000**	**2009 (3)**	**2008 (3)**	**2007 (3)**	**2006 (3)**	**2005 (3)**	**2005**
Total revenue	**691,959**	658,751	618,458	548,954	492,359	489,381
Total operating expenses (1)	**430,998**	392,168	369,094	301,216	272,497	258,853
EBITDA (2)	**260,961**	266,583	249,364	247,738	219,862	230,528
Less/(Plus)						
Depreciation and amortisation	**96,076**	77,971	84,988	106,077	111,304	119,303
Net interest expense and financing charges	**36,559**	43,866	46,550	50,615	(4,672)	15,238
Unrealised losses on currency and other	**2,524**	684	58	1,003	2,130	2,130
Net profit before income tax	**125,802**	144,062	117,768	90,043	111,100	93,857

BALANCE SHEET – FIVE YEAR SUMMARY

			NZ IFRS			SKY (PREMERGER)
As at 30 June **IN NZD 000**	**2009 (3)**	**2008 (3)**	**2007 (3)**	**2006 (3)**	**2005 (3)**	**2005**
Property, plant , equipment and non-current intangibles	**315,665**	279,650	237,440	241,862	256,632	273,106
Goodwill	**1,423,427**	1,423,077	1,422,115	1,422,115	829,990	–
Total assets	**1,872,797**	1,834,656	1,780,181	1,818,831	1,476,974	409,580
Total debt and lease obligations	**500,550**	501,983	531,415	610,017	146,034	146,034
Working capital (4)	**(6,658)**	(21,791)	(22,580)	19,814	282,245	(13,572)
Total liabilities	**666,272**	652,998	664,870	720,062	239,387	262,688
Total equity surplus	**1,206,525**	1,181,658	1,115,311	1,098,769	1,237,587	146,892

(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 2005 to 2009 are prepared in accordance with NZ IFRS. SKY (premerger) figures 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	2009	2008	2007	2006	2005	2005
Capital expenditure (accrual basis) (1)	**132,178**	119,465	81,416	86,854	76,020	76,020
Free cash inflows/(outflows) (2)	**58,049**	83,917	92,410	(56,187)	437,602	145,867

(1) This does not include assets purchased as part of the acquisition of "The Arts Channel" in 2009, Screen Enterprises Limited in 2008 and Prime during 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:

Total UHF, DBS and other subscribers

As at 30 June	2009	2008	2007	2006	2005
Subscribers – UHF:					
Residential	**22,772**	31,134	53,679	64,927	77,762
Commercial	**400**	521	667	780	888
Total UHF	**23,172**	31,655	54,346	65,707	78,650
Subscribers – DBS (Satellite):					
Residential	**623,564**	578,016	529,830	492,381	442,385
Residential – wholesale (2)	**111,260**	120,170	113,961	97,812	89,654
Commercial	**8,167**	7,995	7,789	7,234	6,437
Total DBS	**742,991**	706,181	651,580	597,427	538,476
Subscribers – Other: (3)	**12,739**	10,740	5,285	4,136	2,042
Total subscribers	**778,902**	748,576	711,211	667,270	619,168
Total number of households in New Zealand (1)	**1,603,400**	1,584,800	1,566,800	1,548,700	1,530,300
Percentage of households subscribing to the SKY network:					
Total UHF and DBS – residential	**47.2%**	46.0%	44.5%	42.3%	39.8%
Gross churn rate (4)	**14.0%**	14.9%	13.4%	13.5%	15.8%
Average monthly revenue per residential subscriber:					
UHF	**37.24**	38.83	39.68	39.51	39.42
DBS excluding wholesale	**66.57**	66.12	64.88	63.13	62.49
DBS and wholesale	**53.30**	52.15	50.88	48.39	46.27
MYSKY	**78.02**	n/a	n/a	n/a	n/a
Total UHF and DBS excluding wholesale	**65.31**	64.08	62.27	60.01	58.68
Total UHF, DBS and MYSKY including wholesale	**64.00**	62.10	60.50	58.30	56.86
Additional outlets					
UHF	**12,086**	18,953	24,400	29,503	29,417
Satellite	**91,888**	65,817	49,351	28,806	20,252
Total	**103,974**	84,770	73,751	58,309	49,669

(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, Telecom & Vodafone.

(3) Includes subscribers to programmed music and online DVD rentals via SKY's subsidiary companies, SKY DMX Music Limited and Screen Enterprises Limited.

(4) Gross churn refers to the percentage of residential subscribers over 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 statements of the Company and the Group as at 30 June 2009 and their balance sheets 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 2009.

The board of directors of Sky Network Television Limited authorise these financial statements for issue on 20 August 2009.

For and on behalf of the board of directors

Peter Macourt
Chairman

Robert Bryden
Director

Date: 20 August 2009

Income statement

FOR THE YEAR ENDED 30 JUNE 2009

		GROUP		COMPANY	
IN NZD 000	NOTES	30 JUN 09	30 JUN 08	30 JUN 09	30 JUN 08
REVENUE					
Residential satellite subscriptions	30	**534,982**	488,094	**534,982**	488,094
Other subscriptions	30	**69,021**	74,091	**69,021**	74,091
Installation		**16,210**	16,086	**16,191**	16,064
Advertising		**57,713**	66,451	**57,713**	66,451
Other income		**14,033**	14,029	**9,633**	13,043
		691,959	658,751	**687,540**	657,743
EXPENSES					
Programme rights		**179,293**	169,515	**179,127**	169,324
Programme operations		**50,732**	40,221	**50,732**	40,221
Subscriber management		**54,506**	45,118	**51,714**	44,625
Sales and marketing		**41,690**	39,821	**41,390**	39,810
Advertising		**17,214**	19,760	**17,214**	19,760
Broadcasting and infrastructure		**70,261**	61,503	**70,131**	61,373
Depreciation and amortisation	6	**96,076**	77,971	**94,717**	77,812
Corporate		**17,302**	16,230	**17,174**	16,407
		527,074	470,139	**522,199**	469,332
Operating profit		**164,885**	188,612	**165,341**	188,411
FINANCIAL (EXPENSE)/INCOME					
Interest expense		**(36,559)**	(43,568)	**(36,576)**	(43,568)
Other financial income	28/7	**–**	–	**–**	2,349
Realised exchange loss		**(438)**	(298)	**(438)**	(298)
Unrealised exchange loss		**(2,086)**	(476)	**(2,086)**	(476)
	7	**(39,083)**	(44,342)	**(39,100)**	(41,993)
Share of loss from equity accounted investee	15	**–**	(208)	**–**	–
Profit before tax		**125,802**	144,062	**126,241**	146,418
Income tax expense	8	**37,658**	46,376	**37,638**	46,359
Profit after tax		**88,144**	97,686	**88,603**	100,059
Attributable to equity holders of the company		**88,375**	97,709	**88,603**	100,059
Minority interest		**(231)**	(23)	**–**	–
		88,144	97,686	**88,603**	100,059
EARNINGS PER SHARE					
Basic and diluted earnings per share (cents)	9	**22.71**	25.11		

