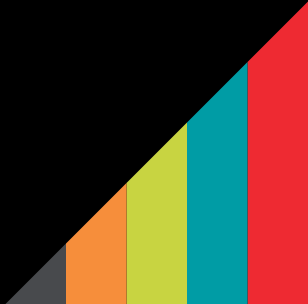




**June 2012
Annual Report**

SKY NETWORK
TELEVISION LIMITED



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Highlights

Total revenue

\$843m

Total subscribers

846,931

EBITDA

\$336m

ARPU up 2.1%

\$71.93

Capital expenditure

\$137m

MY SKY subscribers

382,495

NPAT

\$123m

Churn

14.2%

Employees FTEs

1,091

SoHo subscribers (since Nov 2011)

69,567

“More households than ever before now subscribe to SKY,”



Chairman's Letter

The 2012 financial year will be remembered in SKY New Zealand's history as the year we produced the Rugby World Cup and the All Blacks won.

This event showcased our renowned sport production expertise and was one of SKY's greatest achievements. Despite an economic climate that continues to challenge us, SKY's performance has remained strong. We've seen an increase in subscribers, revenue and net profit and continue to rapidly grow the number of MY SKY decoders in New Zealand homes.

The financial highlights for the year to 30 June 2012 include an increase in total revenue of 5.8% to \$843.1 million. Subscribers increased by 17,510 to 846,931. SKY has 382,495 customers with MY SKY decoders which means that 46.7% of its subscribers are now enjoying MY SKY. This is an increase of 36.7% from last year.

SKY Business, a division dedicated to providing SKY to commercial premises as well as pay-per-view, broadband, movies and music, has achieved some strong results this year. Revenue for SKY Business increased 6.7% to \$41.4 million. The Rugby World Cup has played a part in this improved performance.

Operating costs increased by 6.8% to \$641.2 million. Over the year, in addition to business-as-usual operations, SKY has invested in broadcast infrastructure to support the Rugby World Cup production and new channel SoHo. There was also an increase of 7.3% of depreciation costs that can be directly attributed to the greater number of decoders we have installed throughout New Zealand. Total depreciation costs were \$134.1 million.

More households than ever before now subscribe to SKY. Our depth of product means there are many different reasons for doing so. I want to make special mention of SoHo which launched in November 2011 offering quality

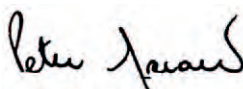
drama and featuring HBO series from the USA. This channel has exceeded our expectations, confirming New Zealanders' desire for this style of programming. In addition to SoHo, we also launched MTV Hits and France 24 Français in the year to 30 June 2012.

During the past financial year, SKY formed a joint venture with TVNZ to launch IGLOO, a pay-as-you-go television service with 11 pay channels, and pay-per-view sport, movies and television series. IGLOO is set to launch early in the 2012/2013 financial year. The technology is a first in New Zealand and we expect it will appeal to a group of New Zealanders not wanting to make the full commitment to SKY but wanting more than the free-to-air offering.

iSKY, SKY's online catch-up and live streaming service, has attracted increased usage over the year. There are 231,665 SKY customers registered to use the service who, each month, are viewing approximately 127,000 hours of SKY content online through iSKY. The most popular content is SoHo drama, live sport and movies. We will continue to develop and enhance this product.

SKY prides itself on its sport content and we continue to offer the best viewing experience for sport in New Zealand across our six dedicated sport channels. The sporting highlight of this past year, the Rugby World Cup, was produced and performed exceptionally well.

On behalf of the board, I would like to thank all shareholders for their support. To chief executive officer John Fellet, his senior management team and all SKY staff, I thank you for your dedication and achievement over the past year. To all SKY subscribers, we appreciate your custom and trust we will deliver another year of spectacular entertainment to your screens.



Peter Macourt
Chairman



“SKY has 382,495 customers with MY SKY decoders which means that 46.7% of its subscribers are now enjoying MY SKY. This is an increase of 36.7% from last year.”

Total Subscribers

846,931

A 2.1% increase compared with last year.

Total Revenue

\$843m

A 5.8% increase compared with last year.

Chief Executive's Review



“Our top line growth continues to climb. For the year ending 30 June 2012, total revenue grew 5.8% ... This represents 22 years of continuous increase in subscriber numbers.”

New MY SKY subscribers

102,620

Total MY SKY subscribers
382,495 (47% of all subscribers)

Dear Shareholders,

This letter is the 11th annual letter to shareholders I have written. As always, I attempt to draft this letter as if all of you lived overseas and the only information you received about SKY was derived from information contained in this report.

The financial information contained in this report is quite detailed but still provides only a financial snapshot of the business. In this letter, I will attempt to explain the trends in the industry and to give some insight into the areas of the business that the financials are not designed to cover.

In reviewing SKY, it is important to remember that we do not consider ourselves a pay television or, for that matter, a satellite company. We are a company that creates and aggregates content for consumers to watch, read and listen to wherever they are, be it in their living rooms, hotel rooms, offices or boats.

Over the last few years, one of the biggest challenges of the business has been trying to meet the consumer demand for various options on how and where they want to view content. Our consumers have both analogue and digital television sets. Some want to watch their content on a large projection screen that covers a whole wall in their ‘media room’, complete with theatre seating and high-definition with Dolby Digital 5.1 Surround Sound. Others want to watch their content on the small screens of their mobile telephones, while they are at the airport waiting to board their planes.

Some want to watch it live, some when we schedule it and others when it is convenient for them. SKY provides content in the form of physical tapes, digital impressions, internet downloads, magazine print or one of the 30,000 DVD titles from the library of our majority-owned DVD online rental business Fatso.

In this changing world and with these challenges in mind, SKY attempts to take on the role of the ‘expedition leader’ for our customers. We take pride in our history of meeting customer expectations but, in today’s day and age, our customers are looking for someone to assist them to navigate the various options at their disposal and will give their loyalty to the company that best serves them.

Our top-line growth continues to climb. For the year ending 30 June 2012, total revenue grew 5.8%. Our net subscriber count increased by 17,510 to bring the total to 846,931. This represents 22 years of continuous increase in subscriber numbers.

While we are pleased with the new record, the net gain was smaller than those we have recorded in recent years. There are several issues that may have contributed to the smaller increase. We do not think that the retail economy has fully recovered. We also, intentionally, did not market as much to the price-conscious end of the market this year, waiting instead to serve this segment with the launch of IGLoo later this year (more on IGLoo later). Our wholesale partnerships arrangement with retail service providers (e.g. telephone companies and ISPs) tended to be less effective than they would normally be. While the category still grew, it tended to cannibalise our existing subscribers more than it attracted new subscribers. And finally, Fatso, our online DVD business, had a flat year.

However, we did have better success with selling new services to existing customers. The MY SKY decoder continues to be the killer application giving subscribers the tools to co-create value through an enhanced TV experience. The MY SKY decoder is a personal video recorder (PVR) which allows the subscriber to build a library of content from all the SKY channels to watch when they want to. The MY SKY decoder can record two different channels at the same time as playing back a programme that has previously been recorded. If you like a particular programme, MY SKY allows you to ‘series link’ it, which means it will record the programme every time it airs. Subscribers can also pause live TV to answer the phone or their kids’ questions! This last year, we added another 102,620 MY SKY subscribers; this brings the total to 47% of our subscriber base.

With respect to MY SKY decoders, last year I warned you not to be overly concerned with figures showing SKY’s share of viewing declining. In this letter last year, I said I suspected that the decline was due to the fact that the rating system at the time could not measure viewing patterns of the subscribers who watched SKY with a MY SKY decoder. This year, however, I am pleased to say the ratings system can now measure the viewing on MY SKY decoders and, not surprisingly, there has been an increase in SKY’s share of viewing.



“The **MY SKY** decoder continues to be the killer application.”

Chief Executive's Review (CONTINUED)

“In addition to the MY SKY decoder, the other big revenue driver last year was the launch of SoHo.”

When the delayed viewing is measured from MY SKY decoders, the SKY channels do even better. For example, in the month of July 2012 SoHo (more on SoHo below) had 6.5% of its total viewing done on a delayed basis; Rialto, our arthouse movie channel, saw 4.5% of its viewing done on a delayed basis; and the Box, UKTV and SKY Sport saw 2.5% of their total viewing on a delayed basis. Most of the delayed viewing takes place within a week of the original on-air dates.

In addition to the MY SKY decoder, the other big revenue driver last year was the launch of SoHo. SoHo is a premium channel that is unlike any other channel we have ever launched. Historically, a premium channel tended to be either a movie channel or sport channel.

Over the last few years, some of the most interesting new television series tended to be programmes that were displayed behind a pay wall in the United States and the UK on HBO, STARZ, Cinemax, Showtime or AMC. Sometimes these series were broad based enough to play on free-to-air channels. A good example of this was *The Sopranos*. But far too often these series, while critically acclaimed, did not pick up much of an audience because they were too dark, too narrow or too explicit; this required so much editing that the continuity of the programmes was affected. Also, these series were constructed to be shown without commercial interruptions. Subsequently, the commercial networks dropped them unceremoniously. SoHo has allowed the integrity of these shows to remain, with no ad breaks, and an ongoing commitment to a series once it has launched. Combine that with a commitment to premiering and continuing to show these programmes in prime time, and you can understand why people who love this kind of programming are subscribing to the channel.

These new series include *Game of Thrones*, *The Killing* and *The Newsroom*. We have received a warm reception for SoHo and anticipate that it will break even sometime in the next year.

The other new endeavour in which we invested was IGLOO which should launch around the time you receive this letter. IGLOO is a joint venture with TVNZ; SKY owns 51% and TVNZ owns 49%. Every time we launch a new channel on our platform, it typically generates greater interest

in SKY but also results in higher costs which translate to a higher price at the retail level. While these new channels increase our penetration with some subscribers, at the same time, they weaken the demand with others.

Over the next two years, the Government has elected to shut off all analogue television signals. This spectrum will be digitised for wireless frequencies and will be auctioned off to telecommunication companies. Over 70% of households have already made this conversion to digital with at least their primary television set. But the 30% to be converted represents about 450,000 households. When these are added to the analogue additional outlets that are still to be converted, New Zealand will have the biggest platform migration in its history. We view this as an opportunity.

Our research indicates that the existing analogue homes tend to fall into three groups. The first group has a strong interest in SKY and is leaning toward using this 'forced conversion' as a reason to get SKY. The second group of unconverted homes has no interest in pay television at all and each household will probably buy a Freeview converter or a new television with the Freeview tuner already built in.

The third group of homes does not yet know what they are going to do. They like the concept of additional channels and feel that Freeview does not offer much in the way of additional viewing options, but they do not want to commit to SKY. For these households, we developed IGLOO.

IGLOO is a no-frills pay television option that gives the user more flexibility in payment terms. It will offer eleven channels that are also offered on SKY's basic package. It will be a self-service model where consumers will purchase the decoders themselves at a retail store or from IGLOO directly and will arrange their own install. Much of the customer interaction will be via the internet and will lessen customer-service costs. IGLOO customers will also have the option to order movies, television episodes and some sporting events on a pay-per-view basis.

We might lose some SKY customers to IGLOO who trade down. But I suspect that these customers would be tempted to downgrade no matter who offered a discount service. But equally, I think there is just as much opportunity for non-subscribers to try a discount service like IGLOO and then wish to upgrade to a full-service pay television option.

Most Frequently Asked Questions

Over the last few years, I have listed some of the questions that I have been asked by some of the brightest fund managers and analysts who follow SKY and my answers. Some of you have written that you enjoyed them so I am doing it again this year.

“It seems that the whole media and telecommunication world is in play. Hasn't SKY been tempted to go after some of these assets?”

We have certainly been tempted but most of the businesses for sale have been radio, newspaper and theatre chains or telecommunications companies. And, while technically we are in the same fields as these companies, we tend to be more specialised in pay television. One of the reasons these assets are for sale is that they have declining margins or are, at best, in cyclical industries. If we are going to buy companies, I would rather they be better businesses than those we currently own or we run the risk of 'dumbing down' SKY.

We have had far better luck at building assets like our MovieLink business which provides television services to hotels and motels, or the initial investment in our DVD rental business which later morphed into the profitable Fatso that has created its own value apart from SKY. Our linear channels such as the Box or Vibe, and for that matter the Rugby Channel, are all channels that we have built from scratch, which have enhanced the value of SKY and are profit centres in their own right.

The accounting treatment for these ventures tends to marginalise the short-term results of SKY. MovieLink, on a stand-alone basis, is probably worth several million today. As an example, if we

bought it as a 'going concern' today, it would add a few millions immediately to our bottom line. If it continued to be successful, the only additional expenses would be the interest expense from the additional debt, if any, that was incurred to buy the asset.

On the other hand, while building MovieLink, we incurred several years of losses while we invested and built the business. Going into the year starting 1 July 2012, we have at least two large 'building projects', being SoHo and IGLOO. While both of these will also incur start-up losses, it is planned that both of these businesses will increase the economic value of SKY within three years.

“Who is next in succession to take over if something happens to you?”

Sadly, the more grey hair I get the more often this question is asked. In October of this year, I would have been at SKY 22 years and CEO for the last 12 years. I am one of the longest-serving CEOs in New Zealand. I am 59 years of age and I am more excited about coming into work than I have ever been.

But make no mistake about this company; value does not lie in the creative genius of its CEO as it did at Apple Inc. The 'playbook' and how we run SKY, while evolving, is well known by my executive team. If I were to walk out tomorrow, the business would continue to run.

I think my usefulness is in my ability to evaluate content, be a good listener and know a good idea when I hear it (although some of you may wish to reopen this debate when we see the washup of the 2012 Summer Olympics). We have a very flat organisational structure. In my weekly 'Cabinet' meeting I have my 11 direct reports and a couple of other key employees that thrash out strategy and direction on a continuing basis. The company turned on its first subscriber 22 years ago. Yet, the average tenure of my cabinet participants is over 17 years which is an amazing length and says more about the culture of SKY than anything else.

My replacement could easily come from my 'Cabinet' or be the result of a worldwide talent search.

“If I am going to buy companies, I would rather they be better businesses than those we currently own or we run the risk of 'dumbing down' SKY.”

Chief Executive's Review (CONTINUED)

“As we invest in content, it is important that we amortise the investment as much as possible. We need to be on every type of device the customer has, whether it is a TV, PC or mobile or via satellite, cable, IPTV, broadband WiFi or 3G and 4G.”

“What impact will the Government decision to push ahead with the Ultra Fast Broadband (UFB) roll-out have on SKY? Is it a threat?”

The answer is that it would be a threat if we did nothing. When we were on only the UHF platform, commentators used to predict our demise saying that direct-to-home satellite would wipe out SKY. I was always puzzled about this and wondered why they did not think that we would adapt and take advantage of any new delivery platform.

I feel the same way about UFB that I did about the satellite – it is a great opportunity. A few years ago, we launched SKY Online, a virtual decoder that enabled consumers to download SKY content via the internet to a computer. It was a terrible experience for consumers. It was clunky, it was slow and one All Blacks match could chew through the data caps of most households. While speed and data caps are typically the domain of the Internet Service Provider (ISP), the heat would go on SKY because we had the relationship, as the actual content provider, with the end-user. We ended up closing down the service.

The knowledge learned from that failure became the foundation of the launch of our successful online video service, iSKY. While still a work in progress, the key to the success of the new product is that we contracted with Orcon to provide a content delivery network (CDN). A CDN is a system of computers containing copies of data placed at various nodes of a network. When properly designed and implemented, a CDN improves access to the data it caches by increasing access bandwidth and redundancy and reducing access latency.

The new service enables users to access an extensive selection of our online content streamed directly to personal computers. iSKY includes

three live sport channels, two live news channels and free catch-up viewing for the basic channels and the free-to-air channel Prime.

As mentioned, we are still building iSKY. No other company streams as much as we do in New Zealand and when we have had major events like an All Black match, or a key event in the Olympics, the third-party infrastructure has sometimes struggled to cope with the additional demand. With each failure, we build a new foundation to make the service better. When the UFB has a nationwide roll-out, this issue should ease but, until then, we will remain pioneers in New Zealand.

The reason for our growing interest in broadband-delivered content is simple. As we invest in content, it is important that we amortise the investment as much as possible. We need to be on every type of device the customer has, whether it is a TV, PC or mobile or via satellite, cable, IPTV, broadband, Wi-Fi or 3G and 4G. This strategy is driven by consumers, who live in an ‘always connected’ world.

As always I hope this letter gives a good insight into the business and I look forward to seeing you at our Annual General Meeting at the Stamford Plaza, Auckland Hotel on 18 October 2012.



John Fellet
Chief Executive Officer



**“ No other company
streams as much as
we do in New Zealand ”**

Business Overview

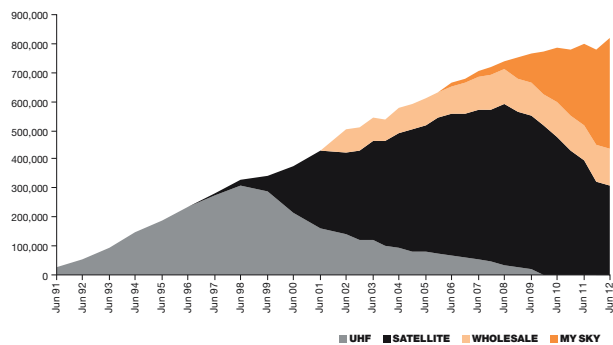
Subscribers

01 SKY has continued to increase its total subscriber base in the year to 30 June 2012 by adding a net 17,510 subscribers.

There was a total of 846,931 subscribers at 30 June 2012, with 819,590 being residential subscribers on SKY's satellite platform. SKY's wholesale customers have increased by 3.7% to 129,323 at 30 June 2012.

SKY has continued to promote its MY SKY HDi decoder and, at 30 June 2012, 382,495 subscribers were receiving their pay television services via a MY SKY decoder compared to the 279,875 subscribers at 30 June 2011. This represents 46.7% of SKY's residential subscribers compared to 35.0% of residential subscribers at 30 June 2011. There were 18,201 'other' subscribers at 30 June 2012 which includes subscribers to SKY's commercial music business SKY DMX Music and its DVD rental business, Fatso.

