



PRESS RELEASE

3 August 2005

BRITISH SKY BROADCASTING GROUP PLC Results for the twelve months ended 30 June 2005

BSkyB announces total revenue of over £4 billion, record profits and year on year growth in gross subscriber additions

Operating highlights

- Net DTH subscriber growth of 83,000 (2004: 81,000) in the quarter to 7.8 million (2004: 7.4 million)
- Sky+ households increased by 118,000 (2004: 75,000) in the quarter to 888,000 (2004: 397,000)
- Multiroom households increased by 82,000 (2004: 23,000) in the quarter to 645,000 (2004: 293,000)

Financial highlights

- Turnover increased by 11% to £4,048 million
- Operating profit before goodwill and exceptional items increased by 34% to £805 million, a margin of 20%
- Profit after tax increased by 32% to £425 million
- Earnings per share before goodwill and exceptional items increased by 58% to 29.0 pence
- Proposed final dividend of 5 pence per share generating a full year dividend of 9 pence per share

James Murdoch, Chief Executive said:

“The team delivered a set of results this year that demonstrates the health of our business and the strong position that the Company occupies in this rapidly evolving marketplace. We remain focused on providing the leading entertainment service in the UK and Ireland that continues to meet the changing needs of our customers and their families, offering great value and world-beating quality. In a highly competitive environment, we are confident in our ability to achieve our goals”

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Results highlights

| Key subscriber information | 2005 | 2004 | Change | % Change |
|--|------------------|-----------|---------|----------|
| Net DTH subscriber additions ⁽¹⁾ | 83,000 | 81,000 | 2,000 | 2% |
| Total DTH subscribers ⁽²⁾ | 7,787,000 | 7,355,000 | 432,000 | 6% |
| Net Sky+ household additions ⁽¹⁾ | 118,000 | 75,000 | 43,000 | 57% |
| Total Sky+ households ⁽²⁾ | 888,000 | 397,000 | 491,000 | 124% |
| Net Multiroom household additions ⁽¹⁾ | 82,000 | 23,000 | 59,000 | 257% |
| Total Multiroom households ⁽²⁾ | 645,000 | 293,000 | 352,000 | 120% |

| Profit and loss account (£m) | Twelve months to 30 June | | | |
|--|---------------------------------|-------|--------|----------|
| | 2005 | 2004 | Change | % Change |
| Turnover | 4,048 | 3,656 | 392 | 11% |
| Operating profit before goodwill and exceptional items ⁽³⁾ | 805 | 600 | 205 | 34% |
| Operating profit margin before goodwill and exceptional items | 19.9% | 16.4% | 3.5% | 21% |
| Profit before taxation, goodwill and exceptional items ⁽³⁾ | 757 | 514 | 243 | 47% |
| Profit after taxation before goodwill and exceptional items ⁽³⁾ | 555 | 356 | 199 | 56% |
| Profit after taxation | 425 | 322 | 103 | 32% |

| Cash flow information (£m) | Twelve months to 30 June | | | |
|-----------------------------------|---------------------------------|------|--------|----------|
| | 2005 | 2004 | Change | % Change |
| Operating cash inflow | 978 | 882 | 96 | 11% |
| Net debt | 379 | 429 | -50 | -12% |

| Per share information (pence) | Twelve months to 30 June | | | |
|---|---------------------------------|------|--------|----------|
| | 2005 | 2004 | Change | % Change |
| Earnings per share before goodwill and exceptional items ⁽³⁾ | 29.0 | 18.3 | 10.7 | 58% |
| Earnings per share | 22.2 | 16.6 | 5.6 | 34% |

1. In the three months to 30 June

2. As at 30 June

3. The reconciliation to the nearest equivalent GAAP measure can be found on page 17



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There will be a presentation to analysts and investors at 9:30 a.m. (BST) today at Goldman Sachs, River Court Conference & Training Centre, 7th Floor, River Court, 120 Fleet Street, London EC4A 2BB and a press conference at 11:30 a.m. at the same venue.

A conference call for US analysts and investors will be held at 10:00 a.m. EST today. Details of the call have been sent to US institutions and can be obtained from John Sutton at Taylor Rafferty on +1 212 889 4350.

A live webcast of the presentation to analysts and investors, together with this presentation will be available today on Sky's website, which may be found at www.sky.com/corporate.

Interviews with James Murdoch, CEO, and Jeremy Darroch, CFO, in video, audio and text, are available from Sky's website and at www.cantos.com.



OPERATING REVIEW

At 30 June 2005, the total number of direct-to-home ("DTH") digital satellite subscribers in the UK and Ireland was 7,787,000, representing a net increase of 83,000 subscribers in the three months to 30 June 2005 ("the quarter"). During the year, the number of subscribers to one or more premium channels increased by over 250,000 to 5,619,000. The Group remains on track to achieve its target of eight million DTH subscribers by 31 December 2005.

The Group recorded gross DTH subscriber additions in the quarter of 303,000, reflecting further progress since the launch of a number of strategic initiatives, including the 'What do you want to watch?' marketing campaign on 1 October 2004, and despite a more challenging consumer environment.

The total number of Sky+ households increased by 118,000 in the quarter to 888,000, reflecting an 11% penetration of total DTH subscribers. Since relaunching with a revised pricing structure in October 2003, the number of Sky+ subscribers has increased at an average rate of 110,000 every quarter, equal to the growth in total DTH subscribers over the same period. This product continues to receive high satisfaction ratings and attract new customers to Sky with 14% of new additions in the quarter taking Sky+.

The total number of Multiroom households has more than doubled year on year, increasing by 82,000 in the quarter to 645,000, 8% penetration of total DTH subscribers.

DTH churn for the quarter (annualised) was in-line with the fourth quarter of last year at 10.5% and down from 11.1% for the previous quarter. Churn for the twelve months ended 30 June 2005 ("the year") was 10.3%, in-line with the Group's stated goal of around 10%.

Annualised average revenue per DTH subscriber ("ARPU") in the quarter was £384, £2 higher than the previous quarter reflecting increased Multiroom subscriptions, a greater number of pay-per-view ("PPV") events and higher net revenues from SkyBet.



During the year the business delivered a set of initiatives to further extend the range of products and services available to its customers.

- Today, Sky is announcing the introduction of the 'Sky Gnome', an innovative portable and wireless device that will enable customers to listen to the audio output from their favourite digital TV and radio channels throughout the home.
- In June 2005, Sky announced a simplified pricing and packaging structure that offers customers increased choice and flexibility. The basic-tier package will be replaced by six distinct "genre-mixes" allowing customers to select various combinations of basic-tier channels alongside premium sports and movies. Whilst increasing the number of available packages fivefold, Sky also reduced the number of price points from 96 to 15.
- Before the end of this calendar year, customers who subscribe to a top-tier package and have a broadband internet connection will be able to download movies 'on-demand' and enjoy Sky Sports programming through their PC free of charge. Initially planned to launch with over 200 movies, which will increase over time, customers will be able to browse and download movies, trailers, behind the scenes footage and reviews at any time through an easy to use, intuitive application. From day one, over 5 million Sky Sports subscribers will have access to highlights from all their favourite sports, including Barclays Premier League and UEFA Champions League football, rugby, golf and cricket. As an added benefit, Sky World customers will also be able to receive the latest video updates from Sky News and Sky Sports News via their mobile phone.
- In October 2004, Sky added Sky+160 to its product portfolio. This product offers customers around four times as much storage as the standard Sky+ box and has two USB connections, increasing its compatibility for future developments.
- At the same time, Sky launched a new freesat service offering customers around 200 television and radio channels and interactive services for a one-off fee. This provides an attractively priced alternative for approximately 50% of UK households who either cannot receive Freeview or require an aerial upgrade.
- Following on from the success of Sky+, Sky plans to launch Europe's most comprehensive high definition television service ("HDTV") in the first half of calendar year 2006. Good progress was made during the year building the required broadcast infrastructure and facilities and developing the HDTV box, which has the connectivity and flexibility to offer advanced services in the future. This service will initially comprise a number of HD channels, including sports, movies and documentaries and will offer customers the ultimate TV experience.



