SKY NETWORK TELEVISION LIMITED

INTERIM REPORT – DECEMBER 2009

MYSKY HDi gets off to a flying start

Dear Shareholders

I am pleased to be able to report a significant improvement in SKY's financial results for the six months to 31 December 2009 despite the continuation of difficult economic conditions in New Zealand.

SKY has reported a 19.1% increase in post tax earnings to $50.8 million. Revenues are up 6.6% to $369 million and earnings before interest, tax and depreciation (EBITDA) increased by 10.7% to $144.7 million.

The improved financial results can be attributed to the success of the MYSKY HDi decoder that was launched in August 2008. This decoder has enabled SKY to offer a range of new services to its subscribers, including access to high definition (HD) television and the functionality of a personal video recorder with features such as "live pause", "series link recording" and recording two "live" channels while watching another recorded programme. Our research suggests that subscribers are enamoured with this product and believe it represents great value for money.

As we explained in last year's interim and annual reports there were real costs to SKY of launching this new product. Not only did we have to completely rebuild our television station to enable the broadcast of HD television, we also had to upgrade our outside broadcast vans and expand all of our national and international fibre links to enable transmission of high definition video signals. We also needed to lease another transponder on the Optus satellite to broadcast SKY's four HD channels plus the three free-to-air channels that have been available in HD on SKY's satellite platform since July 2009.

While these costs are significant they are all fixed costs and need to be paid regardless of how many MYSKY HDi subscribers there are. Hence last year's results were adversely impacted by the launch of this product as all of these costs were being incurred while the subscriber base was only beginning to grow.

At 31 December 2009, SKY had 144,148 MYSKY HDi subscribers compared to 70,384 in December 2008, an increase of 104.8%. MYSKY HDi subscribers now represent 18.8% of SKY's satellite subscriber base. This growth during very challenging economic times is testament to the quality and value of this product. A number of subscribers have commented that "MYSKY has changed my life" and it is encouraging to see more and more of our subscribers making the switch to MYSKY with 83.1% of MYSKY subscribers having migrated from SKY's standard digital decoder.

Another benefit of MYSKY HDi is the significant reduction in churn for subscribers with this decoder. For the rolling 12 months to 31 December 2009, MY SKY HDi gross churn was 10.7% compared to the churn rate for subscribers on the standard digital decoder during this period of 14.4%. This reduction in MYSKY churn has helped lower SKY's overall gross churn to 13.8% from 14.8% in the comparative period.

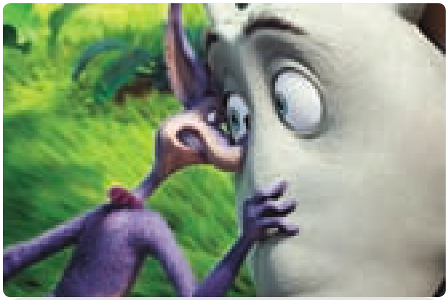
Looking in more detail at SKY's financial results, there was an 11.7% increase in SKY's satellite subscription revenues compared to the comparative period. This is due to a 6.1% increase in average revenue per user (ARPU) to $67.35 from $63.49 and a 6.2% increase in DBS (satellite) subscribers, an increase of 44,877 subscribers.

The increase in ARPU is primarily due to the increase in MYSKY subscribers, with their ARPU increasing from $75.19 in the previous interim period to $83.89 in this period, an increase of 11.6%. This increase is due to proportionally fewer of these subscribers being on introductory promotional campaigns (eg: three months free rental). In addition the original MYSKY decoder that is not HD is now a lower percentage of the MYSKY population as the HDi decoder numbers increase. SKY's DBS ARPU excluding MYSKY and wholesale subscribers increased 1.5% to $66.83 compared to the comparative period. Not surprisingly, this suggests that MYSKY is appealing more to SKY's customers who purchase a greater number of services.

