

3 March 2014

Dear Investor,

Please find enclosed a copy of the Simplified Disclosure Prospectus for the offer of senior bonds by Sky Network Television Ltd.

This offer is being handled by Firm Allocation only and there is no Public Pool available. We have an allocation. If you wish to invest it is important that you call us on 04 296 1023 to confirm an allocation prior to submitting your application form.

The bonds (unsecured, unsubordinated) mature on 31 March 2021 and pay interest at 6.25% per annum (paid quarterly – 31 March, 30 June, 30 September, 31 December).

Interest is paid from the date an application is received so urgency is rewarded.

The minimum investment is \$5,000 with multiples of \$1,000 thereafter.

The offer opened on 3 March 2014 and closes on 26 March 2014. Please ensure applications reach us no later than Friday 21 March, unless agreed specially with us. Any firm allocation not received by this date may be used by investors on a waiting list.

When submitting an application form, please mail it to our office (PO Box 1633, Paraparaumu Beach 5252) using FAST POST as regular mail times are no longer reliable and may compromise inclusion in this bond offer.

Please do not mail application forms to the registry as they may be returned by them on the basis that there is no Public Pool.

Sky TV is paying brokerage at 0.75% on this bond offer. Investors do not pay brokerage.

If you have any questions please contact us and we will help.

Yours sincerely

Michael Warrington

Kevin Gloag

Chris Lee

David Colman

SKY

SIMPLIFIED DISCLOSURE PROSPECTUS

For the offer of bonds maturing on 31 March 2021



24 February 2014

This is a simplified disclosure prospectus for an offer of bonds that rank equally with the bonds currently quoted on the NZDX by SKY Network Television Limited and in priority to the ordinary shares in SKY Network Television Limited quoted on the NZSX and the ASX.



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IMPORTANT INFORMATION

This Prospectus is a simplified disclosure prospectus prepared in accordance with regulation 10 of the Securities Regulations, and is dated 24 February 2014. It contains important information and you should read it carefully.

This Prospectus relates to an offer (the “Offer”) of debt securities (“Bonds”) by SKY Network Television Limited (“SKY”) that will rank equally with the bonds currently quoted on the NZX Debt Market (NZDX) by SKY and SKY’s bank debt. SKY is offering up to NZ\$100 million of Bonds to all investors in New Zealand.

SKY is subject to disclosure obligations that require SKY to notify certain material information to NZX Limited and ASX Limited for the purpose of that information being made available to participants in the NZDX, the NZX Main Board (NZSX) and the ASX.

Capitalised Terms

Capitalised terms used in this Prospectus have defined meanings, which appear in the Glossary section or in the relevant section of this Prospectus where the term is used. All monetary references are to New Zealand dollars unless specified otherwise. All references to time are to time in New Zealand. All legislation referred to in this Prospectus may be viewed online at www.legislation.govt.nz.

Registration

SKY has delivered to the Registrar of Financial Service Providers for registration under section 42 of the Securities Act a copy of this Prospectus, signed by or on behalf of the directors of SKY, and accompanied by or having attached to it:

- a copy of the audited financial statements of the Borrowing Group for the year ended 30 June 2013 and a copy of the unaudited financial statements of the Borrowing Group for the six months ended 31 December 2013;
- copies of the NZX announcements referred to on page 36;
- the Trustee’s statement as set out on page 23; and
- any relevant authorities where an agent has signed the Prospectus on behalf of a director of SKY.

Selling Restrictions

This Prospectus only constitutes an offer of Bonds in New Zealand. Other than in New Zealand, SKY has not taken, and will not take, any action which would permit a public offering of the Bonds, or possession or distribution of any offering material, in any country or jurisdiction where action is required to do that. Bonds may only be offered for sale, sold or delivered in compliance with all applicable laws and regulations in the relevant jurisdiction in which they are offered, sold or delivered. Any offering material (including, without limitation, any information memorandum, prospectus, circular or advertisement) relating to the Bonds may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which that material is published, delivered or distributed).

By subscribing for Bonds, you indemnify SKY, the Trustee and the Joint Lead Managers in respect of any loss incurred as a result of you breaching the above selling restrictions.

No Reliance

This Prospectus does not constitute a recommendation by the Arranger, the Joint Lead Managers, the Trustee, or any of their respective directors, officers, employees, agents or advisers to subscribe for, or purchase, any of the Bonds. None of these parties or any of their respective directors, officers, employees, agents or advisers accepts any liability whatsoever for any loss arising from this Prospectus or its contents or otherwise arising in connection with the Offer.

The Arranger, the Joint Lead Managers and the Trustee have not independently verified the information contained in this Prospectus. In accepting delivery of this Prospectus, you acknowledge that none of the Arranger, the Joint Lead Managers, the Trustee nor their respective officers, employees, agents or advisers give any warranty or representation of accuracy or reliability and they take no responsibility for this Prospectus. They have no liability for any errors or omissions (including for negligence) in this Prospectus, and you waive all claims in that regard.

“APPROXIMATELY 49% OF HOMES IN NEW ZEALAND SUBSCRIBE TO SKY’S PAY TELEVISION SERVICES”

CHAIRMAN’S LETTER

Dear Investor,

SKY is pleased to announce a new issue of seven year retail Bonds, providing another opportunity for New Zealanders to invest in SKY. SKY’s existing retail Bonds mature in 2016 and this issue will enable SKY to extend the maturity of its debt profile and provide investors with the opportunity to invest in SKY beyond 2016 for a fixed rate of return.

A household name since commencing operations in 1990, SKY has developed into a significant media company in New Zealand. SKY operates the nation’s leading pay television broadcasting service as well as free to air network Prime. SKY had a total of 857,115 subscribers at 31 December 2013 and reported a net profit after tax of \$132 million for the year ended 30 June 2013. Approximately 49% of homes in New Zealand subscribe to SKY’s pay television services and SKY represents approximately 30% of television viewing in New Zealand, with Prime having approximately 5% of the total television audience.

SKY currently broadcasts 117 channels, including 44 channels in its Basic Package, eight channels in the Movie tier including one Pop-Up channel and six channels in the Sports tier.

As a business SKY continues to invest in new technology. Over 55% of our subscribers are enjoying the functionality of a MY SKY decoder, with the ability to pause live TV, record a programme while watching something on another channel and also watch content in High Definition. We recently launched SKY GO, an app that enables subscribers to watch SKY channels on iPads and other mobile devices. There are several other exciting products currently under development at SKY that will greatly enhance our subscribers viewing experience and assist in the growth of the business.

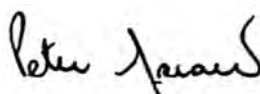
SKY is committed to delivering a great entertainment experience for its customers and ensuring the future growth of its business. Undertaking this Offer allows SKY the opportunity to realign its financing needs to its medium to long term capital requirements and to manage its funding profile, cost and risk. The proceeds of the Offer will be used to repay part of its existing bank debt facilities and provide funding for its capital expenditure programme and working capital requirements.

This Prospectus provides an overview of SKY’s business, structure and management. Additional information regarding SKY is available on SKY’s website sky.co.nz, including SKY’s annual report.

To ensure that an investment in the Bonds meets your specific objectives, we recommend that you read this Prospectus carefully and, before making a decision, consult with your financial and other professional advisers.

On behalf of the board of SKY, we look forward to your participation in this Offer.

Yours faithfully



Peter Macourt
Chairman
SKY Network Television Limited

The subscriber and financial information in this letter is drawn from the Group consolidated financial statements.

KEY INFORMATION

This section highlights the key terms of the Offer, the key benefits and risks of an investment in the Bonds and an overview of SKY. Detailed information about each of these matters is contained elsewhere in this Prospectus and it is important that you read this Prospectus in full before deciding to invest in the Bonds. If you have any questions, you should seek advice from a registered financial services provider or an independent qualified professional adviser before deciding whether or not to apply for Bonds.

Who is SKY?

SKY Network Television Limited is a leading media company in New Zealand. For more information on SKY's history, business performance, and directors and senior management, see the section headed *Business overview* on page 12.

Who are the parties involved in providing the Offer?

The Issuer – who is SKY

The Trustee – who is The New Zealand Guardian Trust Company Limited

The Registrar – who is Computershare Investor Services Limited

Who should I contact about the Offer?

The Arranger and Organising Participant - who is ANZ Bank New Zealand Limited.

The Joint Lead Managers - who are ANZ Bank New Zealand Limited, Bank of New Zealand and Westpac Banking Corporation (acting through its New Zealand branch).

Is there an underwriter of the Offer?

No.

What are the key dates of the Offer?

Rate Set Date: 28 February 2014

Opening Date: 3 March 2014

Closing Date: 26 March 2014

Issue Date: 31 March 2014

Maturity Date: 31 March 2021 unless repaid or redeemed earlier in accordance with the Bond Conditions

Quotation and trading of Bonds expected to commence: 1 April 2014

Early Bird Interest paid: No later than 9 April 2014

First Interest Payment Date: 30 June 2014

What is the Issue Price and the minimum investment?

The Issue Price is \$1.00 per Bond, being the Principal Amount of each Bond.

Applications under the Offer must be for a minimum aggregate Principal Amount of Bonds of \$5,000 and thereafter in multiples of \$1,000.

What are the main terms of the Offer?

Amount of Bonds being issued – SKY is offering up to \$100 million of Bonds to investors in New Zealand.

Status of Bonds – The Bonds are unsecured, unsubordinated fixed rate debt obligations of SKY that rank equally with the bonds currently quoted by SKY (being the bonds issued by SKY in 2006

which are, as at the date of this Prospectus, the only Series of quoted bonds issued by SKY) and all other unsecured, unsubordinated debt obligations of SKY, other than indebtedness preferred by law.

Guarantee of Bond obligations – The obligations of SKY with respect to the Bonds are not currently guaranteed by any Subsidiary of SKY or any other person and are not secured in any way against any assets of SKY or any other part of the SKY Group. There can be no assurance that the obligations of SKY with respect to the Bonds will be guaranteed by any Subsidiary of SKY at any particular time.

Purpose of issuing Bonds – The funds raised from the Offer will be used by SKY to provide funding to repay bank debt, provide working capital and fund capital expenditure.

See the section headed *Main terms of Offer* on page 28.

What is the interest rate?

The Interest Rate will be announced to NZX on or before the Opening Date.

What returns will I get?

The returns to Bondholders comprise interest paid on the Bonds (at the Interest Rate) and any capital appreciation, or depreciation, realised on an early repayment, redemption or sale of the Bonds.

The Bonds do not benefit from any capital growth in SKY and Bondholders will not participate in any dividend, bonus issue, rights issue or any other distribution made in respect of the shares of SKY.

No amount of returns on the Bonds is promised by SKY.

See the section headed *Returns* on page 30.

When will the interest payments be made?

- Interest is to be paid in arrears.
- The first Interest Payment Date is 30 June 2014. Subsequent interest payments will be made on 31 March, 30 June, 30 September and 31 December each year ending on the Maturity Date.
- Early Bird Interest will be paid as outlined below.

See the section headed *Main terms of Offer* on page 28.

Will I get any interest paid on my subscription application money?

SKY will pay "Early Bird Interest" at the Interest Rate to each Bondholder on successful applications from (and including) the date on which subscription money is banked into the Offer trust account to (but excluding) the Issue Date (after deducting any applicable withholding taxes or approved issuer levies). If SKY refuses an application or accepts an application in part, no Early Bird Interest will be paid on the application money returned to the applicant. Early Bird Interest will be paid not later than seven Business Days after the Issue Date and will be paid to the original subscriber for the Bonds (notwithstanding any transfer of any Bond that may have occurred).

Can SKY repay the Bonds early?

SKY may, at its sole discretion, make a full or pro rata partial repayment to Bondholders of the Bond Debt on each of 31 March 2017, 31 March 2018, 31 March 2019 or 31 March 2020.

For each Bond, any early repayment will be for a price which is the greater of:

- (a) the aggregate of the Principal Amount and all accrued interest and other amounts owing on that Bond; and
- (b) the volume weighted NZDX market price of a Bond over a ten Business Day period prior to the Record Date for the repayment.

See the section headed *Early repayment by SKY* on page 33.

Can I sell the Bonds?

- Application has been made to NZX for permission to quote the Bonds on the NZDX (and NZDX ticker code "SKT020" has been reserved for the Bonds) and all the requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement in this Prospectus. NZX is a registered exchange which operates a registered market, regulated under the Securities Markets Act 1988.
- It is expected that initial quotation and trading of the Bonds on the NZDX will commence on 1 April 2014.
- SKY may refuse to accept or register a transfer if the Principal Amount being transferred is not a multiple of \$1,000 and/or if such transfer would result in the transferor or transferee holding Bonds with an aggregate Principal Amount of less than the applicable Minimum Holding (\$5,000), unless the transfer is to a Bank or Primary Market Participant, or of all of the transferor's Bonds.

How do my Bonds rank if SKY becomes insolvent?

- Upon a winding-up of SKY, your rights and claims as a Bondholder will rank after the claims of all persons to whom preferential payments must be made (including all creditors preferred by law) and secured creditors.
- Your rights and claims as a Bondholder will rank equally with other Bondholders and equally with the rights and claims of holders of equal ranking obligations (unsecured, unsubordinated creditors).

See the section headed *Consequences of insolvency* on page 22.

How can I apply?

By reading the instructions at the front of the Application Form, completing the Application Form and paying the application amount by direct debit, cheque or in limited circumstances via the NZClear System.

What is the maximum amount of Bonds being offered?

Bonds with an aggregate Principal Amount of up to \$100 million are being offered pursuant to this Prospectus.

There is no minimum aggregate Principal Amount of Bonds that must be issued under this Offer.

How will the Bonds be allocated?

Reserved subscriptions – All of the Bonds may be reserved for subscription by clients of the Joint Lead Managers or Primary Market Participants and other persons invited to participate in the bookbuild. The aggregate number of Bonds so reserved will be determined by SKY, in consultation with the Arranger, on or before the Opening Date. Following the bookbuild, SKY, in consultation with the Arranger, will determine the arrangements in respect of Bonds which are not subject to Firm Allocations (if any). Those arrangements will be announced by SKY on or before the Opening Date.

Public pool – There is no assurance that any Bonds will be available in a public pool.

What are the charges related to the Offer?

There are no charges payable by investors in relation to the Offer.

SKY will pay an amount for brokerage in respect of Bonds issued by SKY under the Offer for valid applications. This will not affect your return on the Bonds. The amount of brokerage SKY will pay will be up to 1.25% of the subscription amount for applications.

See the section headed *Issue expenses* on page 30.

What are the key risks of this Offer?

Competition and emerging technologies – An increase in competition may adversely affect SKY's business by reducing subscription revenue due to a reduction in subscriber numbers and subscription prices, audience share and advertising revenues, by increasing the costs or availability of programme rights for SKY or by forcing SKY to incur other additional costs in responding to increased competition.

Loss of key contracts – SKY has a number of key programming, transmission and technology contracts that are important to SKY's business. For example, SKY has held the SANZAR contract for 17 years. SKY's SANZAR contract expires at the end of the 2015 rugby season and no assurance can be given that SKY will be successful in renewing this contract. If SKY fails to renew any of these contracts or if any of these contracts was terminated or the other contracting party is unable to perform the contract for any reason, this may have a material adverse impact on SKY's business.

Set top boxes – There is a risk that SKY may not be able to secure supply of set top boxes in the future or that the software in the boxes ceases to operate due to a bug or some other defect.

Content protection – The internet makes it easier for consumers to access pirated content and live streams for free and to access content services that are legitimately offered to overseas users. An increase in the number of consumers accessing content on the internet could adversely impact SKY's business as it may reduce the number of subscribers willing to pay for SKY's services and/or the viewership of Prime.

Adoption of new technology – The ongoing threat of rapid technological changes and SKY's ability to continue to make the right technological decisions and pay for and successfully implement new technology is a risk to the business.

Commerce Commission – While a recent Commerce Commission review into SKY's content and retail service provider agreements concluded with an investigation report and warning letter being issued, but no further action being taken against SKY at this stage, there is a risk that in the future the Commission or other parties may take action against SKY under the Commerce Act 1986, which could adversely affect SKY's business. The Commerce Commission has confirmed that it will request quarterly updates from SKY on certain contractual issues.

Changes in regulation – Changes to the regulation of the New Zealand broadcasting industry could adversely impact on SKY's financial performance.

Interruption to business – Major events such as natural disasters, fire and infrastructure failure, including satellite failure and the introduction of a computer virus which affects the core computer systems, could significantly disrupt SKY's business.