- Sky Sports share of viewing¹ in UK television homes was 12% higher than the same quarter last financial year, with England playing Australia in cricket's NatWest Challenge and the British and Irish Lions tour of New Zealand both achieving record audience figures. During the year, Sky concluded a number of major sports agreements including:
 - Exclusive live rights from the England and Wales Cricket Board to broadcast all international and the primary domestic cricket series in England and Wales until 2009
 - Exclusive live rights from the Rugby Football Union to broadcast England's Autumn Internationals and Zurich Premiership matches until 2010
 - Exclusive live rights to the European Rugby Cup until 2010
 - Exclusive live rights from the Football League to broadcast around 100 matches per season from the League's competitions until 2009

In addition to these, Sky Sports also added coverage of equestrian events, international netball, badminton and yachting to further increase the range of programming on its dedicated channels, which includes coverage of over 150 different sporting disciplines.

- During the year, Sky made progress in the renegotiation of three major movie studio contracts, focusing on better quality, better rights and improved value. Sky Movies screens over 450 different films every week across its 11 multiplex screens, offering unrivalled choice and convenient viewing.
- Named as 'News Channel of the Year' by the Royal Television Society for the fourth year running, Sky News remains the UK's leading news channel both in terms of ratings and critical acclaim. Later this year, Sky News will unveil a new on-air look and schedule when it begins broadcasting from its recently completed state-of-the-art studio complex at Sky's main campus in Osterley.
- Sky One relaunched in September 2004 with a new on-air look and strong line-up of acquired and commissioned programming. The channel's commitment to offer modern, quality programming is reflected by a 3.9% increase in the share of viewing by ABC1 adults in network homes in the first half of calendar year 2005. The upcoming Autumn schedule features a strong line-up with 'Nip/Tuck' returning in a two series exclusive agreement, the second co-produced series of the '4400' and new US drama series 'Weeds' and 'Threshold'.

¹ According to viewing figures from the Broadcasters Audience Research Board ("BARB")



FINANCIAL REVIEW

Total revenue for the year increased by 11% over the year ended 30 June 2004 ("the comparable period") to £4,048 million. Operating profit before goodwill and exceptional items increased by 34% on the comparable period to £805 million, resulting in operating profit margin before goodwill and exceptional items of 20%, up from 16% for the comparable period.

The Group generated earnings per share before goodwill and exceptional items of 29.0 pence, up from 18.3 pence for the comparable period, and returned a total of £551 million to shareholders through an ordinary dividend and a share buy-back programme.

Revenue

Total revenues increased by 11% on the comparable period to £4,048 million.

DTH revenues increased by 12% on the comparable period to £2,968 million. This was mainly driven by 6% growth in the average number of DTH subscribers and a 5% increase in the average revenue per DTH subscriber, mainly as a result of the January and September 2004 price rises and increased Multiroom subscription revenues.

Wholesale revenues increased by 2% on the comparable period to £219 million. After adjusting for a one-off receipt of monies from NTL following an audit of sums due to the Group in the first quarter of last financial year, this represents a 5% increase on the comparable period. This has primarily been driven by the changes to wholesale prices in January and September 2004 and the payment for carriage of Sky Sports Extra and PREPLUS.

Advertising revenues increased by 5% on the comparable period to £329 million. This has been driven by 4% growth in the UK television advertising sector and continued growth in the Group's share of this sector.

Total SkyBet revenue for the year was £261 million, a 37% increase on the comparable period. Gross margin increased from 8% to 10% driven by the introduction of fixed odds games during the year, such as roulette and multi-line slot games. On 8 April 2005, the Gambling Act was passed by Parliament. Once implemented, the Act will present an opportunity to offer 'gaming' services combining TV and interactivity. 'Gaming' includes games of chance and skill and therefore the Act will permit the launch of true casino games such as poker, in addition to the fixed odds games already available on SkyBet.



The SkyBuy retail service was wound down and closed during the year. This, together with the expiry of a number of historical interactive contracts and services led to a reduction in Sky Active revenues of £24 million to £92 million. Underlying revenues (excluding these items) rose by 10% to £87 million, reflecting the growth in areas such as interactive advertising, games and third party betting and gaming.

Programming costs

Total programming costs decreased by £75 million on the comparable period to £1,636 million. This reduction has been primarily driven by contractual savings in the renewal of sports contracts and the benefit of improved rates at which the group is able to purchase US dollars to satisfy its movie commitments.

Sports costs, which represent 46% of total programming costs, decreased by £56 million on the comparable period to £747 million. The renewal of the FA Premier League and Football Association contracts led to substantially all of this reduction which was partly offset by the Ryder Cup, a bi-annual event and investment in production costs behind increased coverage in a number of sports, most notably football, with an increase of 32 live Barclays Premiership games and delayed footage or extended highlights of every Barclays Premiership match through the *Football First* service.

Movie costs decreased by £37 million on the comparable period to £356 million primarily due to an improved rate at which the Group's US dollar denominated movies were amortised as a result of the weaker dollar. Savings from the renewal of a non-major studio agreement were offset by the additional costs associated with an increase in the average number of movie subscribers.

News and entertainment costs were £171 million, an increase of £16 million on the comparable period. This increase is primarily due to the higher operating costs of Sky News following the commencement of the contract to supply news to 'five' and the coverage of the Tsunami disaster and the elections at home and abroad. After adjusting for the £17 million accelerated stock amortisation charge in the final quarter of last financial year, entertainment costs increased by 22% on the comparable period. This increase reflects the greater investment in acquired and commissioned programming for Sky One.

Third party channel costs increased by 1% on the comparable period to £362 million, representing a 6% increase in the average number of DTH subscribers offset by a 6% reduction in the cost per subscriber. This saving has been primarily driven by the renewal of our contracts on improved terms and the termination of our contract with Granada Sky Broadcasting ("GSB"), slightly offset by new channels joining the pay-TV line-up, including FX, Turner Classic Movies ("TCM") and UKTV Style Gardens.

Gross margin (defined as total revenues less total programming costs) for the year was 60%, representing an increase of 7 percentage points on the comparable period.



Other operating costs

Total other operating costs before goodwill and exceptional items increased by £262 million on the comparable period to £1,607 million.

Transmission and related costs for the year were £171 million, an increase of £25 million on the comparable period reflecting higher engineering, broadcast support and maintenance costs associated with an expanding broadcast infrastructure, resulting from projects including the creation of the new Sky News Centre and the Advanced Technology Centre ("ATC").