01 SUBSCRIBERS

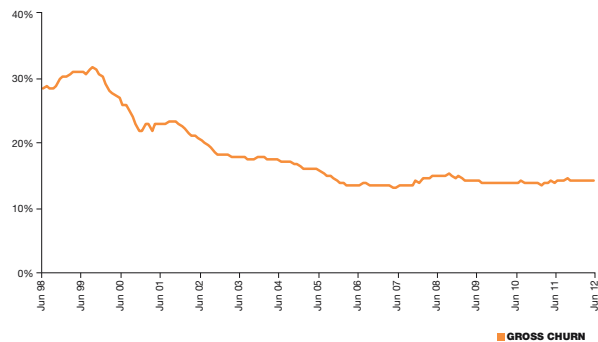


Churn

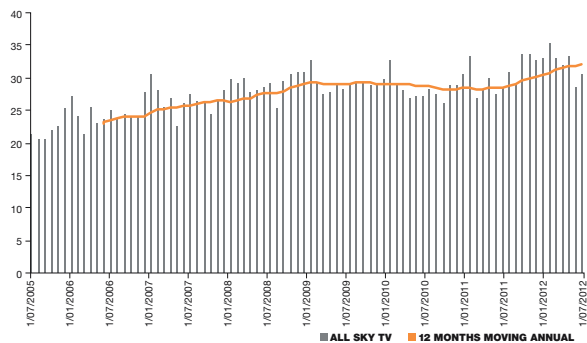
02 Churn is a measure of the percentage of subscribers who disconnect their services either voluntarily or due to a failure to pay their accounts. SKY calculates churn on a rolling gross annual basis, which means that each month we calculate the subscribers who have disconnected as a percentage of the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

Annual gross churn is 14.2% as at 30 June 2012 which is a slight increase from the 14.0% churn for the year to 30 June 2011. MY SKY churn has increased slightly from 10.1% in the prior year to 10.4% in the current year and churn on standard digital decoders has increased to 17.1% from 15.8% last year.

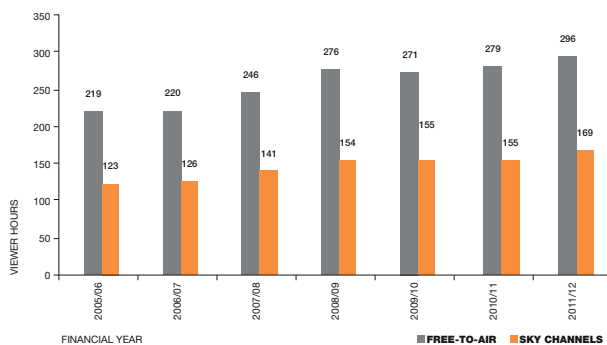
02 ROLLING ANNUAL GROSS CHURN



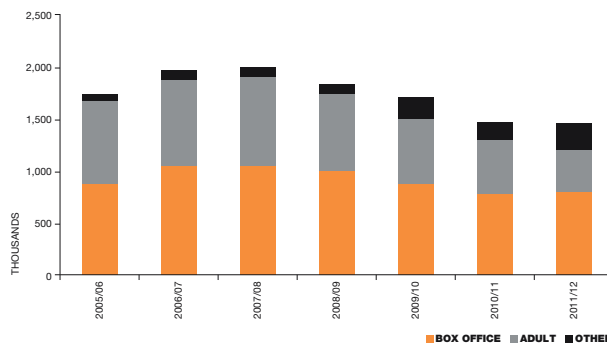
03 SKY TV - % SHARE OF VIEWING IN ALL NEW ZEALAND HOMES



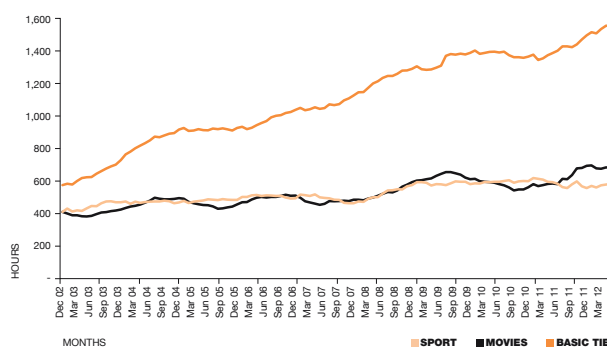
04 AVERAGE HOURS VIEWING SKY DIGITAL PER MONTH, PER SUBSCRIPTION



05 PPV BUYS WITH BUY RATE %



06 SKY VIEWER HOURS GENERATED PER SUBSCRIBER PER ANNUM



Viewing

03/04 During the 2012 year, the viewing of free-to-air channels in SKY homes remained stable at an average of 296 hours per month while viewing on SKY channels during the year has increased by 9.0% from 155 hours in the prior year to 169 hours in the current year. This was mainly as a result of increased viewing during the Rugby World Cup. This resulted in an increase in SKY's share of total television viewing in all New Zealand homes from 27.9% to 29.8%.

05 SKY continues to offer pay-per-view (PPV) programming on its satellite platform, with 15 scheduled PPV channels. Buy rates, which measure the percentage of subscribers who purchase a title each month, have increased from 15.0% in 2011 to 15.6% in the current year. In 2011, a total of 1,450,984 PPV buys were purchased compared to 1,466,432 buys purchased in 2012.

06 During the year, there has continued to be growth in the average subscriber viewing hours for the basic tier of channels (up 10.5%) with annual viewing hours on the sport channels and movies tier increasing by 4.8% and 13.4% respectively from June 2011 to June 2012. This increase is partly the result of MY SKY homes being included in the AC Nielsen audience panel from which viewing data is extracted for the first time in the current year.

Business Overview (CONTINUED)

Programming Initiatives

Three new channels were launched in the current year:

- **MTV Hits:** Launched on 1 December 2011, MTV Hits is a contemporary music channel that seeks to align with audiences' use of social media. Music lovers have the opportunity to own, engage with and be part of the channel, and to create their own playlists.
- **SoHo:** Launched on 31 October 2011, SoHo showcases quality HBO dramas, comedies, films and mini-series, together with programming from other like-minded networks from around the world. SoHo offers access to 'first run' TV series shortly after their release in the US and other markets. It is a premium-tier channel that can be purchased by subscribers for \$9.99 per month.
- **France 24 Français:** Launched on 1 July 2011, France 24 Français is a French-language, premium-tier channel that subscribers can purchase for \$7.00 per month.

On 1 February 2012, SKY introduced Closed Captions for the hearing impaired on 17 channels.

The SKY channels now available with Closed Captions are:



iSKY

iSKY was launched in January 2011 as SKY's online TV service giving SKY subscribers access to an extensive selection of online content streamed directly to personal computers. SKY has partnered with Vodafone, Orcon, Slingshot, Woosh, Xnet and Farnside to create un-metered broadband plans for iSKY. iSKY offers a great variety and choice of video content within a single service including the streaming of three live sport and two live news channels, plus the ability to catch up on recently broadcast content at no cost for SKY's Basic channels including free-to-air channel Prime.

As at 30 June 2012, there were 231,665 registered users of iSKY who have been watching approximately 127,000 hours of content per month. The iSKY content library contains more than 5,300 movie and TV episodes.

MY SKY HDi

The MY SKY HDi decoder, which was first launched in August 2008, has been highly successful. At 30 June 2012, there were 382,495 MY SKY subscribers. This represents 46.7% of SKY's residential subscriber homes. This is an increase of 102,620 from the 279,875 MY SKY subscribers at 30 June 2011. In 2012, 27% of MY SKY installs were to new SKY subscribers compared to 24% last year.

Subscribers have had the choice of paying a one-off installation fee of \$599 (incl. GST) for a MY SKY HDi decoder or \$99.00 installation fee with an ongoing monthly fee of \$15.00 (incl. GST).

As at 30 June 2012, 6% of subscribers had opted to pay the upfront fee compared to 5% paying upfront in 2011. MY SKY HDi subscribers also have the option of paying \$9.99 per month (incl. GST) to receive SKY's HD channels, or paying \$25.00 per month (incl. GST) for a Multiroom decoder including access to SKY's HD channels. At 30 June 2012, 15% of MY SKY HDi subscribers had opted to purchase the SKY HD channels and 31% had installed Multiroom. This means 46% of MY SKY subscribers were receiving HD services, down from 51% last year. The ARPU (average revenue per user) from MY SKY subscribers to 30 June 2012 was \$84.69 compared to \$84.79 to 30 June 2011.

Value

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

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

07 PRICE PER MONTH	2012 (\$)	2011 (\$)	% Inc
Basic	46.12	45.00	2.5
Basic + Movies	66.82	65.70	1.8
Basic + Sport	72.46	70.29	3.1
Basic + Sport + Movies	93.16	90.99	2.4

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

The percentage of subscribers to SKY's premium package of 'Basic + Sport + Movies' has dropped by 1% this year while penetration of the 'Basic + Sport' package has increased by 2%. A total of 558,466 subscribers receive the SKY Sport tier, compared to 537,117 last year.

08 SUBS BY TIER	2012	2011
Basic + Sport + Movies	32%	33%
Basic + Sport	40%	38%
Basic + Movies	7%	8%
Other	21%	21%

09/10 While there are fewer MY SKY subscribers purchasing the premium package of 'Basic + Sport + Movies' this year, there is still a greater proportion of MY SKY subscribers purchasing the premium package compared to the penetration of this premium package amongst digital subscribers.

09 MY SKY TIER PENETRATION	2012	2011
Basic + Sport + Movies	38%	42%
Basic + Sport	39%	35%
Basic + Movies	8%	9%
Other	15%	14%

10 DIGITAL TIER PENETRATION	2012	2011
Basic + Sport + Movies	25%	28%
Basic + Sport	41%	39%
Basic + Movies	7%	8%
Other	27%	27%

Business Overview (CONTINUED)

Activations

11 The level of installation activity is determined by a combination of the level of churn, net gain in new subscribers and the number of subscribers transferring due to changes of address. The total number of customer activations in 2012 was 236,882 compared to 196,734 in 2011.

There are around 1.3 million homes in New Zealand that have each been installed with a SKY satellite dish, which represents approximately 80% of New Zealand homes. The benefit of this is that around 87% of SKY's activations were 'decoder-only' installs in 2012 (75% in 2011), which are significantly cheaper than is the cost of a full install that includes a dish, telephone jack, internal wiring and labour costs.

SKY is continuing to market its 'Multiroom' service to subscribers; this enables subscribers to receive access to SKY services from a second decoder in their home for \$25.00 per month (incl. GST). There has been a 13.5% growth in the number of Multiroom outlets as follows:

11 MULTIROOM	2012	2011
Satellite homes	50,162	59,957
MY SKY homes	121,739	91,552
Total Multiroom	171,901	151,509

Installation Costs

The majority of SKY's capital expenditure reflects the cost of installing new subscribers. The success of MY SKY 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 MY SKY HDi decoder.

In 2012, the average cost of installing new subscribers (material/labour) was \$352 compared to an average of \$392 in the previous year. A 'decoder-only' install costs \$58. The average MY SKY HDi decoder cost in 2012 was \$345 compared to \$380 in 2011. This reduction is due to a reduction in the USD cost of decoders as well as an appreciation in the NZ\$/US\$ exchange rate from 0.72 cents in 2011 to 0.79 cents in 2012.

Satellite

SKY is currently utilising seven transponders on the Optus D1 satellite. The satellite is located at 160° E, which is where the satellite dishes installed by SKY are positioned.

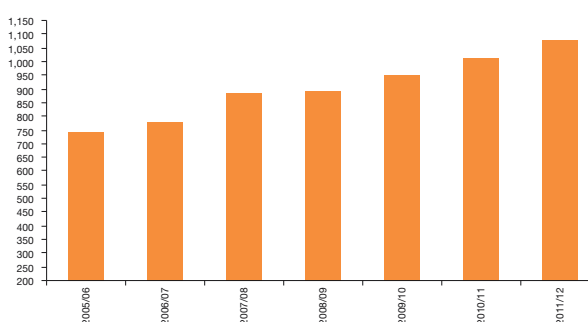
Optus launched the D2 satellite at the 152° E position in October 2007 and the D3 satellite was launched in August 2009 at the 156° E position. Both of these satellites have transponders capable of delivering direct-to-home (DTH) satellite services to New Zealand. SKY has agreed on a restoration plan 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 LNB that can be electronically switched to the 156° E orbital location. This would enable SKY to utilise the dedicated backup transponders that are included on the Optus D3 satellite.

Employees

12 SKY has increased the number of full-time-equivalent employees by 8% to 1,091 in the current year. SKY also employs around 300 contractors in a range of specialist areas. Fifty-two employees have been with the company for more than 20 years. Of SKY's permanent staff, 47% have been with the company longer than five years. SKY has a culturally diverse work force and 48% of its employees are women.

12 FULL-TIME-EQUIVALENT STAFF



Fatso

In June 2008, SKY merged its online DVD rental business, DVD Unlimited, with two other players: Fatso and Movieshack. SKY owns 51% of the entity that trades under the name Fatso.

The online DVD rental business model enables subscribers to select DVD titles from a website and, depending on the package to which they are subscribed, a subscriber can select 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.

At 30 June 2012, there were 17,756 Fatso subscribers, a reduction from 20,398 at 30 June 2011.

Wholesale Partnerships

SKY has wholesale agreements with Telecom, Vodafone, TelstraClear and Slingshot.

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.

Prime

In February 2006, SKY purchased the free-to-air television (FTA) network, Prime. SKY has invested in new content for Prime and broadcasts delayed coverage of major sporting events on this channel.

Prime's share of the television audience (all 5+) in 2012 has increased from 4.9% at 30 June 2011 to 5.8% at 30 June 2012. There has been a small decline in Prime's advertising revenue from \$23.7 million in 2011 to \$23.3 million in 2012. The total TV advertising market increased by 2% in the year to 30 June 2012.

Outside Broadcasting (NZ) Limited

In July 2010, the Group through its subsidiary Outside Broadcasting Limited (OSB) acquired certain assets and liabilities of On Site Broadcasting (NZ) Limited (On Site) from the Australian media company, Prime Media Group, for a cost of \$13.5 million. On Site had been providing SKY with the broadcasting vans, equipment and personnel required to produce sporting events since 2002. SKY also entered into an agreement with Prime to pursue third-party broadcast contracts and shares these earnings on a 50/50 basis. OSB has four high-definition and three standard-definition broadcasting vans and associated equipment, and employs 23 staff.

Igloo Limited (IGLOO)

IGLOO was established in November 2011 as a joint venture between SKY and Television New Zealand Limited (TVNZ). SKY owns 51% of IGLOO.

IGLOO will offer subscribers a low-cost pay television service on a pre-pay basis via a set-top box that will be purchased by the subscriber. IGLOO will broadcast 11 linear channels over a digital terrestrial network and the set-top box will receive the Freeview free-to-air digital channels. IGLOO will also offer live sport on a pay-per-view basis and the set-top box is internet enabled so that subscribers can purchase Video on Demand content. Other features of the set-top box include 'live pause' capability and a media player for viewing personal videos and photos.

IGLOO originally planned to launch in June 2012 but, due to stability issues with the set-top box, this is now expected in September 2012.

Charitable Contributions

SKY supports various charitable organisations including Starship, Ronald McDonald House Charities and Kidz First Children's Hospital, and offers free advertising air time to other charities. The total value of subscriptions and free advertising is approximately \$2.3 million.

Financial Overview

Summary

SKY has earned a net profit after tax ("NPAT") of \$122.8 million for the year ended 30 June 2012, a 2.1% increase on the previous year's net profit after tax of \$120.3 million.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 4.4% to \$336.0 million.

The results are summarised as follows:

IN NZD MILLIONS	2012	2011	% Inc/(dec)
For the years ended 30 June			
Financial performance data			
Total revenue	843.1	796.9	5.8
Total operating expenses	507.1	475.2	6.7
EBITDA	336.0	321.7	4.4
Less			
Depreciation and amortisation	134.1	125.0	7.3
Net interest expense and financing charges	29.4	25.3	15.8
Unrealised losses/(gains) on currency and other	0.9	(0.6)	n/a
Net profit before income tax	171.6	172.0	(0.2)

A more detailed commentary on these results is provided below.

Revenue Analysis

SKY's total revenue increased by 5.8% to \$843.1 million, as follows:

IN NZD MILLIONS	2012	2011	% Inc/(dec)
For the years ended 30 June			
Residential	688.6	648.4	6.2
Commercial	41.4	38.8	6.7
SKYWATCH	13.2	13.3	(0.7)
Total subscription revenue	743.2	700.5	6.1
Advertising	67.2	62.7	7.2
Installation, programme sales and other	32.7	33.7	(3.0)
Total other revenue	99.9	96.4	3.6
Total revenue	843.1	796.9	5.8

Residential subscription revenue increased 6.2% to \$688.6 million reflecting a 2.4% increase in subscribers and a 2.1% increase in average revenue per subscriber ("ARPU"). ARPU is a measure of the average revenue that SKY earns from each subscriber each month.

The following table provides a summary of the change in average monthly revenue per residential subscriber:

IN NZD	2012	2011	% Inc/(dec)
DBS excluding wholesale	62.65	65.19	(3.9)
Wholesale	64.66	61.78	4.7
MY SKY	84.69	84.79	(0.1)
Total DBS and MY SKY including wholesale	71.93	70.45	2.1

Commercial revenue is the revenue earned from SKY installations at hotels, motels, restaurants and bars throughout New Zealand. This revenue increased 6.7% to \$41.4 million in 2012, reflecting a 5.3% increase in commercial subscribers and an increase in the purchase of additional services.

SKYWATCH is SKY's monthly programme guide that is sold for \$2.66 per month (incl. GST). Revenue from the guide decreased 0.7% to \$13.2 million. This can be attributed to a decrease in paying customers. There were 420,405 subscribers to SKYWATCH at 30 June 2012, down from 431,702 in the previous year.

Advertising sales revenue increased 7.2% to \$67.2 million in 2012. Pay television advertising revenues increased from \$39.0 million in 2011 to \$43.9 million in 2012, an increase of \$4.9 million (12.6%). This can be attributed to additional advertising revenue from the Rugby World Cup.

There was a small decrease in Prime revenues from \$23.7 million in 2011 to \$23.3 million in 2012.

Installation, programme sales and other revenues decreased by 3% to \$32.7 million in 2012. There has been a \$1.0 million decline in other revenues to \$18.9 million which is attributable to lower third-party revenue generated by OSB due to the Rugby World Cup.

