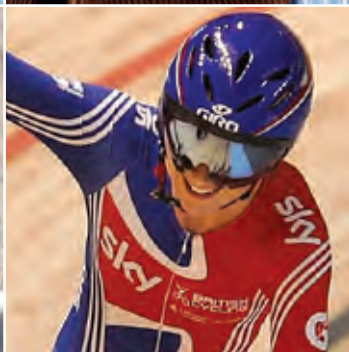


British Sky Broadcasting Group plc
Annual Review 2012





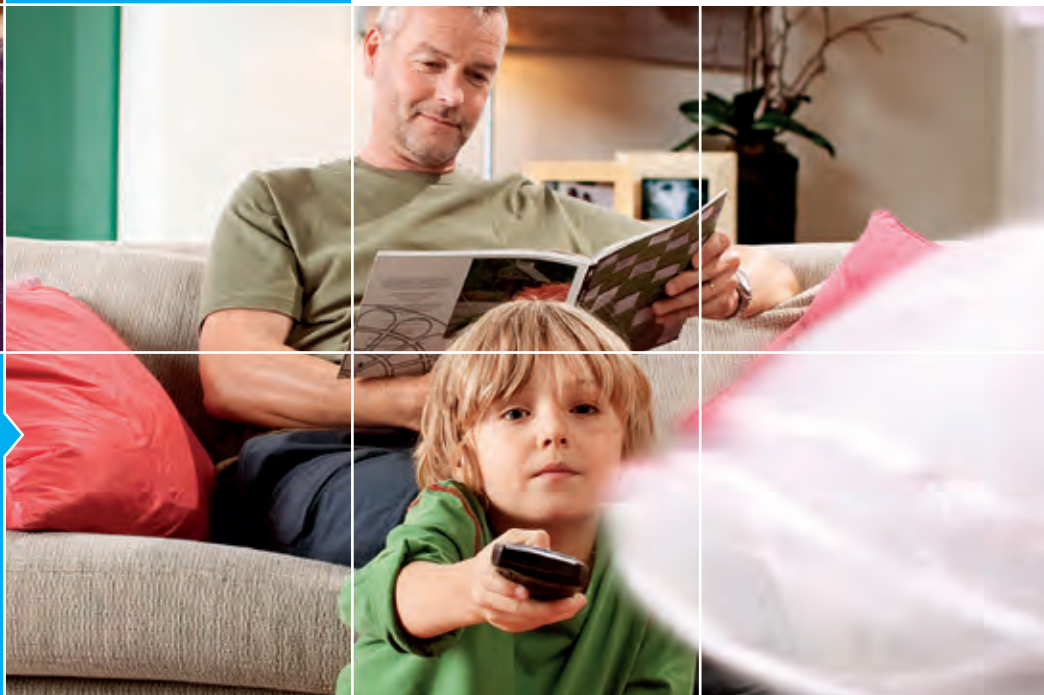
TV PEOPLE LOVE
PAGE 08

Building on our traditional strengths and making a step change in entertainment.



MORE WAYS TO WATCH
PAGE 14

Improving the whole experience of watching television, in and out of the home.



CONNECTING PEOPLE
PAGE 18

Bringing value, quality and choice to home communications.



SUPER-SERVING CUSTOMERS
PAGE 20

Delivering on our commitment to customer service.

HOW WE DO BUSINESS
PAGE 22

Acting responsibly and playing our part in the communities where we live and work.

We want to be first choice for entertainment and communications.

Sky is a valued part of everyday life in more than 10 million homes. We entertain, excite and inspire customers with a great choice of high-quality television in high definition. We make technology simple and put viewers in control. We connect people to each other and to the world with our broadband and phone services.

Because we never forget that Sky is a choice, we put customers first and work hard to earn their trust. We make our products affordable so millions can join in. And we back it all up with a commitment to exceptional customer service.

Seeing the bigger picture is part and parcel of the way we do business. That's why we're committed to doing the right thing and playing our part in the communities where we live and work.