Marketing costs increased by £119 million to £515 million, 13% of total revenue, equal to the average rate over the last three years. During the year, the Group launched a number of marketing initiatives to attract new subscribers and drive the penetration of the yield enhancing Sky+ and Multiroom products. This increase reflects the strong growth in the number of gross additions, with three times as many new joiners taking Sky+ from the outset compared to last year. As a consequence of this activity, the blended subscriber acquisition cost ("SAC") for the year was £237. The number of existing customers upgrading to Sky+ increased by over 40% year on year and the number upgrading to Multiroom increased by almost 150% over the same period. These products generate high levels of satisfaction and offer an attractive return on investment through lower churn and a higher propensity to take premium packages and multiple subscriptions. Above the line marketing costs for the year were £74 million, an increase of 50% on the comparable period as a result of the continuation of the 'What do you want to watch?' campaign and marketing of the new Sky One schedule.

Subscriber management costs increased by £25 million on the comparable period to £396 million. This reflects the growing subscriber base, increased call volumes due to higher levels of sales activity and a higher level of Sky+ and Multiroom installations.

Administration costs before goodwill and exceptional items increased by £32 million on the comparable period to £289 million, mainly due to increased technology, facility, IS development costs and a one-time charge of £14 million for restructuring costs following an efficiency and effectiveness review of the business.

Betting costs increased by £61 million to £236 million in line with the strong growth in SkyBet revenues.

Operating profit before goodwill and exceptional items increased by 34% on the comparable period to £805 million. Operating profit margin before goodwill and exceptional items increased from 16% to 20%, despite the small dilutive effect of the structurally lower margin SkyBet business, which currently generates a margin of around 10%.



Goodwill

The goodwill associated with planetfootball.com was fully written off in June 2004 resulting in a £3 million reduction in goodwill on the comparable period to £116 million.

Exceptional items

During the second quarter, the Group sold its 49.5% investment in GSB to ITV for £14 million cash consideration. After deducting the carrying value of the investment in GSB and writing back the original goodwill relating to the increase of the Group's interest in GSB to 49.5% in March 1998, which had previously been eliminated against reserves, the disposal generated an accounting loss under UK Generally Accepted Accounting Principles ("UK GAAP") of £23 million.

In the quarter, the Group received £13 million from the liquidators of ITV Digital as a full and final settlement in respect of amounts owed to the Group. These amounts had been fully provided for in the year ended 30 June 2002 therefore generating a non-recurring operating exceptional item.

Joint Ventures

The Group's share of net operating profits from its joint ventures was £14 million for the year, compared to a £5 million net operating loss for the comparable period. After adjusting for a one-off £11 million write down in relation to Attheraces ("ATR") in the final quarter of last financial year, this represents an increase in net operating profits of £8 million, generated primarily from ATR.

Interest

Total net interest payable for the year reduced by £19 million to £62 million primarily as a result of an increase in interest receivable due to higher levels of cash on deposit at higher interest rates.

Taxation

The total net tax charge for the period of £206 million includes a current tax charge of £159 million, a deferred tax charge of £68 million and a tax charge in relation to exceptional items of £4 million, offset by a £25 million adjustment in respect of prior years. Excluding the effect of goodwill, joint ventures and exceptional items, the Group's underlying effective tax rate on ordinary activities for the year was 30%.

The net £25 million adjustment in respect of prior years comprises a £7 million benefit in respect of consortium relief on losses purchased from ATR and the favourable settlement of some prior year items.



The mainstream corporation tax liability for the year was £161 million and in accordance with the quarterly instalment regime, £75 million was paid in the year and £40 million was paid in July 2005. The final payment is due in October 2005.

Earnings

Profit after tax for the year was £425 million, generating earnings per share before goodwill and exceptional items of 29.0 pence, an increase of 58% on the comparable period. At 30 June 2005, the total number of shares outstanding was 1,867,523,599.

Cash flow

Earnings before interest, tax, depreciation and amortisation ("EBITDA") before exceptional items increased by 28% on the comparable period to £897 million. After a £55 million positive movement in working capital, a £13 million receipt from the liquidators of ITV digital and other items, the Group generated an operating cash inflow of £978 million. After taxation of £103 million and net interest payable of £63 million the Group utilised cash in a number of areas, including the share buy-back programme (£416 million, including £3 million of stamp duty and commissions), capital expenditure (£230 million) and dividend payments (£138 million) resulting in a reduction in net debt during the year from £429 million to £379 million at 30 June 2005.

During the year, the Group progressed a number of capital expenditure and infrastructure projects in line with the plans announced on 4 August 2004. The Group spent £75 million on a combination of infrastructure projects including the acquisition of four freehold properties previously leased at its Osterley campus and the construction of the Sky News centre. The Group continued work on the CRM programme to upgrade its customer service systems, investing £59 million during the year, with roll-out scheduled to commence in the second half of this calendar year. As part of the Group's business continuity plan, £24 million was invested to build and fit out the Advanced Technology Centre. The remaining £72 million, regarded as 'core' capital expenditure, was spent on IS infrastructure, broadcast equipment and new product development, including HDTV.



IFRS

The Group is required to adopt International Financial Reporting Standards (“IFRS”) in the preparation of its consolidated financial statements from 1 July 2005. In November 2005, the Group will report its first results under IFRS for the quarter ending 30 September 2005. In order to provide comparative figures under IFRS in advance, the Group will publish detailed information regarding the transition on 14 September 2005. This will include audited reconciliations of the 2005 Income Statement, Balance Sheet and Cash Flow to UK GAAP from IFRS detailing the impact of the Group’s new accounting policies, and unaudited quarterly 2005 Income Statements to provide comparatives for 2006.

Further details on the transition to IFRS, including unaudited headline results for the 2005 financial year, will be provided at the Group’s preliminary results presentation today.

Distributions to shareholders

The Board of Directors are proposing a final dividend of 5 pence per ordinary share, resulting in a total dividend for the year of 9 pence per share. The ex-dividend date will be 26 October 2005 and, subject to shareholder approval at the Company’s Annual General Meeting (“AGM”), the dividend will be paid on 18 November 2005 to shareholders of record on 28 October 2005.

At the Company’s AGM on 12 November 2004, the Company received approval from shareholders to repurchase up to 97 million shares, representing approximately five percent of its issued share capital. During the year, the Company repurchased for cancellation 74.3 million shares for a total consideration of £416 million, including stamp duty and commissions. The programme is ongoing, and will continue until the authority granted on 12 November 2004 expires at the next AGM on 4 November 2005.

It remains the overall financial policy of the Board to achieve an appropriate balance between distributions arising from strong free cash flow generation to shareholders, and maintaining a prudent degree of strategic and financial flexibility.

The Board considers that an on-market share repurchase programme is a flexible, equitable and tax-efficient means by which to make distributions to shareholders which are incremental to the ordinary dividend. As a result, the Board currently intends to propose resolutions at the AGM in November 2005 to renew the annual authority last granted by shareholders in 2004 to buy back up to a further 5% of its issued share capital.



In pursuing a continued buy-back authority, the Board is sensitive to the concerns expressed by some Independent Shareholders. Accordingly, as part of the buy-back proposals, the Board intends to enter into an agreement with News UK Nominees Limited, which would limit the exercise of its voting rights to the level held at the time of the 2005 AGM (expected to be no more than 37.2%). This voting arrangement will be conditional on the buy-back proposals being approved by shareholders. Further details of the proposals will be sent to shareholders in advance of the AGM.



Use of non-GAAP financial information

This results announcement contains certain information on the Group's results and cash flows that have been derived from amounts calculated in accordance with UK Generally Accepted Accounting Principles ("UK GAAP"), but are not themselves UK GAAP measures. These should not be viewed in isolation as alternatives to the equivalent UK GAAP measure and should be read in conjunction with the equivalent UK GAAP measures. Further disclosures are also provided under "Use of Non-GAAP Financial Information" in Appendix 2.