Expense Analysis

A further breakdown of SKY's operating expenses for 2012 and 2011 is provided below:

IN NZD MILLIONS	2012	2012	2011	2011	
	% of revenue		% of revenue		% Inc/(dec)
Programming	273.7	32.5	255.9	32.1	7.0
Subscriber management	64.6	7.7	65.9	8.3	(2.0)
Broadcasting and infrastructure	84.5	10.0	72.6	9.1	16.4
Sales and marketing	39.4	4.7	40.9	5.1	(3.7)
Advertising	19.9	2.3	19.4	2.4	2.6
Other administrative	25.0	3.0	20.5	2.6	22.0
Depreciation and amortisation	134.1	15.9	125.0	15.7	7.3
Total operating expenses	641.2	76.1	600.2	75.3	6.8

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 (e.g. Disney Channel, Living Channel, etc.), movies (including PPV) and music rights. Programme operating costs include the costs of producing live sport 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	2012	2011	% Inc/(dec)
Programme rights	216.1	209.0	3.4
Programme operations	57.6	46.9	22.8
Total	273.7	255.9	7.0

Financial Overview (CONTINUED)

SKY's programming expenses have increased to 32.5% of revenue in 2012, from 32.1% in 2011.

A significant proportion of SKY's programme rights costs are in US dollars (USD). This means the NZ dollar cost included in SKY's accounts is affected by the strength of the NZ dollar (NZD) 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 2012, SKY made US-dollar operating expense payments at an average exchange rate of 71.2 cents compared to the 68.8-cent rate in the previous year. Based on the 2012 results, a one-cent movement in the USD/NZD rate would have affected operating costs by around NZD 1.4 million.

During 2012, SKY's total rights cost of NZD 216.1 million included rights denominated in foreign currencies. During the year, SKY paid USD 57.2 million and AUD 35.2 million for programme rights at an average hedge rate of 69.9 cents for the USD and 79.6 cents for the AUD, giving a total cost of NZD 125.9 million. If these costs had been converted at the average spot rate, total programme costs would have been approximately NZD 115.8 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 sport tier. The rights typically require SKY to meet the costs of producing any live games in New Zealand; these are 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 fixed costs. 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 movies tier and PPV service. These costs are therefore variable and increase as SKY's subscriber base increases.

In 2012, 55% of SKY's total programming costs of \$273.7 million could be regarded as fixed costs, compared to 54% of the \$255.9 million of programming costs in 2011.

Programme operations costs increased by \$10.7 million to \$57.6 million. This was principally due to additional costs for producing the Rugby World Cup.

Subscriber management costs include 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 2012, subscriber management costs decreased \$1.3 million (2%) to \$64.6 million. This was mainly the result of a \$1.2 million decrease in credit control costs.

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 decreased by 3.7% to \$39.4 million in 2012 despite additional costs of \$2.2 million contributed by IGLOO.

Advertising costs include the costs of operating SKY's advertising sales department which sells both SKY and Prime channels and includes the 20% sales commission that is paid to advertising agencies. Advertising sales costs increased 2.6% to \$19.9 million, reflecting the higher advertising revenues in 2012.

Broadcasting and infrastructure costs consist of transmission and linking costs for transmitting SKY and Prime's television signals from SKY's studios in Auckland to other locations in New Zealand and the costs of operating SKY's television stations at Mt Wellington and Albany. The costs of leasing seven transponders on the Optus D1 satellite are included, as is the cost of high-definition television broadcasting.

Broadcasting and infrastructure costs increased by \$11.9 million (16.4%) to \$84.5 million. This was mainly due to additional costs of approximately \$7.4 million in relation to transponder leasing costs. This included \$3.7 million for the additional transponder lease and \$3.7 million exchange difference due to a fall in the AUD/NZD exchange rate from 0.86 cents in the prior year to 0.77 cents in the current year. The remaining \$4.5 million relates to increased employee costs due to additional headcount and additional support and maintenance costs.

Other administrative costs include the overhead costs relating to corporate management and the finance department. These costs have increased by 22% to \$25.0 million from \$20.5 million in the prior year. This \$4.5 million increase is due to additional headcount and \$1.0 million of costs relating to IGLOO.

Depreciation and amortisation costs include 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 \$9.1 million (7.3%) to \$134.1 million. Of this, \$7.4 million relates to depreciation of the OSB trucks, with the balance reflecting the increased investment in additional MY SKY decoders and in broadcasting and infrastructure costs.

Interest and financing costs have increased by 15.8% to \$29.3 million due to an additional \$56.0 million of debt drawn down to pay a special dividend of 25 cents per share in September 2011. SKY's weighted average interest cost increased from 5.6% in 2011 to 5.8% in 2012, as follows:

	2012	2011
Bank loans	6.7%	6.4%
Bonds	4.5%	4.5%
Finance lease	6.9%	6.9%
Combined weighted average	5.8%	5.6%

Taxation expense has decreased by \$2.9 million (5.5%) to \$48.8 million reflecting the decrease in pre-tax profit and the change in tax rate from 30% to 28%.

Capital expenditure

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

IN NZD MILLIONS	2012	2011	2010	2009	2008
Subscriber equipment	57.4	44.6	40.5	63.2	22.4
Installation costs	48.9	50.9	62.0	46.5	40.2
Building	0.9	3.7	4.3	0.9	2.7
HD broadcasting truck	2.6	7.5	14.7	8.6	42.6
Other	27.1	28.3	17.5	13.0	11.6
Capital expenditure	136.9	135.0	139.0	132.2	119.5
Acquisition of On Site assets	-	34.7	-	-	-
Total capital expenditure	136.9	169.7	139.0	132.2	119.5

Capital expenditure increased by \$1.9 million in 2012 to \$136.9 million. The prior year table included \$34.7 million relating to the acquisition of OSB assets. These have been separately identified in the table to allow for comparison on a consistent basis.

Subscriber equipment costs increased by \$12.8 million, mainly relating to purchases of MY SKY decoders. An additional 41,000 decoders were purchased in 2012.

Other expenditure totalling \$27.1 million includes \$12.3 million of infrastructure and technology development for IGLOO and \$9.0 million relating to various technology and broadcasting projects.

Board of Directors

PETER MACOURT

Chairman



Mr Macourt was appointed chairman of the board of SKY in August 2002. He is a former director and chief operating officer of News Limited. Previously, Mr Macourt has served as a director of Premier Media, Foxtel, Independent Newspapers Limited and a number of subsidiaries and associated companies of The News Corporation Limited. He holds a degree in commerce from the University of New South Wales and is a member of the Australian Institute of Chartered Accountants and the Australian Institute of Company Directors.

ROBERT BRYDEN

**Deputy
Chairman**



Mr Bryden was appointed a director of SKY in 1990 and deputy chairman in February 2001. He was the managing director of Todd Capital Limited, retiring from this position in September 2011.

JOHN FELLET

**Director
and Chief
Executive
Officer**



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

JOHN HART

Director



Mr Hart was appointed a director of SKY in October 1997. He had a distinguished career in sports administration including being All Blacks coach between 1996 and 1999. Mr Hart was employed by Fletcher Challenge Limited, from 1966 to 1995, in a variety of positions including, for the last ten years, the role of Employee Relations Director. He currently manages his own consultancy business. Mr Hart's other directorships include Bayley Corporation Limited, Global Rugby Enterprises, the NZPGA and NZPGA PRO-AM Championship Limited. In addition, he has served in a number of government-appointed roles, including chairing the NZ2011 office charged with leveraging the Rugby World Cup in 2011. He is currently chair of the nominations committee for the board of Sport New Zealand.

He was made an Officer of the New Zealand Order of Merit (ONZM) in 1997 for his services to rugby and sport.

MICHAEL MILLER

Director



Mr Miller was appointed a director of SKY in September 2004. He joined News Limited in 1991 and serves currently as the regional director of NSW. Previously he held senior News Limited leadership roles as the managing director of Nationwide News, the NSW Metro division of News Limited, and as managing director of Advertiser Newspapers in South Australia. Michael has also been the group marketing director for News Limited. Michael is a director of News Limited, Waratahs Rugby and the Committee for Sydney.

HUMPHRY ROLLESTON

Director



Mr Rolleston was appointed 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, Mercer Group Limited, Matrix Security Group Limited, Infratil Limited, Murray & Company Limited and Property for Industry Limited.

JOHN WALLER

Director



Mr Waller was appointed a director of SKY and member of the audit and risk 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 BNZ and the Eden Park Trust Board, and a director of Fonterra Co-operative Group Limited, National Australia Bank Limited, Alliance Group Limited, Donaghys Limited and various other companies.

References to SKY in the above biographies includes a reference to the current SKY company and (where applicable) the previous SKY company that existed prior to the merger with INL in 2005.



2012 Financials

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Financial Trends Statement

The selected consolidated financial data set out below have been derived from the audited 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.

INCOME STATEMENT – FIVE YEAR SUMMARY

IN NZD 000	2012	2011	2010	2009	2008
For the year ended 30 June					
Total revenue	843,074	796,948	741,836	691,959	658,751
Total operating expenses ⁽¹⁾	507,052	475,273	454,336	430,998	392,168
EBITDA⁽²⁾	336,022	321,675	287,500	260,961	266,583
Less/(plus)					
Depreciation and amortisation	134,119	124,954	112,506	96,076	77,971
Net interest expense and financing charges	29,346	25,330	30,974	36,559	43,866
Unrealised (gains)/losses on currency and other	923	(641)	(2,498)	2,524	684
Net profit before income tax	171,634	172,032	146,518	125,802	144,062

BALANCE SHEET – FIVE YEAR SUMMARY

IN NZD 000	2012	2011	2010	2009	2008
As at 30 June					
Property, plant, equipment and non-current intangibles	388,646	391,268	342,124	315,665	279,650
Goodwill	1,424,494	1,424,494	1,423,427	1,423,427	1,423,077
Total assets	1,962,467	1,940,560	1,909,161	1,872,797	1,834,656
Total debt and lease obligations	472,469	418,303	472,117	500,550	501,983
Working capital ⁽³⁾	(20,717)	(26,391)	3,550	(7,496)	(21,342)
Total liabilities	708,603	643,016	658,214	666,272	652,998
Total equity	1,253,864	1,297,544	1,250,947	1,206,525	1,181,658

(1) Exclusive of depreciation and amortisation.

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

(3) Working capital excludes current borrowings, bonds and derivative financial instruments.

OTHER FINANCIAL DATA

IN NZD 000	2012	2011	2010	2009	2008
For the year ended 30 June					
Capital expenditure (accrual basis)(1)	132,321	139,554	138,994	132,178	119,465
Free cash inflows/(outflows)(2)	136,067	122,681	98,480	58,049	83,917

(1) This does not include assets purchased as part of the acquisition of OSB in 2010, the Arts Channel in 2009 and Screen Enterprises Limited in 2008.

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

HISTORY OF DIVIDEND PAYMENTS

BY CALENDAR YEAR (IN CENTS PER SHARE)	2012	2011	2010	2009	2008
Interim dividend (paid in March)	11.0	8.0	7.0	7.0	7.0
Final dividend (paid in September)	-	10.5	7.0	7.0	7.0
Total ordinary dividend	11.0	18.5	14.0	14.0	14.0
Add special dividend	-	25.0	-	-	-
Total dividend paid	11.0	43.5	14.0	14.0	14.0

Financial Trends Statement (CONTINUED)

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	2012	2011	2010	2009	2008
Subscribers – UHF:					
Residential	-	-	-	22,772	31,134
Commercial	-	-	-	400	521
Total UHF	-	-	-	23,172	31,655
Subscribers – DBS (Satellite):					
Residential	690,267	675,221	659,233	623,564	578,016
Residential – wholesale ⁽¹⁾	129,323	124,712	118,403	111,260	120,170
Commercial	9,140	8,684	8,557	8,167	7,995
Total DBS	828,730	808,617	786,193	742,991	706,181
Subscribers – Other:⁽²⁾	18,201	20,804	16,204	12,739	10,740
Total subscribers	846,931	829,421	802,397	778,902	748,576
MY SKY subscribers⁽³⁾	382,495	279,875	189,975	103,991	-
Total number of households in New Zealand ⁽⁴⁾	1,659,600	1,640,900	1,622,200	1,603,400	1,584,800
Percentage of households subscribing to the SKY network:					
Total UHF and DBS – residential	49.4%	48.7%	47.9%	47.2%	46.0%
Gross churn rate ⁽⁵⁾	14.2%	14.0%	13.9%	14.0%	14.9%
Average monthly revenue per residential subscriber (NZD):					
UHF	n/a	n/a	30.82	37.24	38.83
DBS excluding wholesale	62.65	65.19	65.76	66.57	66.12
Wholesale	64.66	61.78	55.51	53.30	52.15
MY SKY	84.69	84.79	84.61	78.02	n/a
Total UHF, DBS and MY SKY including wholesale	71.93	70.45	67.61	64.00	62.10
Additional outlets (Multiroom):					
UHF	-	-	-	12,086	18,953
Satellite	171,901	151,509	127,703	91,888	65,817
Total	171,901	151,509	127,703	103,974	84,770

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

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

(3) Included in total subscribers.

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

(5) Gross churn refers to the percentage of residential subscribers over the 12-month period ended on the date shown who terminated their subscriptions, net of existing subscribers who transferred their services 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 2012 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.

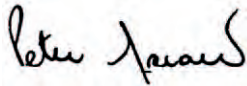
The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

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.

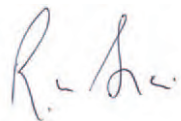
The directors have pleasure in presenting the financial statements of the Company and Group for the year ended 30 June 2012.

The board of directors of SKY Network Television Limited authorise these financial statements for issue on 23 August 2012.

For and on behalf of the board of directors



Peter Macourt
Chairman



Robert Bryden
Director

Date: 23 August 2012

Income Statement

FOR THE YEAR ENDED 30 JUNE 2012

IN NZD 000	Notes	Group		Company	
		30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Revenue					
Residential satellite subscriptions		682,348	641,337	682,348	641,337
Other subscriptions		60,811	59,184	60,811	59,184
Installation		13,800	13,820	13,782	13,815
Advertising		67,235	62,691	67,235	62,691
Other income		18,880	19,916	10,975	11,450
		843,074	796,948	835,151	788,477
Expenses					
Programme rights		216,131	209,008	215,820	208,732
Programme operations		57,546	46,859	62,770	52,096
Subscriber management		64,608	65,884	61,473	63,015
Sales and marketing		39,387	40,892	36,706	40,368
Advertising		19,858	19,379	19,858	19,379
Broadcasting and infrastructure		84,529	72,667	83,963	72,542
Depreciation and amortisation	6	134,119	124,954	125,756	117,359
Corporate	15/11	24,993	20,584	26,087	20,498
		641,171	600,227	632,433	593,989
Operating profit		201,903	196,721	202,718	194,488
Financial (expense)/income					
Finance income		2,082	1,097	3,406	2,109
Finance expense		(31,428)	(26,427)	(30,130)	(24,935)
Realised exchange (loss)/gain		(1,172)	319	(1,163)	316
Unrealised exchange gain		249	322	259	322
	7	(30,269)	(24,689)	(27,628)	(22,188)
Profit before tax		171,634	172,032	175,090	172,300
Income tax expense	8	48,847	51,706	50,586	51,977
Profit after tax		122,787	120,326	124,504	120,323
Attributable to equity holders of the Company		123,670	120,078	124,504	120,323
Non-controlling interest		(883)	248	-	-
		122,787	120,326	124,504	120,323
Earnings per share					
Basic and diluted earnings per share (cents)	9	31.78	30.86		

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2012

IN NZD 000	Note	Group		Company	
		30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Profit for the year		122,787	120,326	124,504	120,323
Other comprehensive income/(loss)					
Cash flow hedges, net of tax	23	2,233	(15,358)	2,336	(15,358)
Other comprehensive income/(loss) for the year, net of income tax		2,233	(15,358)	2,336	(15,358)
Total comprehensive income for the year		125,020	104,968	126,840	104,965
Attributable to:					
Equity holders of the Company		125,903	104,720	126,840	104,965
Non-controlling interest		(883)	248	-	-
		125,020	104,968	126,840	104,965

Balance Sheet

AS AT 30 JUNE 2012

IN NZD 000	Notes	Group		Company	
		30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Current assets					
Cash and cash equivalents		27,903	11,434	14,654	8,657
Trade and other receivables	10	73,572	76,383	74,557	77,637
Inventory	11	3,062	-	-	-
Programme rights inventory	12	42,188	34,650	42,188	34,650
Derivative financial instruments	20	1,013	2,331	1,013	2,331
		147,738	124,798	132,412	123,275
Non-current assets					
Property, plant and equipment	13	364,335	360,403	319,087	322,623
Other intangible assets	14	24,311	30,865	24,220	30,719
Shares in subsidiary companies	15	-	-	14,544	4,007
Related-party advance	27	-	-	17,243	17,721
Deferred tax asset	17	1,159	-	-	-
Goodwill	16	1,424,494	1,424,494	1,422,465	1,422,465
Derivative financial instruments	20	430	-	430	-
		1,814,729	1,815,762	1,797,989	1,797,535
Total assets		1,962,467	1,940,560	1,930,401	1,920,810
Current liabilities					
Borrowings	19	3,078	2,872	-	-
Trade and other payables	18	153,726	140,536	147,245	138,040
Income tax payable		13,716	8,322	15,810	9,495
Derivative financial instruments	20	11,386	15,892	11,134	15,892
		181,906	167,622	174,189	163,427
Non-current liabilities					
Borrowings	19	270,676	217,015	256,740	200,000
Bonds	19	198,715	198,416	198,715	198,416
Deferred tax	17	34,811	36,591	32,901	36,124
Derivative financial instruments	20	22,143	22,835	22,143	22,835
Provisions	21	352	537	352	537
		526,697	475,394	510,851	457,912
Total liabilities		708,603	643,016	685,040	621,339
Equity					
Share capital	22	577,403	577,403	577,403	577,403
Hedging reserve	23	(19,805)	(22,038)	(19,702)	(22,038)
Retained earnings	24	684,084	741,364	687,660	744,106
Total equity attributable to equity holders of the Company		1,241,682	1,296,729	1,245,361	1,299,471
Non-controlling interest		12,182	815	-	-
Total equity		1,253,864	1,297,544	1,245,361	1,299,471
Total equity and liabilities		1,962,467	1,940,560	1,930,401	1,920,810