For more information see the section headed *What are my risks?* on page 20.

The business overview set out below should be read in conjunction with the further information contained in this Offer Document. The information in this business overview relates to SKY Group (Group), being SKY and its Subsidiaries from time to time. However the obligations of SKY with respect to the Bonds are not currently guaranteed by any Subsidiary of SKY. Unless otherwise stated, the information in this section is drawn from the Group consolidated financial statements for the financial year ended 30 June 2013.

Business overview

SKY is a leading media company in New Zealand. SKY commenced business in 1990 and provides pay television to approximately 49% of the homes in New Zealand. SKY is listed, has securities quoted on the NZSX, NZDX and the ASX and had a market capitalisation as at 30 June 2013 of approximately NZ\$2.1 billion. At 30 June 2013, the Group's revenues were NZ\$885 million for the financial year and SKY had a total of 855,898 subscribers. The Group currently employs over 1100 employees.

As at the date of this Prospectus, SKY has one wholly-owned trading Subsidiary, Outside Broadcasting Limited, and partly-owns SKY Arena Limited (75%), IGLOO Limited (66%), SKY DMX Limited (50.5%) and Screen Enterprises Limited (51%). SKY's subsidiaries are not significant to the Group, having contributed less than 2% to both Group revenue and Group assets at 30 June 2013. Outside Broadcasting Limited produces television coverage of New Zealand sports events. SKY Arena Limited, a joint venture with an experienced events promoter since January 2014, is set up to stage and promote pay per view (PPV) events. IGLOO is a low cost pay television service launched by SKY and the state owned television broadcaster, Television New Zealand (TVNZ), in December 2012. SKY DMX Limited operates the SKY DMX music business and Screen Enterprises Limited operates the Group's on-line DVD and game rental joint venture, FATSQ. In February 2006, SKY acquired the business of free to air (FTA) network Prime Television (Prime) from Prime New Zealand Limited.

Since 2000, SKY has wholesaled its pay television services to telecommunication companies. SKY has wholesale agreements with Telecom New Zealand (Telecom), Vodafone New Zealand (Vodafone) and Slingshot Communications (Slingshot). In August 2013 Vodafone renewed its wholesale agreement with SKY for a further five years. SKY's wholesale agreement with Telecom expires in May 2014 and will not be renewed which will effectively end SKY's current contractual relationship with Telecom. While SKY and Telecom both remain open to working together in the future, Telecom has recently announced plans for its own internet television offering, to be launched later this year. The current Slingshot agreement expires in April 2016.

SKY's business objectives are to acquire new subscribers, improve SKY's offerings to help retain existing subscribers and sell more to existing subscribers. SKY's strategies for delivering its vision and objectives are to enhance subscriber viewing experiences, deliver better value for money for subscribers, launch new services that appeal to proven market segments, invest in premium kiwi content, maintain and extend its quality content offering and make greater use of SKY's existing location and service model. SKY believes that a focus on delivering these strategies will assist in the growth of the business.

Overview of the New Zealand television industry

There are approximately 1.7 million households in New Zealand.¹ Two major FTA broadcast operators and SKY, the sole nationwide pay television provider and owner of FTA network Prime, provide television services to these households. TVNZ is New Zealand's largest television broadcaster with an average combined audience market share of 42% for the year ended 31 December 2013.² New Zealand's other major FTA broadcaster is MediaWorks which has an aggregate audience market share of approximately 18%.³ SKY's pay television service has an audience market share of approximately 30% while its FTA channel Prime has a market share of around 5%. Under agreements with the broadcasters concerned, all the major FTA television channels are available on SKY's satellite service.

In addition to the traditional broadcast television networks offering linear channels, video content is also being made available to customers over the internet. This includes "free" user generated content on sites such as YouTube, FTA catch up television on sites such as TVNZ on Demand and also pay television content on sites such as Quickflix, Ezyflix, Ziln.co.nz and Apple TV. More recently, Coliseum Sports Media joined the market, offering access to all live and delayed games in the English Premier League over the internet.

Distribution

The Group currently utilises four television distribution platforms – a satellite pay television platform, a hybrid digital terrestrial (DTT)/internet based pay television platform (IGLOO), a hybrid DTT/satellite FTA platform (Prime) and an internet based platform SKY GO. More than 82% of the Group's revenue was earned from the satellite pay television platform.

Subscribers

SKY had a total of 855,898 subscribers as at 30 June 2013 representing household penetration of approximately 49%. SKY has grown its subscriber base year-on-year since it first began broadcasting in 1990 although the rate of growth has been declining in recent years.

A key factor influencing subscriber numbers is the churn rate, that is, the percentage of subscribers who disconnect their service, either voluntarily or due to a failure to pay their account. Reducing the churn rate is important to any company that relies upon subscribers for revenue. SKY's residential churn rate was 14.4% for the year ended 30 June 2013. Subscribers who have a MY SKY set top box have significantly lower churn than subscribers with a standard set top box (that does not have any recording capability). For the year ended 30 June 2013 MY SKY churn was 11.4% compared to 17.9% for subscribers with more standard set top boxes.

1 Source – Statistics New Zealand, September 2013

2 Source – TV Map/AGB Nielsen Media Research Nielsen for the year to December 2013

3 Source – TV Map/AGB Nielsen Media Research Nielsen for the year to December 2013

BUSINESS OVERVIEW (CONTINUED)

Services

SKY broadcasts a total of 114 channels on its satellite pay television platform. Subscribers access SKY's television services through a standard set top box or MY SKY set top box (the latter has a built-in personal video recorder). MY SKY has been very popular with subscribers, with 53.3% of SKY's subscribers paying to have a MY SKY set top box.

The vast majority of SKY's subscribers subscribe to SKY's Basic Package and receive a total of 41 channels including news, documentaries, family programmes, general entertainment and music videos. In addition to the Basic Package, SKY offers subscribers a choice of a sports tier (SKY Sports) as well as a movie tier (SKY Movies), and a number of other premium channels and services (such as the HD access ticket) for which they pay an additional monthly charge.

SKY offers subscribers access to content on a PPV basis, where subscribers pay a one-off fee to watch a movie or sporting event. This service has been used for content including blockbuster premiere movies and boxing and wrestling matches. SKY also provides its subscribers with access to video content over the internet through its SKY GO online platform and the recently launched SKY GO app enables subscribers to access ten of SKY's linear channels on a live streaming basis via mobile devices.

IGLOO offers customers, who can be reached by the DTT network, access to 11 pay television channels, the FTA Freeview channels and a library of content that can be purchased on a VOD basis.

Programme content

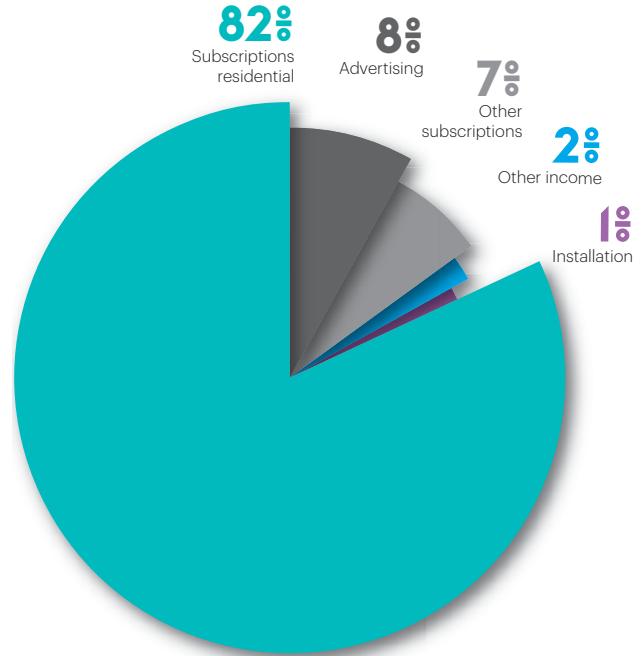
SKY purchases programme content from both foreign and domestic production studios and also produces its own content. SKY offers subscribers a comprehensive range of sports, movies, entertainment, news, documentary and PPV programme content. Sports content represents a valuable part of SKY's programme offering and has been a key factor in the retention and growth of its subscriber base. SKY currently has access to some of the most popular sporting events in New Zealand including rugby, NRL rugby league, New Zealand domestic cricket, international cricket played in New Zealand, "A" League Football and netball. There is competition in the content market and SKY must compete against other parties to acquire the right to broadcast content in New Zealand.

Revenue

The Group's primary source of revenue is the monthly subscriptions paid by subscribers for its pay television services (approximately 82% of Group's revenues of NZ\$885 million for the year ended 30 June 2013). In addition, the Group also derives revenue from advertising and from other sources such as the Group's online DVD rental and game business Fatso, revenue from satellite dish sales, the provision of satellite transmission services to third parties and other miscellaneous sources.

A breakdown of the sources of the Group's revenue for the year ended 30 June 2013 follows.

Revenue breakdown for year to 30 June 2013

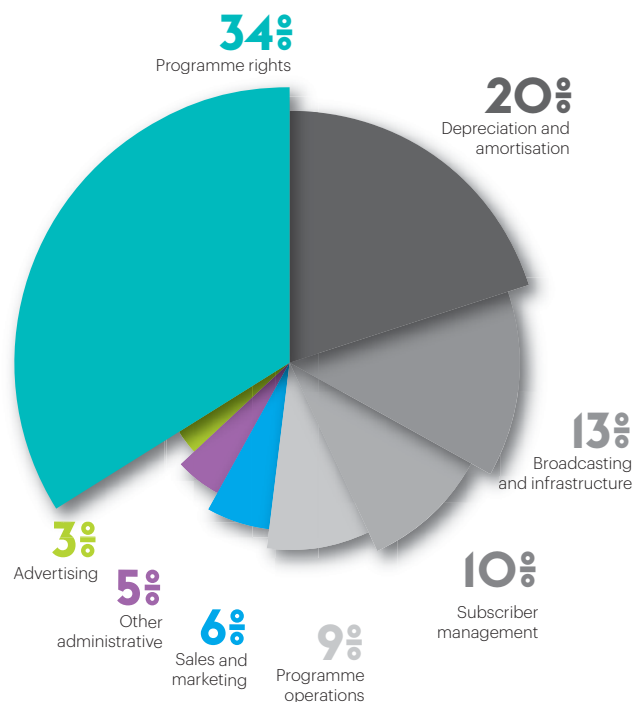


Operating expenses

The Group's main operating expense is programming cost, comprising both costs of purchasing programme rights and also programme operating costs. Other costs include depreciation and amortisation, broadcasting and infrastructure, customer management costs, sales and marketing, corporate and advertising costs.

A breakdown of the Group's operating expenses for the 2013 financial year is presented below.

Operating expense breakdown for year to 30 June 2013



Capital expenditure

The Group's capital expenditure over the past five years has focused on the continued addition of subscribers to the satellite pay television platform and investment in new MY SKY set top boxes. The purchase of new set top boxes and the installation of these in the homes of new subscribers have been the major capital expenditure categories.

Five year trend statement

The following tables show the key trends relating to the Group's business over the past five financial years and for the six months to 31 December 2013.

| SKY Group (in NZDmillion) | 31 Dec 2013 6 months (unaudited) | 30 Jun 2013 12 months (audited) | 30 Jun 2012 12 months (audited) | 30 Jun 2011 12 months (audited) | 30 Jun 2010 12 months (audited) | 30 Jun 2009 12 months (audited) |
|--|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Total revenue | 456 | 885 | 843 | 797 | 742 | 692 |
| NPAT | 82 | 132 | 123 | 120 | 103 | 88 |
| Acquisition of property, plant, equipment and intangibles | 47 | 82 | 137 | 135 | 139 | 145 |

The following operating data has been taken from SKY Group records and is not audited.

| | | | | | | |
|-----------------------|---------|---------|---------|---------|---------|---------|
| Total subscribers | 857,115 | 855,898 | 846,931 | 829,421 | 802,397 | 778,902 |
| MY SKY subscribers | 486,252 | 456,419 | 382,495 | 279,875 | 189,975 | 103,991 |
| ARPU | \$77.51 | \$75.83 | \$71.93 | \$70.45 | \$67.61 | \$64.00 |

For the purposes of the tables above:

"**ARPU**" means average monthly revenue per residential subscriber.

"**NPAT**" means net profit after tax of the SKY Group.

BOARD OF DIRECTORS

**PETER
MACOURT**
CHAIRMAN



Mr Macourt was appointed as chairman of the board of SKY in August 2002. He is a former director and chief operating officer of News Limited based in Sydney, Australia. Previously Mr Macourt has served as a director of Premier Media Pty Limited, Foxtel, Independent Newspapers Limited and a number of subsidiaries and associated companies of the News Corporation Limited. Mr Macourt is chairman of ASX listed company Virtus Health Limited. He holds a degree in Commerce from the University of New South Wales and is a member of the Australian Institute of Chartered Accountants.

**ROBERT
BRYDEN**
DEPUTY
CHAIRMAN



Mr Bryden was appointed a director of SKY in 1990 and deputy chairman in February 2001. He was the managing director of Todd Capital Limited until September 2011 and various other companies in the Todd Group. Mr Bryden holds a BCA from Victoria University in Wellington.

**JOHN
FELLET**
DIRECTOR AND
CHIEF EXECUTIVE
OFFICER



Mr Fellet joined SKY as chief operating officer in 1991. He was appointed as chief executive in January 2001 and as a director of SKY in April 2001. Mr Fellet holds a BA degree in Accounting from Arizona State University, United States and has over 36 years' experience in the pay television industry, including ten years' experience with Telecommunications Inc. in the United States.

**JOHN
HART**
DIRECTOR



Mr Hart was appointed a director of SKY in October 1997. He has had a distinguished career in sports administration including being All Blacks coach between 1996 and 1999 and was employed by Fletcher Challenge Limited from 1966 to 1995. Mr Hart's other directorships include Bayley Corporation Limited, Global Rugby Enterprises, The NZPGA and NZPGA PRO-AM Championship Limited. He is currently Chair of the Nominations Committee for the Board of Sport NZ. Mr Hart was made an Officer of the New Zealand Order of Merit (ONZM) in 1997 for his services to rugby and sport.

**HUMPHRY
ROLLESTON**
DIRECTOR



Mr Rolleston was appointed as a director of SKY in September 2005. He is a director of Asset Management Limited, Mercer Group Limited, Matrix Security Limited, Infracore Limited, Murray & Company Limited, Property for Industry Limited and various other companies.

**JOHN
WALLER**
DIRECTOR



Mr Waller was appointed as a director of SKY in April 2009. He was a partner at PricewaterhouseCoopers for over 20 years, was a member of their board and led their Advisory practice. He is the Chairman of BNZ and Eden Park Trust Board, and a director of Fonterra Co-operative Group Limited, National Australia Bank Limited, Alliance Group Limited, Donaghys Limited, Property for Industry Limited and various other companies.

**GERALDINE
McBRIDE**
DIRECTOR



Ms McBride was appointed to the board in September 2013. She previously served as president of SAP North America, president of SAP Asia Pacific Japan and global vice president of Dell Services. Ms McBride was appointed to the Fisher and Paykel Healthcare board this year, will be appointed to the Board of National Australia Bank Limited in March 2014 and is the Chief Executive and founder of MyWave Holdings, a leading edge consumer experience and enterprise relationship technology company.

**DEREK
HANDLEY**
DIRECTOR



Mr Handley was appointed to the board in September 2013. He is currently Entrepreneur in Residence of the B Team, a global non-profit leadership collective, and was the co-founder of the Hyperfactory, one of the first agencies in the world to recognise the power of mobile devices for connecting consumers, brands and mass media. Mr Handley is also co-founder and chairman of mobile advertising network Snakk Media, which listed on the NZAX in 2013.

MICHAEL WATSON

As the Director of Marketing

Mr Watson joined SKY in 1990 and has held a number of roles within SKY including Direct Sales Representative, Direct Sales Manager (Auckland Region) and South Island Regional Manager. Mr Watson was appointed to the role of Director of Customer Services in 1997 and became Director of Marketing in June 2000.

CATHRYN OLIVER

As the Chief of Staff

Ms Oliver was appointed to the role of Chief of Staff in 2009. Ms Oliver joined SKY in 2000 as the Corporate Business Analyst after returning from the UK where she held various financial reporting roles at BSKYB, Lloyds TSB (UK) and Ernst & Young (NZ).