Balance sheet

AS AT 30 JUNE 2009

		GROUP		COMPANY	
IN NZD 000	NOTES	30 JUN 09	30 JUN 08	30 JUN 09	30 JUN 08
CURRENT ASSETS					
Cash and cash equivalents		**14,555**	18,817	**13,982**	18,478
Trade and other receivables	10	**64,418**	58,549	**64,626**	58,735
Programme rights	11	**35,281**	32,221	**35,281**	32,221
Derivative financial instruments	20	**11,550**	8,154	**11,550**	8,154
Income tax receivable		**–**	8	**–**	–
		125,804	117,749	**125,439**	117,588
NON-CURRENT ASSETS					
Property, plant and equipment	12	**291,025**	254,876	**290,210**	253,850
Other intangible assets	13	**24,640**	24,774	**24,335**	24,201
Shares in subsidiary companies	14	**–**	–	**4,007**	4,007
Goodwill	16	**1,423,427**	1,423,077	**1,422,465**	1,422,115
Derivative financial instruments	20	**7,901**	14,180	**7,901**	14,180
		1,746,993	1,716,907	**1,748,918**	1,718,353
Total assets		**1,872,797**	1,834,656	**1,874,357**	1,835,941
CURRENT LIABILITIES					
Trade and other payables	18	**120,409**	130,516	**119,730**	130,013
Income tax payable		**1,341**	421	**1,333**	421
Derivative financial instruments	20	**10,712**	8,603	**10,712**	8,603
		132,462	139,540	**131,775**	139,037
NON-CURRENT LIABILITIES					
Borrowings	19	**302,732**	304,464	**302,732**	304,464
Bonds	19	**197,818**	197,519	**197,818**	197,519
Deferred tax	17	**16,753**	4,308	**16,753**	4,308
Derivative financial instruments	20	**15,780**	6,320	**15,780**	6,320
Provisions	21	**727**	847	**727**	847
		533,810	513,458	**533,810**	513,458
Total liabilities		**666,272**	652,998	**665,585**	652,495
EQUITY					
Share capital	22	**577,403**	577,403	**577,403**	577,403
Hedging reserve	23	**(2,561)**	6,236	**(2,561)**	6,236
Retained earnings	24	**631,272**	597,377	**633,930**	599,807
Total equity attributable to equity holders of the Company		**1,206,114**	1,181,016	**1,208,772**	1,183,446
Minority interest		**411**	642	**–**	–
Total equity		**1,206,525**	1,181,658	**1,208,772**	1,183,446
Total equity and liabilities		**1,872,797**	1,834,656	**1,874,357**	1,835,941

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2009

IN NZD 000	NOTES	SHARE CAPITAL	HEDGING RESERVE	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
GROUP						
Balance at 1 July 2008		577,403	6,236	597,377	642	**1,181,658**
Profit for the year		–	–	88,375	(231)	**88,144**
Fair value losses net of tax	23	–	(8,797)	–	–	**(8,797)**
Total recognised income for the year		–	(8,797)	88,375	(231)	**79,347**
Dividend paid	22	–	–	(54,480)	–	**(54,480)**
Supplementary dividends		–	–	(5,806)	–	**(5,806)**
Foreign investor tax credits		–	–	5,806	–	**5,806**
Balance at 30 June 2009		577,403	(2,561)	631,272	411	**1,206,525**
Balance at 1 July 2007		577,403	(8,457)	546,365	–	**1,115,311**
Acquisition of subsidiary	28	–	–	–	665	**665**
Profit for the year		–	–	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	22	–	–	(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**
COMPANY						
Balance at 1 July 2008		577,403	6,236	599,807	–	**1,183,446**
Profit for the year		–	–	88,603	–	**88,603**
Fair value losses net of tax	23	–	(8,797)	–	–	**(8,797)**
Total recognised income for the year		–	(8,797)	88,603	–	**79,806**
Dividend paid	22	–	–	(54,480)	–	**(54,480)**
Supplementary dividends		–	–	(5,806)	–	**(5,806)**
Foreign investor tax credits		–	–	5,806	–	**5,806**
Balance at 30 June 2009		577,403	(2,561)	633,930	–	**1,208,772**
Balance at 1 July 2007		577,403	(8,457)	546,445	–	**1,115,391**
Profit for the year		–	–	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	22	–	–	(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**

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2009

IN NZD 000	NOTES	GROUP 30 JUN 09	GROUP 30 JUN 08	COMPANY 30 JUN 09	COMPANY 30 JUN 08
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Customers		**687,175**	655,132	**682,772**	654,168
Interest received		**967**	1,489	**950**	1,489
Net GST received		**1,012**	–	**1,023**	–
		689,154	656,621	**684,745**	655,657
Cash was applied to:					
Suppliers and employees		**(375,880)**	(336,329)	**(372,603)**	(335,701)
Related parties		**(55,488)**	(52,274)	**(55,488)**	(52,274)
Interest paid		**(39,769)**	(43,998)	**(39,769)**	(43,998)
Net GST paid		**–**	(2,555)	**–**	(2,607)
Income tax paid		**(14,263)**	(29,088)	**(14,250)**	(29,068)
		(485,400)	(464,244)	**(482,110)**	(463,648)
NET CASH FROM OPERATING ACTIVITIES		**203,754**	192,377	**202,635**	192,009
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		**36**	126	**36**	126
Acquisition of property, plant, equipment and intangibles		**(144,933)**	(107,936)	**(144,048)**	(107,803)
Acquisition of subsidiary and business	28	**(808)**	(650)	**(808)**	(650)
NET CASH USED IN INVESTING ACTIVITIES		**(145,705)**	(108,460)	**(144,820)**	(108,327)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings – bank loan (net)		**(2,000)**	(30,000)	**(2,000)**	(30,000)
Payment of bank facility fees		**(25)**	(25)	**(25)**	(25)
Dividends paid		**(60,286)**	(51,677)	**(60,286)**	(51,677)
NET CASH USED IN FINANCING ACTIVITIES		**(62,311)**	(81,702)	**(62,311)**	(81,702)
Net (decrease) / increase in cash and cash equivalents		**(4,262)**	2,215	**(4,496)**	1,980
Cash and cash equivalents at beginning of year		**18,817**	16,602	**18,478**	16,498
Cash and cash equivalents at end of year		**14,555**	18,817	**13,982**	18,478

Statement of cash flows (continued)

FOR THE YEAR ENDED 30 JUNE 2009

		GROUP		COMPANY	
IN NZD 000	NOTES	30 JUN 09	30 JUN 08	30 JUN 09	30 JUN 08
RECONCILIATION OF OPERATING CASH FLOWS WITH NET PROFIT					
Profit after tax		**88,144**	97,686	**88,603**	100,059
Plus/(Less) non-cash items:					
Depreciation and amortisation	6	**96,076**	77,971	**94,717**	77,812
Unrealised foreign exchange loss	7	**2,086**	476	**2,086**	476
Bad debts and movement in provision for doubtful debts	6	**5,172**	3,259	**5,174**	3,252
Amortisation of bond issue costs	7	**299**	300	**299**	300
Movement in deferred tax	8	**16,215**	10,167	**16,215**	10,167
Share of loss/impairment of equity accounted investee	15	**–**	208	**–**	208
Other non-cash items		**(331)**	1,383	**(331)**	1,388
ITEMS CLASSIFIED AS INVESTING ACTIVITIES:					
Loss/(gain) on disposal of assets		**33**	(70)	**33**	(2,419)
MOVEMENT IN WORKING CAPITAL ITEMS:					
Increase in receivables		**(5,483)**	(4,812)	**(5,410)**	(4,628)
(Decrease)/increase in payables		**(3,027)**	7,491	**(3,337)**	7,083
Increase in provision for tax		**7,180**	7,121	**7,196**	7,114
Increase in programme rights		**(2,610)**	(8,803)	**(2,610)**	(8,803)
Net cash from operating activities		**203,754**	192,377	**202,635**	192,009

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

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 2009 comprise the Company, Sky Network Television Limited and its subsidiaries. The Company financial statements are for SKY Network Television Limited as a separate legal entity.