We strive to be the best for our customers and our people, and to make a positive contribution to life in the UK and Ireland. We believe that focusing on long-term sustainability is the best way to achieve lasting success and create value for shareholders.

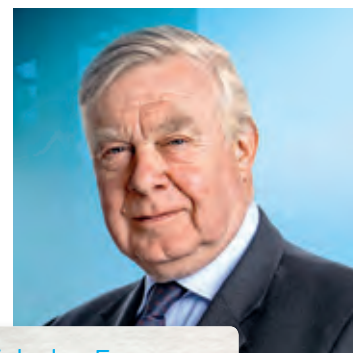
We're always looking for ways to improve. That spirit has made us what we are today, and it will drive us to become what we want to be tomorrow.

We believe in better.

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Chairman's statement



Nicholas Ferguson
Chairman

2012 has been another year of achievement for Sky. In a challenging economic environment, the Company has continued to make strong progress on all fronts. More customers are choosing Sky and, at the same time, are taking a greater number of products from us. Combined with a strong commitment to operational efficiency, this growth has resulted in excellent financial results and increased returns for shareholders, continuing the Company's track record of delivery over recent years. I would like to thank all our colleagues at Sky for their commitment and focus over the last year, without which none of this would be possible.

This sustained performance would be good in any environment but it is exceptional in a period when household budgets have been under sustained pressure. It is the result of a clear, consistent strategy and first-rate execution by the management team. While we must never be complacent in such a dynamic and competitive marketplace, the Board is confident that the Company is well positioned to continue to take advantage of the growth opportunity in home entertainment and communications.

As the Company looks to develop further, we also recognise the importance that customers place on dealing with responsible businesses that have a positive impact on the wider community. We have a very good story to tell, both in terms of our support for the UK creative industries and our contribution to the wider economy. This year, a new independent report has measured for the first time the very substantial impact made by Sky in terms of GDP contribution, employment and tax generation. In addition, through our Bigger Picture programme, we are working with schools to help inspire young people and develop their skills with the opening of our new Sky Skills Studios experience on our campus in west London, as well as continuing to develop our work in sport, arts and the environment.

During the year a number of changes have taken place in the Board. In April, James Murdoch stepped down as Chairman, while staying on as a Director, and I was asked by the Board to succeed him. On behalf of the entire Board, I would like to pay tribute to James for the vision, drive and strategic insight he contributed both as Chairman and previously as Chief Executive.

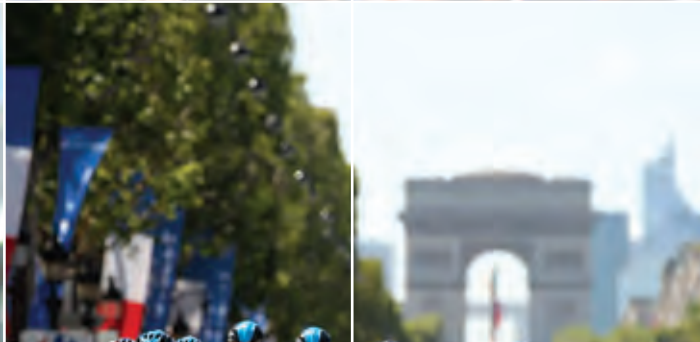
In parallel with my appointment as Chairman, Andy Higginson was appointed as the Senior Independent Director and Tom Mockridge as Deputy Chairman. From the Independent Directors, Allan Leighton and David Evans retired after the 2011 AGM and Dame Gail Rebeck retired in June 2012. They were succeeded by Matthieu Pigasse, Martin Gilbert and Tracy Clarke. We thank all those Directors for their considerable contribution over many years, and we warmly welcome the three new Board members. Later this year, Lord Richard Wilson and Jacques Nasser will also retire, and we are making good progress towards the appointment of their replacements.

This means that the majority of the Independent Directors will have joined within twelve months. This is in part due to the delay in replacements caused by the proposed bid by News Corporation. In order to ensure that we have sufficient Independent Directors with more than three years' experience, we have asked Andy Higginson to stay on for two additional years beyond September 2013, and I will stay on for sufficient time to ensure the necessary continuity. Through these steps, we will safeguard the interests of shareholders by ensuring the necessary balance of experience for a well-functioning Board.