Forward-looking statements

This document contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 with respect to the Group's financial condition, results of operations and business, and management's strategy, plans and objectives for the Group. These statements include, without limitation, those that express forecasts, expectations and projections with regard to the potential for growth of free-to-air and pay-TV, advertising growth, DTH subscriber growth and Multiroom and Sky+ penetration, DTH revenue, profitability and margin growth, cash flow generation, subscriber acquisition costs and marketing expenditure, capital expenditure programmes and proposals for returning capital to shareholders.

These statements (and all other forward-looking statements contained in this document) are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the Group's control, are difficult to predict and could cause actual results to differ materially from those expressed or implied or forecast in the forward-looking statements. These factors include, but are not limited to, the fact that the Group operates in a highly competitive environment, the effects of government regulation upon the Group's activities, its reliance on technology, which is subject to risk, change and development, its ability to continue to obtain exclusive rights to movies, sports events and other programming content, risks inherent in the implementation of large-scale capital expenditure projects, the Group's ability to continue to communicate and market its services effectively, and the risks associated with the Group's operation of digital television transmission in the UK and Ireland.

Information on some risks and uncertainties are described in the "Risk Factors" section of Sky's Interim Report on Form 6-K for the period ended 31 December 2004. Copies of the Interim Report on Form 6-K are available on request from British Sky Broadcasting Group plc, Grant Way, Isleworth TW7 5QD or from the British Sky Broadcasting web page at www.sky.com/corporate. All forward-looking statements in this document are based on information known to the Group on the date hereof. The Group undertakes no obligation publicly to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



Appendix 1

Subscribers to Sky Channels

| | As at 30/06/04 | As at 30/06/05 |
|---|-------------------|-------------------|
| DTH homes^{1,2 3} | 7,355,000 | 7,787,000 |
| Total TV homes in the UK and Ireland ⁴ | 26,066,000 | 26,321,000 |
| DTH homes as a percentage of total UK and Ireland TV homes | 28% | 30% |
| Cable – UK | 3,321,000 | 3,287,000 |
| Cable – Ireland | 574,000 | 585,000 |
| Total Sky pay homes | 11,250,000 | 11,659,000 |
| Total Sky pay homes as a percentage of total UK and Ireland TV homes | 43% | 44% |
| Sky+ homes | 397,000 | 888,000 |
| Multiroom homes ⁵ | 293,000 | 645,000 |
| DTT – UK ⁶ | 3,084,000 | 4,940,000 |

1: Includes DTH subscribers in Republic of Ireland (363,000, as at 30 June 2005).

2: DTH subscribers includes only primary subscriptions to Sky (no additional units are counted for Sky+ or Multiroom subscriptions). This does not include customers taking Sky's freesat offering or churned customers viewing free-to-air channels.

3: DTH homes include subscribers taking Sky packages through Kingston Interactive Television and Homechoice.

4: Total UK homes estimated by BARB and taken from the beginning of the month following the period end (latest figures as at 1 July 2005). Total Ireland homes estimated by Nielsen Media Research, conducted on an annual basis in July with results available in September (latest figures as at July 2004).

5: Multiroom includes households subscribing to more than one digibox. (No additional units are counted for the second or any subsequent Multiroom subscriptions.)

6: DTT homes estimated by BARB and taken from the beginning of the following month (latest figures as at 1 July 2005). These include Sky or Cable homes that already take multi-channel TV.



Appendix 2

Use of Non-GAAP Financial Information

A summary of certain non-GAAP measures included in this results announcement, together with the most comparable GAAP measure and descriptions of certain non-GAAP measures, is shown below.

| Non-GAAP measure | Most comparable GAAP measure |
|---|------------------------------|
| Operating profit before goodwill | Operating profit |
| Profit before taxation, goodwill and exceptional items | Profit before taxation |
| Profit after taxation before goodwill and exceptional items | Profit after taxation |
| Earnings per share before goodwill and exceptional items | Earnings per share |
| EBITDA | Operating profit |

Glossary

| Useful definitions | Description |
|--------------------------------------|--|
| ARPU | Average Revenue Per User: the amount spent by the Group's residential subscribers in the quarter, divided by the average number of residential subscribers in the quarter, annualised. |
| Churn | The rate at which subscribers relinquish their subscriptions, expressed as a percentage of total subscribers. |
| Digibox | Digital satellite reception equipment. |
| EBITDA | Earnings before interest, taxation, depreciation and amortisation is calculated as operating profit before depreciation and amortisation or impairment of goodwill and intangible assets. |
| Effective tax rate | Corporation tax charge expressed as a percentage of Profit before Tax, goodwill, interest, exceptional items and share of results of joint ventures. |
| Mainstream Corporation Tax liability | Current corporation tax charge for the year. |
| Multichannel viewing share | Share of viewers of non-analogue terrestrial television. |
| Multiroom | Installation of one or more additional digiboxes in the household of an existing DTH subscriber. |
| PVR | Personal Video Recorder: Digital TV receiver which utilises a built in hard disk drive to enable viewers to record without videotapes, pause live TV, and record one programme while watching another. |
| Sky + | Sky's fully-integrated Personal Video Recorder (PVR) and satellite decoder. |
| Viewing share | Number of people viewing a channel as a percentage of total viewing audience. |

British Sky Broadcasting Group plc

Consolidated Profit and Loss Account for the year ended 30 June 2005

| | Notes | Before goodwill and exceptional items £m (audited) | Goodwill and exceptional items £m (audited) | 2005 Total £m (audited) | Before goodwill and exceptional items £m (audited) | Goodwill and exceptional items £m (audited) | 2004 Total £m (audited) |
|---|-------|--|---|----------------------------------|--|---|----------------------------------|
| Turnover: Group and share of joint ventures' turnover | | 4,115 | - | 4,115 | 3,738 | - | 3,738 |
| Less: share of joint ventures' turnover | | (67) | - | (67) | (82) | - | (82) |
| Group turnover | 1 | 4,048 | - | 4,048 | 3,656 | - | 3,656 |
| Operating expenses, net | 2,4 | (3,243) | (103) | (3,346) | (3,056) | (119) | (3,175) |
| EBITDA | | 897 | 13 | 910 | 702 | - | 702 |
| Depreciation | | (92) | - | (92) | (102) | - | (102) |
| Amortisation | | - | (116) | (116) | - | (119) | (119) |
| Operating profit | | 805 | (103) | 702 | 600 | (119) | 481 |
| Share of joint ventures' and associates' operating results | 3 | 14 | - | 14 | (5) | 10 | 5 |
| Loss on disposal of investments in joint ventures | 4 | - | (23) | (23) | - | - | - |
| Profit on disposal of fixed asset investments | 4 | - | - | - | - | 51 | 51 |
| Amounts written back to fixed asset investments, net | 4 | - | - | - | - | 24 | 24 |
| Profit on ordinary activities before interest and taxation | | 819 | (126) | 693 | 595 | (34) | 561 |
| Interest receivable and similar income | 5 | 30 | - | 30 | 10 | - | 10 |
| Interest payable and similar charges | 5 | (92) | - | (92) | (91) | - | (91) |
| Profit on ordinary activities before taxation | | 757 | (126) | 631 | 514 | (34) | 480 |
| Tax charge on profit on ordinary activities | 6 | (202) | (4) | (206) | (158) | - | (158) |
| Profit on ordinary activities after taxation | | 555 | (130) | 425 | 356 | (34) | 322 |
| Equity dividends | 7 | | | (170) | | | (116) |
| Retained profit for the financial year | | | | 255 | | | 206 |
| Earnings per share – basic | 8 | 29.0p | (6.8p) | 22.2p | 18.3p | (1.7p) | 16.6p |
| Earnings per share – diluted | 8 | 29.0p | (6.8p) | 22.2p | 18.3p | (1.7p) | 16.6p |

There were no recognised gains or losses in either year other than those included within the profit and loss account.