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2012

Attributable to owners of the Parent							
IN NZD 000	Notes	Share capital	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
GROUP							
Balance at 1 July 2011		577,403	(22,038)	741,364	1,296,729	815	1,297,544
Profit/(loss) for the year		-	-	123,670	123,670	(883)	122,787
Cash flow hedges, net of tax	23	-	2,233	-	2,233	-	2,233
Total comprehensive income for the year		-	2,233	123,670	125,903	(883)	125,020
Capital contributed		-	-	-	-	12,250	12,250
Dividend paid	24	-	-	(180,950)	(180,950)	-	(180,950)
Supplementary dividends		-	-	(4,499)	(4,499)	-	(4,499)
Foreign investor tax credits		-	-	4,499	4,499	-	4,499
Balance at 30 June 2012		577,403	(19,805)	684,084	1,241,682	12,182	1,253,864
Balance at 1 July 2010		577,403	(6,680)	679,657	1,250,380	567	1,250,947
Profit for the year		-	-	120,078	120,078	248	120,326
Cash flow hedges, net of tax	23	-	(15,358)	-	(15,358)	-	(15,358)
Total comprehensive income for the year		-	(15,358)	120,078	104,720	248	104,968
Dividend paid	24	-	-	(58,371)	(58,371)	-	(58,371)
Supplementary dividends		-	-	(1,677)	(1,677)	-	(1,677)
Foreign investor tax credits		-	-	1,677	1,677	-	1,677
Balance at 30 June 2011		577,403	(22,038)	741,364	1,296,729	815	1,297,544
COMPANY							
Balance at 1 July 2011		577,403	(22,038)	744,106	1,299,471	-	1,299,471
Profit for the year		-	-	124,504	124,504	-	124,504
Cash flow hedges, net of tax	23	-	2,336	-	2,336	-	2,336
Total comprehensive income for the year		-	2,336	124,504	126,840	-	126,840
Dividend paid	24	-	-	(180,950)	(180,950)	-	(180,950)
Supplementary dividends		-	-	(4,499)	(4,499)	-	(4,499)
Foreign investor tax credits		-	-	4,499	4,499	-	4,499
Balance at 30 June 2012		577,403	(19,702)	687,660	1,245,361	-	1,245,361
Balance at 1 July 2010		577,403	(6,680)	682,154	1,252,877	-	1,252,877
Profit for the year		-	-	120,323	120,323	-	120,323
Cash flow hedges, net of tax	23	-	(15,358)	-	(15,358)	-	(15,358)
Total comprehensive income for the year		-	(15,358)	120,323	104,965	-	104,965
Dividend paid	24	-	-	(58,371)	(58,371)	-	(58,371)
Supplementary dividends		-	-	(1,677)	(1,677)	-	(1,677)
Foreign investor tax credits		-	-	1,677	1,677	-	1,677
Balance at 30 June 2011		577,403	(22,038)	744,106	1,299,471	-	1,299,471

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2012

IN NZD 000	Notes	Group		Company	
		30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Cash flows from operating activities					
Cash was provided from:					
Customers		843,681	789,456	837,140	781,492
Interest received		924	400	2,248	1,413
		844,605	789,856	839,388	782,905
Cash was applied to:					
Suppliers and employees		(481,795)	(415,770)	(468,119)	(406,000)
Related parties		(18,818)	(42,348)	(31,866)	(53,939)
Interest paid		(29,248)	(25,987)	(27,951)	(24,500)
Income tax paid	8	(42,653)	(34,712)	(42,613)	(34,679)
		(572,514)	(518,817)	(570,549)	(519,118)
Net cash from operating activities		272,091	271,039	268,839	263,787
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		859	123	859	123
Acquisition of property, plant, equipment and intangibles		(136,883)	(135,055)	(121,107)	(126,504)
Acquisition of business	28	-	(13,426)	(12,750)	-
Net cash used in investing activities		(136,024)	(148,358)	(132,998)	(126,381)
Cash flows from financing activities					
Repayment of borrowings – bank loan	19	(300,000)	(104,000)	(300,000)	(104,000)
Advances received – bank loan	19	358,000	30,000	358,000	30,000
Related-party advance		-	-	(3,308)	(21,181)
Related-party advance repayment		-	-	2,413	1,343
Payment of bank facility fees		(1,500)	(25)	(1,500)	(25)
Capital introduced by non-controlling interest		12,250	-	-	-
Payment of finance lease liabilities		(2,899)	(2,739)	-	-
Dividends paid		(185,449)	(60,048)	(185,449)	(60,048)
Net cash used in financing activities		(119,598)	(136,812)	(129,844)	(153,911)
Net increase/(decrease) in cash and cash equivalents		16,469	(14,131)	5,997	(16,505)
Cash and cash equivalents at beginning of year		11,434	25,565	8,657	25,162
Cash and cash equivalents at end of year		27,903	11,434	14,654	8,657

IN NZD 000	Notes	Group		Company	
		30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Reconciliation of operating cash flows with net profit					
Profit after tax		122,787	120,326	124,504	120,323
Plus/(less) non-cash items:					
Depreciation and amortisation	6	134,119	124,954	125,756	117,359
Unrealised foreign exchange gain	7	(249)	(322)	(259)	(322)
Bad debts and movement in provision for doubtful debts	6	5,599	5,655	5,593	5,649
Impairment of inventory	11	403	-	-	-
Amortisation of bond issue costs	7	299	299	299	299
Movement in deferred tax	8	(3,808)	11,045	(4,132)	10,152
Impairment of investment	15	-	-	2,213	-
Other non-cash items		1,527	1,190	1,149	1,018
Items classified as investing activities:					
(Gain)/loss on disposal of assets		(34)	32	(34)	32
Movement in working capital items:					
Decrease/(increase) in receivables		673	(8,771)	1,640	(8,135)
Increase in payables		11,776	4,730	7,543	4,323
Increase in provision for tax		10,002	5,946	12,105	7,134
Increase in inventory		(3,465)	-	-	-
(Increase)/decrease in programme rights		(7,538)	5,955	(7,538)	5,955
Net cash from operating activities		272,091	271,039	268,839	263,787

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

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 2012 comprise those of 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.

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

On 21 July 2011, SKY established a new company, Igloo Limited (IGLOO). SKY contributed \$12,750,000 and has a 51% interest with TVNZ owning the other 49% having contributed \$12,250,000. IGLOO will deliver a low-cost pay television service over the digital terrestrial network and deliver 11 pay channels as well as receiving the free-to-air channels. In addition, IGLOO will offer pay-per-view sport and movies. IGLOO is considered a subsidiary of SKY and has been fully consolidated into the Group's results.

These financial statements were authorised for issue by the board on 23 August 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements are for the year ended 30 June 2012. They have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and 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 2012) as applicable to SKY as a profit-oriented entity. The Group and the Company financial statements are in compliance with International Financial Reporting Standards (IFRS).

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

Changes in accounting policy and disclosures

The accounting policies applied by the Group in these consolidated financial statements have been consistently applied to all the years presented other than as set out below.

The following are the new standards and amendments to standards which are effective for the first time for the financial year beginning 1 July 2011 and which are relevant to the Group. These amendments do not result in material accounting or disclosure changes for the Group.

NZ IAS 24: Related Party Disclosures (revised 2009) (effective date periods beginning on or after 1 July 2011).

FRS 44: New Zealand Additional Disclosures (effective date periods beginning on or after 1 July 2011).

NZ IFRS 7: Disclosures – Transfers of Financial Assets (effective date periods beginning on or after 1 July 2011).

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 and have not been early adopted:

NZ IAS 1: Amendments to NZ IAS 1: Presentation of Items of Other Comprehensive Income (effective date periods beginning on or after 1 July 2012).

Annual improvements to NZ IFRS 2009 – 2011 (effective date periods beginning on or after 1 January 2013).

NZ IAS 12 (amendment): Income Tax-deferred Tax: Recovery of Underlying Assets (effective date periods beginning on or after 1 January 2012).

NZ IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective date periods beginning on or after 1 January 2013).

NZ IFRS 10: Consolidated Financial Statements (effective date periods beginning on or after 1 January 2013).

NZ IFRS 11: Joint Arrangements (effective date periods beginning on or after 1 January 2013).

NZ IFRS 12: Disclosure of Interests in Other Entities (effective date periods beginning on or after 1 January 2013).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NZ IFRS 13: Fair Value Measurement (effective date periods beginning on or after 1 January 2013).

NZ IAS 19: Employee Benefits (effective date periods beginning on or after 1 January 2013).

NZ IAS 27: Separate Financial Statements (effective date periods beginning on or after 1 January 2013).

NZ IAS 32: Offsetting Financial Assets and Financial Liabilities (effective date periods beginning on or after 1 January 2014).

NZ IFRS 9: Financial Instruments (effective date periods beginning on or after 1 January 2015). The directors have yet to assess the full impact of NZ IFRS 9.

The directors anticipate that the adoption of these standards and interpretations in future periods, other than NZ IFRS 9, 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 combination 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. Acquisition-related costs are expensed as incurred.

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 are unrealised gains unless the transaction provides evidence of an impairment of the asset transferred.

Transactions and non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Functional and presentation currency

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

Foreign currency transactions

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

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The costs of additions to plant and other assets constructed by the Group consist of all appropriate costs of development, construction and installation, comprising material, labour, direct overhead and transport costs. For qualifying assets, directly attributable interest costs incurred during the period required to complete and prepare the asset for its intended use are capitalised as part of the total cost. All other costs are recognised in 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:

ASSETS	TIME
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.

Other intangible assets

Broadcasting rights

Broadcasting rights, consisting of UHF spectrum licences, 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).

Direct costs associated with the development of broadcasting and business software for internal use are capitalised where project success is regarded as probable. Capitalised costs include external direct costs of materials and services consumed and direct payroll-related costs for employees (including contractors) directly associated with the project and interest costs incurred during the development stage of a project.

Software development costs recognised as assets are amortised over their estimated useful lives (three to five years).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Programme rights inventory

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 12 months. Any rights not expected to be utilised are written off during the period.

Inventory

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost basis, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Costs also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchase of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less selling expenses. Provisions are made for obsolete, unsaleable and unusable inventory.

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, or 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 on which 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 market place.

Financial assets at fair value through profit or 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 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.

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

The Group assesses at each balance date whether there is objective evidence, such as default or delinquency in payment, 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. Collectibility 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, such as default or delinquency in payments, 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 of 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.

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 12 months after the balance date.

Trade and other payables

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

Derivative financial instruments and hedge accounting

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.

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 during which the hedged item will affect.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 price adjustments). For example, when hedging forecast purchases of programme rights in foreign currency, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the programme rights. The deferred amounts are ultimately recognised in programme rights' expenses in the income statement. Any 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 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 as 'interest rate swaps – fair value' in finance costs. The gain or loss relating to interest rate swaps which do not qualify for hedge accounting is recognised in the income statement within the interest expense charge in 'finance expense'.

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 current assets or liabilities.

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.

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Borrowing costs

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

Taxation

Current income tax expense is recognised 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 other comprehensive income, in which case the tax expense is also recognised in other comprehensive income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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

Operating segments are reported in a manner consistent with the internal reporting provided to SKY's group of executive directors who are the chief operating decision-makers. SKY's group of executive directors is responsible for allocating resources and assessing performance of the operating segments. SKY operates in a single business segment: the provision of multi-channel television services in New Zealand.

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 an audit and risk 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 income statement volatility.

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

3 FINANCIAL RISK MANAGEMENT (continued)

(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. Approximately 90% of anticipated transactions in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

		Period	Minimum hedging	Maximum hedging
Capex	Capex order greater than NZD 250,000	Time of issuing order	100%	100%
Opex	Fixed commitments	Up to 3 years	100%	100%
		> 3 years	0%	30%
Opex	Variable commitments	0 – 12 months	85%	95%
		13 – 36 months	0%	70%
		> 36 months	0%	30%

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

(b) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain approximately 45% to 90% of its borrowings in fixed-rate instruments.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps, options and swaptions. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Occasionally, the Group also enters into fixed-to-floating interest rate swaps to hedge fair value interest rate risk arising where it has borrowed at fixed rates.

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

(c) Price risk

The Group does not have any price risk exposure.

Credit risk

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

The Group has no significant concentrations of credit risk. Credit risk with respect to trade receivables is limited due to the large number of subscribers included in the Group's subscriber base. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The maximum exposure is the carrying amount as disclosed in note 10. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

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 has an undrawn facility balance of \$142,000,000 (June 2011: \$175,000,000) 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 date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payments in respect of financial liabilities and the net settled interest rate derivatives that are in a loss position at balance date. Balances due within 12 months equal their carrying value as the impact of discounting is not significant.

The information shown below relates to the Group only. Company information is not shown separately. The only material difference between the Company and the Group is the lease liabilities shown as a separate line item on the table below. These lease liabilities relate to OSB and are separately disclosed in note 19.

IN NZD 000	Carrying amount	Contractual cash flows	Less than one year	1-2 years	2-5 years	> 5 years
At 30 June 2012						
Non-derivative financial liabilities						
Secured bank loans (note 19)	256,740	(316,330)	(11,558)	(11,558)	(34,674)	(258,540)
Lease liabilities (note 19)	17,014	(19,591)	(4,170)	(4,170)	(11,251)	-
Bonds (note 19)	198,715	(230,930)	(7,200)	(7,200)	(216,530)	-
Trade and other payables (note 18)	93,700	(93,700)	(93,700)	-	-	-
Derivative financial liabilities						
Interest rate swaps (note 20) (1)	24,219	(31,723)	(7,652)	(6,813)	(13,181)	(4,077)
	590,388	(692,274)	(124,280)	(29,741)	(275,636)	(262,617)
At 30 June 2011						
Non-derivative financial liabilities						
Secured bank loans (note 19)	200,000	(206,090)	(6,090)	(200,000)	-	-
Lease liabilities (note 19)	19,887	(23,761)	(4,170)	(4,170)	(15,421)	-
Bonds (note 19)	198,416	(243,003)	(8,120)	(8,120)	(24,360)	(202,403)
Trade and other payables (note 18)	83,623	(83,623)	(83,623)	-	-	-
Derivative financial instruments						
Interest rate swaps (note 20) (1)	16,753	(36,417)	(8,477)	(7,590)	(16,380)	(3,970)
	518,679	(592,894)	(110,480)	(219,880)	(56,161)	(206,373)

Trade and other payables (note 18) includes unearned subscriptions and deferred revenues totalling \$60,026,000 (2011: \$56,913,000) 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.

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

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 date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Inflows have been calculated using balance date spot rates.

	Exchange rate	Contractual cash flows foreign exchange amount	Contractual cash flows	Less than one year	1-2 years	2-5 years
			NZD 000	NZD 000	NZD 000	NZD 000
At 30 June 2012						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD			(132,335)	(97,351)	(34,984)	-
AUD			(74,372)	(74,372)	-	-
CAD			(1,678)	(1,678)	-	-
Inflow (at year-end market rate)						
USD	0.7975	97,756	122,578	89,051	33,527	-
AUD	0.7841	58,203	74,229	74,229	-	-
CAD	0.8174	1,315	1,609	1,609	-	-
			(9,969)	(8,512)	(1,457)	-
At 30 June 2011						
Forward foreign exchange contracts						
Outflow (at FX hedge rate)						
USD			(179,787)	(104,034)	(60,754)	(14,999)
AUD			(68,862)	(68,862)	-	-
JPY			(3,404)	(3,404)	-	-
EUR			(1,969)	(1,969)	-	-
Inflow (at year-end market rate)						
USD	0.8297	127,933	154,192	89,505	51,420	13,267
AUD	0.7727	54,275	70,241	70,241	-	-
JPY	66.6913	208,393	3,125	3,125	-	-
EUR	0.5724	1,117	1,951	1,951	-	-
			(24,513)	(13,447)	(9,334)	(1,732)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy for capital risk management remains unchanged from 2011.

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.

3 FINANCIAL RISK MANAGEMENT (continued)

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 bonds issue as described in note 19.

The gearing ratio at the year-end was as follows:

IN NZD 000	Group	
	30 Jun 12	30 Jun 11
Debt (note 19)	472,469	418,303
Cash and cash equivalents	(27,903)	(11,434)
Net debt	444,566	406,869
Equity	1,253,864	1,297,544
Net debt to equity ratio	35%	31%

The Group is subject to externally imposed debt limits with which it has complied for the entire year reported (2011: complied).

Fair value estimation

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

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

SKY's financial assets and liabilities are all fair valued on a Level 2 basis.

IN NZD 000	Level 2 Group and Company	
Assets measured at fair value		
Financial assets at fair value through profit or loss		
Trading derivatives – dedesignated or not hedge accounted	293	1,148
Derivatives used for hedging – cash flow hedges	1,150	1,183
Total assets (note 20)	1,443	2,331
Liabilities measured at fair value		
Financial liabilities at fair value through profit or loss		
Trading derivatives – dedesignated or not hedge accounted	(2,031)	(3,898)
Derivatives used for hedging – cash flow hedges	(31,498)	(34,829)
Total liabilities (note 20)	(33,529)	(38,727)

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

Specific valuation techniques used to value financial instruments include:

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The fair value of forward foreign exchange contracts is based on market forward foreign exchange rates at year-end.