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.

The Group acquired "The Arts Channel" on 10 October 2008. In the prior year, on 4 June 2008 the Group acquired a 51% interest in Screen Enterprises Limited, a newly formed company which 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 20 August 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements are for the year ended 30 June 2009. 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 2009) as applicable to SKY as a profit-oriented entity. The Group and Company are 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.

The Group has early adopted NZ IFRS 3: Business Combinations (Revised) in accordance with the transitional provisions of the standard.

NZ IFRS 3 (Revised) is applicable prospectively for annual periods beginning on or after 1 July 2009. The standard is amended for a number of areas as follows:

- transaction costs incurred in connection with the business combination are expensed when incurred and are no longer included in the cost of the acquiree.
- an acquirer recognises contingent consideration at fair value at the acquisition date. Subsequent changes in the fair value of such contingent consideration will often affect the income statement.
- an acquirer recognises either the entire goodwill inherent in the acquiree, independent of whether a 100% interest is acquired (full goodwill method), or only the portion of the total goodwill which corresponds to the proportionate interest acquired (as is currently the case under NZ IFRS 3).

In accordance with the transitional provisions of NZ IFRS 3 (Revised), the Group early adopted NZ IAS 27 (as amended in 2008) at the same time.

The early adoption of these standards has not resulted in a material impact on the Group's financial statements.

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

NZ IFRS 1: First Time adoption of New Zealand Equivalents to IFRSs (restructured) (*Effective date periods beginning on or after 1 July 2009*).

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

NZ IFRS 7: Amendment: Significance of Financial Instruments for Financial Position or Performance (*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".

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

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

NZ IAS 39: Amendment to NZ equivalent to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items (*Effective date periods beginning on or after 1 July 2009*).

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 other than disclosures.

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 acquisition method.

The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The consideration transferred in a business is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interest issued by the acquirer. It includes any asset or liability arising from a contingent consideration arrangement. Each identifiable asset and liability is generally measured at its acquisition date fair value except if another NZ IFRS requires another measurement basis. The excess of the consideration of the acquisition, less the Group's share of the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed is recognised as goodwill.

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.

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

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 and 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 at cost and amortised on a straight line basis 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, on a straight line basis, over their estimated useful lives (three to five years).

Programme rights

Programme rights are recognised at cost, 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 on a proportionate basis depending on the type of programme right and the expected screening dates, 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 ongoing 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.

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 any ineffective portion is recognised in the income statement in finance costs (interest rate swaps – fair value). The gain or loss relating to interest rate swaps which do not qualify for hedge accounting is recognised in the income statement within the interest expense charge 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. 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 2009 and 30 June 2008 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.

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

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.

	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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 $72,000,000 (June 2008: $70,000,000) 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.

IN NZD 000	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN ONE YEAR	1–2 YEARS	2–5 YEARS	> 5 YEARS
At 30 June 2009						
Non derivative financial liabilities						
Secured bank loans	**302,732**	**(334,815)**	**(10,605)**	**(10,605)**	**(313,605)**	**–**
Bonds	**197,818**	**(308,125)**	**(14,820)**	**(14,820)**	**(44,460)**	**(234,025)**
Trade and other payables (note 18)	**74,734**	**(74,434)**	**(74,434)**	**–**	**–**	**–**
Derivative financial liabilities						
Interest rate swaps [1]	**17,980**	**(35,454)**	**(9,080)**	**(7,757)**	**(11,861)**	**(6,756)**
	593,264	**(752,828)**	**(108,939)**	**(33,182)**	**(369,926)**	**(240,781)**
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 (note 18)	90,599	(90,599)	(90,599)	–	–	–
Derivative financial instruments						
Interest rate swaps [1]	356	(698)	(190)	(405)	(103)	–
	592,938	(862,782)	(137,284)	(46,900)	(416,833)	(261,765)

Trade and other payables (note 18) includes unearned subscriptions and deferred revenues totalling $45,675,000 (2008: $39,917,000) which are not classified as financial instruments. These balances are excluded from the amounts shown above.

(1) The table excludes the contractual cash flows of the interest rate swaps which are included in assets.

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.

IN NZD 000	EXCHANGE RATE	CONTRACTUAL CASH FLOWS FOREIGN EXCHANGE 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 2009						
Forward foreign exchange contracts						
Outflow						
USD			(145,439)	(91,153)	(54,286)	–
AUD			(124,230)	(60,436)	(57,825)	(5,969)
JPY			(2,273)	(2,273)	–	–
Inflow						
USD	0.6537	93,035	142,321	87,778	54,543	–
AUD	0.8044	106,670	132,608	64,669	61,723	6,216
JPY	62.3891	130,893	2,098	2,098	–	–
			5,085	683	4,155	247
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)

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 capital risk management strategy remains unchanged from 2008.

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:

	GROUP	
IN NZD 000	30 JUN 09	30 JUN 08
Debt	**500,550**	501,983
Cash and cash equivalents	**(14,555)**	(18,817)
Net debt	**485,995**	483,166
Equity	**1,206,525**	1,181,658
Net debt to equity ratio	**40%**	41%

The Group is subject to externally imposed debt limits which it has complied with for the entire year reported (2008: 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 2008: $1,423 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 (continued)

FOR THE YEAR ENDED 30 JUNE 2009

6 OPERATING EXPENSES

	GROUP		COMPANY	
IN NZD 000	30 JUN 09	30 JUN 08	30 JUN 09	30 JUN 08
Depreciation and amortisation				
Depreciation of property, plant and equipment (note 12)	**86,987**	70,347	**85,904**	70,205
Amortisation of intangibles (note 13)	**9,089**	7,624	**8,813**	7,607
Total depreciation and amortisation	**96,076**	77,971	**94,717**	77,812
Bad and doubtful debts				
Movement in provision	**672**	301	**674**	294
Net write-off	**4,500**	2,958	**4,500**	2,958
Total bad and doubtful debts (note 10)	**5,172**	3,259	**5,174**	3,252
Fees paid to auditors				
Audit fees paid to principal auditors	**175**	168	**168**	161
Other assurance services by principal auditors				
IT assurance services	**81**	118	**81**	118
Other assurance services by principal auditors	**7**	20	**7**	20
Total fees to auditors	**263**	306	**256**	299
Donations	**21**	12	**21**	12
Employee costs	**62,675**	57,400	**61,181**	57,092
Directors' fees	**440**	389	**440**	389
Impairment of investment in equity accounted investee (note 15)	**–**	–	**–**	208
Operating lease and rental expenses	**28,466**	26,495	**28,407**	26,467

