OUR RESULTS TOTAL REVENUE INCREASED BY 15%, OPERATING PROFIT BEFORE GOODWILL AND EXCEPTIONAL TAX INCREASED BY 65%, EPS INCREASED TO 18.3 PENCE AND THERE IS A PROPOSED FINAL DIVIDEND PAYMENT OF 3.25 PENCE PER SHARE. THE BUSINESS IS IN ROBUST FINANCIAL HEALTH, WITH EXCELLENT MOMENTUM FOR THE COMING YEAR.

CONTENTS

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 respect to the potential for growth of free-to-air and pay television, advertising growth, DTH subscriber growth and Multiroom and Sky+ penetration, DTH revenue, profitability and margin growth, cashflow generation, SAC and marketing expenditure, capital expenditure programmes and proposals for rewarding 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 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 Annual Report on Form 20-F for the year ended 30 June 2003. Copies of the Annual Report on Form 20-F are available on request from British Sky Broadcasting Group plc, Grant Way, Isleworth TW7 5QD. 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.

Directors' Biographies

Board of Directors at 30 June 2004:

Rupert Murdoch (age 73) NON-EXECUTIVE DIRECTOR AND CHAIRMAN
Rupert Murdoch was appointed as a Director of the Company in November 1990, when he founded British Sky Broadcasting, and was appointed Chairman in June 1999. Mr Murdoch has been a Managing Director and Chief Executive of The News Corporation Limited ("News Corporation") since 1979 and Chairman since 1991. Mr Murdoch has also served as a Director of Fox Entertainment Group ("FEG") and its predecessor companies since 1985, Chairman since 1992 and Chief Executive Officer ("CEO") since 1995. In addition, Mr Murdoch has been a Director of Star Group Limited ("Star") since 1993, Gemstar-TV Guide International, Inc ("Gemstar") since 2001, and The Direct TV Group, Inc ("DIRECTV") since 2003.

Lord Rothschild (age 68) SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR AND DEPUTY CHAIRMAN
Lord Rothschild was appointed as a Director, Deputy Chairman and Senior Independent Non-Executive Director of the Company on 17 November 2003. Lord Rothschild is Chairman of RIT Capital Partners Inc and Five Arrows Limited, and co-founded Global Asset Management, which is now part of UBS, and J Rothschild Assurance, which is now part of St James' Place Capital. From university Lord Rothschild joined the family bank, N.M. Rothschild & Sons, and subsequently ran the corporate finance department and became chairman of the executive committee, before leaving N.M. Rothschild & Sons in 1980 to develop Rothschild Investment Trust and his interests in the financial sector. Lord Rothschild attended Oxford University and, in addition to his career in the world of finance, he has been involved in philanthropy and public service.

James Murdoch (age 31) EXECUTIVE DIRECTOR
James Murdoch was appointed as a Director of the Company on 13 February 2003 and CEO with effect from 4 November 2003. Until Mr Murdoch's appointment as CEO, he was Chairman and CEO of Star from May 2000. With effect from 4 November 2003, Mr Murdoch resigned as Executive Vice President of News Corporation and as a member of News Corporation's Board of Directors and Executive Committee and from the Board of NDS Group plc ("NDS"). Mr Murdoch serves on the Board of YankeeNets and the Board of Trustees of the Harvard Lampoon. Mr Murdoch attended Harvard University.

Martin Stewart (age 40) EXECUTIVE DIRECTOR
Martin Stewart was appointed as Chief Financial Officer ("CFO") and a Director of the Company on 20 May 1998. Mr Stewart previously served the Company as Head of Commercial Finance from March 1996. Prior to joining the Company, Mr Stewart was employed at Polygram for five years, latterly at Polygram Filmed Entertainment, where he was Finance Director for two years. From March 2001 to October 2003, Mr Stewart was a Non-Executive Director of Michael Page International plc. Mr Stewart will resign his position as CFO of the Company on 4 August 2004.

Chase Carey (age 50) NON-EXECUTIVE DIRECTOR
Chase Carey was appointed as a Director of the Company on 13 February 2003. Mr Carey has been a Non-Executive Director of News Corporation since 2002 and was an Executive Director from 1996 until 2002. Mr Carey has been named President and CEO of DIRECTV. and serves on the Boards of Gateway, Inc. and Colgate University. Mr Carey previously served as Co-Chief Operating Officer of News Corporation and as a Director and Co-Chief Operating Officer of FEG. Mr Carey has also held the positions of Chairman and CEO of Fox Television, Director of Star, Director of NDS and Director of Gemstar.

David DeVoe (age 57) NON-EXECUTIVE DIRECTOR
David DeVoe was appointed as a Director of the Company on 15 December 1994. Mr DeVoe has been an Executive Director of News Corporation since October 1990, Senior Executive Vice President of News Corporation since January 1996, CFO and Finance Director of News Corporation since October 1990 and Deputy Finance Director from May 1985 to September 1990, Director of News America International ("NAI") since January 1991, and a Director of Star since July 1993. Mr DeVoe has also been a Director of FEG since 1991 and a Senior Executive Vice President and CFO since August 1998. Mr DeVoe has been a Director of NDS since 1996 and a Director of Gemstar since June 2001.

David Evans (age 64) INDEPENDENT NON-EXECUTIVE DIRECTOR
David Evans was appointed as a Director of the Company on 21 September 2001. Mr Evans is President and CEO of Crown Media Holdings, Inc ("Crown"). Mr Evans was previously President and CEO of Crown's predecessor, Hallmark Entertainment Networks, from 1 March 1999. Prior to that, Mr Evans was President and CEO of Tele-Communications International, Inc. ("TINTA") from January 1998. Mr Evans joined TINTA in September 1997 as its President and Chief Operating Officer, overseeing the day-to-day operations of the Company. Prior to joining TINTA, from July 1996, Mr Evans was Executive Vice President of News Corporation and President and CEO of Sky Entertainment Services Latin America, LLC.

Nicholas Ferguson (age 55) INDEPENDENT NON-EXECUTIVE DIRECTOR
Nicholas Ferguson was appointed as a Director of the Company on 15 June 2004. Mr Ferguson is CEO of SVG Capital, a publicly-quoted private equity group, and Chairman of SVG Advisers Limited and was formerly Chairman of Schroder Ventures. He is also Chairman of the Courtauld Institute of Art.

Allan Leighton (age 51) INDEPENDENT NON-EXECUTIVE DIRECTOR
Allan Leighton was appointed as a Director of the Company on 15 October 1999. Mr Leighton joined ASDA Stores Limited as Group Marketing Director in March 1992. In September 1996 he was appointed Chief Executive and in November 1999 he was appointed President and CEO of Wal-Mart Europe. Mr Leighton resigned all of these positions in September 2000. Mr Leighton is Non-Executive Chairman of BHS Limited, Lastminute.com plc, Royal Mail Group plc and Health Club Investments Group Limited (parent of Cannons Group Limited). Mr Leighton is a Non-Executive Director of Dyson Limited, George Weston Limited and Selfridges & Co Limited.

Jacques Nasser (age 56) INDEPENDENT NON-EXECUTIVE DIRECTOR
Jacques Nasser was appointed as a Director of the Company on 8 November 2002. Mr Nasser is a Senior Partner of One Equity Partners. In addition, Mr Nasser is Chairman of Polaroid Corporation, and he serves on the Board of Quintiles Transnational Corporation, Brambles Industries and the International Advisory Board of Allianz A.G. Mr Nasser served as a Member of the Board of Directors, and as President and CEO of Ford Motor Company from 1998 to 2001. Mr Nasser has received an honorary Doctorate of Technology and graduated in Business from the Royal Institute of Melbourne. Because of Mr Nasser's significant contributions to the wellbeing of humanity and to the country of Lebanon, he has received the Order of the Cedar. In recognition of Mr Nasser's work for Australian industry, as an adviser to government, and for education in the area of technology, he has been awarded an Order of Australia and a Centenary Medal.

Gail Rebuck (age 52) INDEPENDENT NON-EXECUTIVE DIRECTOR
Gail Rebuck was appointed as a Director of the Company on 8 November 2002. Ms Rebuck is Chairman and Chief Executive of The Random House Group Limited, the UK's largest trade publishing company. In 1982, Ms Rebuck became a founder Director of Century Publishing ("Century"). Century merged with Hutchinson in 1985 and in 1989 Century Hutchinson was acquired by Random House Inc. In 1991, Ms Rebuck was appointed Chairman and Chief Executive of The Random House Group Limited. Ms Rebuck was a Trustee of the Institute for Public Policy Research from 1993 to 2003 and was for three years a member of the Government's Creative Industries Task Force. Ms Rebuck is on the Board of The Work Foundation, a member of the Court of the University of Sussex, on the Advisory Board of the Cambridge Judge Institute, and the Council of the Royal College of Art. Ms Rebuck was awarded a CBE in the 2000 New Year's Honours List.

Arthur Siskind (age 65) NON-EXECUTIVE DIRECTOR
Arthur Siskind was appointed as a Director of the Company on 19 November 1991. Mr Siskind has been a Senior Executive Vice President of News Corporation since January 1996 and an Executive Director and Group General Counsel of News Corporation since 1991. Mr Siskind was an Executive Vice President of News Corporation from February 1991 until January 1996. Mr Siskind has been a Director of NAI since 1991, a Director of Star since 1993, a Director of NDS since 1996 and Senior Executive Vice President, General Counsel and a Director of FEG since August 1998. Mr Siskind has been a member of the Bar of the State of New York since 1962.

Lord St John of Fawsley (age 75) NON-EXECUTIVE DIRECTOR
Lord St John was appointed as a Director of the Company on 20 November 1991. Lord St John was a Director of the N.M. Rothschild Trust from 1990 to 1998. Lord St John is Chairman of the Royal Fine Art Commission Trust and was Chairman of the Royal Fine Art Commission from 1985 to 2000. Lord St John is a member of the Privy Council and holds the Order of Merit of the Italian Republic. Lord St John has held the offices of Minister of State for Education, Minister of State for the Arts, Leader of the House of Commons and Chancellor of the Duchy of Lancaster. Lord St John has also been Master of Emmanuel College, Cambridge. Lord St John is a regular commentator on television and radio.

Lord Wilson of Dinton GCB (age 61) INDEPENDENT NON-EXECUTIVE DIRECTOR
Lord Wilson was appointed as a Director of the Company on 13 February 2003. He has been a Non-Executive Director of Xansa plc since April 2003. Lord Wilson entered the Civil Service as an assistant principal in the Board of Trade in 1966. Lord Wilson subsequently served in a number of departments, including 12 years in the Department of Energy, where his responsibilities included nuclear power policy, the privatisation of Britoil, personnel and finance. Lord Wilson headed the Economic Secretariat in the Cabinet Office under Mrs Thatcher from 1987 to 1990 and, after two years in the Treasury, was appointed Permanent Secretary of the Department of the Environment in 1992. Lord Wilson became Permanent Under Secretary of the Home Office in 1994 and Secretary of the Cabinet and Head of the Home Civil Service in January 1998. Since his retirement in September 2002, Lord Wilson has been Master of Emmanuel College, Cambridge. Lord Wilson was made a peer in November 2002.

Alternate Directors
Rupert Murdoch, David DeVoe, Arthur Siskind and Chase Carey have appointed each of the others to act as their alternate Director and, in addition, have appointed Leslie Hinton to act as their alternate Director. David Evans has appointed Allan Leighton as his alternate Director.

Directors to be appointed post 30 June 2004:

Jeremy Darroch (aged 41) EXECUTIVE DIRECTOR
Jeremy Darroch will join the Company as CFO replacing Martin Stewart with effect from 16 August 2004. Mr Darroch joined Dixons Group plc ("Dixons") in January 2000 as Retail Finance Director, rising to the position of Group Finance Director in February 2002. Prior to Dixons, Mr Darroch spent 12 years at Procter & Gamble in a variety of roles in the UK and Europe, latterly as European Finance Director for their Health Care businesses.

Andy Higginson (aged 46) INDEPENDENT NON-EXECUTIVE DIRECTOR
Andy Higginson will join the Company as a Non-Executive Director with effect from 1 September 2004. Mr Higginson is Finance and Strategy Director of Tesco plc ("Tesco"). Mr Higginson was appointed to the Board of Tesco in 1997, having previously been the Group Finance Director of the Burton Group PLC. Mr Higginson is a member of the 100 Group of Finance Directors, Chairman of Tesco Personal Finance and a Non-Executive Director of C&J Clark Limited.

Directors' Report

The Directors present their Annual Report on the affairs of British Sky Broadcasting Group plc ("BSkyB", "the Company") and its subsidiary undertakings (together, "the Group"), together with the Accounts and Auditors' Report for the year ended 30 June 2004.

Activities

The Chairman's Statement on page 1 and the Operating and Financial Review on pages 4 to 14 report on the principal activities of the Group, its financial and operating performance during the year and the future development of the business.

Results and dividends

The profit on ordinary activities after taxation for the year ended 30 June 2004 was £322 million (2003: £184 million). The Directors recommend a final dividend for the year ended 30 June 2004 of 3.25 pence per ordinary share which, together with the interim dividend of 2.75 pence paid to shareholders on 23 April 2004, will make a total dividend for the year of 6.00 pence (2003: nil). Subject to approval at the Annual General Meeting ("AGM"), the final dividend will be paid on 19 November 2004 to shareholders appearing on the register at the close of business on 29 October 2004.

Post balance sheet events

Post balance sheet events are disclosed in note 28 to the accounts.

Payment policy

The policy of the Group is to agree terms of payment with suppliers prior to entering into a contractual relationship. In the absence of a specific agreement, it is the policy of the Group to pay suppliers on a monthly basis. The Group had 31 days' purchases outstanding at 30 June 2004 (2003: 20 days), based on the total amount invoiced by non-programme trade suppliers during the year ended 30 June 2004. Programme creditors include significant balances which are not yet contractually due. In respect of amounts both contractually due and invoiced, the outstanding number of days' purchases is below 30 days (2003: below 30 days).

Share capital

Details of changes in the share capital during the year are disclosed in note 22 to the accounts. On 3 August 2004, the following companies, or their subsidiary undertakings, held more than 3% of the Company's share capital:

News UK Nominees Limited (a subsidiary of News Corporation).................. 35.33%

Corporate governance

Details concerning the Group's arrangements relating to corporate governance and its compliance with the Combined Code on Corporate Governance annexed to the Listing Rules of the Financial Services Authority are given on pages 29 to 31. The Report on Directors' Remuneration is on pages 32 to 40.

Charitable and political contributions and community activities

The Group takes its commitment to the community seriously, with the aim of achieving value for both its business and the wider community by helping young people understand and realise their potential. The Group's second Corporate Responsibility Review, which does not form part of the Annual Report, will be published in the autumn, and will provide further information on its activities and community initiatives (see www.sky.com). During the period, the Board appointed Gail Rebuck, an Independent Non-Executive Director, as Chairman of the Group's Corporate Responsibility Steering Committee.

The Group's community activity has continued to focus on utilising its strengths as a business to deliver a measurable and sustainable impact on the community, both at a local and national level. This is achieved via the Group's main community involvement initiative, 'Reach for the Sky', Sky's flagship initiative to support and inspire young people to achieve their potential (see www.sky.com/rfts). There are three initiatives within Reach for the Sky, each consisting of a three-way partnership between the Group, voluntary organisations and government departments. In 2004, Reach for the Sky was awarded Department of Trade and Industry/Business in the Community Awards for Excellence for Education and Lifelong Learning and Realising Ability.

In 2004, the Group in the UK donated a total value of £1,019,000 (2003: £678,000) to charities in the form of cash. Details of its Community Investment will be provided in the Corporate Responsibility Review.

Political contributions of the Group in the UK during 2004 amounted to nil (2003: nil).

Directors

The names and biographical details of the Directors of the Company are given on pages 26 and 27. The following Board changes occurred during the year:

Tony Ball resigned as a Director of the Company on 4 November 2003.

Philip Bowman resigned as a Director of the Company on 14 November 2003.

Lord Rothschild was appointed a Director of the Company on 17 November 2003.

John Thornton resigned as a Director of the Company on 11 May 2004.

Nicholas Ferguson was appointed a Director of the Company on 15 June 2004.

Martin Stewart will resign as a Director of the Company on 4 August 2004.

Jeremy Darroch will be appointed a Director of the Company on 16 August 2004.

Andy Higginson will be appointed a Director of the Company on 1 September 2004.

Lord Rothschild, Nicholas Ferguson, Jeremy Darroch and Andy Higginson offer themselves for election in accordance with the Company's Articles of Association. Jacques Nasser, Gail Rebuck and Arthur Siskind retire from the Board by rotation, and being eligible, offer themselves for re-election.