Finally, in view of the Company's continued strong performance, the Board proposes a 9% increase in the full-year dividend to 25.4 pence per share and intends to seek shareholder approval for a further £500 million of share repurchases. The entire Board and management team remain fully focused on maintaining our strong performance and I would like to thank shareholders for their continued support.

"Team Sky has huge ambitions, not just for the team but for cycling and inspiring the public to ride."

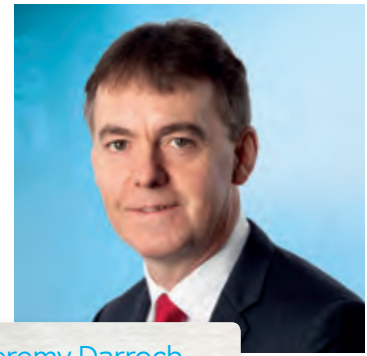
BRADLEY WIGGINS, TEAM SKY RIDER AND WINNER OF THE TOUR DE FRANCE 2012



TEAM SKY MAKES HISTORY

Team Sky's Bradley Wiggins made sporting history in July 2012 by becoming the first ever British winner of the Tour de France. As part of our support for cycling in Britain at all levels, we created Team Sky three years ago with the ambition not just of achieving success on the road but inspiring even more people to get on their bikes for fun and fitness.

Chief Executive's statement



Jeremy Darroch
Chief Executive

Our goal is long-term, sustainable success that creates value for shareholders and has a positive impact on the communities in which we operate. We believe that the most durable businesses stand out for their commitment to continuous improvement. They constantly seek to adapt so that they stay relevant tomorrow and into the future. That is why Sky's story has always involved constant renewal. We know that to remain successful, we can't stand still.

To satisfy our existing customers and to attract more people to Sky, we need to keep moving forward and improving what we offer. That means getting better on screen, providing great entertainment that is worth paying for. It means making it easy for our customers to access Sky content, easy to watch it when and where it suits them, and easy to get more value from their subscription. And it means expanding our range of services so we offer a set of entertainment and communications products that meet customers' needs better than anyone else.

Looking back on 2012, we've continued our consistent approach to growth and returns. We've combined investment where it matters most to customers with a strong focus on driving greater efficiency across our operations. We believe this is the best formula to achieve sustainable growth in revenue, profit and cash flow over time.

Our results show that this approach is working well. Despite what continues to be a tough economic environment, more customers are choosing Sky for a wider range of products than ever and our rates of customer loyalty remain very strong. During the year, we added almost three million subscription products to reach a total of more than 28 million and more than 300,000 net new households joined us. This means that Sky is now the choice of around 40% of UK households and a growing proportion of those customers choose Sky for home communications as well as for television.

This year's strong operational growth builds further on the progress that we've made over recent years. We've successfully transitioned the business to a multi-product strategy, doubling our total product base since 2008, while adding 1.6 million new customers as well. Importantly, we've achieved this growth while delivering an increasingly strong financial performance. Over the same period, we've added almost £2 billion to revenue and doubled adjusted basic earnings per share, which exceeded 50 pence for the first time this year.

TOTAL PRODUCTS

28.4m

TOTAL CUSTOMERS

10.6m

POSITIVE IMPACT ON THE UK ECONOMY

As Sky has evolved, so has the positive impact that our business has on our industry and the wider economy. For example, we are now the UK's biggest investor in television programming, working with more than 100 independent producers for our entertainment channels alone. And we provide support and investment for British sport at all levels from the elite to the grassroots.

To measure and explain the scale of our wider economic impact on the UK, this year we commissioned a report from independent consultants Oxford Economics. It found that that Sky contributes over £5 billion a year to UK GDP, supports nearly 120,000 jobs and generates £2.3 billion of tax revenues.

We hope that our story provides a good example of the important contribution that a successful British company can make, particularly at a time when economic growth is harder to come by. Our appetite to do more remains strong and we hope to contribute even more in the future.

