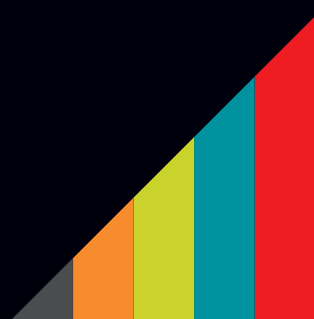





**December 2011
Interim Report**

SKY NETWORK
TELEVISION LIMITED



Contents

- 4** CHIEF EXECUTIVE'S OVERVIEW
 - 8** FINANCIALS
 - 10** SUBSCRIBER BASE
 - 10** HISTORY OF DIVIDEND PAYMENTS
 - 11** CONSOLIDATED INTERIM INCOME STATEMENT
 - 12** CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
 - 13** CONSOLIDATED INTERIM BALANCE SHEET
 - 14** CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
 - 16** CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
 - 17** RECONCILIATION OF OPERATING CASH FLOWS WITH NET PROFIT
 - 18** NOTES TO THE INTERIM FINANCIAL STATEMENTS
 - 22** INDEPENDENT ACCOUNTANTS' REPORT
 - 23** DIRECTORY
- 

A woman with short, wavy brown hair and blue eyes is seated at a table. She is wearing a dark sweater with a white pattern of dots and swirls. Her expression is thoughtful as she looks off to the right. In front of her on the table are several plates of food, including what appears to be a large, textured bread roll. The background is softly blurred, showing a person's head and shoulders in a dimly lit room.

**A little Something for
the shareHolders**

Chief Executive's Overview



Dear Shareholders,

I am pleased to report a continued improvement in SKY's financial results for the six months to 31 December 2011, despite the economic climate remaining challenging.

SKY has reported \$62.7 million in post tax earnings, a 3.8% increase on the previous period. Revenues are up 7.3% to \$426.9 million and earnings before interest, tax and depreciation (EBITDA) increased by 5.6% to \$170.1 million.

The improved financial position is primarily due to the continued success of the MY SKY HDi decoders, a positive period for advertising sales, higher average revenue per user (ARPU) resulting from revenues from the new SoHo channel which launched in November 2011 and strong subscriber acquisition.

Advertising revenues were up over 11% for the six month period ending 31 December 2011 compared to the same period ending

31 December 2010. SKY's increase in advertising sales has been significantly stronger than the industry average of 1.6% over the period.

MY SKY subscribers now represent 40.1% of SKY's satellite subscriber base compared to 29.3% in the comparative period. At 31 December 2011, SKY had 331,041 MY SKY subscribers compared to 231,072 in December 2010, a significant increase of 43.3%. Subscribers continue to find great value in the MY SKY product demonstrated by strong sales and increasing penetration despite the current economic environment.

Gross churn for the period ending 31 December 2011 was 14.2% up slightly from 13.6% in the previous period. MY SKY HDi continues to deliver churn benefits. For the rolling twelve months to 31 December 2011 MY SKY HDi gross churn was 10.4% compared to the churn rate for subscribers on the standard digital decoder during this period of 16.3%. This compares to gross churn for MY SKY of



“ SKY has reported \$62.7 million in post tax earnings, a **3.8% increase** on the previous period. ”

“ SKY will continue to invest in the technology to develop and deliver the products and services our New Zealand customers want.

”

9.5% and a churn rate for subscribers on the standard digital decoders of 15.0% in the comparative period.

Taking a closer look at SKY’s financial results, you will note a 7.3% increase in DBS (satellite) subscription revenues compared to the comparative period. This can be attributed to a 3.4% increase in average revenue per user (ARPU) to \$71.81 from \$69.45 as well as a notable increase of 4.6% or 36,501 DBS (satellite) subscribers.

SKY’s operating costs (excluding depreciation) for the six months to 31 December 2011 increased by \$19.9 million, or 8.4%.

Programme operations costs which comprise both the costs of purchasing programme rights and programme operating costs increased by \$7.4 million (5.8%). This can be attributed to Rugby World Cup costs. SKY’s broadcast and infrastructure costs were \$6.8 million (19.1%) higher, mostly due to \$3.6 million additional transponder costs and an additional \$1.6 million in employee costs.

