Appendix 4D Release to ASX under rule 4.2A

Half Year Information for Sky Network Television Limited for the six months to 31 December 2005

To be read in conjunction with Sky Network Television Limited (Pre-Merger) and Independent Newspapers Limited financial statements for the year ended 30 June 2005

CONTENTS

Results for announcement to market

Sky Network Television Limited
Half year ended on 31 December 2005

Total operating revenues of $266,101,000 has increased $25,845,000 from the prior half year which is a 10.8% increase.

Net profit after tax of $29,676,000 has decreased $6,208,000 from the prior half year which is a 17.3% decrease.

Net profit from ordinary activities after tax attributable to members of $29,676,000 has increased $2,601,000 from the prior half year which is a 9.6% increase.

Net profit for the period attributable to members is $29,676,000 has increased $2,601,000 from the prior half year which is a 9.6% increase.

Dividends	Amount per security	Franked amount per Security
Interim Dividend	4.0 cents	N/A
Previous corresponding period – Interim Dividend (paid March 2005)	11.0 cents	N/A
Previous corresponding period – Final Dividend (paid September 2004)	3.0 cents	N/A
Record date for determining entitlements to the dividend	10 March 2006	

Brief explanation of any figures reported above, refer attached results commentary.

ENTERTAINMENT THE REVOLUTION

SKY NETWORK TELEVISION LIMITED
INTERIM REPORT 31 DECEMBER 05

SKY

THE WAY WE LIVE AND WATCH TELEVISION HAS CHANGED. SKY TV'S REVOLUTIONARY TECHNOLOGY NOW DELIVERS EXCITEMENT TO OVER 600,000 NZ HOMES.

WATCH WHATEVER YOU WANT, WHENEVER YOU WANT IT. WELCOME TO THE ENTERTAINMENT REVOLUTION.

Food Television

Playhouse Disney

DEAR SHAREHOLDERS & NOTEHOLDERS

I am pleased to be able to report that the SKY business has continued to perform strongly in the six months to 31 December 2005.

SUBSCRIBERS

SKY has added 17,118 new subscribers to its pay television business over the six month period to give a total subscriber base of 636,286 at 31 December 2005. This compares to a net gain of 11,979 subscribers in the comparative six month period. SKY gained 24,247 new digital subscribers. The UHF network lost 7,802 subscribers, most of which have migrated to the digital platform.

Another positive feature of SKY's result is the continued reduction in churn. Churn is a measure of the number of subscribers who disconnect from the service as a percentage of the total subscriber base. These subscribers need to be replaced with new subscribers if the business is to grow. During the six month period SKY's gross churn fell to 13.9% from 16.4% in the comparative period. We believe this demonstrates that an increasing number of subscribers consider they are getting value from their subscription.

FINANCIAL RESULTS

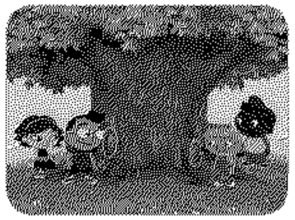
SKY has earned a net profit after tax of $29.7 million on total revenue of $266.1 million, a net return of 11.2%. This after tax net profit is a decrease of $6.2 million from the $35.9 million earned in the comparative period.

I note that the 2005 interim result includes the additional interest costs incurred in this interim period as a result of the $500 million of new debt raised for the merger of INL and SKY on 1 July 2005. Net interest expense of $24.2 million was incurred during the six month period compared to net interest income of $1.5 million in the comparative period.

SKY HAS EARNED A NET PROFIT AFTER TAX OF $29.7 MILLION ON TOTAL REVENUE OF $266.1 MILLION, A NET RETURN OF 11.2%

THERE IS SIGNIFICANTLY MORE INFORMATION IN THESE ACCOUNTS THAN IS NORMALLY PROVIDED IN SKY'S INTERIM REPORT **DUE TO THE ADOPTION OF NZ IFRS AND THE MERGER OF INL AND SKY.**


SKY Sport


Playhouse Disney


Food Television

17,118
NEW SUBSCRIBERS
OVER SIX MONTH PERIOD

The business has performed strongly with total revenue increasing by $25.8 million to $266.1 million, an increase of 10.8% over the comparative period. Average Revenue per Subscriber per month ("ARPU") has increased by 3.0% in the comparative period to $58.38 from $56.68.

Operating costs increased by 4.6% to $197.0 million compared to the comparative six month period.

Operating cash flow for the six months was $87.9 million compared to $94.6 million in the comparative period, with the decrease in cash flow also due to increased interest costs.

You will notice when you get to the Financial Statements that are contained in this report that there is significantly more information in these accounts than is normally provided in SKY's interim report. The reason for this is that SKY has elected to be an early adopter of New Zealand International Financial Reporting Standards ("NZ IFRS") and these interim accounts are SKY's first reporting period under these new standards. A significant amount of additional disclosure is required on first time adoption of NZ IFRS in order to explain the differences between the new standards and the previous New Zealand Generally Accepted Accounting Practice ("NZ GAAP").

A further complication in these accounts is that this is the first reporting period following the merger of Independent Newspapers Limited and the old Sky Network Television Limited. Hence the balance sheet of the new company, renamed Sky Network Television Limted is quite different from the old SKY balance sheet.
Of significance is that there is now a goodwill asset of $1.4 billion recognised on the SKY balance sheet, which has resulted in the book value of SKY's equity now being $1.1 billion. This is significantly higher than the old SKY balance sheet where the book value of equity was only $147 million. Directors have assessed the carrying value of this goodwill asset as they are required to do under NZ IFRS and are satisfied that there has been no impairment to the value of the asset. It should also be noted that the market value of the equity in the SKY business is $2.5 billion based on the current share price of $6.40.

BUSINESS INITIATIVES

A number of new initiatives were commenced during the interim period as we continued to position the business for ongoing growth.

Two new basic channels were launched, with "Food TV" commencing on 1 November and "Playhouse Disney" commencing on 24 December. We have been pleased with the initial level of viewing on these channels and believe they have helped to broaden the demographic appeal of SKY's offering.

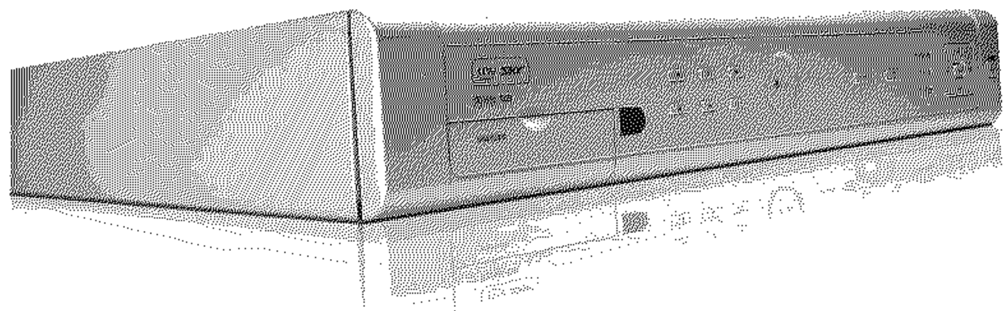
In December we also covered the Chappell-Hadlee cricket series and were pleased with the ratings for these three one-day cricket games between New Zealand and Australia.

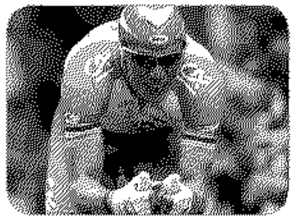
During the reporting period SKY was also successful in securing the rights to Formula One motor racing and the FIA World Rally Championship ("WRC") and will significantly improve the level of coverage of these events with both live and breakfast replays of these races. We have recently screened the first WRC race and Formula One will commence on SKY in March 2006.

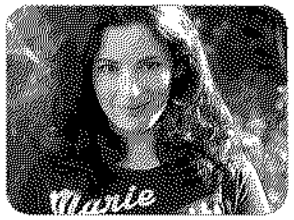
In December we launched "MY SKY", a new generation hard drive video recorder that enables subscribers to customise their television viewing experience, thereby enhancing the value that is received from their subscription. The decoder has two tuners which means a channel can be recorded while another channel is watched, or two channels can be recorded while a third previously recorded program is watched. Other features include a 60 minute buffer which enables a subscriber to pause live television, rewind if necessary to watch something that might have been missed and then to forward again to live television. The MY SKY decoder has around 60 hours of video storage capability on the hard drive and is available to subscribers for a one-off installation fee of $599 and there is no additional monthly fee.

SKY has commenced upgrading its television station by installing the latest software that was required to operate MY SKY and a new compression head-end. This project will continue over the next 2 years as we move to a complete digital television station from the current analogue station that is now 15 years old.

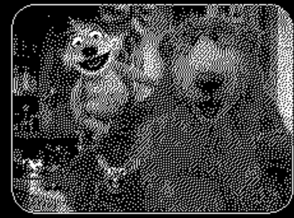
CHURN DOWN TO
13.9%




SKY Sport



Food Television


Playhouse Disney


SKY Sport


Food Television

The new Optus satellite, D1 is under construction by Orbital Sciences in the US and is scheduled to be in service in July 2006. A back-up satellite, D2 is also under construction and is scheduled to be available for launch by December 2006 should there be any problems with the D1 launch. SKY is committed to purchasing five transponders on this new satellite compared to the four transponders it currently leases on the B1 satellite. This will provide additional capacity to increase SKY's channel offering.

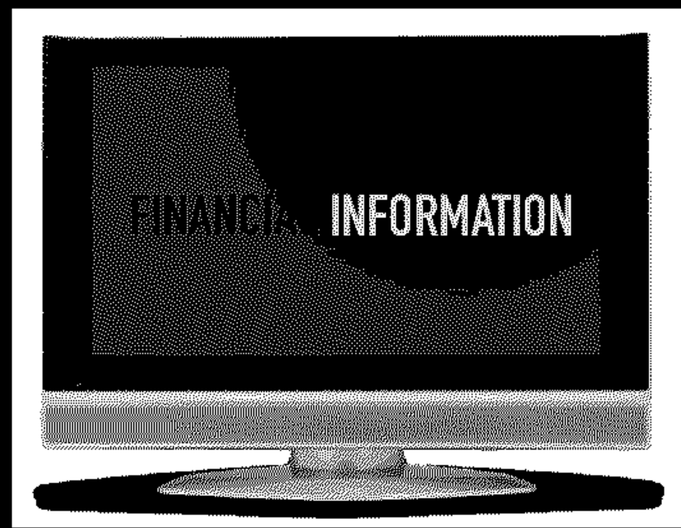
On 18 November 2005 SKY agreed to purchase the New Zealand free to air television business of Prime Television New Zealand Limited for $30.3 million. The acquisition was approved by the Commerce Commission on 8 February 2006. A free to air channel will give SKY the opportunity to showcase its programmes and channels while also ensuring that New Zealand consumers can watch delayed free to air sports programmes such as rugby, rugby league and cricket in prime time.

DIVIDENDS

The Board of Directors has considered the performance of the business over the last six months, its prospects for the full year and the recent acquisition of Prime and announced on 17 February that it will pay a fully imputed dividend of 4.0 cents per share with the record date being 10 March 2006. A supplementary dividend of 0.7059 cents per share will also be paid to non-resident shareholders. The board has decided not to set a specific dividend payout policy but to consider the question of an appropriate level of dividend at each reporting period having regard to the performance of the business and its future plans.

John Fellet

JOHN FELLET
Chief Executive



Playhouse Disney

SUBSCRIBER BASE

As at 31 December 2005

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

As at 31 December	31-Dec-05	31-Dec-04
Total UHF, DBS and other subscribers		
Total number of households in New Zealand [1]	**1,546,800**	1,522,500
Subscribers - UHF:		
Residential	**70,039**	80,850
Commercial	**809**	893
Total UHF	**70,848**	81,743
Subscribers - DBS (Satellite):		
Residential	**463,541**	413,900
Residential - wholesale [2]	**92,440**	86,479
Commercial	**6,742**	5,769
Total DBS	**562,723**	506,148
Subscribers - Other: [3]	**2,715**	690
Total subscribers	**636,286**	588,581
Percent of households within reach subscribing to the SKY network:		
Total UHF and DBS	**40.5%**	38.2%
Gross churn rate [4]	**13.9%**	16.4%
Average monthly revenue per residential subscriber:		
UHF	**39.68**	39.71
DBS excluding wholesale	**63.50**	62.54
DBS wholesale	**48.04**	45.95
Total UHF and DBS excluding wholesale	**60.16**	58.54
Total UHF and DBS including wholesale	**58.38**	56.68

1. Based upon New Zealand Government census data as of March 2001, with estimates from Statistics New Zealand.
2. Includes subscribers receiving SKY packages via affiliate services, such as arrangements with TelstraClear and Telecom.
3. Includes subscribers to programmed music, via SKY's subsidiary company, SKY DMX Music Limited and DVD Unlimited.
4. Gross churn refers to the percentage of residential subscribers over the six 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.

CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 31 December 2005 (unaudited)

in NZD 000	Notes	31-Dec-05	31-Dec-04
Revenue			
Residential satellite subscriptions		**186,612**	164,624
Other subscriptions		**43,802**	43,471
Installation		**6,839**	6,234
Advertising		**19,803**	16,269
Other income		**9,045**	9,658
		266,101	240,256
Expenses			
Programme rights		**71,821**	70,842
Programme operations		**13,705**	11,614
Subscriber management		**16,835**	14,282
Sales and marketing		**15,123**	12,889
Advertising		**5,982**	5,153
Broadcasting and infrastructure		**10,460**	9,106
Depreciation and amortisation	6	**54,741**	56,595
Corporate		**8,327**	7,798
		196,994	188,279
Operating profit		**69,107**	51,977
Financial (expense)/income			
Interest and other financial (expense)/income		**(24,190)**	1,521
Realised exchange gain		**268**	354
Unrealised exchange loss		**(823)**	(749)
	7	**(24,745)**	1,126
Profit before tax		**44,362**	53,103
Income tax expense	8	**14,686**	17,219
Profit after tax		**29,676**	35,884
Attributable to:			
Equity holders of the Company		**29,676**	27,075
Minority interest		**-**	8,809
Profit for the period		**29,676**	35,884
Earnings per share			
Basic and diluted earnings per share (cents)	9	**7.63**	7.42

CONSOLIDATED INTERIM BALANCE SHEET

As at 31 December 2005 (unaudited)

in NZD 000	Notes	31-Dec-05	31-Dec-04	30-Jun-05
Current assets				
Cash and cash equivalents		**70,558**	22,944	305,056
Short term investments		**–**	292,992	–
Trade and other receivables		**42,655**	43,104	53,367
Programme rights	14	**16,627**	19,691	16,150
Derivative financial instruments	20	**1,309**	8	19
Income tax receivable		**665**	–	641
		131,814	378,739	375,233
Non-current assets				
Property, plant and equipment	10	**211,887**	236,319	225,006
Other intangible assets	11	**30,507**	33,102	31,626
Goodwill	12	**1,405,169**	829,990	829,990
Deferred tax assets	13	**20,519**	11,263	15,119
		1,668,082	1,110,674	1,101,741
Total assets		**1,799,896**	1,489,413	1,476,974
Current liabilities				
Trade and other payables		**91,518**	75,912	84,918
Borrowings	19	**24,483**	21,109	23,737
Derivative financial instruments	20	**12,141**	5,157	6,621
Income tax payable		**6,857**	386	1,814
Capital notes	19	**104,572**	–	–
		239,571	102,564	117,090
Non current liabilities				
Capital notes	19	**–**	109,404	109,868
Term borrowings	19	**498,795**	22,962	12,429
		498,795	132,366	122,297
Total liabilities		**738,366**	234,930	239,387
Equity				
Share capital	15	**577,403**	222,055	222,055
Hedging reserve	16	**(4,498)**	–	–
Retained earnings	17	**488,625**	1,004,497	985,454
Total equity attributable to equity holders of the Company		**1,061,530**	1,226,552	1,207,509
Minority interest	18	**–**	27,931	30,078
Total equity		**1,061,530**	1,254,483	1,237,587
Total equity and liabilities		**1,799,896**	1,489,413	1,476,974

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2005 (unaudited)

in NZD 000	Notes	Share capital	Hedging reserve	Retained earnings	Minority interest	Total equity
Balance at 1 July 2005		222,055	-	985,454	30,078	**1,237,587**
Adoption of NZ IAS 32 and NZ IAS 39	16/17	–	(7,209)	(309)	–	**(7,518)**
Minority share of adjustments	18/17	–	–	1,627	(1,627)	**–**
As restated		222,055	(7,209)	986,772	28,451	**1,230,069**
Merger transactions						
Exchange INL shares for SKY shares	15/17	(119,384)	–	(529,780)	–	**(649,164)**
Issue of shares to SKY (premerger) shareholders	27	484,395	–	–		**484,395**
Disposal of minority interest	18	–	–	–	(26,494)	**(26,494)**
Cost of share issue	15	(625)	–	–	–	**(625)**
		364,386	–	(529,780)	(26,494)	**(191,888)**
Termination of executive share options	15/17/18	(9,038)	–	1,957	(1,957)	**(9,038)**
Profit for the period		–	–	29,676	–	**29,676**
Fair value gains net of tax		–	2,711	–	–	**2,711**
Total recognised income for the period		–	2,711	29,676	–	**32,387**
Balance at 31 December 2005		577,403	(4,498)	488,625	–	**1,061,530**
For the six months ended 31 December 2004						
Balance at 1 July 2004		222,055	–	991,020	19,859	**1,232,934**
Effect of changes in accounting policy in adopting NZ IFRS	4h	–	–	(2,657)	(737)	**(3,394)**
As restated		222,055	–	988,363	19,122	**1,229,540**
Profit for the period		–	–	27,075	8,809	**35,884**
Total recognised income for the period		–	–	27,075	8,809	**35,884**
Dividend paid		–	–	(10,941)	–	**(10,941)**
Balance at 31 December 2004		222,055	–	1,004,497	27,931	**1,254,483**
For the 12 months ended 30 June 2005						
Balance at 1 July 2004		222,055	–	991,020	19,859	**1,232,934**
Effect of changes in accounting policy in adopting NZ IFRS	4h	–	–	(2,657)	(737)	**(3,394)**
As restated		222,055	–	988,363	19,122	**1,229,540**
Profit for the period		–	–	53,619	20,855	**74,474**
Total recognised income for the period		–	–	53,619	20,855	**74,474**
Dividend paid		–	–	(56,528)	(10,529)	**(67,057)**
Contribution from minority interest		–	–		630	**630**
Balance at 30 June 2005		222,055	–	985,454	30,078	**1,237,587**

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2005 (unaudited)

in NZD 000	Notes	31-Dec-05	31-Dec-04
Cash flows from operating activities			
Cash was provided from:			
Customers		**264,300**	232,375
Related parties		**–**	8,735
Interest received		**1,654**	9,618
Net GST received		**3,466**	3,460
		269,420	254,188
Cash was applied to:			
Suppliers and employees		**(123,844)**	(108,888)
Related parties		**(22,791)**	(30,415)
Interest paid		**(22,225)**	(7,728)
Income tax paid		**(12,659)**	(12,544)
		(181,519)	(159,575)
Net cash from operating activities		**87,901**	94,613
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**181**	268
Reduction in short term investments		**–**	17,378
Purchase of SKY (premerger) minority interest	27	**(108,004)**	–
Acquisition of property, plant, equipment and intangibles		**(37,429)**	(30,777)
Net cash used in investing activities		**(145,252)**	(13,131)
Cash flows from financing activities			
Proceeds from borrowings		**760,000**	2,000
Repurchase and cancellation of INL shares	15	**(649,164)**	–
Repayment of borrowings		**(260,000)**	(48,000)
Repayment of capital notes	19	**(5,869)**	–
Payment of issue costs	15	**(625)**	–
Termination of executive share options	15	**(9,038)**	–
Payment of bank facility fees		**(80)**	–
Payment of finance lease liabilities		**(12,371)**	(10,407)
Dividends paid		**–**	(10,941)
Net cash used in financing activities		**(177,147)**	(67,348)
Net (decrease)/increase in cash and cash equivalents		**(234,498)**	14,134
Cash and cash equivalents at beginning of period		**305,056**	8,810
Cash and cash equivalents at end of period		**70,558**	22,944

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS CONTINUED

For the six months ended 31 December 2005 (unaudited)

Reconciliation of operating cash flows with net profit

In NZD 000	Notes	31-Dec-05	31-Dec-04
Net profit		**29,676**	43,999
Minority interest in profit of subsidiary		**–**	(8,115)
Restated net profit after income tax		**29,676**	35,884
Plus/(Less) non-cash items:			
Depreciation and amortisation	6	**54,741**	56,595
Unrealised foreign exchange loss	7	**823**	749
Movement in provision for doubtful debts		**627**	(117)
Amortisation of capital notes issue costs		**471**	471
Movement in deferred tax		**(3,033)**	3,896
Other non cash items		**977**	1,697
Items classified as investing activities:			
Gain on disposal of assets		**(129)**	–
Movement in working capital items:			
Increase/(decrease) in receivables		**986**	(696)
Decrease in payables		**(1,804)**	(1,085)
Increase in provision for tax		**5,043**	267
Decrease in programme rights		**(477)**	(3,048)
Net cash from operating activities		**87,901**	94,613

1. GENERAL INFORMATION

Sky Network Television Limited is a Company incorporated and domiciled in New Zealand. The consolidated interim financial statements of the Group for the six months ended 31 December 2005 comprise the Company, Sky Network Television Limited and its subsidiaries.

On 27 June 2005 the High Court approved a scheme of arrangement to take effect on 1 July 2005 where a newly formed company, Merger Company 2005 Limited ("MergeCo") acquired all of the ordinary shares of the public listed companies Independent Newspapers Limited ("INL") and Sky Network Television Ltd ("SKY (premerger)"). The three companies were then amalgamated with MergeCo being the surviving company. INL shareholders received 0.836 shares in MergeCo and $1.78 in cash in exchange for each INL share. SKY (premerger) shareholders, other than INL received one share in MergeCo and $1.28 in cash for each SKY (premerger) share held. This resulted in MergeCo issuing a total of 389,139,785 shares, being the same number of shares on issue by SKY (premerger). MergeCo was then renamed Sky Network Television Limited and listed on the New Zealand and Australian stock exchanges.

Throughout these notes to the financial statements the previous Sky Network Television Limited is referred to as "SKY (premerger)", being the company of that name in existence throughout the year to 30 June 2005. Merger Company 2005 Limited which changed its name to Sky Network Television Limited on 1 July 2005 is referred to as "SKY".

The accounting treatment for the merger has identified INL as the acquirer of the outstanding minority interest in SKY (premerger). The INL Group accounts are therefore shown as the comparative figures for the Group.

SKY is a company registered under the Companies Act 1993 and is an issuer in terms of the Financial Reporting Act 1993 (refer also to note 27 regarding the amalgamation on 1 July 2005). These interim financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993.

SKY operates as a multi-channel subscription television service in New Zealand.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These interim consolidated financial statements of SKY are for the six months ended 31 December 2005. They have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and are covered by NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) because they are part of the period covered by the Group's first annual NZ IFRS financial statements for the year ending 30 June 2006. Accounting policies applied in these interim 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 (February 2006) as applicable to SKY as a profit-orientated entity. SKY in complying with NZ IFRS is simultaneously in compliance with International Financial Reporting Standards (IFRS). The NZ IFRS standards and NZ IFRIC interpretations that will be applicable as at 30 June 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

The preparation of the consolidated interim financial statements in accordance with NZ IAS 34 resulted in changes in the accounting policies as compared with the most recent annual financial statements prepared under previous NZ GAAP. The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements and in preparing an opening NZ IFRS balance sheet at 1 July 2004 for the purposes of the transition to NZ IFRS, except in specific areas allowed by NZ IFRS 1 exemptions. The most significant of these provisions is the exemption from complying with NZ IAS 32 Financial Instruments: Disclosure and Presentation and NZ IAS 39 Financial Instruments: Recognition and Measurement for the comparative period.

The preparation of interim financial statements in accordance with NZ IAS 34 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

BASIS OF PREPARATION (CONTINUED)

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

Reconciliations and descriptions of the effect of the transition from previous NZ GAAP to NZ IFRS on the Group's equity and its net income and cash flows are provided in Note 4.

The following specific accounting policies have a significant effect on the measurement of results and financial position.

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of subsidiaries, using the purchase method.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Any increase in ownership percentage after control is obtained is accounted for as a step acquisition whereby the difference between the acquisition price and the acquirer's share of the net assets acquired (including previously assessed fair value adjustments) is recorded as goodwill.

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 de-consolidated from the date on which control ceases.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, unless the transaction provides evidence of an impairment of the asset transferred.

FOREIGN CURRENCIES

Functional presentation currency

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

Transactions and balances – From 1 July 2004 to 30 June 2005

Transactions denominated in foreign currencies during the comparative year are translated to New Zealand dollars at rates of exchange ruling at the date of the transaction or at forward cover rates where specifically identified. Amounts receivable and payable in foreign currencies at balance date are translated to New Zealand dollars at rates of exchange at balance date. Foreign currency non-monetary assets are translated at exchange rates in effect when the amounts of these assets are determined.
The related non-monetary assets are translated at the closing rate and the exchange difference is taken to the foreign currency translation reserve except where a foreign currency liability is designated as a hedge. 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.

From 1 July 2005
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 is stated at cost less accumulated depreciation and impairment losses except land which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Capitalised aerial and satellite dish installations are represented by the cost of aerials, satellite dishes, installation costs and direct costs. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

From 1 July 2004 to 30 June 2005
The cost of property, plant and equipment includes any gains or losses on maturity of forward currency contracts used to hedge the property, plant and equipment.

From 1 July 2005
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 is depreciated using the straight-line method so as to allocate the costs of assets to their residual values over their estimated useful lives as follows:

Land	Nil
Leasehold improvements	5 - 50 years
Buildings	50 years
Studio and broadcasting equipment	5 - 10 years
Decoders and associated equipment	5 years
Other plant and equipment	3 - 10 years
Capitalised aerial and satellite dish installations	5 years

The capitalised satellite transponder leases are being depreciated over their useful lives of between 4 and 9 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

GOODWILL (CONTINUED)

considered to comprise only a single cash-generating unit. UHF and DBS (satellite) are both distribution platforms and as such do not comprise separate cash generating units.

OTHER INTANGIBLE ASSETS

Broadcasting rights
Broadcasting rights, consisting of UHF spectrum licenses are recognised at cost and are amortised on a straight-line basis over the lesser of the period of the licence term and 20 years.

Renewal rights
Renewal rights for programmes are capitalised and amortised over the period that any new rights are acquired. If a contract is not expected to be renewed the costs are expensed.

PROGRAMME RIGHTS

Programme rights are recognised as an asset in the balance sheet provided the programme is available and the rights period has commenced at the balance date. Long-term sports rights are executory contracts as the obligation to pay for the rights does not arise until the event has been delivered. Most sports rights contracts are, however, payable in advance and as such are recognised only to the extent of the unamortised payment amount. Rights are amortised over the period they relate to, generally not exceeding twelve months. Any rights not expected to be utilised are written off during the period.

IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

LEASES - FINANCE LEASES

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are included as non-current assets in the balance sheet. The present value of the minimum lease payments is recognised as an asset at the beginning of the lease term and depreciated on a straight-line basis over the shorter of the lease term or the expected useful life of the leased asset. A corresponding liability is also established and each lease payment is allocated between the liability and interest expense so as to produce a constant period rate of interest on the remaining balance of the liability.