RICHARD LAST

As the Director of Sport

Mr Last initially joined SKY in 1994 and worked for SKY until 1998 when he left to take up a position in the UK. Upon his return to New Zealand in 1999, Mr Last joined Prime Television. In January 2001 he re-joined SKY and was appointed to the role of Director of Advertising Sales and then was appointed to the role of Director of Sports Content and New Media in 2009, and to his current role as Director of Sport in 2013.

EXECUTIVE COMMITTEE



CHRIS MAJOR

As the Director of Government Relations

Ms Major was appointed to the role of Director of Government Relations in 2013. She has previously held roles as Marketing and Communications Director at the Treasury where she was responsible for the marketing for the Mighty River Power and Meridian IPOs. Ms Major's previous roles also include Senior Advisor, Rugby World Cup and Communications Manager, New Zealand Treasury.

CHARLES INGLEY

As the Director of Technology

Mr Ingley was appointed to the role of Director of Technology in 2003 with key responsibility for IT strategy, systems, infrastructure and operations. He joined SKY in 1990 and, prior to his current role, most recently held the position of head of broadcast technology.

Mr Ingley has over 30 years' experience in the broadcasting industry in both the private and state sectors.

JASON HOLLINGWORTH

As the Chief Financial Officer and Company Secretary

Mr Hollingworth joined SKY as Chief Financial Officer in 2002. Mr Hollingworth is a chartered accountant and has more than 25 years' experience in corporate finance related activities. Prior to joining SKY Mr Hollingworth held senior finance roles at TelstraSaturn, Ngai Tahu Holdings, AsiaPower and Southpac Corporation Limited.

KIRSTY WAY

As the Director of Communication

Ms Way was appointed to the role of Head of Corporate Communications in 2011 and Director in 2013. Ms Way joined SKY in 2001 as Interactive Business Development Manager and has had several different positions including Commercial Manager and Manager of DVD unlimited (now FATSO), the online DVD and game rental business at SKY.

JOHN FELLET

As the Director and Chief Executive Officer

Mr Fellet joined SKY as Chief Operating Officer in 1991. He was appointed Chief Executive Officer of SKY in January 2001 and a director of SKY in April 2001.

RAWINIA NEWTON

As the Director of Advertising

Ms Newton was appointed to the role of Director of Advertising in 2009 having joined SKY in 2000. Working with a range of large NZ advertising agencies and advertisers, Ms Newton has held various sales roles including Group Sales Manager and General Manager, Advertising Sales.

TRAVIS DUNBAR

As the Director of Programming – Entertainment and Movies

Mr Dunbar joined SKY in 1994. In April 2000 he was appointed to the role of Director of Entertainment Programming. In the past few years, he has built SKY's O&O channels business, including the launch of VIBE, SoHo, JONES and the recent expansion of the SKY MOVIES tier. Prior to joining SKY, Mr Dunbar spent over five years in advertising at both Y&R and O&M. He has a BA in History, and a Diploma of Journalism.

GREG DRUMMOND

As the Director of Broadcast and Media

Mr Drummond joined SKY in 1990 to set up the broadcast operation and was appointed to the role of Director of Broadcast Operations in 2000. Mr Drummond previously held roles with TVNZ and Network 10 in Australia. Mr Drummond has over 30 years' experience in broadcast operations and engineering, encompassing outside broadcast, production, presentation and transmission operations.



MARTIN WRIGLEY

As the Director of Operations

Mr Wrigley joined SKY's field service division in June 1990. In June 1995 Mr Wrigley was appointed to the role of Central Regional Manager and following that became the Director of Customer Services in June 2000. In January 2002 Mr Wrigley was appointed to the role of Director of Operations.

MEGAN KING

As the Director of Content – Strategy, Planning & Delivery

Ms King joined SKY in 1990 and was appointed to the role of Business Manager-Corporate in 1994. In early 1997 she was appointed to the role of Business Manager-Programming, then Head of Programme Finance and Acquisitions in 2011 until being appointed to her current role in December 2012.

MARTIN ENRIGHT

As the Director – SVOD, Copyright Protection and Affiliate Channels

Mr Enright was appointed to the role of Director – SVOD, Copyright Protection and Affiliate Channels in 2013. Prior to joining SKY, Mr Enright was an Executive Director for Warner Bros. International TV Distribution and headed Business Development for Asia-Pacific. Mr Enright has also worked both in New Zealand and overseas in other sectors including entertainment, strategy consulting, technology, telecommunications, banking and legal services.

WHAT ARE MY RISKS?

Any investment in the Bonds will involve risks, including those described in this section, which may affect whether or not you receive the returns outlined under the section headed *Returns* on page 30. These include risks specific to the Bonds, risks relating to SKY, and general risks.

There may be risks in addition to those set out below and you should consider the risk factors below in conjunction with the other information disclosed in this Prospectus. This Prospectus does not take account of your personal circumstances, financial position or investment requirements. It is important that before making any investment decision, you consider the suitability of an investment in the Bonds in light of your individual risk profile for investments, personal circumstances and investment objectives.

The principal risks for Bondholders are that:

- they may not receive timely, or any, interest payments on the Bonds; and
- they may be unable to recoup all or any of their original investment amount.

These circumstances could arise for a number of reasons including if:

- the price at which investors are able to sell their Bonds is less than the price they have paid for them due to interest rate movements, market perception that the interest rate being paid no longer accurately reflects the risk of investing in SKY, or other reasons;
- investors are unable to sell their Bonds due to a lack of demand; or
- SKY becomes insolvent for any reason, or is placed in receivership, liquidation or statutory management, or is otherwise not in a position to meet its debts as they fall due.

SKY's creditworthiness or solvency could be affected by a number of matters, including factors outside its control. The principal risks that may impact SKY's operational and financial performance, and thus potentially affect the creditworthiness or solvency of SKY, have been identified in accordance with SKY's Risk Management Policy and processes and are set out below.

Competition and emerging technologies

SKY competes with existing forms of media and entertainment (including FTA television, radio, newspapers, magazines, outdoor advertising, cinema, video and DVD rentals and sales, and the internet) and in the future emerging technologies may increase competition for SKY. Increased competition may have an adverse effect on SKY's business by reducing subscription revenue due to reduction in subscriber numbers or subscription prices and other revenue, audience share and advertising revenues, by increasing the costs or availability of programme rights for SKY or by forcing SKY to incur other additional costs in responding to increased competition.

These risks are heightened by:

- The emergence of new and better distribution platforms such as faster broadband and 4G Mobile, and new distribution technologies such as IPTV and OTT internet based technologies, which will enable new television services to be offered.
- Competitors that may be unencumbered by SKY's traditional business model and infrastructure and associated cost base.
- The potential for suppliers of programmes to use new distribution platforms to provide television services directly to viewers in New Zealand.
- The possibility of SKY wholesale arrangements with Vodafone, Telecom and Slingshot ending. SKY renewed its wholesale arrangements with Vodafone for five years in August 2013. The Telecom agreement expires in May 2014 and the Slingshot agreement expires in April 2016.

The Telecom agreement will not be renewed which will effectively end SKY's current contractual relationship with Telecom. While SKY and Telecom both remain open to working together in the future, Telecom has recently announced plans for its own internet television offering, to be launched later this year. To the extent these wholesaling arrangements are terminated, or expire, there is a risk that SKY may lose its wholesale customers and face additional competition from its previous wholesale partner.

- The lack of a clear view of individual customer preferences and the possibility these will continue to change. There is a risk that if SKY does not provide services that meet customer preferences in a timely manner, or that is the perception, then SKY may not be able to attract and retain certain customer segments.

Loss of key contracts

SKY has a number of key programming, transmission and technology contracts that are important to SKY's business and which will require renewal in the future. For example, the SANZAR rugby contract provides SKY with exclusive live rights to the Rugby Championship and Bledisloe Cup test matches and Super Rugby and ITM Cup games. It is an important content deal for SKY. SKY's SANZAR contract expires at the end of the 2015 rugby season and no assurance can be given that SKY will be successful in renewing this contract. If SKY fails to renew the SANZAR contract or any of the other key contracts, or if any of these contracts was terminated or the other contracting party has financial or other problems or is unable to perform the contract for any reason, this may have a material adverse impact on SKY's business.

Reliance on supply and operation of set top boxes

SKY currently has agreements with one equipment supplier for the set top boxes it purchases for installation at the homes of subscribers. Should SKY's principal supplier fail to provide such equipment on a timely basis, SKY may be unable to find alternative suppliers without considerable delay or additional expense. This would adversely impact SKY's ability to grow its subscriber base. SKY maintains stocks of set top boxes to minimise the impact of any disruption to supply.

The set top boxes require software to operate and this software is periodically upgraded via over-the-air downloads. There is a risk that these software upgrades introduce new software bugs or other problems that could impact the operation of the satellite set top boxes. SKY and its suppliers operate change control processes to reduce this risk.

Content protection

The improvement in the reliability and speed of the internet means that it is becoming easier for consumers to access illegal copies of content for free on the internet. Some people in New Zealand are also accessing pay television sites in other countries. These sites would not otherwise be available to New Zealand based consumers because content owners grant rights on a territorial basis and rights for New Zealand would not have been purchased by third parties located overseas. An increase in these activities could adversely impact SKY's business as this may reduce the number of subscribers willing to pay for television services, and the viewership of FTA channels. SKY's intention is to mitigate this risk through a variety of measures, including technological measures, educating the public about piracy, content monitoring and campaigning for legislative change in conjunction with other industry players.

To combat piracy of SKY's signal, SKY currently uses encryption and content protection systems on its services. Should these systems prove to be ineffective, SKY's revenues and its ability to contract for popular programmes could be adversely affected.

Adoption of new technology

SKY is operating in a fast moving environment where technological change occurs rapidly. SKY's strategy is to be a fast follower of technology in order to ensure it maintains its position in the market and can compete with any new entrants who might be leveraging the capabilities of these new technologies. SKY is a small company by world standards and there is a risk that it is either too small to be able to invest in new technology, or it invests in a technology that is unsuccessful or too costly. The ongoing threat of technological change and SKY's ability to continue to make the right technological decisions, and pay for and successfully implement the new technology that it selects, is a risk to the business.

Commerce Commission

SKY is the largest pay television provider in New Zealand and, as a result, commentators and other parties have looked to the Commerce Commission and the Commerce Act 1986 to regulate SKY's activity. The detailed Commerce Commission review into SKY's content and retail service provider agreements recently concluded with an investigation report and warning letter being issued, but no further action being taken against SKY at this stage. The Commission stated that sufficient content of all types appears to be available outside of SKY's contracts to enable an appealing pay TV package to be put together by a competitor. The Commission also stated that it will continue to monitor SKY's existing or new contracts with retail service providers, will request quarterly updates on "key commitment" issues and warned that it may have concerns in the future if SKY were to sign further contracts with retail service providers and not provide reasonable exemptions from any "key commitment" provisions in new or existing contracts. There is a risk that in the future the Commission or other parties may take action against SKY under the Commerce Act, which could adversely affect SKY's business.

Changes in regulation

In February 2013, the Government released a discussion paper entitled the "Review of the Telecommunications Act 2001 Discussion Document" announcing a review of the Telecommunications Act. The review intends to take a comprehensive look at the telecommunications framework and the rules that underpin it, as New Zealand participates in the shift towards new technologies. While this focuses on telecommunications rather than broadcasting and television, there is potential for a review of the broadcast and television industry and a risk that further regulation will be introduced in relation to this industry.

The introduction of changes in regulation, including increased regulation, could adversely impact the financial performance of SKY. Potential types of increased regulation include:

- A regulated wholesale pricing regime that requires SKY to wholesale its services to third parties at prescribed prices.
- Anti-siphoning rules that require certain major sporting events to be available "live" on a FTA channel.
- Mandatory local content requirements and greater restrictions on television advertising.
- Controls over pay television prices or what pay television services can be provided.
- Restrictions on the use, or changes in the regulation or management, of the radio spectrum licences that SKY requires for operating its business.
- Regulated access to SKY's set top boxes and transmission systems.

Interruption to business

SKY is dependent on the use of the Optus D1 satellite for the distribution of the majority of its services. Optus has a second satellite, Optus D3, that provides in-orbit back-up for SKY's D1 services, should this ever be required. SKY has designed a dual low noise block (LNB) for use on its satellite dishes so that these can be electronically switched to the location of the D3 satellite (without the need to physically re-point satellite dishes). SKY is progressively installing these new LNBs on new installations and as it visits subscribers during normal operations. Currently approximately 90% of subscriber homes have these new LNBs installed.

A failure of the D1 or D3 satellites in circumstances where the services cannot be restored quickly on the back-up satellite, or if both satellites fail and another alternative satellite cannot quickly be placed in the same orbital location as these satellites, are likely to have a material adverse effect on SKY's business. Among other things, satellite broadcasts may be disrupted due to failure of transponders or other satellite electronics, exhaustion of satellite fuel to keep the satellite geostationary, premature aging of the solar cells, satellite damage from space debris, faulty systems, software, mechanical devices or latent faults in construction, and faulty operation.

The terms of the contracts that SKY has with Optus mean that SKY is unlikely to have any significant remedy against Optus in the event of satellite failure or the failure or delay of any restoration plan utilising the D3 satellite. SKY is not insured for the risk of such failures or delay due to the prohibitive cost and terms of the insurance.

SKY's services depend heavily on the equipment and facilities located at SKY's Auckland studios in Mt Wellington and Albany, and the satellite uplink facility at Warkworth, including reception equipment for overseas programming, programming and customer management systems, encryption and compression systems and up-linking equipment, much of which would be difficult to replicate or replace in the short term. That equipment and those facilities are subject to the risk of loss, destruction, damage or failure due to factors outside SKY's control such as unauthorised access, computer viruses and hacking, power loss, communication failure, accidents, fire, flood, earthquake and acts of God. As a result these types of factors have the potential to cause significant interruption to SKY's business. The risks of this type of business interruption may be mitigated by back-up systems, disaster recovery plans (which SKY is continuing to develop) and insurance maintained by SKY, although these mitigations do not remove the risks completely.

WHAT ARE MY RISKS? (CONTINUED)

Financial risks

SKY will be exposed to the risk of a general downturn in the New Zealand economy, as subscribers may be interested in finding ways to economise. This could reduce the value of the business by, for example, reducing the size or rate of growth of SKY's subscriber base, increasing churn or by reducing its advertising revenues.

Although almost all of SKY's revenues are denominated in NZD, a significant percentage of SKY's operating expenses and capital expenditures are in foreign currencies. Decreases in the value of the NZD relative to foreign currencies will increase SKY's NZD payments for its operating expenses and capital expenditures and could materially adversely affect SKY's operating results. For example, for the year ended 30 June 2013, each USD0.01 movement in the USD/NZD exchange rate would have resulted in a change in SKY's (pre-tax) annual programme costs of approximately NZD\$1.4 million.

SKY is subject to interest rate risk on its long-term borrowings. Borrowings issued at variable rates expose SKY to cash flow interest rate risk. Borrowings issued at fixed rates expose SKY to fair value interest rate risk. SKY's policy is to maintain approximately 20% to 80% of its borrowings in fixed rate instruments for years one and two, moving to between 20% to 60% in years three to five, and up to 30% in years six to ten.

SKY manages its exchange rate and cash flow interest rate risk by using foreign exchange contracts and interest rate swaps and other financial instruments. Although such measures can mitigate the effect of short-term fluctuations in exchange rates and interest rates, there can be no complete or permanent hedge against currency and interest rate fluctuations. Such measures also have their own inherent risks, such as the risk of counter party default.

Any change to the rate of company income tax or other taxes has the potential to impact on the returns of SKY's business.

Risk of refinancing existing debt

SKY has \$200 million of Retail Bonds that are due to be repaid in October 2016 and a \$400 million debt facility provided by a syndicate of banks that is due for repayment in June 2018. The debt facility was drawn to \$226 million at 31 December 2013. SKY intends to apply proceeds from this Bond issue to reduce its borrowing under the debt facility.

If SKY were unable to repay or refinance these debts when due for repayment for any reason, this would be likely to have a material adverse impact on SKY's financial position.

Consequences of insolvency

The Bonds are unsecured, unsubordinated debt obligations. This means that in a liquidation or the statutory management of SKY, the Bondholders' rights to repayment of any Bond Debt will rank after the claims of:

- persons to whom preferential payments must be made (including creditors of SKY preferred by law); and
- secured creditors (if any).

Claims of Bondholders will rank equally with claims of the general body of unsecured creditors of SKY and ahead of SKY's shareholders and any subordinated creditors.