7 FINANCIAL INCOME/(EXPENSE)

	GROUP		COMPANY	
IN NZD 000	30 JUN 09	30 JUN 08	30 JUN 09	30 JUN 08
Interest income	**959**	1,489	**942**	1,489
Interest expense on bank loans	**(24,254)**	(25,085)	**(24,254)**	(25,085)
Interest expense on bond	**(14,827)**	(18,588)	**(14,827)**	(18,588)
Interest rate swaps – fair value	**2,303**	(655)	**2,303**	(655)
Amortisation of bond costs	**(299)**	(300)	**(299)**	(300)
Bank facility fees	**(441)**	(429)	**(441)**	(429)
Total interest expense (net)	**(36,559)**	(43,568)	**(36,576)**	(43,568)
Realised exchange loss	**(438)**	(298)	**(438)**	(298)
Unrealised exchange loss	**(2,086)**	(476)	**(2,086)**	(476)
Gain on disposal of assets to subsidiary (note 27/28)	**–**	–	**–**	2,349
	(39,083)	(44,342)	**(39,100)**	(41,993)

8 INCOME TAXES

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

	GROUP		COMPANY	
IN NZD 000	30 JUN 09	30 JUN 08	30 JUN 09	30 JUN 08
Profit before tax	**125,802**	144,062	**126,241**	146,418
Prima facie tax expense at 30% (2008: 33%)	**37,741**	47,540	**37,872**	48,318
Non assessable income	**–**	(334)	**–**	(1,105)
Non deductible expenses	**145**	162	**144**	162
Prior year adjustment	**(290)**	–	**(289)**	–
Change in rate	**–**	(1,017)	**–**	(1,016)
Other	**62**	25	**(89)**	–
Income tax expense	**37,658**	46,376	**37,638**	46,359
Allocated between				
Current tax payable	**21,443**	36,209	**21,423**	36,192
Deferred tax (note 17)	**16,215**	10,167	**16,215**	10,167
Income tax expense	**37,658**	46,376	**37,638**	46,359
Imputation credit account				
Balance at beginning of the year	**58,425**	47,357	**58,174**	47,126
Tax payments	**14,268**	29,088	**14,262**	29,068
Credits attached to dividends paid	**(21,005)**	(18,020)	**(21,005)**	(18,020)
Other	**(1,213)**	–	**(982)**	–
Balance at end of year	**50,475**	58,425	**50,449**	58,174

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 09	30 JUN 08
Profit after tax (NZD 000)	**88,375**	97,709
Weighted average number of ordinary shares on issue (thousands)	**389,140**	389,140
Basic earnings per share (cents)	**22.71**	25.11

	GROUP	
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	NUMBER	NUMBER
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.

10 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
IN NZD 000	30 JUN 09	30 JUN 08	30 JUN 09	30 JUN 08
Trade receivables	**56,665**	55,202	**56,548**	55,110
Less provision for impairment of receivables	**(1,981)**	(1,309)	**(1,975)**	(1,301)
Trade receivables – net	**54,684**	53,893	**54,573**	53,809
Receivable from group subsidiaries (note 27)	**–**	–	**379**	289
Other receivables	**2,374**	2,276	**2,369**	2,271
Prepaid expenses	**7,360**	2,380	**7,305**	2,366
Balance at end of year	**64,418**	58,549	**64,626**	58,735
Deduct prepaid expenses	**(7,360)**	(2,380)	**(7,305)**	(2,366)
Balance financial instruments (note 29)	**57,058**	56,169	**57,321**	56,369

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:

	GROUP			
IN NZD 000	GROSS 30 JUN 09	IMPAIRMENT 30 JUN 09	GROSS 30 JUN 08	IMPAIRMENT 30 JUN 08
Residential subscribers	**41,837**	**1,620**	35,664	751
Commercial subscribers	**3,767**	**34**	1,151	25
Advertising	**5,035**	**84**	6,004	70
Commercial music	**112**	**6**	92	8
Other	**5,914**	**237**	12,291	455
	56,665	**1,981**	55,202	1,309

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

	30 JUN 09			30 JUN 08		
IN NZD 000	NEITHER PAST DUE NOR IMPAIRED	PAST DUE NOT IMPAIRED	IMPAIRED	NEITHER PAST DUE NOR IMPAIRED	PAST DUE NOT IMPAIRED	IMPAIRED
Not past due	**44,731**	**–**	**–**	41,018	–	–
Past due 0–30 days	**–**	**7,216**	**37**	–	11,181	–
Past due 31–60 days	**–**	**2,260**	**18**	–	1,468	–
Past due 61–90 days	**–**	**477**	**743**	–	226	381
Greater than 90 days	**–**	**–**	**1,183**	–	–	928
	44,731	**9,953**	**1,981**	41,018	12,875	1,309

Accounts receivable relating to advertising sales are individually impaired when it is clear that the debt is unlikely to be recovered. Impairment for all other trade receivables is calculated as a percentage of overdue subscribers in various time buckets based on historic performance of subscriber payments.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	GROUP	
IN NZD 000	30 JUN 09	30 JUN 08
Opening balance	**1,309**	1,008
Charged during the year (note 6)	**5,172**	3,259
Utilised during the year	**(4,500)**	(2,958)
Closing balance	**1,981**	1,309

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 09	30 JUN 08
Cost	**85,558**	90,539
Less amortisation	**(50,277)**	(58,318)
Balance at end of year	**35,281**	32,221

12 PROPERTY, PLANT AND EQUIPMENT

IN NZD 000	LAND, BUILDINGS & LEASEHOLD IMPROVEMENTS	BROADCASTING & STUDIO EQUIPMENT	DECODERS & ASSOCIATED EQUIPMENT	CAPITALISED INSTALLATION COSTS	OTHER PLANT & EQUIPMENT	TOTAL
GROUP						
Cost						
Balance 1 July 2008	38,619	129,005	372,718	440,481	22,523	**1,003,346**
Additions	1,477	8,459	63,180	46,274	3,833	**123,223**
Disposals	(774)	(18,314)	(15,055)	(136,247)	(249)	**(170,639)**
Balance at 30 June 2009	39,322	119,150	420,843	350,508	26,107	**955,930**
Accumulated depreciation						
Balance 1 July 2008	5,544	68,310	309,667	348,731	16,218	**748,470**
Depreciation for the year	2,079	15,940	28,525	37,094	3,349	**86,987**
Disposals	(762)	(18,299)	(15,019)	(136,247)	(225)	**(170,552)**
Balance at 30 June 2009	6,861	65,951	323,173	249,578	19,342	**664,905**
Net book value 30 June 2009	32,461	53,199	97,670	100,930	6,765	**291,025**
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**

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

IN NZD 000	LAND, BUILDINGS & LEASEHOLD IMPROVEMENTS	BROADCASTING & STUDIO EQUIPMENT	DECODERS & ASSOCIATED EQUIPMENT	CAPITALISED INSTALLATION COSTS	OTHER PLANT & EQUIPMENT	TOTAL
COMPANY						
Cost						
Balance 1 July 2008	38,619	128,985	372,718	440,481	20,855	**1,001,658**
Additions	1,477	8,459	63,180	46,274	2,957	**122,347**
Disposals	(774)	(18,314)	(15,055)	(136,247)	(245)	**(170,635)**
Balance at 30 June 2009	39,322	119,130	420,843	350,508	23,567	**953,370**
Accumulated depreciation						
Balance 1 July 2008	5,544	68,297	309,667	348,731	15,569	**747,808**
Depreciation for the year	2,079	15,940	28,525	37,094	2,266	**85,904**
Disposals	(762)	(18,299)	(15,019)	(136,247)	(225)	**(170,552)**
Balance at 30 June 2009	6,861	65,938	323,173	249,578	17,610	**663,160**
Net book value 30 June 2009	32,461	53,192	97,670	100,930	5,957	**290,210**
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**

Land, buildings and leasehold improvements at 30 June 2009 and 30 June 2008 includes land with a cost of $2,626,000.