LEASES - OPERATING LEASES

Leases under which all the risks and benefits of ownership are substantially retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the periods the amounts are payable. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

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. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

FINANCIAL INSTRUMENTS (CONTINUED)

The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is expensed in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Short term investments

Short term investments comprise call deposits with maturities of three months or more but less than one year.

Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method. Arrangement fees are amortised over the term of the loan facility. Other borrowing costs are expensed when incurred.

Capital notes

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

Trade and other payables

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

Derivative financial instruments and hedge accounting

(a) Managing financial risk

The Group's activities expose it primarily to the financial risks of changes in credit risk, foreign exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain 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 the use of financial derivatives consistent with the Group's risk management strategy.

(i) Credit risk

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. 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 financial institution.

(ii) 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 future commercial transactions, recognised as assets and liabilities 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 movements in exchange rates on foreign currency denominated liabilities. The Group's risk management policy is to hedge (a) 70-100% of fixed commitments for a period of up to 60 months

FINANCIAL INSTRUMENTS (CONTINUED)

- principally fixed payment sports contracts and Optus lease payments and (b) a minimum of 85% of anticipated transactions (foreign currency purchases) on a rolling 12 month basis, 35% to 45% on a rolling 13 to 24 month basis and 25% to 35% on a rolling 25-36 month basis. Approximately 90% of anticipated transactions in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

(iii) Cash flow and fair value interest rate risk

The Group's cash flow 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 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.

(iv) Liquidity risk

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.

(v) Price risk

The Group does not have any price risk exposure.

(b) Accounting for derivative financial instruments and hedging activities

From 1 July 2004 to 30 June 2005

The Group initially records derivative financial instruments at cost.

For foreign exchange instruments, only forward currency contracts and foreign currency options and collars that can meet the conditions for hedge accounting according to the Group's policy for risk management are entered into. These derivative financial instruments are revalued when the underlying asset or liability is recognised, thus the gains and losses on derivative financial instruments are included in the income statement to match the recognition of the underlying hedged transactions.

For interest rate instruments, the Group entered into interest rate swap agreements with respect to specific borrowings in which the swap is designated as, and is an effective hedge under previous NZ GAAP, of the underlying borrowing. Differential payments made or received with respect to interest rate swap agreements are recognised as a component of interest expense in the period to which it relates. Realised gains or losses on terminated swap agreements are expensed to the income statement. Revaluation of swap contracts to market value was not recognised in the financial statements.

From 1 July 2005

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. The Group designates hedges of both firm commitments and highly probable forecast transactions as cash flow hedges. Changes in the fair value of derivatives qualifying as cash flow hedges are recognised in equity. At the time of dedesignation i.e. the period that the hedged item will affect the income statement, amounts accumulated in equity are recycled in the income statement or in circumstances where the forecast transaction that is hedged results in the recognition of a non-financial asset (for example programme rights), then the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

FINANCIAL INSTRUMENTS (CONTINUED)

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. 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.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

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.

Fair value estimation

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 bank, short term investments, payables and accruals, receivables and current portion of borrowings approximate fair value due to the short-term maturity of these instruments.

EMPLOYEE BENEFITS

Short term employee benefits

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.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance date are discounted to present value.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into account the economic value added by employees during the reporting period. The Group recognises this provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payment transactions

Share options may be granted to certain employees of the Group. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using recognised valuation methods, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to share prices not achieving the threshold for vesting in which case the expense is not reversed. As at 31 December 2005 the Group has not granted any share options to employees.

PROVISIONS

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

REVENUE RECOGNITION

a) **Sales of goods and services**

Revenue comprises the fair value of the sales of goods and services, net of goods and services tax and is recognised as follows:

Subscription revenue - over the period to which the subscription relates;
Advertising revenue - over the period in which the advertising is screened;
Installation revenue - when the installation has been completed;
Other revenue - when the product has been delivered to the customer or in the accounting period in which the actual service is provided.

b) **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method, which is the rate that exactly discounts estimated future cash flow receipts through the expected life of the financial asset to that asset's net carrying amount.

TAXATION

Current income tax expense is recognised in these interim consolidated financial statements based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

Income tax expense represents the sum of the tax currently payable and deferred tax except to the extent that it relates to items recognised directly in equity, in which case the tax expense is also recognised in equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the rates that have been enacted or substantively enacted by the balance date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

GOODS AND SERVICES TAX (GST)

The income statement and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

SEGMENTAL REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. SKY's business is carried out solely in New Zealand and provides only one distinguisable service i.e. the delivery of a multi-channel subscription television service. Accordingly there are no separate segments either on a business or geographic basis.

3. 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 significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) **Estimated impairment of goodwill**
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The value of goodwill at the balance date was $1,405 million (30 June 2005 and 31 December 2004; $830 million). No impairment loss has been recognised. Details of the value-in-use calculation are provided in note 12.

b) **Estimated life of technical assets**
The estimated life of technical assets such as digital set-top boxes and other broadcasting assets is based on management's best estimates. Changes in technology may result in the economic life of these assets being different from previous estimates. The Board and management regularly review economic life assumptions of these assets as part of management reporting procedures.

4. ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS)

The Group's financial statements for the year ending 30 June 2006 will be the Group's first annual financial statements that comply with NZ IFRS.

These consolidated interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting, and do not include all of the information required for full annual financial statements. They are also covered by NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards because they are part of the period covered by the Group's first annual NZ IFRS financial statements for the year ending 30 June 2006.

The adoption of these new and revised standards and interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current and prior periods:

Capitalised installation costs NZ IAS 16
Deferred tax NZ IAS 12
Programme rights and renewal rights NZ IAS 38
Business combinations NZ IFRS 3
Financial Instruments NZ IAS 32 and NZ IAS 39

The impact of these changes in accounting policies are described in detail below.

In adopting NZ IFRS the Group has applied NZ IFRS 1 which requires an entity to use the same accounting policies in its opening NZ IFRS balance sheet and throughout all periods presented in its first NZ IFRS financial statements. As such, prior year comparatives have been restated except where NZ IFRS 1 has allowed exemptions.

4. ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) (CONTINUED)

In preparing its opening NZ IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous NZ GAAP). An explanation of how the transition from previous NZ GAAP to NZ IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

NZ IFRS 1 EXEMPTIONS ELECTED

The classification and accounting treatment of business combinations that occurred prior to 1 July 2004 has been reconsidered in preparing the Group's opening NZ IFRS balance sheet as at 1 July 2004. The Group has reconsidered business combinations that occurred on or after 14 June 2001, when INL acquired a controlling interest in SKY (premerger) of 66.35%. Business combinations that occurred before this date have not been reconsidered as allowed by NZ IFRS 1. Exemptions from adopting the requirements of NZ IAS 32 and NZ IAS 39 have been taken up for the comparative period.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2005 (unaudited)

RECONCILIATION BETWEEN PREVIOUS NZ GAAP AND NZ IFRS

Reconciliation of balance sheet

		As at 1 July 2004			As at 31 December 2004			As at 30 June 2005		
in NZD 000	Note	Previous NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS	Previous NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS	Previous NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS
Current assets										
Cash and cash equivalents		8,810	–	**8,810**	22,944	–	**22,944**	305,056	–	**305,056**
Short term investments		310,370	–	**310,370**	292,992	–	**292,992**	–	–	**–**
Trade and other receivables		40,723	–	**40,723**	43,104	–	**43,104**	53,367	–	**53,367**
Programme rights	a	44,536	(26,893)	**17,643**	20,691	(1,000)	**19,691**	40,197	(24,047)	**16,150**
Derivative financial instruments	e	–	–	**–**	–	8	**8**	–	19	**19**
Income tax receivable		850	–	**850**	–	–	**–**	641	–	**641**
		405,289	(26,893)	**378,396**	379,731	(992)	**378,739**	399,261	(24,028)	**375,233**
Non-current assets										
Property, plant and equipment	b	284,065	(22,114)	**261,951**	257,172	(20,853)	**236,319**	245,363	(20,357)	**225,006**
Other intangible assets	c	31,197	3,752	**34,949**	29,425	3,677	**33,102**	27,743	3,883	**31,626**
Brand	d	829,990	(829,990)	**–**	829,990	(829,990)	**–**	829,990	(829,990)	**–**
Goodwill	d	–	829,990	**829,990**	–	829,990	**829,990**	–	829,990	**829,990**
Deferred tax assets	f	–	15,159	**15,159**	5,595	5,668	**11,263**	9,655	5,464	**15,119**
		1,145,252	(3,203)	**1,142,049**	1,122,182	(11,508)	**1,110,674**	1,112,751	(11,010)	**1,101,741**
Total assets		1,550,541	(30,096)	**1,520,445**	1,501,913	(12,500)	**1,489,413**	1,512,012	(35,038)	**1,476,974**
Current liabilities										
Trade and other payables	e	107,874	(34,403)	**73,471**	82,061	(6,149)	**75,912**	115,482	(30,564)	**84,918**
Borrowings		20,039	–	**20,039**	21,109	–	**21,109**	23,737	–	**23,737**
Derivative financial instruments	e	–	7,701	**7,701**	–	5,157	**5,157**	–	6,621	**6,621**
Income tax payable		969	–	**969**	386	–	**386**	1,814	–	**1,814**
		128,882	(26,702)	**102,180**	103,556	(992)	**102,564**	141,033	(23,943)	**117,090**
Non-current liabilities										
Capital notes		108,933	–	**108,933**	109,404	–	**109,404**	109,868	–	**109,868**
Term borrowings		79,792	–	**79,792**	22,962	–	**22,962**	12,429	–	**12,429**
		188,725	–	**188,725**	132,366	–	**132,366**	122,297	–	**122,297**
Total liabilities		317,607	(26,702)	**290,905**	235,922	(992)	**234,930**	263,330	(23,943)	**239,387**
Equity										
Share capital		222,055	–	**222,055**	222,055	–	**222,055**	222,055	–	**222,055**
Retained earnings	h	991,020	(2,657)	**988,363**	1,013,507	(9,010)	**1,004,497**	994,141	(8,687)	**985,454**
Total equity attributable to equity holders of the Company		1,213,075	(2,657)	**1,210,418**	1,235,562	(9,010)	**1,226,552**	1,216,196	(8,687)	**1,207,509**
Minority interest	g/h	19,859	(737)	**19,122**	30,429	(2,498)	**27,931**	32,486	(2,408)	**30,078**
Total equity		1,232,934	(3,394)	**1,229,540**	1,265,991	(11,508)	**1,254,483**	1,248,682	(11,095)	**1,237,587**
Total equity and liabilities		1,550,541	(30,096)	**1,520,445**	1,501,913	(12,500)	**1,489,413**	1,512,012	(35,038)	**1,476,974**

RECONCILIATION BETWEEN PREVIOUS NZ GAAP AND NZ IFRS (CONTINUED)
Reconciliation of income statement

		31 December 2004 (6 months)			30 June 2005 (12 months)		
in NZD 000	Note	Previous NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS	Previous NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS
Income							
Residential satellite subscriptions		164,624	–	**164,624**	338,159	–	**338,159**
Other subscriptions		43,471	–	**43,471**	86,031	–	**86,031**
Installation		6,234	–	**6,234**	13,436	–	**13,436**
Advertising		16,269	–	**16,269**	35,594	–	**35,594**
Other income		9,658	–	**9,658**	19,139	–	**19,139**
		240,256	–	**240,256**	492,359	–	**492,359**
Expenses							
Programme rights	a	71,033	(191)	**70,842**	140,648	(106)	**140,542**
Programme operations		11,614	–	**11,614**	27,857	–	**27,857**
Subscriber management	b	11,413	2,869	**14,282**	23,694	6,150	**29,844**
Sales and marketing		12,889	–	**12,889**	26,431	–	**26,431**
Advertising		5,153	–	**5,153**	11,132	–	**11,132**
Broadcasting and infrastructure		9,106	–	**9,106**	18,222	–	**18,222**
Depreciation and amortisation	b,c	60,649	(4,054)	**56,595**	119,303	(8,038)	**111,265**
Corporate		7,798	–	**7,798**	18,508	–	**18,508**
		189,655	(1,376)	**188,279**	385,795	(1,994)	**383,801**
Operating profit		50,601	1,376	**51,977**	106,564	1,994	**108,558**
Financial income (expense)							
Interest and other financial income (expense)		1,521	–	**1,521**	4,165	–	**4,165**
Realised exchange gain		354	–	**354**	507	–	**507**
Unrealised exchange loss		(749)	–	**(749)**	(2,130)	–	**(2,130)**
		1,126	–	**1,126**	2,542	–	**2,542**
Profit before tax		51,727	1,376	**53,103**	109,106	1,994	**111,100**
Income tax expense	f	7,728	9,491	**17,219**	26,931	9,695	**36,626**
Profit for the period		43,999	(8,115)	**35,884**	82,175	(7,701)	**74,474**
Attributable to:							
Equity holders of the Company	h	33,429	(6,354)	**27,075**	59,649	(6,030)	**53,619**
Minority interest	h	10,570	(1,761)	**8,809**	22,526	(1,671)	**20,855**
Profit for the period		43,999	(8,115)	**35,884**	82,175	(7,701)	**74,474**

RECONCILIATION BETWEEN PREVIOUS NZ GAAP AND NZ IFRS (CONTINUED)
Explanation of material adjustments to the cash flow statement