Details of movements on reserves are shown in note 16.

The accompanying notes are an integral part of this consolidated profit and loss account.

All results relate to continuing operations.

Consolidated Profit and Loss Account for the three months ended 30 June 2005

| | Before goodwill and exceptional items £m (unaudited) | Goodwill and exceptional items £m (unaudited) | Three months ended 30 June 2005 Total £m (unaudited) | Before goodwill and exceptional items £m (unaudited) | Goodwill and exceptional items £m (unaudited) | Three months ended 30 June 2004 Total £m (unaudited) |
|---|---|--|---|---|--|---|
| Group and share of joint ventures' turnover | 1,103 | - | 1,103 | 979 | - | 979 |
| Less: share of joint ventures' turnover | (15) | - | (15) | (20) | - | (20) |
| Group turnover | 1,088 | - | 1,088 | 959 | - | 959 |
| Operating expenses, net | (857) | (18) | (875) | (797) | (32) | (829) |
| EBITDA | 253 | 13 | 266 | 184 | - | 184 |
| Depreciation | (22) | - | (22) | (22) | - | (22) |
| Amortisation | - | (31) | (31) | - | (32) | (32) |
| Operating profit | 231 | (18) | 213 | 162 | (32) | 130 |
| Share of joint ventures' and associates' operating results | 2 | - | 2 | (1) | 10 | 9 |
| Profit on ordinary activities before interest and taxation | 233 | (18) | 215 | 161 | (22) | 139 |
| Interest receivable and similar income | 8 | - | 8 | 5 | - | 5 |
| Interest payable and similar charges | (23) | - | (23) | (23) | - | (23) |
| Profit on ordinary activities before taxation | 218 | (18) | 200 | 143 | (22) | 121 |
| Tax charge on profit on ordinary activities | (44) | (4) | (48) | (42) | - | (42) |
| Profit on ordinary activities after taxation | 174 | (22) | 152 | 101 | (22) | 79 |
| Equity dividends | | | (93) | | | (63) |
| Retained profit for the period | | | 59 | | | 16 |
| Earnings per share – basic | 9.2p | (1.2p) | 8.0p | 5.2p | (1.1p) | 4.1p |
| Earnings per share – diluted | 9.2p | (1.2p) | 8.0p | 5.2p | (1.1p) | 4.1p |

British Sky Broadcasting Group plc

Consolidated Balance Sheet at 30 June 2005

| | Notes | 2005 £m (audited) | 2004 £m (audited) |
|--|-------|-------------------------|-------------------------|
| Fixed assets | | | |
| Intangible fixed assets | 9 | 301 | 417 |
| Tangible fixed assets | 10 | 526 | 376 |
| Investments: | | | |
| Investments in associates | | 1 | 1 |
| Investments in joint ventures : Share of gross assets | | 47 | 72 |
| : Share of gross liabilities | | (26) | (45) |
| : Transfer to creditors | | 1 | 5 |
| Total investments in joint ventures and associates | | 23 | 33 |
| Other fixed asset investments | | 2 | 2 |
| Total investments | | 25 | 35 |
| | | 852 | 828 |
| Current assets | | | |
| Stocks | 11 | 340 | 375 |
| Debtors: Amounts falling due within one year | | | |
| - deferred tax asset | 12 | 43 | 49 |
| - other | 12 | 299 | 321 |
| | | 342 | 370 |
| Debtors: Amounts falling due after more than one year | | | |
| - deferred tax asset | 12 | 57 | 102 |
| - other | 12 | 32 | 42 |
| | | 89 | 144 |
| Cash and liquid resources: | | | |
| - current asset investments | | 54 | 173 |
| - cash at bank and in hand | | 643 | 474 |
| | | 697 | 647 |
| | | 1,468 | 1,536 |
| Creditors: Amounts falling due within one year | 13 | (1,240) | (1,170) |
| Net current assets | | 228 | 366 |
| Total assets less current liabilities | | 1,080 | 1,194 |
| Creditors: Amounts falling due after more than one year | | | |
| - long-term borrowings | 14 | (1,076) | (1,076) |
| - accruals and deferred income | 14 | (25) | (28) |
| | | (1,101) | (1,104) |
| Provisions for liabilities and charges | 15 | (13) | - |
| | | (34) | 90 |
| Capital and reserves - equity | | | |
| Called-up share capital | 16 | 934 | 971 |
| Share premium | 16 | 1,437 | 1,437 |
| Employee Share Ownership Plan ("ESOP") reserve | 16 | (32) | (30) |
| Merger reserve | 16 | 149 | 222 |
| Special reserve | 16 | 14 | 14 |
| Capital redemption reserve | 16 | 37 | - |
| Profit and loss account | 16 | (2,573) | (2,524) |
| | | (34) | 90 |

The accompanying notes are an integral part of this consolidated balance sheet.

Consolidated Cash Flow Statement for the year ended 30 June 2005

| | Notes | 2005 £m (audited) | 2004 £m (audited) |
|--|-------|-------------------------|-------------------------|
| Net cash inflow from operating activities | 17a | 978 | 882 |
| Dividends received from joint ventures | | 12 | 4 |
| Returns on investments and servicing of finance | | | |
| Interest received and similar income | | 28 | 7 |
| Interest paid and similar charges | | (91) | (89) |
| Net cash outflow from returns on investments and servicing of finance | | (63) | (82) |
| Taxation | | | |
| UK corporation tax paid | | (101) | (55) |
| Consortium relief paid | | (2) | (3) |
| Net cash outflow from taxation | | (103) | (58) |
| Capital expenditure and financial investment | | | |
| Payments to acquire tangible fixed assets | | (230) | (132) |
| Receipts from sales of fixed asset investments | | 1 | 116 |
| Net cash outflow from capital expenditure and financial investment | | (229) | (16) |
| Acquisitions and disposals | | | |
| Funding to joint ventures and associates | | (4) | (5) |
| Repayments of funding from joint ventures and associates | | 8 | 6 |
| Receipts from sales of investments in joint ventures | | 14 | - |
| Net cash inflow from acquisitions and disposals | | 18 | 1 |
| Equity dividends paid | | (138) | (53) |
| Net cash inflow before management of liquid resources and financing | | 475 | 678 |
| Management of liquid resources | 17c | 164 | (511) |
| Financing | | | |
| Proceeds from issue of Ordinary Shares | | - | 20 |
| Proceeds from issue of shares held in ESOP | | 4 | - |
| Purchase of own shares for ESOP | | (14) | (22) |
| Share buy-back | | (416) | - |
| Capital element of finance lease payments | 17b | - | (1) |
| Net decrease in debt due after more than one year | 17b | - | (75) |
| Net cash outflow from financing | | (426) | (78) |
| Increase in cash | 17c | 213 | 89 |

The accompanying notes are an integral part of this consolidated cash flow statement.