An independent valuation of land and buildings for 10 Panorama Road, Mt Wellington and 1 John Glenn Avenue, Albany prepared by Darroch Valuations Limited, registered independent valuers, in November 2008 recorded a value of $15.5 million and $4.2 million respectively. The net book value of Panorama Road and John Glenn Avenue is $22.0 million and $4.0 million respectively. The $6.5 million differential between the Panorama Rd valuation and its book value is due to specialised broadcast upgrade costs not included in the registered valuation.

The Group has completed the majority of the upgrade of its broadcasting operations. The total value of work in progress at balance sheet date is $1.8 million (2008: $20.3 million).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

13 OTHER INTANGIBLE ASSETS

IN NZD 000	SOFTWARE	BROADCASTING RIGHTS	RENEWAL RIGHTS	OTHER INTANGIBLES	TOTAL
GROUP					
Cost					
Balance 1 July 2008	25,773	2,309	37,088	3,168	**68,338**
Additions	8,955	–	–	–	**8,955**
Balance at 30 June 2009	34,728	2,309	37,088	3,168	**77,293**
Accumulated amortisation					
Balance 1 July 2008	16,611	2,090	23,574	1,289	**43,564**
Amortisation for the year	3,348	119	5,067	555	**9,089**
Balance at 30 June 2009	19,959	2,209	28,641	1,844	**52,653**
Net book value 30 June 2009	14,769	100	8,447	1,324	**24,640**
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**
COMPANY					
Cost					
Balance 1 July 2008	25,471	2,309	37,088	2,536	**67,404**
Additions	8,947	–	–	–	**8,947**
Balance at 30 June 2009	34,418	2,309	37,088	2,536	**76,351**
Accumulated amortisation					
Balance 1 July 2008	16,600	2,090	23,574	939	**43,203**
Amortisation for the year	3,168	119	5,067	459	**8,813**
Balance at 30 June 2009	19,768	2,209	28,641	1,398	**52,016**
Net book value 30 June 2009	14,650	100	8,447	1,138	**24,335**
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**

There are no internally generated assets included within intangibles.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

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.

			INTEREST HELD	
NAME OF ENTITY	PRINCIPAL ACTIVITY	PARENT	2009	2008
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	On-line DVD rental	SKY	51.00%	51.00%

	COMPANY	
IN NZD 000	30 JUN 09	30 JUN 08
Cost of investments		
Sky DMX Music Limited	**5**	5
Screen Enterprises Limited	**4,002**	4,002
	4,007	4,007

On 10 October 2008 the Group acquired "The Arts Channel" and on 4 June 2008 the Group acquired a 51% interest in Screen Enterprises Limited, a newly formed company. Details of these transactions are disclosed in note 28.

15 EQUITY ACCOUNTED INVESTEE

Up until February 2008 the Group had a 50% interest in an unincorporated joint venture Sky Sport Magazine which published 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
Group	
Opening balance	107
Share of loss (note 6)	(208)
Termination of joint venture contract.	101
Balance at end of year	–

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

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

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

16 GOODWILL

	GROUP		COMPANY	
IN NZD 000	30 JUN 09	30 JUN 08	30 JUN 09	30 JUN 08
Balance at beginning of year	**1,423,077**	1,422,115	**1,422,115**	1,422,115
Acquisition of Screen Enterprises (note 28)	**–**	962	**–**	–
Acquisition of "The Arts Channel" (note 28)	**350**	–	**350**	–
Balance at end of year	**1,423,427**	1,423,077	**1,422,465**	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 10% (2008: 11.6%). Growth rate is based on an annual net gain of 30,100 subscribers in the first year and 40,100 in following years (2008: 39,000) and an annual adjustment for expected inflation.

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 [1]	HEDGES THROUGH EQUITY	TOTAL
GROUP AND COMPANY					
At 1 July 2008	3,229	(173)	(4,691)	(2,673)	**(4,308)**
NZ IAS 39 hedging adjustment credited direct to equity (note 23)	–	–	–	3,770	**3,770**
Credited/(charged) to income statement (Note 8)	(14,440)	553	(2,328)	–	**(16,215)**
Balance at 30 June 2009	(11,211)	380	(7,019)	1,097	**(16,753)**
Deferred tax reversing within 12 months	(6,601)	380	1,335	(245)	**(5,131)**
Deferred tax to be recovered after more than 12 months	(4,610)	–	(8,354)	1,342	**(11,622)**
	(11,211)	380	(7,019)	1,097	**(16,753)**
GROUP AND COMPANY					
At 1 July 2007	12,077	(629)	(2,916)	4,036	**12,568**
Reclass 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)**
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)**
	3,229	(173)	(4,691)	(2,673)	**(4,308)**

(1) Includes deferred tax liability relating to Optus lease of $12,540,000 (2008: $7,842,000).

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.

18 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
IN NZD 000	30 JUN 09	30 JUN 08	30 JUN 09	30 JUN 08
Trade payables	**45,010**	57,217	**44,826**	57,065
Due to related parties (note 27)	**3,991**	2,584	**3,864**	2,584
Unearned subscriptions	**45,466**	39,761	**45,378**	39,687
Employee entitlements	**7,192**	9,083	**7,140**	8,988
Deferred revenue	**209**	156	**209**	156
Accruals	**18,541**	21,715	**18,313**	21,533
Balance at end of year	**120,409**	130,516	**119,730**	130,013
Less				
Deferred revenue	**(209)**	(156)	**(209)**	(156)
Unearned subscriptions	**(45,466)**	(39,761)	**(45,378)**	(39,687)
Balance financial instruments (note 29)	**74,734**	90,599	**74,143**	90,170

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 09	30 JUN 08
GROUP AND COMPANY		
Bank loans		
Non-current	**302,732**	304,464
Bonds		
Non-current	**197,818**	197,519
$200,000,000 bonds at $1.00 at amortised cost including transaction costs	**197,818**	197,519
Repayment terms		
Bank loans		
Three years	**302,732**	–
Four years	–	304,464

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 $303 million at 30 June 2009 (June 2008: $305 million). 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.

19 BORROWINGS (CONTINUED)

Fair values

The fair value of the variable rate bank loans at 30 June 2009 was $278.0 million (30 June 2008: $292.0 million). The difference from carrying value at 30 June 2009 and 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 the 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.

Terms and conditions of outstanding bonds are as follows:

	30 JUN 09	30 JUN 08
GROUP AND COMPANY		
Bonds		
Nominal interest rate	**7.24%**	9.37%
Date of maturity	**16 Oct 16**	16 Oct 16
IN NZD 000		
Carrying amount	**197,818**	197,519
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 2009 was 12.23% (30 June 2008: 10.14%). The fair value of the bonds at 30 June 2009 was $148 million (30 June 2008 $179 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 09			GROUP AND COMPANY 30 JUN 08		
IN NZD 000	ASSETS	LIABILITIES	NOTIONAL AMOUNTS	ASSETS	LIABILITIES	NOTIONAL AMOUNTS
Interest rate hedges – cash flow	**1,667**	**(16,355)**	**400,000**	8,098	–	290,000
Interest rate hedges – fair value	**3,327**	**(1,625)**	**240,000**	–	(356)	250,000
Total interest rate hedges	**4,994**	**(17,980)**	**640,000**	8,098	(356)	540,000
Forward foreign exchange contracts – cash flow hedges	**12,984**	**(6,043)**	**271,944**	13,256	(12,025)	346,026
Forward foreign exchange contracts – fair value	**1,473**	**(2,469)**	**50,451**	980	(2,542)	44,389
Total forward foreign exchange hedges	**14,457**	**(8,512)**	**322,395**	14,236	(14,567)	390,415
	19,451	**(26,492)**	**962,395**	22,334	(14,923)	930,415
Analysed as:						
Current	**11,550**	**(10,712)**	**454,315**	8,154	(8,603)	390,693
Non-current	**7,901**	**(15,780)**	**508,080**	14,180	(6,320)	539,722
	19,451	**(26,492)**	**962,395**	22,334	(14,923)	930,415

20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Exchange rates

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

	30 JUN 09	30 JUN 08
USD	**0.6537**	0.7634
AUD	**0.8044**	0.7913
GBP	**0.3913**	0.3827
JPY	**62.3891**	80.6227

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 2009 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 $19,451,000 (2008:$22,334,000).