		31 December 2004 (6 months)			30 June 2005 (12 months)		
In NZD 000	Note	Previous NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS	Previous NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS
Net profit		33,429	(6,354)	**27,075**	59,649	(6,030)	**53,619**
Minority interest in profit of subsidiary		10,570	(1,761)	**8,809**	22,526	(1,671)	**20,855**
Net profit after income tax		43,999	(8,115)	**35,884**	82,175	(7,701)	**74,474**
Plus/(Less) non-cash items:							
Depreciation and amortisation	b,c	60,649	(4,054)	**56,595**	119,342	(8,038)	**111,304**
Unrealised foreign exchange loss		749	–	**749**	2,130	–	**2,130**
Movement in provision for doubtful debts		(117)	–	**(117)**	288	–	**288**
Amortisation of capital notes issue costs		471	–	**471**	934	–	**934**
Movement in deferred tax	f	(5,595)	9,491	**3,896**	(9,655)	9,695	**40**
Other non-cash items		1,697	–	**1,697**	(772)	–	**(772)**
Movement in working capital items:							
Receivables		(696)	–	**(696)**	4,296	–	**4,296**
Payables	e	(27,787)	26,702	**(1,085)**	5,847	–	**5,847**
Provision for tax		267	–	**267**	(760)	–	**(760)**
Programme rights	a	23,845	(26,893)	**(3,048)**	4,339	(106)	**4,233**
Items classified as investing activities		–	–	**–**	(289)		**(289)**
Net cash from operating activities		97,482	(2,869)	**94,613**	207,875	(6,150)	**201,725**
Cash flow (used in)/from investing activities		(16,000)	2,869	**(13,131)**	229,727	6,150	**235,877**
Cash flow used in financing activities		(67,348)	–	**(67,348)**	(141,356)	–	**(141,356)**
Net increase in cash and cash equivalents		14,134	–	**14,134**	296,246	–	**296,426**

Notes to the reconciliations
a. Programme rights (note 14)

in NZD 000	1-Jul-04	31-Dec-04	30-Jun-05
De-recognition of programme rights classified as executory contracts			
Cost	(51,786)	(4,000)	(46,094)
Amortisation	24,893	3,000	22,047
Total impact - decrease in programme rights	(26,893)	(1,000)	(24,047)
Income statement impact – decrease in programme rights expense	-	(191)	(106)

Long term sports rights were previously recognised on an annual basis and amortised over 12 months. Since these contracts are executory contracts, the asset and liability should only be recognised to the extent that the payment is due. Accordingly both programme rights and payable and accruals (refer note 4e) have been adjusted to reflect the amount of the current obligation. The impact on the income statement represents the difference between the unrealised exchange gain included in creditors and the hedged value of the programme rights.

b. Property, plant and equipment (note 10)

in NZD 000	1-Jul-04	31-Dec-04	30-Jun-05
Capitalisation of overhead installation costs			
Cost	(83,264)	(83,264)	(83,391)
Accumulated depreciation	65,267	66,085	66,564
Net adjustment	(17,997)	(17,179)	(16,827)
Reclassification of software to intangible assets			
Cost	(13,169)	(13,428)	(14,608)
Accumulated depreciation	9,052	9,754	11,078
Net adjustment	(4,117)	(3,674)	(3,530)
Total impact - decrease in property, plant and equipment	(22,114)	(20,853)	(20,357)
Income statement impact - decrease in depreciation	–	(3,687)	(7,320)
Income statement impact - increase in subscriber management costs	–	2,869	6,150

A review of SKY's fixed asset register indicate that certain capitalised indirect overhead costs would not meet the definition of property, plant and equipment under NZ IAS 16. These costs have been identified and derecognised in accordance with NZ IAS 16. The opening adjustment on 1 July 2004 less deferred tax at 33% has been debited against retained earnings (refer note 4h). The income statement impact represents the reversal of the depreciation booked on these assets and the increase in subscriber management expense relating to the reversal of the capitalised costs.

Software costs have been reclassified from property, plant and equipment to intangible assets in compliance with NZ IAS 38.

c. Other intangible assets (note 11)

in NZD 000	1-Jul-04	31-Dec-04	30-Jun-05
Renewal rights	1,608	1,608	1,608
Other intangibles	(532)	(463)	(408)
New channel development	(86)	(66)	(51)
Satellite service costs	(1,355)	(1,076)	(796)
Reclass of software from property, plant and equipment	4,117	3,674	3,530
Total impact - increase in intangible assets	3,752	3,677	3,883
Income statement impact - decrease in amortisation	–	(367)	(718)

Renewal rights incurred in June 2003 were previously expensed. Under NZ IAS 38 these costs should be capitalised and amortised over the period of the future rights. The opening adjustment on 1 July 2004 less the deferred tax at 33% has been credited to retained earnings (refer note 4h). No depreciation has been charged to the income statement since the period of the rights has not yet commenced.

NZ IAS 38 allows only separately identifiable intangible assets to be recognised. A review of intangible assets indicated that capitalised costs for new channel development, satellite service development and some of the other capitalised costs included in other intangibles do not meet the definition of an intangible asset and they have therefore been derecognised. The opening adjustment on 1 July 2004 less the deferred tax at 33% has been debited against retained earnings (refer note 4h). The income statement impact represents the reversal of the amortisation booked on these assets.

d. Goodwill on acquisition (note 12)

In NZD 000	1-Jul-04	31-Dec-04	30-Jun-05
Re-opening of business combination June 2001	617,688	617,688	617,688
Re-opening of business combination October 2003	212,302	212,302	212,302
Total impact - increase in goodwill	829,990	829,990	829,990

Re-opening of business combination for INL acquisition of SKY (premerger)

As part of the NZ IFRS transition process the Group has decided not to apply the exemption for business combinations and to re-open the business combination of June 2001 when INL acquired a controlling interest in SKY (premerger) of 66.25%. At the time of acquisition the difference between the acquisition cost and INL's share of the net assets acquired was accounted for as a "brand" intangible asset. NZ IFRS 3 allows previous business combinations to be re-opened and in order to comply with NZ IFRS 3 the Group has re-assessed the fair value of the tangible and intangible assets which existed at the acquisition date. The intangible "brand" asset was identified as comprising the value of SKY (premerger) customer relationships. Based on valuation methodology and assumptions which existed at acquisitions date, these customer relationships have been assessed to have an immaterial value. As such the difference between the acquistion price and the fair value of the assets acquired has been recorded as goodwill. No other material changes to the fair value of the acquired assets were identified.

The effect of re-opening the business combination on the Group's balance sheet is as follows:

Purchase of controlling interest in June 2001 of 66.25%	
Property, plant and equipment	359,001
Other intangibles	22,201
Current assets	84,688
Current liabilities	(122,748)
Borrowings	(278,362)
Net assets acquired	64,780
Less minority interest	(21,904)
INL share of net assets acquired	42,876
Less acquistion cost	(660,564)
Acquired goodwill - (note 12)	617,688
Acquisition cost is made up as follows:	
Book value of investment in associate at date of acquisition	375,718
SKY (premerger) shares purchased for cash	128,310
SKY (premerger) shares purchased by issue of shares	156,536
	660,564

Purchase of additional interest in October 2003 of 12.05%	
Equity of SKY (premerger) at acquisition date 24 October 2003	64,010
INL additional share of SKY (premerger) equity (12.05%)	7,713
Less acquisition cost	(220,015)
Acquired goodwill - (note 12)	212,302

e. *Payables and accruals*

in NZD 000	1-Jul-04	31-Dec-04	30-Jun-05
Derecognition of creditors relating to programme rights	(26,702)	(1,000)	(23,962)
Reclassification to derivative financial instruments - current assets	–	8	19
Reclassification to derivative financial instruments - current liabilities	(7,701)	(5,157)	(6,621)
Total impact - decrease in payables and accruals	(34,403)	(6,149)	(30,564)

The derecognition of programme rights results in a corresponding derecognition in payables and accruals. These contracts are executory contracts which are payable quarterly in advance. As such they do not meet the definition of a liability under NZ IAS 37. Accordingly, both programme rights and accounts payable (refer note 4a) have been adjusted to reflect the amount of the current obligation.

f. *Deferred tax (note 13)*

The above changes increased (decreased) deferred tax as follows based on a tax rate of 33%:

in NZD 000	1-Jul-04	31-Dec-04	30-Jun-05
Property, plant and equipment	5,939	5,669	5,553
Renewal rights	(531)	(531)	(531)
Other intangibles	176	153	135
New channel development costs	28	22	17
Satellite service costs	447	355	262
Previously unrecognised deferred tax asset (note 8)	9,037	–	–
Programme rights	63	–	28
Total impact - increase in deferred tax asset	15,159	5,668	5,464
Impact on the income statement is as follows:			
Property, plant and equipment	–	270	386
Intangible assets	–	121	237
Previously unrecognised deferred tax	–	9,037	9,037
Programme rights	–	63	35
Total impact - increase in tax expense	–	9,491	9,695

Under previous NZ GAAP the Group did not recognise deferred tax assets since realisation of these assets was not virtually certain due to the Company's history of operating losses. In accordance with NZ IAS 12 such assets are recognised as deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The effect of the change at the transition date is an increase in the deferred tax asset of $9,037,000. This asset had been recognised in full in the previous annual financial statements for the year ended 30 June 2005.

g. *Minority interest (note 18)*

in NZD 000	1-Jul-04	31-Dec-04	30-Jun-05
Minority interest percentage	21.7%	21.7%	21.7%
Impact of NZ IFRS adjustments on minority interest (refer 4h)	(737)	(737)	(737)
Impact of NZ IFRS adjustments on minority share of profits	-	(1,761)	(1,671)
Total impact - decrease in minority interest	(737)	(2,498)	(2,408)

h. *Retained earnings (note 17)*

in NZD 000	Property, plant and equipment	Renewal rights	Other intangible assets	Deferred tax asset	Programme rights	Total
At 30 June 2005						
Adjustment to retained earnings	(16,827)	1,608	(1,255)	9,037	(85)	(7,522)
Deferred tax	5,553	(531)	414	(9,037)	28	(3,573)
Net impact on equity	(11,274)	1,077	(841)	–	(57)	(11,095)
Attributable to minority interest	(2,447)	234	(183)	–	(12)	(2,408)
Attributable to equity holders	(8,827)	843	(658)	–	(45)	(8,687)
Total	(11,274)	1,077	(841)	–	(57)	(11,095)
At 31 December 2004						
Adjustment to retained earnings	(17,179)	1,608	(1,605)	9,037	–	(8,139)
Deferred tax	5,669	(531)	530	(9,037)	–	(3,369)
Net impact on equity	(11,510)	1,077	(1,075)	–	–	(11,508)
Attributable to minority interest	(2,499)	234	(233)	–	–	(2,498)
Attributable to equity holders	(9,011)	843	(842)	–	–	(9,010)
Total	(11,510)	1,077	(1,075)	–	–	(11,508)
At 1 July 2004						
Adjustment to retained earnings	(17,997)	1,608	(1,973)	9,037	(191)	(9,516)
Deferred tax	5,939	(531)	651	–	63	6,122
Net impact on equity	(12,058)	1,077	(1,322)	9,037	(128)	(3,394)
Attributable to minority interest	(2,617)	234	(287)	1,961	(28)	(737)
Attributable to equity holders	(9,441)	843	(1,035)	7,076	(100)	(2,657)
Total	(12,058)	1,077	(1,322)	9,037	(128)	(3,394)

5. SEGMENT REPORTING

The Group operates as a single business segment being a multi-channel subscription television service in New Zealand only.

6. DEPRECIATION AND AMORTISATION

In NZD 000	31-Dec-05	31-Dec-04
Depreciation of property, plant and equipment (note 10)	52,547	58,890
NZ IFRS reclassification to intangible assets	-	(702)
P& L effect of NZ IFRS adjustment - capitalised installation costs (note 4b)	-	(3,687)
Amortisation of intangibles (note 11)	2,194	1,759
NZ IFRS reclassification from property, plant and equipment	-	702
P& L effect of derecognised intangibles (4c)	-	(367)
	54,741	56,595

7. FINANCE COSTS (NET)

In NZD 000	31-Dec-05	31-Dec-04
Interest income	1,680	9,758
Interest expense	(25,319)	(6,780)
Interest expense on financial leases	(414)	(1,457)
Realised foreign exchange gain	268	354
Unrealised foreign exchange loss	(823)	(749)
Interest rate swaps - held for trading	(137)	-
	(24,745)	1,126

8. INCOME TAXES

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

In NZD 000	31-Dec-05	31-Dec-04
Profit before tax	44,362	53,103
Prima facie tax expense at 33%	14,639	17,524
Non deductible expenses	63	32
Temporary differences not previously recognised	-	(6,650)
Prior year adjustment	(16)	(420)
Benefit of tax losses not previously recognised	-	(2,304)
Deferred tax asset not previously recognised (note 4f)	-	9,037
Income tax expense	14,686	17,219
Allocated between		
Current tax payable	17,719	13,323
Deferred tax (note 13)	(3,033)	3,896
Income tax expense	14,686	17,219

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2005 (unaudited)

8. INCOME TAXES (CONTINUED)

TAX LOSS REIMBURSEMENT TO SKY (PREMERGER)

Prior to the merger, INL and SKY (premerger) were members of the same Group for New Zealand income tax purposes and had an agreement for SKY (premerger) to elect to transfer to INL tax losses incurred after 1 July 2001. INL compensated SKY (premerger) for the tax losses transferred at their tax value as and when SKY (premerger) became liable to pay income tax using the corporate tax rate applicable in the year of offset. This arrangement received a binding ruling from the Inland Revenue Department. In respect of the June 2003 year, losses amounting to $48,638,000 were offset at a tax value of $16,050,000. This brought the total tax compensation amount under the agreement to $33,589,000. No tax loss offset occurred for the 2004 year.