Neither the Trustee nor the Bondholders have any recourse to the assets of SKY's Subsidiaries or the assets of any other person other than:

- SKY; or
- in the event of a substituted obligor (i.e. the person liable to pay the Bond Debt) replacing SKY as the obligor under the Bonds, such substituted obligor; or
- in the event that one or more Subsidiaries of SKY become and continue to be Guaranteeing Subsidiaries in accordance with the terms of the Supplemental Trust Deed, and thereby guarantee the obligations of SKY under the Bonds, such Subsidiaries. See the section headed *Guarantors* on page 31 for further details.

In the event of the liquidation of SKY and/or any of SKY's Subsidiaries, the Trustee and the Bondholders will not have direct recourse to the assets of such Subsidiaries (other than Guarantors at that time, if any). They will only have recourse to the assets of SKY (and, if applicable, the assets of any substituted obligor and any Guarantor).

The assets of SKY may include distributions in the liquidation of a Subsidiary which are received by SKY as a shareholder in the Subsidiary, or if SKY has made loans to a Subsidiary, as a creditor of the Subsidiary. Distributions received by SKY as a creditor of a Subsidiary will be paid to SKY *pari passu* with distributions paid to other creditors of the relevant Subsidiary. As a shareholder of a Subsidiary, SKY will only receive any distribution if all of the creditors of the relevant Subsidiary have been paid out in full and only to the extent of any surplus assets.

There is no restriction under the Bond Documents or any other documents relating to the Offer on the ability of SKY (or, for the avoidance of doubt, any of its Subsidiaries) to dispose of any of its assets to any person or incur other indebtedness pursuant to separate documentation.

No Bondholder will be liable to pay any further amounts to SKY or any other person in respect of the Bonds as a consequence of SKY becoming insolvent.

TRUSTEE'S STATEMENT

24 February 2014

TO: THE INVESTORS UNDER THIS PROSPECTUS OF SKY NETWORK TELEVISION LIMITED

Dear Investor

Clause 9(3) of Schedule 12 to the Securities Regulations 2009 requires us to confirm that the offer of the securities (**Bonds**) by SKY Network Television Limited (**Sky**) set out in the simplified disclosure prospectus dated on or about 24 February 2014 (**Prospectus**), complies with any relevant provisions of:

- a) the Master Trust Deed between Sky and The New Zealand Guardian Trust Company Limited (**Trustee**) dated 11 September 2006 (as amended); and
- b) the Supplemental Trust Deed between Sky and the Trustee dated 21 February 2014,

(together, the **Bond Documents**).

The relevant provisions of the Bond Documents are those which:

- a) entitle Sky to constitute and issue under the Bond Documents the Bonds offered under the Prospectus; and
- b) impose any restrictions on the right of Sky to offer the Bonds,

and are described in the "Provisions of Trust Deed and other restrictions on Borrowing Group" section on pages 32 to 34 of the Prospectus.

The Trustee's statement does not refer to any financial information, or to any material contained in the Prospectus, which does not relate to the Bond Documents.

The Trustee confirms that the offer of Bonds set out in the Prospectus complies with any relevant provisions of the Bond Documents. We have given the confirmation on the basis set out above.

The inclusion of this Trustee's statement in the Prospectus should not be taken to imply that the Trustee has responsibility for the material in this Prospectus other than the Trustee's statement.

The Trustee does not guarantee or provide any assurance as to the repayment of the Bonds offered or the payment of interest thereon or any other aspect of the Bonds.

Signed for and on behalf of the Trustee
The New Zealand Guardian Trust Company Limited



Asif Saleem
Relationship Manager - Corporate Client Services

SKY TV - Trustee's Statement
Corporate Client Services

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STATUTORY INFORMATION

The information in this section is provided in accordance with Schedule 12 to the Securities Regulations.

Names, addresses and other information

SKY Network Television Limited is the issuer of the Bonds. SKY's registered office is at 10 Panorama Road, Mt Wellington, Auckland, New Zealand.

The directors of SKY are:

- Peter Macourt - Chairman
- Robert Bryden
- John Fellet
- John Hart
- Humphry Rolleston
- John Waller
- Geraldine McBride
- Derek Handley

SKY's directors are current at the date of this Prospectus but are subject to change. SKY's directors can be contacted at SKY's address set out above and in the Directory on page 42 of this Prospectus.

The New Zealand Guardian Trust Company Limited is the trustee for the Bonds. The Trustee's address is Level 7, Vero Centre, 48 Shortland Street, Auckland.

The Trustee has been granted a licence under section 16(1) of the Securities Trustees and Statutory Supervisors Act 2001 ("STSS Act") to act as trustee in respect of debt securities. The licence expires on 16 March 2018 and is subject to certain conditions imposed by the Financial Markets Authority, including the condition that the Trustee must certify in its six-monthly reporting to the Financial Markets Authority under section 25 of the STSS Act that:

1. it has sufficient financial resources and independence to support and develop its trustee and statutory supervisor business; and
2. it holds adequate professional indemnity insurance for its trustee and statutory supervisor business.

Further information on the Trustee's licence and applicable conditions is publicly available on the Financial Markets Authority website at www.fma.govt.nz/help-me-comply/trustees.

Experts and underwriter

There are no experts named in this Prospectus. The Offer is not underwritten.

Main terms of Offer

A summary of the key terms of the Offer is set out under the section headed *Key information* on page 4 of this Prospectus.

The Offer

SKY is offering up to \$100 million of Bonds to investors in New Zealand. All of the Bonds will be issued on the same date which will be 31 March 2014.

Issue Price

The Principal Amount and Issue Price of each Bond is \$1.00.

Status

The Bonds are unsecured, unsubordinated debt securities. The Bonds will rank equally with SKY's other unsecured unsubordinated debt (including, without limitation, the bonds issued by SKY in 2006 which are, as at the date of this Prospectus, the only Series of quoted bonds issued by SKY), other than indebtedness preferred by law.

Bond Documents

The Bond Documents, this Prospectus and the Application Forms contain all the conditions applicable to all Bonds, including the conditions for any Bond applications. Copies of the Bond Documents may be obtained from SKY on request.

Interest

Each Bond will bear interest from (and including) the Issue Date at the Interest Rate. The Interest Rate for the Bonds will be announced to NZX on or before the Opening Date.

SKY will also pay interest at the Interest Rate to each Bondholder on subscription money held on trust by the Registrar from (and including) the date on which subscription moneys are banked into the Offer trust account to (but excluding) the Issue Date (after deducting any applicable withholding taxes) where an application for subscription is successful. If SKY refuses an application or accepts an application in part, no Early Bird Interest will be paid on the application money returned to the applicant.

Applicants can obtain details of the Interest Rate applicable to the Bonds by contacting a Joint Lead Manager or any broker, bank or NZX Firm or their investment adviser. Interest shall accrue daily on the basis of a 365 day year.

Interest payments, and the Principal Amount payable on the Maturity Date, will be paid either by cheque or directly into the bank account nominated by the Bondholder in writing to the Registrar from time to time.

Interest payment

The interest payment dates are each 31 March, 30 June, 30 September and 31 December after the Issue Date and prior to the Maturity Date, and the Maturity Date.

Interest will be payable by SKY on each Interest Payment Date to the Bondholders as at the relevant Record Date.

Interest will be payable by SKY in arrears on each Interest Payment Date with a final payment being due on the Maturity Date. SKY will pay interest in equal amounts on each Interest Payment Date and the interest payable on each Bond on each Interest Payment Date will be one quarter of the annual interest amount payable on that Bond in the year (commencing on the Issue Date or an anniversary of the Issue Date) in which that Interest Payment Date falls.

If an Interest Payment Date is not a Business Day, the relevant payment will be made on the next day which is a Business Day, without adjustment or further payment. Where interest must be paid before an Interest Payment Date (for example due to an Event of Default) it will be calculated on a 365 day year basis.

Payment of Early Bird Interest

Early Bird Interest will be paid not later than seven Business Days after the Issue Date and will be paid to the original subscriber for the Bonds (notwithstanding any transfer of any Bond that may have occurred).

Default interest

If any amount payable in respect of a Bond is not paid on its due date, interest will accrue on the unpaid amount at the aggregate of 2% per annum plus the Interest Rate, which will compound monthly until the relevant amount is paid.

You have no right to an early redemption unless an Event of Default occurs and the Trustee has declared the Bonds due and payable in accordance with the terms of the Bond Documents. This means that you cannot cash in your investment unless there is an Event of Default or unless you sell your Bonds in the secondary market or SKY elects to repay some or all of the Bonds earlier than the scheduled Maturity Date.

Early repayment by SKY

SKY may, at its sole discretion, make a full or pro rata partial repayment to Bondholders of the Bond Debt on each of 31 March 2017, 31 March 2018, 31 March 2019 or 31 March 2020. For each Bond, any early repayment will be for a price which is the greater of:

- (a) the aggregate of the Principal Amount and all accrued interest and other amounts owing on that Bond; and
- (b) the volume weighted NZDX market price of a Bond over a 10 Business Day period prior to the Record Date for the repayment.

Where any pro rata partial repayment is made to Bondholders, a minimum of \$50 million of Bonds must remain Outstanding following that partial repayment.

If any Bonds are repaid prior to their scheduled Maturity Date, your returns may be different from the returns that you would have received if those Bonds were repaid on the scheduled Maturity Date.

Acceleration of Bonds on Event of Default

The Events of Default are listed in the Bond Documents and are summarised under the section headed *Events of Default* on page 32.

Upon the occurrence of any of the Events of Default, the Trustee may, and immediately upon being directed to do so by an Extraordinary Resolution of Bondholders must, declare the Bond Debt to be immediately due and payable by giving written notice to SKY.

If the Bonds are repaid prior to their scheduled Maturity Date (including as a result of an acceleration following an Event of Default or an election by SKY to repay some or all of the Bonds early), your returns may be different from the returns that you would have received if the Bonds were repaid on their scheduled Maturity Date.

Minimum amount

Applications to subscribe for Bonds must be for a minimum Principal Amount of \$5,000 (and in multiples of \$1,000 thereafter). There is no maximum amount of Bonds that you may apply for, but applications for less than \$5,000 will not be accepted. Some or even all of the Bonds being offered may be reserved for clients of the Joint Lead Managers or Primary Market Participants and other persons invited to participate in the bookbuild. The aggregate number of Bonds so reserved will be determined by SKY, in consultation with the Arranger, on or before the Opening Date. There is no assurance that any Bonds will be available in a public pool. Following the bookbuild, SKY, in consultation with the Arranger, will determine the arrangements in respect of Bonds which are not subject to Firm Allocations (if any). Those arrangements will be announced by SKY on or before the Opening Date.

Application and payment

Applications to subscribe for Bonds must be made on the Application Form contained on page 45 of this Prospectus. For more information on application instructions see the Application Instructions on page 43.

Payment instructions for the Offer

If you make an application under the Offer, you must pay for the Bonds in full by cheque, direct debit or through the NZClear System (for authorised institutional investors who have made prior arrangements with the Registrar).

If payment for the Bonds is not made through the NZClear System or by direct debit, each Application Form must be accompanied by a cheque for payment when the Application Form is returned or lodged in accordance with the instructions contained in the following section headed *Where to send your Application Form and payment*.

Cheques should be in New Zealand dollars drawn on a New Zealand branch of a registered bank and submitted with the completed Application Form. Cheques should be made payable to "SKY Network Television Bond Offer" and crossed "Not Transferable". Cheques must not be post-dated.

Institutions that normally settle via the NZClear System can do so by making arrangements prior to the Closing Date and settlement with the Registrar. Such application can be settled up to and including the Issue Date.

Where to send your Application Form and payment

If you have accepted a Firm Allocation from an NZX Firm or other approved financial intermediary you must return a completed Application Form (together with means of payment) to the office of that financial intermediary as advised by that intermediary in time to enable forwarding to the Registrar before 12:00pm on the Closing Date.

If there is any public pool, your Application Form (together with means of payment) for any such public pool may also be made to SKY or lodged with a Joint Lead Manager, any Primary Market Participant, any NZX Firm or any other approved financial intermediary and should be lodged as soon as possible in time for them to be forwarded to the Registrar before 12:00pm on the Closing Date. For public pool applications the completed Application Form with the applicable payment option selected, and together with a cheque made payable to "SKY Network Television Bond Offer" if paying by cheque, can also be delivered or sent to Computershare Investor Services Limited (by post) Private Bag 92119 Auckland 1142 or (by hand) Level 2, 159 Hurstmere Road, Takapuna, Auckland to be received by no later than by 12:00pm on the Closing Date.

Application for Bonds may also be lodged with any other channel approved by NZX, but must be received by the Registrar no later than by 12:00pm on the Closing Date.

STATUTORY INFORMATION (CONTINUED)

Applications may be refused

SKY reserves the right to refuse all or any part of your application without giving a reason.

If SKY refuses your application (in whole or in part) then any money received in respect of that application (to the extent it has been refused) will be returned (without interest) to you as soon as reasonably practicable after SKY decides not to accept the application and, in any event, within 10 Business Days of the close of the Offer.

If SKY accepts your application in part, the balance of the application money (without interest) will be refunded to you as soon as reasonably practicable and, in any event, within 10 Business Days after the close of the Offer.

If your payment for Bonds is dishonoured, SKY may cancel any Bonds issued to you and may pursue you for damages suffered by SKY.

No cooling off

There is no cooling off period in respect of the Bonds. Once lodged, applications cannot be withdrawn or revoked, unless SKY determines otherwise at its sole discretion.

Relationship with listed securities and ranking of securities

In a liquidation of SKY, the Bonds will rank:

1. equally with other Series of SKY bonds quoted on the NZDX; and
2. in priority to SKY's shares quoted on the NZSX and ASX.

For more information see the section headed *Ranking of the Bonds* on page 34.

Issue expenses

There are no fees or charges payable by you to SKY to invest in the Bonds other than the Issue Price, but you may be required to pay brokerage, and you should ask your broker or financial adviser for details of any charges. SKY will pay brokerage of up to 1.25% on the subscription amount for applications. As part of this, SKY will pay brokerage on total accepted applications of 0.75% to the Arranger. Such brokerage will be distributed as appropriate to NZX Firms and approved financial intermediaries for applications carrying that firm's stamp. A Firm Allocation fee of 0.50% in respect of Bonds allocated pursuant to a Firm Allocation will also be paid to the Arranger and distributed as appropriate to NZX Firms or approved financial intermediaries that have provided valid applications pursuant to a Firm Allocation.

SKY estimates the issue expenses, including brokerage, legal, accounting, audit, registry, printing, distribution and promotion expenses, and other fees to be incurred will be approximately NZ\$1.9 million based on an issue size of NZ\$100 million. These are payable by SKY. SKY will incur further issue expenses if it issues any further Series of bonds.

Returns

Introduction

The information set out in this section should be read in conjunction with the information set out in the section headed *What are my risks?* on page 20. Certain events could reduce or eliminate the returns intended to be derived from holding the Bonds.

The returns to you on the Bonds comprise interest payable by SKY on the Bonds and either the Principal Amount payable by SKY on the Maturity Date, or the price received for any Bonds sold.

It is not possible to quantify, as at the date of this Prospectus, the exact amount of returns that you will receive, and therefore no amount can be promised by SKY.

Key factors that determine returns

The key factors that determine your returns on the Bonds are:

- the Interest Rate;
- the term of investment (including whether or not the Bonds are repaid or redeemed early or sold);
- SKY's financial condition and credit ratings;
- any applicable taxes (see the section headed *New Zealand taxation* below); and
- the other risk factors described under the section headed *What are my risks?* on page 20.

Returns on maturity

The Bonds will be issued with a scheduled Maturity Date of 31 March 2021 which will be the date that SKY repays the Principal Amount of the Bonds unless the Bonds are repaid prior to that date (including as a result of an acceleration following an Event of Default or an election by SKY to repay some or all of the Bonds early).

Interest payment

The interest payment dates are each 31 March, 30 June, 30 September and 31 December after the Issue Date and prior to the Maturity Date, and the Maturity Date. For more information see the other section headed *Interest payment* on page 28.

New Zealand taxation

The information set out in this section is of a general nature and relates solely to New Zealand taxation. It does not address all possible situations and does not constitute taxation advice to any person. SKY assumes no responsibility or liability to any Bondholders for the tax treatment of their investment in Bonds. The information is believed by SKY to be correct as at the date of this Prospectus. Taxation laws are subject to change. You should seek qualified independent financial and taxation advice before deciding to invest.