Exposure to currency risk

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

	30 JUN 09			30 JUN 08		
IN NZD 000	USD	AUD	GBP/JPY	USD	AUD	GBP/JPY
Foreign currency payables	**(19,812)**	**(7,707)**	**(1,342)**	(31,352)	(8,433)	(498)
De-designated forward exchange contracts	**36,403**	**13,064**	**984**	36,838	7,551	–
Net balance sheet exposure	**16,591**	**5,357**	**(358)**	5,486	(882)	(498)
Forward exchange contracts (for forecasted transactions)	**145,440**	**124,231**	**2,273**	195,352	148,892	1,782
Total forward exchange contracts	**181,843**	**137,295**	**3,257**	232,190	156,443	1,782

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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.

	10% RATE INCREASE		10% RATE DECREASE	
IN NZD 000 GAIN/(LOSS)	EQUITY	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS
As at 30 June 2009				
USD	**(13,016)**	**(3,184)**	**15,969**	**3,643**
AUD	**(11,538)**	**(1,197)**	**14,090**	**1,463**
JPY/GBP	**(192)**	**(79)**	**235**	**96**
	(24,746)	**(4,460)**	**30,294**	**5,202**
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

Interest rates

During the year ended 30 June 2009, interest rates on borrowings varied in the range of 3.3% to 9.3% (30 June 2008 – 6.5% to 9.5%).

The Group's interest rate structure is as follows:

	GROUP 30 JUN 09			GROUP 30 JUN 08		
IN NZD 000	EFFECTIVE INTEREST RATE	CURRENT	NON-CURRENT	EFFECTIVE INTEREST RATE	CURRENT	NON-CURRENT
Assets						
Cash and cash equivalents	**5.75%**	**14,555**	**–**	8.41%	18,817	–
Liabilities						
Bank loans	**7.01%**	**–**	**(302,732)**	7.87%	–	(304,464)
Bonds	**7.41%**	**–**	**(197,818)**	9.21%	–	(197,519)
Derivatives						
Collars		**50,000**	**50,000**		10,000	100,000
Floating to fixed interest rate swaps		**–**	**340,000**		–	180,000
Fixed to floating interest rate swaps		**200,000**	**–**		200,000	–
		264,555	**(110,550)**		228,817	(221,983)

The Company's interest rate structure and balances are the same as for the Group except for cash and cash equivalent balances which are $13,982,000 (30 June 2008: $18,478,000).

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 100 basis point movement 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.

	100 BP INCREASE		100 BP DECREASE	
IN NZD 000	EQUITY	PROFIT AND LOSS	EQUITY	PROFIT AND LOSS
30 June 2009				
Expense/(income)				
Variable rate instruments – bank loans	–	2,881	–	(2,881)
Interest rate hedges – cash flow	(8,443)	(979)	8,318	1,086
Interest rate hedges – fair value	–	499	–	(505)
	(8,443)	2,401	8,318	(2,300)
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)

21 PROVISIONS

	GROUP AND COMPANY	
IN NZD 000	30 JUN 09	30 JUN 08
Programme rights		
Opening balance	847	1,177
Used during the year	(120)	(330)
Balance at end of year	727	847
Analysis of total provisions		
Current	246	283
Non-current	481	564
	727	847

As part of the purchase of Prime Television, 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.

22 SHARE CAPITAL

	GROUP AND COMPANY	
	NUMBER OF SHARES (000)	ORDINARY SHARES (NZD 000)
Shares on issue at 30 June 2009 and 30 June 2008	389,140	577,403

Ordinary shares have no par value.

SKY paid a dividend of 14.0 cents per share (30 June 2008: 12.0 cents).

As at 30 June 2009 and 2008 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

	GROUP AND COMPANY	
IN NZD 000	30 JUN 09	30 JUN 08
Balance at 1 July	**6,236**	(8,457)
Cash flow hedges		
Unrealised gains during the year	**6,231**	33,123
Transfer to basis price adjustment	**(18,798)**	(11,721)
Deferred tax (note 17)	**3,770**	(6,709)
	(8,797)	14,693
Balance at end of year	**(2,561)**	6,236

24 RETAINED EARNINGS

	GROUP		COMPANY	
IN NZD 000	30 JUN 09	30 JUN 08	30 JUN 09	30 JUN 08
Opening balance	**597,377**	546,365	**599,807**	546,445
Add net profit for the period	**88,375**	97,709	**88,603**	100,059
Less dividends paid	**(54,480)**	(46,697)	**(54,480)**	(46,697)
Balance at end of year	**631,272**	597,377	**633,930**	599,807

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

25 COMMITMENTS

	GROUP AND COMPANY	
IN NZD 000	30 JUN 09	30 JUN 08
Operating leases:		
Year 1	**32,383**	28,192
Year 2	**30,007**	32,427
Year 3	**31,722**	33,247
Year 4	**34,158**	34,886
Year 5	**33,880**	34,616
Later than 5 years	**248,006**	286,298
	410,156	449,666
Contracts for transmission services:		
Year 1	**12,591**	11,582
Year 2	**2,684**	8,047
	15,275	19,629
Contracts for future programmes:		
Year 1	**161,438**	131,042
Year 2	**136,725**	114,569
Year 3	**91,627**	89,791
Year 4	**31,583**	45,668
Year 5	**3,606**	11,091
Later than 5 years	**128**	–
	425,107	392,161
Capital expenditure commitments:		
Property, plant and equipment		
Year 1	**23,750**	21,868
Intangibles		
Year 1	**5,445**	–
Year 2	**–**	4,422
	29,195	26,290
Other services commitments:		
Year 1	**10,871**	9,932
Year 2	**10,201**	9,700
Year 3	**5,672**	9,656
Year 4	**1,472**	5,457
Year 5	**1,294**	1,257
Later than 5 years	**2,099**	2,948
	31,609	38,950

25 COMMITMENTS (CONTINUED)

The Group and Company 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. This contract is accounted for as an operating lease. Non-cancellable operating lease payments, including Optus lease payments, are included in operating leases above.

During the year ended 30 June 2009, $26.3 million (2008:$24.6 million) was recognised as an expense in the income statement in respect of the Optus operating lease.

SKY is currently utilising six transponders, five of which are on a long-term lease. SKY has options to purchase two transponders on the D1 satellite should it require additional capacity in the future. In the prior year SKY negotiated access to one of these additional transponders to enable launch of HD services. The cost of leasing this transponder is included in the commitments schedule. However the timing of the exercise of the option on this transponder is conditional upon future events.