The Directors' interests in the Ordinary Shares and options of the Company are disclosed within the Report on Directors' Remuneration on pages 32 to 40.

Employment policies

Equality of opportunity

The Group fully supports the right of all people who work with us to be treated with respect and dignity. The Group is committed to ensuring that no one is subjected to less favourable treatment because of their age, gender, gender reassignment, sexual orientation, race, religious beliefs, marital status or disability. The Group is committed to creating and maintaining a working environment that is free from all forms of harassment, including bullying.

The Group believes everyone should be given equal access to the same choices and opportunities in recruitment and employment, irrespective of their differences and needs. The Group has a range of policies designed to ensure that it can meet this commitment. These include respect for family and religious needs, and reasonable adjustment and communication support for disabled people.

Applications are welcomed from a diverse talent pool. In addition, the Group works in partnership with Sabre employment (a specialist disability employment group) to ensure appropriate support for the continuing employment of disabled people. The Group is committed to promoting awareness of diversity through training and working practices.

The Group is a gold card member of the Employers' Forum on Disability and supports both the Broadcasting and Creative Industries Disability Network and the Cultural Diversity Network. The Group is also part of the Stonewall Diversity Champion network.

Health and safety

The health and safety of the Group's employees is a matter of major importance. Accordingly, it is the Group's policy to manage its activities so as to avoid causing any unnecessary or unacceptable risk to the health and safety of its personnel. The Group's goal is to ensure continuous improvement in the management of its health and safety risks. To this end, a two-year programme was entered into in July 2003 to guide a revitalisation process in relation to health and safety within the Group. The current status of the project is in line with the deliverables required by the programme to securely embed a reinvigorated management system for health and safety into the Group, that not only meets all applicable statutory requirements, but also demonstrates the Group's commitment to employee wellbeing.

Directors' Report

continued

Employee involvement and communication

It is the policy of the Group to develop employee involvement throughout the organisation and to ensure that employees are aware of the financial and economic factors affecting the Group, and how they can succeed as individuals and as part of teams. Communication meetings between management and employees' representatives are typically held on a quarterly basis where matters of specific interest are discussed. Ongoing consultation occurs covering a broad range of areas such as pension provision and health and safety, and employees' views are taken into consideration when making decisions. The Group publishes two employee magazines covering a wide range of employee issues, runs a comprehensive intranet system and regularly hosts roadshows, conferences and forums for two-way communication. The Group's electronic mail system ensures that staff are kept up-to-date on relevant information and initiatives.

Training and development

Employees have the opportunity to participate in a range of training programmes in the fields of leadership, technology, the broadcast industry, professional skills and management and personal development. The Group is represented at Board level within the Broadcast Industry Sector Skills Council, Skillset, which promotes training and development opportunities across the industry, and has direct links with academic and training bodies.

Financial participation

The Group operates a sharesave (discounted share purchase) scheme, a Company pension scheme, and also a stakeholder pension scheme for the benefit of all eligible employees.

Environmental responsibility

The Group recognises the importance of environmental responsibility, and the complete BSkyB Environmental Report can be found in the corporate section on the Company's website (see www.sky.com). This report does not form part of the Annual Report.

Annual General Meeting

The notice convening the AGM to be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London, SW1P 3EE on 12 November 2004 at 11.30am can be found in a separate notice accompanying the Annual Report.

Auditors

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming AGM.

By order of the Board,
David Gormley Company Secretary

3 August 2004

Corporate Governance Report

In July 2003, the Financial Services Authority issued the revised code on Corporate Governance (the "Combined Code"). The Combined Code will apply to companies for reporting years beginning on or after 1 November 2003, and therefore in relation to the Company from the financial year ending 30 June 2005. Accordingly, this report explains the Company's compliance with the provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Hampel Committee in June 1998 (the "Hampel Code").

The Company is committed to high standards of corporate governance and, except as noted below, has complied throughout the year with the best practice provisions of the Hampel Code.

The Board

The Board currently comprises fourteen Directors, made up of two Executive Directors and twelve Non-Executive Directors, eight of whom are determined to be independent under the provisions of the Hampel Code and seven under the provisions of the Combined Code. The Non-Executive Directors of the Company bring a wide range of experience and expertise to the Company's affairs, and they carry significant weight in the Board's decisions. Short biographies of each of the Directors are set out on pages 26 to 27, which also clearly identify those Directors who are, in the view of the Board, independent within the meaning of the Combined Code.

The roles of the Chairman, Rupert Murdoch, and CEO, James Murdoch, are separate and have been since the Company obtained its listing in 1994. Lord St John of Fawsley held the position of Senior Independent Non-Executive Director of the Company until 17 November 2003, when he was replaced in this position by Lord Rothschild.

The Board is scheduled to meet at least six times a year to review appropriate strategic, operational and financial matters as required. A schedule of matters reserved for the full Board's approval is in place, which includes, inter alia, the approval of annual and interim results, dividend policy, significant transactions, agreements or arrangements between the Group and related parties, including members of The News Corporation Limited group ("News Corporation group").

The Board has also delegated specific responsibilities to Board Committees, notably the Audit, Remuneration and Corporate Governance & Nominations Committees, as set out below. Directors receive Board and Committee papers several days in advance of Board and Committee meetings and also have access to the advice and services of the Company Secretary. In addition, the Board members have access to external professional advice at the Company's expense. Non-Executive Directors serve for an initial term of three years, subject to election by shareholders following appointment, subsequent re-election by shareholders, and Companies Act provisions relating to the removal of Directors. In addition, reappointment for a further term is not automatic, but may be mutually agreed. All of the Directors are required to retire and offer themselves for re-election at least once in every three years.

A committee of senior management generally meets on a weekly basis to allow prompt decision making and discussion of relevant business issues. It is chaired by the CEO and comprises the CFO and other senior executives ("Senior Executives") from within the Group.

Board Committees

Remuneration Committee

The Remuneration Committee, on behalf of the Board, is responsible for recommending to the Board the key terms of employment of Senior Executives of the Group whose base salary exceeds £250,000 per annum, other than key production personnel or on-air talent and reviewing the design and structure of the Group's package of employee incentives. The Remuneration Committee has clearly defined terms of reference, meets at least twice a year, and takes advice from the CEO and independent consultants as appropriate in carrying out its work. The Remuneration Committee currently comprises three Independent Non Executive Directors.

The Board noted that, for the majority of the year, the composition of the Remuneration Committee did not comply with the Hampel Code, which states that all members of the Remuneration Committee must be Independent Non-Executive Directors. The Board considered that David DeVoe and Rupert Murdoch, along with the other members of the Remuneration Committee, provided a valuable contribution to the Remuneration Committee. On 15 June 2004, Rupert

Murdoch and David DeVoe resigned as members of the Remuneration Committee and Nicholas Ferguson was appointed as a member. The members of the Remuneration Committee are Jacques Nasser (Chairman), David Evans and Nicholas Ferguson, all of whom are Independent Non-Executive Directors, in compliance with the Combined Code.

The Report on Directors' Remuneration can be found on pages 32 to 40. In accordance with the Directors' Remuneration Report Regulations 2002, the Report on Directors' Remuneration will be put forward for an advisory shareholder vote at the AGM.

Audit Committee

The Audit Committee, which consists exclusively of Non-Executive Directors, has clearly defined terms of reference as laid out by the Board. Philip Bowman, who had been Chairman of the Audit Committee since March 1995, resigned as a Director and consequently as a member of the Audit Committee on 14 November 2003. Following Philip Bowman's resignation, the composition of the Audit Committee did not comply with the provisions of the Hampel Code, which states that there must be a majority of Independent Non-Executive Directors on the Audit Committee. On Philip Bowman's resignation, the Board started a process to recruit a further Independent Non-Executive Director with sufficient financial experience to replace Philip Bowman. The Company has announced that Andy Higginson will join the Board on 1 September 2004, and will also become a member of the Audit Committee, as of that date. On 15 June 2004, David DeVoe and Arthur Siskind resigned from the Audit Committee. The composition of the Audit Committee is currently Allan Leighton (Chairman) and Gail Rebuck. This does not comply with the Hampel Code, which requires there to be a minimum of three Directors on the Audit Committee, the majority of whom have to be independent, but the Company will be in compliance with the Combined Code from 1 September 2004. The Audit Committee meets at least five times a year. Its duties include making recommendations to the Board in relation to the appointment, reappointment and removal of the external auditors, and discussing with the external auditors the nature, scope and fees for the external auditors' work. The Audit Committee reviews, and recommends to the Board the approval of or any amendment to, the quarterly, half year and annual financial statements of the Group, and also reviews the Company's Annual Report on Form 20-F prior to its filing, and the Group's significant accounting principles, systems of internal control, treasury policies and reviews the audit plans and findings of the Group's internal audit function. The Audit Committee also monitors the Group's whistleblowing policy and is responsible for approving non-audit services provided by Deloitte & Touche LLP. The Audit Committee has the power to seek external advice as and when required.

News UK Nominees Limited, a subsidiary of News Corporation, is a major shareholder in the Group, holding over 35.3% of the issued share capital. The Audit Committee receives, on a quarterly basis, a schedule of all transactions between companies within the News Corporation group and the Group and any other related party transactions, showing cumulatively all transactions which have been entered into during the year, and which exceed £100,000 in value.

Furthermore, Audit Committee approval is required for the entering into by the Group of a commitment or arrangement (or any series of related commitments or arrangements) with News Corporation or any of its subsidiaries, or any other related party which involves or could reasonably involve the payment or receipt by the Group of amounts equal to or in excess of £10 million, but not exceeding £25 million in aggregate value with News Corporation. Any transaction in excess of £25 million in aggregate value must be submitted to the Audit Committee and, if approved by the Audit Committee, it must also be submitted to the Board for approval.

Corporate Governance & Nominations Committee

On 15 June 2004, the Nominations Committee was merged with the Corporate Governance Committee to become the Corporate Governance & Nominations Committee. The Committee is chaired by Lord Wilson of Dinton and its members are Lord Rothschild and Arthur Siskind. Lord St John of Fawsley stepped down from the Committee on 15 June 2004 and John Thornton resigned from the then Nominations Committee following his resignation as a Director of the Company on 11 May 2004.

During the year, the following processes were followed by the Corporate Governance & Nominations Committee in its nomination of Directors to the Board.

On 23 September 2003, the Company announced that Tony Ball, CEO of the Group, would not be renewing his service agreement on its expiry on 31 May 2004. The Nominations Committee, chaired by Lord St John of Fawsley, was tasked by the Board to find a suitable replacement for Tony Ball. Gail Rebuck and Allan Leighton were asked to assist the Nominations Committee in this process. An Executive Search Consultant, Spencer Stuart, was retained by the Nominations Committee to aid in the search process. An extensive list of candidates was put together by Spencer Stuart, which was then reduced to a shortlist, all of whom were interviewed by all members of the Board involved in the process. This resulted in the Nominations Committee unanimously recommending to the Board the appointment of James Murdoch as CEO.

During this period, the Nominations Committee met with various shareholders and shareholder bodies to advise them on the selection process. As a result of the comments received from those shareholders, the Nominations Committee considered it appropriate to nominate a further senior figure to the Board and recommended the appointment of Lord Rothschild, who was nominated to the Board and appointed as Deputy Chairman and Senior Independent Director on 17 November 2003.

During the year, the Nominations Committee also commenced searches to find replacements for Philip Bowman and John Thornton who resigned during the course of the year. Spencer Stuart were again asked to assist in the process and a number of candidates were identified. The Nominations Committee was assisted in this search by Allan Leighton, Gail Rebuck, Lord Wilson of Dinton, Lord Rothschild and Arthur Siskind. The Nominations Committee was mindful of appointing a Director with relevant financial experience who could also be appointed as a member of the Audit Committee and a further Independent Non-Executive Director. As a result, the Nominations Committee identified and unanimously recommended to the Board the appointment of Andy Higginson and Nicholas Ferguson as additional Independent Non-Executive Directors.

Appointment and resignation of Directors

Lord Rothschild was appointed to the Board as Deputy Chairman on 17 November 2003. Nicholas Ferguson was appointed to the Board on 15 June 2004. The Company has announced that Jeremy Darroch will join the Board on 16 August 2004, as CFO. The Company has announced that Andy Higginson will join the Board on 1 September 2004.

Tony Ball resigned from the Board on 4 November 2003. Philip Bowman resigned from the Board on 14 November 2003. John Thornton resigned from the Board on 11 May 2004. The Company has announced that Martin Stewart will resign from the Board on 4 August 2004.

Corporate Governance Review

On 14 November 2003, the Company announced that it had formed an ad-hoc Committee of the Board (the "Corporate Governance Committee") to review all of the relevant codes and statutory obligations and to identify any appropriate changes to make to the processes of the Board and the composition of its Committees. The Corporate Governance Committee members comprised Lord Wilson of Dinton as Chairman, Lord Rothschild and Arthur Siskind.

The Corporate Governance Committee's approach was to undertake an analysis of the Combined Code, as well as the relevant Securities & Exchange Commission ("SEC") and New York Stock Exchange ("NYSE") rules applicable to the Company, and to identify where the Company's own structure and practices varied from them. The Corporate Governance Committee sought to bring the Company's structure and practices into line with all the rules with which the Company will be bound to comply, including the provisions of the Combined Code.

The Corporate Governance Committee recommended to the Board the adoption of all of the Combined Code's provisions. In the case of code provision A.7.2, which requires that Directors who have been serving on the Board for more than nine years should retire and stand for re-election at each AGM, the Corporate Governance Committee recommended that this provision should apply only from expiry of the current term of office that each Director is serving as approved by shareholders in general meeting.

The Corporate Governance Committee also recommended that the composition of the Board's Committees should comply with the relevant provisions of the Combined Code and recommended changes to the composition of the Audit and Remuneration Committees as discussed earlier in this report. Furthermore, they recommended that the Corporate Governance Committee should be merged with the Nominations Committee to form the Corporate Governance & Nominations Committee. These changes ensure that going forward, the composition of the Remuneration and Corporate Governance & Nominations Committees will comply with the provisions of the Combined Code, and the composition of the Audit Committee will be in compliance from 1 September 2004, following the appointment of Andy Higginson.

The Corporate Governance Committee recommended that David DeVoe and Arthur Siskind should have a standing invitation to attend meetings of the Audit Committee and that Rupert Murdoch and David DeVoe should have a standing invitation to attend meetings of the Remuneration Committee. In both of these instances, their attendance at these meetings shall be as observers only and in a non-voting capacity.

Under the Combined Code, the criteria to determine whether or not a Director is independent have changed from those under the Hampel Code. In light of the new criteria, the Board has determined that Lord St John of Fawsley, whilst independent under the Hampel Code, will not be independent under the Combined Code.

Communication with shareholders

The Company is keen to maintain a dialogue with institutional shareholders in order to ensure that the objectives of both the Company and the shareholders are understood. A programme of meetings with institutional shareholders, fund managers and analysts takes place each year. The Company also makes presentations to analysts and fund managers following the half year and full year results of the Company.

The Board views the AGM as an opportunity to communicate with private investors and sets aside time at these meetings for shareholders to ask questions of the Board. All members of the Board are encouraged to attend the meeting. John Thornton, then Chairman of the Remuneration Committee, was unable to attend the 2003 AGM due to unforeseen business commitments. Mr Thornton resigned as a Director of the Company on 11 May 2004. All other members of the Remuneration Committee attended the AGM, and were available to answer shareholder questions. At the AGM, the Chairman provides a brief resumé of the Company's activities for the previous year to the shareholders. The Company, in accordance with the Hampel Code, announces the number of proxy votes cast on resolutions at the AGM.

Directors' responsibilities

The responsibilities of the Directors are set out on page 41.

Internal control

The Directors have overall responsibility for establishing and maintaining the Group's systems of internal control and risk management and for reviewing their effectiveness. These systems are designed to manage, and where possible eliminate, the risk of failure to achieve business objectives and to provide reasonable but not absolute assurance against material misstatement or loss. An ongoing process for identifying, evaluating and managing the significant risks faced by the Group has been established, in accordance with the guidance of the Turnbull Committee on internal control issued in September 1999. This process has been in place for the whole of the year ended 30 June 2004 and up to the date on which the financial statements were approved.

The Audit Committee, on behalf of the Board, considers the effectiveness of the operation of the Group's systems of internal control and risk management during the year and this review has been carried out for the year ended 30 June 2004 and up to the date on which the financial statements were approved. This review relates to the Company and its subsidiaries and does not extend to joint ventures. The Audit Committee meets on at least a quarterly basis with the Group's internal audit team and the external auditors.