Depreciation costs increased by \$3.9 million (6.3%) to \$66.2 million primarily due to depreciation charges on the new MY SKY HDi decoders that were installed during the period. These decoders are being depreciated over four years compared to five years for the standard digital decoders.

SKY increased its capital expenditure during the period to \$69.6 million from \$59.4 million in the comparative period, an increase of \$10.2 million, mainly due to an increase in decoder costs of \$8.0 million.

Some of the highlights for the six month period have been:

- The hugely successful production of the Rugby World Cup, 2011, where SKY acted as Host Broadcaster to the IRB and provided the world with HD coverage of all 48 games. This is a credit to the skill and professionalism of SKY's world class sports production team.
- The launch of a new premium entertainment channel SoHo. SoHo showcases quality HBO dramas, comedies, films and mini-series, together with programming from other like-minded networks from around the world. Subscribers tell us they love this channel. The uptake speaks volumes to the channel's success with 49,753 subscribers (on 31 December 2011) paying an additional \$10 per month for this service, a result which is well in excess of SKY's expectations.
- SKY announced the launch of 'IGLOO' a brand new TV service for New Zealanders. The new service will launch in the first half of 2012. Igloo Limited is owned 51% by SKY and 49% by TVNZ and will provide 11 pay TV channels on a prepaid basis and access to live pay-per-view sports events, movies and TV episodes from a catalogue of well over 1,000 titles. The IGLOO set-top box will also access free-to-air channels.

As always SKY remains committed to providing New Zealanders with the best entertainment available. SKY will continue to invest in the technology to develop and deliver the products and services our New Zealand customers want. Our decision to invest in high definition television and personal video recorder capability five years ago is demonstration of this and SKY will continue to strive to best leverage the capabilities of new technologies, including the wider availability of higher broadband speeds in New Zealand.

Dividends

The Board of Directors has considered the performance of the business over the last six months and its prospects for the full year and announced on 17 February 2012 that it will pay an increased fully imputed interim dividend of 11 cents per share (prior interim period 8 cents) with the record date being 2 March 2012. A supplementary dividend of 1.9412 cents per share will also be paid to non-resident shareholders.



John Fellet
Chief Executive



A man and a woman are shown from the chest up, sitting at a desk in what appears to be a newsroom or office. The man on the left has dark hair and is wearing a white shirt, a patterned tie, and a light-colored vest. The woman on the right has blonde hair and is wearing a green top with a gold brooch. A desk lamp is positioned between them. The background is dark and industrial, with a grid-like ceiling. The word "Financials" is written in white, bold, sans-serif font across the middle of the image.

Financials

SUBSCRIBER BASE

THE FOLLOWING OPERATING DATA HAS BEEN TAKEN FROM THE COMPANY RECORDS AND IS NOT AUDITED

	31-DEC-11	30-JUN-11	31-DEC-10
Total DBS and other subscribers			
Subscribers - DBS (Satellite):			
Residential	689,787	675,221	659,618
Residential - wholesale ⁽²⁾	127,328	124,712	121,498
Commercial	9,010	8,684	8,508
Total DBS	826,125	808,617	789,624
Subscribers - Other: ⁽³⁾	20,115	20,804	17,806
Total subscribers	846,240	829,421	807,430
MY SKY Subscribers ⁽⁵⁾	331,041	279,875	231,072
Total number of households in New Zealand ⁽¹⁾	1,659,600	1,640,900	1,640,900
Percentage of households subscribing to the SKY network:			
Total DBS - residential	49.2%	48.7%	47.6%
Gross churn rate ⁽⁴⁾	14.2%	14.0%	13.6%
Average monthly revenue per residential subscriber:			
Wholesale	64.43	61.78	59.66
MY SKY	84.71	84.79	85.16
Total DBS excluding wholesale	63.71	65.18	65.76
Total DBS including wholesale	71.81	70.45	69.45

NOTES

- 1 Based on New Zealand Government census data as of March 2006. Prior year comparatives have been adjusted to reflect updated census data.
- 2 Includes subscribers receiving SKY packages via affiliate services, such as arrangements with TelstraClear, Telecom & Vodafone.
- 3 Includes subscribers to programmed music and online DVD rentals via SKY's subsidiary companies, SKY DMX Music Limited and Screen Enterprises Limited.
- 4 Gross churn refers to the percentage of residential subscribers over a rolling twelve month period ended on the date shown who terminated their subscription, net of existing subscribers who transferred their service to new residences during the period.
- 5 Included in total subscribers.