26 CONTINGENT LIABILITIES

The Group and Company have undrawn letters of credit at 30 June 2009 of $665,000 (30 June 2008 – $600,000), relating to Datacom Employer Services for executive and Screen Enterprises Limited 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:

	GROUP		COMPANY	
IN NZD 000	30 JUN 09	30 JUN 08	30 JUN 09	30 JUN 08
Transactions included in the income statement:				
Transactions with related parties				
The News Corporation Limited and its affiliates				
– Programme, smartcard and broadcasting equipment and publishing	**58,641**	52,204	**58,641**	52,204
Transactions with subsidiaries				
Sky DMX Music Limited				
– Administration support, accounting services and broadcasting charges	**–**	–	**185**	188
Screen Enterprises Limited				
– Gain on disposal of assets (note 7)	**–**	–	**–**	2,349
Transactions included in the balance sheet:				
Owing to related parties				
Owing to affiliates of the News Corporation Limited and minority shareholders of Screen Enterprises Limited (note 18)	**3,991**	2,584	**3,864**	2,584
Receivable from subsidiaries				
Receivable from subsidiaries (note 10)	**–**	–	**379**	289

Related parties include Nationwide News Pty Limited, a principal shareholder which is an affiliate of The News Corporation Limited, and the minority shareholders of subsidiary companies.

There were no loans to directors by the Company or associated parties at balance date (30 June 2008: nil).

No amounts owed by related parties have been written off or provided against during the year (2008: nil).

Short term employee benefits

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

	GROUP AND COMPANY	
IN NZD 000	30 JUN 09	30 JUN 08
Directors' fees	**440**	389
Remuneration key management personnel	**9,239**	8,228
	9,679	8,617

28 BUSINESS COMBINATIONS

The Arts Channel

On 10 October 2008 the Group acquired "The Arts Channel" for a cost of $808,000. The assets and liabilities arising from the acquisition are as follows:

IN NZD 000	FAIR VALUE AND COST
Programme rights	450
Plant, property and equipment	8
	458
Fair value of consideration paid	
Cash paid	808
Total cost of investment	808
Less fair value of assets acquired	(458)
Goodwill on acquisition (note 16)	350

Goodwill is attributable to synergies arising from programming content and marketing.

The acquired business contributed revenues of $1,475,000 since acquisition. The business has been fully integrated and the net result cannot be separately identified.

Screen Enterprises Limited

In the prior year, on 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 on-line DVD rental business within New Zealand. The acquired business contributed revenues of $241,000 and net loss of $46,000 to the group for 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:

IN NZD 000	FAIR VALUE AND COST
Stock of DVDs	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 arising from the joint venture.

29 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 THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	TOTAL
GROUP 30 JUNE 2009					
Assets as per balance sheet					
Cash and cash equivalents	–	14,555	–	–	14,555
Trade and other receivables (note 10)	–	57,058	–	–	57,058
Derivative financial instruments	–	–	4,800	14,651	19,451
Liabilities as per balance sheet					
Trade and other payables (note 18)	(74,734)	–	–	–	(74,734)
Borrowings	(302,732)	–	–	–	(302,732)
Bonds	(197,818)	–	–	–	(197,818)
Derivative financial instruments	–	–	(4,094)	(22,398)	(26,492)
	(575,284)	71,613	706	(7,747)	(510,712)
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)
COMPANY 30 JUNE 2009					
Assets as per balance sheet					
Cash and cash equivalents	–	13,982	–	–	13,982
Trade and other receivables (note 10)	–	57,321	–	–	57,321
Derivative financial instruments	–	–	4,800	14,651	19,451
Liabilities as per balance sheet					
Trade and other payables (note 18)	(74,143)	–	–	–	(74,143)
Borrowings	(302,732)	–	–	–	(302,732)
Bonds	(197,818)	–	–	–	(197,818)
Derivative financial instruments	–	–	(4,094)	(22,398)	(26,492)
	(574,693)	71,303	706	(7,747)	(510,431)
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)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2009

30 COMPARATIVES

An amount of $11,769,000 relating to Skywatch subscriptions was transferred from other subscriptions to residential satellite subscriptions in the prior period for consistency with current period classification.

31 SUBSEQUENT EVENTS

There have been no subsequent events after balance date.

Auditor's report

FOR THE YEAR ENDED 30 JUNE 2009

PRICEWATERHOUSECOOPERS

To the shareholders of Sky Network Television Limited

We have audited the financial statements on pages 35 to 72. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2009 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 40 to 46.

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 2009 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 35 to 72:
   (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 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 20 August 2009 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants
Auckland

Other information

INDEX

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 2009, the board consisted of seven directors whose relevant skills, experience and expertise are outlined in their biographies on pages 24 and 25. 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 including risk management and controls and liaising with the board about these matters.

Various information reports are sent to the board in order to keep them informed about SKY's business including reports during the year ended 30 June 2009 on the effectiveness of the management of material legal and business risks. Directors also receive operating and financial reports, and access to senior management at board and committee meetings.

Independent and Executive Directors

At 30 June 2009 the independent directors on SKY's board were John Hart, Humphry Rolleston and John Waller. 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

John Waller was appointed to SKY's board on 23 April 2009. Humphry Rolleston was appointed to SKY's board on 8 September 2005. Each of the other directors was appointed to SKY's board on 2 May 2005.

The term of each director's association with SKY is indicated in their biographies set out on pages 24 and 25.

Meetings

The board has regularly scheduled meetings and also meets when a matter of particular significance arises. During the period between 1 July 2008 and 30 June 2009 the board met eight times. Attendance at full board meetings was as follows:

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

(1) John Waller joined the board on 23 April 2009.

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, Humphry Rolleston, and John Waller.

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 2009:

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

(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 fulfil 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 8.2):
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 2009.

Confirmation of Financial Statements (ASX Recommendation 7.3):
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 section 295A of the Australian Corporations Act 2001.

Attending Audit and Risk Committee Meetings (NZX 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 and/or processes on SKY's website or otherwise 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 2009:

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
	Fox Entertainment Precinct Pty Limited	Director
	News Limited and other subsidiaries of The News Corporation Limited [1]	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 [2]	Director
	ProvencoCadmus Limited	Director
	eVentures New Zealand Limited (in liquidation)	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 and certain subsidiaries of Global Rugby Enterprises Limited	Director/Shareholder
	Superlife Trustee Limited	Director
Michael Miller	News Limited and other subsidiaries of The News Corporation Limited [1]	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
John Waller	Donaghys Limited	Director/Shareholder
	Fonterra Co-Operative Group Limited	Director
	Haydn & Rollet Limited	Director
	Alliance Group Limited	Director
	BNZ Investments Limited	Director
	Bank of New Zealand	Chairman
	National Australia Bank Limited	Director/Shareholder
	National Equities Limited	Director
	Eden Park Redevelopment Board	Chairman
	Eden Park Trust Board	Trustee
	New Zealand Takeovers Panel	Member
	Auckland Transition Authority	Member
	JAW Advisory Limited	Director

(1) Including Nationwide News Pty Limited.
(2) Including Todd Communications Limited.

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 2009.