There is a comprehensive budgeting process, and the annual budget, which is regularly reviewed and updated, is approved by the Board. Risk assessment and evaluation take place as an integral part of this process. Performance is monitored against budget through weekly and monthly reporting cycles. Monthly reports on performance are provided to the Board and the Group reports to shareholders each quarter. Each area of the Group carries out risk assessments of its operations and ensures that the key risks are addressed. A Risk Management Committee, chaired by the CFO and comprising senior executives, reviews the management of risks in all areas of the Group on a cyclical basis. The results of the Risk Management Committee's review are integral to the budgeting and forecasting process and are integrated into the internal audit planning.

The internal audit team provides objective assurance as to the effectiveness of the Group's systems of internal control and risk management to the Group's operating management and to the Audit Committee.

During the year, KPMG reviewed the effectiveness of the Group's Audit and Risk Management Department.

Use of external auditors

The Group has a policy on the provision by the external auditors of audit and non-audit services, which categorises such services between:

- those services which the auditors are prohibited from providing;
- those services which are acceptable for the auditors to provide and the provision of which has been pre-approved by the Audit Committee; and
- those services for which the specific approval of the Audit Committee is required before the auditors are permitted to provide the service.

The policy defines the types of services falling under each category and sets out the criteria which need to be met and the internal approval mechanisms required to be completed prior to any engagement. An analysis of all services provided by the external auditors is reviewed by the Audit Committee on a quarterly basis.

For the year ended 30 June 2004, the Audit Committee has discussed the matter of audit independence with Deloitte & Touche LLP, the Group's external auditors, and has received and reviewed confirmation in writing that, in Deloitte & Touche LLP's professional judgement, Deloitte & Touche LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

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.

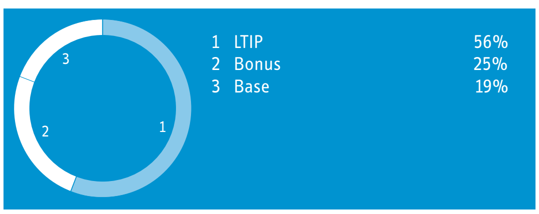
In 2004/05, over three-quarters of Executive Directors' potential direct remuneration will again be performance-related.

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 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	–	–	–	–

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:

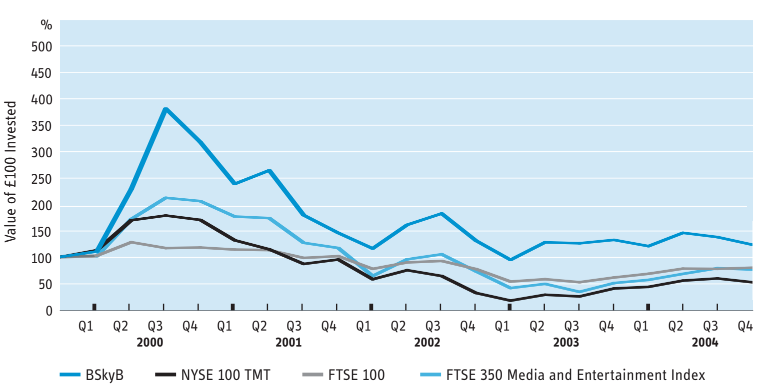
a) His annual bonus will be paid out at the 2003 level, as a 'proxy' for a 'normal' annual bonus, and paid in two equal instalments on 31 January 2005 and 31 July 2005.
b) He will also receive a sum to compensate him for the loss of the LTIP and EBP awards due to vest in 2005 and 2006. This will be paid 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

Directors' Responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period.

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report

Independent Auditors' Report to the Members of British Sky Broadcasting Group plc

We have audited the financial statements of British Sky Broadcasting Group plc for the year ended 30 June 2004, which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement, and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Report on Directors' Remuneration that is described as having been subject to audit.

This Report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As described in the statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the Annual Report including the Report on Directors' Remuneration. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report described as having been subject to audit in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Report on Directors' Remuneration described as having been subject to audit have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' Report and the other information contained in the Annual Report for the above year as described in the contents section including the unaudited part of the Report on Directors' Remuneration and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Report on Directors' Remuneration described as having been subject to audit. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Report on Directors' Remuneration described as having been subject to audit are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Report on Directors' Remuneration described as having been subject to audit.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2004 and of the profit of the Group for the year then ended; and
- the financial statements and part of the Report on Directors' Remuneration described as having been subject to audit have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

3 August 2004

Notes

(i) The maintenance and integrity of the British Sky Broadcasting Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(ii) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Profit and Loss Account

for the year ended 30 June 2004

	NOTES	Before goodwill and exceptional items £m	Goodwill and exceptional items £m	2004 Total £m	Before goodwill and exceptional items as restated * £m	Goodwill and exceptional items £m	2003 Total as restated * £m
Turnover: Group and share of joint ventures' turnover		3,738	–	3,738	3,263	–	3,263
Less: share of joint ventures' turnover		(82)	–	(82)	(77)	–	(77)
Group turnover	2	3,656	–	3,656	3,186	–	3,186
Operating expenses, net	3	(3,056)	(119)	(3,175)	(2,822)	(116)	(2,938)
EBITDA	1	702	–	702	462	5	467
Depreciation		(102)	–	(102)	(98)	–	(98)
Amortisation		–	(119)	(119)	–	(121)	(121)
Operating profit		600	(119)	481	364	(116)	248
Share of joint ventures' and associates' operating results	13	(5)	10	5	3	–	3
Profit on disposal of fixed asset investments	4	–	51	51	–	–	–
Amounts written back to (written off) fixed asset investments, net	4	–	24	24	–	(15)	(15)
Profit on ordinary activities before interest and taxation		595	(34)	561	367	(131)	236
Interest receivable and similar income	5	10	–	10	4	–	4
Interest payable and similar charges	5	(91)	–	(91)	(118)	–	(118)
Profit on ordinary activities before taxation	6	514	(34)	480	253	(131)	122
Tax (charge) credit on profit on ordinary activities	8	(158)	–	(158)	(59)	121	62
Profit on ordinary activities after taxation		356	(34)	322	194	(10)	184
Equity dividends	9			(116)			–
Retained profit for the financial year	23			206			184
Earnings per share – basic	10	18.3p	(1.7p)	16.6p	10.2p	(0.6p)	9.6p
Earnings per share – diluted	10	18.3p	(1.7p)	16.6p	10.0p	(0.5p)	9.5p

* The full year results for 2003 have been restated following the adoption of Urgent Issues Task Force abstract 38 "Accounting for ESOP trusts" ("UITF 38") (see note 1).

There were no recognised gains or losses in either year other than those included within the profit and loss account, with the exception of a prior period adjustment in respect of the adoption of UITF 38. The cumulative effect of this adjustment was a £12 million reduction to the brought forward profit and loss reserve at 1 July 2003.

Details of movements on reserves are shown in note 23.

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

All results relate to continuing operations.

Consolidated Balance Sheet

at 30 June 2004

	NOTES		2004 £m		2003 as restated * £m
Fixed assets					
Intangible fixed assets	11		417		536
Tangible fixed assets	12		376		346
Investments:					
Investments in associates		1		–	
Investments in joint ventures: Share of gross assets		72		87	
: Share of gross liabilities		(45)		(59)	
: Transfer to creditors		5		2	
Total investments in joint ventures and associates	13		33		30
Other fixed asset investments	14		2		44
Total investments			35		74
			828		956
Current assets					
Stocks	15		375		370
Debtors: Amounts falling due within one year					
– deferred tax asset	16		49		31
– other	17		321		363
			370		394
Debtors: Amounts falling due after more than one year					
– deferred tax asset	16		102		159
– other	17		42		64
			144		223
Cash and liquid resources:					
– current asset investments			173		–
– cash at bank and in hand			474		47
	27b		647		47
			1,536		1,034
Creditors: Amounts falling due within one year	18		(1,170)		(967)
Net current assets			366		67
Total assets less current liabilities			1,194		1,023
Creditors: Amounts falling due after more than one year					
– long-term borrowings	19		(1,076)		(1,152)
– accruals and deferred income	19		(28)		(20)
			(1,104)		(1,172)
Provisions for liabilities and charges	21		–		(3)
			90		(152)
Capital and reserves – equity					
Called-up share capital	22		971		969
Share premium	23		1,437		2,536
Shares to be issued	23		–		3
ESOP reserve	23		(30)		(35)
Merger reserve	23		222		299
Special reserve	23		14		–
Profit and loss account	23		(2,524)		(3,924)
Shareholders' funds (deficit)	23		90		(152)

* The balance sheet as at 30 June 2003 has been restated following the adoption of UITF 38 (see note 1).

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

Signed on behalf of the Board,
James Murdoch Chief Executive Officer
Martin Stewart Chief Financial Officer

3 August 2004

Company Balance Sheet

at 30 June 2004

	NOTES	2004 £m	2003 £m
Fixed assets			
Tangible fixed assets	12	**10**	2
Other fixed asset investments	14	**4,862**	4,905
		4,872	4,907
Current assets			
Debtors: Amounts falling due within one year			
– deferred tax asset	16	**31**	15
– other	17	**888**	529
		919	544
Debtors: Amounts falling due after more than one year			
– deferred tax asset	16	**70**	108
– other	17	**3**	4
		73	112
Cash at bank and in hand		**46**	–
		1,038	656
Creditors: Amounts falling due within one year	18	**(1,250)**	(452)
Net current (liabilities) assets		**(212)**	204
Total assets less current liabilities		**4,660**	5,111
Creditors: Amounts falling due after more than one year	19	**(1,069)**	(1,880)
		3,591	3,231
Capital and reserves – equity			
Called-up share capital	22	**971**	969
Share premium	23	**1,437**	2,536
Shares to be issued	23	**–**	3
Capital reserve	23	**844**	844
Special reserve	23	**14**	–
Profit and loss account	23	**325**	(1,121)
Shareholders' funds	23	**3,591**	3,231

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

Signed on behalf of the Board,
James Murdoch Chief Executive Officer
Martin Stewart Chief Financial Officer

3 August 2004

Consolidated Cash Flow Statement

for the year ended 30 June 2004

	NOTES	2004 £m	2003 £m
Net cash inflow from operating activities	27a	**882**	664
Dividends received from joint ventures		**4**	4
Returns on investments and servicing of finance			
Interest received and similar income		**7**	3
Interest paid and similar charges		**(89)**	(127)
Interest element of finance lease payments		**–**	(1)
Net cash outflow from returns on investments and servicing of finance		**(82)**	(125)
Taxation			
UK corporation tax paid		**(55)**	(18)
Consortium relief paid		**(3)**	–
Net cash outflow from taxation		**(58)**	(18)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(132)**	(98)
Receipts from sales of fixed asset investments		**116**	1
Net cash outflow from capital expenditure and financial investment		**(16)**	(97)
Acquisitions and disposals			
Funding to joint ventures and associates		**(5)**	(15)
Repayments of funding from joint ventures and associates		**6**	5
Net cash inflow (outflow) from acquisitions and disposals		**1**	(10)
Equity dividends paid		**(53)**	–
Net cash inflow before management of liquid resources and financing		**678**	418
Management of liquid resources		**(511)**	1
Financing			
Proceeds from issue of Ordinary Shares		**20**	5
Purchase of own shares for Employee Share Ownership Plan		**(22)**	–
Capital element of finance lease payments	27b	**(1)**	(2)
Net decrease in debt due after more than one year	27b	**(75)**	(425)
Net cash outflow from financing		**(78)**	(422)
Increase (decrease) in cash	27c	**89**	(3)
Decrease in net debt	27c	**676**	423

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

Notes to Financial Statements

01 Accounting policies

The principal accounting policies are summarised below. All of these have been applied consistently throughout the year and the preceding year.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain investments, and in accordance with applicable United Kingdom financial reporting and accounting standards, including the adoption of Urgent Issues Task Force Abstract 38 "Accounting for ESOP trusts" ("UITF 38"), which has come into force since the previous year end.

UITF 38 requires that the Company's shares held by the Group's Employee Share Ownership Plan ("ESOP"), which were previously held within fixed asset investments, be presented as a deduction from shareholders' funds. In addition, the charge to the profit and loss account in relation to awards under the Long Term Incentive Plan ("LTIP"), the Key Contributor Plan ("KCP") and the Equity Bonus Plan ("EBP"), which was previously based on the cost of shares held by the ESOP, is now based on the difference between the market price on the date of grant and the exercise price.

The adoption of UITF 38 has been treated as a prior year adjustment with comparative figures being restated accordingly. The adoption has resulted in the restatement of the following primary statements and notes: the Consolidated Profit and Loss Account; the Consolidated Balance Sheet; Operating expenses, net; Profit on ordinary activities before taxation; Staff costs; Taxation; Earnings per share; Other fixed asset investments; Creditors: amounts falling due within one year; and the Reconciliation of movement in shareholders' funds. The impact of the prior year adjustment on brought forward net assets and the profit for the year to 30 June 2003 has been disclosed in note 23.

The Group has taken advantage of the exemption in Urgent Issues Task Force Abstract 17 (Revised 2003) "Employee share schemes" and has not applied the abstract to the Group's Inland Revenue approved Sharesave Scheme.

b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings. All companies are consolidated using acquisition accounting, and all inter-company balances and transactions have been eliminated on consolidation.

The Group maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2004 this date was 27 June 2004, this being a 52 week year (2003: 29 June 2003, 52 week year).

The Company has taken advantage of the exemption in section 230 of the Companies Act 1985 not to present its own profit and loss account. The Company's result for the financial year determined in accordance with the Act is disclosed in note 23.

c) Acquisitions

On the acquisition of a business, fair values are attributed to the Group's share of separable net assets acquired. Subsidiary undertakings are accounted for from the effective date of acquisition until the effective date of disposal. Adjustments are also made to bring the accounting policies into line with those of the Group. Where statutory merger relief is applicable, the difference between the fair value of the shares issued as purchase consideration and the nominal value of the shares issued as purchase consideration has been treated as a merger reserve in the consolidated accounts. The results and cash flows relating to an acquired business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition.

d) Goodwill and other intangible assets

Where the cost of acquisition exceeds the fair values attributable to the net assets acquired, the difference is treated as purchased goodwill and capitalised on the Group balance sheet in the year of acquisition. Purchased goodwill arising on acquisitions from 1 July 1998 is capitalised. Prior to 1 July 1998, goodwill arising on acquisitions was eliminated against reserves. As permitted by FRS 10, this goodwill has not been restated on the balance sheet. On disposal or closure of a previously acquired business, any goodwill previously written off to reserves is included in calculating the profit or loss on disposal.

Other intangible assets, all of which have been acquired and are controlled through custody or legal rights and could be sold separately from the rest of the business, are capitalised where fair value can be reliably measured.

Where capitalised goodwill and intangible assets are regarded as having a limited useful economic life, the cost is amortised on a straight-line basis over that life of up to 20 years. Any amortisation or impairment write-downs are charged to the profit and loss account.

e) Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. Land and assets in the course of construction are not depreciated.

Depreciation is provided to write off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life. Principal annual rates used for this purpose are:

Freehold buildings	4%
Leasehold improvements	Lower of lease period or life of the asset
Equipment, fixtures and fittings:	
– Fixtures and fittings	10% – 20%
– Computer equipment	20% – 33$^{1}/_{3}$%
– Technical equipment	10% – 20%
– Motor vehicles	25%

f) Impairment of fixed assets and goodwill

Intangible fixed assets, goodwill and tangible fixed assets are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. Goodwill and intangible fixed assets are also reviewed for impairment at the end of the first full financial year after acquisition. Should an impairment review be required, this is performed in accordance with Financial Reporting Standard ("FRS") 11, "Impairment of fixed assets and goodwill".

g) Interests in joint ventures

Joint ventures are entities in which the Group holds a long-term interest and shares control under a contractual arrangement. These investments are dealt with by the gross equity method of accounting. Provision is made within creditors where the Group's share of a joint venture's loss exceeds the Group's funding to date.

h) Fixed asset investments

The Group's fixed asset investments are stated at cost, less any provision for permanent diminution in value.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost, with the exception of the investment in Sky Television Limited which is stated at valuation. Provision is made for any impairment in value. Where statutory merger relief is applicable, the cost has been measured by reference to the nominal value only of the shares issued. Any premium has not been recognised.

i) Stocks

Acquired and commissioned television programme rights

Programme rights are stated at cost including, where applicable, estimated escalation payments, and net of accumulated amortisation. Provisions are made for any programme rights which are surplus to Group requirements or which will not be shown for any other reason.

Contractual obligations for programme rights not yet available for transmission are not included in the cost of programme rights, but are disclosed as contractual commitments (see note 24). Payments made upon receipt of commissioned and acquired programming, but in advance of the legal right to broadcast the programmes, are treated as prepayments. Programme rights are recorded in stock at cost when the programmes are available for transmission.

Amortisation is provided to write off the cost of programme rights. The principal rates used for this purpose are:

Sports – 100% on first showing, or, where contracts provide for sports rights for multiple seasons or competitions, the amortisation of each contract is based on anticipated revenue.