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

3 FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial instruments carried at amortised cost

IN NZD 000	Group				Company			
	30 Jun 12		30 Jun 11		30 Jun 12		30 Jun 11	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets								
Loans and receivables								
Cash and cash equivalents	27,903	27,903	11,434	11,434	14,654	14,654	8,657	8,657
Trade and other receivables (note 10)	65,834	65,834	66,606	66,606	67,371	67,371	68,182	68,182
Related-party advance (note 27)	-	-	-	-	19,548	21,797	19,839	21,578
Total assets	93,737	93,737	78,040	78,040	101,573	103,822	96,678	98,417
Financial liabilities held at amortised cost								
Borrowings (note 19)	256,740	256,147	200,000	196,881	256,740	256,147	200,000	196,881
Lease liabilities (note 19)	17,014	17,610	19,887	20,066	-	-	-	-
Bonds (note 19)	198,715	178,800	198,416	185,000	198,715	178,800	198,416	185,000
Trade and other payables (note 18)	93,700	93,700	83,623	83,623	87,327	87,327	81,228	81,228
Total liabilities	566,169	546,257	501,926	485,570	542,782	522,274	479,644	463,109

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

Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of loans from banks and lease liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

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 and investment in subsidiaries

The Group tests annually whether goodwill and investments in subsidiaries have 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 uses a suitable discount rate in order to calculate present value. The value of goodwill and investments in subsidiaries at the balance date was \$1.4 million and \$14.5 million respectively (30 June 2011: \$1.4 million and \$4.0 million). An impairment loss of \$2.2 million was recognised on SKY's investment in Screen Enterprises Limited in the current year. 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 that estimated previously. The board and management regularly review economic life assumptions of these assets as part of management reporting procedures (refer note 13 for book value of these assets).

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

c) Deferred taxes

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits. The total carrying amount of unused tax losses and other deductible temporary differences of the Group and the Company for which deferred tax assets have been recognised are as disclosed in note 17.

5 SEGMENT REPORTING

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

6 OPERATING EXPENSES

IN NZD 000	Group		Company	
	30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Depreciation and amortisation				
Depreciation of property, plant and equipment (note 13)	124,881	114,252	116,602	106,833
Amortisation of intangibles (note 14)	9,238	10,702	9,154	10,526
Total depreciation and amortisation	134,119	124,954	125,756	117,359
Impairment				
Impairment of investment (note 15)	-	-	2,213	-
Impairment of inventory (note 11)	403	-	-	-
Total depreciation, amortisation and impairment	134,522	124,954	127,969	117,359
Bad and doubtful debts				
Movement in provision	(1,452)	405	(1,447)	398
Net write-off	5,599	5,250	5,593	5,251
Total bad and doubtful debts (note 10)	4,147	5,655	4,146	5,649
Fees paid to auditors				
Audit fees paid to principal auditors	249	189	214	181
Other assurance services by principal auditors				
IT assurance services	-	28	-	28
Audit of regulatory returns	4	6	4	6
Greenhouse gas inventory review	14	11	14	11
Assurance services – subscriber returns	-	20	-	20
Total fees to auditors	267	254	232	246
Donations	329	491	329	491
Employee costs	82,967	76,460	78,452	73,320
Directors' fees	507	489	507	489
Operating lease and rental expenses	38,763	34,157	37,872	33,382

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

7 FINANCIAL (EXPENSE)/INCOME

IN NZD 000	Group		Company	
	30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Finance income				
Interest income	924	397	2,248	1,409
Interest rate swaps – fair value gains	1,158	700	1,158	700
	2,082	1,097	3,406	2,109
Finance expense				
Interest expense on bank loans	(18,561)	(15,242)	(18,561)	(15,242)
Interest expense on bonds	(8,979)	(9,133)	(8,979)	(9,133)
Interest rate swaps – fair value loss	(921)	-	(921)	-
Finance lease interest	(1,298)	(1,492)	-	-
Amortisation of bond costs	(299)	(299)	(299)	(299)
Bank facility finance fees	(1,370)	(261)	(1,370)	(261)
Total interest expense	(31,428)	(26,427)	(30,130)	(24,935)
Unrealised exchange (loss)/gain – foreign currency payables	(682)	1,082	(783)	1,082
Unrealised exchange gain/(loss) – foreign currency hedges	931	(760)	1,042	(760)
Realised exchange loss – foreign currency payables	(1,563)	(2,676)	(1,554)	(2,679)
Realised exchange gain – foreign currency hedges	391	2,995	391	2,995
	(30,269)	(24,689)	(27,628)	(22,188)

During the year, interest of \$567,000 (2011: \$378,000) was capitalised to projects (refer notes 13 and 14).

8 INCOME TAX EXPENSE

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

IN NZD 000	Group		Company	
	30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Profit before tax	171,634	172,032	175,090	172,300
Prima facie tax expense at 28% (2011: 30%)	48,058	51,610	49,025	51,690
Non-deductible expenses	890	319	880	318
Prior year adjustment	357	13	357	13
Change in tax rate (note 17)	-	(100)	-	(44)
Other	(458)	(136)	324	-
Income tax expense	48,847	51,706	50,586	51,977
Allocated between				
Current tax payable	52,655	40,661	54,718	41,825
Deferred tax (note 17)	(3,808)	11,045	(4,132)	10,152
Income tax expense	48,847	51,706	50,586	51,977

The prior year deferred tax charge includes the effect of the 2011 tax rate change from 30% to 28% of \$100,000.

IN NZD 000	Group		Company	
	30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Imputation credit account				
Balance at beginning of year	68,937	52,564	68,863	52,505
Tax payments	32,638	30,020	32,613	30,000
Provision for tax	14,042	10,015	14,000	10,000
Tax refund received	-	(321)	-	(321)
Credits attached to dividends paid	(71,352)	(23,339)	(71,352)	(23,339)
Other	-	(2)	42	18
Balance at end of year	44,265	68,937	44,166	68,863
Reconciliation to cash flow statement				
Tax payments	32,638	30,020	32,613	30,000
Tax refund received	-	(321)	-	(321)
Prior year provision for tax	10,015	5,013	10,000	5,000
Tax paid per cash flow statement	42,653	34,712	42,613	34,679

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

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

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 12	30 Jun 11
Profit after tax attributable to equity holders of Parent (NZD 000)	123,670	120,078
Weighted average number of ordinary shares on issue (thousands)	389,140	389,140
Basic earnings per share (cents)	31.78	30.86

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

10 TRADE AND OTHER RECEIVABLES

IN NZD 000	Group		Company	
	30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Trade receivables	66,232	68,009	64,318	67,493
Less provision for impairment of receivables	(2,666)	(4,118)	(2,660)	(4,107)
Trade receivables – net	63,566	63,891	61,658	63,386
Receivable from group subsidiaries (note 27)	-	-	1,151	330
Current portion of advance to subsidiary (note 27)	-	-	2,305	2,118
Other receivables	2,268	2,715	2,257	2,348
Prepaid expenses	7,738	9,777	7,186	9,455
Balance at end of year	73,572	76,383	74,557	77,637
Deduct prepaid expenses	(7,738)	(9,777)	(7,186)	(9,455)
Balance financial instruments (note 29)	65,834	66,606	67,371	68,182

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.

10 TRADE AND OTHER RECEIVABLES (continued)

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

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

IN NZD 000	Group			
	Gross 30 Jun 12	Impairment	Gross 30 Jun 11	Impairment
Residential subscribers	43,475	2,250	46,894	3,736
Commercial subscribers	4,099	23	3,779	18
Wholesale customers	8,071	-	7,212	-
Advertising	6,017	139	6,026	123
Commercial music	154	5	155	11
Other	4,416	249	3,943	230
	66,232	2,666	68,009	4,118

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

IN NZD 000	30 Jun 12			30 Jun 11		
	Neither past due nor impaired	Past due not impaired	Impaired	Neither past due nor impaired	Past due not impaired	Impaired
Not past due	54,274	-	-	53,213	-	-
Past due 0 – 30 days	-	6,613	70	-	7,581	76
Past due 31 – 60 days	-	1,838	85	-	2,367	8
Past due 61 – 90 days	-	464	541	-	730	852
Greater than 90 days	-	377	1,970	-	-	3,182
	54,274	9,292	2,666	53,213	10,678	4,118

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 historical performance of subscriber payments.

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

IN NZD 000	Group	
	30 Jun 12	30 Jun 11
Opening balance	4,118	3,716
Charged during the year (note 6)	4,147	5,655
Utilised during the year	(5,599)	(5,253)
Closing balance	2,666	4,118

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.

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

11 INVENTORY

IN NZD 000	Group	
	30 Jun 12	30 Jun 11
Decoder inventory	3,454	-
Other inventory	11	-
Less provision for impairment of decoder stock (note 6)	(403)	-
Balance at end of year	3,062	-

Inventory relates to decoder stock held by SKY's subsidiary IGLOO. IGLOO is expected to commence operations early in the next financial year. Inventory impairment recognised as an expense for the year ended 30 June 2012 amounted to \$403,000. This expense is included in corporate expenses.

12 PROGRAMME RIGHTS INVENTORY

IN NZD 000	Group and Company	
	30 Jun 12	30 Jun 11
Cost	97,107	82,211
Less amortisation	(54,919)	(47,561)
Balance at end of year	42,188	34,650

13 PROPERTY, PLANT AND EQUIPMENT

GROUP

IN NZD 000	Land, buildings & leasehold improvements	Broadcasting & studio equipment	Decoders & associated equipment	Capitalised installation costs	Other plant & equipment	Projects under development	Total
Cost							
Balance at 1 July 2011	48,481	141,618	485,446	456,990	46,355	11,542	1,190,432
Transfer between categories	-	8,689	-	-	-	(8,689)	-
Additions	913	723	52,873	48,635	4,794	21,700	129,638
Disposals	(777)	(2)	(5,790)	-	(1,056)	-	(7,625)
Balance at 30 June 2012	48,617	151,028	532,529	505,625	50,093	24,553	1,312,445
Accumulated depreciation							
Balance at 1 July 2011	10,366	85,878	376,766	331,804	25,215	-	830,029
Depreciation for the year	1,930	20,891	48,712	48,321	5,027	-	124,881
Disposals	-	-	(5,790)	-	(1,010)	-	(6,800)
Balance at 30 June 2012	12,296	106,769	419,688	380,125	29,232	-	948,110
Net book value 30 June 2012	36,321	44,259	112,841	125,500	20,861	24,553	364,335
Cost							
Balance at 1 July 2010	44,937	129,713	439,421	406,508	29,428	-	1,050,007
Acquisition of subsidiary (note 28)	-	28,804	-	-	5,896	-	34,700
Transfer between categories	-	(8,689)	-	-	(2,853)	11,542	-
Additions	3,748	6,796	49,505	50,499	16,339	-	126,887
Disposals	(204)	(15,006)	(3,480)	(17)	(2,455)	-	(21,162)
Balance at 30 June 2011	48,481	141,618	485,446	456,990	46,355	11,542	1,190,432
Accumulated depreciation							
Balance at 1 July 2010	8,674	79,342	339,806	286,413	22,548	-	736,783
Depreciation for the year	1,767	21,518	40,440	45,408	5,119	-	114,252
Disposals	(75)	(14,982)	(3,480)	(17)	(2,452)	-	(21,006)
Balance at 30 June 2011	10,366	85,878	376,766	331,804	25,215	-	830,029
Net book value 30 June 2011	38,115	55,740	108,680	125,186	21,140	11,542	360,403

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

13 PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY

IN NZD 000	Land, buildings & leasehold improvements	Broadcasting & studio equipment	Decoders & associated equipment	Capitalised installation costs	Other plant & equipment	Projects under development	Total
Cost							
Balance at 1 July 2011	48,481	121,483	485,446	456,990	27,963	2,853	1,143,216
Additions	913	723	52,873	48,635	1,322	9,401	113,867
Disposals	(777)	(2)	(5,790)	-	(1,024)	-	(7,593)
Balance at 30 June 2012	48,617	122,204	532,529	505,625	28,261	12,254	1,249,490
Accumulated depreciation							
Balance at 1 July 2011	10,366	80,579	376,766	331,804	21,078	-	820,593
Depreciation for the year	1,930	14,752	48,712	48,321	2,887	-	116,602
Disposals	-	-	(5,790)	-	(1,002)	-	(6,792)
Balance at 30 June 2012	12,296	95,331	419,688	380,125	22,963	-	930,403
Net book value 30 June 2012	36,321	26,873	112,841	125,500	5,298	12,254	319,087
Cost							
Balance at 1 July 2010	44,937	129,693	439,421	406,508	26,048	-	1,046,607
Transfer between categories	-	-	-	-	(2,853)	2,853	-
Additions	3,748	6,796	49,505	50,499	6,752	-	117,300
Disposals	(204)	(15,006)	(3,480)	(17)	(1,984)	-	(20,691)
Balance at 30 June 2011	48,481	121,483	485,446	456,990	27,963	2,853	1,143,216
Accumulated depreciation							
Balance at 1 July 2010	8,674	79,330	339,806	286,413	20,073	-	734,296
Depreciation for the year	1,767	16,231	40,440	45,408	2,987	-	106,833
Disposals	(75)	(14,982)	(3,480)	(17)	(1,982)	-	(20,536)
Balance at 30 June 2011	10,366	80,579	376,766	331,804	21,078	-	820,593
Net book value 30 June 2011	38,115	40,904	108,680	125,186	6,885	2,853	322,623

Land, buildings and leasehold improvements at 30 June 2012 includes land with a cost of \$4,986,000 (30 June 2011: \$4,986,000).

Projects under development in the current year relate to various broadcasting and software development projects as well as development of the infrastructure in relation to the launch of IGLOO. In the prior year, projects under development related to the fit-out of the new HD broadcasting truck commissioned by OSB and software development projects. In the prior year, work in progress was included as part of broadcasting and studio equipment or plant and equipment. The prior year figures have been adjusted to reflect the projects under development.

Additions in the current year to property, plant and equipment include \$325,000 of interest capitalised at an average borrowing rate of 5.56% (30 June 2011: \$228,000) and \$2,162,000 of capitalised labour costs (30 June 2011: \$121,000).

The net book value of assets subject to finance leases totals \$15,904,000 (30 June 2011: \$18,555,000) of which \$14,336,000 (30 June 2011: \$16,276,000) is included in broadcasting and studio equipment and \$1,568,000 (30 June 2011: \$1,829,000) is included in other plant and equipment.

14 OTHER INTANGIBLE ASSETS

GROUP

IN NZD 000	Software	Broadcasting rights	Renewal rights	Other intangibles	Total
Cost					
Balance at 1 July 2011	55,935	5,447	37,088	3,167	101,637
Additions	2,684	-	-	-	2,684
Disposals	(24)	-	-	-	(24)
Balance at 30 June 2012	58,595	5,447	37,088	3,167	104,297
Accumulated amortisation					
Balance at 1 July 2011	30,946	676	36,440	2,710	70,772
Amortisation for the year	7,799	540	648	251	9,238
Disposals	(24)	-	-	-	(24)
Balance at 30 June 2012	38,721	1,216	37,088	2,961	79,986
Net book value 30 June 2012	19,874	4,231	-	206	24,311
Cost					
Balance at 1 July 2010	43,739	5,447	37,088	3,168	89,442
Additions	12,667	-	-	-	12,667
Disposals	(471)	-	-	(1)	(472)
Balance at 30 June 2011	55,935	5,447	37,088	3,167	101,637
Accumulated amortisation					
Balance at 1 July 2010	24,681	137	33,408	2,316	60,542
Amortisation for the year	6,736	539	3,032	395	10,702
Disposals	(471)	-	-	(1)	(472)
Balance at 30 June 2011	30,946	676	36,440	2,710	70,772
Net book value 30 June 2011	24,989	4,771	648	457	30,865

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

14 OTHER INTANGIBLE ASSETS (continued)

COMPANY

IN NZD 000	Software	Broadcasting rights	Renewal rights	Other intangibles	Total
Cost					
Balance at 1 July 2011	55,414	5,447	37,088	2,536	100,485
Additions	2,655	-	-	-	2,655
Disposals	(23)	-	-	-	(23)
Balance at 30 June 2012	58,046	5,447	37,088	2,536	103,117
Accumulated amortisation					
Balance at 1 July 2011	30,569	676	36,440	2,081	69,766
Amortisation for the year	7,715	540	648	251	9,154
Disposals	(23)	-	-	-	(23)
Balance at 30 June 2012	38,261	1,216	37,088	2,332	78,897
Net book value 30 June 2012	19,785	4,231	-	204	24,220
Balance at 30 June 2011					
Balance at 1 July 2010	43,380	5,447	37,088	2,536	88,451
Additions	12,505	-	-	-	12,505
Disposals	(471)	-	-	-	(471)
Balance at 30 June 2011	55,414	5,447	37,088	2,536	100,485
Accumulated amortisation					
Balance at 1 July 2010	24,392	137	33,408	1,774	59,711
Amortisation for the year	6,648	539	3,032	307	10,526
Disposals	(471)	-	-	-	(471)
Balance at 30 June 2011	30,569	676	36,440	2,081	69,766
Net book value 30 June 2011	24,845	4,771	648	455	30,719

Additions in the current year to software include \$242,000 of interest capitalised at an average borrowing rate of 5.56% (30 June 2011: \$150,000) and \$122,000 of capitalised labour costs (30 June 2011: \$881,000).

15 SHARES IN SUBSIDIARY COMPANIES

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

NAME OF ENTITY	Principal activity	Parent	Interest held	
			2012	2011
SKY DMX Music Limited	Commercial music	SKY	50.5%	50.5%
Cricket Max Limited	Non-trading	SKY	100.0%	100.0%
Media Finance Limited	Non-trading	SKY	100.0%	100.0%
Outside Broadcasting Limited (refer note 28)	Broadcasting services	SKY	100.0%	100.0%
Screen Enterprises Limited	Online DVD rental	SKY	51.0%	51.0%
Igloo Limited (refer note 28)	Multi-channel pay television	SKY	51.0%	-

Cost of investments

IN NZD 000	Company	
	30 Jun 12	30 Jun 11
SKY DMX Music Limited	5	5
Screen Enterprises Limited	4,002	4,002
Igloo Limited	12,750	-
	16,757	4,007
Less impairment of investment (note 6)	(2,213)	-
Net value of investments	14,544	4,007

Igloo Limited was incorporated on 21 July 2011. SKY contributed \$12,750,000 and has a 51% interest with TVNZ owning the other 49% having contributed \$12,250,000 (refer note 28).

During the year, SKY revised its growth assumptions in relation to Screen Enterprises Limited, the forecasts for which have been adversely impacted by technology changes. Consequently, an impairment of \$2,213,000 has been recognised in the carrying value of the investment in the Parent's financial statements. The cost is included in corporate expenses. The Group results for the year and assets are not affected as the goodwill on consolidation arising on the original investment in this entity in June 2008 was reduced through the elimination of gains not realised outside the Group.

In July 2010, the Group via its subsidiary Outside Broadcasting Limited acquired certain assets and liabilities of On Site Broadcasting (NZ) Limited and OSB (NZ) Equipment Limited (refer note 28).