Your returns will be affected by taxes. If SKY (which for the purposes of this section of this Prospectus includes the Registrar acting on SKY's behalf) and/or the Trustee is required by law to deduct an amount in respect of taxes from a payment to you, then SKY or the Trustee will deduct the amount for the taxes and pay it to the relevant authority. Neither SKY nor the Trustee is obliged to gross-up, indemnify or otherwise compensate or pay any additional amounts to you as a consequence of, or otherwise in connection with, any such deduction.

If you are not a New Zealand tax resident, you must advise the Registrar whether you are engaged in business in New Zealand through a fixed establishment in New Zealand. You must give notice to the Registrar if your circumstances change.

In this section:

- (a) Bondholders who are resident in New Zealand for taxation purposes are referred to as "Resident Bondholders".
- (b) Bondholders who are not resident in New Zealand for taxation purposes but who are engaged in business in New Zealand through a fixed establishment in New Zealand are referred to as "New Zealand Branch Bondholders".

(c) *Bondholders who are neither resident in New Zealand for taxation purposes nor engaged in business in New Zealand through a fixed establishment in New Zealand are referred to as "Non-Resident Bondholders".*

Resident withholding tax

If you are a Resident Bondholder or a New Zealand Branch Bondholder, resident withholding tax ("RWT") will be deducted from the gross amount of interest paid or credited to you in accordance with the provisions of the Income Tax Act 2007.

As at the date of this Prospectus, if you are a Resident Bondholder or a New Zealand Branch Bondholder that is an individual or trustee and have provided your IRD Number to the Registrar, you will be able to elect RWT to be deducted from interest paid or credited to you at the rate of either 33%, 30%, 17.5% or 10.5%.⁴

For Resident Bondholders and New Zealand Branch Bondholders who have not provided their IRD Number to the Registrar, RWT at 33% will be deducted from interest paid or credited to you.

A Resident Bondholder or New Zealand Branch Bondholder that is a company (other than a Maori authority or a company acting as a trustee) (a "Company Bondholder") that has provided its IRD Number to the Registrar will have RWT deducted at the rate of 28%. RWT will be deducted at the rate of 33% from interest paid or credited to a Company Bondholder that has not provided its IRD Number to the Registrar.

RWT will not be deducted where a Resident Bondholder or New Zealand Branch Bondholder provides a copy of a current RWT exemption certificate to the Registrar on or before that relevant date interest is paid.

You should notify the Registrar of any changes to your elected RWT rate as a result of changes to your particular circumstances.

Approved issuer levy and non-resident withholding tax

This Prospectus does not constitute an offer of Bonds in any jurisdiction other than New Zealand (see the inside front cover of this Prospectus under the section headed *Selling Restrictions*).

SKY is an "approved issuer" and will register the Bonds offered under this Prospectus as "registered securities" for the purposes of the Approved Issuer Levy ("AIL") regime. SKY intends to maintain the registration of both itself and the Bonds under the AIL regime.

If you are a Non-Resident Bondholder who is not associated with SKY for New Zealand income tax purposes, and SKY is lawfully able to apply the AIL regime in respect of any payment of interest to you, SKY and the Trustee will pay AIL at the applicable rate to the Inland Revenue Department and will deduct the amount paid from interest payable to you in lieu of deducting non-resident withholding tax ("NRWT") from that payment. As at the date of this Prospectus, SKY expected the Bonds to qualify for the 0% rate of AIL. This means that SKY or the Trustee may be able to pay interest to a Non-Resident Bondholder (unless deriving interest jointly with one or more Resident Bondholders or New Zealand Branch Bondholders – see below) without deduction of NRWT or payment of AIL.

If you are a Non-Resident Bondholder and derive interest under the Bonds jointly with one or more Resident Bondholders then NRWT must be deducted from the interest paid or credited to you at the applicable RWT rate.

For the purpose of determining SKY's liability (if any) to make deductions or withholdings on account of taxes or any AIL in respect of Bonds, SKY will assume that you are a Resident Bondholder (or if you are holding the Bond with another Bondholder(s), SKY shall assume that you and the other Bondholder(s) are Resident Bondholders), and that you (or you and the other Bondholder(s) as the case may be) hold all of the legal and beneficial ownership interests in the Bond, unless you can satisfy SKY otherwise.

Other New Zealand income tax implications

If you are a Resident Bondholder or a New Zealand Branch Bondholder who acquire the Bonds for the purpose of the business which you carry on through a New Zealand fixed establishment, you will generally be required to calculate your taxable income in relation to the Bonds under the financial arrangements rules. Under those rules, where you dispose of or redeem a Bond for an amount (measured in NZ Dollars at the time of disposal or redemption) exceeding the amount you paid for the Bond (measured in NZ Dollars at the time of acquisition), the excess is likely to be taxable income, in addition to any interest received during the period you held the Bond. A loss on disposal or redemption may be deductible. Such income or loss may have to be recognised annually on an unrealised basis prior to disposal or redemption under the financial arrangements rules.

You may also be taxed on any gains (or allowed a deduction for any loss) arising from the sale or disposal of your Bond(s) in other circumstances. Please consult your own taxation adviser to ascertain the tax implications relevant to the holding or disposal of your Bond(s).

Reserves or retentions

Your returns will not be affected by duties, reserves or retentions.

Person legally liable to pay returns

SKY is legally liable to pay interest and the Principal Amount of the Bonds. If SKY does not pay any amount due on the Bonds, the Guarantors (if any) are legally liable to pay any such unpaid amount, whether or not demand for payment has been made on the Guarantors.

Guarantors

The Bonds are not currently guaranteed by any Subsidiaries of SKY or any other person. There is a provision in the Supplemental Trust Deed for Subsidiaries of SKY to guarantee the Bond Debt in certain circumstances. Any such guarantee would be unsecured and unsubordinated. In the Supplemental Trust Deed, SKY undertakes to ensure that:

- (a) if any member of the SKY Group proposes to become a guaranteeing subsidiary (when used here only, being as that term is defined in the Negative Pledge Deed) that member of the SKY Group will also become a Guarantor; and
- (b) if the Negative Pledge Deed ceases to be in effect:
 - (i) Total Tangible Assets of the Guaranteeing Group are, at all times, not less than 90% of Total Tangible Assets of the SKY Group; and
 - (ii) when calculated for the 12 month period ending on 31 March, 30 June, 30 September and 31 December in each year, EBITDA of the Guaranteeing Group is not less than 90% of EBITDA of the SKY Group.

⁴ The 10.5% rate can only be elected if: (i) you are an individual (not acting as a trustee) and you have a reasonable expectation at the time of making the election that your taxable income for the income year applicable to you (e.g. 1 April 2013 to 31 March 2014) will be \$14,000 or less, or (ii) if you are acting as a trustee of certain testamentary trusts.

STATUTORY INFORMATION (CONTINUED)

Currently, there are no Guaranteeing Subsidiaries. SKY may at its option join any Subsidiary as a Guaranteeing Subsidiary, whether or not required to do so in accordance with the above.

The Supplemental Trust Deed contains provisions for the release of a Guaranteeing Subsidiary from its guarantee and other covenants under the Bond Documents, upon certain conditions. The identity of the Guarantors may alter during the term of the Bonds (without your consent, or without notice to you, but in accordance with the Supplemental Trust Deed).

If SKY is replaced as the obligor, SKY will be required to guarantee the obligations of that substituted obligor. See the section headed *Substituted obligor* on page 33 for further details.

Provisions of trust deed and other restrictions on Borrowing Group Bond Documents

The Bonds are constituted by and issued under the Master Trust Deed dated 11 September 2006 as amended on 28 June 2012 and the Supplemental Trust Deed dated 21 February 2014, in each case between SKY and the Trustee. The Supplemental Trust Deed and (except to the extent that it is modified by the Supplemental Trust Deed) the Master Trust Deed contain the terms of the Bonds. These documents together are referred to as the Bond Documents.

The following is a summary of the principal provisions of the Bond Documents not set out elsewhere in this Prospectus. Unless otherwise defined in the section headed Glossary at the end of this Prospectus, words and expressions have the meanings defined in the Bond Documents when used in this summary. You should refer to the Master Trust Deed and Supplemental Trust Deed if you require further information. These are available on the Companies Office website www.business.govt.nz/companies or by contacting SKY at the address set out in the Directory on page 42 of this Prospectus. You will be bound by, and will be deemed to have notice of, the provisions of the Bond Documents.

Duties and powers of the Trustee

The Trustee is appointed under the Master Trust Deed to act as trustee for, and in the interests of, the Bondholders (including holders of any other Series of bonds issued under the Master Trust Deed and any relevant supplemental trust deed to the extent that the Trustee agrees to do so). The principal duties of the Trustee under the Master Trust Deed in relation to the Bondholders are summarised as follows:

- (a) upon the occurrence of any Event of Default, and provided that the Event of Default is continuing unremedied, the Trustee may at its discretion (and must, if directed by an Extraordinary Resolution of Bondholders or in writing by Bondholders holding in aggregate not less than 75% of the Principal Amount of the Outstanding Bonds), declare the Bond Debt immediately due and payable, exercise the powers of enforcement available to it and apply all monies received in accordance with the provisions of the Master Trust Deed;
- (b) to receive the regular financial and other reports and certificates provided by SKY;
- (c) to perform a number of functions relating to the ongoing administration of the Master Trust Deed including:
 - (i) in relation to the meetings of Bondholders; and
 - (ii) the exercise of discretions such as the giving or withholding of consents relating to such administration and other matters out of the ordinary; and

- (d) on being satisfied that all bond debt in relation to each Series has been paid or provided for upon the terms of the Bond Documents, to execute a deed of release of the Bond Documents.

In addition, the Trustee has a statutory duty pursuant to the Securities Act and the Securities Regulations to exercise reasonable diligence to:

- (a) ascertain whether there has been any breach of the Bond Documents or of the terms of the Offer and to do all it is empowered to do to cause any such breach to be remedied (except where satisfied that the breach will not materially prejudice the security (if any) of the Bonds or the interests of the Bondholders); and
- (b) ascertain whether or not the assets of SKY and any Guarantors that are or may be available are sufficient or likely to be sufficient to discharge the amounts payable on the Bonds as they become due.

Events of Default

If an Event of Default is not remedied, the Trustee may, and immediately upon being directed to do so by an Extraordinary Resolution of Bondholders or in writing by Bondholders holding in aggregate not less than 75% of the Principal Amount of the Outstanding Bonds must, declare the Bond Debt, to be immediately due and payable by giving written notice to SKY.

The Events of Default are listed in the Bond Documents. You should refer to the Bond Documents for a full description of events that constitute an Event of Default. In summary, the Events of Default include:

1. a failure to make any repayment of the Principal Amount within two Business Days after its due date, or a failure to make any other payment of the Bond Debt within five Business Days after its due date;
2. a failure to make any payment of any other monies due and payable under the Bond Documents within ten Business Days after demand in writing from the Trustee;
3. any breach by SKY of any material obligations under the Bond Documents that, if capable of remedy, is not remedied within 30 days after the date that the Trustee notifies SKY of the failure;
4. any breach of a representation or warranty which has a material adverse effect on SKY;
5. if certain insolvency-related events occur, including if SKY is unable to pay its indebtedness as it falls due or SKY stops or suspends payment of any of its indebtedness generally;
6. a distress, attachment or execution for an amount of \$10,000,000 or more is enforced against assets of SKY, or a receiver or manager is appointed in respect of SKY or any material part of SKY's assets unless such process or appointment is discharged within 30 days;
7. a security interest over SKY's assets securing an amount of \$10,000,000 or more is enforced;
8. an order is made or resolution passed for the dissolution or amalgamation of SKY (except for the purposes of a reconstruction or reorganisation not involving insolvency);
9. if a statutory manager is appointed in respect of SKY or SKY is declared at risk;

10. SKY ceases to conduct all or substantially all of its business;
11. if any of SKY's indebtedness in aggregate of \$10,000,000 or more is not paid when due or within any applicable grace period or becomes due and payable before it would otherwise have been due by reason of a default; and
12. a Bond Document ceases to have effect or becomes void, voidable, illegal, invalid or unenforceable in any material respect.

Early repayment by SKY

The Supplemental Trust Deed provides that SKY may, at its sole discretion, make a full or pro rata partial repayment to Bondholders of the Bond Debt on each of 31 March 2017, 31 March 2018, 31 March 2019 or 31 March 2020. For more information, see the section headed *Early repayment by SKY* on page 29.

Negative pledge

The Bond Documents contain a negative pledge covenant that provides that while any Bond Debt remains outstanding, each member of the Guaranteeing Group will not, without the prior written consent of the Trustee, create or permit to exist any Security Interest over any of their assets unless at the same time as, or prior to, the creation of that Security Interest, the same or an equivalent Security Interest is created in favour of the Trustee (ranking at least equally in priority) for all the Bond Debt. There are however some exceptions to this negative pledge covenant. These include the following Security Interests (which, in most cases, are subject to certain limitations):

1. Security Interests arising by operation of law;
2. Security Interests created in favour of vendors of goods;
3. Security Interests consisting of rights or obligations in the nature of netting, set off, combination or consolidation of accounts;
4. Security Interests in favour of SKY or other companies in the Guaranteeing Group (other than companies that owe borrowed monies to persons outside the Guaranteeing Group);
5. Security Interests over joint venture interests and assets;
6. Security Interests existing over assets at the time of their acquisition;
7. Security Interests created by persons who become Subsidiaries after the date of the Bond Documents;
8. Security Interests in respect of certain concessional finance arrangements;
9. Security Interests arising in connection with operating lease transactions or any Transponder Leases;
10. Security Interests agreed to by a Majority of Holders (as defined in the Negative Pledge Deed) unless they are granted in favour of a Majority of Holders (as so defined);
11. Security Interests created in substitution for any of the above; and
12. Security Interests over assets to secure indebtedness which does not in aggregate exceed 10% of the Total Assets of the Guaranteeing Group.

The provisions of this negative pledge covenant in the Bond Documents are not the same as those of the negative pledge covenant in the Negative Pledge Deed. Neither the Trustee nor the Bondholders have the benefit of the Negative Pledge Deed.

SKY and its Subsidiaries are not restricted under the Bond Documents or any other documents relating to the Offer from disposing of any of their respective assets to any person or from incurring other indebtedness pursuant to separate documentation and none of the Bond Documents or any other documents relating to the Offer impose any limitations relating to any ratio of liabilities, or any class of liabilities, to assets, or to any class of assets, of SKY or its Subsidiaries.

Furthermore, Shareholders are not restricted from disposing of any of their shares in SKY by the Bond Documents or any other documents relating to the Offer.

Substituted obligor

The Trustee may agree, without your consent, to another entity incorporated in New Zealand (a "substituted obligor") taking the place of SKY under the Bond Documents in substitution for SKY or a previous substituted obligor. Such substitution may only occur if a number of requirements are met, as set out in the Master Trust Deed. Those requirements include that:

- (a) the substituted obligor becomes bound by all the conditions of the Bond Documents;
- (b) amendments are made to the other documents in respect of the Offer as the Trustee may reasonably deem appropriate;
- (c) any public rating assigned to the Bonds is maintained or increased;
- (d) (if (c) does not apply) the substituted obligor does not have a lower public rating for its long-term unsecured debt than SKY at the relevant time (if SKY has such a rating);
- (e) certain officers of the substituted obligor (including at least one director on behalf of all of the substituted obligor's directors) certify that the substituted obligor will be solvent immediately after the substitution;
- (f) if the Bonds are quoted on a stock exchange at the time of such substitution, the Bonds will remain quoted after the substitution;
- (g) the obligations of the substituted obligor are guaranteed by SKY; and
- (h) legal opinions are obtained confirming certain matters such as that all required consents have been obtained and that the amounts payable to Bondholders will not be reduced by taxes (other than taxes that SKY is not obliged to compensate the Bondholders for under the Bond Documents).

Amendment of Bond Documents with consent of Bondholders (or holders of a relevant Class of SKY bonds)

The Bonds are issued subject to the Bond Conditions set out in the Bond Documents. The power to alter the Bond Conditions can only be exercised by SKY and the Trustee in accordance with the Bond Documents.

STATUTORY INFORMATION (CONTINUED)

The Bond Documents include provisions for the Bond Conditions and other terms and conditions of the Bond Documents to be altered if the amendment has been approved by Bondholders (or a Class of holders if applicable) by way of Extraordinary Resolution. In certain circumstances the Bondholders may form part of a "Class" of holders which also includes holders of other SKY bonds. Accordingly, in this section reference to "holders" means both Bondholders and holders of any other Series of SKY bonds issued under the Master Trust Deed.