01 Accounting policies (continued)

Current affairs – 100% on first showing.

General entertainment – Straight-line basis on each transmission.
– One showing planned – 100%
– Two showings planned – 60%; 40%
– Three showings planned – 50%; 30%; 20%
– Four showings planned – 40%; 30%; 20%; 10%

Movies – Acquired movies are amortised on a straight-line basis over the period of transmission rights. Where acquired movie rights provide for a second availability window, 10% of the cost is allocated to that window. Own movie productions are amortised in line with anticipated revenue over a maximum of five years.

Set-top boxes and related equipment
Set-top boxes and related equipment includes digital set-top boxes, Low Noise Blockers ("LNBs") and mini-dishes. These stocks are valued at the lower of cost and net realisable value ("NRV"), the latter of which reflects the value to the business of the set-top box and the related equipment in the hands of the customer. Any subsidy is expensed on enablement, which is the process of activating the viewing card once inserted in the set-top box upon installation, so as to enable a viewer to view encrypted broadcast services, and effectively represents the completion of the installation process for new subscribers.

Raw materials, consumables and goods held for resale
Raw materials, consumables and goods held for resale are valued at the lower of cost and NRV.

j) Transponder rental prepayments
Payments made in advance to secure satellite capacity have been recorded as prepaid transponder rentals. These payments are amortised on a straight-line basis to the profit and loss account from commencement of broadcasting to the end of the rental period, normally 10 years.

k) Taxation
Corporation tax payable is provided at current rates on all taxable profits.

l) Deferred taxation
Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which carried forward tax losses can be offset and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

m) Foreign currency
Trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign exchange contract or other hedging instrument. Monetary assets, liabilities and commitments denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, if hedged, at the appropriate hedged rate.

n) Derivatives and other financial instruments
The Group uses a number of derivative financial instruments to hedge its exposures to fluctuations in interest and foreign exchange rates. Receipts and payments on interest rate instruments are recognised on an accruals basis over the life of the instrument. Gains and losses on those instruments which are designated as hedges are not recognised until the underlying creditor being hedged is recognised.

Cash flows associated with derivative financial instruments are classified in the cash flow statement in a manner consistent with those of the underlying transactions being hedged. If an instrument ceases to be designated as a hedge, for example, by the underlying hedged position being eliminated, the instrument is marked to market and any resulting gain or loss is recognised immediately in the profit and loss account.

The Group does not hold or issue derivative financial instruments for speculative purposes.

o) Turnover
Turnover, which excludes value added tax and sales between Group companies, represents the value of products and services sold. The Group's main sources of turnover are recognised as follows:

- Revenues from the provision of direct-to-home ("DTH") subscription services are recognised as the services are provided. Pay-per-view revenue is recognised when the event, movie or football match is viewed.
- Cable revenues are recognised as the services are provided to the cable wholesalers and are based on the number of subscribers taking the Sky channels, as reported to the Group by the cable companies, and the applicable rate card.
- Advertising sales revenues are recognised when the advertising is broadcast.
- Interactive revenues include income from betting and gaming, on-line advertising, e-mail, e-commerce, telephony income from the use of interactive services (e.g. voting), text services and set-top box subsidy recovery revenues earned through conditional access and access control charges made to customers on the Sky digital platform. Betting and gaming revenues represent: a) amounts receivable in respect of bets placed on events which occur in the year; and b) net customer losses in the year in respect of the on-line casino operations. All other Interactive revenues are recognised when the goods or services are delivered.
- Other revenues principally include income from installations, Sky+ and Multiroom Digibox sales revenues, Sky Talk revenues, sales of set-top boxes, service call revenue, warranty revenue, customer management service fees, conditional access fees and access control fees. Other revenues are recognised, net of any discount given, when the relevant service has been provided.

Revenues derived from the sale of surplus programming and surplus transponder capacity are recognised net against programming and transmission and related functions costs respectively, since these revenues are not derived from transactions that the Group is in business to provide.

p) EBITDA
EBITDA (earnings before interest, taxation, depreciation and amortisation) is calculated as operating profit before depreciation and amortisation or impairment of goodwill and intangible fixed assets.

q) Pension costs
The Group provides pensions to eligible employees through the BSkyB Pension Plan, a defined contribution pension scheme. The amount charged to the profit and loss account in the year represents the cost of contributions payable by the Group to the scheme in that year. The assets of the BSkyB Pension Plan are held independently of the Group.

r) Leases
Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are treated as tangible fixed assets. Depreciation is provided over the shorter of the lease term and the asset's useful economic life, and the deemed capital element of future rentals is included within creditors. Deemed interest is then taken to the profit and loss account as interest payable over the life of the lease.

The rental costs arising from operating leases are charged to the profit and loss account in the year in which they are incurred.

02 Turnover

	2004 £m	2003 £m
Direct-to-home subscribers	**2,660**	2,341
Cable subscribers	**215**	202
Advertising	**312**	284
Interactive	**307**	218
Other	**162**	141
	3,656	3,186

All Group turnover is derived from the Group's sole class of business, being television broadcasting together with certain ancillary functions. Turnover arises principally within the United Kingdom from activities conducted from the United Kingdom, with the exception of £7 million of turnover (2003: nil) which relates to activities conducted from the Channel Islands. In order to provide shareholders with additional information, the Group's turnover has been analysed as shown above.

All turnover arises from services provided to the United Kingdom, with the exception of £115 million (2003: £93 million) which arises from services provided to Ireland and £9 million (2003: £9 million) which arises from services provided to the Channel Islands.

The Group's profit before tax and its net assets relate to activities conducted in the United Kingdom, with the exception of £3 million profit (2003: £1 million loss) and £4 million net assets (2003: £1 million net assets) which relate to activities conducted in the Channel Islands.

03 Operating expenses, net

	Before goodwill and exceptional items £m	Goodwill and exceptional items £m	2004 Total £m	Before goodwill and exceptional items as restated £m	Goodwill and exceptional items £m	2003 Total as restated £m
Programming (i)	**1,711**	**–**	**1,711**	1,604	–	1,604
Transmission and related functions (i)	**146**	**–**	**146**	143	–	143
Marketing	**396**	**–**	**396**	400	–	400
Subscriber management	**371**	**–**	**371**	324	–	324
Administration	**257**	**119**	**376**	243	116	359
Betting	**175**	**–**	**175**	108	–	108
	3,056	**119**	**3,175**	2,822	116	2,938

(i) The amounts shown are net of £11 million (2003: £12 million) receivable from the disposal of programming rights not acquired for use by the Group, and £28 million (2003: £26 million) in respect of the provision to third party broadcasters of spare transponder capacity.

04 Exceptional items

	Credit before taxation £m	Taxation (charge) credit £m	2004 Total £m	Credit (charge) before taxation £m	Taxation (charge) credit £m	2003 Total £m
Release of provision against ITV Digital programming debtors (iii)	**–**	**–**	**–**	5	(2)	3
Exceptional operating items	**–**	**–**	**–**	5	(2)	3
Profit on disposal of fixed asset investments (i)	**51**	**–**	**51**	–	–	–
Amounts written back to (written off) fixed asset investments, net (ii), (iv)	**24**	**–**	**24**	(15)	–	(15)
Recognition of deferred tax asset (v)	**–**	**–**	**–**	–	123	123
Total exceptional items	**75**	**–**	**75**	(10)	121	111

2004

Other exceptional items:

(i) Profit on disposal of fixed asset investments

On 1 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.

On 7 October 2003, the Group disposed of its listed investment in Manchester United plc, realising a profit on disposal of £2 million.

(ii) Amounts written back to (written off) 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 a further £9 million.

04 Exceptional items (continued)

2003

Exceptional operating items

(iii) ITV Digital

The Group provided in full against all unprovided balances owed by ITV Digital, following the announcement by the joint administrators of ITV Digital on 30 April 2002 of the closure of pay television services on the platform and their intention to close the administration. During 2003, the Group received £5 million from ITV Digital's administrators and released £5 million of its exceptional operating provision accordingly.

Other exceptional items

(iv) Amounts written off fixed asset investments, net

At 31 December 2002, the Group made a further provision against its minority investments in football clubs, leading to a non-cash exceptional charge of £21 million. Subsequently, the Group reduced its provision against its investment in Chelsea Village plc at 30 June 2003 by £3 million, following the agreement to sell its minority investment in July 2003.

At 31 December 2002, the Group reduced its deferred revenue balance relating to minority investments in new media companies by £5 million, and reduced both its investment and its provision against the investment in these companies accordingly.

At 31 December 2002, the Group made a provision against its investment in Open TV shares, leading to a non-cash exceptional charge of £3 million, bringing the carrying value of the Group's investment in Open TV to nil. During February and March 2003, the Group disposed of its entire investment in Open TV shares, leading to a nil profit or loss on disposal.

(v) Recognition of deferred tax asset

At 30 June 2003, following a review of the forecast utilisation of tax losses within the Group, and as a consequence of a planned reorganisation of certain assets within the Group, there was sufficient evidence to support the recognition of a deferred tax asset arising on losses incurred in the Company. Accordingly, a deferred tax credit of £123 million was recognised as an exceptional item.

05 Interest

(a) Interest receivable and similar income

	2004 £m	2003 £m
Group		
Interest receivable on cash and liquid resources	8	2
Other interest receivable and similar income	1	1
	9	3
Joint ventures and associates		
Share of joint ventures' and associates' interest receivable	1	1
Total interest receivable and similar income	10	4

05 Interest (continued)

(b) Interest payable and similar charges

	2004 £m	2003 £m
Group		
On bank loans, overdrafts and other loans repayable within five years, not by instalments:		
– £200 million revolving credit facility ("RCF") (i)	2	2
– £750 million RCF (ii)	–	27
– £600 million RCF (ii)	6	4
US$650 million of 8.200% Guaranteed Notes repayable in 2009	30	31
£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
Other interest payable and similar charges	–	1
	90	118
Joint ventures and associates		
Share of joint ventures' and associates' interest payable	1	–
Total interest payable and similar charges	91	118

(i) In March 2003, the Group voluntarily cancelled £100 million of its £300 million RCF. The remaining £200 million RCF expired without being renewed on 29 June 2004.
(ii) In March 2003, the Group entered into a £600 million RCF. This facility was used to cancel the previous £750 million RCF, which was entered into in July 1999. The facility is available for general corporate purposes, but was undrawn at 30 June 2004. It is due to expire in March 2008.

06 Profit on ordinary activities before taxation

	2004 £m	2003 as restated £m
The profit on ordinary activities before taxation is stated after charging (crediting):		
– depreciation:		
– owned assets	100	96
– assets held under finance leases	2	2
– amortisation and impairment of intangible assets	119	121
– joint ventures' and associates' goodwill amortisation, net	(10)	–
– amounts (written back to) written off fixed asset investments, net	(24)	15
– loss on disposal of fixed assets	1	–
– profit on disposal of fixed asset investments	(51)	–
– rentals on operating leases and similar arrangements:		
– land and buildings	10	9
– plant and machinery	74	80
– staff costs	332	305

Amounts payable to the auditors are analysed below:

	2004 £m	2003 £m
Statutory audit services	1	1
Audit-related services	1	1
Audit and audit-related services	2	2
Tax advisory services	–	1
Customer relationship management ("CRM") Centre development	7	5
Other services	–	1
Non-audit related services	7	6

During the year, the auditors received £7 million (2003: £5 million) in respect of ongoing CRM Centre development services. Due to the complex and long-term nature of the CRM Centre development work, the Group is satisfied that Deloitte & Touche LLP should continue to provide these services. The Audit Committee was satisfied throughout the year that the objectivity and independence of Deloitte & Touche LLP was not in any way impaired by either the nature of the non-audit related services undertaken during the year, the level of non-audit fees charged, or any other facts or circumstances.

The Company did not pay any amounts to the auditors in respect of audit services during either year, as the cost was borne by another Group undertaking in both years.

07 Staff costs

(a) Employee costs
Employee costs for permanent employees, temporary employees and Executive Directors during the year were as follows:

	2004 £m	2003 as restated £m
Wages and salaries	275	234
Costs of LTIP, KCP, EBP and other share-related incentive schemes (i)	16	33
Social security costs	29	26
Other pension costs	12	12
	332	305

(i) During the year, the Group has adopted UITF 38, which has affected the calculation of the charge in respect of share options and has led to a restatement of the prior years figures (see note 1). This has not had a material impact on the reported charge in respect of share options in the current year.

The Group operates a defined contribution pension scheme through the BSkyB Pension Plan ("the Plan"). The pension charge for the year represents the cost of contributions payable by the Group to the Plan during the year and amounted to £12 million (2003: £12 million). The Group's contributions owing to the Plan at 30 June 2004 were £1 million (2003: £1 million).

The average monthly number of full-time equivalent persons (including temporary employees) employed by the Group during the year was as follows:

	2004 number	2003 number
Programming	1,295	1,106
Transmission and related functions	1,394	1,383
Marketing	209	199
Subscriber management	5,418	5,381
Administration	1,051	954
Betting	133	109
	9,500	9,132

(b) Directors' emoluments
A detailed breakdown of remuneration for each Director, the terms of their employment contracts and their rights under the Group's incentive schemes are given within the Report on Directors' Remuneration on pages 32 to 40, of which Sections 20 to 25 are audited.

08 Taxation

(a) Analysis of charge in year

	Tax charge (credit) on profit before exceptional items £m	Exceptional tax charge (credit) £m	2004 Total £m	Tax charge (credit) on profit before exceptional items as restated £m	Exceptional tax charge (credit) £m	2003 Total as restated £m
Current tax						
UK corporation tax	127	–	127	85	2	87
Adjustment in respect of prior years	(8)	–	(8)	–	–	–
Total current tax charge	119	–	119	85	2	87
Deferred tax						
Origination and reversal of timing differences	34	–	34	(26)	(123)	(149)
Increase (decrease) in estimate of recoverable deferred tax asset in respect of prior years	5	–	5	(2)	–	(2)
Total deferred tax charge (credit)	39	–	39	(28)	(123)	(151)
Share of joint ventures' and associates' tax charge	–	–	–	2	–	2
	158	–	158	59	(121)	(62)

All taxation relates to UK corporation tax.

In 2003, the Group recorded a deferred tax credit of £163 million relating to deferred tax assets not previously recognised. The Directors considered there was sufficient evidence to support the recognition of these deferred tax assets on the basis that it was more likely than not there would be suitable taxable profits against which these assets could be utilised. £123 million of the deferred tax credit was treated as an exceptional item.

08 Taxation (continued)

(b) Factors affecting the current tax charge for the year

The current tax charge for the year is lower (2003: higher) than the standard rate of corporation tax in the UK (30%) applied to profits on ordinary activities before tax. The differences are explained below:

	2004 £m	2003 as restated £m
Profit on ordinary activities before tax	**480**	122
Less: share of joint ventures' and associates' loss (profit) before tax	**5**	(3)
Profit on ordinary activities before tax (excluding joint ventures and associates)	**485**	119
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	**146**	36
Effects of:		
Gain exempt from taxation	**(15)**	–
Goodwill	**33**	36
Other permanent differences	**(9)**	6
Utilisation of tax losses	**(29)**	(7)
Other timing differences	**(4)**	14
Consortium relief	**3**	–
Tax on partnership profits	**2**	2
Current tax charge for the year	**127**	87

(c) Factors that may affect future tax charges

At 30 June 2004, a deferred tax asset of £13 million (2003: £13 million) arising from UK losses in the Group, has not been recognised. These losses can be offset only against taxable profits generated in the entities concerned. Although the Directors ultimately expect sufficient profits to arise, there is currently insufficient evidence to support recognition of a deferred tax asset relating to these losses. The losses are available to be carried forward indefinitely under current law.

A deferred tax asset of £64 million (2003: £64 million) has not been recognised in respect of trading losses in the Group's German holding companies of KirchPayTV, and a deferred tax asset of £450 million (2003: £450 million) has not been recognised in respect of potential capital losses related to the Group's holding of KirchPayTV on the basis that these timing differences are not more likely than not to reverse. A deferred tax asset of £6 million (2003: £5 million) arising principally on other timing differences has not been recognised, on the basis that these timing differences are not more likely than not to reverse.

The Group has realised and unrealised capital losses in respect of football club and other investments estimated to be in excess of £21 million (2003: £28 million) which have not been recognised as a deferred tax asset, on the basis that they are not more likely than not to be utilised and thus reverse.

09 Equity dividends

	2004 £m	2003 £m
Interim dividend paid of 2.75p (2003: nil) per Ordinary Share	**53**	–
Final proposed dividend of 3.25p (2003: nil) per Ordinary Share	**63**	–
	116	–

The ESOP has waived its rights to dividends.