The large increase in DBS (satellite) subscribers is partly due to our efforts to migrate the last of SKY's UHF subscribers off this 20 year old analogue network and onto SKY's DBS satellite network before the UHF network is decommissioned in March 2010. During the period 19,453 UHF subscribers and 11,217 UHF tandem subscribers (where a UHF decoder was being used as second outlet) were given a free digital satellite install and we have grandfathered their UHF package structure for 12 months as part of the transition offer. The migration of these subscribers explains the $2.3 million (6.8%) reduction in "other subscription" revenue compared to the comparative period.

While SKY's total revenue growth for the period of 6.6% is a positive feature of this result, there are two concerning aspects. Firstly, we continue to be operating in the most depressed television advertising market ever seen in New Zealand and SKY, like other television broadcasters, is being severely impacted. In the six month period to 31 December 2009 the total television advertising market declined by 10.9% compared to the comparative period and there has now been six quarters in a row of year on year declines in total television advertising market revenue. SKY fared slightly worse than the total market, with its total advertising revenues falling by $5.4 million (16.3%) to $27.6 million. Advertising now represents 7.5% of SKY's total revenue. Had the market held at 2008 levels and SKY held its share, then, allowing for agency commissions of 20% and tax of 30%, SKY would have earned an additional $3 million of after tax profit, which would have resulted in a 6% increase in earnings.

The other disappointing aspect of the result is SKY's relatively low net subscriber growth. Through to 25 October 2009 (week 17), SKY was tracking ahead of the previous year in terms of net subscriber growth with a net gain in subscribers of 7,048 compared to 6,895 in the previous period. However for the six months to 31 December 2009 SKY is reporting net subscriber growth of 5,976 compared to 10,493 in the comparative period. November and December have been challenging months for SKY, and while churn is down compared to the previous year we have been struggling to generate new sales over these summer months. This has continued into January. So while many of our existing subscribers have been happy to commit to paying more for the services offered by MYSKY HDi during these difficult economic times, it has been difficult to attract non-subscribers during these summer months. We expect interest will return with the commencement of some of our winter sports in February and March.



SKY's operating costs (excluding depreciation) for the six months to 31 December increased by $8.8 million, or 4.1%. Programme rights costs increased by $7.6 million (8.5%) due to the launch of the Comedy Channel, more subscribers to the movie channels and a lower average US$/NZ$ exchange rate (65.5 cents compared to 69.7 cents in the comparative period). SKY's broadcast and infrastructure costs were $4.2 million (12.6%) higher in this period due primarily to a full six months cost of the additional Optus transponder ($2.9 million impact) compared to only three months cost in the prior period, additional software maintenance costs on the new television station and the linking and transmission costs of having Prime join the Freeview platform in August 2009.

Depreciation costs have increased by $8.5 million (18.4%) to $54.9 million primarily due to depreciation charges on the new MYSKY HDi decoders that were installed during the year. 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 $82.5 million from $59.0 million in the comparative period, an increase of $23.5 million. This increase is mainly attributable to increased installation costs due to the UHF migration, increased multiroom sales and additional costs of installing new quad LNB's, as well as increased MYSKY HDi purchases. Additional costs were also incurred for the television station upgrade and renewal of the UHF frequency licences for a further 10 years. (Refer note 7 for details.)

HIGHLIGHTS FOR THE SIX MONTH PERIOD

- securing the pay television rights to every live game in the 2011 Rugby World Cup and being appointed the host television broadcaster for this event, which is one of the largest television broadcast events in the world.
- producing the largest pay-per-view event in New Zealand's history being the Tua/Cameron fight on 3 October 2009.
- completing the final stage of SKY's television upgrade project being completion of post production facilities at SKY's Panorama Road television station, in time to produce SKY's Winter Olympic coverage from 13 February 2010.
- successfully transitioning the majority of our UHF subscribers to the DBS (satellite) network.
- reaching agreement with TVNZ to carry HD versions of their TV1 and TV2 channels on SKY's satellite platform from July 2009 and extending SKY's carriage agreement for these channels until the termination or expiry of the Optus satellite agreement.
- reaching agreement with Freeview and Kordia to carry Prime on their digital terrestrial platform (DTP) from 17 August 2009.
- reaching agreement with TVNZ to have SKY digital decoders tune to their Freeview satellite channels TVNZ 6 and TVNZ 7 from 1 July 2009.
- securing the rights to the 2010 Commonwealth games from TVNZ.

