Remuneration Committee

1. Membership

Jacques Nasser (Chairman), David Evans and Nicholas Ferguson.

The composition of the Remuneration Committee and the changes to membership are discussed in the Corporate Governance Report on pages 29 to 31.

2. Duties

The Remuneration Committee's (the "Committee's") terms of reference are principally concerned with the remuneration (in all its forms) of main Board Directors and other Senior Executives of the Group whose base salary exceeds £250,000 per annum, other than key production personnel or on-air talent.

The Committee oversees the design and structure of the Group's package of employee incentives including all of its share-based schemes, and sets the performance targets applicable to such schemes. As part of this process, it seeks to ensure that such packages provide employees with appropriate incentives to perform, reflective of their positions and roles within the Group, and that the employees are, in a fair and reasonable manner, rewarded for their individual contributions to the success of the Group.

3. Meetings

The Committee met six times during the year and is scheduled to meet not less than twice a year.

4. Advisors

The Group uses the services of Mercer Human Resource Consulting Limited ("Mercer"), who replaced Deloitte & Touche LLP in November 2003 in providing advice on remuneration matters to the Committee. Mercer provides advice on the ongoing operation of the Group's share schemes and on service agreements for Executive Directors and Senior Executives, as required by the Committee. In addition, during the year, the Committee sought the advice of James Murdoch, the CEO, on matters relating to the Executive Director and Senior Executives who report to him and to the Director of People and Organisational Development (Beryl Cook); the Committee was supported by the Company Secretary (David Gormley). Neither James Murdoch nor the Chairman, Rupert Murdoch, were present when matters affecting the CEO's remuneration were considered.

Deloitte & Touche LLP act as the Group's auditors, and provide other services to the Group as detailed in note 6 to the accounts.

5. Remuneration policy

The Committee's reward policy reflects its aim to align Executive Directors' remuneration with shareholders' interests and to engage world-class executive talent for the benefit of the Group. The main principles of the policy are that:

- Total rewards should be set at appropriate levels to reflect the competitive market in which the Group operates.
- The majority of the total reward should be linked to the achievement of demanding performance targets.
- The wider scene, including pay and employment conditions elsewhere in the Group, should be taken into account, especially when determining annual salary increases.

Executive Directors are not allowed to take on the chairmanship of a FTSE 100 company, but are allowed to take up one external non-executive appointment and retain any payments in respect of this appointment.

As announced at the Company's AGM on 14 November 2003, the Committee has been conducting a comprehensive review of its policies during the course of 2004. Upon finalisation, new policies will be described in the next Report on Directors' Remuneration. Specific shareholder authorisation will be sought for any new long-term share incentive plans.

6. Remuneration review

As a result of the ongoing review of the Group's remuneration policies, some changes have been made to remuneration governance and design in the year. Details of each element of the current remuneration programme are explained in full in their respective sections within this report, however a summary of the most important features is set out as follows.

Governance

During the year, as part of its review of all aspects of corporate governance, the Company's Board has reformed the governance of its Directors' remuneration. Several key changes have been made to the operation of the Committee which are described below:

Committee chairmanship and membership

Changes have been made to the composition of the Committee, as detailed in the Corporate Governance Report on pages 29 to 31.

Independence of professional advice

As a result of changes in the Group's policy on the use of auditors for non-audit work, the Committee no longer receives advice from Deloitte & Touche LLP. Instead, the Committee has appointed Mercer as its chief advisor.

Consultation with investors

The Committee has been, and intends to continue to be, more proactive in understanding shareholders' views on executive remuneration. During the year, it has held consultation meetings with many institutional investors, and has taken their advice into account in arriving at remuneration decisions.

Remuneration policy for Executive Directors and Senior Executives

The review identified a number of principles for the Committee to adopt, which have been discussed with several institutional investors, and which were used in the design of the new CEO's remuneration arrangements (described in detail in Section 16 of this report). These principles are in the process of being extended to the other Senior Executives, including the new CFO.

In summary, the key changes are as follows:

Focus on Long Term Incentive Plan ("LTIP") awards

The Committee believes that shares provide a better long-term incentive vehicle than share options for Senior Executives at this stage in the Group's evolution, and, as such, Senior Executives participating in the LTIP will no longer participate in the Group's Executive Share Option Scheme. Under the revised LTIP arrangements, dividends paid on unvested shares will be added to the outstanding grant, providing better alignment between shareholders' and executives' interests.

Increased emphasis on operational performance measures

The emphasis on operational performance measures will be increased for both the LTIP and the Key Contributor Plan ("KCP") share schemes and the emphasis on Total Shareholder Return ("TSR") based incentives will be reduced correspondingly.

The Committee believes that, although TSR is an important performance measure as it aligns the interests of employees with shareholders, it is the Group's historically strong operational performance that has led to high market expectations for continued excellence in operational delivery. The Committee has therefore decided, going forward, to make the largest part (70%) of Executive Directors' and Senior Executives' incentive opportunity in the LTIP dependent on a small number of measures, including earnings per share, free cash flow per share and DTH subscriber growth, that reflect the delivery of consistently excellent operational results, and the remaining part (30%) based on TSR (measured relative to the constituents of the FTSE 100).

Increased emphasis on team performance

The Committee recognises that the interactions between different areas of the business in creating long-term shareholder value are complex. Therefore, rather than Senior Executives being incentivised primarily through measures relevant to their own business area, the remuneration of Senior Executives now focuses on a smaller number of corporate-wide goals, in order to maximise the benefits of teamwork and collaboration across the Group. This has also been implemented in next year's bonus policy which is based 75% on the attainment of corporate goals and 25% on individual KPIs pertinent to the Senior Executive's business responsibilities.