10 Earnings per share

Basic earnings per share represents the profit on ordinary activities after taxation attributable to the equity shareholders, divided by the weighted average number of Ordinary Shares in issue during the year, less the weighted average number of Ordinary Shares held in the Group's ESOP trust during the year.

Diluted earnings per share represents the profit on ordinary activities after taxation attributable to the equity shareholders, divided by the weighted average number of Ordinary Shares in issue during the year, less the weighted average number of Ordinary Shares held in the Group's ESOP trust during the year, plus the weighted average number of dilutive shares resulting from share options and other potential Ordinary Shares outstanding during the year (see below).

The weighted average number of shares were:

	2004 Millions of shares	2003 Millions of shares
Ordinary Shares	1,940	1,921
ESOP trust Ordinary Shares	(2)	(6)
Basic shares	1,938	1,915
Dilutive Ordinary Shares from share options and other potential Ordinary Shares outstanding	8	27
Diluted shares	1,946	1,942

	2004 Before goodwill and exceptional items	2004 Goodwill	2004 Exceptional items	2004 After goodwill and exceptional items	2003 Before goodwill and exceptional items as restated	2003 Goodwill	2003 Exceptional items	2003 After goodwill and exceptional items as restated
Profit on ordinary activities after taxation	£356m	(£109m)	£75m	£322m	£194m	(£121m)	£111m	£184m
Earnings per share – basic	18.3p	(5.6p)	3.9p	16.6p	10.2p	(6.4p)	5.8p	9.6p
Earnings per share – diluted	18.3p	(5.6p)	3.9p	16.6p	10.0p	(6.2p)	5.7p	9.5p

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.

11 Intangible fixed assets

The movement in the year was as follows:

	Goodwill £m
Group	
Cost	
Beginning and end of year	820
Amortisation	
Beginning of year	284
Charge	119
End of year	403
Net book value	
Beginning of year	536
End of year	417

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 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.

At 30 June 2004, the Group made a provision of £3 million, included within amortisation, against goodwill which arose on the acquisition of Planetfootball.com Limited (a company which provides website services to the sports industry), reducing the carrying value to nil. The provision was made as a result of an impairment review which showed that the expected future cash flows of the business would not support a carrying value for the goodwill.

12 Tangible fixed assets

(a) Group

The movement in the year was as follows:

	Freehold land and buildings (i) £m	Short leasehold improvements £m	Equipment, fixtures and fittings (ii) £m	Assets in course of construction £m	Total £m
Cost					
Beginning of year	45	82	640	29	796
Additions	–	–	61	72	133
Disposals	–	–	(2)	–	(2)
End of year	**45**	**82**	**699**	**101**	**927**
Depreciation					
Beginning of year	9	47	394	–	450
Charge	1	3	98	–	102
Disposals	–	–	(1)	–	(1)
End of year	**10**	**50**	**491**	**–**	**551**
Net book value					
Beginning of year	36	35	246	29	346
End of year	**35**	**32**	**208**	**101**	**376**

(i) The amounts shown include assets held under finance leases with a net book value of £6 million (2003: £6 million). Depreciation charged during the year on such assets was nil (2003: nil).

Depreciation was not charged on £9 million of land (2003: £9 million).

(ii) The amounts shown include assets held under finance leases with a net book value of nil (2003: £2 million). Depreciation charged during the year on these assets was £2 million (2003: £2 million).

(b) Company

The movement in the year was as follows:

	Short leasehold improvements £m	Assets in course of construction £m	Total £m
Cost			
Beginning of year	3	–	3
Additions	–	9	9
End of year	**3**	**9**	**12**
Depreciation			
Beginning of year	1	–	1
Charge	1	–	1
End of year	**2**	**–**	**2**
Net book value			
Beginning of year	2	–	2
End of year	**1**	**9**	**10**

13 Investments in joint ventures and associates

The movement in the year was as follows:

	2004 £m	2003 £m
Group		
Cost and funding, excluding goodwill		
Beginning of year	235	225
Loans advanced	5	15
Loans repaid	(6)	(5)
End of year	234	235
Transfer from creditors (i)	5	2
Movement in share of underlying net liabilities		
Beginning of year	(207)	(205)
Additions	10	–
Share of operating results	(5)	3
Share of interest receivable	1	1
Share of interest payable	(1)	–
Share of tax charges	–	(2)
Dividends received	(4)	(4)
End of year	(206)	(207)
Goodwill		
Beginning of year	–	–
Additions (ii)	(10)	–
Amortisation, net (ii)	10	–
End of year	–	–
Net book value		
Beginning of year	30	22
End of year (iii)	33	30

(i) The investment in joint ventures and associates excludes cumulative losses of £5 million (2003: £2 million), which represent losses in excess of the funding provided. The related obligation is recorded within creditors.
(ii) Goodwill additions includes £11 million of negative goodwill arising on the acquisition of an additional 16.7% stake in Attheraces Holdings Limited. This has been written off to the profit and loss account immediately on acquisition. In addition, £1 million of goodwill has arisen on the purchase of certain joint ventures and associates.
(iii) The net book value above includes a listed investment with a net book value of £5 million at 30 June 2004 (2003: £5 million). The aggregate market value of this investment at 30 June 2004 was £8 million (2003: £5 million).

The following information is given in respect of the Group's share of joint ventures and associates:

	2004 £m	2003 £m
Turnover	83	77
Fixed assets	3	4
Current assets	71	83
Liabilities due within one year	(40)	(48)
Liabilities due after more than one year	(6)	(11)

Associates with a net book value of £1 million (2003: nil) are included in the total investment in joint ventures and associates.

14 Other fixed asset investments

The following are included in the net book value of other fixed asset investments:

	Group 2004 £m	Group 2003 as restated £m	Company 2004 £m	Company 2003 as restated £m
Investments in subsidiary undertakings (a)	–	–	4,861	4,862
Other fixed asset investments (b)	2	44	1	43
	2	44	4,862	4,905

14 Other fixed asset investments (continued)

(a) Investments in subsidiary undertakings
The movement in the year was as follows:

Company Cost or valuation (i)	2004 £m	2003 £m
Beginning of year	7,381	7,491
Additions	–	1
Disposals	(1)	–
Merger relief (ii)	–	(111)
End of year	7,380	7,381
Provision		
Beginning and end of year	2,519	2,519
Net book value		
Beginning of year	4,862	4,972
End of year	4,861	4,862

(i) Since 30 June 1994, the Company's cost of investment in Sky Television Limited has been carried at Directors' valuation of £995 million (£930 million above cost), being Sky Television Limited's net asset value at that date. The net book value is nil (2003: nil).

2003
(ii) The Company took advantage of merger relief available under Section 131 of the Companies Act 1985 and reduced its investment in BiB following the issue of shares on 11 November 2002 to BT in respect of the deferred consideration for the acquisition of 19.9% of BiB in June 2001.

(b) Other fixed asset investments

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Cost				
Beginning of year	1,105	1,120	121	121
Transfer to joint ventures (vi)	–	(1)	–	–
Disposals (i) to (iii), (vii) to (ix)	(85)	(14)	(85)	–
End of year	1,020	1,105	36	121
Provision				
Beginning of year	1,061	1,055	78	60
Transfer to joint ventures (vi)	–	(1)	–	–
Disposals (iii), (vii) to (ix)	(19)	(14)	(19)	–
(Released) provided during the year, net (ii), (iv), (v), (viii)	(24)	21	(24)	18
End of year	1,018	1,061	35	78
Net book value				
Beginning of year	44	65	43	61
End of year	2	44	1	43

2004
(i) On 1 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. The carrying value of this investment prior to disposal was nil.
(ii) On 7 October 2003, the Group announced that it had sold its entire holding in Manchester United plc for £62 million, recognising a profit on disposal of £2 million following the release of a £33 million provision previously held against the investment.
(iii) In August 2003, the Group sold its 9.9% equity investment in Chelsea Village plc, reducing the cost by £25 million and the provision by £19 million to reflect the disposal.
(iv) The Group has increased its provision against its remaining minority equity investments in football clubs by a further £9 million during the year.

2003
(v) At 31 December 2002, the Group made a provision against its minority equity investments in football clubs, leading to a non-cash exceptional charge of £21 million, reduced by £3 million to reflect the post year end disposal of its investment in Chelsea Village plc.
(vi) In April 2003, the Group's total investment in Mykindaplace Limited increased to 26%. The investment was subsequently transferred to Investments in joint ventures from Other fixed asset investments at its net book value of nil.
(vii) At 31 December 2002, the Group reduced its deferred revenue balance relating to minority investments in new media companies by £5 million, and reduced both its investment and its provision against the investment in these companies accordingly.

14 Other fixed asset investments (continued)

(viii) At 31 December 2002, the Group made a provision against its investment in Open TV shares, leading to a non-cash exceptional charge of £3 million. This reduced the carrying value of the Group's investment in Open TV to nil. Between 12 February 2003 and 24 March 2003, the Group disposed of its entire investment in Open TV shares for total consideration of nil, resulting in nil profit or loss.

(ix) In March 2003, the Group disposed of its investment in Streetsonline Limited for total consideration of £1 million, which had been held at a cost of £6 million less provision of £6 million. These amounts were written back upon disposal of the Group's investment in Streetsonline Limited.

Further analysis of listed investments is shown below:

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Carrying value of listed investments included above (i)	1	37	1	37
Aggregate market value of listed investments at end of year	1	45	1	45

(i) Including investments listed on OFEX.

No tax liability would arise on the sale of these listed investments at the market value shown above as no gains would arise.

15 Stocks

	2004 £m	2003 £m
Group		
Television programme rights	322	337
Set-top boxes and related equipment	49	29
Raw materials and consumables	2	2
Other goods held for resale	2	2
	375	370

At least 87% (2003: 79%) of the existing television programme rights at 30 June 2004 will be amortised within one year.

16 Deferred tax asset

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Included within debtors due within one year:				
– tax losses carried forward	43	21	31	15
– accelerated capital allowances	6	7	–	–
– short-term timing differences	–	3	–	–
	49	31	31	15
Included within debtors due after more than one year:				
– tax losses carried forward	75	125	70	108
– accelerated capital allowances	15	21	–	–
– short-term timing differences	12	13	–	–
	102	159	70	108
	151	190	101	123
Deferred tax asset				
Beginning of year	190	39	123	–
(Charge) credit in the profit and loss account during the year	(39)	151	(22)	123
End of year	151	190	101	123

Group

The total deferred tax asset recognised at 30 June 2004 includes £118 million (2003: £146 million) of tax losses carried forward that can be offset only against future taxable profits generated by the Company in which these tax losses reside. The Directors consider that there is sufficient evidence to support the recognition of this deferred tax asset on the basis that it is more likely than not that there will be suitable taxable profits against which this asset can be utilised.

16 Deferred tax asset (continued)

The amount of unrecognised deferred tax present within the Group is disclosed in note 8.

Company

The total deferred tax asset recognised at 30 June 2004 of £101 million (2003: £123 million) can be offset only against future taxable profits generated in the Company. The Directors consider that there is sufficient evidence to support the recognition of this deferred tax asset on the basis that it is more likely than not that there will be suitable taxable profits against which this asset can be utilised.

The Company has £16 million unrecognised deferred tax (2003: £23 million) relating to realised and unrealised capital losses in respect of football club investments on the basis that they are not more likely than not to be utilised and thus reverse.

17 Other debtors

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Amounts falling due within one year				
Trade debtors	165	171	–	–
Amounts owed by subsidiary undertakings	–	–	887	506
Amounts owed by joint ventures and associates	8	16	–	–
Amounts owed by other related parties	2	–	–	–
Other debtors	3	6	–	–
Prepaid programme rights	35	54	–	–
Prepaid transponder rentals	15	17	–	–
Advance corporation tax	–	40	–	21
Other prepayments and accrued income	93	59	1	2
	321	363	888	529
Amounts falling due after more than one year				
Prepaid programme rights	6	3	–	–
Prepaid transponder rentals	30	49	–	–
Other prepayments and accrued income	6	12	3	4
	42	64	3	4

18 Creditors: Amounts falling due within one year

	Group 2004 £m	Group 2003 as restated £m	Company 2004 £m	Company 2003 £m
Trade creditors (i)	390	323	–	–
Amounts due to subsidiary undertakings (ii)	–	–	1,152	416
Amounts due to joint ventures and associates	8	1	–	–
Amounts due to other related parties	40	25	–	–
UK corporation tax	48	28	–	–
VAT	92	62	–	–
Social security and PAYE	8	–	–	–
Proposed dividend	63	–	63	–
Defined contribution pension scheme creditor	1	1	–	–
Other creditors	60	54	–	–
Accruals and deferred income	460	473	35	36
	1,170	967	1,250	452

(i) Included within trade creditors are £250 million (2003: £226 million) of US dollar-denominated programme creditors. At least 80% (2003: 90%) of these were covered by forward rate currency contracts.

(ii) £736 million due to subsidiary undertakings has been reclassified in the current year from amounts falling due after more than one year and represents an interest-free loan which is repayable on demand, and, to the extent not previously repaid, repayable in full on 30 June 2007.

19 Creditors: Amounts falling due after more than one year

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Long-term borrowings				
£600 million RCF (a)	–	75	–	75
US$650 million of 8.200% Guaranteed Notes repayable in 2009 (b)	413	413	413	413
£100 million of 7.750% Guaranteed Notes repayable in 2009 (b)	100	100	100	100
US$600 million of 6.875% Guaranteed Notes repayable in 2009 (b)	367	367	367	367
US$300 million of 7.300% Guaranteed Notes repayable in 2006 (b)	189	189	189	189
Obligations under finance leases (c)	7	8	–	–
Amounts due to subsidiary undertakings (d)	–	–	–	736
	1,076	1,152	1,069	1,880
Other				
Accruals and deferred income	28	20	–	–
	1,104	1,172	1,069	1,880

(a) RCFs
In March 2003, the Group entered into a £600 million RCF. This facility was used to cancel a £750 million RCF, which had been agreed in July 1999, and can be used for general corporate purposes. The £600 million facility has a maturity date of March 2008, and interest accrues at a margin of between 0.600% and 1.125% above the London Inter-Bank Offer Rate ("LIBOR"), dependent on the Group's Net debt: EBITDA leverage ratio (as defined in the loan agreement). Until June 2004, the margin was fixed at 1.125%, and shall not fall below 0.700% per annum above LIBOR prior to March 2006.

Also in March 2003, the Group voluntarily cancelled £100 million of the £300 million March 2001 RCF. The remaining £200 million RCF expired without being renewed on 29 June 2004.

(b) Guaranteed notes
At 30 June 2004, the Group also had in issue the following publicly-traded guaranteed notes:

US$650 million of 8.200% Guaranteed Notes, repayable in July 2009. At the time of issuing these notes, the US dollar proceeds were swapped into pounds sterling (£413 million) at an average fixed rate of 7.653% payable semi-annually. In December 2002, March 2003 and July 2003, the Group entered into further swap arrangements relating to £63.5 million of this debt, the effect of which was to fix the interest rate on £63.5 million at 5.990% until January 2004, after which time it reverted to floating six months LIBOR plus a margin of 2.840%, except that should LIBOR be less than 2.750% for the period January to July 2004, 2.890% for the period July 2004 to January 2005, or 2.990% thereafter, the effective rate shall be deemed to be 7.653%. In order to increase its exposure to floating rates, in August 2003, the Group entered into another interest rate hedging arrangement in respect of a further £63.5 million of the above-mentioned debt, the effect of which was that, from July 2003 until July 2009, the Group will pay floating six months LIBOR plus a margin of 2.8175% on this £63.5 million, except that should LIBOR be less than 2.750% for the period January to July 2004, or less than 2.990% thereafter, the Group shall revert back to 7.653%. At 30 June 2004, none of the floor levels had been breached, therefore the Group continues to pay the relevant floating rates.

£100 million of 7.750% Guaranteed Notes, repayable in July 2009. The fixed coupon is payable annually. In March 2004, the Group entered into an interest rate swap arrangement in respect of £50 million of this debt, whereby the previously fixed rate of 7.750% was swapped to a floating rate of LIBOR plus a margin of 2.050% from July 2004 to July 2005. On 9 July 2005, and every 9 July thereafter, the counterparty has the right, but not the obligation, to cancel this swap, returning the Group to its previous fixed rate of 7.750%.