HISTORY OF DIVIDEND PAYMENTS

(IN CENTS PER SHARE)

	2012	2011	2010	2009	2008	2007
Interim dividend (paid in March)	11.0	8.0	7.0	7.0	7.0	5.0
Final dividend (paid in September)	-	10.5	7.0	7.0	7.0	5.0
Total ordinary dividend	11.0	18.5	14.0	14.0	14.0	10.0
Add special dividend	-	25.0	-	-	-	-
Total dividend for year	11.0	43.5	14.0	14.0	14.0	10.0

CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (UNAUDITED)

IN NZD 000	31-DEC-2011 (6 MONTHS)	31-DEC-2010 (6 MONTHS)	30-JUN-2011 (1 YEAR) (AUDITED)
Revenue			
Residential satellite subscriptions	339,603	316,649	641,337
Other subscriptions	30,201	29,745	59,184
Installation	7,748	6,878	13,820
Advertising	39,027	35,070	62,691
Other income	10,283	9,640	19,916
	426,862	397,982	796,948
Expenses			
Programme rights	107,420	103,346	209,008
Programme operations	28,622	25,277	46,859
Subscriber management	31,361	31,792	65,884
Sales and marketing	23,550	19,666	40,892
Advertising	11,053	10,288	19,379
Broadcasting and infrastructure	42,481	35,677	72,667
Depreciation and amortisation	66,160	62,229	124,954
Corporate	12,276	10,787	20,584
	322,923	299,062	600,227
Operating profit	103,939	98,920	196,721
Financial (expense)/income			
Finance income	331	182	1,097
Finance expense	(15,038)	(13,937)	(26,427)
Realised exchange (loss)/gain	(971)	180	319
Unrealised exchange (loss)/gain	(179)	220	322
	(15,857)	(13,355)	(24,689)
Profit before tax	88,082	85,565	172,032
Income tax expense	25,380	25,159	51,706
Profit for the period	62,702	60,406	120,326
Attributable to:			
Equity holders of the company	62,555	60,263	120,078
Non-controlling interest	147	143	248
	62,702	60,406	120,326
Earnings per share (from continuing operations)			
Basic and diluted earnings per share (cents)	16.08	15.49	30.86

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (UNAUDITED)

IN NZD 000	31-DEC-2011 (6 MONTHS)	31-DEC-2010 (6 MONTHS)	30-JUN-2011 (1 YEAR) (AUDITED)
Profit for the period	62,702	60,406	120,326
Other comprehensive income			
Cash flow hedges, net of tax	1,483	(6,827)	(15,358)
Other comprehensive income for the period net of income tax	1,483	(6,827)	(15,358)
Total comprehensive income for the period	64,185	53,579	104,968
Attributable to:			
Equity holders of the company	64,038	53,436	104,720
Non-controlling interest	147	143	248
	64,185	53,579	104,968

CONSOLIDATED INTERIM BALANCE SHEET

AS AT 31 DECEMBER 2011 (UNAUDITED)

IN NZD 000	NOTES	31-DEC-2011	31-DEC-2010	30-JUN-2011 (AUDITED)
Current assets				
Cash and cash equivalents		50,334	22,896	11,434
Trade and other receivables		69,821	75,422	76,383
Programme rights inventory		40,847	36,849	34,650
Derivative financial instruments		2,509	5,382	2,331
		163,511	140,549	124,798
Non-current assets				
Property, plant and equipment		365,802	344,251	360,403
Other intangible assets		28,079	29,739	30,865
Goodwill		1,424,494	1,424,494	1,424,494
Derivative financial instruments		887	655	-
		1,819,262	1,799,139	1,815,762
Total assets		1,982,773	1,939,688	1,940,560
Current liabilities				
Borrowings		2,966	2,998	2,872
Trade and other payables	6	154,805	135,731	140,536
Derivative financial instruments		9,924	11,509	15,892
Income tax payable		4,059	4,212	8,322
		171,754	154,450	167,622
Non current liabilities				
Borrowings	9	314,511	258,450	217,015
Bonds	5	198,566	198,268	198,416
Derivative financial instruments		26,123	17,491	22,835
Provisions		337	542	537
Deferred tax		35,648	32,964	36,591
		575,185	507,715	475,394
Total liabilities		746,939	662,165	643,016
Equity				
Share capital		577,403	577,403	577,403
Hedging reserve		(20,555)	(13,507)	(22,038)
Retained earnings		665,774	712,680	741,364
Total equity attributable to equity holders of the company		1,222,622	1,276,576	1,296,729
Non-controlling interest	4	13,212	947	815
Total equity		1,235,834	1,277,523	1,297,544
Total equity and liabilities		1,982,773	1,939,688	1,940,560