1. Turnover

| | 2005 £m (audited) | 2004 £m (audited) |
|----------------------------|--|--|
| Direct-to-home subscribers | 2,968 | 2,660 |
| Cable subscribers | 219 | 215 |
| Advertising | 329 | 312 |
| Sky Bet | 261 | 191 |
| Sky Active | 92 | 116 |
| Other | 179 | 162 |
| | 4,048 | 3,656 |

2. Operating expenses, net

| | Before goodwill and exceptional items £m (audited) | Goodwill and exceptional items £m (audited) | 2005 Total £m (audited) | Before goodwill and exceptional items £m (audited) | Goodwill and exceptional items £m (audited) | 2004 Total £m (audited) |
|--|---|--|--|---|--|--|
| Programming (i) | 1,636 | - | 1,636 | 1,711 | - | 1,711 |
| Transmission and related functions (i) | 171 | - | 171 | 146 | - | 146 |
| Marketing | 515 | - | 515 | 396 | - | 396 |
| Subscriber management | 396 | - | 396 | 371 | - | 371 |
| Administration (ii) | 289 | 103 | 392 | 257 | 119 | 376 |
| Betting | 236 | - | 236 | 175 | - | 175 |
| | 3,243 | 103 | 3,346 | 3,056 | 119 | 3,175 |

- (i) The amounts shown are net of £11 million (2004: £11 million) receivable from the disposal of programming rights not acquired for use by the Group, and £28 million (2004: £28 million) in respect of the provision to third party broadcasters of spare transponder capacity.
- (ii) Administration costs include a goodwill amortisation charge of £116 million (2004: £119 million), net of an exceptional credit of £13 million (2004: nil) (see note 4).

3. Share of joint ventures' and associates' operating results**Goodwill**

In the prior year, a credit of £11 million arose on the write back of negative goodwill which had arisen on the acquisition of an additional 16.7% stake in Attheraces Holdings Limited in April 2004, taking the Group's stake in Attheraces to 50%. The remaining net £1 million charge relates to amortisation of goodwill arising on the acquisition of certain joint ventures and associates.

4. Exceptional items

| | Credit (charge) before taxation £m (audited) | Taxation (charge) credit £m (audited) | 2005 Total £m (audited) | Credit before taxation £m (audited) | Taxation (charge) credit £m (audited) | 2004 Total £m (audited) |
|---|---|---|----------------------------------|---|---|----------------------------------|
| Settlement of ITV Digital programming debtors (i) | 13 | (4) | 9 | - | - | - |
| Exceptional operating items | 13 | (4) | 9 | - | - | - |
| Loss on disposal of investment in joint ventures (ii) | (23) | - | (23) | - | - | - |
| Profit on disposal of fixed asset investments (iii) | - | - | - | 51 | - | 51 |
| Amounts written back to fixed asset investments, net (iv) | - | - | - | 24 | - | 24 |
| Exceptional non-operating items | (23) | - | (23) | 75 | - | 75 |
| Total exceptional items | (10) | (4) | (14) | 75 | - | 75 |

2005

(i) Settlement of ITV Digital programming debtors

In July 2005, the Group received £13 million from the liquidators of ITV Digital as a full and final settlement in respect of amounts owed to the Group.

(ii) Loss on disposal of investments in joint ventures

In November 2004, the Group sold its 49.5% investment in Granada Sky Broadcasting Limited ("GSB") for £14 million in cash, realising a loss on disposal of £23 million. This included the write back of £32 million of goodwill which had previously been written off to reserves, as permitted prior to the implementation of Financial Reporting Standard ("FRS") 10, "Goodwill and Intangible Assets" ("FRS 10").

2004

(iii) Profit on disposal of fixed asset investments

In March 2004, the Group sold its 20% shareholding in QVC (UK), operator of QVC – The Shopping Channel, for £49 million in cash, realising a profit on disposal of £49 million.

In October 2003, the Group disposed of its listed investment in Manchester United plc, realising a profit on disposal of £2 million.

(iv) Amounts written back to fixed asset investments, net

The Group reduced its provision against its minority equity investments in football clubs by £33 million, due to the disposal of its investment in Manchester United plc in October 2003, for £62 million in cash. The Group also increased its provision against its remaining minority equity investments in football clubs by £9 million.

5. Interest

(a) Interest receivable and similar income

| | 2005 £m (audited) | 2004 £m (audited) |
|--|-------------------------|-------------------------|
| Group | | |
| Interest receivable on cash and liquid resources | 29 | 8 |
| Other interest receivable and similar income | - | 1 |
| | 29 | 9 |
| Joint ventures and associates | | |
| Share of joint ventures' and associates' interest receivable | 1 | 1 |
| Total interest receivable and similar income | 30 | 10 |

(b) Interest payable and similar charges

| | 2005 £m (audited) | 2004 £m (audited) |
|--|-------------------------|-------------------------|
| Group | | |
| On bank loans, overdrafts and other loans repayable within five years, not by instalments: | | |
| - £1 billion revolving credit facility ("RCF") (i) | 2 | - |
| - £600 million RCF (i) | 4 | 6 |
| - £200 million RCF (ii) | - | 2 |
| US\$650 million of 8.200% Guaranteed Notes, repayable in 2009 | 33 | 30 |
| £100 million of 7.750% Guaranteed Notes, repayable in 2009 | 8 | 8 |
| US\$600 million of 6.875% Guaranteed Notes, repayable in 2009 | 30 | 30 |
| US\$300 million of 7.300% Guaranteed Notes, repayable in 2006 | 14 | 14 |
| Finance lease interest | 1 | - |
| | 92 | 90 |
| Joint ventures and associates | | |
| Share of joint ventures' and associates' interest payable | - | 1 |
| Total interest payable and similar charges | 92 | 91 |

(i) In November 2004, the Group entered into a £1 billion RCF. This facility was used to cancel an existing £600 million RCF, and is available for general corporate purposes, but was undrawn at 30 June 2005. The £1 billion RCF has a maturity date of July 2010. The £2 million charge for the year (2004: nil) represents the commitment fee to 30 June 2005.

(ii) The £200 million RCF expired without being renewed on 29 June 2004.

6. Taxation

| | Tax charge (credit) on profit before exceptional items £m (audited) | Exceptional tax charge £m (audited) | 2005 Total £m (audited) | Tax charge (credit) on profit before exceptional items £m (audited) | Exceptional tax charge £m (audited) | 2004 Total £m (audited) |
|---|---|--|----------------------------------|---|--|----------------------------------|
| Current tax | | | | | | |
| UK corporation tax | 159 | 4 | 163 | 127 | - | 127 |
| Adjustment in respect of prior years | (8) | - | (8) | (8) | - | (8) |
| Total current tax charge | 151 | 4 | 155 | 119 | - | 119 |
| Deferred tax | | | | | | |
| Origination and reversal of timing differences | 68 | - | 68 | 34 | - | 34 |
| (Decrease) increase in estimate of recoverable deferred tax asset in respect of prior years | (17) | - | (17) | 5 | - | 5 |
| Total deferred tax charge | 51 | - | 51 | 39 | - | 39 |
| Share of joint ventures' and associates' tax charge | - | - | - | - | - | - |
| | 202 | 4 | 206 | 158 | - | 158 |

All taxation relates to UK corporation tax.

7. Equity dividends

| | 2005 (audited) £m | 2004 (audited) £m |
|---|-------------------------|-------------------------|
| Interim dividend paid of 4.00p (2004: 2.75p) per Ordinary Share | 77 | 53 |
| Final dividend proposed of 5.00p (2004: 3.25p) per Ordinary Share | 93 | 63 |
| | 170 | 116 |

The ESOP has waived its rights to dividends.