Migration from fixed-term contracts to rolling 12-month contracts

Fixed-term contracts for Executive Directors have been replaced by rolling 12-month contracts.

Improved transparency

Internal and external transparency of remuneration structures and incentive payout calculations has been improved. Measures, targets and bonus calculation mechanisms will be disclosed more explicitly than they have in previous years (subject to commercial sensitivity). As part of this move towards increased transparency of the relationship between pay and performance, all bonus guarantees are being phased out.

7. Analysis of elements of remuneration

The Executive Directors' and Senior Executives' total direct compensation consists of salary, annual bonus, long-term incentives, pensions and other benefits. This reward structure is regularly reviewed by the Committee to ensure that it is achieving the Group's objectives.

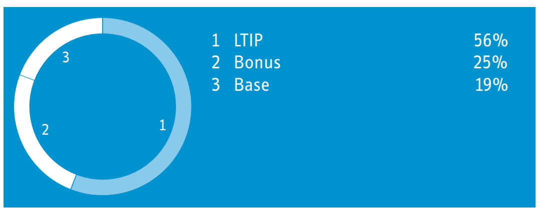
In 2004/05, over three-quarters of Executive Directors' potential direct remuneration will again be performance-related.

The chart below reflects on-target values for annual bonus and the share-based element of remuneration. The share-based element component is an annualised expected value ("Expected Value") based on a recognised valuation methodology.

Expected Value is an estimation of the present value of share awards, which attempts to determine what a buyer would pay for the awards if they were for sale. It is used to aid the comparability of the value of remuneration packages between companies, taking into account the fact that companies use different types of long-term incentives in different proportions.

The Expected Value of performance shares is usually based on their face value at the time of grant. To calculate Expected Value, an adjustment is made to reflect the risk that an award will not vest if it is subject to performance vesting criteria.

The Expected Value of performance shares is normally lower than their face value. Although questions inevitably can be asked about the precise accuracy of Expected Values, in most cases they are a much more realistic assessment of the compensation value of long-term incentive awards to participants than face value.



8. Salary

The basic salary for each Executive Director and Senior Executive is determined by the Committee taking account of the recommendation of the CEO (other than in respect of his own salary), and information provided from external sources relative to the industry sectors in which the Group operates.

9. Annual bonus

Executive Directors and Senior Executives participate in a bonus scheme under which awards are made to participants at the discretion of the Committee. The level of award is dependent on both personal performance during the relevant financial year and the performance of the Group through the achievement of commercial and strategic objectives. Previously, an element of the annual bonuses paid to Executive Directors and some Senior Executives was guaranteed. Under the revised bonus scheme arrangements no element of the annual bonuses has been guaranteed.

10. LTIP

The Company operates an LTIP for Executive Directors and Senior Executives, under which awards may be made to any employee or full-time Director of the Group at the discretion of the Committee. An award under the existing LTIP comprises a performance-based share award, which may be in a variety of forms, including grants of shares, nil-priced options or market-value options with a cash bonus, all of which have the same value to the participant. Awards are not transferable or pensionable and are made over a number of shares in the Company, determined by the Committee.

The awards vest, in full or in part, dependent on the satisfaction of specified performance targets. Measurements of the extent to which performance targets have been met are reviewed by the Committee at the date of vesting of each award, taking account of independent advice as necessary.

As a result of the ongoing review of the Group's remuneration policy, the Committee has agreed that future awards made under the LTIP will be subject to performance measurement over a period of three years, will take the form of nil-priced options, and will be adjusted for the dividends paid by the Company during the vesting period.

During the year, awards under the plan were made to Tony Ball and Martin Stewart. Further information on these awards can be found in Section 17 of this Report. As part of the service agreement signed by James Murdoch, it has been agreed that he will be awarded 450,000 shares under the LTIP following the announcement of the Company's results for the year ended 30 June 2004.

Where the market price of a share at the date of vesting is below the exercise price, awards in this form have been treated as having lapsed and participants have been eligible to receive shares for no consideration, equal to the value of their vested award.

2003 Awards

Awards under the 2003 LTIP were granted in the form of nil-priced options. Performance measures for the 2003 LTIP focus on rewarding performance which results in maximised returns to shareholders. For the award made in 2003, the Committee determined that the performance targets should be based on a comparison of the Company's relative TSR performance against both the FTSE 100 and the international media and telecommunications sector. The awards only vest in full for outstanding performance against both of these comparator groups. TSR was selected as the target as it was considered to be a clear indicator of the value created for shareholders, and was a widely accepted measure of performance. Unlike awards granted in previous years, these awards will vest in full after three years.

The selected comparator companies from the international media and telecommunications sector ("the Media Comparator Group") were as follows: Carlton Communications; EMAP; Granada; MediaSet; ntl; RTL; SMG; Telewest Communications; Viacom; Vivendi Universal; Walt Disney. As a result of the merger between Carlton Communications and Granada, these two companies were removed from the comparator group and replaced by itv plc.

The table below sets out the proportion of the award, in percentage terms, that vests according to performance against the Media Comparator Group and the FTSE 100.

The Company's TSR performance against the Media Comparator Group	The Company's TSR performance against the FTSE 100			
	Below median	Median to upper quartile	Upper quartile or above	Upper decile or above
1st highest TSR	70%	80%	100%	100%
2nd highest TSR	60%	70%	95%	100%
3rd highest TSR	50%	65%	80%	90%
4th highest TSR	45%	55%	65%	75%
5th highest TSR	40%	50%	60%	70%
6th highest TSR	30%	40%	50%	60%
7th highest TSR or lower	–	–	–	–

The awards granted to Tony Ball lapsed on 31 May 2004, on the expiry of his service agreement with the Company. Refer to Section 17 for further details.