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (UNAUDITED)

IN NZD 000	NOTES	SHARE CAPITAL
Balance at 1 July 2011		577,403
Profit for the period		-
Fair value gains net of tax		-
Total comprehensive income for the period		-
Capital contributed	4	-
Dividend paid		-
Supplementary dividends		-
Foreign investor tax credits		-
Balance at 31 December 2011		577,403
For the six months ended 31 December 2010 (unaudited)		
Balance at 1 July 2010		577,403
Profit for the period		-
Fair value losses net of tax		-
Total comprehensive income for the period		-
Capital contributed		-
Dividend paid		-
Supplementary dividends		-
Foreign investor tax credits		-
Balance at 31 December 2010		577,403
For the year ended 30 June 2011 (audited)		
Balance at 1 July 2010		577,403
Profit for the year		-
Fair value losses net of tax		-
Total comprehensive income for the year		-
Dividend paid		-
Supplementary dividends		-
Foreign investor tax credits		-
Balance at 30 June 2011		577,403

ATTRIBUTABLE TO OWNERS OF THE PARENT

HEDGING RESERVE	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
(22,038)	741,364	1,296,729	815	1,297,544
-	62,555	62,555	147	62,702
1,483	-	1,483	-	1,483
1,483	62,555	64,038	147	64,185
-	-	-	12,250	12,250
-	(138,145)	(138,145)	-	(138,145)
-	(3,413)	(3,413)	-	(3,413)
-	3,413	3,413	-	3,413
(20,555)	665,774	1,222,622	13,212	1,235,834
(6,680)	679,657	1,250,380	567	1,250,947
-	60,263	60,263	143	60,406
(6,827)	-	(6,827)	-	(6,827)
(6,827)	60,263	53,436	143	53,579
-	-	-	237	237
-	(27,240)	(27,240)	-	(27,240)
-	(838)	(838)	-	(838)
-	838	838	-	838
(13,507)	712,680	1,276,576	947	1,277,523
(6,680)	679,657	1,250,380	567	1,250,947
-	120,078	120,078	248	120,326
(15,358)	-	(15,358)	-	(15,358)
(15,358)	120,078	104,720	248	104,968
-	(58,371)	(58,371)	-	(58,371)
-	(1,677)	(1,677)	-	(1,677)
-	1,677	1,677	-	1,677
(22,038)	741,364	1,296,729	815	1,297,544

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (UNAUDITED)

IN NZD 000	NOTES	31-DEC-2011 (6 MONTHS)	31-DEC-2010 (6 MONTHS)	30-JUN-2011 (1 YEAR) (AUDITED)
Cash flows from operating activities				
Cash was provided from:				
Customers		432,153	391,791	789,456
Interest received		331	180	400
		432,484	391,971	789,856
Cash was applied to:				
Suppliers and employees		(236,256)	(197,953)	(415,770)
Related parties		(14,560)	(27,899)	(42,348)
Interest paid		(13,911)	(13,751)	(25,987)
Income tax paid		(27,041)	(20,023)	(34,712)
		(291,768)	(259,626)	(518,817)
Net cash from operating activities		140,716	132,345	271,039
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		851	45	123
Acquisition of property, plant, equipment and intangibles	7	(70,848)	(58,378)	(135,055)
Acquisition of business		-	(13,426)	(13,426)
Net cash used in investing activities		(69,997)	(71,759)	(148,358)
Cash flows from financing activities				
Bank loans received	9	325,000	21,000	30,000
Bank loans repaid	9	(225,000)	(55,000)	(104,000)
Payment of bank facility fees		(1,088)	(13)	(25)
Capital introduced by minority shareholder	4	12,250	-	-
Payment of finance lease liabilities		(1,423)	(1,164)	(2,739)
Dividends paid	9	(141,558)	(28,078)	(60,048)
Net cash used in financing activities		(31,819)	(63,255)	(136,812)
Net increase/(decrease) in cash and cash equivalents		38,900	(2,669)	(14,131)
Cash and cash equivalents at beginning of period		11,434	25,565	25,565
Cash and cash equivalents at end of period		50,334	22,896	11,434