For the year ended 30 June 2005, INL paid $22,141,000 of the compensation due to SKY (premerger), leaving a further $11,448,000 due as at 30 June 2005. This amount was paid to SKY (premerger) on 1 July 2005, as part of the amalgamation arrangements. In addition to the $22,141,000 compensation paid in cash SKY (premerger) accrued a further $9,692,000 for accounting purposes at 30 June 2005 and this was reciprocated by INL, to bring the total reimbursement for accounting purposes for the year ended 30 June 2005 to $31,833,000. The amount of $11,448,000 paid to SKY (premerger) has no impact on the financial statements as it is eliminated as an intragroup transaction as part of the merger accounting.

9. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Profit attributable to ordinary shareholders

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 period.

In NZD 000	31-Dec-05	31-Dec-04
Profit attributable to the shareholders of the Company	29,676	27,075
Weighted average number of ordinary shares on issue (thousands)	389,140	364,699
Basic earnings per share (cents)	7.63	7.42

Weighted average number of ordinary shares

	Number of shares	
Issued ordinary shares at beginning of period	-	364,698,867
Issued ordinary shares at end of period (note 15)	389,139,785	364,698,867
Weighted average number of ordinary shares	389,139,785	364,698,867

Shares on issue at 31 December 2005 reflect those of SKY (as a result of the merger) whereas the shares on issue at 31 December 2004 reflect those shares issued by INL.

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 period. In the comparative period to 31 December 2004 INL had no dilutive ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT

in NZD 000	Land, buildings & leasehold improvements	Broadcasting & studio equipment	Satellite transponders	Decoders & associated equipment	Capitalised installation costs	Other plant & equipment	Total cost
Cost							
Balance 1 July 2005	19,070	73,692	138,028	332,678	420,537	31,596	**1,015,601**
NZ IFRS adjustments (note 4b)	–	–	–	–	(83,391)	–	**(83,391)**
NZ IFRS reclassification to intangible assets	–	–	–	–	–	(14,608)	**(14,608)**
Adjusted opening balance	19,070	73,692	138,028	332,678	337,146	16,988	**917,602**
Additions	1,294	6,575	683	12,033	16,933	1,916	**39,434**
Disposals	(298)	(10,661)	–	(5,425)	(1,490)	(56)	**(17,930)**
Balance at 31 December 2005	20,066	69,606	138,711	339,286	352,589	18,848	**939,106**
Accumulated depreciation							
Balance 1 July 2005	3,608	54,397	104,334	263,681	321,508	22,710	**770,238**
NZ IFRS adjustments	–	–	–	–	(66,564)	–	**(66,564)**
NZ IFRS reclassification to intangible assets	–	–	–	–	–	(11,078)	**(11,078)**
Adjusted opening balance	3,608	54,397	104,334	263,681	254,944	11,632	**692,596**
Depreciation for period	344	4,003	11,039	14,404	18,251	4,506	**52,547**
P&L effect of NZ IFRS adjustments	–	–	–	–	–	–	**–**
Disposals	(284)	(10,662)	4	(1,837)	(1,490)	(3,655)	**(17,924)**
Balance at 31 December 2005	3,668	47,738	115,377	276,248	271,705	12,483	**727,219**
Net book value 31 December 2005	16,398	21,868	23,334	63,038	80,884	6,365	**211,887**
Net book value 1 July 2005	15,462	19,295	33,694	68,997	99,029	8,886	245,363
Net adjusted book value 1 July 2005	15,462	19,295	33,694	68,997	82,202	5,356	225,006

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

in NZD 000	Land, buildings & leasehold improvements	Broadcasting & studio equipment	Satellite transponders	Decoders & associated equipment	Capitalised installation costs	Other plant & equipment	Total cost
Cost							
Balance 1 July 2004	13,439	67,106	134,339	328,284	384,260	28,476	**955,904**
NZ IFRS adjustments (note 4b)	–	–	–	–	(83,264)	–	**(83,264)**
NZ IFRS reclassification to intangible assets	–	–	–	–	–	(13,169)	**(13,169)**
Adjusted opening balance	13,439	67,106	134,339	328,284	300,996	15,307	**859,471**
Additions	875	678	648	9,062	14,901	202	**26,366**
Disposals	–	–	–	–	–	–	**–**
Balance at 31 December 2004	14,314	67,784	134,987	337,346	315,897	15,509	**885,837**
Accumulated depreciation							
Balance 1 July 2004	3,249	48,942	84,839	238,744	276,208	19,857	**671,839**
NZ IFRS adjustments	–	–	–	–	(65,267)	–	**(65,267)**
NZ IFRS reclassification to intangible assets	–	–	–	–	–	(9,052)	**(9,052)**
Adjusted opening balance	3,249	48,942	84,839	238,744	210,941	10,805	**597,520**
Depreciation for period	161	2,959	9,747	21,563	22,985	1,475	**58,890**
NZ IFRS reclassification to intangible assets	–	–	–	–	–	(702)	**(702)**
P&L effect of NZ IFRS adjustments	–	–	–	–	(3,687)	–	**(3,687)**
Disposals	–	(173)	–	(2,200)	–	(130)	**(2,503)**
Balance at 31 December 2004	3,410	51,728	94,586	258,107	230,239	11,448	**649,518**
Net book value 31 December 2004	10,904	16,056	40,401	79,239	85,658	4,061	**236,319**
Net book value 1 July 2004	10,190	18,164	49,500	89,540	108,052	8,619	284,065
Net adjusted book value 1 July 2004	10,190	18,164	49,500	89,540	90,055	4,502	261,951

The latest independent valuation of land and buildings prepared by Darroch Valuations Limited, registered independent valuers, in July 2005 records a value of $13 million. The book value of land and buildings, excluding leasehold improvements, was $8.8 million. The directors consider this valuation to be a reasonable basis for the assessment of fair value.

11. OTHER INTANGIBLE ASSETS

As part of the NZ IFRS conversion adjustments it was determined that new channel development, satellite service costs and some components included in other intangibles did not meet the NZ IFRS definition of an intangible asset and accordingly these intangibles have been written off as of the date of transition (note 4c).

In NZD 000	Software	Broadcasting rights	New channel development	Renewal rights	Satellite service costs	Other intangibles	Total cost
Cost							
Balance 1 July 2005	–	2,309	280	35,480	4,519	1,591	**44,179**
NZ IFRS adjustments	–	–	(280)	1,608	(4,519)	(780)	**(3,971)**
NZ IFRS reclassification from property, plant and equipment	14,608	–	–	–	–	–	**14,608**
Adjusted opening balance	14,608	2,309	–	37,088	–	811	**54,816**
Additions/(disposals)	1,072	–	–	–	–	3	**1,075**
Balance at 31 December 2005	15,680	2,309	–	37,088	–	814	**55,891**
Accumulated amortisation							
Balance 1 July 2005	–	1,733	229	9,848	3,723	903	**16,436**
NZ IFRS adjustments	–	–	(229)	–	(3,723)	(372)	**(4,324)**
NZ IFRS reclassification from property, plant and equipment	11,078	–	–	–	–	–	**11,078**
Adjusted opening balance	11,078	1,733	–	9,848	–	531	**23,190**
Amortisation for period	809	59	–	1,326	–	–	**2,194**
Balance at 31 December 2005	11,887	1,792	–	11,174	–	531	**25,384**
Net book value 31 December 2005	3,793	517	–	25,914	–	283	**30,507**
Net book value 1 July 2005	–	576	51	25,632	796	688	**27,743**
Net adjusted book value 1 July 2005	3,530	576	–	27,240	–	280	**31,626**

11. OTHER INTANGIBLE ASSETS (CONTINUED)

In NZD 000	Software	Broadcasting rights	New channel development	Renewal rights	Satellite service costs	Other intangibles	Total cost
Cost							
Balance 1 July 2004	–	2,309	280	35,480	4,519	1,488	**44,076**
NZ IFRS adjustments	–	–	(280)	1,608	(4,519)	(793)	**(3,984)**
NZ IFRS reclassification from property, plant and equipment	13,169	–	–	–	–	–	**13,169**
Adjusted opening balance	13,169	2,309	–	37,088	–	695	**53,261**
Addditions/(disposals)	259	-	–	–	–	(12)	**247**
Balance at 31 December 2004	13,428	2,309	–	37,088	–	683	**53,508**
Accumulated amortisation							
Balance 1 July 2004	–	1,614	194	7,197	3,164	710	**12,879**
NZ IFRS adjustments	–	–	(194)	–	(3,164)	(261)	**(3,619)**
NZ IFRS reclassification from property, plant and equipment	9,052	–	–	–	–	–	**9,052**
Adjusted opening balance	9,052	1,614	–	7,197	–	449	**18,312**
Amortisation for period	–	60	20	1,325	279	75	**1,759**
NZ IFRS reclassification from property, plant and equipment	702	–	–	–	–	–	**702**
NZ IFRS adjustments	–	–	(20)	-	(279)	(68)	**(367)**
Balance at 31 December 2004	9,754	1,674	–	8,522	–	456	**20,406**
Net adjusted book value 31 December 2004	3,674	635	–	28,566	–	227	**33,102**
Net book value 1 July 2004	–	695	86	28,283	1,355	778	**31,197**
Net adjusted book value 1 July 2004	4,117	695	–	29,891	–	246	**34,949**

12. GOODWILL

In NZD 000	
Goodwill arising from re-opening of business acquisition	
Goodwill on acquisition in 2001 (note 4d)	617,688
Goodwill on acquistion of 12.05% of SKY (premerger) on 24 October 2003 (note 4d)	212,302
Balance at 31 December 2004 and 30 June 2005	829,990
Goodwill arising from merger transaction on 1 July 2005 (note 27)	575,179
Balance at 31 December 2005	1,405,169

The Group tests goodwill annually for impairment, or more frequently, if there are indications that goodwill might be impaired. The key assumptions for the value-in-use calculation are those regarding the discount rates, subscription rates and expected churn percentages and any expected changes to subscriptions or direct costs during the period. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the business. Growth rates are based on expected forecasts and changes in prices and direct costs based on past practice and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next ten years and incorporates a present value calculation. The rate used to discount forecast cash flows is 9.7%. Growth rate is based on an annual net gain in subscribers of 35,000.

13. DEFERRED TAX

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

in NZD 000	Fixed assets	Forward currency contracts	Other	Fair value adjustments	Tax losses	Total
At 1 July 2005	12,224	(3,240)	671	–	–	9,655
Prior year NZ IFRS adjustment credited to income statement	(386)	–	(272)	–	–	(658)
NZ IFRS adjustments credited direct to equity	5,939	–	183	–	–	6,122
Adjusted opening balance	17,777	(3,240)	582	–	–	15,119
NZ IAS 39 hedging adjustment credited direct to equity	–	–	–	2,367	–	2,367
Credited to income statement (note 8)	715	1,804	514	–		3,033
Balance at 31 December 2005	18,492	(1,436)	1,096	2,367	–	20,519
At 1 July 2004						
Opening NZ IFRS adjustment credited direct to equity	5,939	–	183	–	–	6,122
NZ IFRS adjustment - recognition of previously unrecognised deferred tax	9,152	(2,426)	503		1,808	9,037
Adjusted opening balance	15,091	(2,426)	686	–	1,808	15,159
NZ IFRS adjustment charged to income statement	(270)	–	(184)	–	–	(454)
Reversal of opening NZ IFRS adjustment through income statement	(9,152)	2,426	(503)	–	(1,808)	(9,037)
Credited/(charged) to income for the period	11,723	(6,886)	758	–	–	5,595
Balance at 31 December 2004	17,392	(6,886)	757	–	–	11,263
At 1 July 2004						
Opening NZ IFRS adjustment credited direct to equity	5,939	–	183	–	–	6,122
NZ IFRS adjustment - recognition of previously unrecognised deferred tax	9,152	(2,426)	503	–	1,808	9,037
Adjusted opening balance	15,091	(2,426)	686	–	1,808	15,159
NZ IFRS adjustment charged to income statement	(386)	–	(272)	–	–	(658)
Reversal of opening NZ IFRS adjustment through income statement	(9,152)	2,426	(503)	–	(1,808)	(9,037)
Credited/(charged) to equity for the period	12,224	(3,240)	671	–	–	9,655
Balance at 30 June 2005	17,777	(3,240)	582	–	–	15,119

14. PROGRAMME RIGHTS

in NZD 000	31-Dec-05	31-Dec-04 Opening	31-Dec-04 NZ IFRS adjustment	31-Dec-04 Adjusted Balance	30-Jun-05 Opening	30-Jun-05 NZ IFRS adjustment	30-Jun-05 Adjusted Balance
Cost	51,589	60,044	(4,000)	56,044	101,365	(46,094)	55,271
Amortisation	34,962	39,353	(3,000)	36,353	61,168	(22,047)	39,121
Net book value	**16,627**	20,691	(1,000)	19,691	40,197	(24,047)	16,150

15. SHARE CAPITAL

	Number of shares (000)	Ordinary shares (NZD 000)
Shares on issue on 1 July 2004, 31 December 2004 and 30 June 2005	364,699	222,055
Cancellation of shares as result of merger transaction on 1 July 2005	(364,699)	(119,384)
Exchange INL shares for SKY shares	304,897	102,671
Termination of executive share options	–	(9,038)
Issue of shares to SKY (premerger) shareholders	84,243	484,395
Issue costs charged against share capital	–	(625)
Shares on issue on 31 December 2005	389,140	577,403

The Company issued 389,139,785 shares on 1 July 2005 in accordance with the scheme of arrangement (refer note 27). INL shareholders received 0.836 shares in the Company for each INL share held and SKY (premerger) shareholders excluding INL received one share in the Company for each SKY (premerger) share held. In addition shareholders received cash payments as compensation for their shares in INL and SKY (premerger). The total shares issued on 1 July 2005 equals the number of shares on issue in SKY (premerger) prior to the arrangement.

The payment made to INL shareholders of $649.164 million has been treated as a return of capital and allocated between retained earnings and share capital on the basis of premerger equity.