The awards granted to Martin Stewart were released by Martin Stewart on 31 July 2004, and replaced by a pro-rata payment. Refer to Section 17 for further details.

2002 Awards
Awards under the 2002 LTIP took the form of market value options with a cash bonus equal to the lower of the exercise price and the share price at the date of exercise, with the exception of shares awarded as part of an agreement to meet the employer's National Insurance obligations, which did not attract a cash bonus.

Performance measures for the 2002 LTIP focused on rewarding performance which results in maximised returns to shareholders. For the awards made in 2002, the Committee determined that the performance targets should be based on a comparison of the Company's relative TSR performance against both the FTSE 100 and the Media Comparator Group. The awards only vest in full for outstanding performance against both of these comparator groups. TSR was selected as the target as it was considered to be a clear indicator of the value created for shareholders, and was a widely accepted measure of performance.

The table below sets out the proportion of the awards, in percentage terms, that vest according to performance against the Media Comparator Group and the FTSE 100.

The Company's TSR performance against the FTSE 100

The Company's TSR performance against the Media Comparator Group	Below median	Median to upper quartile	Upper quartile or above	Upper decile or above
1st highest TSR	70%	80%	100%	100%
2nd highest TSR	60%	70%	95%	100%
3rd highest TSR	50%	65%	80%	90%
4th highest TSR	45%	55%	65%	75%
5th highest TSR	40%	50%	60%	70%
6th highest TSR	30%	40%	50%	60%
7th highest TSR or lower	5%	5%	5%	5%

The awards granted to Tony Ball lapsed on 31 May 2004, on the expiry of his service agreement with the Company. Refer to Section 17 for further details.

The Company was placed seventh against the Media Comparator Group and was below median against the FTSE 100, and therefore 5% of the award has vested to Martin Stewart, representing 5,964 shares. Shares that did not vest, have rolled over and will vest subject to satisfaction of the performance conditions at 31 July 2005.

50% of the award granted to Martin Stewart that was due to vest on 31 July 2005 was released by Martin Stewart on 31 July 2004 and was replaced by a pro-rata payment. Refer to Section 17 for further details.

2001 Awards
Awards under the 2001 LTIP took the form of market value options with a cash bonus equal to the lower of the exercise price and the share price at the date of exercise with the exception of shares awarded as part of an agreement to meet the employer's National Insurance obligations, which do not attract a cash bonus. Performance measures for the 2001 award focused on a mix of relative TSR measures and key commercial targets. 50% of the award granted in November 2001 vested in full on 30 June 2003 as to 400,000 shares to Tony Ball and 200,000 shares to Martin Stewart. The additional options which were granted in respect of the National Insurance enhancement, 54,000 to Tony Ball and 27,000 to Martin Stewart, lapsed, as the market price on the day of exercise was below the exercise price. This was as a result of the Company being placed second against the International Media and Telecommunications Comparator Group ("the Media & Telecoms Comparator Group") in terms of TSR for the period November 2001 to June 2003, and for the achievement of the commercial targets at 30 June 2003 using a number of key business performance measures based on DTH churn rate, ARPU, operating cash flow margin, gross margin, profit before tax and total DTH subscribers. The Media & Telecoms Comparator Group companies for the TSR performance measure were: Carlton Communications; Granada; MediaSet; ntl; RTL; SMG; Telewest Communications; and Vivendi Universal. On 12 August 2003 Tony Ball and Martin Stewart exercised their rights under these awards, further details of which can be found in Section 23.

The table below sets out the proportion of the award that was available to vest according to performance against the Media and Telecoms Comparator Group.

Company position against the Media & Telecoms Comparator Group	Maximum percentage of award that may vest if commercial measures targets are met in full
1st or 2nd out of 9	100%
3rd or 4th out of 9	95%
5th or 6th out of 9	75%
7th or lower out of 9 (Core Award)	60%

This level of vesting was only achievable if the Company also met the stretching commercial targets in full, which are set out below. 75% of the remaining award granted in November 2001 vested on 30 June 2004, as to 150,000 shares to Martin Stewart. This was as a result of being placed fifth against the Media & Telecoms Comparator Group in terms of TSR for the period November 2001 to June 2004, and for the achievement of the commercial measures at 30 June 2004, as set out below. The unvested portion of the award lapsed on 30 June 2004.

2001 LTIP performance conditions

	Target	Performance achieved	Percentage achieved
Total DTH Homes	7,350,000 or more	7,355,000	100%
DTH Churn Rate	9.4% or less	9.7%	97%
Operating Margin	16% or more	16.4%	103%
Operating Cash Flow Margin	21.0% or more	24.1%	115%
Normalised EPS	17.1p or more	18.3p	107%
ARPU	£379 or more	£380	100%

Other broadly similar arrangements are operated for certain members of senior management not participating in the LTIP, under the terms of the KCP. Shares used to satisfy KCP awards are acquired by the Employee Share Ownership Plan ("ESOP") in the market.

11. Equity Bonus Plan
In August 2002, the Company introduced an Equity Bonus Plan ("EBP") for Executive Directors and Senior Executives. This plan rewards performance against key commercial measures over the financial year, with stretching targets derived from the Group's business plan.

Awards under the plan are made in the form of a contingent right to acquire the Company's shares, for nil consideration, which are acquired in the market and are subject to performance achieved in the financial year of award.

2003 Awards
At 30 June 2004, the commercial measures for the awards made in August 2003 were achieved at a vesting level of 80%, based on the achievement of commercial targets at 30 June 2004, as set out in the table below.