An Extraordinary Resolution passed at a meeting of holders or a Class of holders is binding on all holders, whether or not they were present at such meeting, unless the Extraordinary Resolution:

- (a) only affects a particular holder; or
- (b) only affects a particular Series.

The powers which may be exercised by Extraordinary Resolution are set out in full in the Bond Documents and investors should refer to the Bond Documents for a complete list and a fuller description of the powers which may be exercised by Extraordinary Resolution but they include the power to agree, approve, authorise, ratify, and sanction any act, matter or thing whatsoever in relation to or in connection with the Bond Documents, the Bonds, and the exercise or performance by the Trustee of its powers, duties, and discretions. For example, the Bondholders may, by Extraordinary Resolution:

- (a) release SKY from payment of part or all of the Bond Debt;
- (b) postpone the payment of interest on the Bonds and the Maturity Date of the Bonds;
- (c) sanction any alteration, release, modification, waiver, variation or compromise in respect of the rights of the Bondholders or of the Bond Conditions in respect of the Bonds;
- (d) sanction, assent to, release or waive any breach or default of SKY, or (subject to section 62 of the Securities Act) any act of commission or omission of the Trustee; or
- (e) remove the Trustee and appoint a new Trustee.

SKY must call a meeting of the Bondholders, at the written request of the Trustee or of those holding at least 10% of the Principal Amount of the Bonds.

A quorum for the purpose of passing an Extraordinary Resolution is the holders holding a majority of the Principal Amount of the Bonds or of the bonds of the relevant Class (for a meeting of a Class of holders). Any Bonds held by SKY or any of its Subsidiaries will not confer any right to vote while being held by SKY or any of its Subsidiaries.

Amendments of Bond Documents without consent of Bondholders

In addition, SKY and the Trustee may make amendments to the Bond Documents without your consent in the limited circumstances specified in the Master Trust Deed. These circumstances include where amendments are:

- (a) not materially prejudicial to the interests of such Bondholders;
- (b) to correct a manifest error;
- (c) of a minor, formal, technical or administrative nature;
- (d) to comply with the requirements of any applicable law; and

- (e) necessary for the purpose of obtaining or maintaining the quotation of the Bonds on any stock exchange.

Notice of any amendments of the Bond Documents without your consent must be provided to you by SKY within 30 days of the amendment being made.

Waivers

The Trustee may temporarily vary the provisions of the Bond Documents, or waive any breach or anticipated breach by SKY, for such period and on such terms as may be deemed appropriate or expedient and not materially prejudicial to Bondholders. Any waiver will be binding on all Bondholders.

Further Series of Bonds

Under the terms of the Master Trust Deed, SKY has the power to create and issue further Series of bonds without your consent, subject to the execution by SKY and the Trustee of a supplemental trust deed. Under the Bond Documents, a further Series (depending on its terms) may or may not be guaranteed and may (subject to the negative pledge) rank ahead of, equally with or subordinate to the Bonds. For more information on the negative pledge see the section headed *Negative pledge* on page 33.

Restrictions on borrowing

SKY's right to borrow is limited by financing agreements with its banks, but none of the Bond Documents or any other documents relating to the Offer restrict SKY's ability to issue further bonds or to incur other indebtedness pursuant to separate documentation. Any such indebtedness may or may not be guaranteed and may (subject to the negative pledge discussed under the section headed *Negative pledge* on page 33) rank ahead of, equally with or subordinate to the Bonds.

SKY has undertaken to its banks under its financing agreements that, apart from certain exceptions, it will not incur indebtedness for borrowed money without their consent. Such consent has been obtained in relation to the issue of the Bonds. The other restrictions on the ability of SKY to borrow which result from undertakings given, or contracts or deeds entered into, by SKY are certain negative pledge restrictions and certain financial covenants (including those contained in the Supplemental Trust Deed and the Negative Pledge Deed. Neither the Trustee nor the Bondholders have the benefit of the Negative Pledge Deed or the financing agreements and these may be amended at any time without consent of the Bondholders.

Trustee's Statement

The statement required to be made by the Trustee pursuant to clause 9(3) of Schedule 12 to the Securities Regulations is set out on page 23.

Consequences of insolvency

You will not be liable to pay any money to any person as a result of SKY becoming insolvent. However, you may receive none of, or less than, the expected returns on the Bonds if SKY or any Guarantors became insolvent for any reason. For more information see the other section headed *Consequences of insolvency* on page 22.

Ranking of the Bonds

The Bonds will constitute unsecured unsubordinated obligations of SKY and will at all times rank equally with all of SKY's other unsecured unsubordinated debt, other than indebtedness preferred by law. For information on the claims on SKY's assets that rank ahead of Bondholders' rights see the other section headed *Consequences of insolvency* on page 22.

The Bond Documents do not create any security over the assets of SKY or any of its Subsidiaries. However, in certain circumstances, and in order for SKY to comply with the negative pledge covenant set out in the Supplemental Trust Deed, security may be created over the assets of SKY or the assets of a member of the Guaranteeing Group in favour of the Trustee.

The Bonds are not currently guaranteed by any Subsidiary of SKY or any other person. There is provision in the Supplemental Trust Deed for Subsidiaries of SKY to guarantee the Bond Debt in certain circumstances. Any such guarantee would be unsecured and unsubordinated. See the section headed *Guarantors* on page 31 for further information.

Alteration of securities

The Bonds are issued subject to the Bond Conditions set out in the Bond Documents. The Bond Documents include provisions for the Bond Conditions and other terms and conditions of the Bond Documents to be altered. See the sections headed *Amendment of Bond Documents with consent of Bondholders (or holders of a relevant Class of SKY bonds)*, *Amendments of Bond Documents without consent of Bondholders* and *Waivers* on pages 33 and 34 for further information.

SKY has the ability to substitute an alternate obligor under the Bonds as set out in the section headed *Substituted obligor* on page 33.

Early termination

You have no right to have your Bonds repaid by SKY before the scheduled Maturity Date unless an Event of Default occurs and the Trustee has declared the Bonds due and payable in accordance with the terms of the Bond Documents or SKY elects to repay some or all of the Bonds early in accordance with the terms of the Bond Documents. See the sections headed *Early repayment by SKY* and *Acceleration of Bonds on Event of Default* on page 29.

Right to sell securities

Once you have purchased Bonds, the only way that you can cash them in, or reduce your investment prior to the scheduled Maturity Date is by selling some or all of the Bonds to a person who is willing to purchase the Bonds.

You are entitled to sell or transfer your Bonds at any time subject to the Bond Conditions and applicable securities laws and regulations. Your right to sell Bonds is subject to the conditions that appropriate transfer forms are used and the sale must be for Bonds with a Principal Amount that is a multiple of \$1,000 and must not result in the transferor or transferee holding a Bond with a Principal Amount of less than the applicable Minimum Holding unless the transfer is to a Bank or Primary Market Participant, or is a transfer of all of the transferor's Bonds.

Do not attempt to sell Bonds until you know whether, and how many, Bonds have been allotted to you. None of SKY, the Trustee, nor any of their respective directors or employees, nor any other person, accepts any liability or responsibility should you attempt to sell or otherwise deal with any Bonds before receiving an allotment or transaction statement recording the number of Bonds (if any) allotted to you.

As this is the initial issue of the Bonds, there is currently no established market for the Bonds. However, a secondary trading market may develop over time as it has with similar securities of other

issuers and the bonds currently quoted on the NZDX by SKY. If Bonds are sold or transferred after the relevant Record Date in respect of a payment date, the person selling or transferring the Bonds will receive the interest on the relevant Interest Payment Date or the payment of principal on the Maturity Date.

SKY (or any of its Subsidiaries) may purchase Bonds from any person on any market and at any price but is not required to purchase or repurchase Bonds from investors. Any Bonds so purchased by SKY may be retained or sold or surrendered for cancellation at the discretion of SKY.

STATUTORY INFORMATION (CONTINUED)

Application has been made to NZX for permission to quote the Bonds on the NZDX (and NZDX ticker code "SKT020" has been reserved for the Bonds) and all the requirements of NZX relating to that application that can be complied with on or before the date of this Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement in this Prospectus. Transactions in respect of any Bonds quoted on the NZDX can be made by contacting an NZX Firm and supplying your CSN (Common Shareholder Number) and FIN (previously known as FASTER identification number), along with your Bondholder number for the Bonds.

It is likely that brokerage at applicable rates will be payable by you on any transfer of your Bonds effected through an NZX Firm. You should ask your broker or financial adviser for the details of any charges.

Other terms of Offer and securities

All the terms of the Offer and the Bonds are set out in this Prospectus, except:

- (a) for those implied by law;
- (b) that the Interest Rate applicable to the Bonds will be announced to NZX on or prior to the Opening Date; and
- (c) for those which are set out in a document that has been registered with a public official, is available for inspection, and is referred to in this Prospectus (including the Master Trust Deed and the Supplemental Trust Deed).

Information available under SKY's disclosure obligation

SKY, as a listed issuer, is subject to continuous disclosure obligations under the NZDX Listing Rules. SKY's NZX ticker code is "SKT" and copies of announcements made by SKY to NZX from the date of this Prospectus are available at www.nzx.com/markets/NZDX/hybrids/SKT/announcements.

The table opposite sets out particulars of information notified by SKY to NZX prior to the date of this Prospectus in accordance with its obligations under the NZDX Listing Rules that are material to the Offer.

| Description of Announcement | Announcement Date |
|--|-------------------|
| SKY announces it is considering a Retail Bond Offer | 18 Feb 2014 |
| Announcement re SKY/Telecom | 5 Feb 2014 |
| Announcement of Independent Directors | 29 Oct 2013 |
| Results of Annual Meeting | 25 Oct 2013 |
| Chairman's Address to Shareholders and CEO presentation | 24 Oct 2013 |
| Commerce Commission Report | 18 Oct 2013 |
| SKY TV Resets Interest Rate | 14 Oct 2013 |
| SKY's \$200 million Bond Interest Rate | 14 Oct 2013 |
| Commerce Commission Warning | 8 Oct 2013 |
| SKY TV 2013 Annual Report | 25 Sep 2013 |
| Appointment of Directors | 13 Sep 2013 |
| SKY TV 2013 Annual Result | 23 Aug 2013 |
| SKY TV and Vodafone Renew Partnership Agreement | 21 Aug 2013 |
| SKY TV Unsuccessful Bid for English Premier League | 19 Jun 2013 |
| Disclosure Notice | 3 Apr 2013 |
| SKY TV Half Year Accounts | 15 Mar 2013 |
| Director Resignation | 5 Mar 2013 |
| News Ltd Disposition of Shares in SKY TV | 5 Mar 2013 |
| SKY TV Announces Trading Halt | 4 Mar 2013 |
| News Corporation Announces Intention to sell stake in SKY TV | 4 Mar 2013 |
| SKY TV Half Yearly Report and Accounts | 22 Feb 2013 |
| SKY TV Announces Special Dividend | 29 Nov 2012 |
| Results of Annual Meeting | 19 Oct 2012 |
| CEO Annual Meeting Presentation | 18 Oct 2012 |
| SKY \$200 million Bond Interest Rate | 15 Oct 2012 |

Financial statements

The audited financial statements for the Borrowing Group for the financial year ended 30 June 2013 that comply with the Financial Reporting Act 1993 were registered at the Companies Office on 30 September 2013 and notified to NZX on 23 August 2013.

Copies of these financial statements are also available at on SKY's website at www.sky.co.nz/investor-relations.aspx.

Additional interim financial statements

Unaudited interim financial statements for the Borrowing Group for the half year ended 31 December 2013 were notified by SKY to NZX on 24 February 2014.

Copies of these financial statements are also available on SKY's website at www.sky.co.nz/investor-relations.aspx.

Access to information and statements

Copies of the information referred to under the section headed *Information available under SKY's disclosure obligation* on page 36 and the financial statements for the Borrowing Group will be made available on request, and free of charge, by writing to SKY at the address specified in the Directory on page 42 of this Prospectus. The information referred to in the table on page 36 and the financial

statements referred to above are filed on a public register at the Companies Office and are available for public inspection (including at www.business.govt.nz/companies).

Other material matters

NZX has granted SKY approval under NZDX Listing Rule 11.1.5, to enable SKY to decline to accept or register a transfer of Bonds other than in multiples of \$1,000 (as well as where such transfer would result in the transferor holding a Bond with a Principal Amount of less than the applicable Minimum Holding). This restriction applies to all transfers of Bonds unless the transferee is a Bank or Primary Market Participant, in which case there shall be no minimum transfer amount. SKY may not refuse to register a transfer if the transfer is for all of the transferor's Bonds.

Directors' statement

The directors of SKY, after due enquiry by them, are of the opinion that SKY is in compliance with the requirements of the continuous disclosure provisions that apply to it.

The copy of this Prospectus delivered to the Registrar of Financial Service Providers for registration has been signed by each director of SKY Network Television Limited, or by their agent authorised in writing:

Peter Macourt

Robert Bryden

John Fellet

John Hart (by his duly authorised agent Peter Macourt)

Humphry Rolleston

John Waller

Geraldine McBride (by her duly authorised agent John Waller)

Derek Handley

GLOSSARY

Application Form means the application form attached to this Prospectus.

Arranger means ANZ Bank New Zealand Limited.

ARPU means average monthly revenue per residential subscriber.

ASX means the main board equity security market operated by ASX Limited.

Auditors means the auditors for the time being appointed by SKY.

Bank is defined in the NZDX Listing Rules.

Basic Package means the general entertainment package of channels that all customers subscribe to on a mandatory basis when they join SKY.

Bond Conditions means the terms and conditions relating to the Bonds set out in the Bond Documents.

Bond Debt means, in relation to a Bond at any time, the Principal Amount, interest and other moneys payable on, or in relation to, that Bond to the relevant Bondholder.

Bond Documents means the Master Trust Deed and the Supplemental Trust Deed read together (and on the basis that the Supplemental Trust Deed prevails to the extent it modifies the Master Trust Deed or in the event of a conflict between those documents).

Bondholder means a person whose name is recorded in the Register as the holder of a Bond.

Bonds means the bonds offered under this Prospectus in compliance with the Securities Act.

Borrowing Group has the meaning set out in the Securities Regulations and, as at the date of this Prospectus, comprises only SKY.

Business Day means any day (other than a Saturday or a Sunday) on which banks are open for general banking business in Auckland and Wellington except that in the context of the NZDX Listing Rules, means a day on which the NZDX is open for trading.

Class means a category of bonds which constitutes a separate class of bonds, being:

- (a) all Retail Bonds;
- (b) all Wholesale Bonds;
- (c) in relation to matters affecting a Series only, that Series; or
- (d) any category of Bonds which in the reasonable opinion of SKY (in consultation with the Trustee if in relation to a Retail Series) at any particular time, for any particular purpose, constitutes a separate class of Bonds within either Wholesale Bonds or Retail Bonds, or both, as the case may be.

Closing Date means the closing date of the Offer set out on page 4.

DTT means the digital terrestrial television distribution platform.

Early Bird interest means interest paid at the Interest Rate on application money held on trust by the Registrar from (and including) the date on which subscription money is banked to the Offer trust account to (but excluding) the Issue Date (after deducting any applicable withholding taxes) where an application is successful. Early Bird Interest will be paid not later than seven Business Days after the Issue Date.

EBITDA means in relation to any Group for any period, the aggregate amount on a consolidated basis of the net operating profit of that Group in that period (as would be disclosed if an Income Statement of that Group were prepared for that period) before:

- (a) charging or providing for income tax;
 - (b) charging Interest and Financing Costs of that Group;
 - (c) charging for depreciation and amortisation;
- and includes all abnormal items except non-cash abnormal items, adjusted by:
- (d) deducting profits earned by a company within that Group which are properly attributable to a minority interest shareholder outside that Group;
 - (e) excluding (to the extent otherwise taken into account):
 - (i) extraordinary items;
 - (ii) abnormal and extraordinary non-cash items;
 - (iii) equity accounted gains and losses;
 - (iv) other unrealised gains or losses;
 - (v) any expensed rental payments under Transponder Leases which are operating leases; and
 - (vi) Interest Income of that Group.

Event of Default has the meaning given to that term in the Bond Documents.

Extraordinary Resolution means a resolution passed at a meeting of holders (or a relevant Class of holders) duly convened and held in accordance with the rules and procedures for meetings of holders set out in Schedule 1 to the Master Trust Deed at which at least 75% of the persons voting at the meeting voted in favour of the resolution or if a poll is duly demanded then at least 75% of the votes cast on such a poll voted in favour of the resolution.