SHARE OPTIONS

SKY (premerger) had issued 1.7 million ordinary shares at $2.10, partly paid to $0.01, to a trust, for purchase by certain directors and executives of SKY (premerger) under an equity participation plan. Options to purchase 1 million shares at $2.10 per share had been previously exercised. At 30 June 2004 the remaining 0.7 million ordinary shares were held in trust by Sky Nominees Limited for possible future allocation. On 17 December 2004 Sky Nominees Limited was amalgamated with SKY (premerger) and the 700,000 ordinary shares partly paid to $0.01 were deemed cancelled on date of amalgamation.

Between December 1997 and November 2001 SKY (premerger) had also granted a total of 5,930,000 call options for purchase by certain directors and executives of which 3,700,000 had been exercised by 30 June 2005, leaving 2,230,000 outstanding. These options were cancelled for consideration totalling $9,038,614 on 1 July 2005 as part of the SKY (premerger) and INL merger arrangements.

16. HEDGING RESERVE

in NZD 000	31-Dec-05
Adoption of NZ IAS 32 and NZ IAS 39 cash flow hedges at 1 July 2005	10,759
Deferred tax on balance	(3,550)
Net opening balance at 1 July 2005	**7,209**
Cash flow hedges	
Fair value gains during the period	(1,015)
Transfer to basis price adjustment	(3,031)
Deferred tax	1,335
Balance at 31 December 2005	**4,498**

17. RETAINED EARNINGS

in NZD 000	31-Dec-05	31-Dec-04	30-Jun-05
Opening balance	985,454	991,020	991,020
Adoption of NZ IAS 39 - fair value adjustment	(309)	–	–
Minority share of adjustments on 1 July 2005 (note 18)	1,627	–	–
Capitalised installation costs (NZ IAS 16)	–	(12,058)	(12,058)
Programme rights (NZ IAS 38)	–	(128)	(128)
Recognition of unrecognised tax losses (NZ IAS 12)	–	9,037	9,037
Renewal rights (NZ IAS 38)	–	1,077	1,077
Intangibles (NZ IAS 38)	–	(1,322)	(1,322)
Minority interest share of adjustments	–	737	737
Adjusted opening balance	**986,772**	988,363	988,363
Termination of executive share options	1,957	–	–
Exchange INL shares for SKY shares	(529,780)	–	–
Add net profit for the period	29,676	27,075	53,619
Less dividends paid	–	(10,941)	(56,528)
Balance	**488,625**	1,004,497	985,454

18. MINORITY INTEREST

in NZD 000	31-Dec-05	31-Dec-04	30-Jun-05
Opening balance	30,078	19,859	19,859
Minority share of opening NZ IFRS adjustments (note 4g)	(1,627)	(737)	(737)
Adjusted opening balance	**28,451**	19,122	19,122
Add minority share of termination of share options	(1,957)	–	–
Minority share of profits (note 4)	–	8,809	20,855
Less dividend paid to minority	–	–	(10,529)
Contribution by minority	–	–	630
Less disposal of minority interest - merger transaction (note 27)	(26,494)	–	–
Balance	–	27,931	30,078

19. BORROWINGS

in NZD 000	31-Dec-05	31-Dec-04	30-Jun-05
Lease liabilities			
Current	**24,483**	21,109	23,737
Non current	–	22,962	12,429
	24,483	44,071	36,166
Bank loans			
Non current	**498,795**	–	–
Capital notes			
Current	**104,572**	–	–
Non current	–	109,404	109,868
105,309,000 (31 December 2004 and 30 June 2005: 111,076,000) notes at $1.00 at amortised cost including transaction costs	**104,572**	109,404	109,868
Repayment terms			
Lease liabilities			
Within 1 year	**24,483**	21,109	23,737
1-2 years	–	22,962	12,429
Total lease liabilities	**24,483**	44,071	36,166
Bank loans			
3-5 years	**498,795**	–	–
Total bank loans	**498,795**	–	–

LEASE LIABILITIES

Interest rates on the Australian dollar denominated transponder finance leases varied in the range of 6.1% to 13% (31 December 2004 and 30 June 2005: 6.1% to 13%). The lease liabilities are secured by the leased assets.

BANK LOANS

In June 2005 SKY (premerger) refinanced its bank facility to a NZD 610 million negative pledge five-year revolving credit and an AUD 40 million letter of credit facility provided by a syndicate of banks comprising ANZ National Bank Limited, Bank of New Zealand, Commonwealth Bank of Australia and The Toronto-Dominion Bank. The facility was drawn to $500 million at 31 December 2005. Interest is charged on drawing under the facility at a rate between .375% and .60% per annum above the average bid rate for the purchase of bank accepted bills of exchange. There is also a commitment fee payable on the undrawn balance of the facility of between .175% and .30% per annum. There are no required repayment tranches of the facility. The facility can be partially or fully cancelled at SKY's discretion.

Covenants in the bank facility: i) limit SKY's ability to dispose of its assets, although certain disposals are permitted, such as the disposal of certain assets in the ordinary course of business; (ii) prohibit SKY from investing, commencing business or acquiring material capital assets outside its core business; (iii) prohibit SKY from materially changing its licensing, exclusivity rights; and (iv) impose limits on additional external borrowing. It is an event for review under the joint facility agreement if News Corporation owns less than a 27.5% shareholding in SKY.

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

19. BORROWINGS (CONTINUED)

CAPITAL NOTES

On 15 July 2005, 5,767,000 capital notes were repaid as part of the merger transaction between INL and SKY (premerger) at a price of $1.0177 per capital note. The remaining 105,309,000 capital notes continue to be listed on the New Zealand Debt Exchange. The capital notes mature on 15 October 2006.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	31-Dec-05		31-Dec-04		30-Jun-05	
in NZD 000	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate swaps - cash flow hedges	–	(1,546)	–	–	–	–
Interest rate swaps - held for trading	–	(598)	–	–	–	–
Forward foreign exchange contracts - cash flow hedges	1,231	(6,399)	–	–	–	–
Forward foreign exchange contracts - held for trading	78	(3,598)	8	(5,157)	19	(6,621)
Balance	**1,309**	**(12,141)**	8	(5,157)	19	(6,621)
Analysed as:						
Current	410	(7,051)	5	(4,335)	19	(6,261)
Non current	899	(5,090)	3	(822)	–	(360)
Balance	**1,309**	**(12,141)**	8	(5,157)	19	(6,621)

Gains and losses in equity on forward foreign exchange contracts as at 31 December 2005 will be released to the balance sheet account relating to the hedged asset or liability as a basis price adjustment at the same time that the hedged asset or liability is recognised on the balance sheet. The basis price adjustment is subsequently amortised over the same period as the hedged item. The notional principal amounts of the outstanding interest rate swaps and swaptions were $180 million and $100 million respectively.

At 31 December 2005, the fixed interest rates vary from 6.5% to 7.5% and the floating rates are based on NZD BBR (31 December 2004 and 30 June 2005 – 6.1% to 6.85%).

21. EMPLOYEE BENEFITS

SHARE BASED PAYMENTS

As at 30 June 2005 SKY (premerger) had 2,530,000 share options outstanding. The transitional provisions for NZ IFRS 2 Share Based Payments allow an exemption from requirements to recognise share based payments in the financial statements for share option arrangements granted before 7 November 2002. All share options existing in SKY (premerger) were issued prior to the transitional date and accordingly no adjustment has been made under NZ IFRS for share based payments.

As part of the merger transaction with INL on 1 July 2005 (refer note 15) $9,039,614 was paid to option holders to terminate the options held by four company executives (one former) and two directors.

22. PROSPECTIVE FINANCIAL INFORMATION

The prospective summary information provided in the Information Memorandum published on 12 May 2005 relates to the 12 month period ending 11 May 2006 and as such is not comparative to the results published in these consolidated interim financial statements. Current financial performance exceeds the forecasted performance. Appropriate comparative information will be provided in the annual report as at 30 June 2006.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2005 (unaudited)

23. COMMITMENTS

In NZD 000	31-Dec-05	31-Dec-04	30-Jun-05
Operating leases:			
Year 1	1,140	1,027	987
Year 2	981	816	997
Year 3	743	685	741
Year 4	555	607	620
Year 5	376	452	345
Later than 5 years	1,730	1,880	1,725
	5,525	5,467	5,415
Contracts for transmission services:			
Year 1	9,102	8,709	8,627
Year 2	8,955	8,585	8,627
Year 3	7,336	7,670	7,622
Year 4	7,336	6,128	6,904
Year 5	1,444	6,128	4,810
Later than 5 years	–	1,206	–
	34,173	38,426	36,590
Contracts for future programmes:			
Year 1	105,511	97,277	94,570
Year 2	67,451	54,743	70,501
Year 3	44,486	27,495	44,229
Year 4	27,179	10,864	30,376
Year 5	25,106	638	11,562
Later than 5 years	804	–	–
	270,537	191,017	251,238
Capital expenditure commitments:			
Year 1	16,618	11,419	15,411
Year 5	4,422	–	4,422
	21,040	11,419	19,833
Other services commitments:			
Year 1	10,492	8,900	9,108
Year 2	10,492	9,000	8,700
Year 3	10,394	8,400	8,400
Year 4	9,834	8,400	8,400
Year 5	9,834	8,400	8,400
Later than 5 years	11,543	12,414	8,214
	62,589	55,514	51,222

On 11 October 2003, SKY (premerger) entered into an agreement with Optus Networks Pty Limited in Australia to obtain the use of the transponders on their D1 satellite, due to be launched in June 2006. Payments under this agreement are expected to commence around July 2006 when services from the craft will commence and payment obligations in relation to the currently used B1 satellite will cease. The commitment is for 15 years. Using an exchange rate of 0.9324 (June 2005: 0.9175) Australian dollars, the present value of the commitment equates to $214.6 million (June 2005: $211.4 million).

24. CONTINGENT LIABILITIES

The Group has undrawn letters of credit at 31 December 2005 of $42,903,442 (31 December 2004: $43,944.459: 30 June 2005: $43,698,000).

The Group is party to litigation incidental to its business, none of which is expected to be material. No provision has been made in the Group's financial statements in relation to any current litigation and the directors believe that such litigation will not have a significant effect on the Group's financial position, results of operations or cash flows.

25. RELATED PARTY TRANSACTIONS

The Group had the following significant operating transactions in the normal course of business with its shareholders and their affiliates:

in NZD 000	31-Dec-05	31-Dec-04	30-Jun-05
The News Corporation Limited			
-Programme, smartcard and broadcasting equipment and publishing	**30,029**	11,286	37,179
Telecom Corporation of New Zealand Limited			
-Wholesaling revenue	-	10,407	21,181
-Telecommunications costs	-	1,764	3,704
The following related party amounts were included in trade and other payables	**2,659**	2,378	3,064

On 28 June 2005, Telecom Corporation of New Zealand Limited sold its shareholding in INL to Nationwide News Pty Limited, an affiliated company of The News Corporation Limited.

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

The gross remuneration of directors and key management personnel during the period was $4.1 million (31 December 2004: $3.5 million).

26. SUBSEQUENT EVENTS

AQUISITION OF PRIME TELEVISION NEW ZEALAND LIMITED

On 18 November 2005 SKY entered into an agreement to purchase the New Zealand assets of Prime Television New Zealand Limited (Prime) for a cost of $30.3 million subject to certain agreed upon adjustments. The agreement to purchase received the approval of the Commerce Commission on 8 February 2006. SKY believes that the acquisition of Prime will give it the opportunity to showcase its channels and programmes whilst ensuring that New Zealand consumers can view delayed free-to-air sport such as rugby, rugby league and cricket in prime time allowing SKY to diversify its revenue base. The purchase of Prime is also expected to result in synergies being achieved in several areas of the business. Assets and liabilities have yet to be determined in accordance with the provisions of NZ IFRS 3.

DIVIDENDS

On 17 February 2006 the Board of Directors announced that it will pay a fully imputed dividend of 0.4 cents per share with the record date being 10 March 2006. A supplementary dividend of 0.7059 cents per share will also be paid to non-resident shareholders.

27. BUSINESS COMBINATIONS

MERGER TRANSACTION OF SKY (PREMERGER) AND INL ON 1 JULY 2005

The merger of INL with its 78.3% owned subsidiary company, SKY (premerger), was implemented on 1 July 2005. Under the scheme of arrangement, INL shareholders received 0.836 shares in a new company, Merger Company 2005 Limited ('MergeCo")

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the six months ended 31 December 2005 (unaudited)

27. BUSINESS COMBINATIONS (CONTINUED)

and $1.78 in cash in exchange for each INL share. SKY (premerger) shareholders, other than INL, received one share in MergeCo and $1.28 in cash for each SKY (premerger) share held. This resulted in MergeCo issuing a total of 389,139,785 shares, being the same number of shares on issue by SKY (premerger) prior to the merger. INL and SKY (premerger) then amalgamated with MergeCo becoming the surviving company. MergeCo was then renamed Sky Network Television Limited and listed on the New Zealand and Australian stock exchanges.

NZ IFRS 3 requires business combinations to be accounted for under the purchase method of accounting such that a fair value exercise is performed at the date that control is acquired. INL has been deemed to be the acquirer of the remaining 21.7% of SKY (premerger) as INL already controlled SKY (premerger). The difference between the acquisition price and the Group's share of the carrying amount of the net assets acquired has been recorded as goodwill.