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

16 GOODWILL

IN NZD 000	Group		Company	
	30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Balance at beginning of year	1,424,494	1,423,427	1,422,465	1,422,465
Acquisition of OSB (refer note 28)	-	1,067	-	-
Balance at end of year	1,424,494	1,424,494	1,422,465	1,422,465

Goodwill has arisen on the following acquisitions:

Merger of SKY and INL	1,405,169	1,405,169	1,405,169	1,405,169
Acquisition of Prime	16,946	16,946	16,946	16,946
Acquisition of the Arts Channel	350	350	350	350
Acquisition of Screen Enterprises	962	962	-	-
Acquisition of OSB	1,067	1,067	-	-
	1,424,494	1,424,494	1,422,465	1,422,465

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The Group operates as a single business segment and, accordingly, impairment is tested by comparing the total carrying value of SKY's goodwill to the recoverable amount. If the carrying value exceeds the recoverable amount, goodwill is considered to be impaired. The recoverable amount has been measured based on the value-in-use, based on the discounted cash flow model. The key assumptions for the value-in-use calculation are those regarding the discount rates, subscription numbers, expected churn percentages, changes in foreign exchange rates and any expected changes to subscriptions or direct costs during the period. Management estimates discount rates using 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 impairment tests carried out have resulted in no impairment charge for the year (2011: nil).

The Group also compares its estimated recoverable amount with the market capitalisation value at the balance date.

The Group prepares cash flow forecasts derived from the most recent financial budgets and forecasts approved by management for the next five years and incorporates a present value calculation. Cash flows beyond the five-year period are extrapolated with a 1.0% growth rate.

Key assumptions used for value-in-use calculation

	30 Jun 12	30 Jun 11
Customer churn rates	13.1% – 11.7%	13.4% – 10.9%
Net gain in customer numbers (excl. churn)	31,000	25,000 – 40,684
Pre-tax discount rate	13.2%	12.2%
USD FX rate	0.80 – 0.63	0.73 – 0.65
Long-term growth rate	1.0%	1.0%

Sensitivity of recoverable amounts

The assessment of value-in-use is most sensitive to the assumptions made for the net gain in customer numbers and the USD/NZD exchange rate. Based on the sensitivity analysis carried out, management believes that no reasonable change in any of the key assumptions would cause the carrying value of goodwill to exceed its recoverable amount.

17 DEFERRED TAX

IN NZD 000	Group		Company	
	30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Deferred tax asset	1,159	-	-	-
Deferred tax liability	(34,811)	(36,591)	(32,901)	(36,124)
Closing balance	(33,652)	(36,591)	(32,901)	(36,124)

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

GROUP

IN NZD 000	Fixed assets	Leased assets	Other	Hedges through equity	Total
For the year ended 30 June 2012					
At 1 July 2011	(30,277)	(19,183)	4,299	8,570	(36,591)
NZ IAS 39 hedging adjustment credited direct to equity (note 23)	-	-	-	(869)	(869)
Credited/(charged) to income statement (note 8)	2,861	(2,393)	3,340	-	3,808
Balance at 30 June 2012	(27,416)	(21,576)	7,639	7,701	(33,652)
Deferred tax reversing within 12 months	4,319	(15,498)	6,651	1,924	(2,604)
Deferred tax to be recovered after more than 12 months	(31,735)	(6,078)	988	5,777	(31,048)
	(27,416)	(21,576)	7,639	7,701	(33,652)
For the year ended 30 June 2011					
At 1 July 2010	(22,715)	(16,056)	4,229	2,626	(31,916)
Acquisition of subsidiary (note 28)	-	426	-	-	426
NZ IAS 39 hedging adjustment credited direct to equity (note 23)	-	-	-	6,391	6,391
Effect of tax rate change from 30% to 28% charged direct to equity (note 23)	-	-	-	(447)	(447)
Credited/(charged) to income statement (note 8)	(7,364)	(4,083)	302	-	(11,145)
Effect of tax rate change from 30% to 28% (note 8)	(198)	530	(232)	-	100
Balance at 30 June 2011	(30,277)	(19,183)	4,299	8,570	(36,591)
Deferred tax reversing within 12 months	(4,486)	(2,587)	4,381	3,091	399
Deferred tax to be recovered after more than 12 months	(25,791)	(16,596)	(82)	5,479	(36,990)
	(30,277)	(19,183)	4,299	8,570	(36,591)

The net charge to the income statement in the prior year was \$11,045,000 (refer note 8).

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

17 DEFERRED TAX (continued)

COMPANY

IN NZD 000	Fixed assets	Leased assets	Other	Hedges through equity	Total
For the year ended 30 June 2012					
At 1 July 2011	(29,449)	(19,501)	4,256	8,570	(36,124)
NZ IAS 39 hedging adjustment credited direct to equity (note 23)	-	-	-	(909)	(909)
Credited/(charged) to income statement (note 8)	4,246	(2,295)	2,181	-	4,132
Balance at 30 June 2012	(25,203)	(21,796)	6,437	7,661	(32,901)
Deferred tax reversing within 12 months	6,036	(15,585)	6,437	1,884	(1,228)
Deferred tax to be recovered after more than 12 months	(31,239)	(6,211)	-	5,777	(31,673)
	(25,203)	(21,796)	6,437	7,661	(32,901)
For the year ended 30 June 2011					
At 1 July 2010	(22,715)	(16,056)	4,229	2,626	(31,916)
NZ IAS 39 hedging adjustment credited direct to equity (note 22)	-	-	-	6,391	6,391
Effect of tax rate change from 30% to 28% charged direct to equity (note 22)	-	-	-	(447)	(447)
Credited/(charged) to income statement (note 8)	(6,477)	(3,975)	256	-	(10,196)
Effect of tax rate change from 30% to 28% (note 8)	(257)	530	(229)	-	44
Balance at 30 June 2011	(29,449)	(19,501)	4,256	8,570	(36,124)
Deferred tax reversing within 12 months	(5,315)	(2,684)	4,338	3,091	(570)
Deferred tax to be recovered after more than 12 months	(24,134)	(16,817)	(82)	5,479	(35,554)
	(29,449)	(19,501)	4,256	8,570	(36,124)

The net charge to the income statement in the prior year was \$10,152,000 (refer note 8).

17 DEFERRED TAX (continued)

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.

During the prior year, as a result of the change in the New Zealand corporate tax rate from 30% to 28% that was enacted on 27 May 2010 and effective from 1 July 2011, the relevant deferred tax balances have been remeasured. Deferred tax expected to reverse in the year to 30 June 2012 or later has been measured using the effective rate that will apply for the period (28%).

Deferred tax assets are recognised for tax loss carry forwards relating to IGLOO to the extent that the realisation of the related future tax benefit is probable. IGLOO has gross tax losses of \$3,035,000 that can be carried forward against future taxable income. The benefit of these losses has been recognised in full in the financial statements, based on forecasts that indicate IGLOO expects to utilise the majority of these tax losses within the next four years.

18 TRADE AND OTHER PAYABLES

IN NZD 000	Group		Company	
	30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Trade payables	51,668	49,105	48,259	48,609
Due to related parties (note 27)	3,343	3,406	3,422	3,846
Unearned subscriptions	58,249	55,049	58,141	54,948
Employee entitlements	10,927	9,545	10,460	9,180
Deferred revenue	1,777	1,864	1,777	1,864
Accruals	27,762	21,567	25,186	19,593
Balance at end of year	153,726	140,536	147,245	138,040
Less				
Deferred revenue	(1,777)	(1,864)	(1,777)	(1,864)
Unearned subscriptions	(58,249)	(55,049)	(58,141)	(54,948)
Balance financial instruments (note 29)	93,700	83,623	87,327	81,228

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

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

19 BORROWINGS

GROUP IN NZD 000	30 Jun 12			30 Jun 11		
	Current	Non-current	Total	Current	Non-current	Total
Lease liabilities	3,078	13,936	17,014	2,872	17,015	19,887
Bank loans	-	256,740	256,740	-	200,000	200,000
Bonds	-	198,715	198,715	-	198,416	198,416
	3,078	469,391	472,469	2,872	415,431	418,303

COMPANY IN NZD 000	30 Jun 12			30 Jun 11		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans	-	256,740	256,740	-	200,000	200,000
Bonds	-	198,715	198,715	-	198,416	198,416
	-	455,455	455,455	-	398,416	398,416

\$200,000,000 bonds at \$1.00 at amortised cost including transaction costs.

Repayment terms

IN NZD 000	Group		Company	
	30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Repayment terms				
Less than one year	3,078	2,872	-	-
Between one and five years	212,651	217,015	455,455	200,000
More than five years	256,740	198,416	-	198,416
	472,469	418,303	455,455	398,416

Bank loans

On 30 June 2011, SKY negotiated a \$400 million negative pledge five-year revolving credit bank facility from a syndicate of banks comprising ANZ National Bank Limited, Bank of New Zealand, Commonwealth Bank of Australia and Westpac Bank. The loan replaced SKY's 2005 original loan facility and was first drawn down on 16 September 2011. Interest is charged on drawings under the facility at a rate of between 1.8% and 2.5% per annum above the average bid rate for the purchase of bank-accepted bills of exchange. There is a commitment fee payable on the undrawn balance of the facility of between 0.9% and 1.25% 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 2012, the bank facility termination date was extended by nine months to 17 July 2017.

During the year, bank borrowings of \$205 million outstanding under the original facility were repaid and a new drawdown of \$358 million was taken up. The additional borrowings were used to pay out the special dividend of 25c per share declared in September 2011. Cash flow statement bank loans received include \$5 million relating to the original loan and cash flow bank loans repaid include \$95 million for repayment of the new loan.

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

Fair values

The fair value of the variable rate bank loans at 30 June 2012 was \$256.1 million (30 June 2011: \$196.9 million). 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.

19 BORROWINGS (continued)

Bonds

On 16 October 2006, the Group issued bonds for a value of \$200.0 million which were fully subscribed.

Terms and conditions of outstanding bonds are as follows:

	Group and Company	
	30 Jun 12	30 Jun 11
Bonds		
Nominal interest rate	3.60%	4.06%
Date of maturity	16 Oct 16	16 Oct 16
IN NZD 000		
Carrying amount	198,715	198,416
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 2012 was 6.77% (30 June 2011: 5.85%). The fair value of the bonds at 30 June 2012 was \$179.0 million (30 June 2011: \$185.0 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.

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

19 BORROWINGS (continued)

Lease liabilities

As at 30 June 2012, borrowings included the lease liabilities taken over as part of the purchase of the net assets acquired from On Site Broadcasting (NZ) Limited. The Group's obligations under finance leases are secured by the lessors' title to the leased assets. The lease terms are for five years ending on 7 April 2015 and 20 August 2015.

LEASE LIABILITIES PRESENT VALUE

IN NZD 000	30 Jun 12	30 Jun 11
Lease liabilities		
Current	3,078	2,872
Non-current	13,936	17,015
	17,014	19,887
Repayment terms		
Finance lease liabilities – minimum lease payments		
Within one year	4,143	4,143
One to five years	7,825	11,969
Residual value	7,547	7,547
	19,515	23,659
Future finance charges on finance leases	(2,501)	(3,772)
Present value of finance lease liabilities	17,014	19,887
The present value of lease liabilities is as follows:		
Within one year	4,053	4,099
One to five years	12,961	15,788
	17,014	19,887

Interest paid in the current period includes \$1,298,000 (2011: \$1,492,000) relating to finance leases. The effective interest rate is 6.8%.

The fair value of the finance lease liabilities as at 30 June 2012 was \$17.6 million (30 June 2011: \$20.1 million). The difference between carrying amount and fair value has not been recognised in the financial statements as the lease liabilities are intended to be held until maturity. The lease liabilities are secured over the assets of OSB.

20 DERIVATIVE FINANCIAL INSTRUMENTS

IN NZD 000	Group			Company		
	Assets	Liabilities	Notional amounts	Assets	Liabilities	Notional amounts
As at 30 June 2012						
Interest rate hedges and collars – cash flow hedges	62	(24,219)	350,000	62	(24,219)	350,000
Interest rate hedges – fair value	226	-	-	226	-	-
Total interest rate hedges	288	(24,219)	350,000	288	(24,219)	350,000
Forward foreign exchange contracts – cash flow hedges (note 27)	1,088	(7,279)	181,603	1,088	(7,027)	178,659
Forward foreign exchange contracts – fair value	67	(2,031)	32,671	67	(2,031)	32,671
Total forward foreign exchange hedges	1,155	(9,310)	214,274	1,155	(9,058)	211,330
	1,443	(33,529)	564,274	1,443	(33,277)	561,330
Analysed as:						
Current	1,013	(11,386)	229,290	1,013	(11,134)	226,346
Non-current	430	(22,143)	334,984	430	(22,143)	334,984
	1,443	(33,529)	564,274	1,443	(33,277)	561,330
Derivatives used for hedging – cash flow hedges (note 29)	1,150	(31,498)	531,603	1,150	(31,246)	528,659
At fair value through profit and loss – fair value (note 29)	293	(2,031)	32,671	293	(2,031)	32,671
	1,443	(33,529)	564,274	1,443	(33,277)	561,330
As at 30 June 2011						
Interest rate hedges and collars – cash flow hedges	-	(16,069)	325,000	-	(16,069)	325,000
Interest rate hedges – fair value	722	(684)	20,000	722	(684)	20,000
Total interest rate hedges	722	(16,753)	345,000	722	(16,753)	345,000
Forward foreign exchange contracts – cash flow hedges	1,182	(18,761)	218,303	1,182	(18,761)	218,303
Forward foreign exchange contracts – fair value	427	(3,213)	35,717	427	(3,213)	35,717
Total forward foreign exchange hedges	1,609	(21,974)	254,020	1,609	(21,974)	254,020
	2,331	(38,727)	599,020	2,331	(38,727)	599,020
Analysed as:						
Current	2,331	(15,892)	248,267	2,331	(15,892)	248,267
Non-current	-	(22,835)	350,753	-	(22,835)	350,753
	2,331	(38,727)	599,020	2,331	(38,727)	599,020
Derivatives used for hedging – cash flow hedges (note 29)	1,182	(34,830)	543,303	1,182	(34,830)	543,303
At fair value through profit and loss – fair value (note 29)	1,149	(3,897)	55,717	1,149	(3,897)	55,717
	2,331	(38,727)	599,020	2,331	(38,727)	599,020

Derivative financial liabilities for the Company include intergroup derivatives issued to IGLOO of \$252,000 with a notional value of \$2,944,000.

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

20 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Exchange rates

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

	30 Jun 12	30 Jun 11
USD	0.7975	0.8297
AUD	0.7841	0.7727
GBP	0.5101	0.5161
EURO	0.6339	0.5724
JPY	63.4571	66.6913

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 2012 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. Generally, the gain or loss is recognised as a basis price adjustment for the purchase of assets, including programme rights, and is written off in the income statement 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 \$1,443,000 (2011: \$2,331,000).

Exposure to currency risk

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

IN NZD 000	30 Jun 12			30 Jun 11		
	USD	AUD	OTHER	USD	AUD	OTHER
Foreign currency payables	(21,801)	(15,128)	(174)	(23,645)	(7,589)	(249)
Dedesignated forward exchange contracts	22,954	9,717	-	24,161	9,848	1,708
Net balance sheet exposure	1,153	(5,411)	(174)	516	2,259	1,459
Forward exchange contracts (for forecasted transactions)	115,270	64,655	1,678	155,625	59,013	3,665
Total forward exchange contracts	138,224	74,372	1,678	179,786	68,861	5,373

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

20 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis

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

IN NZD 000 GAIN/(LOSS)	10% rate increase		10% rate decrease	
	Equity	Profit or loss	Equity	Profit or loss
As at 30 June 2012				
USD	(9,488)	(1,559)	11,597	1,905
AUD	(5,780)	(874)	7,064	1,070
Other	(147)	-	179	-
	(15,415)	(2,433)	18,840	2,975
As at 30 June 2011				
USD	(12,053)	(1,893)	14,730	2,313
AUD	(5,315)	(923)	6,497	1,129
Other	(190)	(268)	235	328
	(17,558)	(3,084)	21,462	3,770

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

20 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Interest rates

During the year ended 30 June 2012, interest rates on borrowings varied in the range of 3.1% to 6.8% (2011: 3.0% to 7.1%).

The Group's interest rate structure is as follows:

IN NZD 000	Effective interest rate	Group		Effective interest rate	Company	
		Current	Non-current		Current	Non-current
As at 30 June 2012						
Assets						
Cash and cash equivalents	2.44%	27,903	-	2.44%	14,654	-
Related-party advance (note 27)	n/a	-	-	7.50%	2,305	17,243
Liabilities						
Bank loans	6.73%	-	(256,740)	6.73%	-	(256,740)
Bonds	4.45%	-	(198,715)	4.45%	-	(198,416)
Lease liabilities	6.80%	(3,078)	(13,936)	n/a	-	-
Derivatives						
Floating to fixed interest rate swaps		50,000	300,000		50,000	300,000
Fixed to floating interest rate swaps		200,000	-		200,000	-
		274,825	(169,391)		266,959	(137,913)

IN NZD 000	Effective interest rate	Group		Effective interest rate	Company	
		Current	Non-current		Current	Non-current
As at 30 June 2011						
Assets						
Cash and cash equivalents	2.15%	11,434	-	2.15%	8,657	-
Related-party advance	n/a	-	-	7.50%	2,118	17,821
Liabilities						
Bank loans	6.40%	-	(200,000)	6.40%	-	(200,000)
Bonds	4.53%	-	(198,416)	4.53%	-	(198,416)
Lease liabilities	6.80%	(2,872)	(17,015)	n/a	-	-
Derivatives						
Collars		50,000	-		50,000	-
Floating to fixed interest rate swaps		20,000	275,000		20,000	275,000
Fixed to floating interest rate swaps		200,000	-		200,000	-
		278,562	(140,431)		280,775	(105,595)

Gains and losses recognised in the hedging reserve in equity (note 23) on interest rate hedges as at 30 June 2012 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings and bonds.

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 (hedging reserve) 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.