SKY is committed to providing New Zealanders with the best video entertainment available and will continue to invest in the technology that is required to deliver the services consumers demand where we are confident in earning reasonable financial returns. Our decision to invest in HD television and personal video recorder capability four years ago is starting to pay off and we are committed to ensuring we continue to 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 resolved on 18 February 2010 that it will pay a fully imputed dividend of 7.0 cents per share with the record date being 5 March 2010. A supplementary dividend of 1.2352 cents per share will also be paid to eligible non-resident shareholders.

John Fellet

John Fellet
Chief Executive

Subscriber Base

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

AS AT 31 DECEMBER	31 DEC 2009	30 JUN 2009	31 DEC 2008
Total UHF, DBS and other subscribers			
Total number of households in New Zealand (1)	**1,622,200**	1,603,400	1,603,000
Subscribers – UHF:			
Residential	**3,078**	22,772	26,835
Commercial	**131**	400	459
Total UHF	**3,209**	23,172	27,294
Subscribers – DBS (Satellite):			
Residential	**650,721**	623,564	598,459
Residential – wholesale (2)	**107,823**	111,260	115,441
Commercial	**8,264**	8,167	8,031
Total DBS	**766,808**	742,991	721,931
Subscribers – Other: (3)	**14,861**	12,739	9,844
Total subscribers	**784,878**	778,902	759,069
MYSKY subscribers (5)	**144,148**	103,991	70,384
Percent of households within reach subscribing to the SKY network:			
Total UHF and DBS – residential	**46.9%**	47.2%	46.2%
Gross churn rate (4)	**13.8%**	14.0%	14.8%
Average monthly revenue per residential subscriber:			
UHF	**34.78**	37.24	37.45
DBS excluding wholesale	**66.83**	66.57	66.73
DBS wholesale	**54.65**	53.30	53.52
MYSKY	**83.89**	78.02	75.19
Total UHF and DBS excluding wholesale	**66.04**	65.31	65.37
Total UHF and DBS including wholesale	**67.35**	64.00	63.49

Notes

(1) Based upon New Zealand Government census data as of March 2006.

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

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

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

(5) Included in total subscribers.

Consolidated Interim Income Statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (UNAUDITED)

IN NZD 000	31 DEC 2009	31 DEC 2008
REVENUE		
Residential satellite subscriptions	**293,536**	262,769
Other subscriptions	**32,333**	34,695
Installation	**7,429**	8,673
Advertising	**27,646**	33,039
Other income	**8,112**	7,140
	369,056	346,316
EXPENSES		
Programme rights	**96,561**	88,990
Programme operations	**23,404**	25,734
Subscriber management	**29,739**	26,853
Sales and marketing	**19,262**	21,640
Advertising	**8,372**	9,704
Broadcasting and infrastructure	**37,871**	33,641
Depreciation and amortisation	**54,855**	46,334
Corporate	**9,115**	8,994
	279,179	261,890
Operating profit	**89,877**	84,426
FINANCIAL EXPENSE		
Interest and other financial expense (net)	**(17,573)**	(21,515)
Realised exchange gain/(loss)	**859**	(1,513)
Unrealised exchange loss	**(382)**	(714)
	(17,096)	(23,742)
Profit before tax	**72,781**	60,684
Income tax expense	**22,009**	18,049
Profit for the period	**50,772**	42,635
Attributable to:		
Equity holders of the company	**50,697**	42,756
Minority interest	**75**	(121)
	50,772	42,635
EARNINGS PER SHARE (FROM CONTINUING OPERATIONS)		
Basic and diluted earnings per share (cents)	**13.03**	10.99

Consolidated Interim Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (UNAUDITED)

IN NZD 000	31 DEC 2009	31 DEC 2008
Profit for the period	**50,772**	42,635
Other comprehensive income		
Fair value (losses)/gains net of tax	**(5,272)**	4,253
Other comprehensive income for the period net of income tax	**(5,272)**	4,253
Total comprehensive income for the period	**45,500**	46,888
Attributable to:		
Equity holders of the company	**45,425**	47,009
Minority interest	**75**	(121)
	45,500	46,888