2003 EBP performance conditions

	Target	Performance achieved	Percentage achieved
Total DTH Homes	7,350,000 or more	7,355,000	100%
DTH Churn Rate	9.4% or less	9.7%	97%
Operating Margin	16% or more	16.4%	103%
Operating Cash Flow Margin	21.0% or more	24.1%	115%
Normalised EPS	17.1p or more	18.3p	107%
ARPU	£379 or more	£380	100%

The awards granted to Tony Ball lapsed on 31 May 2004 on the expiry of his service agreement with the Company. The awards granted to Martin Stewart, which vested as to 44,000 shares at 30 June 2004, were released by him on 31 July 2004 and he will receive a payment equivalent to a proportion of the shares released; see Section 17 for further details.

The delivery of the shares to Senior Executives has been deferred until 31 July 2006.

2002 Awards

At 30 June 2003, the commercial measures for the awards granted in August 2002 were achieved in full. The delivery of the shares to the Executive Directors and Senior Executives are deferred in equal amounts to 31 July 2004 and 31 July 2005. The commercial targets, together with the actual results, are set out in the table below.

2002 EBP performance conditions

	Target	Performance achieved	Percentage achieved
Total DTH Homes	6,723,000 or more	6,845,000	102%
DTH Churn Rate	10.5% or less	9.4%	112%
Gross Margin	49.4% or more	49.7%	101%
Operating Cash Flow Margin	14.1% or more	20.8%	150%
PBT (pre-exceptional items)*	£59.1m or more	£138m	234%
ARPU	£362 or more	£366	101%

* Before prior-year restatement for adoption of Urgent Issues Task Force abstract 38 "Accounting for ESOP trusts".

The awards granted to Tony Ball lapsed on 31 May 2004 on the expiry of his service agreement with the Company. (For further information see Section 17). The awards granted to Martin Stewart, which vested on 31 July 2004, will be delivered to him in full. The awards that are due to vest on 31 July 2005 were released by Martin Stewart on 31 July 2004 and he will receive a payment equivalent to a proportion of the awards; see Section 17 for further details.

12. Additional Executive Bonus Scheme

The Company has operated an Additional Executive Bonus Scheme in which beneficiaries who participate have the right to receive the growth in value on a number of notional shares. No awards have been made under this scheme since 1999 when awards were made to Tony Ball on his commencement of employment as CEO.

The rights awarded to Tony Ball vested on 12 August 2002, and were subsequently exercised by Tony Ball on 12 August 2003. Further details can be found in Section 22.

This scheme expires on 23 November 2004 and will not be renewed.

13. Share option schemes

The Company operates Inland Revenue Approved and Unapproved Executive Share Option Schemes ("Executive Schemes") and a Sharesave Scheme.

Executive Schemes

With the exception of ad hoc awards made to certain individuals on hiring, grants under the Executive Schemes have been made, and continue to be made, on an annual basis.

Executive Directors and Senior Executives who participate in the LTIP and EBP do not participate in the Executive Schemes annual options award. No options were granted to any of the Executive Directors or Senior Executives under the Executive Schemes during the year.

The Company follows a policy of granting options to employees whose base salaries are £50,000 or above ("eligible employees") linked to salary. These are then subject to approval by the department heads who may recommend that the individual receives an additional allocation for exceptional performance. There is no limit on the number of share options that may be granted to an individual (other than for the purposes of granting Inland Revenue approved options), however, any proposal to make a one-off grant of share options over four times an individual's salary would require the prior approval of the Remuneration Committee (irrespective of the employee's level of salary). No such grant has been made to date.

The performance conditions for option awards granted before August 2002 were based on key strategic measures for the Group, including subscriber growth measures and profit before tax.

Awards granted since August 2002 have been based on EPS targets. The use of EPS as a performance measure for the awards aligns the interests of employees with shareholders. Growth in EPS will have to exceed RPI plus 3% per annum in order for awards to vest.

Measurements of the extent to which performance targets have been met are reviewed by the Committee at the date of vesting of each award, taking account of independent advice as necessary.

In August 1999, options over 600,000 shares were granted to Tony Ball which were deemed to vest on 12 August 2002. These were exercised on 12 August 2003 (see Section 25).

In June 2002, options over 600,000 shares were granted to Tony Ball at an exercise price of £7.35 as part of the arrangements agreed on the renewal of his service agreement with the Company. Following the agreement reached with Tony Ball, on the expiry of his contract these Executive options will remain capable of exercise to the fullest extent applicable under the rules of the Executive Share Option Scheme and can be exercised at any time up until 12 February 2007. If they have not been exercised by this date they will lapse.

Following approval by shareholders at the 2000 AGM, options granted after November 2000 may be exercised over a phased period of years, provided that, in normal circumstances, no part of an option will be capable of exercise earlier than one year from the date of grant. Awards made since August 2002 become capable of vesting over a period of four years, with one third of the award capable of vesting annually in each of years two, three and four, subject to the achievement of the performance target. Awards that do not vest in years two or three remain capable of vesting in the following years, subject to the achievement of performance targets.

In accordance with an agreement with the Inland Revenue, the Group can, with the consent of the employee, pass on to the employee the cost of employer's National Insurance Contributions on the exercise of share options granted to UK employees under the Unapproved Executive Share Option Scheme. Where the Company has decided to do this in the past, additional options have been granted under the Unapproved Executive Share Option Scheme to ensure that the employees, as far as possible, are no worse off than if the National Insurance cost was not passed to them.

The Executive Schemes expire on 23 November 2004, and a resolution will be placed before shareholders at the 2004 AGM to renew the scheme for a further ten years.

Millennium Award

In addition to the awards set out above, in December 2000 the Company made an award over 500 shares to all employees who had not been granted options or awards under the LTIP or the Executive Schemes in that year. This award was made under the Approved Executive Share Option Scheme and became exercisable in December 2003. There were no performance conditions attached to this award.