IN NZD 000 GAIN/(LOSS)	100 BP increase		100 BP decrease	
	Equity	Profit and loss	Equity	Profit and loss
As at 30 June 2012				
Expense/(income)				
Variable rate instruments – bank loans	-	2,421	-	(2,421)
Interest rate hedges – cash flow	(11,772)	-	12,517	-
Interest rate hedges – fair value	-	485	-	(491)
	(11,772)	2,906	12,517	(2,912)
As at 30 June 2011				
Expense/(income)				
Variable rate instruments – bank loans	-	313	-	(313)
Interest rate hedges – cash flow	(10,005)	-	10,602	-
Interest rate hedges – fair value	-	357	-	(361)
	(10,005)	670	10,602	(674)

The sensitivity analysis for the Company is not materially different from that of the Group. Finance lease liabilities are not included in the analysis because they are fixed-rate financial instruments.

21 PROVISIONS

IN NZD 000	Group and Company	
	30 Jun 12	30 Jun 11
Opening balance	537	599
Increase in provision	54	177
Used during the year	(239)	(239)
Balance at end of year	352	537
Analysis of total provisions		
Current	39	239
Non-current	313	298
	352	537

As part of the purchase of Prime Television in 2006, provision was made for programme rights which were considered to be onerous. These rights were fully utilised in the current year. Provisions also include provision for long-service leave.

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

22 SHARE CAPITAL

GROUP AND COMPANY	Number of shares (000)	Ordinary shares (NZD 000)
Shares on issue at 30 June 2012 and 30 June 2011	389,140	577,403

Ordinary shares have no par value.

SKY paid a final dividend of 10.5 cents (2011: 7.0 cents) and a special dividend of 25.0 cents (2011: nil) in September 2011. An interim dividend of 11.0 cents (2011: 8.0 cents) was paid in March 2012.

As at 30 June 2012 and 2011, there were 389,139,785 ordinary shares authorised, issued and fully paid. Ordinary shares rank equally, carry voting rights and participate in distributions.

23 HEDGING RESERVE

IN NZD 000	Group		Company	
	30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Balance at 1 July	(22,038)	(6,680)	(22,038)	(6,680)
Cash flow hedges				
Unrealised losses during the year	(7,841)	(14,615)	(7,698)	(14,615)
Transfer to basis price adjustment programme rights inventory	9,141	(5,797)	9,141	(5,797)
Transfer to property, plant and equipment	1,042	(1,702)	1,042	(1,702)
Transfer to operating expenses	760	812	760	812
Deferred tax (note 17)	(869)	6,391	(909)	6,391
Change in tax rate (note 17)	-	(447)	-	(447)
	2,233	(15,358)	2,336	(15,358)
Balance at end of year	(19,805)	(22,038)	(19,702)	(22,038)

24 RETAINED EARNINGS

IN NZD 000	Group		Company	
	30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Opening balance	741,364	679,657	744,106	682,154
Add net profit for the year	123,670	120,078	124,504	120,323
Less dividends paid	(180,950)	(58,371)	(180,950)	(58,371)
Balance at end of year	684,084	741,364	687,660	744,106

25 COMMITMENTS

IN NZD 000	Group 30 Jun 12	Company 30 Jun 12	Group and Company 30 Jun 11
Operating leases:			
Year 1	37,495	37,100	34,957
Year 2	37,906	37,598	37,207
Year 3	41,176	40,870	37,908
Year 4	40,827	40,613	41,177
Year 5	40,310	40,237	40,921
Later than five years	176,607	176,607	219,578
	374,321	373,025	411,748
Contracts for transmission services:			
Year 1	9,754	9,273	7,024
Year 2	7,233	6,752	6,306
Year 3	5,811	5,391	4,510
Year 4	2,412	1,992	2,975
Year 5	1,607	1,328	-
	26,817	24,736	20,815
Contracts for future programmes:			
Year 1	116,811	116,811	137,929
Year 2	89,494	89,494	92,549
Year 3	56,068	56,068	58,136
Year 4	28,900	28,900	34,059
Year 5	7,800	7,800	14,363
Later than five years	2,303	2,303	-
	301,376	301,376	337,036
Capital expenditure commitments:			
Property, plant and equipment			
Year 1	10,539	9,265	16,193
Other services commitments:			
Year 1	1,540	1,387	1,378
Year 2	1,241	1,241	1,238
Year 3	1,089	1,089	1,191
Year 4	1,000	1,000	1,088
Year 5	-	-	1,000
	4,870	4,717	5,895

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

25 COMMITMENTS (continued)

The Group has entered into a contract with Optus Networks Pty Limited (Optus) to lease transponders on the D1 satellite which was launched in October 2006 and commissioned in November 2006. 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.

SKY is currently utilising seven transponders, six of which are on long-term leases. Access to the seventh transponder was negotiated, effective from 1 April 2011, to enable the launch of additional channels. The cost of leasing the seventh transponder for the first three years to 31 March 2014 is based on a revenue share of certain specified SKY channels. Payments thereafter are for a fixed amount. Estimated total contingent rental payments for the seventh transponder for the period to 31 March 2014 and fixed payments thereafter are included in the commitments schedule above.

26 CONTINGENT LIABILITIES

The Group and Company have undrawn letters of credit at 30 June 2012 of \$600,000 (30 June 2011: \$665,000) relating to Datacom Employer Services for SKY executive and Screen Enterprises Limited payroll liabilities in the current year.

The Group and Company are party to litigation incidental to their business, none of which is expected to be material. No provision has been made in the Group's financial statements in relation to 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.

On 16 May 2012, the Company received notification from the Commerce Commission that it was opening an investigation into SKY's agreements for the acquisition of content and its agreements with internet retail service providers. The Company has provided all information requested by the Commission to date. As at the time of preparing these financial statements, the Commerce Commission's investigation is ongoing and no action against the Company has been initiated. The directors have no knowledge which would indicate the need to make any provision in these financial statements for any liabilities which may arise in the event that any action was taken (2011: nil).

27 RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

IN NZD 000	Group		Company	
	30 Jun 12	30 Jun 11	30 Jun 12	30 Jun 11
Transactions included in the income statement:				
Transactions with related parties				
The News Corporation Limited and its affiliates				
Programme, smartcard and broadcasting equipment	18,766	41,064	18,766	41,064
Transactions with subsidiaries				
SKY DMX Music Limited				
Administration support, accounting services and broadcasting charges	-	-	355	355
Outside Broadcasting Limited				
Interest received on advance to subsidiary	-	-	(1,637)	(1,023)
Broadcasting fees paid	-	-	11,163	11,620
Igloo Limited				
Administration costs and unrealised exchange gains on hedging contracts	-	-	(215)	-
Transmission services and spectrum licences	-	-	(401)	-
Transactions included in the balance sheet:				
Owing to related parties				
Owing to affiliates of The News Corporation Limited and non-controlling shareholders of Screen Enterprises Limited (note 18)	3,343	3,406	3,422	3,846
Receivable from subsidiaries				
Trade receivable from subsidiaries (note 10)	-	-	1,151	330
Derivatives issued to subsidiaries (note 20)	-	-	252	-
Current portion of advance to subsidiary (note 10)	-	-	2,305	2,118
Non-current portion of advance to subsidiary	-	-	17,243	17,721
Total advance to subsidiary	-	-	19,548	19,839

Related parties include News Limited, a principal shareholder which is an affiliate of The News Corporation Limited, and the non-controlling shareholders of subsidiary companies.

There were no loans to directors by the Company or associated parties at balance date (30 June 2011: nil).

The advance to subsidiary comprises two advances for a term of ten years expiring on 30 June 2020 and 30 June 2021 respectively. The interest rate is 7.5% payable monthly in arrears and principal repayments are made quarterly. No amounts owed by related parties have been written off or provided against during the year (30 June 2011: nil).

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

27 RELATED-PARTY TRANSACTIONS (continued)

Short-term employee benefits

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

IN NZD 000	Group and Company	
	30 Jun 12	30 Jun 11
Directors' fees	507	489
Remuneration of key management personnel	9,479	9,030
	9,986	9,519

Long-service leave entitlements for key management personnel are \$51,000 (2011: \$22,000).

28 CHANGES IN GROUP STRUCTURE

Igloo Limited

Igloo Limited was incorporated on 21 July 2011. SKY contributed \$12,750,000 and has a 51% interest with TVNZ owning the other 49% having contributed \$12,250,000. Igloo Limited will deliver a low-cost pay television service over the digital terrestrial network and receive the free-to-air channels. In addition, IGLOO will offer pay-per-view sport and movies. Igloo Limited is considered a subsidiary of SKY and has been fully consolidated into the IGLOO Group's results.

Net loss before tax included in the income statement contributed by Igloo Limited was \$3,532,000. IGLOO has not yet commenced operations and therefore has not contributed any revenue.

Outside Broadcasting Limited

On 9 July 2010, the Group, through its subsidiary Outside Broadcasting Limited (OSB), acquired the assets and certain liabilities of On Site Broadcasting (NZ) Limited and OSB (NZ) Equipment Limited from Australian media company Prime Media Group for a cash consideration of \$13,426,000. In addition, Outside Broadcasting Limited and SKY entered into a profit share agreement with Prime Television New Zealand Limited, a subsidiary of Prime Media Group, to market OSB's services to third-party broadcasters and other customers. Acquisition costs of \$62,000 were included in corporate expenses in the income statement for the period ended 30 June 2011. The acquisition enabled SKY to secure outside broadcasting resources and ensure continuation of services over the coming years as well as allowing SKY the ability to broadcast a greater range of local sport.

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

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

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

Revenue and net loss contributed by Outside Broadcasting Limited since the acquisition date of 9 July 2010 and included in the prior year consolidated statement of comprehensive income were \$2,833,000 and \$224,000 respectively.

29 FINANCIAL INSTRUMENTS BY CATEGORY

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

GROUP						
IN NZD 000	Notes	Other financial liabilities	Loans and receivables	At fair value through the profit and loss	Derivatives used for hedging	Total
As at 30 June 2012						
Assets as per balance sheet						
Cash and cash equivalents		-	27,903	-	-	27,903
Trade and other receivables	10	-	65,834	-	-	65,834
Derivative financial instruments	20	-	-	293	1,150	1,443
Liabilities as per balance sheet						
Trade and other payables	18	(93,700)	-	-	-	(93,700)
Borrowings	19	(256,740)	-	-	-	(256,740)
Lease liabilities	19	(17,014)	-	-	-	(17,014)
Bonds	19	(198,715)	-	-	-	(198,715)
Derivative financial instruments	20	-	-	(2,031)	(31,498)	(33,529)
		(566,169)	93,737	(1,738)	(30,348)	(504,518)
30 June 2011						
Assets as per balance sheet						
Cash and cash equivalents		-	11,434	-	-	11,434
Trade and other receivables	10	-	66,606	-	-	66,606
Derivative financial instruments	20	-	-	1,149	1,182	2,331
Liabilities as per balance sheet						
Trade and other payables	18	(83,623)	-	-	-	(83,623)
Borrowings	19	(200,000)	-	-	-	(200,000)
Lease liabilities	19	(19,887)	-	-	-	(19,887)
Bonds	20	(198,416)	-	-	-	(198,416)
Derivative financial instruments		-	-	(3,897)	(34,830)	(38,727)
		(501,926)	78,040	(2,748)	(33,648)	(460,282)

Notes to the Financial Statements (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

29 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

COMPANY

IN NZD 000	Notes	Other financial liabilities	Loans and receivables	At fair value through the profit and loss	Derivatives used for hedging	Total
As at 30 June 2012						
Assets as per balance sheet						
Cash and cash equivalents		-	14,654	-	-	14,654
Trade and other receivables	10	-	67,371	-	-	67,371
Related-party receivable	27	-	19,548	-	-	19,548
Derivative financial instruments	20	-	-	293	1,150	1,443
Liabilities as per balance sheet						
Trade and other payables	18	(87,327)	-	-	-	(87,327)
Borrowings	19	(256,740)	-	-	-	(256,740)
Bonds	19	(198,715)	-	-	-	(198,715)
Derivative financial instruments	20	-	-	(2,031)	(31,246)	(33,277)
		(542,782)	101,573	(1,738)	(30,096)	(473,043)
As at 30 June 2011						
Assets as per balance sheet						
Cash and cash equivalents		-	8,657	-	-	8,657
Trade and other receivables	10	-	68,182	-	-	68,182
Related-party receivable	27	-	19,839	-	-	19,839
Derivative financial instruments	20	-	-	1,149	1,182	2,331
Liabilities as per balance sheet						
Trade and other payables	18	(81,228)	-	-	-	(81,228)
Borrowings	19	(200,000)	-	-	-	(200,000)
Bonds	19	(198,416)	-	-	-	(198,416)
Derivative financial instruments	20	-	-	(3,897)	(34,830)	(38,727)
		(479,644)	96,678	(2,748)	(33,648)	(419,362)

30 SUBSEQUENT EVENTS

There have been no subsequent events after balance date.

Independent Auditors' Report

TO THE SHAREHOLDERS OF SKY NETWORK TELEVISION LIMITED



Report on the Financial Statements

We have audited the financial statements of SKY Network Television Limited ("the Company") on pages 28 to 76, which comprise the balance sheets as at 30 June 2012, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2012 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

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

Opinion

In our opinion, the financial statements on pages 28 to 76:

- (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 the Group as at 30 June 2012 and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2012:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in black ink that reads "Price Waterhouse Coopers".

Chartered Accountants

Auckland

23 August 2012

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Corporate Governance Statements

BOARD OF DIRECTORS

Membership

SKY's board is elected or appointed by the shareholders of SKY by ordinary resolution. As at 30 June 2012, the board consisted of seven directors whose relevant skills, experience and expertise are outlined in their biographies on pages 20 and 21. The nomination and remuneration committee has a formal process by which it assesses the overall skills, experience and diversity required on the board and will work with the board to ensure that diversity remains one of the key criteria should the opportunity arise to evaluate potential board candidates. The aim of the board is to have a mix of skills represented on the board that are relevant to SKY's business. The current mix of skills on the board includes financial, commercial, subscription television, marketing, human resources, sports management and governance skills. In terms of diversity, there are currently no women on SKY's board. SKY has had women directors in the past and remains committed to having the best skill set available to the board. The board has this issue under review.

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 \$750,000 per annum. The board is happy with the current number of directors and mix of director skill sets.

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 it informed about SKY's business including reports during the year ended 30 June 2012 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 2012, the independent directors on SKY's board were John Hart, Humphry Rolleston, John Waller and Robert Bryden (the board determined on 21 June 2012 that Robert Bryden qualified as an independent director given that he had ceased to be a director of Todd Capital Limited and its subsidiaries and otherwise met the requirements of an independent director). The other directors are not considered to be independent. John Waller was a partner of PricewaterhouseCoopers until December 2008; the board considers that he is an independent director because he ceased being a partner in PWC before he was appointed to SKY's board. John Fellet is the only executive director on the board.

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

Terms 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 (this appointment date reflects the merger between the previous SKY company and Independent Newspapers Limited (INL) in 2005; this merger resulted in the current SKY company).

The term of each director's association with SKY (including the previous SKY company prior to the merger with INL) is indicated in their biographies set out on pages 20 and 21.

Meetings

The board has regularly scheduled meetings and also meets when a matter of particular significance arises. During the year between 1 July 2011 and 30 June 2012, the board met seven times. Attendance at full board meetings was as follows:

	Meetings held while a director	Attendance
Peter Macourt	7	7
Robert Bryden	7	7
John Fellet	7	7
John Hart	7	7
Michael Miller	7	7
Humphry Rolleston	7	7
John Waller	7	7

Corporate Governance Statements (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 responsible for establishing and evaluating risk management policies and procedures for risk assessment. The current members are Robert Bryden, John Waller and Humphry Rolleston.

Nomination and Remuneration Committee

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

Related-Parties Committee

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

Committee Meetings

During the year ended 30 June 2012:

- (a) the audit and risk committee met four times and all members were present;
- (b) the nomination and remuneration committee met three times and all members were present; and
- (c) the related-parties committee had two meetings and both members were present.

POLICIES, PRACTICES AND PROCEDURES

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

Diversity

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

Gender diversity is an area of continued importance and this strong commitment is demonstrated through almost equal representation of female and male employees across SKY (48% women and 52% men as at 30 June 2012). Strong female participation is reflected at all levels of the organisation including senior management with an average of 39% female representation as at 30 June 2012.

SKY established a diversity policy during 2012 and has posted this on SKY's website: www.skytv.co.nz. SKY will continue to monitor and report on gender diversity to ensure the current levels of diversity are maintained.

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 officer and company secretary.

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 salaries, 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 officer 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 and complies with ASX Listing Rule 12.9.

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

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

Independent Advice

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

NZX and ASX Corporate Governance Best-practice Codes

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

Corporate Governance Statements (CONTINUED)

Directors, Chairman and Board Committees (ASX Recommendations 2.1, 2.2 and 8.2;

NZX Recommendations 2.3, 2.4, 2.6, 3.7 and 3.10):

The board determined on 21 June 2012 that Robert Bryden qualified as an independent director given that he had ceased being a director of Todd Capital Limited and its subsidiaries, and otherwise met the requirements of an independent director. From that date onwards, SKY has complied with the recommendations relating to having a majority of independent directors on the board and the remuneration and nomination committees. While, prior to 21 June 2012, SKY did not comply with the ASX recommendations relating to having a majority of independent directors, the board considered that it was inappropriate to have a majority of independent directors because of the large number of shares held by News Limited and Todd Communications Limited. Also, the board was comfortable that the minority shareholder interests were protected because it complied with the NZX Listing Rule requirement for the number of independent directors.

For the same reasons, the board considers that it is unnecessary for the chairman to be independent. In addition, the related-parties committee, which is made up solely of independent directors, has operated throughout the year to 30 June 2012 and reviews significant proposed related-party transactions to ensure that they are conducted on an arm's-length basis.

While prior to 21 June 2012, the nomination and remuneration committee did not contain a majority of independent directors, the board considered that the members of that committee fulfilled their roles and have the expertise required of members of such a committee. In addition, the chairman of the nomination and remuneration committee was and still is an independent director.

To maintain flexibility, SKY approaches the nomination and appointment of directors on a case-by-case basis rather than having a documented method. Shareholders approve the pool of directors' fees at annual meetings and the pool is allocated by the board as appropriate in accordance with market rates and information, rather than through a documented method or a recommendation of the nomination and remuneration committee.