Firm Allocation means an application for Bonds made by a Joint Lead Manager or other approved financial intermediary under a Firm Allocation letter accepted by or on behalf of SKY.

FTA means free to air.

GAAP means generally accepted accounting practice.

Guaranteeing Group means SKY and the Guaranteeing Subsidiaries.

Guaranteeing Subsidiaries means any companies which become party to the Supplemental Trust Deed by executing a supplemental deed in (or substantially in) the form contained in Schedule 2 to the Supplemental Trust Deed or in such other form as the Trustee may approve, but excluding any such person which has been released from its obligations under the Supplemental Trust Deed in accordance with its terms and **Guaranteeing Subsidiary** means any one of them.

Guarantors means, at a particular time, each Subsidiary of SKY that guarantees the Bond Debt by virtue of it being a Guaranteeing Subsidiary under (and as that term is defined in) the Supplemental Trust Deed and **Guarantor** means any one of them.

Income Statement means, in relation to a Group, a consolidated statement of financial performance of that Group prepared in respect of any period which complies with the Financial Reporting Act 1993 and is prepared on a basis consistent with that applied in the most recent financial statements provided pursuant to clause 10.1 of the Master Trust Deed except to the extent (if any) expressly disclosed to the Trustee and approved in writing by the Auditors. In relation to the Income Statement of the Guaranteeing Group, subsidiaries of SKY which are not Guarantors will be accounted for as though they are associates rather than subsidiaries of SKY.

Interest and Financing Costs means, in relation to a Group for any period, the aggregate amount on a consolidated basis of all interest and other financing costs in that period calculated on an accruals basis in accordance with GAAP including (without limitation):

- (a) discounts and similar allowances on the issue or disposal of debt securities;
- (b) dividends and distributions of a revenue nature on redeemable preference shares;
- (c) interest which has been capitalised and/or debited to any asset or asset account;
- (d) all finance charges under finance leases (including Transponder Leases and OBL Leases which are finance leases) and hire purchase agreements, of a financing nature, calculated in accordance with GAAP;
- (e) a notional interest expense adjustment for Transponder Leases and OBL Leases which are operating leases calculated on the same basis as set out in the most recent Income Statement of the SKY Group; and
- (f) all other expenses and amounts that are required to be treated as interest or financing costs under GAAP,

and takes into account realised and unrealised gains or losses resulting from Treasury Products entered into in order to manage risks in relation to interest payment obligations, less Interest Income of that Group.

Interest Income means, in relation to a Group for any period, the aggregate amount on a consolidated basis of all interest derived by that Group in that period in relation to loans or deposits with banks or financial institutions, or other money market investments.

Interest Payment Date means, in relation to a Bond, each date for payment of interest on that Bond, being:

(a) each 31 March, 30 June, 30 September and 31 December after the Issue Date and prior to the Maturity Date; and

(b) the Maturity Date,

but excluding, for the avoidance of doubt, Early Bird Interest which is to be paid not more than seven Business Days after the Issue Date.

Interest Rate means in relation to a Bond offered under this Prospectus, the prevailing rate of interest per annum payable on the Principal Amount of that Bond.

IPTV means internet protocol television whereby television services are delivered using the internet.

IRD Number means Inland Revenue Department number.

Issue Date means the date on which the Bonds are issued. Bonds under the Offer will be issued on 31 March 2014.

Issue Price means the amount payable in respect of a Bond as specified in this Prospectus.

Issuer means SKY Network Television Limited.

Joint Lead Managers means each of ANZ Bank New Zealand Limited, Bank of New Zealand and Westpac Banking Corporation (acting through its New Zealand branch).

LNB means a dual low noise block developed by SKY for use on its satellite dishes so that these can be electronically switched to the location of the D3 satellite without the need to physically re-point satellite dishes.

Master Trust Deed means the master trust deed dated 11 September 2006 entered into by SKY and the Trustee under which certain bonds may be constituted as amended on 28 June 2012.

Maturity Date means, in relation to each Bond, 31 March 2021, being the scheduled due date for redemption of the Bonds, or such earlier date as that Bond may be redeemed or repaid in accordance with the Bond Documents.

Minimum Holding means Bonds having an aggregate Principal Amount of NZ\$5,000.

Negative Pledge Deed means the negative pledge deed made by SKY and dated 29 June 2005 and as amended or supplemented.

NZClear System means the securities clearing and settlement system facility operated by the Reserve Bank of New Zealand.

NZD, NZD\$, NZ Dollars and **\$** means the lawful currency of New Zealand from time to time.

GLOSSARY (CONTINUED)

NZDX means the New Zealand debt securities market called the NZX Debt Market operated by NZX.

NZDX Listing Rules means the Listing Rules of NZDX.

NZSX means the main board equity security market called the NZX Main Board operated by NZX.

NZX means NZX Limited.

NZX Firms has the meaning ascribed to that term in the Participant Rules of NZX.

OBL Leases means any finance leases entered into by Outside Broadcasting Limited and ANZ Bank New Zealand Limited, in respect of on-site broadcasting vehicles.

Offer means the offer of Bonds by SKY under this Prospectus.

Opening Date means the opening date of the Offer set out on page 4.

Organising Participant means ANZ Bank New Zealand Limited.

OTT means "over the top", which describes a service that provides content over the internet, usually without needing an arrangement with a local telecommunications company and without using a set top box.

Outstanding means, in relation to the Bonds, all such bonds issued in accordance with and pursuant to the Bond Documents other than:

- (a) any Bonds which have been repaid or redeemed pursuant to the relevant Bond Conditions;
- (b) any Bonds:
 - (i) for which the date for repayment or redemption pursuant to the Bond Conditions has occurred; and
 - (ii) the repayment or redemption monies for which (including any interest accrued thereon to the date for such repayment or redemption) have been duly paid to or to the order of the Trustee or to any relevant paying agent and remain available for payment; and
- (c) any Bonds which have become void or have been purchased by or on behalf of SKY and cancelled pursuant to the Bond Conditions.

PPV means pay per view, where the scheduling of the programme is determined by the broadcaster.

Primary Market Participant is defined in the NZDX Listing Rules.

Principal Amount means, in relation to a Bond, the amount (other than interest) payable on redemption or repayment of that Bond, being the amount recorded as such in the Register in respect of that Bond.

Prospectus means this simplified disclosure prospectus.

Rate Set Date means 28 February 2014.

Record Date means, in relation to any payment due in respect of a Bond:

- (a) the tenth day before the due date for the making of that payment; or
- (b) if the day determined by paragraph (a) is not a Business Day, the preceding Business Day,

or such other date as may be agreed between the Trustee and SKY, provided that such date complies with the requirements of, or any waiver obtained from, NZX.

Register means the relevant register of Bonds maintained by the Registrar in accordance with the Master Trust Deed and the Registrar and Paying Agency Agreement.

Registrar means Computershare Investor Services Limited, as registrar, calculation agent and paying agent for the Bonds, or any successor appointed under the Registrar and Paying Agency Agreement.

Registrar and Paying Agency Agreement means the registrar and paying agency agreement dated 11 September 2006 under which the Registrar is appointed as registrar, calculation agent and paying agent for the Bonds.

Retail Bond means a bond which is part of a Retail Series.

Retail Series means a Series of bonds which may, in accordance with the relevant conditions for those bonds, be offered or sold to members of the public for the purposes of the Securities Act.

Risk Management Policy means SKY's internal risk management policy document dated 19 February 2014.

Securities Act means the Securities Act 1978 (and includes the Securities Regulations).

Securities Regulations means the Securities Regulations 2009.

Series means bonds issued by SKY pursuant to a particular supplemental trust deed to the Master Trust Deed.

SKY means SKY Network Television Limited.

SKY Group or **Group** means SKY and its Subsidiaries for the time being.

SKY Movies means SKY's movie tier channels, consisting of six movie channels, being SKY MOVIES PREMIERE, SKY MOVIES EXTRA, SKY MOVIES GREATS, SKY MOVIES CLASSICS, SKY MOVIES ACTION and the TCM channel.

SKY Sports means SKY's sport tier channels, consisting of four general sports channels and ESPN.

Subsidiary means a company which is:

- (a) a subsidiary of SKY as defined in sections 5 and 6 of the Companies Act 1993; or
- (b) an “in substance subsidiary” or a “subsidiary” of SKY in accordance with any approved New Zealand financial reporting standard.

Supplemental Trust Deed means the supplemental trust deed executed by SKY and the Trustee dated 21 February 2014 constituting and setting out the terms and conditions of the Bonds.

Total Assets means, at any date for any Group, the aggregate amount on a consolidated basis of all assets of that Group at that date and which would be disclosed as assets by the financial statements for that Group if they were prepared as at that date.

Total Tangible Assets means, at any date in relation to a Group, the aggregate amount on a consolidated basis of all assets of the relevant Group which would be disclosed by a balance sheet of the relevant Group if one were prepared as at that date, excluding goodwill, brand names, future tax benefits and all other assets which, according to GAAP, are considered to be intangible assets.

Transponder Leases means contracts securing access for SKY or any of its Subsidiaries to satellite capacity in connection with SKY's direct broadcast service.

Treasury Product means a currency or interest rate swap, futures contract, interest cap collar or floor agreement, currency or interest rate option, foreign currency transaction, dealing line or commodity derivative, or any combination of the above, or any similar or substitute hedging, currency or interest rate risk management or treasury product or derivative.

Trustee means The New Zealand Guardian Trust Company Limited as trustee for the Bondholders.

USD means the lawful currency of the United States of America from time to time.

VOD means video on demand, where the user determines the time at which the programme is viewed.

Wholesale Bond means a bond which is part of a Wholesale Series.

Wholesale Series means a Series of bonds which are not permitted, in accordance with the relevant conditions for those bonds, to be offered or sold to members of the public for the purposes of the Securities Act.

DIRECTORY

Issuer

SKY Network Television Limited
10 Panorama Road
Mt Wellington
Auckland 1060

P.O. Box 9059
Newmarket 1149
Auckland

Tel: (09) 579 9999
Website: www.sky.co.nz

Legal Advisors to SKY

Buddle Findlay
PricewaterhouseCoopers Tower
188 Quay Street
Auckland 1010

Legal Advisors to the Trustee

Bell Gully
Vero Centre
48 Shortland Street
Auckland 1010

Trustee

The New Zealand Guardian Trust Company Limited
Level 7, Vero Centre
48 Shortland Street
Auckland 1010

Tel: 64 9 909 5100
Email: ct-auckland@nzgt.co.nz

Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622

Private Bag 92119
Auckland 1142

Tel: 64 9 488 8777
Fax: 64 9 488 8787
Email: enquiry@computershare.co.nz

Auditors

PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay Street
Auckland 1010

Private Bag 92162
Auckland 1010

Joint Lead Managers

ANZ Bank New Zealand Limited
Level 7, 1 Victoria Street
Wellington 6011

P.O. Box 540
Wellington 6011

Bank of New Zealand
Level 6
80 Queen Street
Auckland 1142

Private Bag 92208
Auckland 1142

Westpac Banking Corporation
(acting through its New Zealand branch)
(ABN 33 007 457 141)
Westpac on Takutai Square
Level 8, 16 Takutai Square
Auckland 1010

P.O. Box 934
Auckland 1010

Arranger and Organising Participant

ANZ Bank New Zealand Limited
Level 26, ANZ Centre
23-29 Albert Street
Auckland 1010

P.O. Box 6243
Auckland 1010

APPLICATION INSTRUCTIONS

You should read this Prospectus carefully before completing the Application Form.

An application will constitute an irrevocable offer by the applicant to subscribe for and acquire the Principal Amount of the Bonds specified on the Application Form (or such lesser amount which SKY may determine) on the terms and conditions set out in this Prospectus, the Bond Documents and the Application Form.

An application cannot be withdrawn or revoked by the applicant once it has been submitted. SKY's decision on the aggregate Principal Amount of the Bonds to be allotted to an applicant and as to whether to accept or reject an Application Form or to treat it as valid, will be final.

Applications to subscribe for the Bonds must be made on the Application Form contained in this Prospectus. Please complete all relevant sections of the Application Form using BLOCK LETTERS. SKY may accept any Application Form not correctly completed as being valid, and may correct errors and omissions, at its sole discretion.

A. INVESTOR DETAILS

Insert your full name(s). Applications must be in the full name(s) of natural persons, companies or other legal entities, up to a maximum of three names per application. See the table below on correct name conventions.

Insert your postal address as all correspondence relating to your holding in the Bonds will be sent to you at this address. For joint applicants, only one address is to be entered. Provide your telephone number so that the Registrar or SKY can contact you in relation to your application if required.

| Type of investor | Correct way to write name | Incorrect way to write name |
|---------------------------------------|---|--------------------------------|
| Individual person | JOHN ROBERT SMITH | J SMITH |
| More than one person | JOHN ROBERT SMITH MICHELLE SARAH SMITH | J & M SMITH |
| Companies | ABC LIMITED | ABC |
| Trusts | JOHN ROBERT SMITH (JOHN SMITH FAMILY TRUST A/C) | SMITH FAMILY TRUST |
| Partnerships | JOHN ROBERT SMITH MICHAEL STEPHEN SMITH (JOHN SMITH AND SONS A/C) | JOHN SMITH & SONS |
| Clubs and unincorporated associations | JANE ASHLEY SMITH (SMITH INVESTMENT CLUB A/C) | SMITH INVESTMENT CLUB |
| Superannuation funds | JOHN SMITH LIMITED (SUPERANNUATION FUND A/C) | JOHN SMITH SUPERANNUATION FUND |

APPLICATION INSTRUCTIONS (CONTINUED)

B. APPLICATION PAYMENT DETAILS AND PAYMENT OF FUTURE INTEREST

Payment must be made in New Zealand dollars for immediate value by

1. a direct debit authorisation;
2. a cheque drawn on a New Zealand bank account (or, if the application is for the Bonds of an aggregate subscription amount of NZ\$500,000 or more, by bank cheque); or
3. via the NZClear System (institutional investors only) or by prior arrangement with the Registrar.

Complete the amount of the Bonds applied for. Each Bond has a Principal Amount of NZ\$1.00. Note the minimum amount of the Bonds that you can apply for is NZ\$5,000 and multiples thereafter are NZ\$1,000 as stated in the Application Form.

Option 1:

If you choose the direct debit option, you must tick the box authorising the Registrar to direct debit the bank account nominated on the Application Form on the day the Application Form is received by the Registrar for the amount applied for on the Application Form. You cannot specify a direct debit date and you must ensure that:

- the bank account details supplied are correct;
- sufficient funds in the bank account for direct debit are available on the day the Registrar receives the Application Form;
- the person(s) giving the direct debit instruction has/have the authority to operate the account solely/jointly; and
- the bank account you nominated is a transactional account eligible for direct debit transactions. If you are uncertain, you should contact your bank or financial institution.

Should your direct debit fail, your application will be rejected.

If requested, a direct debit authority form will be provided to you by the Registrar. Refer to the contact details in section G of these instructions.

Option 2:

Cheques must be drawn on a New Zealand registered bank, from a New Zealand dollar bank account and must be made in New Zealand dollars. Cheques must be made payable to "SKY Network Television Bond Offer", crossed "Not Transferable" and must not be post-dated as cheques will be banked on day of receipt. If an applicant's cheque is dishonoured, SKY may cancel that applicant's allotment of the Bonds and pursue any other remedies available to it at law.

Option 3:

Investors who are members of NZClear System may, by prior arrangement with the Registrar, settle their applications for the Bonds on the Issue Date through the NZClear System.

Future Interest Payments

All future interest payments will be made to the account specified on the Application Form. If you do not select the direct debit option (option 1), you must provide your bank account details so that SKY can direct credit your interest payments into your bank account. If you wish for your interest to be direct credited to a Cash Management Account, please complete the section in the Application Form provided for this account information.

C. HOLDER NUMBER DETAILS

If you have other investments registered under a Common Shareholder Number (CSN) you can supply your CSN in the space provided. The name and address details on your Application Form must correspond with the registration details under that CSN.

D. PROVIDE YOUR IRD NUMBER AND TICK THE RELEVANT RWT BOX

Please supply your IRD number. Resident Withholding Tax (RWT) will be deducted from any interest paid to you (unless you provide a valid RWT exemption certificate). Tick the RWT box that applies to you. If you are exempt from RWT, please tick the exempt box and attach a copy of your RWT exemption certificate.

E. ELECTRONIC INVESTOR CORRESPONDENCE

By supplying your email address, SKY will be able to deliver your investor correspondence, including your transaction statements, to you electronically where possible. This is a much more environmentally friendly, cost effective and timely option than paper-based investor mailing.