8. Earnings per share

| | Before goodwill and exceptional items (audited) | Goodwill (audited) | Exceptional items (audited) | 2005 After goodwill and exceptional items (audited) | Before goodwill and exceptional items (audited) | Goodwill (audited) | Exceptional items (audited) | 2004 After goodwill and exceptional items (audited) |
|--|---|-----------------------|-----------------------------------|--|---|-----------------------|-----------------------------------|--|
| Profit on ordinary activities after taxation | £555m | (£116m) | (£14m) | £425m | £356m | (£109m) | £75m | £322m |
| Earnings per share - basic | 29.0p | (6.1p) | (0.7p) | 22.2p | 18.3p | (5.6p) | 3.9p | 16.6p |
| Earnings per share - diluted | 29.0p | (6.1p) | (0.7p) | 22.2p | 18.3p | (5.6p) | 3.9p | 16.6p |

Earnings per share is shown calculated by reference to profits both before and after goodwill and exceptional items and related tax, since the Directors consider that this gives a useful additional indication of underlying performance.

9. Intangible fixed assets

The movement in the year was as follows:

| | Goodwill £m (audited) |
|---------------------------------------|-----------------------------|
| Net book value at 1 July 2004 | 417 |
| Additions | - |
| Amortisation charge | (116) |
| Net book value at 30 June 2005 | 301 |

Goodwill of £272 million, £543 million and £5 million, arising on the acquisitions of Sports Internet Group ("SIG"), British Interactive Broadcasting ("BiB") and WAPTV respectively, is being amortised over periods of seven years on a straight-line basis.

In accordance with FRS 11 "Impairment of fixed assets and goodwill", impairment reviews were performed on the carrying values of BiB and SIG goodwill balances at the end of the first full financial year after acquisition, at 30 June 2002, which did not indicate impairment. Consistent with Group strategy, the business plans on which these reviews were based reflect significant projected increases in betting and other interactive revenues over the subsequent five years. The Group continues to monitor the performance of these businesses and is satisfied that no impairment of goodwill has occurred.

10. Tangible fixed assets

The movement in the year was as follows:

| | Freehold land and buildings £m (audited) | Short leasehold improvements £m (audited) | Equipment, fixtures and fittings £m (audited) | Assets in course of construction £m (audited) | Total £m (audited) |
|--|---|--|---|--|--------------------------|
| Net book value as at 1 July 2004 | 34 | 24 | 217 | 101 | 376 |
| Additions | 25 | - | 66 | 153 | 244 |
| Disposals | - | - | (2) | - | (2) |
| Transfers | - | (8) | 8 | - | - |
| Depreciation | (2) | (5) | (85) | - | (92) |
| Net book value as at 30 June 2005 | 57 | 11 | 204 | 254 | 526 |

11. Stocks

| | 2005 £m (audited) | 2004 £m (audited) |
|---------------------------------|-------------------------|-------------------------|
| Television programme rights | 310 | 322 |
| Digiboxes and related equipment | 28 | 49 |
| Raw materials and consumables | 2 | 2 |
| Other goods held for resale | - | 2 |
| | 340 | 375 |

At least 86% (2004: 87%) of the existing television programme rights at 30 June 2005 will be amortised within one year.

12. Debtors

| | 2005 £m (audited) | 2004 £m (audited) |
|---|-------------------------|-------------------------|
| Amounts falling due within one year | | |
| Trade debtors | 134 | 165 |
| Amounts owed by joint ventures and associates | 6 | 8 |
| Amounts owed by other related parties | 1 | 2 |
| Other debtors | 4 | 3 |
| Prepaid programme rights | 47 | 35 |
| Prepaid transponder rentals | 15 | 15 |
| Deferred tax asset | 43 | 49 |
| Other prepayments and accrued income | 92 | 93 |
| | 342 | 370 |
| Amounts falling due after more than one year | | |
| Prepaid programme rights | 4 | 6 |
| Prepaid transponder rentals | 23 | 30 |
| Deferred tax asset | 57 | 102 |
| Other prepayments and accrued income | 5 | 6 |
| | 89 | 144 |

13. Creditors: Amounts falling due within one year

| | 2005 £m (audited) | 2004 £m (audited) |
|--|-------------------------|-------------------------|
| Trade creditors (i) | 345 | 390 |
| Amounts due to joint ventures and associates | 3 | 8 |
| Amounts due to related parties | 34 | 40 |
| UK corporation tax | 100 | 48 |
| VAT | 101 | 92 |
| Social security and PAYE | 10 | 8 |
| Proposed dividend | 93 | 63 |
| Defined contribution pension scheme creditor | 1 | 1 |
| Other creditors | 42 | 60 |
| Accruals and deferred income | 511 | 460 |
| | 1,240 | 1,170 |

(i) Included within trade creditors are £187 million (2004: £250 million) of US dollar-denominated programme creditors. Approximately 80% (2004: 80%) of these were covered by forward rate currency contracts.

14. Creditors: Amounts falling due after more than one year

| | 2005 £m (audited) | 2004 £m (audited) |
|---|--|-------------------------|
| Long-term borrowings | | |
| US\$650 million of 8.200% Guaranteed Notes, repayable in 2009 | 413 | 413 |
| £100 million of 7.750% Guaranteed Notes, repayable in 2009 | 100 | 100 |
| US\$600 million of 6.875% Guaranteed Notes, repayable in 2009 | 367 | 367 |
| US\$300 million of 7.300% Guaranteed Notes, repayable in 2006 | 189 | 189 |
| Obligations under finance leases | 7 | 7 |
| | 1,076 | 1,076 |
| Other | | |
| Accruals and deferred income | 25 | 28 |
| | 1,101 | 1,104 |

Undrawn RCFs

In November 2004, the Group entered into a £1 billion RCF. This facility was used to cancel an existing £600 million RCF and is available for general corporate purposes. The £1 billion facility has a maturity date of July 2010, and interest accrues at a margin of between 0.45% and 0.55% above LIBOR, dependent on the Group's leverage ratio of net debt to earnings before interest, taxes, depreciation and amortisation ("EBITDA") (as defined in the loan agreement). At the current ratio of Net Debt: EBITDA, the margin would be 0.45% above LIBOR if the Group were to make a drawing on the facility.

Both the bank facilities and the publicly-traded guaranteed notes have been issued by the Company and guaranteed by both British Sky Broadcasting Limited and Sky Subscribers Services Limited. Additionally, the £1 billion RCF has been guaranteed by BSKyB Investments Limited.