Sharesave Scheme

The Sharesave Scheme is open to all employees, including Executive Directors. Options are normally exercisable after either three, five or seven years from the date of grant. The price at which options are offered is not less than 80% of the middle-market price on the dealing day immediately preceding the date of invitation. It is the policy of the Group to make an invitation to employees to participate in the scheme following the announcement of the end of year results.

This scheme expires on 23 November 2004, and a resolution will be placed before shareholders at the 2004 AGM to renew the scheme for a further ten years.

14. Pensions

The Group provides pensions to eligible employees through the BSkyB Pension Plan, ("Pension Plan") which is a defined contribution plan. Employees may contribute up to 4% of basic salary into the Pension Plan each year and the Group matches this with a contribution of up to a maximum of 8% of basic salary. Contributions into the approved plan are subject to Inland Revenue limits. The Group does not currently operate a Supplementary Pension Scheme in excess of the Inland Revenue earnings cap.

For those Executives whose Pension Plan contributions are restricted due to Inland Revenue limits, employee contributions are reduced and, where employer contributions need to be restricted, a cash supplement is paid to the individual equal to the shortfall in the 8% employer contribution rate.

15. Other benefits
Executive Directors are entitled to a company car, life assurance equal to four times base salary and medical insurance. In addition, they may be eligible for a resettlement and housing allowance for a specified period.

16. Service agreements
Policy
The Remuneration Committee has introduced a policy that Executive Directors' service agreements will contain a maximum notice period of one year. This policy has now been fully implemented. The Committee will also consider, where appropriate to do so, reducing remuneration to a departing director. However, the Committee will consider such issues on a case by case basis and will consider the terms of employment that a departing director is engaged upon. A large proportion of each Executive Director's total direct remuneration is linked to performance and therefore will not be payable to the extent that the relevant targets are not met.

James Murdoch
James Murdoch has a service agreement with the Company which was deemed to commence on 27 November 2003 and shall continue unless, or until, terminated by either party giving to the other not less than 12 months' notice in writing. James Murdoch's remuneration consists of a base salary of £750,000 per annum. James Murdoch will be paid a bonus amount depending upon the performance criteria adopted by the Remuneration Committee for each financial year during the continuance of his service agreement with the Company, including earnings growth, subscriber growth, magnitude of free cash flow and such other criteria which may be agreed with James Murdoch. The amount paid under this clause in respect of the financial year ending 30 June 2005 will be £1 million, if the performance targets for the year are met, up to a maximum of £1.5 million, where performance targets have been exceeded, and such appropriate lesser amount if, and to the extent, such targets are not met. The amount of bonus capable of being earned by James Murdoch in each subsequent financial year shall not be less than that capable of being earned in the financial year ending 30 June 2005, and shall similarly be calibrated against the budget adopted by the Company following the annual planning process. For the year ending 30 June 2004, James Murdoch shall be entitled to a discretionary bonus set at a lower level to reflect, among other matters, the fact that James Murdoch had not been employed by the Company as CEO throughout the whole of the year ending on such date.

James Murdoch is also entitled to other benefits, namely pension benefits, company car, life assurance equal to four times base salary and medical insurance. He is also entitled to participate in the LTIP. He also receives a relocation allowance ("Expense Allowance") of £200,000 per annum up until 27 November 2006. This Expense Allowance covers all the expenses incurred by James Murdoch in respect of temporary accommodation following his move to the UK, all expenses in relocating to the UK including any fees incurred in connection with obtaining any visa or work permit required by James Murdoch or his family, cost of rental and maintenance for home telephones and faxes, all professional fees incurred in connection with obtaining appropriate tax advice, costs in respect of non-business related international flights by James Murdoch and his family, and all school or education fees in respect of his children.

James Murdoch has a non-compete clause in his service agreement specifying that he shall not be able to work for any business or prospective business carried on within the United Kingdom, which wholly or partially competes with the Group's businesses at the date of termination of his agreement. Such restriction will be for a period of six months.

On termination of the agreement, James Murdoch will be entitled to one year's salary, pension and life assurance benefits from the date of termination, plus his expense allowance equal to the value received over the previous twelve months, except that the expense allowance would be reduced to the extent that it would have ceased to be payable in the following twelve months. James Murdoch will also be entitled to a pro-rata bonus up to the date of termination.

Jeremy Darroch
On 6 July 2004, the Company announced that Jeremy Darroch will be joining the Company on 16 August 2004 as the new CFO. Jeremy Darroch will have an employment contract with the Company which will commence on 6 July 2004 and shall continue unless, or until, terminated by either party giving to the other not less than 12 months' notice in writing. Jeremy Darroch's remuneration consists of a base salary of £500,000 per annum and an annual discretionary bonus to be agreed by the Committee. He is also entitled to other benefits, namely pension benefits, company car, life assurance equal to four times base salary and medical insurance. He will also participate in the LTIP.

Jeremy Darroch has a non-compete clause in his service agreement specifying that he shall not be able to work for any business or prospective business carried on within the United Kingdom, which wholly or partially competes with the Group's businesses at the date of termination of his agreement. Such restriction will be for a period of twelve months.

On termination of the agreement, Jeremy Darroch will be entitled to one year's salary, pension and life assurance benefits from the date of termination and a pro-rata bonus up to the date of termination.

17. Agreements with departing Executive Directors
Tony Ball
Tony Ball resigned as CEO and as a member of the Board on 4 November 2003, and his employment with the Company ended on the expiry of his service agreement on 31 May 2004. Details of the payments made to him are set out below. Details of the remuneration paid to him throughout the year ended 30 June 2004 are set out in Section 20.