DELIVERING FOR CUSTOMERS

Because the main reason customers choose Sky is for a better choice of television, we have to keep getting better on screen. So we have continued to build on our traditional strengths in sport, movies and news, while making a step change in our entertainment offering. This year we added Formula 1 to the variety of sports we cover with the launch of a dedicated channel – Sky Sports F1 – to provide greater depth of coverage than ever before. Following a number of other rights renewals, we secured a new agreement for Sky to remain the home of live Premier League football for the three seasons to 2016. As a result, we have ensured the continued breadth and quality of our sports offering, allowing customers to look forward to continued coverage of the UEFA Champions League, British and Irish Lions rugby, English domestic and international cricket, European Tour golf and the Ryder Cup.

In entertainment, our growing commitment to original British production is bringing more of the best acting and writing talent to Sky, including Sir David Attenborough, Melvyn Bragg, Ruth Jones and James Corden. Many of our home-grown comedies and dramas, such as *Stella*, *Trollied* and *Mad Dogs*, have already returned or been re-commissioned for new series. At the same time, we continue to offer the best of US drama, with Sky Atlantic bringing customers new series of much-loved shows like *Game of Thrones* and *Mad Men*. Sky News continues to offer outstanding reporting from home and abroad, while Sky Arts attracted its highest ever audiences for the *Playhouse Presents* series of original plays.

We are also offering customers more ways to enjoy our content, whether at home or on the move. Alongside our market-leading Sky+ and high definition (HD) services, we have expanded the range of content available on our video on demand service, which has now reached more than one million active users. Sky Go, which allows customers to access our programmes on devices such as laptops, smartphones and tablets, goes from strength to strength with a better choice of content and record usage figures.

To give millions more people an easy and flexible way to access Sky content, in July 2012 we announced the launch of a new internet TV service, NOW TV. Available across a wide range of internet-connected devices, NOW TV will initially offer movies for instant streaming and expand to offer sports and entertainment content. Alongside the continued growth of our satellite service, this is a distinctive new way for us to meet the needs of customers who don't yet take pay TV.

Over the past year, we've continued to perform strongly in home communications as more new and existing customers recognise the quality and value of our products. Around a third of Sky customers now choose to take all three of TV, broadband and telephony, which means we are Britain's most popular provider of the 'triple play' service. During the year, we have continued to enhance our range of broadband services with the launch of more than 11,000 free WiFi hotspots and the introduction of a fibre product for customers who want higher speeds. We see a significant opportunity for continued growth as millions more customers have the opportunity to get a great quality service and save money by switching their communications services to Sky.

RECORD FINANCIAL PERFORMANCE

Combined with a continued focus on operational efficiency, this strong growth has translated to a record financial performance with adjusted basic earnings per share exceeding 50 pence for the first time. Total revenue increased by 3% as the growth in customers and products more than offset headwinds in advertising and Sky Business. Adjusted operating profit rose by 14% to £1,223 million, the highest level for six years, and we delivered adjusted basic earnings per share of 50.8 pence, up 22% on the prior year.



ADJUSTED BASIC
EARNINGS PER SHARE
(EPS)

50.8p





50,000

Young people have taken part in the Sky Sports Living for Sport programme

The Board has proposed a full-year dividend of 25.4 pence per share, an increase of 9% year on year. This represents the eighth consecutive year of growth and is further amplified by our continuing programme to return £750 million to shareholders through a share buy-back. In addition, we intend to seek shareholder approval at the Company's AGM in November 2012 for a further £500 million of share repurchases. As with the current programme, News Corporation has agreed to participate in the buy-back. The effect of that agreement is to provide that there will be no change in News Corporation's economic or voting interests in the Company as a result of the share buy-back programme.

Looking ahead, we remain confident about the long-term opportunity that exists for our business. With around 13 million homes yet to take pay TV and two thirds of Sky customers not yet taking all three of TV, broadband and telephony, there remains considerable headroom for growth in home entertainment and communications.