US$600 million of 6.875% Guaranteed Notes, repayable in February 2009. At the time of issuing these notes, the US dollar proceeds were swapped into pounds sterling (£367 million) at an average fixed rate of 8.200%, payable semi-annually. In July 2003, the Group entered into a further interest rate hedging arrangement in respect of £61.2 million of this swapped debt. The effect of this new hedging arrangement was that, from July 2003 until February 2009, the Group will pay floating six months LIBOR plus a margin of 3.490% on £61.2 million of its swapped debt. However, at each six monthly reset date, the counterparty to this transaction has the right to cancel the transaction with immediate effect. In October 2003, the Group entered into a further interest rate hedging arrangement in respect of a further £61.2 million of this swapped debt, the effect of which was to reduce the rate payable to 7.950% for the period August 2003 to February 2004. Thereafter, until August 2006, the rate payable is 7.950% plus any margin by which the floating six monthly LIBOR reset rate exceeds the sum of the previous reset rate plus 0.500%. Thereafter, the rate reverts to a fixed 8.180%.

US$300 million of 7.300% Guaranteed Notes repayable in October 2006. At the time of issuing these notes, the Group entered into swap transactions to convert the dollar proceeds to pounds sterling (£189 million), half of which carries a fixed rate of interest of 8.384% until maturity, payable semi-annually. The remainder was fixed at 7.940% until 15 April 2002, thereafter floating at 0.620% over six months LIBOR, again payable semi-annually. In respect of this remaining floating exposure, on 16 January 2002, the Group entered into a further interest rate hedging arrangement to fix the rate at 6.130% from 15 April 2002, payable semi-annually for the remainder of the life of the notes.

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.

19 Creditors: Amounts falling due after more than one year (continued)

Borrowings outstanding, which exclude finance leases, are repayable as follows:

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Amounts repayable:				
– between two and five years	**556**	264	**556**	1,000
– after five years	**513**	880	**513**	880
	1,069	1,144	**1,069**	1,880

(c) Finance leases
Obligations under finance leases are repayable as follows:

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Amounts repayable:				
– between one and two years	**–**	1	**–**	–
– between two and five years	**1**	1	**–**	–
– after five years	**6**	6	**–**	–
	7	8	**–**	–

At 30 June 2004, all obligations under finance leases represent amounts drawn down in connection with the CRM Centre in Dunfermline. Repayments of £1 million (2003: £1 million) were made against the CRM Centre lease and repayments of nil (2003: £2 million) were made against the IT asset leases, which were fully repaid in the prior year. A proportion of these payments has been allocated to any capital amount outstanding. The CRM Centre lease bears interest at a rate of 8.5% and expires in September 2020.

(d) Amounts due to subsidiary undertakings
£736 million due to subsidiary undertakings has been reclassified in the current year to amounts falling due within one year.

20 Derivatives and other financial instruments

On pages 11 to 12, the Operating and Financial Review provides an explanation of the role that financial instruments have had in the management of the Group's funding, liquidity, interest rate and foreign exchange rate risks during the year.

As permitted by FRS 13 "Derivatives and other financial instruments: disclosures" ("FRS 13"), short-term debtors and creditors have been excluded from the following disclosures, other than with regard to the currency risks disclosures.

Interest rate risks
After taking into account interest rate swaps and forward foreign currency contracts entered into by the Group, the interest rate profile of the Group's financial liabilities was as follows:

	Fixed	Floating	2004 Total	Fixed	Floating	2003 Total
£m	**827**	**249**	**1,076**	1,077	75	1,152
Weighted average interest rate	**7.8%**	**7.6%**	**7.8%**	7.7%	4.8%	7.5%
Weighted average period for which the rate is fixed (years)	**4.3**	**n/a**	**n/a**	5.2	n/a	n/a
Weighted average term (years)	**4.3**	**4.2**	**4.3**	5.4	4.8	5.4

Further details of interest rates on long-term borrowings are given in note 19.

Cash and liquid resources of £647 million (2003: £47 million) comprises cash at bank of £63 million (2003: £14 million), bank deposits of £411 million (2003: £33 million) in a variety of maturities of up to nine months, and purchased corporate commercial paper of £173 million (2003: nil) in a variety of maturities of up to six months, all attracting rates of interest of London Inter-Bank Bid Rate ("LIBID") or above.

20 Derivatives and other financial instruments (continued)

Currency risks
The table below shows the Group's currency exposures after hedging that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the net monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating unit involved and principally consist of cash deposits, trade debtors and trade creditors.

	Net foreign currency monetary assets (£m)					
	USD	Euros	2004 Total	USD	Euros	2003 Total
Functional currency of Group operating unit						
Sterling	42	41	83	14	30	44

As at 30 June 2004 and 30 June 2003, the Group also held open various currency forward contracts that the Group had taken out to hedge expected future foreign currency commitments (see note 24(a)).

Liquidity risks
The profile of the Group's financial liabilities, other than short-term creditors, is shown in note 19. The profile of provisions is shown in note 21.

The Group's undrawn committed bank facilities, subject to covenants, were as follows:

	2004 £m	2003 £m
Expiring within one year	–	200
Expiring between one and two years	–	–
Expiring in more than two years	600	525
Total	600	725

The £200 million undrawn committed bank facilities, expiring within one year at 30 June 2003, expired on 29 June 2004.

Fair values
Set out below is a comparison by category of the book values and the estimated fair values of the Group's financial assets and financial liabilities, and associated derivative financial instruments, as at 30 June 2004 and 30 June 2003:

	2004 Book value £m	2004 Fair value £m	2003 Book value £m	2003 Fair value £m
Primary financial instruments held or issued to finance the Group's operations:				
Bank borrowings	–	–	(75)	(75)
Quoted bond debt	(1,069)	(1,060)	(1,069)	(1,185)
Finance leases	(7)	(7)	(8)	(8)
Bank deposits	411	411	33	33
Commercial paper	173	173	–	–
Cash at bank	63	63	14	14
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps	–	(18)	–	7
Exchange rate swaps	–	(87)	–	–
Forward foreign currency contracts	–	(41)	–	(51)

The fair values of quoted bond debt are based on period-end mid-market quoted prices. The fair values of other borrowings are estimated by discounting the future cash flows to net present value. The fair values of derivative financial instruments are estimated by calculating the differences between the contracted rates and the appropriate market rates prevailing at the period-ends.

The differences between book values and fair values reflect unrealised gains or losses inherent in the instruments, based on valuations as at 30 June 2004 and 30 June 2003. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

In addition to the financial instruments in the above fair value table, the Group had holdings in the equity share capital of other listed investments at 30 June 2004 and 30 June 2003. See notes 13 and 14 for disclosure of their book values and fair values.

Hedges
The Group's policy is to hedge the following exposures:

- interest rate risk, using interest rate swaps and swaptions
- transactional currency exposures, using forward foreign currency contracts
- exposures on long-term foreign currency debt, using cross-currency swaps

Gains and losses on hedging instruments which are eligible for hedge accounting treatment are not recognised until the hedged position is recognised.

20 Derivatives and other financial instruments (continued)

Unrecognised gains and losses on instruments used for hedging, and the movements therein, are as follows:

	2004 Gains £m	2004 Losses £m	2004 Total net gains (losses) £m	2003 Gains £m	2003 Losses £m	2003 Total net gains (losses) £m
Unrecognised gains and losses at the beginning of the year	**39**	**(83)**	**(44)**	74	(64)	10
Gains and losses arising in previous years that were recognised in the year	**–**	**46**	**46**	–	46	46
Gains and losses arising before the beginning of the year that were not recognised in the year	**39**	**(37)**	**2**	74	(18)	56
Gains and losses arising in the year that were not recognised in the year	**(31)**	**(117)**	**(148)**	(35)	(65)	(100)
Unrecognised gains and losses on hedges at the end of the year	**8**	**(154)**	**(146)**	39	(83)	(44)
Of which:						
Gains and losses expected to be recognised in the next year	**1**	**(41)**	**(40)**	–	(46)	(46)
Gains and losses expected to be recognised after the next year	**7**	**(113)**	**(106)**	39	(37)	2

21 Provisions for liabilities and charges

	Sky Interactive reorganisation provision £m
Group	
At 1 July 2002	4
Utilised in year	(1)
At 30 June 2003	**3**
Utilised in year	(1)
Released in year	(2)
At 30 June 2004	**–**

The Sky Interactive reorganisation provision principally comprised the cost of an onerous contract associated with the reorganisation and consolidation of all interactive and on-line activities within the division 'Sky Interactive'. Of the remaining £3 million of the provision, £2 million was released during the year as an operating item following the renegotiation of the contract.

22 Called-up share capital

	2004 £m	2003 £m
Authorised		
3,000,000,000 (2003: 3,000,000,000) Ordinary Shares of 50p	**1,500**	1,500
Allotted, called-up and fully paid – equity		
1,941,712,786 (2003: 1,937,754,876) Ordinary Shares of 50p	**971**	969

Allotted and fully paid during the year:

	Number of Ordinary Shares
Beginning of year	1,937,754,876
Options exercised under the Executive Share Option Scheme at between £2.560 and £6.620	3,431,125
Options exercised under the Sharesave Scheme at between £3.020 and £9.710	188,030
Shares issued in respect of deferred consideration for the acquisition of WAPTV Limited	338,755
End of year	**1,941,712,786**

Movements in share capital in the year ended 30 June 2004 are described in note 23.

22 Called-up share capital (continued)

Share option and contingent share award schemes

Total options and awards in existence at 30 June 2004 were as follows:

Scheme	Number of Ordinary Shares
Executive Share Option Scheme Options (a)	41,362,873
Sharesave Scheme Options (b)	3,711,041
LTIP Awards (c)	3,700,219
KCP Awards (d)	1,568,543
EBP Awards (e)	623,000
	50,965,676

(a) Executive Share Option Scheme Options

Options in existence at 30 June 2004 under the Executive Schemes are shown in the table below:

Date of grant	Number of Ordinary Shares	Option price £	Exercisable from (i)
8-Dec-94	37,830	2.560	8-Dec-97
15-May-97	5,286	5.675	15-May-00
10-Jun-97	5,020	5.975	10-Jun-00
18-Aug-97	6,864	4.370	18-Aug-00
18-Aug-97	21,809	4.420	18-Aug-00
4-Feb-98	8,298	3.615	4-Feb-01
1-Dec-98	2,784,173	5.010	1-Dec-01
7-May-99	4,589	4.350	7-May-02
18-Oct-99	1,124	0.980	18-Oct-02
29-Oct-99	3,458,886	6.385	29-Oct-02
22-Nov-99	107,775	6.495	22-Nov-02
5-Apr-00	41,517	13.970	5-Apr-03
12-May-00	20,800	12.980	12-May-03
22-May-00	21,842	10.530	22-May-03
23-May-00	126,529	9.800	23-May-03
12-Jun-00	12,247	11.430	12-Jun-03
30-Jun-00	100,931	12.880	30-Jun-03
26-Jul-00	46,077	12.370	26-Jul-03
30-Aug-00	220,168	11.400	30-Aug-03
23-Nov-00	4,904,213	9.900	23-Nov-01
1-Dec-00	2,640,000	9.840	1-Dec-03
4-Jan-01	59,534	10.750	4-Jan-02
26-Feb-01	66,746	9.340	26-Feb-02
6-Mar-01	92,416	9.290	6-Mar-02
14-Mar-01	121,289	8.950	14-Mar-02
21-May-01	74,644	7.190	21-May-02
4-Jun-01	94,480	7.165	4-Jun-02
26-Jul-01	184,815	7.080	26-Jul-02
6-Nov-01	8,399,474	7.940	6-Nov-02
13-Nov-01	26,668	8.360	13-Nov-02
4-Jan-02	88,057	7.890	4-Jan-03
14-Feb-02	12,479	7.005	14-Feb-03
26-Feb-02	20,343	6.850	26-Feb-03
14-May-02	32,689	6.820	14-May-03
5-Jun-02	600,000	7.350	31-May-04
28-Jun-02	13,725	6.180	28-Jun-03
5-Aug-02	8,898,648	5.300	5-Aug-04
20-Sep-02	47,815	5.185	20-Sep-04
30-Sep-02	14,581	5.305	30-Sep-04
2-Jan-03	229,296	6.390	2-Jan-05
20-Feb-03	64,362	6.005	20-Feb-05
18-Mar-03	74,672	6.100	18-Mar-05
1-Sep-03	7,568,664	6.620	1-Sep-05
25-Feb-04	1,498	7.155	25-Feb-06
	41,362,873		

22 Called-up share capital (continued)

Further details regarding the Approved and Unapproved Executive Share Option Schemes can be found in the Report on Directors' Remuneration on pages 32 to 40.

(i) Unapproved options granted up to and including August 2000 become exercisable in full three years after the date of grant (subject to the satisfaction of performance conditions). Options granted between November 2000 and June 2002 inclusive become exercisable over a period of four years from the date of grant, with a quarter vesting on each of the first, second, third and fourth anniversaries of grant (subject to the satisfaction of performance conditions), with the exception of the options granted on 1 December 2000, which became exercisable in full three years after the date of grant, and those granted on 5 June 2002, which became exercisable in full on 31 May 2004. Options granted since June 2002 become exercisable over a period of four years from the date of grant, with a third vesting on each of the second, third and fourth anniversaries of grant (subject to the satisfaction of performance conditions). All approved options become exercisable in full three years after the date of grant (subject to satisfaction of performance conditions).

(b) Sharesave Scheme Options
Options in existence at 30 June 2004 under the Sharesave Scheme are shown in the table below:

Date of grant	Number of Ordinary Shares	Option price £	Exercisable from
2-Nov-96	506	4.620	1-Jan-04
27-Oct-97	19,596	3.720	1-Jan-05
28-Sep-98	54,248	3.780	1-Dec-05
18-Oct-99	139,932	4.620	1-Jan-05
18-Oct-99	21,227	4.620	1-Jan-07
3-Oct-00	15,989	9.710	1-Jan-04
3-Oct-00	48,067	9.710	1-Jan-06
3-Oct-00	15,465	9.710	1-Jan-08
28-Sep-01	446,672	6.112	1-Jan-05
28-Sep-01	115,984	6.112	1-Jan-07
28-Sep-01	30,643	6.112	1-Jan-09
30-Sep-02	1,220,179	4.750	1-Feb-06
30-Sep-02	447,130	4.750	1-Feb-08
30-Sep-02	112,822	4.750	1-Feb-10
3-Oct-03	756,808	5.300	1-Feb-07
3-Oct-03	222,486	5.300	1-Feb-09
3-Oct-03	43,287	5.300	1-Feb-11
	3,711,041		

Further details regarding the Sharesave Scheme can be found in the Report on Directors' Remuneration on pages 32 to 40.

(c) LTIP Awards
Awards in existence at 30 June 2004 under the LTIP are shown in the table below:

Date of grant	Number of Ordinary Shares	Option price £	Exercisable from
21-Nov-01	1,035,688	8.300	30-Jun-04
2-Aug-02	552,490	5.550	31-Jul-04
2-Aug-02	552,491	5.550	31-Jul-05
13-Aug-02	27,895	5.600	31-Jul-04
13-Aug-02	27,895	5.600	31-Jul-05
2-Jan-03	91,880	6.390	31-Jul-04
2-Jan-03	91,880	6.390	31-Jul-05
13-Aug-03	1,240,000	0.000	31-Jul-06
12-Feb-04	80,000	0.000	31-Jul-06
	3,700,219		

Further details regarding the LTIP can be found in the Report on Directors' Remuneration on pages 32 to 40.

(d) KCP Awards
Awards in existence at 30 June 2004 under the KCP are shown in the table below:

Date of grant	Number of Ordinary Shares	Option price £	Exercisable from
21-Nov-01	31,500	8.300	31-Jul-03
9-Aug-02	244,400	5.700	31-Jul-04
14-Aug-02	2,600	5.655	31-Jul-04
13-Aug-03	645,793	0.000	31-Jul-04
13-Aug-03	644,250	0.000	31-Jul-05
	1,568,543		

22 Called-up share capital (continued)

Further details regarding the KCP can be found in the Report on Directors' Remuneration on pages 32 to 40.

(e) EBP Awards

Awards in existence at 30 June 2004 under the EBP are shown in the table below:

Date of grant	Number of Ordinary Shares	Option price (i) £	Exercisable from
2-Aug-02	126,500	n/a	31-Jul-04
2-Aug-02	126,500	n/a	31-Jul-05
2-Jan-03	20,000	n/a	31-Jul-04
2-Jan-03	20,000	n/a	31-Jul-05
13-Aug-03	310,000	n/a	31-Jul-06
12-Feb-04	20,000	n/a	31-Jul-06
	623,000		

(i) Awards under the EBP take the form of a contingent right to acquire existing BSkyB shares at the vesting date.

Further details regarding the EBP can be found in the Report on Directors' Remuneration on pages 32 to 40.

23 Reconciliation of movement in shareholders' funds

Movement in shareholders' funds for both Group and Company include all movements in reserves.