Consolidated Interim Balance Sheet

AS AT 31 DECEMBER 2009 (UNAUDITED)

IN NZD 000	NOTES	31 DEC 2009	31 DEC 2008	30 JUN 2009 (AUDITED)
CURRENT ASSETS				
Cash and cash equivalents		**23,469**	34,143	14,555
Trade and other receivables		**70,108**	57,665	64,418
Programme rights inventory		**38,722**	30,981	35,281
Derivative financial instruments		**4,078**	20,920	11,550
Income tax receivable		**1,028**	–	–
		137,405	143,709	125,804
NON-CURRENT ASSETS				
Property, plant and equipment		**315,421**	266,763	291,025
Other intangible assets		**27,860**	25,532	24,640
Goodwill		**1,423,427**	1,423,427	1,423,427
Derivative financial instruments		**4,069**	19,622	7,901
		1,770,777	1,735,344	1,746,993
Total assets		**1,908,182**	1,879,053	1,872,797
CURRENT LIABILITIES				
Trade and other payables	6	**126,875**	128,993	120,409
Income tax payable		**–**	580	1,341
Derivative financial instruments		**15,339**	2,080	10,712
		142,214	131,653	132,462
NON-CURRENT LIABILITIES				
Borrowings		**308,867**	313,599	302,732
Bonds	5	**197,969**	197,670	197,818
Deferred tax		**23,810**	11,886	16,753
Derivative financial instruments		**9,871**	22,161	15,780
Provisions		**666**	778	727
		541,183	546,094	533,810
Total liabilities		**683,397**	677,747	666,272
EQUITY				
Share capital		**577,403**	577,403	577,403
Hedging reserve		**(7,833)**	10,489	(2,561)
Retained earnings		**654,729**	612,893	631,272
Total equity attributable to equity holders of the company		**1,224,299**	1,200,785	1,206,114
Minority interest		**486**	521	411
Total equity		**1,224,785**	1,201,306	1,206,525
Total equity and liabilities		**1,908,182**	1,879,053	1,872,797

Consolidated Interim Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (UNAUDITED)

IN NZD 000	SHARE CAPITAL	HEDGING RESERVE	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
Balance at 1 July 2009	577,403	(2,561)	631,272	411	1,206,525
Profit for the period	–	–	50,697	75	50,772
Fair value losses net of tax	–	(5,272)	–	–	(5,272)
Total comprehensive income for the period	–	(5,272)	50,697	75	45,500
Dividend paid	–	–	(27,240)	–	(27,240)
Supplementary dividends	–	–	(2,939)	–	(2,939)
Foreign investor tax credits	–	–	2,939	–	2,939
Balance at 31 December 2009	577,403	(7,833)	654,729	486	1,224,785

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (UNAUDITED)

IN NZD 000	SHARE CAPITAL	HEDGING RESERVE	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
Balance at 1 July 2008	577,403	6,236	597,377	642	1,181,658
Profit for the period	–	–	42,756	(121)	42,635
Fair value gains net of tax	–	4,253	–	–	4,253
Total comprehensive income for the period	–	4,253	42,756	(121)	46,888
Dividend paid	–	–	(27,240)	–	(27,240)
Supplementary dividends	–	–	(2,869)	–	(2,869)
Foreign investor tax credits	–	–	2,869	–	2,869
Balance at 31 December 2008	577,403	10,489	612,893	521	1,201,306

FOR THE YEAR ENDED 30 JUNE 2009 (AUDITED)

IN NZD 000	SHARE CAPITAL	HEDGING RESERVE	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
Balance at 1 July 2008	577,403	6,236	597,377	642	1,181,658
Profit for the year	–	–	88,375	(231)	88,144
Fair value losses net of tax	–	(8,797)	–	–	(8,797)
Total comprehensive income for the year	–	(8,797)	88,375	(231)	79,347
Dividend paid	–	–	(54,480)	–	(54,480)
Supplementary dividends	–	–	(5,806)	–	(5,806)
Foreign investor tax credits	–	–	5,806	–	5,806
Balance at 30 June 2009	577,403	(2,561)	631,272	411	1,206,525