Payment on expiry of service agreement
On 23 September 2003, the Company announced that Tony Ball would not be renewing his service agreement with the Company on expiry. As part of an agreement reached with Tony Ball, the following amounts were paid to him:

Tony Ball received £10,746,064 on 31 May 2004 in return for agreeing with the Company a two-year non-compete restriction from 1 June 2004 in respect of free and pay television services in the UK, and until after the next renegotiation of rights in respect of services to or on behalf of the Football Association Premier League, and in return for waiving all of his unvested entitlements under the LTIP and EBP. Tony Ball also agreed to waive the contractual entitlement within his service agreement of a payment of one year of salary, bonus and benefits that would have been paid had his agreement not been extended on expiry on 31 May 2004. The Company has agreed that the Executive share options granted to Tony Ball will remain capable of exercise following the expiry of his service agreement to the fullest extent applicable under the rules of the Executive Share Option Scheme. As part of the agreement, Tony Ball also received certain assets with a value of £70,500, which included a car and audio visual equipment.

Martin Stewart
Martin Stewart has a service agreement with the Company, which was deemed to commence on 1 December 1998, and shall continue unless, or until, terminated by either party, giving to the other not less than 12 months' notice in writing. Martin Stewart's remuneration consists of a base salary of £500,000 per annum and an annual discretionary bonus to be agreed by the Committee. He is also entitled to other benefits, namely pension benefits, company car, life assurance equal to four times base salary and medical insurance. He also participates in the LTIP and EBP.

Martin Stewart announced his intention to leave the Company in February 2004 and will resign on 4 August 2004. The Company has agreed with Martin Stewart that he will serve his one year notice period from 1 August 2004 to 31 July 2005.

During the notice period, the non-compete terms of the agreement prevent Martin Stewart from taking up another position at a competing company, but do not stop him seeking employment elsewhere, with non-competing companies. Components of the package paid to Martin Stewart during this period are essentially the same as he would have received during normal employment except that:

a) His annual bonus will be paid out at the 2003 level, as a 'proxy' for a 'normal' annual bonus, and paid in two equal instalments on 31 January 2005 and 31 July 2005.
b) He will also receive a sum to compensate him for the loss of the LTIP and EBP awards due to vest in 2005 and 2006. This will be paid on 31 August 2004. The total payment is based on the average closing price of a BSkyB share for the period 1 January 2004 to 31 July 2004. The payment will be a pro-rated amount as if his employment with the Company had ended on 31 July 2004, equal to 730/1096 of the LTIP and EBP award vesting in July 2005 and 365/1096 of the LTIP and EBP award vesting in August 2006. The balance of the 2002 LTIP award that did not vest at 31 July 2004 will be carried over and measured at 31 July 2005.
c) During the notice period, Martin Stewart will continue to participate in the Company's pension scheme and will receive his company car and certain computer equipment.

	Value of pay during garden leave period £000
Salary and bonus	1,000
Compensatory cash award (in lieu of outstanding shares)	1,274
Pensions	40
Benefits	50
	2,364

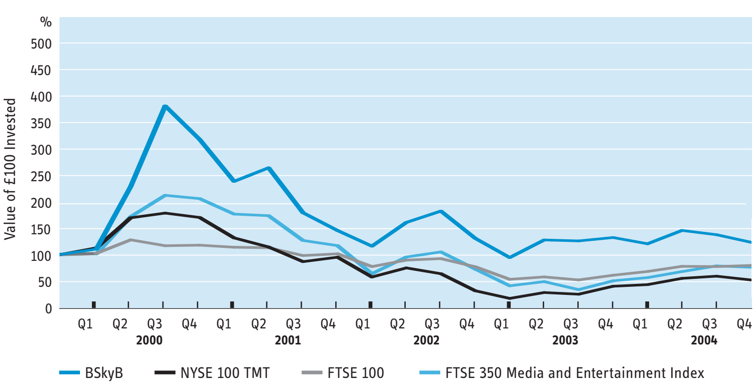
Non-Executive Directors

The basic fees payable to the Non-Executive Directors, set by the Board of Directors, were £38,600 each for the financial year. It is intended that in future these will be increased on an annual basis by 5% or RPI, whichever is the greater, unless the Board determines otherwise. The Non-Executive Directors are paid an additional £5,000 per annum each, for membership of each of the Audit Committee, the Remuneration Committee and the Corporate Governance & Nominations Committee. The Chairmen of the Board, the Audit Committee, the Remuneration Committee and the Corporate Governance & Nominations Committee each receive an additional £5,000 per annum. Each Non-Executive Director is engaged by the Company for an initial term of three years. Reappointment for a further term is not automatic, but may be mutually agreed.

18. Performance graph

The following graph shows the Company's performance measured by TSR to 30 June 2004. This graph shows the growth in the value of a hypothetical £100 holding in the Company's ordinary shares over five years, relative to the FTSE 350 Media and Entertainment Index, the NYSE TMT Index and FTSE 100 Index, which are considered to be the most relevant broad equity market indices for this purpose, as they relate directly to the Company's sector and comparators. The graph is included to meet a legislative requirement and is not directly relevant to the performance criteria approved by shareholders for the Company's long-term incentive plans.

BREAKDOWN OF SHAREHOLDER RETURN From 1 July 1999 to 30 June 2004



19. Share interests

The interests of the Directors in the Ordinary Share capital of the Company during the year were:

Name of Director	At 30 June 2004	At 30 June 2003
Lord St John of Fawsley	**2,000**	2,000
Lord Rothschild	**100,000**	–
Lord Wilson of Dinton	**486**	486
David Evans	**8,000**	–
Martin Stewart	**–**	2,096

Except as disclosed in this report, no other Director held any interest in the share capital, including options, of the Company, or of any subsidiary of the Company, during the year. All interests at the date shown are beneficial and there have been no changes between 1 July 2004 and 3 August 2004. At 30 June 2004, the ESOP was interested in 4,747,515 Ordinary Shares in which the Directors who are employees are deemed to be interested by virtue of Section 324 of the Companies Act 1985 (see note 23 to the accounts).