(a) Group

	Share capital £m	Share premium £m	Shares to be issued £m	ESOP reserve £m	Merger reserve £m	Special reserve £m	Profit and loss account £m	Total equity shareholders' funds (deficit) £m
At 1 July 2002	**947**	**2,410**	**256**	**–**	**267**	**–**	**(4,180)**	**(300)**
Issue of share capital	22	126	(253)	–	111	–	(1)	5
Profit for the financial year	–	–	–	–	–	–	190	190
Transfer from merger reserve	–	–	–	–	(79)	–	79	–
At 1 July 2003 – as previously stated	**969**	**2,536**	**3**	**–**	**299**	**–**	**(3,912)**	**(105)**
Prior year adjustment	–	–	–	(35)	–	–	(12)	(47)
At 1 July 2003 – as restated	**969**	**2,536**	**3**	**(35)**	**299**	**–**	**(3,924)**	**(152)**
Issue of share capital	2	21	(3)	–	–	–	–	20
ESOP shares utilised	–	–	–	27	–	–	11	38
ESOP shares purchased	–	–	–	(22)	–	–	–	(22)
Profit for the financial year	–	–	–	–	–	–	322	322
Dividends	–	–	–	–	–	–	(116)	(116)
Share premium reduction	–	(1,120)	–	–	–	14	1,106	–
Transfer from merger reserve	–	–	–	–	(77)	–	77	–
At 30 June 2004	**971**	**1,437**	**–**	**(30)**	**222**	**14**	**(2,524)**	**90**

23 Reconciliation of movement in shareholders' funds (continued)

(b) Company

	Share capital £m	Share premium £m	Shares to be issued £m	Capital reserve £m	Special reserve £m	Profit and loss account £m	Total equity shareholders' funds £m
At 1 July 2002	947	2,410	256	844	–	(1,177)	3,280
Issue of share capital	22	126	(253)	–	–	–	(105)
Profit for the financial year	–	–	–	–	–	56	56
At 1 July 2003	**969**	**2,536**	**3**	**844**	**–**	**(1,121)**	**3,231**
Issue of share capital	2	21	(3)	–	–	–	20
Share premium reduction	–	(1,120)	–	–	14	1,106	–
Profit for the financial year	–	–	–	–	–	456	456
Dividends	–	–	–	–	–	(116)	(116)
At 30 June 2004	**971**	**1,437**	**–**	**844**	**14**	**325**	**3,591**

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.

Share option schemes
During the period the Company issued shares with a market value of £26 million (2003: £6 million) in respect of the exercise of options awarded under various share option schemes, with £20 million (2003: £5 million) received from employees.

At 30 June 2004, the Group's ESOP held 4,747,515 Ordinary Shares in the Company at an average value of £6.25 per share. The 4,339,497 shares utilised during the period relate to the exercise of LTIP, KCP and Executive Share Option Scheme awards. As a result of the adoption of UITF 38, the Group's ESOP shares, which were previously held within investments, are now presented as a deduction from shareholders' funds. In addition, the brought forward profit and loss reserve at 1 July 2003 was reduced by £12 million. The impact of adopting UITF 38 was accordingly to reduce net assets at 1 July 2003 by £47 million, and to reduce profit for the year to 30 June 2003 by £6 million (see note 1).

The movement in the ESOP shares held was as follows:

	Number of Ordinary Shares	Group £m
Beginning of year	5,457,012	35
Share options exercised during the year	(4,339,497)	(27)
Shares repurchased by the Group during the year	3,630,000	22
End of year	**4,747,515**	**30**

Contingent consideration
On 30 September 2003, the Company issued 338,755 (2003: nil) 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.

In the prior year, the Company issued 43.2 million shares with a fair value of £253 million to HSBC, Matsushita and BT ("the selling shareholders") in respect of deferred consideration for the acquisition of the remaining 67.5% of BiB in May and June 2001. The Group also agreed with the selling shareholders certain other terms relating to the agreement reached on 15 July 2000 for the acquisition by the Group of the interest of the selling shareholders in BiB. These included the waiver of the selling shareholders' rights under the earn out provisions. The earn out provisions provided that if the valuation of BiB was £3 billion or more in January or July 2003, further contingent consideration would have been payable to the selling shareholders. Additional Group merger reserve of £111 million was created in relation to 20.8 million shares issued to BT in respect of deferred consideration for the acquisition of 19.9% of BiB.

Merger reserve
During the year, £36 million (2003: £35 million) relating to the amortisation of BiB goodwill and £41 million (2003: £44 million) relating to the amortisation of SIG goodwill was transferred from the Group merger reserve to the Group profit and loss reserve.

Goodwill
At 30 June 2004, the cumulative goodwill written off directly to reserves by the Group amounted to £524 million (2003: £524 million).

Receipt of dividend in specie
On 24 October 2003, the Company received a dividend in specie of the Sky Brand at nil book value from British Sky Broadcasting Limited, a wholly-owned subsidiary.

24 Guarantees, contingencies and other financial commitments

(a) Future expenditure

	Group 2004 £m	Group 2003 £m
Contracted for but not provided for in the accounts		
Television programme rights (i)	**2,489**	1,618
Set-top boxes and related equipment	**70**	106
Third party payments (ii)	**41**	46
Capital expenditure	**17**	3
Other purchase obligations	**61**	7
	2,678	1,780

(i) Of the commitments for television programme rights, £766 million (2003: £692 million) related to commitments payable in US dollars for periods of up to nine years (2003: ten years), £87 million (2003: £136 million) related to commitments payable in Swiss francs for periods of up to two years (2003: three years) and £6 million (2003: nil) related to commitments payable in Euros for periods of up to two years.

To hedge a proportion of these commitments, at 30 June 2004, the Group had outstanding forward rate contracts to purchase, in aggregate, US$705 million (2003: US$903 million) at an average rate of US$1.6227:£1 (2003: US$1.4925:£1) and CHF90 million (2003: CHF99 million) at an average rate of CHF2.2899:£1 and CHF1.5099:Euro 1 (2003: CHF2.0834:£1 and CHF1.4844:Euro 1).

At 30 June 2004, the US dollar television programme rights commitments have been translated at the year end rate of US$1.8219:£1 (2003: US$1.6497:£1), except for US$340 million (2003: US$566 million) covered by forward rate contracts where the average forward rate set out above has been used. The Swiss franc commitments have been translated at the year end rate of CHF2.2743:£1 (2003: CHF2.2288: £1) except for CHF90 million (2003: CHF99 million) covered by forward rate contracts where the average forward rates set out above have been used. The Euro commitments have been translated at the year end rate of Euro 1.5020:£1.

Certain of the US dollar commitments disclosed above are subject to price escalation clauses in accordance with the terms of certain of the movie programme rights contracts and are for periods of up to six years (2003: six years). The extent of the escalation, and hence of the commitments, is dependent both upon the number of DTH subscribers to the relevant movie channel and, in certain cases, upon inflationary increases. If subscriber numbers were to remain at 30 June 2004 levels, the additional commitment in respect of subscriber escalation would be £265 million (US$483 million) (2003: £213 million (US$351 million)). The pounds sterling television programme rights commitments include similar price escalation clauses that would result in additional commitments of £3 million (2003: nil) if subscriber numbers were to remain at 30 June 2004 levels.

(ii) The third party payment commitments are in respect of distribution agreements for the television channels owned and broadcast by third parties, retailed by the Group to DTH viewers ("Sky Distributed channels") and are subject to price escalation clauses in accordance with the terms of certain of the distribution agreements and are for periods of up to five years (2003: six years). The extent of the escalation, and hence of the commitments, is dependent upon the number of DTH subscribers to the relevant Sky Distributed channels and, in certain cases, upon inflationary increases. If both the DTH subscriber levels to these channels and the rate payable for each Sky Distributed channel were to remain at 30 June 2004 levels, the additional commitment in respect of subscriber escalation would be £844 million (2003: £799 million).

(b) Contingent liabilities

The Group has contingent liabilities by virtue of its investments in unlimited companies, or partnerships, which include Nickelodeon UK, The History Channel (UK), Paramount UK and National Geographic Channel.

The Directors do not expect any material loss to arise from the above contingent liabilities.

(c) Contingent assets

Under the terms of one of the Group's channel distribution agreements, British Sky Broadcasting Limited is entitled to receive a payment, between July and September 2006, equal to a proportion of the fair value of certain of the channels under that distribution agreement. The fair value of the channels is to be determined at the earlier of contract termination and 30 June 2006. Accordingly, it is not yet possible to determine the value of the payment to be received.

(d) Guarantees

Two of the Group's subsidiary undertakings, British Sky Broadcasting Limited ("BSkyB Limited") and Sky Subscribers Services Limited, have given joint and several guarantees in relation to the Company's £600 million RCF and the US$650 million, US$600 million, US$300 million and £100 million Guaranteed Notes (see note 19).

The Company and certain of its subsidiaries have undertaken, in the normal course of business, to provide support to several of the Company's investments in both limited and unlimited companies and partnerships, to meet their liabilities. Several of these undertakings contain financial limits. These undertakings have been given for at least one year from the date of the signing of the UK statutory accounts of the related entity. A payment under these undertakings would be required in the event of an investment being unable to pay its liabilities. The Company has provided parental company guarantees of £3 million to creditors of Sky Interactive. Additionally, BSkyB Limited has provided letters of credit of £5 million to Sky Interactive Limited in respect of Sky Buy, which mature within four months of the year end.

The Company and various of its subsidiaries have agreed to provide additional funding to several of its investments in limited and unlimited companies and partnerships, in accordance with funding agreements. Payment of this additional funding would be required if requested by the investees in accordance with the funding agreements. The maximum potential amount of future payments which may be required to be made by the Company and various of its subsidiaries to its investments, in both limited and unlimited companies and partnerships under the undertakings and additional funding agreements, is £9 million (2003: £15 million).

24 Guarantees, contingencies and other financial commitments (continued)

(e) Leases and similar commitments

The minimum annual rentals under these arrangements are as follows:

	Land and buildings £m	Plant and machinery £m	Total £m
Group			
30 June 2004			
Operating leases and similar arrangements which expire:			
– within one year	–	3	3
– between two and five years	3	52	55
– after five years	10	23	33
	13	**78**	**91**
30 June 2003			
Operating leases and similar arrangements which expire:			
– within one year	1	4	5
– between two and five years	2	26	28
– after five years	8	35	43
	11	**65**	**76**

Company

At 30 June 2004, the Company had minimum annual rentals for property under operating leases and similar arrangements which expire between two and five years of £1 million (2003: £1 million).

25 Regulatory update

European Commission Investigation – Football Association Premier League Limited

On the basis of the performance by the Group of certain commitments given by the Group to the European Commission (concerning the future retailing and wholesaling of the Group's channels featuring live Premier League coverage), the European Commission has confirmed in a "comfort letter" that it has fully and finally settled its investigations in connection with the Group's bids for all rights in relation to Premier League matches throughout the 2004/05 to 2006/07 Football Association Premier League ("FAPL") seasons and any resulting agreements between the Group and the FAPL.

In accordance with its commitments to the European Commission, the Group conducted a tender process for a proposed sub-licence of six or eight live Premier League matches per season to another broadcaster. On 12 May 2004, the Group announced that it had concluded the tender process and that none of the bids received had attained the reserve price per match which the Group had previously agreed with the European Commission. The Group will not, therefore, sub-license those rights.

European Commission Investigation – Movie Contracts

The European Commission continues to investigate the terms on which movies produced by major US movie studios are supplied to distributors, including pay television operators, throughout the European Union. The European Commission has not yet issued a Statement of Objections (the document in which it sets out the grounds on which it considers the EU competition rules to have been breached) to the studios. The Group understands this has been delayed by procedural issues raised by a number of the studios.

The Group is co-operating with this investigation. At this stage, the Group is unable to determine whether it will have a material effect on the Group.

European Commission Sector Inquiry – "New Media" Sports Rights

The European Commission has opened a sector inquiry regarding the conditions of provision of audio-visual content from sports events to internet and other "new media" companies such as 3G mobile operators. The European Commission has stated that the purpose of its investigation is to gain as clear and wide a view as possible of the availability of audio-visual sports rights in the European Union, so as to ascertain whether access by "new media" operators to such content is not unduly restricted.

The Group is co-operating with this investigation. At this stage, the Group is unable to determine whether it will have a material effect on the Group.

26 Transactions with related parties and major shareholders

(a) Transactions with major shareholders

The Group conducts all business transactions with companies which are part of The News Corporation Limited group, a major shareholder, on an arm's length basis:

- Fox Entertainment Group ("FEG") supplied programming with a total value of £66 million in the year (2003: £63 million), the majority of which is supplied under arrangements extending to December 2004, with a variable annual value dependent, among other things, on the number of films supplied. The Group also earned £1 million (2003: £1 million) from FEG in respect of programming-related fees.
- NDS Limited ("NDS") supplied smart cards and encryption services with a value of £55 million in the year (2003: £50 million) under a contract extending to September 2010. The Group also has a number of contracts with NDS for the supply of digital equipment, of which £3 million (2003: £4 million) was paid during the year.
- The Group earned £8 million from Broadsystem Ventures Limited ("BVL") in respect of telephony services during the year (2003: £4 million). BVL and Broadsystem Limited also supplied telephony services with a value of £1 million (2003: £3 million).
- News International plc provided media-based advertising services and rental premises at a cost to the Group in the year of £5 million (2003: £5 million). The Group also earned £3 million (2003: £2 million) from News International plc for the provision of airtime.
- News America Incorporated recharged the Group for IT services with a value of £1 million in the year (2003: £1 million).
- Orbis Technology Limited and Visionik A/S supplied interactive and internet-based services of £4 million in the year (2003: £2 million).
- Rugby International Pty Limited, National Rugby League Investments Pty Limited and Global Cricket Corporation Pte Limited sold sports rights to the Group during the year worth £5 million (2003: £4 million).
- Star Television Group ("Star"), Fox International Channels (UK) Limited ("Fox International"), Fox News Channel and Phoenix Chinese News and Entertainment paid the Group £2 million during the year (2003: £1 million) for the provision of transponder capacity, uplinking and EPG facilities and marketing services. The Group paid Star and Fox International £5 million (2003: £2 million) in respect of carriage fees for the supply of programming.
- ESPN Star Sports and Fancy A Flutter Limited paid the Group £1 million (2003: £1 million) of fees related to programming.
- The Group supplied consultancy services to Sky Italia during the year with a value of £1 million (2003: nil).

Balances payable to members of The News Corporation Limited group, analysed by activity:

	2004 £m	2003 £m
Programming	28	23
Telephony services	5	1
Supply of smart cards and encryption services	6	1
Advertising	1	–
	40	25

Balances receivable from members of The News Corporation Limited group, analysed by activity:

	2004 £m	2003 £m
Programming	1	–
Consultancy	1	–
	2	–

(b) Transactions with joint ventures and associates

All transactions with joint ventures and associates are conducted on an arm's length basis.

	2004 £m	2003 £m
Revenue	19	19
Operating costs	64	64

Revenues are primarily generated from the provision of transponder capacity, and marketing and support services. Operating costs represent fees payable for channel carriage.

	2004 £m	2003 £m
Funding to joint ventures and associates (see note 13)	233	235
Amounts owed by joint ventures and associates (see note 17)	8	16
Amounts owed to joint ventures and associates (see note 18)	8	1

(c) Other transactions with related parties

Elisabeth Murdoch is the daughter of Rupert Murdoch, and sister to James Murdoch, both Directors of the Company, and has a controlling interest in Shine Entertainment Limited, in which the Group also has a 3.5% equity shareholding. During the year, the Group incurred development and production costs for television of £5 million (2003: £2 million) from Shine Entertainment Limited. At 30 June 2004, there were no outstanding amounts due to or from Shine Entertainment Limited (2003: nil).

27 Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to operating cash flows

	Before goodwill and exceptional items £m	Goodwill and exceptional items £m	2004 Total £m	Before goodwill and exceptional items as restated £m	Goodwill and exceptional items £m	2003 Total as restated £m
Operating profit	600	(119)	481	364	(116)	248
Depreciation	102	–	102	98	–	98
Amortisation of goodwill and other intangible fixed assets	–	119	119	–	121	121
Loss on disposal of tangible fixed assets	1	–	1	–	–	–
(Increase) decrease in stock	(5)	–	(5)	44	–	44
Decrease in debtors	17	–	17	88	–	88
Increase in creditors	170	–	170	66	–	66
Decrease in provision	(3)	–	(3)	(1)	–	(1)
Net cash inflow from operating activities	882	–	882	659	5	664

(b) Analysis of changes in net debt

	At 1 July 2003 £m	Cash flow £m	At 30 June 2004 £m
Overnight deposits	33	40	73
Other cash	14	49	63
	47	89	136
Short-term deposits	–	338	338
Commercial paper	–	173	173
Cash and liquid resources	47	600	647
Debt due after more than one year	(1,144)	75	(1,069)
Capital element of finance leases	(8)	1	(7)
Total debt and capital element of finance leases	(1,152)	76	(1,076)
Total net debt	(1,105)	676	(429)

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

	2004 £m	2003 £m
Increase (decrease) in cash	89	(3)
Increase (decrease) in short-term deposits	338	(1)
Increase in commercial paper	173	–
Cash outflow resulting from decrease in debt and lease financing	76	427
Decrease in net debt	676	423
Net debt at beginning of year	(1,105)	(1,528)
Net debt at end of year	(429)	(1,105)

27 Notes to consolidated cash flow statement (continued)

(d) Major non-cash transactions

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.