RECONCILIATION OF OPERATING CASH FLOWS WITH NET PROFIT

IN NZD 000	31-DEC-2011 (6 MONTHS)	31-DEC-2010 (6 MONTHS)	30-JUN-2011 (1 YEAR) (AUDITED)
Net profit	62,702	60,406	120,326
Plus/(less) non-cash items:			
Depreciation and amortisation	66,160	62,229	124,954
Unrealised foreign exchange(gain)/loss	179	(220)	(322)
Movement in provision for doubtful debts	1,585	2,579	5,655
Amortisation of bond issue costs	164	164	299
Movement in deferred tax	(1,519)	4,138	11,045
Other non-cash items	(323)	(280)	1,190
Items classified as investing activities:			
(Loss)/gain on disposal of assets	(57)	(44)	32
Movement in working capital items:			
Decrease/(increase) in receivables	5,769	(6,903)	(8,771)
Increase in payables	12,395	5,523	4,730
(Decrease)/increase in provision for tax	(143)	997	5,946
(Increase)/decrease in programme rights	(6,196)	3,756	5,955
Net cash from operating activities	140,716	132,345	271,039

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (UNAUDITED)

1. GENERAL INFORMATION

SKY Network Television Limited ("SKY") is a company incorporated and domiciled in New Zealand. The address of its registered office is 10 Panorama Road, Mt Wellington, Auckland, New Zealand. The consolidated interim financial statements of the Group for the six months ended 31 December 2011 comprise SKY and its subsidiaries.

SKY is a company registered under the Companies Act 1993 and is an issuer in terms of the Financial Reporting Act 1993. These consolidated interim 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-per-view and free-to-air television services in New Zealand.

These consolidated interim financial statements were approved by the Board of Directors on 16 February 2012.

2. BASIS OF PREPARATION

These consolidated interim financial statements of SKY are for the six months ended 31 December 2011. They have been prepared in accordance with New Zealand generally accepted accounting practice, NZ IAS 34 Interim Financial Reporting and International Accounting Standard 34 (IAS 34). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2011.

The preparation of interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2011, other than the Harmonisation Amendments which are effective for annual reporting periods beginning on or after 1 July 2011 and amend multiple standards to harmonise NZ equivalents to International Financial Reporting Standards with International Financial Reporting Standards and Australian Accounting Standards. The group has applied the amendments and there has been no material impact from the application of these amendments.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (UNAUDITED)

4. GROUP STRUCTURE

SKY established a new company Igloo Limited on 21 July 2011. SKY contributed \$12,750,000 and have 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 will initially deliver 11 pay channels as well as receiving the free-to-air channels. In addition IGLOO will also offer pay-per-view sports and movies. Igloo Limited is considered a subsidiary of SKY Network Television Limited and has been fully consolidated into the Group's results.

At 31 December 2011 SKY had the following subsidiaries:

SKY DMX Music Limited (50.5%)

Cricket Max Limited

Media Finance Limited

Outside Broadcasting Limited (previously Sky Telecommunications (MR7) Limited)

Screen Enterprises Limited (51.0%)

Igloo Limited (51.0%)

5. BONDS

Terms and conditions of outstanding bonds are as follows:

	31-DEC-2011	31-DEC-2010	30-JUN-2011 (AUDITED)
Nominal interest rate	3.60%	4.06%	4.06%
Date of maturity	16-Oct-16	16-Oct-16	16-Oct-16
IN NZD 000			
Carrying amount	198,566	198,268	198,416
Face value	200,000	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 Company 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 31 December 2011 was 7.49% (31 December 2010: 8.25%, 30 June 2011: 5.85%). The fair value of the bonds at December 2011 was \$176 million (31 December 2010: \$176 million; 30 June 2011: \$185 million). The difference between carrying amount and fair value has not been recognised in the interim financial statements as the bonds are intended to be held until maturity.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (UNAUDITED)

6. RELATED PARTY TRANSACTIONS

IN NZD 000	31-DEC-2011	31-DEC-2010	30-JUN-2011 (AUDITED)
------------	-------------	-------------	--------------------------

The following transactions were carried out with related parties:

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	3,231	2,743	3,406
--	-------	-------	-------

Transactions included in the income statement

Transactions with related parties

The News Corporation Limited and its affiliates

- Programme, smartcard and broadcasting equipment and publishing	14,337	26,707	41,064
--	--------	--------	--------

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

The gross remuneration of directors and key management personnel during the period was \$6,059,000 (31 December 2010: \$5,596,000; 30 June 2011: \$9,519,000).