DISCLOSURES OF INTEREST – PARTICULAR TRANSACTIONS/USE OF COMPANY INFORMATION

During the period to 30 June 2009 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 2009 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) 10 November 2008 in relation to the acquisition of 10,000 shares; and (b) 21 November 2008 in relation to the acquisition of 10,000 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 2009 the following persons were directors of SKY:

Peter Macourt
Robert Bryden
John Fellet
John Hart
Michael Miller
Humphry Rolleston
John Waller

SUBSIDIARIES

At 30 June 2009, 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 2009 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 2009, the directors of SKY DMX Music Limited were Grant McKenzie, Martin Wrigley, Chris Furtado and Jonathan Patrick (Philippe Von Stauffenberg retired as a director of Sky DMX Music Limited on 1 October 2008). 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 85 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 10.5.5(c), the following table sets out the equity securities (shares in SKY) in which each director had a relevant interest as at 30 June 2009:

RELEVANT INTERESTS	SHARES
Peter Macourt	–
Robert Bryden	–
John Fellet	95,600
John Hart	25,000
Michael Miller	–
Humphry Rolleston	–
John Waller	–

REMUNERATION OF DIRECTORS

Directors' remuneration and value of other benefits received by directors of SKY during the period 1 July 2008 to 30 June 2009 was as follows:

NAME	TOTAL REMUNERATION
Peter Macourt	\$95,000
Robert Bryden	\$87,000
John Fellet (1)	\$1,287,500
John Hart	\$89,500
Michael Miller	\$65,000
Humphry Rolleston	\$85,000
John Waller (2)	\$19,250

(1) 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.

(2) John Waller joined the board on 23 April 2009.

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 17 August 2009:

ENTITY	SECURITIES
Nationwide News Pty Limited	169,854,716
Todd Communications Limited	43,220,277
ASB Securities Limited and ASB Nominees Limited	16,157,000

The total number of issued voting securities of SKY as at 17 August 2009 was 389,139,785.

TWENTY LARGEST SHAREHOLDERS AS AT 17 AUGUST 2009

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	19,056,869	4.90
J P Morgan Nominees Australia Limited	13,029,610	3.35
National Nominees New Zealand Limited	12,715,521	3.27
HSBC Nominees (New Zealand) Limited	11,947,741	3.07
HSBC Custody Nominees (Australia) Limited	10,984,841	2.82
Accident Compensation Corporation	9,990,911	2.57
Premier Nominees Limited	9,427,116	2.42
NZ Superannuation Fund Nominees Limited	6,987,998	1.80
Citicorp Nominees Pty Limited	6,971,834	1.79
TEA Custodians Limited	5,935,616	1.53
AMP Investments Strategic Equity Growth Fund	4,874,880	1.25
Citibank Nominees (New Zealand) Limited	4,686,831	1.20
Forsyth Barr Custodians Limited	2,604,444	0.67
Custody and Investment Nominees Limited	2,480,113	0.64
Cogent Nominees Pty Limited	2,281,162	0.59
Guardian Trust Investment Nominees Limited	2,092,252	0.54
Asteron Life Limited	2,004,165	0.52
NZGT Nominees Limited	1,934,858	0.50

Shareholder and bondholder information
(continued)

DISTRIBUTION OF ORDINARY SHARES AND SHAREHOLDINGS AS 17 AUGUST 2009

	NO. OF SHAREHOLDERS	PERCENTAGE (TO 2 D.P)	NO. OF SHARES	PERCENTAGE (TO 2 D.P)
1 – 1,000	2,584	34.69	1,661,971	0.42
1,001 – 5,000	3,502	47.02	8,815,938	2.27
5,001 – 10,000	773	10.38	5,575,856	1.43
10,001 – 100,000	510	6.85	11,857,211	3.05
100,001 – and over	79	1.06	361,228,809	92.83
TOTAL	7,448	100.00	389,139,785	100.00

NON MARKETABLE PARCELS OF SHARES

As at 17 August 2009, 184 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 17 August 2009:

- 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 17 AUGUST 2009

	NO. OF BONDHOLDERS	PERCENTAGE (TO 2 D.P)	NO. OF BONDS	PERCENTAGE (TO 2 D.P)
1 – 1000	–	–	–	–
1,001 – 5,000	230	8.54	1,150,000	0.57
5,001 – 10,000	614	22.81	5,895,000	2.95
10,001 – 100,000	1,739	64.60	59,956,000	29.98
100,001 and over	109	4.05	132,999,000	66.50
TOTAL	2,692	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	27
110,001 – 120,000	14
120,001 – 130,000	2
130,001 – 140,000	2
140,001 – 150,000	7
150,001 – 160,000	3
160,001 – 170,000	3
180,001 – 190,000	2
190,001 – 200,000	4
200,001 – 210,000	2
210,001 – 220,000	1
220,001 – 230,000	2
230,001 – 240,000	1
260,001 – 270,000	1
280,001 – 290,000	1
290,001 – 300,000	1
330,001 – 340,000	2
370,001 – 390,000	1
380,001 – 390,000	2
390,001 –400,000	1
420,001 – 430,000	1
450,001 – 460,000	1
540,001 – 550,000	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 82.

DONATIONS

During the period 1 July 2008 to 30 June 2009, SKY made donations totalling $21,000. SKY's subsidiaries did not make any donations.

AUDITORS

The auditors of SKY and its subsidiaries were PricewaterhouseCoopers. The amount paid to PricewaterhouseCoopers by SKY in the year to 30 June 2009 for statutory audit services was $168,000 and for other assurance services was $88,000. SKY DMX Music Limited paid PricewaterhouseCoopers $7,000 in audit fees during the 2009 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 2009.

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 annual meeting on 26 October 2007, 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 5 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

2008/2009 Financial year end	30 June 2009
2008/2009 Full year results announced	21 August 2009
Next Annual Meeting	29 October 2009
2009/2010 Half year results announced	February 2010
2009/2010 Financial year end	30 June 2010
2009/2010 Full year results announced	August 2010

ANNUAL MEETING

The next annual meeting of SKY Network Television Limited will be held at the Stamford Plaza (Stamford Rooms 1 and 2), 22 Albert Street, Auckland, New Zealand, on 29 October 2009, 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
John Waller

EXECUTIVES

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

NEW ZEALAND REGISTERED OFFICE

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

AUSTRALIAN REGISTERED OFFICE

c/- Allens Arthur Robinson Corporate Pty Limited
Level 28, Deutsche Bank Place
Corner Hunter and Philip Streets
Sydney, NSW 2000;
Tel: 61 2 9230 4000; Fax: 61 2 9230 5333

AUDITOR TO SKY

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

SOLICITORS TO SKY

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

SKY Channels

FOR THE YEAR ENDED 30 JUNE 2009

TYPES OF CHANNELS

BASIC CHANNELS	27	FREE-TO-AIR CHANNELS	11	PPV MOVIE CHANNELS	14
SPORT CHANNELS	5	SPECIAL INTEREST CHANNELS	15	PPV EVENT CHANNELS	1
MOVIE CHANNELS	6	RADIO CHANNELS	7	PPV ADULT CHANNELS	3
INTERACTIVE CHANNELS	4	AUDIO MUSIC CHANNELS	14	TOTAL	107

BASIC CHANNELS – 27

SPORT CHANNELS – 5

MOVIE CHANNELS – 6

Insight Creative Limited. Auckland, Sydney. SKY028 09/09

OTHER

INTERACTIVE CHANNELS – 4

FREE-TO-AIR CHANNELS – 11

SPECIAL INTEREST – 15

RADIO CHANNELS – 7