Consolidated Interim Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (UNAUDITED)

IN NZD 000	NOTES	31 DEC 2009	31 DEC 2008
Cash flows from operating activities			
Cash was provided from:			
Customers		**363,872**	348,842
Interest received		**116**	534
Net GST received		**3,505**	5,294
		367,493	354,670
Cash was applied to:			
Suppliers and employees		**(194,129)**	(190,904)
Related parties		**(28,729)**	(26,346)
Interest paid		**(18,895)**	(22,139)
Income tax paid		**(12,011)**	(9,257)
		(253,764)	(248,646)
Net cash from operating activities		**113,729**	106,024
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**53**	34
Acquisition of property, plant, equipment and intangibles	7	**(80,676)**	(68,802)
Acquisition of The Arts Channel		**–**	(808)
Net cash used in investing activities		**(80,623)**	(69,576)
Cash flows from financing activities			
Proceeds from borrowings		**31,000**	9,000
Repayment of borrowings		**(25,000)**	–
Payment of bank facility fees		**(13)**	(13)
Dividends paid		**(30,179)**	(30,109)
Net cash used in financing activities		**(24,192)**	(21,122)
Net increase in cash and cash equivalents		**8,914**	15,326
Cash and cash equivalents at beginning of period		**14,555**	18,817
Cash and cash equivalents at end of period		**23,469**	34,143

Consolidated Interim Statement of Cash Flows (continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (UNAUDITED)

IN NZD 000	31 DEC 2009	31 DEC 2008
RECONCILIATION OF OPERATING CASH FLOWS WITH NET PROFIT		
Net profit	**50,772**	42,635
Plus/(Less) non-cash items:		
Depreciation and amortisation	**54,855**	46,334
Unrealised foreign exchange loss	**382**	714
Movement in provision for doubtful debts	**2,626**	2,623
Amortisation of bond/capital notes issue costs	**151**	151
Movement in deferred tax	**9,317**	5,755
Other non cash items	**(730)**	(1,369)
Items classified as investing activities:		
Gain on disposal of assets	**(39)**	(10)
Movement in working capital items:		
(Increase)/decrease in receivables	**(5,827)**	2,442
Increase in payables	**4,983**	2,024
Increase in provision for tax	**680**	3,036
(Increase)/decrease in programme rights	**(3,441)**	1,689
Net cash from operating activities	**113,729**	106,024

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 (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 2009 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. It is a profit-oriented entity.

These consolidated interim financial statements were approved by the Board of Directors on 18 February 2010.

2 BASIS OF PREPARATION

These consolidated interim financial statements of SKY are for the six months ended 31 December 2009. They have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") NZ IAS 34 Interim Financial Reporting. 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 2009. SKY in complying with NZ IAS 34 is simultaneously in compliance with International Accounting Standard 34 (IAS 34). The NZ IFRS standards and NZ IFRIC interpretations that will be applicable as at 30 June 2010, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these condensed consolidated interim financial statements.

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 2009 other than as set out below.

The Group has applied the following new and amended IFRSs as of 1 July 2009.

NZ IAS 1 (Revised): Presentation of Financial Statements (effective from 1 January 2009)

The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

NZ IFRS 8: Operating Segments (effective from 1 January 2009)

The Group has adopted NZ IFRS 8 Operating Segments which requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance. In contrast, the predecessor Standard (NZ IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as a starting point for the identification of such segments. The Company is internally reported as a single operating segment to the chief operating decision-maker and no changes to reportable segments have been made compared to previous segments reported under NZ IAS 14 Segment Reporting.

4 GROUP STRUCTURE

At 31 December 2009 SKY had the following subsidiaries:
Sky DMX Music Limited, Cricket Max Limited, Media Finance Limited, Sky Telecommunications (MR7) Limited and Screen Enterprises Limited.