Approximately 30% of the Ordinary Shares of News Corporation are owned by either (i) Rupert Murdoch (ii) Cruden Investments Pty. Limited, a private Australian investment company owned by Rupert Murdoch, members of his family, including James Murdoch, his son and a Director of the Company, and various corporations and trusts, the beneficiaries of which include Rupert Murdoch, members of his family, including James Murdoch, and certain charities, or (iii) corporations, which are controlled by trustees of settlements and trusts set up for the benefit of the Murdoch family, certain charities and other persons.

News UK Nominees Limited, a significant shareholder in the Group, is a subsidiary of News Corporation. The News Corporation group has significant transactions with the Group as set out in note 26 of the financial statements.

During the year ended 30 June 2004, the share price traded within the range of £5.85 to £7.76 per share. The middle-market closing price on the last working day of the financial year was £6.22.

20. Directors' remuneration
The emoluments of the Directors for the year are shown below:

	Salary and fees £	Bonus scheme £	Benefits £	Total emoluments before pensions £	Pensions £	Total emoluments including pensions 2004 £	Total emoluments before pensions £	Pensions £	Total emoluments including pensions 2003 £
Executive									
James Murdoch (i)(vii)	456,284	850,000	164,348	1,470,632	9,946	1,480,578	13,946	–	13,946
Martin Stewart	500,000	500,000	24,244	1,024,244	35,682	1,059,926	924,750	31,686	956,436
Tony Ball (ii)	717,676	12,284,064	126,644	13,128,384	56,361	13,184,745	2,303,570	156,167	2,459,737
Non-Executive									
Rupert Murdoch	48,375	–	–	48,375	–	48,375	17,741	–	17,741
Chase Carey	38,600	–	–	38,600	–	38,600	13,946	–	13,946
David Devoe	48,151	–	–	48,151	–	48,151	17,741	–	17,741
David Evans	43,600	–	–	43,600	–	43,600	39,994	–	39,994
Nicholas Ferguson (iii)	2,012	–	–	2,012	–	2,012	–	–	–
Allan Leighton	46,747	–	–	46,747	–	46,747	41,750	–	41,750
Jacques Nasser	43,792	–	–	43,792	–	43,792	26,923	–	26,923
Gail Rebuck	43,600	–	–	43,600	–	43,600	25,596	–	25,596
Lord Rothschild (iv)	29,744	–	–	29,744	–	29,744	–	–	–
Arthur Siskind	46,010	–	–	46,010	–	46,010	15,843	–	15,843
Lord St John of Fawsley	47,035	–	–	47,035	–	47,035	40,673	–	40,673
Lord Wilson of Dinton	44,894	–	–	44,894	–	44,894	13,946	–	13,946
Philip Bowman (v)	18,069	–	–	18,069	–	18,069	46,750	–	46,750
John Thornton (vi)	46,110	–	–	46,110	–	46,110	53,744	–	53,744
Total emoluments	2,220,699	13,634,064	315,236	16,169,999	101,989	16,271,988	3,596,913	187,853	3,784,766

Gains on exercise of share options, LTIPs and EBP are disclosed within Sections 23, 24 and 25.

(i) James Murdoch was appointed CEO on 4 November 2003.
(ii) Tony Ball resigned as a Director of the Company on 4 November 2003.
(iii) Nicholas Ferguson was appointed a Director of the Company on 15 June 2004.
(iv) Lord Rothschild was appointed a Director of the Company on 17 November 2003.
(v) Philip Bowman resigned as a Director of the Company on 14 November 2003.
(vi) John Thornton resigned as a Director of the Company on 11 May 2004.
(vii) James Murdoch's salary and fees include £13,015, received for his services as a Non-Executive Director.

21. Pensions
The amounts received by the Directors under pension arrangements are detailed below.

Tony Ball received a payment of £22,918 (2003: a one-off payment of £113,883 and a further payment of £10,421) in relation to the shortfall in his pension arrangements. Employer contributions of £33,443 (2003: £31,863) were paid into the BSkyB Pension Plan.

Martin Stewart received a payment of £10,511 (2003: £4,213) in relation to the shortfall in his pension arrangements. Employer contributions of £25,171 (2003: £27,473) were paid into the BSkyB Pension Plan.

James Murdoch received a payment of £3,854 (2003: nil) in relation to the shortfall in his pension arrangements. Employer contributions of £6,092 (2003: nil) were paid into the BSkyB Pension Plan.

22. Executive bonuses
The amounts received by the Directors under bonus schemes for the year are shown below:

Executive Director	Payment on expiry of contract £	Additonal Executive Bonus Scheme £	Senior Management Bonus Scheme £	Total £
James Murdoch	n/a	–	850,000	850,000
Martin Stewart	n/a	–	500,000	500,000
Tony Ball	10,746,064	288,000	1,250,000	12,284,064

Additional Executive Bonus Scheme
Tony Ball had rights over 600,000 notional shares which were exercised on 12 August 2003. The notional shares had an exercise price of £5.35 but the gain on exercise was limited to a maximum of 48 pence per notional share, or £288,000 in aggregate.

During the year ended 30 June 2004 no shares (notional or actual) have been granted under this scheme.

Senior Management Bonus Scheme

The amounts shown above are those which have been approved by the Committee for the year ended 30 June 2004.