SKY's directors have been appointed on the basis of their experience in similar roles and SKY would pay for appropriate training on an as-requested basis.

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 8.3):

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 this ASX recommendation is appropriate for SKY.

Performance-based Equity Security Compensation Plan and Performance Evaluation (ASX Recommendation 2.5; NZX Recommendations 2.7, 2.9, 3.3, 3.9 and 3.12):

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 year to 30 June 2012.

Performance of directors, committees and the board as a whole is assessed on an ongoing basis throughout the year, rather than through a formal assessment procedure.

Confirmation of Financial Statements (ASX Recommendation 7.3):

Each year, SKY's chief executive officer and chief financial officer 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.

Diversity Policy (ASX Recommendation 3.2):

SKY has complied with the ASX recommendation to have a diversity policy since 21 June 2012. SKY did not comply with this recommendation prior to that date because it was waiting for the NZX to confirm the content of its proposed diversity rule (so that SKY could adopt one policy that satisfied both the ASX and NZX Listing Rules).

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

DISCLOSURES OF INTEREST – GENERAL NOTICES

Directors have given general notices disclosing interests in the various entities pursuant to section 140(2) of the Companies Act 1993. Those notices which remain current as at 30 June 2012 are as follows:⁽¹⁾

Director	Entity	Relationship	Director	Entity	Relationship
John Fellet	Media Finance Limited	Director	John Waller	Donaghys Limited	Director/ Shareholder
	Outside Broadcasting Limited	Director		Fonterra Co-Operative Group Limited	Director
	Cricket Max Limited	Director		Haydn & Rollett Limited	Director
	Igloo Limited	Director		Alliance Group Limited	Director
John Hart	Bayley Corporation Limited	Director		BNZ Investments Limited	Director
	Global Rugby Enterprises Limited and subsidiaries of Global Rugby Enterprises Limited	Director/ Shareholder		Bank of New Zealand	Director/ Chairman
	NZPGA PRO-AM Championship Limited	Director		National Australia Bank Limited	Director/ Shareholder
	Professional Golfers Association of New Zealand	Board Member		National Equities Limited	Director
				Eden Park Trust Board	Chairman
Michael Miller	News Limited and other subsidiaries of News Australia Pty Limited	Director/ Officer		Direct Property Fund Limited and subsidiaries of Direct Property Fund Limited	Director/ Shareholder
	Rugby International Pty Limited	Director	Rugby Sales New Zealand Limited and related entities	Director	
	Waratahs Rugby Pty Limited	Director			
	Committee for Sydney	Director			
Humphry Rolleston	Asset Management Limited	Director/ Shareholder			
	Infratil Limited	Director			
	Matrix Security Group Limited	Director			
	Mercer Group Limited and various subsidiaries of Mercer Group Limited	Director/ Shareholder			
	Property for Industry Limited	Director			
	Media Metro NZ Limited	Director			
	Murray & Company Limited	Director/ Shareholder/ Chairman			

(1) As at 30 June 2012: (a) Peter Macourt and Robert Bryden have not disclosed any interests pursuant to section 140(2) of the Companies Act 1993; and (b) the following entries in the Interests Register have been removed: Peter Macourt's entries in relation to Foxtel Management Pty Limited, News Limited (and other subsidiaries of News Australia Pty Limited) and Premier Media Group Pty Limited, and Robert Bryden's entries in relation to Todd Capital Limited, Todd Land Holdings Limited, Todd Winegrowers Limited (and other subsidiaries of Todd Capital Limited), Crown Castle Australia Holdings Pty Limited, Crown Castle Australia Pty Limited and Integra Healthcare 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 year to 30 June 2012.

DISCLOSURES OF INTEREST – PARTICULAR TRANSACTIONS/USE OF COMPANY INFORMATION

During the year to 30 June 2012, in relation to SKY:

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

DISCLOSURES OF RELEVANT INTERESTS IN SECURITIES

During the year to 30 June 2012, 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;
- one continuous disclosure was 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. This disclosure was made by John Fellet and related to the acquisition of legal ownership of 10,000 ordinary shares through the NZX for total consideration of \$53,300 on 21 September 2011.

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.

SKY SUBSIDIARIES' INTERESTS REGISTERS

The directors of subsidiaries have given notices disclosing interests in the various entities pursuant to section 140 of the Companies Act 1993. Those notices which remain current as at 30 June 2012 are set out below:

Screen Enterprises Limited: The directors of Screen Enterprises Limited have each given a general notice disclosing interests arising from being appointed as a director by the shareholders of Screen Enterprises, being SKY (in the case of Michael Watson and Angus Swainson) and Westside Media Limited (in the case of Timothy MacAvoy and Bryan Mogridge). Bryan Mogridge also recorded interests arising from being a director and shareholder of Westside Media Limited.

Outside Broadcasting Limited: John Fellet made a general disclosure in the Interests Register of Outside Broadcasting Limited that he is a director of SKY.

Igloo Limited: John Fellet, Jason Hollingworth, Michael Watson, Angus Swainson and Matthew Orange gave notices (both general and in relation to certain documents signed in setting up the joint venture with TVNZ) disclosing interests arising from being employees of SKY and, in John Fellet's case, a director of SKY. Rodney Parker, Eric Kearley and Thorkild Bayer gave notices (both general and in relation to certain documents signed in setting up the joint venture with SKY) disclosing interests arising from being employees of TVNZ. Kevin Kenrick gave a general notice disclosing his interests arising from being an employee of TVNZ and being a director of Auckland Regional Television Limited, Avalon Studios Limited, Freesat Limited, Freesat Television Limited, Freeview Television Limited, Horizon Pacific Television Limited, Nzoom Limited, TVNZ International Limited and TVNZ Satellite Services Limited. Rodney Parker also gave a general notice disclosing his interests arising from being a director of those companies, in addition to Hybrid Television Services (ANZ) Pty Limited and Hybrid Television Services (New Zealand) and being the chair of thinkTV.

Company and Bondholder Information

DIRECTORS HOLDING AND CEASING OFFICE

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

Relevant interests	Shares
Peter Macourt	-
Robert Bryden	-
John Fellet	116,600
John Hart	25,000
Michael Miller	-
Humphry Rolleston	-
John Waller	-

SUBSIDIARIES

At 30 June 2012, SKY had the following subsidiary companies: SKY DMX Music Limited, Screen Enterprises Limited, Cricket Max Limited, Media Finance Limited, Outside Broadcasting Limited and Igloo Limited. Igloo Limited was incorporated on 21 July 2011. SKY contributed \$12,750,000 to the joint venture and has a 51% interest with TVNZ owning the other 49%, having contributed \$12,250,000.

During the year to 30 June 2012, SKY DMX Music Limited operated the SKY DMX music business, Screen Enterprises Limited acted as agent for the Screen Enterprises joint venture, Outside Broadcasting Limited provided mobile on-site broadcasting facilities and services and Igloo Limited will deliver a low-cost pay television service over a digital terrestrial network and via broadband. None of the other subsidiaries traded during that year.

DIRECTORS OF SUBSIDIARIES

At 30 June 2012, the directors of SKY DMX Music Limited were Grant McKenzie, Martin Wrigley, Ben Gujral and Steven Hughes. The directors of Screen Enterprises Limited were Timothy MacAvoy, Bryan Mogridge and Angus Swainson (Michael Watson ceased being a director on 20 July 2011). The directors of Igloo Limited were John Fellet, Jason Hollingworth, Michael Watson, Angus Swainson, Matthew Orange, Rodney Parker, Eric Kearley, Thorkild Bayer and Kevin Kerrick (Brent McNulty ceased being a director on 21 June 2012). 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 2012:

REMUNERATION OF DIRECTORS

Directors' remuneration and value of other benefits received by directors of SKY during the year 1 July 2011 to 30 June 2012 were as follows:

Name	Total Remuneration
Peter Macourt	\$47,890
Robert Bryden	\$87,000
John Fellet ⁽¹⁾	\$1,580,000
John Hart	\$77,000
Michael Miller	\$65,178
Humphry Rolleston	\$77,211
John Waller	\$42,500

⁽¹⁾ John Fellet is also SKY's chief executive officer and a director of Cricket Max Limited, Media Finance Limited, Outside Broadcasting Limited and Igloo Limited. He did not receive any directors' fees during the above period. His remuneration, as specified above, comprises salary and performance-based remuneration.

SUBSTANTIAL SECURITY HOLDERS

According to notices given to SKY under the Securities Markets Act 1988, the following persons were substantial security holders in SKY as at 13 August 2012:

Entity	Securities
News Limited (Nationwide News Pty Limited) ⁽¹⁾	169,854,716
Todd Communications Limited	43,220,277
Hyperion Asset Management Limited	20,103,615

⁽¹⁾ According to a notice dated 25 June 2011 issued under the Securities Markets Act 1988, News Limited is the registered holder of the securities noted above and Nationwide News Pty Limited has a deemed relevant interest in those securities because it is a related body corporate of News Limited.

The total number of issued voting securities of SKY as at 13 August 2012 was 389,139,785.

Company and Bondholder Information (CONTINUED)

TWENTY LARGEST SHAREHOLDERS AS AT 13 AUGUST 2012

Holder Name	Holding	Percentage (to 2 d.p.)
News Limited	169,854,716	43.65
Todd Communications Limited	43,220,277	11.11
JP Morgan Nominees Australia Limited	18,276,567	4.70
JP Morgan Chase Bank NZ	10,133,840	2.60
National Nominees Limited	9,644,885	2.48
Accident Compensation Corporation	8,462,040	2.17
TEA Custodians Limited	7,711,896	1.98
Premier Nominees Ltd (Onepath Wholesale Australasian Share Fund)	7,224,804	1.86
New Zealand Superannuation Fund Nominees Limited	6,793,480	1.75
Citibank Nominees (New Zealand) Limited	6,623,262	1.70
HSBC Custody Nominees (Australia) Limited	5,754,156	1.48
HSBC Nominees (New Zealand) Limited (State Street a/c)	4,794,668	1.23
BNP Paribas Nominees (NZ) Limited	4,627,729	1.19
National Nominees New Zealand Limited	4,313,096	1.11
Custody and Investment Nominees Limited	4,065,452	1.04
BNP Paribas Noms Pty Ltd (Master Cust Drp)	3,608,950	0.93
AMP Investments Strategic Equity Growth Fund	3,446,493	0.89
Citicorp Nominees Pty Limited	3,205,961	0.82
FNZ Custodians Limited	2,685,036	0.69
Citicorp Nominees Pty Limited (Colonial First State Inv a/c)	2,482,474	0.64

DISTRIBUTION OF ORDINARY SHARES AND SHAREHOLDINGS AS AT 13 AUGUST 2012

	No. of shareholders	Percentage (to 2 d.p)	No. of shares	Percentage (to 2 d.p)
1 – 1000	2,738	34.08	1,781,053	0.46
1,001 – 5,000	3,849	47.91	9,835,707	2.53
5,001 – 10,000	834	10.38	6,070,407	1.56
10,001 – 100,000	536	6.67	12,765,332	3.28
100,001 and over	77	0.96	358,687,286	92.17
Total	8,034	100	389,139,785	100

NON-MARKETABLE PARCELS OF SHARES

As at 13 August 2012, 192 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 Rules 4.10.14, 4.10.18 and 4.10.21, as at 13 August 2012:

- SKY had no restricted securities or securities subject to voluntary escrow on issue;
- 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 13 AUGUST 2012

	No. of shareholders	Percentage (to 2 d.p)	No. of shares	Percentage (to 2 d.p)
1 – 1,000	-	-	-	-
1,001 – 5,000	209	8.16	1,045,000	0.52
5,001 – 10,000	553	21.60	5,308,500	2.65
10,001 – 100,000	1,644	64.22	59,430,500	29.72
100,001 and over	154	6.02	134,216,000	67.11
Total	2,560	100	200,000,000	100

VOTING RIGHTS ATTACHED TO BONDS

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

Company and Bondholder Information (CONTINUED)

EMPLOYEE REMUNERATION

The number of employees or former employees of SKY and its subsidiaries (excluding directors of SKY but including employees of SKY holding office as directors of subsidiaries, other than the chief executive officer(1)) whose remuneration and benefits were within specified bands for the year to 30 June 2012 is as follows:

Remuneration \$	Number of employees
100,000 – 110,000	58
110,001 – 120,000	25
120,001 – 130,000	16
130,001 – 140,000	10
140,001 – 150,000	6
150,001 – 160,000	8
160,001 – 170,000	7
170,001 – 180,000	5
180,001 – 190,000	5
190,001 – 200,000	4
200,001 – 210,000	3
210,001 – 220,000	3
220,001 – 230,000	2
230,001 – 240,000	1
240,001 – 250,000	1
250,001 – 260,000	1
310,001 – 320,000	1
330,001 – 340,000	1
360,001 – 370,000	2
370,001 – 380,000	1
390,001 – 400,000	2
410,001 – 420,000	1
510,000 – 520,000	1
570,001 – 580,000	1
Total	165

(1) The remuneration of SKY's chief executive officer 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 85.

DONATIONS

During the year 1 July 2011 to 30 June 2012, SKY made donations totalling \$329,000. 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 and its subsidiaries in the year to 30 June 2012 for statutory audit services and other assurance services was:

	Statutory audit services	Other assurance services
SKY	214	18
SKY DMX Music Limited	9	-
Igloo Limited	26	-
Total	249	18

SKY's other subsidiaries did not pay PricewaterhouseCoopers any fees.

Waivers and Information

CURRENT AND ONGOING WAIVERS

The following is a summary of all waivers granted in favour of SKY which were relied upon by SKY in the 12-month period preceding the date two months before the date of publication of this report. These include:

- (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 15.7 to permit SKY to provide announcements simultaneously to both ASX and NZX;
- (d) 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;
- (e) 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;
- (f) 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;
- (g) 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;
- (h) confirmation that SKY can provide substantial holder information provided to it under the New Zealand Securities Markets Act 1988; and
- (i) 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).

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 Australian Corporations Act 2001 dealing with the acquisition of shares (such as substantial holdings and takeovers).
3. Limitations on the acquisition of the securities imposed by New Zealand law are as follows:
 - (a) In general, SKY securities are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.
 - (b) The New Zealand Takeovers Code creates a general rule under which the acquisition of more than 20% of the voting rights in SKY or the increase of an existing holding of 20% or more of the voting rights in SKY can occur only in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of SKY shares.
 - (c) The New Zealand Overseas Investment Act 2005 (and associated regulations) regulates certain investments in New Zealand by overseas persons. 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.

NZX Limited

Level 2, NZX Centre
11 Cable Street
Wellington, New Zealand

Mailing address:

PO 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.

ASX Limited

Exchange Centre
20 Bridge Street, Sydney
NSW 2000, Australia

Mailing address:

PO Box H224
Australia Square, Sydney
NSW 1215, Australia

Tel: 61 2 9338 0000 **Fax:** 61 2 9227 0885

Website: www.asx.com.au

FINANCIAL CALENDAR

2011/2012 Financial year-end	30 June 2012
2011/2012 Full-year results announced	24 August 2012
Next annual meeting	18 October 2012
2012/2013 Half-year results announced	February 2013
2012/2013 Financial year-end	30 June 2013
2012/2013 Full-year results announced	August 2013

ANNUAL MEETING

The next annual meeting of SKY Network Television Limited will be held at the Stamford Plaza Auckland hotel, 22 – 26 Albert Street, Auckland, New Zealand, on 18 October 2012, commencing at 2.00pm.

Directory

REGISTRARS

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

NEW ZEALAND ORDINARY SHARE REGISTRAR

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road
Takapuna, North Shore City 0622
New Zealand

Mailing address:

Private Bag 92119
Auckland Mail Centre
Auckland 1142, New Zealand

Tel: 64 9 488 8777 **Fax:** 64 9 488 8787

Email: enquiry@computershare.co.nz

AUSTRALIAN BRANCH REGISTER

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067
GPO Box 2975EE
Melbourne, VIC 3000, Australia

Freephone: 1300 850 505 (within Australia)

Tel: 61 3 9415 4000 **Fax:** 61 3 9473 2500

Email: enquiry@computershare.co.nz

BONDHOLDER TRUSTEE

The New Zealand Guardian Trust Company Limited

Level 7, Vero Centre, 48 Shortland Street
Auckland, New Zealand

Mailing address:

PO 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 Officer)
John Hart, ONZM
Michael Miller
Humphry Rolleston
John Waller

EXECUTIVES

John Fellet	Director and Chief Executive Officer
Jason Hollingworth	Chief Financial Officer and Company Secretary
Kevin Cameron	Director of Sport Production
Greg Drummond	Director of Broadcast Services
Travis Dunbar	Director of Entertainment
Charles Ingle	Director of Technology
Megan King	Head of Programme Finance and Acquisition
Richard Last	Director of Sport Content
Rawinia Newton	Director of Advertising Sales
Tony O'Brien	Director of Corporate and Regulatory Affairs
Cathryn Oliver	Chief of Staff
Mike Watson	Director of Marketing
Martin Wrigley	Director of Operations
Kirsty Way	Head of Corporate Communications

NEW ZEALAND REGISTERED OFFICE

10 Panorama Road, Mt Wellington, Auckland

Tel: 64 9 579 9999 **Fax:** 64 9 579 8324

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

AUDITORS TO SKY

PricewaterhouseCoopers

PricewaterhouseCoopers Tower
188 Quay Street, Auckland, New Zealand

Tel: 64 9 355 8000 **Fax:** 64 9 355 8001

SOLICITORS TO SKY

Buddle Findlay

PricewaterhouseCoopers Tower
188 Quay Street, Auckland, New Zealand

Tel: 64 9 358 2555 **Fax:** 64 9 358 2055

SKY Channels

FOR THE YEAR ENDED 30 JUNE 2012

Types of Channels

Basic Channels	37	Free-to-air Channels	13	PPV Movie Channels	11	Sport Channels	7
Specialist Channels	6	PPV Event Channel	1	Movie Channels	6	Radio Channels	8
PPV Adult Channels	3	Interactive Channels	3	Audio Music Channels	14	Total	109

37 Basic Channels



7 Sport Channels



6 Movie Channels



3 Interactive Channels



13 Free-to-air Channels



6 Specialist Channels



8 Radio Channels



Other

	14 Audio Music Channels		1 PPV Event Channel	
	11 PPV Movie Channels		3 PPV Adult Channels	