F. SIGNING AND DATING

Read the Prospectus and Application Form carefully and sign and date the Application Form.

The Application Form must be signed by the applicant(s) personally, or by two directors of a company (or one director if there is only one director, whose signature must be witnessed), or in either case by a duly authorised attorney or agent.

If the Application Form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate of non-revocation of power of attorney on the reverse of the Application Form.

If the Application Form is signed by an agent, the agent must complete the certificate of agent on the reverse of the Application Form.

Joint applicants must each sign the Application Form.

G. CLOSING DATE AND DELIVERY

Applicants accepting a Firm Allocation from a Joint Lead Manager, NZX Firm or approved financial intermediary must return a completed Application Form (with payment) to the office of that Joint Lead Manager, NZX Firm or financial intermediary in time to enable forwarding to the Registrar before 12:00 noon on the Closing Date (26 March 2014).

The Offer will close at 12:00 noon on 26 March 2014 (being the Closing Date). SKY reserves the right to refuse to accept applications received by the Registrar after the Closing Date. Your Application Form should be delivered in accordance with the instructions contained in the Application Form.

Personal information rights

Personal information provided by you will be held by SKY and the Registrar at their respective addresses shown in the Directory on page 42 of this Prospectus or at such other place as is notified upon request. This information will be used for the purpose of managing your investment. You have a right to access and correct any personal information about you under the Privacy Act 1993.

(ATTACH CHEQUE HERE)

| |
|--------------------------|
| Broker Stamp |
| Chris Lee & Partners Ltd |
| PO Box 1633 |
| Paraparaumu Beach 5252 |
| |
| |

SKY NETWORK TELEVISION LIMITED

Bonds (“Bonds”)

APPLICATION FORM

This Application Form is issued with the Simplified Disclosure Prospectus dated 24 February March 2014 (Prospectus), issued by SKY Network Television Limited. Please complete this Application Form and return it to, or lodge it with, an appropriate person as specified under the heading *Where to send your Application Form and payment* on page 29 of the Prospectus.

Before completing this Application Form, applicants should read the Prospectus to which this application relates.

A. APPLICATION DETAILS AND INFORMATION – PLEASE PRINT IN BLOCK LETTERS

First Name(s) Family Name

First Name(s) Family Name

First Name(s) Family Name

Corporate Name or Account

Postal Address

Daytime Phone Number

B. APPLICATION PAYMENT—IMPORTANT

Applications must be accompanied by payment in full. Payment must be either by direct debit by completing the bank account section below, or by cheque payable to “SKY Network Television Bond Offer” and crossed “Not Transferable”. Cheques must not be post-dated. Payment must be in New Zealand currency based on NZ\$1.00 per Bond. Your Application Form must be received by 12:00 noon on 26 March 2014 (Closing Date).

Applications must be for a minimum of NZ\$5,000 and, thereafter, in multiples of NZ\$1,000. SKY may accept or reject all or part of this application without giving reason.

Amount of the Bonds applied for NZ\$

You may choose only ONE of the options below. Please tick the box next to your selected option (✓).

- OPTION 1:** Please direct debit my bank account stated below for the amount of the Bonds applied for above (or any lesser amount as determined by SKY). By ticking this box and signing this Application Form, I/we agree that SKY or its agent is authorised to direct debit my/our account for the full amount of the Bonds applied for (or any lesser amount as determined by SKY). All future amounts paid by SKY will also be credited to this account unless the Registrar is advised otherwise in writing.
- OPTION 2:** Please find attached my/our payment by cheque. I/we have supplied my/our bank account details below for the purpose of direct crediting of any future interest paid by SKY.
- OPTION 3:** Payment will be made by the NZClear System as per prior arrangement with the Registrar (authorised institutional investors only).

NZClear Mnemonic: trade with CISL90

NEW ZEALAND DOLLAR BANK ACCOUNT DETAILS FOR DIRECT DEBIT PURPOSES AND/OR DIRECT CREDIT OF FUTURE INTEREST PAYMENTS:

Name of Bank Name of Account

Bank/Branch Account No Suffix

OR

For the purpose of interest payments only: direct credit to my Cash Management Account:

Name of NZX member Firm where Cash Management Account is held

Cash Management Account Client Number

C. COMMON SHAREHOLDER NUMBER (CSN)

Please note that the application must be in the same name as the CSN below, otherwise the application will be deemed to be made without a CSN and a CSN will be allocated at the time of allotment.

If you currently have a CSN, please enter it here:

D. IRD NUMBER AND RESIDENT WITHHOLDING TAX

IRD Number (only one IRD number is required in respect of joint applications): - -

Deduct Resident Withholding Tax from all of my/our interest payments at the following rate (tick ✓ one).

- 10.5%
- 17.5%
- 28% (company rate)
- 30%
- 33%
- Exempt (If you are exempt from Resident Withholding Tax, attach a copy of your RWT exemption certificate for noting).

Please note that companies (other than a company which is acting as a trustee or a company which is a Maori authority) do not need to tick any box unless they hold an RWT exemption certificate. Tax will automatically be deducted at 28%.

Please tick the box below if you are not resident in New Zealand and do not engage in business in New Zealand through a fixed establishment in New Zealand for tax purposes.

- Non-Resident (please note that investors must be members of the public or institutions in New Zealand or investors in jurisdictions where the Bonds may be lawfully offered in compliance with all applicable laws and regulations).

E. ELECTRONIC CORRESPONDENCE AND REPORTING

To enable SKY to provide you with your investor correspondence in relation to your holding in these Bonds electronically, please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the address provided on this Application Form.

Email address

F. SIGNATURE(S) OF APPLICANT(S)

I/We hereby acknowledge that I/we have received and read the Prospectus, and apply for the New Zealand dollar amount of the Bonds set out above and agree to accept such Bonds (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the Prospectus.

All applicants on this Application Form must sign.

| | | |
|----------------------|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
|----------------------|----------------------|----------------------|

Date

G. SEND APPLICATION FORM AND CHEQUE TO BE RECEIVED BY THE REGISTRAR, NO LATER THAN 12:00 NOON ON 26 MARCH 2014

H. CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY/AGENCY

(Complete this section if you are acting on behalf of the Applicant on this Application Form for whom you have power of attorney or are acting as agent on behalf of the Applicant)

I, (full name)

of (place and country of residence),

(occupation), CERTIFY:

- THAT by deed/agreement dated (date of instrument creating the power of attorney/agency),

(name of person/body corporate which granted the power of attorney/agency)

of
(place and country of residence of person/body corporate which granted the power of attorney / agency*)

appointed me attorney;
(his/her/its)

- THAT I have executed the application for the Bonds printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and
- THAT I have not received notice of any event revoking the power of attorney.

Signed at this day of (month/year)

Signature of attorney

* If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

TERMS AND CONDITIONS

By signing this Application Form:

- (a) I/we agree to subscribe for the Bonds upon and subject to the terms and conditions of the Prospectus, this Application Form and the Bond Documents and I/we agree to be bound by the provisions thereof;
- (b) I/we confirm that I/we have received, read and understood the Prospectus;
- (c) I/we declare that all details and statements made by me/us in this Application Form are complete and accurate;
- (d) I/we certify that, where information is provided by me/us in this Application Form about another person, I/we are authorised by such person to disclose the information to you and to give authorisation;
- (e) I/we acknowledge that an application cannot be withdrawn or revoked by the applicant once it has been submitted; and
- (f) I/we acknowledge that the Offer is only made in New Zealand and to investors in other jurisdictions where the Bonds may be lawfully offered, and by applying for the Bonds, I/we warrant that I/we received this Offer in New Zealand and I/we are eligible to participate in the Offer or an investor in a jurisdiction where the Bonds may be lawfully offered in compliance with all applicable laws and regulations, and I/we agree to indemnify SKY and its directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred by SKY as a result of my/our breaching that warranty or the selling restrictions described in the Prospectus.

SKY reserves the right to decline any application, in whole or in part, without giving any reason and may decide not to accept any applications whatsoever.

Money received in respect of applications that are declined in whole or in part will be refunded in whole or in part (as the case may be). Refunds will be mailed to unsuccessful applicants within ten Business Days of the allotment of the Bonds.

Interest will not be paid on application money refunded to applicants.

Statements for the Bonds will be dispatched to successful applicants as soon as practicable after allotment, but in any event within five Business Days of the Issue Date.

Applications must conform with the application instructions in the section of the Prospectus entitled *Application instructions and Payment instructions for the Offer*.

A joint application must be signed by all applicants. Only the address of the first named of the joint applicants will be recorded on the Register and all interest payments, notices, and other correspondence will be sent to that address.

Applications lodged by individuals must be signed personally or by their attorney or agent. If this Application Form is signed by an attorney, the attorney must complete the certificate of non-revocation of power of attorney set out in the Application Form. If this Application Form is signed by an agent, the agent must complete the certificate of agent set out in the Application Form.

Terms defined in the Prospectus have the same meaning in this Application Form.

This Application Form, the Offer and any contract arising out of its acceptance are each governed by New Zealand law. Under the Financial Transactions Reporting Act 1996, investors could be required to produce evidence of their identity.

The information in this Application Form is provided to enable SKY and the Registrar to process your application, and to administer your investment. By signing this Application Form, you authorise SKY and the Registrar to disclose information in situations where SKY or the Registrar are required or permitted to do so by any applicable law or by a governmental, judicial or regulatory entity or authority in any jurisdiction. If you are an individual under the Privacy Act 1993, you have the right to access and correct any of your personal information.

(ATTACH CHEQUE HERE)

| |
|---|
| Broker Stamp |
| Chris Lee & Partners Ltd PO Box 1633 Paraparaumu Beach 5252 |
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SKY NETWORK TELEVISION LIMITED

Bonds (“Bonds”)

APPLICATION FORM

This Application Form is issued with the Simplified Disclosure Prospectus dated 24 February March 2014 (Prospectus), issued by SKY Network Television Limited. Please complete this Application Form and return it to, or lodge it with, an appropriate person as specified under the heading *Where to send your Application Form and payment* on page 29 of the Prospectus.

Before completing this Application Form, applicants should read the Prospectus to which this application relates.

A. APPLICATION DETAILS AND INFORMATION — PLEASE PRINT IN BLOCK LETTERS

First Name(s) Family Name

First Name(s) Family Name

First Name(s) Family Name

Corporate Name or Account

Postal Address

Daytime Phone Number

B. APPLICATION PAYMENT—IMPORTANT

Applications must be accompanied by payment in full. Payment must be either by direct debit by completing the bank account section below, or by cheque payable to “SKY Network Television Bond Offer” and crossed “Not Transferable”. Cheques must not be post-dated. Payment must be in New Zealand currency based on NZ\$1.00 per Bond. Your Application Form must be received by 12:00 noon on 26 March 2014 (Closing Date).

Applications must be for a minimum of NZ\$5,000 and, thereafter, in multiples of NZ\$1,000. SKY may accept or reject all or part of this application without giving reason.

Amount of the Bonds applied for

You may choose only ONE of the options below. Please tick the box next to your selected option (✓).

OPTION 1: Please direct debit my bank account stated below for the amount of the Bonds applied for above (or any lesser amount as determined by SKY). By ticking this box and signing this Application Form, I/we agree that SKY or its agent is authorised to direct debit my/our account for the full amount of the Bonds applied for (or any lesser amount as determined by SKY). All future amounts paid by SKY will also be credited to this account unless the Registrar is advised otherwise in writing.

OPTION 2: Please find attached my/our payment by cheque. I/we have supplied my/our bank account details below for the purpose of direct crediting of any future interest paid by SKY.

OPTION 3: Payment will be made by the NZClear System as per prior arrangement with the Registrar (authorised institutional investors only).

NZClear Mnemonic: trade with CISL90

NEW ZEALAND DOLLAR BANK ACCOUNT DETAILS FOR DIRECT DEBIT PURPOSES AND/OR DIRECT CREDIT OF FUTURE INTEREST PAYMENTS:

Name of Bank Name of Account

Bank/Branch Account No Suffix

OR

For the purpose of interest payments only: direct credit to my Cash Management Account:

Name of NZX member Firm where Cash Management Account is held

Cash Management Account Client Number

C. COMMON SHAREHOLDER NUMBER (CSN)

Please note that the application must be in the same name as the CSN below, otherwise the application will be deemed to be made without a CSN and a CSN will be allocated at the time of allotment.

If you currently have a CSN, please enter it here:

D. IRD NUMBER AND RESIDENT WITHHOLDING TAX

IRD Number (only one IRD number is required in respect of joint applications): - -

Deduct Resident Withholding Tax from all of my/our interest payments at the following rate (tick ✓ one).

10.5% 17.5% 28% (company rate) 30% 33% Exempt (If you are exempt from Resident Withholding Tax, attach a copy of your RWT exemption certificate for noting).

Please note that companies (other than a company which is acting as a trustee or a company which is a Maori authority) do not need to tick any box unless they hold an RWT exemption certificate. Tax will automatically be deducted at 28%.

Please tick the box below if you are not resident in New Zealand and do not engage in business in New Zealand through a fixed establishment in New Zealand for tax purposes.

Non-Resident (please note that investors must be members of the public or institutions in New Zealand or investors in jurisdictions where the Bonds may be lawfully offered in compliance with all applicable laws and regulations).

E. ELECTRONIC CORRESPONDENCE AND REPORTING

To enable SKY to provide you with your investor correspondence in relation to your holding in these Bonds electronically, please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the address provided on this Application Form.

Email address

F. SIGNATURE(S) OF APPLICANT(S)

I/We hereby acknowledge that I/we have received and read the Prospectus, and apply for the New Zealand dollar amount of the Bonds set out above and agree to accept such Bonds (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the Prospectus.

All applicants on this Application Form must sign.

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Date

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H. CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY/AGENCY

(Complete this section if you are acting on behalf of the Applicant on this Application Form for whom you have power of attorney or are acting as agent on behalf of the Applicant)

I, (full name)
of (place and country of residence),
 (occupation), CERTIFY:

- THAT by deed/agreement dated (date of instrument creating the power of attorney/agency),
 (name of person/body corporate which granted the power of attorney/agency)
of
(place and country of residence of person/body corporate which granted the power of attorney / agency*)
appointed me attorney;
(his/her/its)

- THAT I have executed the application for the Bonds printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and
- THAT I have not received notice of any event revoking the power of attorney.

Signed at this day of (month/year)

Signature of attorney

* If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

TERMS AND CONDITIONS

By signing this Application Form:

- (a) I/we agree to subscribe for the Bonds upon and subject to the terms and conditions of the Prospectus, this Application Form and the Bond Documents and I/we agree to be bound by the provisions thereof;
- (b) I/we confirm that I/we have received, read and understood the Prospectus;
- (c) I/we declare that all details and statements made by me/us in this Application Form are complete and accurate;
- (d) I/we certify that, where information is provided by me/us in this Application Form about another person, I/we are authorised by such person to disclose the information to you and to give authorisation;
- (e) I/we acknowledge that an application cannot be withdrawn or revoked by the applicant once it has been submitted; and
- (f) I/we acknowledge that the Offer is only made in New Zealand and to investors in other jurisdictions where the Bonds may be lawfully offered, and by applying for the Bonds, I/we warrant that I/we received this Offer in New Zealand and I/we are eligible to participate in the Offer or an investor in a jurisdiction where the Bonds may be lawfully offered in compliance with all applicable laws and regulations, and I/we agree to indemnify SKY and its directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred by SKY as a result of my/our breaching that warranty or the selling restrictions described in the Prospectus.

SKY reserves the right to decline any application, in whole or in part, without giving any reason and may decide not to accept any applications whatsoever.

Money received in respect of applications that are declined in whole or in part will be refunded in whole or in part (as the case may be). Refunds will be mailed to unsuccessful applicants within ten Business Days of the allotment of the Bonds.

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Terms defined in the Prospectus have the same meaning in this Application Form.

This Application Form, the Offer and any contract arising out of its acceptance are each governed by New Zealand law. Under the Financial Transactions Reporting Act 1996, investors could be required to produce evidence of their identity.

The information in this Application Form is provided to enable SKY and the Registrar to process your application, and to administer your investment. By signing this Application Form, you authorise SKY and the Registrar to disclose information in situations where SKY or the Registrar are required or permitted to do so by any applicable law or by a governmental, judicial or regulatory entity or authority in any jurisdiction. If you are an individual under the Privacy Act 1993, you have the right to access and correct any of your personal information.