7. CAPITAL EXPENDITURE

The Group acquired the following property, plant and equipment and intangibles during the period;

IN NZD 000	31-DEC-2011	31-DEC-2010	30-JUN-2011 (AUDITED)
Capital projects in progress	7,858	829	10,677
Land and buildings	787	1,680	3,748
Broadcasting and studio equipment	2,931	2,700	6,796
Plant and equipment and other	1,564	2,638	5,662
Decoders	28,263	20,150	49,505
Installation costs	25,991	24,605	50,499
Intangibles	2,171	6,793	12,667
	69,565	59,395	139,554
Movement in capital expenditure creditors	1,283	(1,017)	(4,499)
Cash outflow in the period	70,848	58,378	135,055

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (UNAUDITED)

8. DIVIDENDS

In August 2011 the Group declared a special dividend of 25 cents per share in addition to the final dividend of 10.5 cents. Additional bank funding of \$115 million was required to fund this payment (refer note 9).

On 17 February 2012 the Board of Directors announced that it will pay a fully imputed dividend of 11.0 cents per share with the record date being 2 March 2012. A supplementary dividend of 1.9412 cents per share will be paid to non-resident shareholders, subject to the foreign investor tax credit regime.

9. BORROWINGS

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 between 1.80% 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.

During the period bank borrowings of \$205 million outstanding under the original facility were repaid and a new drawdown of \$320 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 \$20 million for repayment of the new loan.



INDEPENDENT ACCOUNTANTS' REPORT

TO THE SHAREHOLDERS OF SKY NETWORK TELEVISION LIMITED

Report on the Interim Financial Statements

We have reviewed the interim condensed consolidated financial statements ("financial statements") of SKY Network Television Limited on pages 11 to 21, which comprise the balance sheet as at 31 December 2011, the income statement, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Interim Financial Statements

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 December 2011, and its financial performance and cash flows for the period ended on that date.

Accountants' Responsibility

We are responsible for reviewing the financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

A review is limited primarily to enquiries of Company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the period ended 31 December 2011 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

We have no relationship with, or interests in, SKY Network Television Limited other than in our capacities as accountants conducting this review 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 deal with the Company on normal terms within the ordinary course of the trading activities of the Group. These matters have not impaired our independence as accountants of the Group.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 31 December 2011 and its financial performance and cash flows for the six month period ended on that date.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body. Our review 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 accountants' 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 review procedures, for this report or for the opinions we have formed.

Chartered Accountants, Auckland
16 February 2012

DIRECTORY

REGISTRARS

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

NEW ZEALAND ORDINARY SHARE REGISTRAR

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, North Shore City 0622

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
GPO Box 2975EE
Melbourne VIC 3000

Tel: 61 3 9415 4000

Email: enquiry@computershare.co.nz

BONDHOLDER TRUSTEE

The New Zealand Guardian Trust Company Limited
Vero Centre, Level 7, 48 Shortland Street
Auckland, New Zealand

Mailing address:

P.O. Box 1934, Auckland, New Zealand

Tel: 64 9 377 7300; Fax: 64 9 377 7470

Email: web.corporatetrusts@nzgt.co.nz

DIRECTORS

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

EXECUTIVES

John Fellet: Director and Chief Executive
Jason Hollingworth: Chief Financial Officer
and Company Secretary
Kevin Cameron: Director of Sport Production
Greg Drummond: Director of Broadcast Services
Travis Dunbar: Director of Entertainment
Charles Ingley: Director of Technology
Megan King: Head of Programme Finance
and Acquisition
Richard Last: Director of Sports 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

AUDITOR TO SKY

PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay Street, Auckland

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

SOLICITORS TO SKY

Buddle Findlay
PricewaterhouseCoopers Tower
188 Quay Street, Auckland

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