Martin Stewart elected that, in the event of any discretionary bonus being made to him at the Company's discretion, it should be in the form of a contribution to a funded, unapproved retirement benefit scheme.

Tony Ball: expiry of contract

Tony Ball received £10,746,064 on 31 May 2004 in return for agreeing with the Company a two-year non-compete restriction from 1 June 2004 in respect of free and pay television services in the UK, and until after the next renegotiation of rights in respect of services to or on behalf of the Football Association Premier League, and in return for waiving all of his unvested entitlements under the LTIP and EBP schemes.

23. LTIP

Details of outstanding awards under the LTIP are shown below:

	Number of shares under award									
Executive Director	At 30 June 2003	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2004	Exercise price	Market price at date of exercise	Date of award	Date from which exercisable	Expiry date
Tony Ball	454,000	–	400,000 (v)	54,000	–	£10.04	£7.105	03.11.00	n/a	n/a
	454,000	–	400,000 (v)	54,000	–	£10.04	£7.105	03.11.00	n/a	n/a
	454,000	–	400,000 (v)	54,000	–	£8.30	£7.105	21.11.01	n/a	n/a
	454,000 (i)	–	–	454,000	–	£8.30	–	21.11.01	n/a	n/a
	227,110 (i)	–	–	227,110	–	£5.55	–	02.08.02	n/a	n/a
	227,110 (i)	–	–	227,110	–	£5.55	–	02.08.02	n/a	n/a
	11,466 (i)	–	–	11,466	–	£5.60	–	13.08.02	n/a	n/a
	11,466 (i)	–	–	11,466	–	£5.60	–	13.08.02	n/a	n/a
	–	400,000 (i)	–	400,000	–	n/a	–	13.08.03	n/a	n/a
Martin Stewart	227,000	–	200,000 (v)	27,000	–	£10.04	£7.105	03.11.00	n/a	n/a
	227,000	–	200,000 (v)	27,000	–	£10.04	£7.105	03.11.00	n/a	n/a
	227,000	–	200,000 (v)	27,000	–	£8.30	£7.105	21.11.01	n/a	n/a
	227,000	–	–	77,000	150,000 (iii)	£8.30	–	21.11.01	30.06.04	21.11.11
	113,555 (iv)	–	–	–	113,555	£5.55	–	02.08.02	31.07.04	31.07.12
	113,555 (ii)	–	–	–	113,555	£5.55	–	02.08.02	n/a	n/a
	5,733 (iv)	–	–	–	5,733	£5.60	–	13.08.02	31.07.04	31.07.12
	5,733 (ii)	–	–	–	5,733	£5.60	–	13.08.02	n/a	n/a
	–	220,000 (ii)	–	–	220,000	n/a	–	13.08.03	n/a	n/a

In previous years, awards under the LTIP took the form of market value options with a cash bonus equal to the lower of the exercise price and the share price at the date of exercise, with the exception of shares awarded as part of an agreement to meet the employer's National Insurance obligations, which did not attract a cash bonus. The awards granted during the year took the form of nil-priced options and were not enhanced to meet the employer's National Insurance obligations.

Notes:

(i) These awards all lapsed on 31 May 2004 following the expiry of Tony Ball's service agreement with the Company; see Section 17.
(ii) These awards were released on 31 July 2004; see Section 17.
(iii) These awards vested during the year. The performance conditions in relation to these awards are set out in Section 17.
(iv) 5,964 of these awards vested on 31 July 2004. At that date 95% of this award did not vest and will be rolled over and tested at 31 July 2005. The performance conditions in respect of these awards are set out in Section 10.
(v) The aggregate amount received by the Directors under the LTIP was £12,789,000 (2003: nil).

24. EBP

Executive Director	Number of shares under award: At 30 June 2003	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2004	Exercise price (i)	Market price at date of exercise	Date from which exercisable	Expiry date
Tony Ball	52,000 (ii)	–	–	52,000	–	n/a	n/a	n/a	n/a
	52,000 (ii)	–	–	52,000	–	n/a	n/a	n/a	n/a
	–	100,000 (ii)	–	100,000	–	n/a	n/a	n/a	n/a
Martin Stewart	26,000	–	–	–	26,000	n/a	n/a	31.07.04	n/a
	26,000 (iii)	–	–	–	26,000	n/a	n/a	n/a	n/a
	–	55,000 (iii)	–	–	55,000	n/a	n/a	n/a	n/a

Notes:
(i) Awards under the EBP take the form of a contingent right to acquire existing shares in the Company at the vesting date, for nil consideration.
(ii) These awards lapsed on 31 May 2004 following the expiry of Tony Ball's service contract with the Company; see Section 17.
(iii) These awards were released on 31 July 2004. For further details see Section 17.

The performance conditions applicable to the awards are measured over one financial year. The shares awarded in 2002 would have delivered the shares in equal measures at 31 July 2004 and 31 July 2005. The shares that were awarded in 2003 would have all been delivered at 31 July 2006.

25. Executive share options

Executive Director	Number of options: At 30 June 2003	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2004	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
Tony Ball	5,145 (i)	–	5,145	–	–	£5.83	£7.105	n/a	n/a
	594,855 (i)	–	594,855	–	–	£5.83	£7.105	n/a	n/a
	600,000 (ii)(iii)	–	–	–	600,000	£7.35	n/a	31.05.04	12.02.07

Notes:
(i) On 12 August 2003 the Executive Options were exercised and subsequently sold. The gain made on the exercise of the shares was £765,000.
(ii) The Company has agreed that these options will remain capable of exercise to the fullest extent applicable under the rules of the Executive Scheme.
(iii) The performance condition relating to these awards is set out in Section 13.

Signed on behalf of the Board,
David Gormley Company Secretary

3 August 2004