The effect of the amalgamation transaction on the Group's balance sheet including NZ IFRS adjustments are as follows:

NZD 000	
Assets and liabilities of SKY (premerger) at the date of amalgamation include:	
Property, plant & equipment and other non-current assets	282,761
Current assets	126,819
Current liabilities	(140,391)
Borrowings and capital notes	(122,297)
Net assets of SKY (premerger) per annual report 30 June 2005	**146,892**
Termination of executive share options (note 15)	(9,038)
Adjustment to net assets for adoption of NZ IFRS (note 4h)	(11,095)
Adjustment to net assets for adoption of NZ IAS 39 (note 16/17)	(7,518)
Adjusted net assets	**119,241**
Acquisition of minority interest in net assets of acquiree (note 18)	26,494
Acquired goodwill (note 12)	575,179
Total consideration paid	**601,673**
Settled by:	
Issue of equity instruments to SKY (premerger) minority shareholders	484,395
Payment of cash	107,831
Capitalisation of direct acquisition costs	9,447
Total	601,673

The fair value of the shares issued to the SKY (premerger) minority shareholders was based on 84,242,659 shares issued at the published share price on 1 July 2005 of $5.75 per share.

RECONCILIATION FOR CASH FLOW PURPOSES

In NZD 000	
Consideration paid	601,673
Less equity instruments issued	(484,395)
Less acquisition costs paid in prior year	(9,274)
Cash paid per cash flow statement	108,004

ACCOUNTANTS' REPORT

For the six months ended 31 December 2005

PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

PRICEWATERHOUSECOOPERS

To the shareholders of Sky Network Television Limited

We have reviewed the interim consolidated financial statements on pages 7 to 43. The interim consolidated financial statements provide information about the past consolidated financial performance and consolidated cash flows of the Group for the period ended 31 December 2005 and its consolidated financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 12 to 20.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the interim financial statements that present fairly the consolidated financial position of the Group as at 31 December 2005 and its consolidated financial performance and consolidated cash flows for the period ended on that date.

Accountants' responsibilities

We are responsible for reviewing the interim consolidated 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 interim consolidated 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 interim financial statements and, accordingly, we do not express an audit opinion. We have reviewed the interim financial statements of the Group for the period ended 31 December 2005 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 trading activities of the Company. We have no other relationships with or interests in the Company.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements do not present fairly the consolidated financial position of the Group as at 31 December 2005 and its consolidated financial performance and consolidated cash flows for the period ended on that date.

Our review was completed on 16 February 2006 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:

NEW ZEALAND ORDINARY SHARE REGISTRAR

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna, Auckland
Mailing address: Private Bag 92119,
Auckland 1020, 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 4, 60 Carrington Street,
Sydney, NSW 2000, Australia
Mailing address: G.P.O Box 7045,
Sydney, NSW 1115, Australia
Tel: 61 2 8234 5000; Fax: 61 2 8234 5050
Email: sydney.services@computershare.com.au

CAPITAL NOTES TRUSTEE

The New Zealand Guardian Trust Company Limited
Level 7, 48 Shortland Street, Auckland, New Zealand
Mailing address: P.O. Box 19345,
Auckland, New Zealand
Tel: 64 9 377 7300; Fax: 64 9 377 7470
Email: web.headoffice@nzgt.co.nz

DIRECTORS

Peter Macourt (Chairman)
Robert Bryden (Deputy Chairman)
Marko Bogoievski
A. Barrie Downey, CBE
John Fellet (Chief Executive)
John Hart, ONZM
Michael Miller
Humphry Rolleston (appointed September 2005)

EXECUTIVES

John Fellet, Director and Chief Executive
Jason Hollingworth, Chief Financial Officer and Company Secretary
Kevin Cameron, Director of Sport
Greg Drummond, Director of Broadcast Operations
Travis Dunbar, Director of Entertainment
Brian Green, Director of Engineering
Charles Ingley, Director of Technology
Richard Last, Director of Advertising Sales
Tony O'Brien, Director of Communications
Sam Morse, General Manager
Mike Watson, Director of Marketing
Martin Wrigley, Director of Operations

NEW ZEALAND REGISTERED OFFICE

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Website: www.skytv.co.nz

AUSTRALIAN REGISTERED OFFICE

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Sydney, NSW 2010;
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AUDITORS TO SKY

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

SOLICITORS TO SKY

Buddle Findlay
PricewaterhouseCoopers Tower,
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Tel: 64 9 358 2555; Fax: 64 9 358 2055

THE REVOLUTION CONTINUES...

Directors' Declaration

The directors declare that the consolidated financial statements set out on pages 7 – 43:

(i) comply with New Zealand International Financial Reporting Standards

(ii) give a true and fair view of the financial position of Sky Network Television Limited and its subsidiary as at 31 December 2005 and of their performance, as represented by the results of their operations and their cash flows for the half year ended on that date.

In the directors' opinion at the date of this declaration there are reasonable grounds to believe that Sky Network Television Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors and is signed for and on behalf of the Board of Directors

Dated at Auckland this 16th day of February 2006

Peter Macourt
Chairman

John Fellet
Director

SKY Network Television Limited
10 Panorama Road, Mt Wellington
PO Box 9059, Newmarket
Auckland, New Zealand
Tel: +64 9 579 9999
Fax: +64 9 525 8324
www.skytv.co.nz

Other Information

Sky Network Television Limited
Half year ended on 31 December 2005

- **Net tangible assets per security**:

  Previous period 1.073 : 1

  Current period (0.961) : 1

- **Control gained over entities**

  There was no gain of control of entities during the half year.

- **Loss of control of entities**

  There was no loss of control of entities during the half year.

- **Dividends**

  Date dividend payable: 17 March 2006

  Record date to determine entitlements to the dividend: 10 March 2006

  Total dividends payable : $15.6 million

  Previous corresponding period – interim dividend (paid March 2005) : $40.1 million (ordinary securities)

  Previous corresponding period – final dividend (paid September 2004) : $10.9 million (ordinary securities)

- **Amount per security**

	Amount per security	Franked amount per Security	Amount per security of foreign sourced dividend	Amount per security payable on each dividend to non resident shareholders
Dividend	4.0 cents	NA	NA	
NZ imputation credits	1.9701 cents			
Supplementary dividend				0.7059 cents

- **Details of aggregate share of profits (losses) of associates and joint venture entities**

  Not applicable

- **Accounting standards**

  New Zealand international financial reporting standards used in compiling report.

- **Directors' Details**

  The directors of Sky Network Television Limited at any time during the half year are as follows:

Peter Macourt	Chairman
Robert Bryden	Deputy Chairman
Marko Bogoievski	Director
Barrie Downey	Director
John Fellet	Director & Chief Executive
John Hart	Director
Michael Miller	Director

  During the six months to 31 December 2005:

  Humphry Rolleston joined the board of directors on 8 September 2005.

APPENDIX I (Rule 10.4)

PRELIMINARY *HALF YEAR/~~FULL YEAR~~ REPORT ANNOUNCEMENT

Sky Network Television Limited
(Name of Listing Issuer)

For Half Year/~~Full Year~~ Ended 31 December 2005
(referred to in this report as the "current half year/~~full year~~")

Preliminary ***Half year/~~full year~~** report on consolidated results (including the results for the previous corresponding *half year/~~full year~~) in accordance with Listing Rule 10.4.2.
This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates [see Note (X) attached] and is based on ***~~audited~~/unaudited** financial statements. If the report is based on audited financial statements, any qualification made by the auditor is to be attached.
The Listed Issuer *has/~~does not have~~ a formally constituted Audit Committee of the Board of Directors.

[PLEASE REFER TO ATTACHED NOTES WHEN COMPLETING THIS FORM]

1. CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE	*CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE Current *half year/~~full year~~ $NZ'000	*Up/~~Down~~ %	Previous corresponding *half year/~~full year~~ $NZ'000
1.1 OPERATING REVENUE			
(a) Trading revenue	266,101	11	240,256
(b) Other revenue			
(c) Total operating revenue	266,101	11	240,256
1.2 OPERATING *SURPLUS (DEFICIT) BEFORE TAXATION	44,362		53,103
(a) Less taxation on operating result	14,686		17,219
1.3 OPERATING *SURPLUS (DEFICIT) AFTER TAX	29,676		35,884
(a) Extraordinary Items after tax [detail in Item 3]			
(b) Unrealised net change in value of investment properties			
1.4 NET *SURPLUS (DEFICIT) FOR THE PERIOD	29,676		35,884
(a) Net Surplus (Deficit) attributable to minority interests			8,809
1.5 NET SURPLUS (DEFICIT) ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER	29,676		27,075

*Delete as required

2. DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUES/EXPENSES FOR *HALF YEAR/~~FULL YEAR~~	*CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE Current *half year/~~full year~~ $NZ'000	Previous corresponding *half year/~~full year~~ $NZ'000
2.1 INCLUDED IN CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE		
(a) Interest revenue included in Item 1.1(b)	1,680	10,037
(b) # Unusual items for separate disclosure (detail – Item 3)		
(c) Equity earnings [detail – Item 16]		
(d) Interest expense included in Item 1.2 (include all forms of interest, etc)	25,870	8,516

(e) Leasing and renting expenses	769	657
(f) Depreciation	52,547	58,072
(g) Diminution in the value of assets (other than depreciation)		
(h) Amortisation of goodwill		
(i) Amortisation of other intangible assets	2,194	1,392
(j) Impairment of goodwill		
(k) Impairment of other intangible assets		
2.2 SUPPLEMENTARY ITEMS		
(a) # Interest costs excluded from Item 2.1(d) and capitalised	688	647
(b) # Outlays (other than those arising from the acquisition of an existing business) capitalised in intangibles		
(c) Unrecognised differences between the carrying value and market value of publicly traded investments		

 # Items marked in this way need be shown only where their inclusion as revenue or exclusion from expenses has had a material effect on reported *surplus (deficit)

3. DISCONTINUED, UNUSUAL (INCLUDING NON RECURRING), AND EXTRAORDINARY ITEMS OF THE GROUP DETAILS AND COMMENTS	GROUP – CURRENT *HALF YEAR/~~FULL YEAR~~ Operating Revenue $NZ'000	 Operating Surplus $NZ'000
Discontinued Activities:		
(Disclose Operating Revenue and Operating Surplus)		
TOTAL DISCONTINUED ACTIVITIES		
Material Unusual (including Non Recurring) Items (included in 1.2)		
Description:		
TOTAL MATERIAL NON RECURRING ITEMS		

DETAILS AND COMMENTS	GROUP – CURRENT *HALF YEAR/~~FULL YEAR~~ Operating Revenue $NZ'000	 Operating Surplus $NZ'000

Extraordinary Items (Ref. Item 1..3(a))		
Description:		
TOTAL EXTRAORDINARY ITEMS		

* Delete as required

4. STATEMENT OF MOVEMENTS IN EQUITY	STATEMENT OF MOVEMENTS IN EQUITY	
	Current *half year/~~full year~~ $NZ'000	Previous corresponding *half year/~~full year~~ $NZ'000
4.1 *NET SURPLUS (DEFICIT) ATTRIBUTABLE TO MEMBERS OF LISTED ISSUER	29,676	27,075
(a) *Net Surplus (Deficit) attributable to minority interest		
4.2 OTHER RECOGNISED REVENUE AND EXPENSES		
(a) * Increases (decreases) in revaluation reserves		
(b) Currency Translation Differences, fair value gains and losses	2,711	
(c) Minority interest in other recognized revenue and expenses		8,809
4.3 TOTAL RECOGNISED REVENUES AND EXPENSES	32,387	35,884
4.4 OTHER MOVEMENTS		
(a) Contributions by Owners		
(b) Distributions to Owners		(10,941)
(c) Other – IFRS adoption and Merger transactions	(208,444)	(3,394)
4.5 EQUITY AT BEGINNING OF HALF YEAR/~~FULL YEAR~~*	1,237,587	1,232,934
4.6 EQUITY AT END OF HALF YEAR/~~FULL YEAR~~	1,061,530	1,254,483

5. EARNINGS PER SECURITY Calculation of basic and fully diluted, EPS in accordance with IAS33: Earnings Per Share	EARNINGS PER SECURITY	
	Current *half year/~~full year~~ $NZ'000	Previous corresponding *half year/~~full year~~ $NZ'000
(a) Basic EPS	7.63 cents	7.42 cents
(b) Diluted EPS (if materially different from (a))		

6. MATERIAL ACQUISITIONS OF SUBSIDIARIES [see Note (VII) attached]:

(a) Name of subsidiary or group of subsidiaries

(b) Percentage of ownership acquired	
(c) Contribution to consolidated net *Surplus (Deficit) (item 1.4)	$
(d) Date from which such contribution has been calculated	
	$

7. MATERIAL DISPOSALS OF SUBSIDIARIES [see Note (VII) attached]:

(a) Name of subsidiary or group of subsidiaries	
(b) Contribution of subsidiaries to consolidated net *Surplus (Deficit) (item 1.4)	$
(c) Date to which such contribution has been calculated	
(d) Contribution to consolidated net *Surplus (Deficit) (item 1.4) for the previous corresponding half year/~~full year~~	$
(e) Contribution to consolidated net *Surplus (Deficit) (item 1.4) from sale of subsidiary	$

8. REPORTS FOR INDUSTRY AND GEOGRAPHICAL SEGMENTS

Information on the industry and geographical segments of the Listed Issuer to be reported for the *half year/full year in accordance with the provisions of SSAP:23: Financial Reporting for Segments. Because of the differing nature and extent of segments among Listed Issuers, no complete proforma is provided, and the segment information should be completed separately and attached to this report. However, the following shows a suitable list of items for presentation and indicates which amounts should agree with items included elsewhere in the *half year/full year report:

SEGMENTS

Industry

- Operating revenue:
  - Sales to customer outside the group
  - Intersegment sales
  - Unallocated revenue
- Total revenue [consolidated total equal to Item 1.1(c)]
- Segment result
- Unallocated expenses
- Operating Surplus (Deficit) after tax [Item 1.3]
- Segment assets
- Unallocated assets
- Total assets [Equal to Item 9.3]