15. Provisions for liabilities and charges

| | Provision for redundancy expenses £m (audited) | Other provisions £m (audited) | Total provisions £m (audited) |
|------------------------|---|--|--|
| At 1 July 2004 | - | - | - |
| Provided in the year | 11 | 2 | 13 |
| At 30 June 2005 | 11 | 2 | 13 |

16. Reconciliation of movement in shareholders' funds

Movement in shareholders' funds includes all movements in reserves.

| | Share capital £m (audited) | Share premium £m (audited) | ESOP reserve £m (audited) | Merger reserve £m (audited) | Special reserve £m (audited) | Capital redemption reserve £m (audited) | Profit and loss account £m (audited) | Total equity shareholders' funds (deficit) £m (audited) |
|------------------------------------|-------------------------------------|-------------------------------------|------------------------------------|--------------------------------------|---------------------------------------|---|--|---|
| At 1 July 2004 | 971 | 1,437 | (30) | 222 | 14 | - | (2,524) | 90 |
| ESOP shares utilised | - | - | 12 | - | - | - | 7 | 19 |
| ESOP shares purchased | - | - | (14) | - | - | - | - | (14) |
| Profit for the financial year | - | - | - | - | - | - | 425 | 425 |
| Dividends | - | - | - | - | - | - | (170) | (170) |
| Transfer from merger reserve | - | - | - | (73) | - | - | 73 | - |
| Write back of goodwill on disposal | - | - | - | - | - | - | 32 | 32 |
| Share buy-back | (37) | - | - | - | - | 37 | (416) | (416) |
| At 30 June 2005 | 934 | 1,437 | (32) | 149 | 14 | 37 | (2,573) | (34) |

16. Reconciliation of movement in shareholders' funds (continued)**Share buy-back**

On 12 November 2004, the Company's shareholders approved a resolution at the Annual General Meeting for the Company to purchase up to 97 million Ordinary Shares. During the financial year, the Company purchased, and subsequently cancelled, 74 million Ordinary Shares at an average price of £5.60 per share, with a nominal value of £37 million, for a consideration of £416 million. Consideration included stamp duty and commission of £3 million. This represents 4% of called-up share capital at the beginning of the financial year.

Goodwill

In accordance with FRS 10, the Company has included the write off of £32 million of unamortised goodwill in the calculation of the loss on disposal of GSB, the effect of which has been included in the profit for the financial year. The goodwill arose on the purchase of GSB and had previously been written off to the profit and loss reserve as permitted prior to FRS 10. Accordingly, an adjustment has been made to write back the £32 million charge to the profit and loss reserve.

At 30 June 2005, the cumulative goodwill written off directly to reserves by the Group amounted to £492 million (2004: £524 million).

Share option schemes

During the period, the Company issued shares with a market value of £1 million (2004: £26 million) in respect of the exercise of options awarded under various share option schemes.

At 30 June 2005, the Group's ESOP held 5,609,212 Ordinary Shares in the Company at an average value of £5.78 per share. The 1,808,303 shares utilised during the period relate to the exercise of Long Term Incentive Plan ("LTIP"), Equity Bonus Plan ("EBP"), Key Contributor Plan ("KCP"), Executive Share Option Scheme and Sharesave Scheme awards.

17. Notes to consolidated cash flow statement**(a) Reconciliation of operating profit to operating cash flows**

| | Before goodwill and exceptional items £m (audited) | Goodwill and exceptional items £m (audited) | 2005 Total £m (audited) | Before goodwill and exceptional items £m (audited) | Goodwill and exceptional items £m (audited) | 2004 Total £m (audited) |
|--|---|--|----------------------------------|---|--|----------------------------------|
| Operating profit | 805 | (103) | 702 | 600 | (119) | 481 |
| Depreciation | 92 | - | 92 | 102 | - | 102 |
| Amortisation of goodwill and other intangible fixed assets | - | 116 | 116 | - | 119 | 119 |
| Loss on disposal of fixed assets | 2 | - | 2 | 1 | - | 1 |
| Decrease (increase) in stock | 35 | - | 35 | (5) | - | (5) |
| Decrease in debtors | 34 | - | 34 | 17 | - | 17 |
| (Decrease) increase in creditors | (14) | - | (14) | 170 | - | 170 |
| Increase (decrease) in provision | 12 | - | 12 | (3) | - | (3) |
| Foreign exchange movement | (1) | - | (1) | - | - | - |
| Net cash inflow from operating activities | 965 | 13 | 978 | 882 | - | 882 |

17. Notes to consolidated cash flow statement (continued)

(b) Analysis of changes in net debt

| | At 1 July 2004 £m (audited) | Cash flow £m (audited) | Exchange £m (audited) | At 30 June 2005 £m (audited) |
|---|---|------------------------------|-----------------------------|--|
| Overnight deposits | 73 | 172 | - | 245 |
| Other cash | 63 | 41 | - | 104 |
| Cash | 136 | 213 | - | 349 |
| Short-term deposits | 338 | (45) | 1 | 294 |
| Commercial paper | 173 | (119) | - | 54 |
| Liquid resources | 511 | (164) | 1 | 348 |
| Cash and liquid resources | 647 | 49 | 1 | 697 |
| Debt due after more than one year | (1,069) | - | - | (1,069) |
| Capital element of finance leases | (7) | - | - | (7) |
| Total debt and capital element of finance leases | (1,076) | - | - | (1,076) |
| Total net debt | (429) | 49 | 1 | (379) |

(c) Reconciliation of net cash flow to movement in net debt

| | 2005 £m (audited) | 2004 £m (audited) |
|--|-------------------------|-------------------------|
| Increase in cash | 213 | 89 |
| (Decrease) increase in short-term deposits | (45) | 338 |
| (Decrease) increase in commercial paper | (119) | 173 |
| (Decrease) increase in liquid resources | (164) | 511 |
| Cash outflow resulting from decrease in debt and lease financing | - | 76 |
| Foreign exchange movement | 1 | - |
| Decrease in net debt | 50 | 676 |
| Net debt at beginning of year | (429) | (1,105) |
| Net debt at end of year | (379) | (429) |

(d) Major non-cash transactions

2005

Corporate reorganisation

On 13 April 2005, the High Court approved a reduction in the share capital of BSkyB Investments Limited, a 100% owned subsidiary. This formed part of a corporate reorganisation, allowing the Company access to additional distributable reserves.

Disposal of GSB

In accordance with FRS 10, the Group has included the write off of £32 million of unamortised goodwill in the calculation of the loss on disposal of GSB, the effect of which has been included in the profit for the financial year. The goodwill arose on the purchase of GSB and had previously been written off to the profit and loss reserve as permitted prior to FRS 10. Accordingly, an adjustment has been made to write back the £32 million charge to the profit and loss reserve.

2004

Share premium reduction

On 10 December 2003, the High Court approved a reduction in the Company's share premium account of £1,120 million, as approved by the Company's shareholders at the Annual General Meeting held on 14 November 2003. The reduction had the effect of eliminating the Company's deficit on its profit and loss account as at 30 September 2003 of £1,106 million, and creating a non-distributable special reserve of £14 million, which represents the excess of the share premium reduction over the deficit.

17. Notes to consolidated cash flow statement (continued)

WAPTV

On 30 September 2003, the Company issued 338,755 Ordinary Shares to satisfy the remaining contingent consideration in respect of the acquisition of the remaining 5% interest in WAPTV Limited which occurred in May 2001.

This financial information does not constitute statutory accounts for the purpose of section 240 of the Companies Act 1985. The financial information for the year ended 30 June 2005 has been extracted from the statutory accounts of British Sky Broadcasting Group plc for the year ended 30 June 2005, which have not yet been filed with the Registrar of Companies, but on which the auditors gave an unqualified report, and which did not contain a statement under section 237 (2) or (3) of the Companies Act 1985, on 2 August 2005. The preliminary announcement was approved by the Board of Directors on 2 August 2005.

The financial information for the three months ended 30 June 2005 and 30 June 2004 is unaudited.

The financial information for the year ended 30 June 2004 has been extracted from the statutory accounts of British Sky Broadcasting Group plc for the year ended 30 June 2004. The statutory accounts on which the auditors gave an unqualified report and which did not contain a statement under section 237 (2) or (3) of the Companies Act 1985, have been filed with the registrar of Companies.