WAPTV
On 30 September 2003, the Company issued 338,755 (2003: 169,375) 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.

2003
Issue of shares – deferred consideration for BiB
On 11 November 2002, the Company issued 43.2 million shares with a fair value of £253 million to HSBC, Matsushita and BT in respect of deferred consideration for the acquisition of the remaining 67.5% of BiB in May and June 2001.

28 Post balance sheet events

Potential legal claim
The Group anticipates issuing and serving a claim in the near future for a material amount against an information and technology solutions provider, which had provided services to the Group as part of the Group's investment in CRM software and infrastructure. The amount that will be recovered by the Group will not be finally determined until resolution of the claim.

Capital investment programme
The Group intends to invest an additional approximately £450 million on capital expenditure over the four years to 30 June 2008, in order to support its long-term growth. This is in addition to ongoing core maintenance capital expenditure which is expected to remain at about £100 million per annum over the same period. The additional expenditure will principally relate to enhancements of Sky's Osterley campus, a new call centre and training facility, and continuation of the current CRM and Advanced Technology Centre projects.

29 Principal Group investments

Name	Country of incorporation	Description and proportion of shares held (%)	Principal activity
Subsidiaries: Direct holdings			
British Sky Broadcasting Limited	England and Wales	10,000,002 Ordinary Shares of £1 each (100%)	Operation of a pay television broadcasting service in the United Kingdom and Ireland
Sky Television Limited	England and Wales	13,376,982 Ordinary Shares of £1 each (100%)	Holding company
Sports Internet Group Limited	England and Wales	38,247,184 Ordinary Shares of 5p each (100%)	The provision of sports content, betting and e-commerce services
British Interactive Broadcasting Holdings Limited (a)	England and Wales	651,960 Ordinary Shares of £1 each (100%)	The transmission of interactive services
Subsidiaries: Indirect holdings			
Sky Subscribers Services Limited	England and Wales	2 Ordinary Shares of £1 each (100%)	The provision of ancillary functions supporting the satellite television broadcasting operations of the Group
Sky In-Home Service Limited	England and Wales	1,576,000 Ordinary Shares of £1 each (100%)	The supply, installation and maintenance of satellite television receiving equipment
Hestview Limited	England and Wales	108 Ordinary Shares of £1 each (100%)	Licensed bookmakers
Sky Interactive Limited	England and Wales	2 Ordinary Shares of £1 each (100%)	The provision of interactive television services
Sky Ventures Limited	England and Wales	912 Ordinary Shares of £1 each (100%)	Holding company for joint ventures
British Sky Broadcasting SA	Luxembourg	12,500 Ordinary Shares of £12 each (100%)	Digital satellite transponder leasing company
Sky New Media Ventures Limited	England and Wales	12,500 Ordinary Shares of £1 each (100%)	Holding company for new media investments
Joint ventures			
Artsworld Channels Limited	England and Wales	630,315 Ordinary Shares of £0.01 each (50%)	The transmission of arts programming
Nickelodeon UK	England and Wales	104 B Shares of £0.01 each (50%)	The transmission of children's television channels
The History Channel (UK)	England and Wales	50,000 A Shares of £1 each (50%)	The transmission of history and biography television programming
Paramount UK (b), (e)	England and Wales	Partnership interest (25%)	The transmission of general entertainment comedy channels
Australian News Channel Pty Limited	Australia	1 Ordinary Share of AUS$1 (33.33%)	The transmission of a 24-hour news channel
Granada Sky Broadcasting Limited (c), (f)	England and Wales	800 B Shares of £1 each (80%)	The transmission of general entertainment channels
MUTV Limited (f)	England and Wales	100 B Shares of £1 each (33.33%)	The transmission of the Manchester United football channel
National Geographic Channel (d)	England and Wales	Partnership interest (50%)	The transmission of natural history and adventure channels
Music Choice Europe plc (e)	England and Wales	44,001,120 Ordinary Shares of £0.01 each (35.8%)	The transmission of audio music channels
Attheraces Holdings Limited (e)	England and Wales	1,500 Ordinary Shares of £1 each (50%), 20 Recoupment Shares of £0.01 each	The transmission of a horse racing channel and related on-line activities
Chelsea Digital Media Limited	England and Wales	19,800 B Shares of £0.01 each (20%) and 5,360,174 football channel redeemable preference shares of £1 each	The production and marketing of the Chelsea Football Club football channel

Notes
(a) 80.1% directly held by British Sky Broadcasting Group plc and 19.9% held by British Sky Broadcasting Limited.
(b) The registered address of Paramount UK is 180 Oxford Street, London W1D 1DS.
(c) The economic interest held in Granada Sky Broadcasting Limited is 49.5%.
(d) The registered address of National Geographic Channel is Grant Way, Isleworth, Middlesex TW7 5QD.
(e) These entities report their financial results for each 12 month period ending 31 December.
(f) These entities report their financial results for each 12 month period ending 30 September.

Five Year Summary

Consolidated results

	2004 £m	2003 as restated (ii) £m	2002 as restated (ii) £m	2001 as restated (ii) £m	2000 as restated (ii), (iii), (iv) £m
DTH subscribers	2,660	2,341	1,929	1,537	1,189
Cable and DTT subscribers (i)	215	202	279	299	303
Advertising	312	284	251	271	242
Interactive	307	218	186	93	5
Other	162	141	131	106	108
Turnover	3,656	3,186	2,776	2,306	1,847
Operating expenses, net (ii)	(3,056)	(2,822)	(2,590)	(2,154)	(1,762)
Goodwill amortisation	(119)	(121)	(119)	(44)	–
Exceptional operating items	–	5	(18)	(23)	(105)
Operating profit (loss)	481	248	49	85	(20)
Share of joint ventures' and associates' operating results	(5)	3	(76)	(256)	(122)
Joint ventures' and associates' goodwill amortisation, net	10	–	(1,070)	(101)	(14)
Share of joint venture's loss on disposal of fixed asset investments	–	–	–	(70)	(14)
Profit (loss) on disposal of fixed asset investments	51	–	2	–	(1)
Amounts written back to (written-off) fixed asset investments, net	24	(15)	(60)	(39)	–
Release of provision (provision) for loss on disposal of subsidiary	–	–	10	(10)	–
Net interest payable and similar charges	(81)	(114)	(137)	(132)	(92)
Profit (loss) on ordinary activities before taxation	480	122	(1,282)	(523)	(263)
Tax on profit (loss) on ordinary activities (iii)	(158)	62	(107)	(24)	65
Profit (loss) on ordinary activities after taxation	322	184	(1,389)	(547)	(198)
Statistics					
Basic earnings (loss) per share	16.6p	9.6p	(73.6p)	(29.6p)	(11.3p)
Diluted earnings (loss) per share	16.6p	9.5p	(73.6p)	(29.6p)	(11.3p)
Dividend per share					
– interim	2.75p	–	–	–	–
– final	3.25p	–	–	–	–
Payments to acquire tangible fixed assets (£m)	132	98	101	133	58
DTH subscribers ('000)	7,355	6,845	6,101	5,453	4,513
Cable subscribers ('000) (iv)	3,895	3,871	4,091	3,486	3,735
DTT subscribers ('000) (v)	3,084	1,510	–	1,105	740
Total subscribers ('000)	14,334	12,226	10,192	10,044	8,988
Average number of full-time equivalent employees	9,500	9,132	9,083	9,948	10,730
Capital employed	£m	£m	£m	£m	£m
Fixed assets	828	956	1,087	2,392	1,859
Working capital	(349)	(202)	(26)	8	32
Provisions, tax assets and creditors, and dividend creditor (iii)	40	199	115	182	24
Net debt	(429)	(1,105)	(1,528)	(1,547)	(1,145)
Net assets (liabilities)	90	(152)	(352)	1,035	770

Notes

(i) From 2003, this relates solely to cable subscriber revenues.

(ii) Operating expenses, net; operating profit (loss); profit (loss) on ordinary activities before taxation; profit (loss) on ordinary activities after taxation; fixed assets; working capital and net assets (liabilities) for 2003, 2002, 2001 and 2000 were restated following the adoption by the Group of UITF 38, in the year ended 30 June 2004. Adoption of UITF 38 also resulted in the recalculation of the basic and diluted earnings (loss) per share for 2003, 2002, 2001 and 2000.

(iii) The taxation credit for 2000 was restated following the adoption by the Group of FRS 19, "Deferred tax" in the year ended 30 June 2001. Adoption of FRS 19 resulted in the recalculation of loss per share for 2000.

(iv) The cable subscribers disclosure for 2000 was restated in the year ended 30 June 2001 to include Ireland subscribers.

(v) From 2003, the Digital Terrestrial Television ("DTT") subscriber number consists of BARB's estimate of the number of homes with access to Freeview (the free DTT service operating in the UK). Up until 2001, this subscriber number included all those subscribing to ITV Digital's (previously On Digital's) DTT service.

Shareholder Information

Share price information
The Company's share price is broadcast on SkyText on the Sky News channel on page 145, BBC Ceefax page 221 and on Channel 4 Teletext page 520, all under the prefix BSkyB. It also appears in the financial columns of the national press.

The latest BSkyB share price is also available from the Financial Times Cityline Service, on 0906 843 4816.

Shares on-line
Lloyds TSB Registrars provide a range of shareholder information on-line. Shareholders can access their shareholdings and find advice on transferring shares and updating their details at **www.shareview.co.uk**.

ShareGift
Shareholders who only have a small number of shares whose value makes it uneconomic to sell them may wish to consider donating them to charity through ShareGift, the independent charity share donation scheme (registered charity no. 1052686). Further information about ShareGift may be obtained from Lloyds TSB Registrars or from ShareGift on 020 7337 0501 or at **www.sharegift.org**. There are no implications for capital gains tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to claim income tax relief.

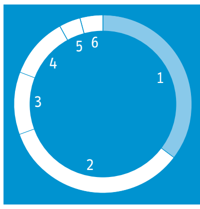
Shareholder enquiries
All administrative enquiries relating to shareholders, such as notification of change of address or the loss of a share certificate, should be made to the Company's registrars, Lloyds TSB Registrars, whose address is given on the following page.

Dividends
Shareholders can have their dividends paid directly into a UK bank or building society account with the tax voucher sent direct to their registered address. Please contact Lloyds TSB Registrars for a dividend mandate form.

Dividend Reinvestment Plan
The Company operates a Dividend Reinvestment Plan ("DRIP") which enables shareholders to buy the Company's shares on the London stock market with their cash dividend. Further information about the DRIP is available from Lloyds TSB Registrars. The helpline number is 0870 241 3018 from inside the UK and +44 1903 845 295 from overseas.

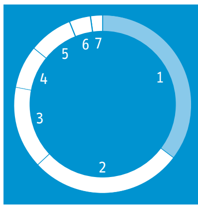
British Sky Broadcasting Group plc

BREAKDOWN OF SHAREHOLDERS at June 2004
Fund Managers by Type



1	News UK Nominees Limited	35.33%
2	Fund Management Groups	34.28%
3	Other	11.32%
4	Insurance Companies	11.04%
5	Miscellaneous Banks	4.06%
6	Pension Funds	3.97%

BREAKDOWN OF SHAREHOLDERS at June 2004
Fund Managers by Location



1	News UK Nominees Limited	35.33%
2	London	27.86%
3	USA & Canada	15.01%
4	Continental Europe	7.90%
5	Other	7.79%
6	Scotland	4.07%
7	Rest of UK and Eire	2.04%

Board of Directors
Rupert Murdoch (Chairman)
Chase Carey
Jeremy Darroch (Chief Financial Officer) (i)
David DeVoe
David Evans
Nicholas Ferguson
Andy Higginson (ii)
Allan Leighton (Audit Committee Chairman)
James Murdoch (Chief Executive Officer)
Jacques Nasser (Remuneration Committee Chairman)
Gail Rebuck
Lord Rothschild (Deputy Chairman & Senior Independent Non-Executive Director)
Arthur Siskind
Lord St John of Fawsley
Martin Stewart (Chief Financial Officer) (iii)
Lord Wilson of Dinton (Corporate Governance & Nominations Committee Chairman)

(i) with effect from 16 August 2004
(ii) with effect from 1 September 2004
(iii) until 4 August 2004

Company Secretary
David Gormley

Financial Calendar
Results for the financial year ending 30 June 2005

Q1	November 2004
Q2	February 2005
Q3	May 2005
Q4	August 2005
AGM	November 2005

Company information
Registered office:
Grant Way
Isleworth
Middlesex TW7 5QD
Telephone 0870 240 3000

The Sky Website
The Sky website at **www.sky.com** details the Company's product offering and provides a link to BSkyB's Corporate website where investor and media information can be accessed.

Registrars
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA
Telephone 0870 600 3970

Shareholder Information

American Depositary Receipts

BSkyB has an American Depository Receipt ("ADR") programme. The ADRs trade under the symbol BSY and each one is equivalent to four ordinary BSkyB shares. The ADRs trade on the New York Stock Exchange.

For enquiries, please contact:

The Bank of New York
Investor Relations
P.O. Box 11258
Church Street Station
New York, NY 10286-1258
Telephone (US) 1-888-BNY-ADRS
Telephone (International) +1 (610) 382 7836
www.adrbny.com

Auditors
Deloitte & Touche LLP
Hill House
1 Little New Street
London EC4A 3TR

Principal Bankers
Royal Bank of Scotland
St. Andrew's Square
Edinburgh EH2 2YB

Solicitors
Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

Company registration number
2247735

A large print or spoken version of this annual report is available. If you would like to request a copy, please contact 08705 663333 (textphone 08702 401910).

Glossary

Term	Description
ACT	Advance Corporation Tax
ARPU	Average Revenue Per User: the average amount spent by the Group's residential subscribers per year (excluding VAT)
Churn	The rate at which subscribers relinquish their subscriptions, expressed as a percentage of total subscribers
CRM	Customer Relationship Management
Digibox	Digital satellite reception equipment
DTH	Direct-to-Home: the transmission of satellite services with reception through a minidish
DTT	Digital Terrestrial Television: digital signals delivered to homes through a conventional aerial, converted through a set-top box
EBITDA	Earnings before interest, taxation, depreciation and amortisation: calculated as operating profit before depreciation and amortisation or impairment of goodwill and intangible assets
EPG	Electronic Programme Guide
ESOP	Employee Share Ownership Plan
Freeview	The free DTT service operating in the UK
FRS	Financial Reporting Standard
IFRS	International Financial Reporting Standard
Minidish	Satellite dish required to receive digital satellite television
Multichannel viewing share	Share of viewers of non-terrestrial television
Multiroom	Installation of a second digibox in the household of an existing subscriber
PVR	Personal Video Recorder: satellite decoder which utilises a built-in hard disk drive to enable viewers to record without videotapes, pause live television and record one programme while watching another
RCF	Revolving Credit Facility
SAC	Subscriber Acquisition Cost: the average amount invested when a new subscriber joins Sky Digital
SBO	Sky Box Office: Sky's pay-per-view service offering films, sporting events and concerts
Set-top box	Digital satellite reception equipment
Sky	British Sky Broadcasting Group plc and its subsidiary undertakings
Sky+	Sky's fully integrated Personal Video Recorder (PVR) and satellite decoder
Sky Active	The brand name for Sky's transactional interactive television services, including e-mail / messaging, games, betting, shopping, banking, travel services and ticket sales
Sky Bet	Sky's betting services, provided through digiboxes, the internet and the telephone
Sky Buy	Interactive and internet shopping services
Sky Gamepad	Wireless digital television Games controller, enabling up to four people in a household to play simultaneously
Sky Gamestar	Interactive on-line games channel
Sky Talk	Low-cost home phone service provided exclusively for Sky digital subscribers
Terrestrial channels	Television channels which use analogue broadcasts to reach households via a conventional aerial. The UK currently has five terrestrial channels: BBC 1, BBC 2, ITV, Channel 4 and five
Transmission costs	Costs of transmitting channels to subscribers
Transponder	Leased wireless communication devices on satellites which send programming signals to minidishes
UK GAAP	United Kingdom Generally Accepted Accounting Principles
Viewing share	Percentage of audience viewing a channel