5 BOND ISSUE

Terms and conditions of outstanding bonds are as follows:

	31 DEC 2009 (UNAUDITED)	31 DEC 2008 (UNAUDITED)	30 JUN 2009 (AUDITED)
Nominal interest rate	**4.01%**	7.24%	7.24%
Date of maturity	**16-Oct-16**	16-Oct-16	16-Oct-16
IN NZD 000			
Carrying amount	**197,969**	197,670	197,818
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 2009 was 4.66% (31 December 2008: 8.43%, 30 June 2009: 12.23%), The fair value of the bonds at December 2009 was $172 million (31 December 2008: $164 million; 30 June 2009: $148 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.

6 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

	31 DEC 2009 (UNAUDITED)	31 DEC 2008 (UNAUDITED)	30 JUN 2009 (AUDITED)
Transactions included in the balance sheet			
Owing to related parties			
Owing to affiliates of the News Corporation Limited and minority shareholders of Screen Enterprises Limited	**3,633**	3,766	3,991
Transactions included in the income statement			
Transactions with related parties			
The News Corporation Limited and its affiliates			
– Programme, smartcard and broadcasting equipment and publishing	**28,497**	27,528	58,641

There were no loans to directors by the Group or associated parties at balance date.

The gross remuneration of directors and key management personnel during the period was $5,584,000. (31 December 2008: $6,337,000).

This comprises short term employee benefits other than long service leave of $5,000 (31 December 2008: $3,000).

7 CAPITAL EXPENDITURE

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

IN NZD 000	31 DEC 2009	31 DEC 2008
Buildings	970	772
Broadcasting and studio equipment	10,212	5,206
Plant and equipment	1,565	1,967
Decoders	27,619	24,082
Installation costs	33,961	21,968
Intangibles (mainly software)	2,719	5,008
UHF License	5,435	–
	82,481	**59,003**
Movement in capital expenditure creditors	(1,805)	9,799
Cash outflow in the period	80,676	68,802

8 DIVIDENDS

On 18 February 2010 the Board of Directors resolved that it will pay a fully imputed dividend of 7.0 cents per share with the record date being 5 March 2010. A supplementary dividend of 1.2352 cents per share will be paid to eligible non-resident shareholders.

9 SUBSEQUENT EVENTS

The Group has entered into an agreement to purchase the property at 34 Leonard Road, Mt Wellington for $3.1 million with settlement date of 1 April 2010 and possession date of 31 May 2010.

Auditors Report

PRICEWATERHOUSECOOPERS

To the shareholders of Sky Network Television Limited

We have reviewed the interim condensed consolidated financial statements ("the financial statements") on pages 6 to 15. The financial statements provide information about the past financial performance and cash flows of the Group, for the period ended 31 December 2009 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 12 to 13.

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.

Directors' responsibilities

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 2009 and its financial performance and cash flows for the period ended on that date.

Accountants' responsibilities

We are responsible for reviewing the financial statements presented by the Directors in order to report 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.

Basis of opinion

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 2009 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We carry out 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. We have no other relationship with or interests in the Company or any of its subsidiaries other than in our capacity as accountants conducting this review.

Review 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 2009 and its financial performance and cash flows for the period ended on that date.

Our review was completed on 18 February 2010 and our review opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants Auckland

Directory

REGISTRARS

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

NEW ZEALAND ORDINARY SHARE REGISTRAR

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna,
Auckland, New Zealand
Mailing address: Private Bag 92119,
Auckland 1142, New Zealand
Tel: 64 9 488 8700; Fax: 64 9 488 8787
Email: enquiry@computershare.co.nz

AUSTRALIAN BRANCH REGISTER

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

BONDHOLDER TRUSTEE

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

DIRECTORS

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

EXECUTIVES

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

NEW ZEALAND REGISTERED OFFICE

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

AUSTRALIAN REGISTERED OFFICE

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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

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PricewaterhouseCoopers Tower,
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Tel: 64 9 355 8000; Fax: 64 9 355 8001

SOLICITORS TO SKY

Buddle Findlay
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