Geographical

- Operating revenue:
  - Sales to customer outside the group
  - Intersegment sales
  - Unallocated revenue
- Total revenue [consolidated total equal to Item 1.1(c)]
- Segment result
- Unallocated expenses
- Operating Surplus (Deficit) after tax [Item 1.3]
- Segment assets
- Unallocated assets
- Total assets [Equal to Item 9.3]

[Note (VIII) attached has particular relevance for the preparation of this statement]	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
9. CURRENT ASSETS	At end of current *half year/~~full year~~ $NZ'000	As shown in last Annual Report $NZ'000	If half yearly as shown in last Half Yearly Report $NZ'000
(a) Cash	70,558	305,056	22,944
(b) Trade receivables	44,629	54,027	43,112
(c) Investments			292,992
(d) Inventories			
(e) Other assets, current – Programming rights	16,627	16,150	19,691
TOTAL CURRENT ASSETS	131,814	375,233	378,739
9.1 NON-CURRENT ASSETS			
(a) Trade receivables			
(b) Investments			
(c) Inventories			
(d) Property, plant and equipment	211,887	225,006	236,319
(e) Goodwill	1,405,169	829,990	829,990
(f) Deferred Taxation Assets	20,519	15,119	11,263
(g) Other Intangible Assets	30,507	31,626	33,102
(h) Other assets, non current			
9.2 TOTAL NON- CURRENT ASSETS	1,668,082	1,101,741	1,110,674
9.3 TOTAL ASSETS	1,799,896	1,476,974	1,489,413
9.4 CURRENT LIABILITIES			
(a) Trade Creditors	50,261	37,212	37,400
(b) Income in advance, current	30,630	30,164	28,731
(c) Secured loans			
(d) Unsecured loans – capital notes	104,572		
(e) Provisions, current	2,672	3,730	2,266
(f) Other liabilities, current	51,436	45,984	34,167
TOTAL CURRENT LIABILITIES	239,571	117,090	102,564

9.5 NON- CURRENT LIABILITIES			
(a) Accounts payable, non-current			
(b) Secured loans	498,795		
(c) Unsecured loans – Capital Notes	-	109,868	109,404
(d) Provisions, non-current			
(e) Deferred Taxation Liability, non-current			
(f) Other liabilities, non-current	-	12,429	22,962
9.6 TOTAL NON-CURRENT LIABILITIES	498,795	122,297	132,366
9.7 TOTAL LIABILITIES	738,366	239,387	234,930
9.8 NET ASSETS	1,061,530	1,237,587	1,254,483
9.9 SHAREHOLDERS' EQUITY			
(a) Share capital (optional)	577,403	222,055	222,055
(b) Reserves (optional) (i) Revaluation reserve			
(ii) Other reserves	(4,498)		
(c) Retained Surplus (accumulated Deficit) (optional)	488,625	985,454	1,004,497
9.10 SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER	1,061,530	1,207,509	1,226,552
(a) Minority equity interests in subsidiaries		30,078	27,931
9.11 TOTAL SHAREHOLDERS' EQUITY	1,061,530	1,237,587	1,254,483
(a) Returns on Assets (%) (EBIT divided by Total Assets)	3.8%	7.2%	3.5%
(b) Return on Equity (%) (Net Income divided by Shareholders' Equity)	2.8%	6.0%	2.9%
(c) Debt to Equity Ratio (%) (Total Liabilities divided by Shareholders') Equity)	70%	19%	19%

[See Note (IX) attached]

	CONSOLIDATED STATEMENT OF CASH FLOWS FOR *HALF YEAR/FULL YEAR	
10. CASH FLOWS RELATING TO OPERATING ACTIVITIES	**Current *half year/~~full year~~ $NZ'000**	**Previous corresponding *half year/~~full year~~ $NZ'000**
(a) Receipts from customers	264,300	241,110
(b) Interest received	1,654	9,618
(c) Dividends received		
(d) Payment to suppliers and employees	(146,635)	(139,303)
(e) Interest paid	(22,225)	(7,728)
(f) Income taxes paid	(12,659)	(12,544)
(g) Other cash flows relating to operating activities	3,466	3,460
NET OPERATING FLOWS	87,901	94,613

[See Note (IX) attached] **11. CASH FLOWS RELATED TO INVESTING ACTIVITIES**		**Current** ***half year/~~full year~~** **$NZ'000**	**Previous corresponding** ***half year/~~full year~~** **$NZ'000**
(a)	Cash proceeds from sale of property, plant and equipment	181	268
(b)	Short term investments (net)		17,378
(c)	Loans repaid by other entities		
(d)	Cash paid for purchases of property, plant and equipment	(37,429)	(30,777)
(e)	Interest paid - capitalised		
(f)	Cash paid for purchases of equity investments		
(g)	Loans to other entities		
(h)	Purchase of Sky (premerger) minority interests	(108,004)	
	NET INVESTING CASH FLOWS	(145,252)	(13,131)

[See Note (IX) attached] **12. CASH FLOWS RELATED TO FINANCING ACTIVITIES**		**Current** ***half year/~~full year~~** **$NZ'000**	**Previous corresponding** ***half year/~~full year~~** **$NZ'000**
(a)	Repurchase and cancellation of INL shares	(649,164)	
(b)	Borrowings	760,000	2,000
(c)	Repayment of borrowings	(260,000)	(48,000)
(d)	Dividend paid		(10,941)
(e)	Other cash flows relating to financing activities	(27,983)	(10,407)
	NET FINANCING CASH FLOWS	(177,147)	(67,348)

[See Note (IX) attached] **13. NET INCREASE (DECREASE IN CASH HELD)**		**Current** ***half year/~~full year~~** **$NZ'000**	**Previous corresponding** ***half year/~~full year~~** **$NZ'000**
(a)	Cash at beginning of *half year/~~full year~~	305,056	8,810
(b)	Exchange rate adjustments to Item 12.3(a) above		
(C)	**CASH AT END OF *HALF YEAR/~~FULL YEAR~~**	70,558	22,944

14. NON-CASH FINANCING AND INVESTING ACTIVITIES

Provide details of financing and investing transactions which have had a material effect on group assets and liabilities but did not involve cash flows.

* Delete as required

15. RECONCILIATION OF CASH

For the purposes of the above statement of cash flows, cash includes ....

Cash at the end of the *half year/~~full year~~ as shown in the statement of cash flows is reconciled to the related items in the financial statements as follows:	Current *half year/~~full year~~ $NZ'000	Previous corresponding *half year/~~full year~~ $NZ'000
Cash on hand and at bank	70,558	22,944
Deposits at call		
Bank overdraft		
Other (provide details eg. Term Deposits)		
TOTAL = CASH AT END OF *HALF YEAR/FULL YEAR [Item 13(c)]	70,558	22,944

16. EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES

Information attributable to the reporting group's share of investments in associates and other material interests to be disclosed by way of separate note below (refer FRS-38 Accounting for Investments in Associates).

	EQUITY ACCOUNTED EARNIGS FROM ASSOCIATES	
	Current *half year/full year $NZ'000	Previous corresponding *half year/full year $NZ'000
16.1 GROUP SHARE OF RESULTS OF ASSOCIATES		
(a) OPERATING *SURPLUS (DEFICIT) BEFORE TAX		
(b) Less Tax		
(c) OPERATING *SURPLUS (DEFICIT) AFTER TAX		
(i) Extraordinary items		
(d) NET *SURPLUS (DEFICIT) AND EXTRAORDINARY ITEMS AFTER TAX		

16.2 MATERIAL INTERESTS IN CORPORATIONS NOT BEING SUBSIDIARIES

(a) **THE GROUP HAS A MATERIAL (FROM GROUP'S VIEWPOINT) INTEREST IN THE FOLLOWING CORPORATIONS:**

Name	Percentage of ordinary shares held at end of *half year/full year		Contribution to net *surplus (deficit) (item 1.5)	
EQUITY ACCOUNTED ASSOCIATES	Current *half year/ ~~full year~~	Previous corresponding *half year/ ~~full year~~	Current *half year/~~full year~~ $NZ'000	Previous corresponding *half year/~~full year~~ $NZ'000
			Equity Accounted in Current Year	
OTHER MATERIAL INTERESTS			**Not Equity Accounted in Current Year**	

(b) INVESTMENT IN ASSOCIATES	EQUITY ACCOUNTED INVESTMENT IN ASSOCIATES Current *half year/~~full year~~ $NZ'000	Previous corresponding *half year/~~full year~~ $NZ'000
Carrying value of investments in associates at beginning of half year/ ~~full year~~		
Share of changes in associates' post acquisition surpluses/and reserves:		
- Retained surplus		
- Reserves		
Net goodwill amortisation and impairment adjustments in the period		
Less Dividends received in the period		
Equity carrying value of investments at the end of half year/~~full year~~		
Amount of goodwill included in the carrying value at end of that half year/ ~~full year~~		

17. ISSUED AND QUOTED SECURITIES AT END OF CURRENT *HALF YEAR/~~FULL YEAR~~

Category of Securities	Issued	Number	Quoted	Number	Cents	Paid-Up Value (If not fully paid)
PREFERENCE SHARES:						
# (Description)						
Issued during current *half year/~~full year~~						
ORDINARY SHARES						
Fully paid	389,139,785					
Total	389,139,785					
Issued during current *half year/~~full year~~	Nil					
CONVERTIBLE NOTES						
# (Description)						
Issued during current *half year/~~full year~~						

OPTIONS:	Granted		Exercise Price	Expiry Date
Total				
Issued during current *half year/~~full year~~	Nil			
DEBENTURES – Total only:		$		
UNSECURED NOTES – Totals only:		$105,309,000 (Gross)		

OTHER SECURITIES		$	$	

Description includes rate of dividend or interest and any redemption or conversion rights together with the prices and dates thereof.

18. COMMENTS BY DIRECTORS If no report in any section, state NIL. If insufficient space below, provide details in the pages attached to this report.

(a) Material factors affecting the revenues and expenses of the group for the current *half year/~~full year~~ –See attached press release and commentary.

(b) Significant trends or events since end of current *half year/~~full year~~ - See attached press release and commentary.

(c) Changes in accounting policies since last Annual Report and/ or last Half Yearly Report to be disclosed – Refer interim financial statements regarding adoption and compliance of NZ IFRS.

(d) Critical Accounting Policies – Management believes the following to be critical accounting policies. That is they are both important to the portrayal of the Issuer's financial condition and results, as they require management to make judgments and estimates about matters that they are inherently uncertain - Refer notes to interim financial statements.

(e) Management's discussion and analysis of financial condition, result, and/or operations (optional) – this section should contain forward looking statements that should outline where these involved risk and uncertainty –

Nil

(f) Other Comments

The comparative numbers have been adjusted to reflect IFRS adoption. Refer interim financial statements.

19. DIVIDEND

(a) Dividend Yield as at balance date (%) (Annual dividend per share divided by price per share – 0.89%

(b) Tax Adjusted Dividend Yield as at balance date (%) (Annual net dividend per share divided by price per share) – 0.63%

20. ANNUAL MEETING (If full year report)

(a) To be held at : N/A

(b) Date : N/A Time : N/A

(c) Approximate date of availability of Annual Report - N/A

If this *half year/~~full year~~ report was approved by resolution of the Board of Directors, please indicate date of meeting: 16 February 2006
(date)

16 February 2006

(Signed by) Authorised Officer of Listed Issuer (date)

*Delete as required

MEDIA RELEASE
17 February 2006

SKY TELEVISION REPORTS
2006 HALF YEAR RESULTS

SKY Television announced today a net profit after tax of $29.7 million for the six months to 31 December 2005, a decrease of $6.2 million on the comparative interim period. The decrease in profits is a result of the additional interest costs incurred on the $500 million of new debt that was raised for the merger of SKY and its parent company, Independent Newspapers Limited on 1 July 2005.

Total revenue increased by 10.8% to $266.1 million compared to the same period last year. The average monthly revenue per subscriber (ARPU) increased by 3.0% and advertising revenue increased 21% to $19.8 million over the same period.

Operating costs increased by 4.6% to $197 million and programming costs as a percentage of revenue fell to an all time low of 32.1% down from 34.3% in the comparative period.

Operating cash flow for the six months decreased to $87.8 million compared to $94.6 million in the comparative period, due to increased interest costs.

Operating profit before interest and tax was $69.1 million, up 33% on the $52.0 million reported in the comparative period.

SKY's subscriber base continued to grow, with an increase of 17,118 subscribers since 30 June, 2005. This is an increase on the 11,979 net gain in subscribers reported in the comparative period.

Churn, a measure of subscribers who disconnect their service, remained low, with gross churn reducing to 13.9% from the comparative period of 16.4%.

The amount of time subscribers spend watching SKY channels has continued to increase with most of the increase in viewing occurring on SKY's basic channels.

Since 31 December 2005 subscriber growth has continued to improve. As of yesterday, the subscriber count reached a new high of 640,521.

The SKY Board has resolved to pay a fully imputed interim dividend of 4.0 cents per share. A supplementary dividend of 0.706 cents per share will be paid to non-resident shareholders. The record date for payment of the dividend will be 10 March 2006 and the payment will be made on 17 March 2006.

New initiatives during the interim period were the launch of two new basic channels, Food TV on 1 November 2005 and Playhouse Disney on 24 December 2005 and the acquisition of the rights to Formula One motor racing and the FIA World Rally Championship.

Another major event in SKY's development was the launch of MY SKY, on 5 December 2005, a new generation hard drive decoder, enabling subscribers to customize their viewing experience increasing the value of their relationship with SKY.

On 8 February 2006, SKY completed the purchase of the New Zealand television business of Prime Television Ltd. The acquisition of a free-to-air channel will give SKY the opportunity to showcase its channels and programmes whilst ensuring that New Zealand consumers can view delayed free-to-air sports programmes such as rugby, rugby league and cricket in primetime, allowing SKY to diversify its revenue base, providing increased advertising revenue.

- ends -

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