At the same time, we are in no way complacent about the future. We expect the economic environment to remain challenging for all consumer businesses and the attractive markets in which we operate will continue to be both highly competitive and dynamic. Against that backdrop, we will remain focused on executing our clear and consistent plan. We will continue to deploy capital in areas where customers see value – in getting better on screen and improving our products and services – and maintain an acute focus on operating efficiency to underpin those investments and deliver increasing returns for shareholders.

RESPONSIBLE JOURNALISM

Sky News is the only national television news service that operates without any form of public subsidy or support. We are proud of the contribution it has made to media plurality in the UK and its track record of independent, impartial coverage. At a time of heightened interest in editorial practices across the media sector, and as part of our commitment to acting responsibly throughout our business, we commissioned both an external review of email records at Sky News and an internal audit of payment records. Reporting to the Audit Committee, these reviews found no evidence of impropriety or cause for concern.

Also this year, the Audit Committee reviewed the Company's approach to two separate investigations in which one of its journalists accessed the email of individuals suspected of criminal activity. Following a thorough review, we are satisfied that the action was justified in the public interest and subject to proper editorial oversight.

MAKING A BROADER CONTRIBUTION

We recognise that our future success depends on long-term relationships with millions of families across the UK and Ireland. Furthermore, we also understand that customers are increasingly choosing to reward companies that share their values and make a positive contribution to society.

Our position as a broadcaster allows us to inspire our customers to make a positive difference through our Bigger Picture programme – improving lives through sport, bringing the arts to more people, helping to tackle climate change and raising the aspirations of young people.

Through Sky Rainforest Rescue, our partnership with WWF and the State Government of Acre in Brazil, we are protecting a billion trees in the Amazon rainforest from deforestation. This year, we were delighted to meet our fundraising target of £4 million and to extend the project for a further three years so it can continue to support the livelihoods of more local families.

In sport, we also extended our hugely successful partnership with British Cycling, which is well on track to get a million more people cycling regularly. Team Sky, our professional road racing team, made sporting history in July 2012 as Bradley Wiggins became the first ever British winner of the Tour de France. Around 50,000 young people have now taken part in Sky Sports Living for Sport, a programme which uses sport to engage young people in education and boost their confidence. And our scholarships are helping promising young British and Irish athletes fulfil their potential and prepare for life in the spotlight.

As part of our Sky Arts Ignition series, we're working with arts organisations including Tate Liverpool to create exciting new art works around the country. We've also announced our first five bursaries to help support young artists and kick start their careers.

At our headquarters in west London, our new Sky Skills Studios aims to raise the aspirations of young people by bringing to life the experience of creating media content, aligning with the national curriculum and helping to build confidence and life skills. The Studios will be open from September 2012 and will offer a free learning experience to all schools across the country, with the aim of engaging 12,000 young people each year.

We see these activities as a vital ingredient of building long-term, sustainable success. And we will look to continue to grow what we're doing in all these areas in the future.

Our people are vital to everything that we do. So I would like to thank them for their focus, energy and creativity over the past year. With their continued support and commitment, we can continue to execute against our priorities, deliver for customers and increase returns for shareholders.

How we contribute to the UK economy

Sky is a relatively young company with a significant and expanding footprint. Our business has grown rapidly since it was established just over 20 years ago, generating significant returns for our shareholders and contributing positively to the UK economy as a whole.

This year, we commissioned a report from the independent consultants, Oxford Economics, in order to measure and explain the scale of our economic impact. The comprehensive study shows that Sky makes a significant contribution in terms of GDP, jobs and taxes paid. It also shows how we have stimulated economic activity in a wide range of associated companies and industries, through our investment, innovation and relationships with thousands of suppliers and business partners.

- Sky is estimated to have supported a £5.4 billion contribution to UK GDP in calendar 2011.
- We employ almost 23,000 people across the UK, including 2,600 in creative and production roles.
- Sky supported a £2.3 billion contribution to tax revenues in 2011, equivalent to £36 for every person in the UK. Of this, £941 million came directly through corporation tax, business rates, labour taxes and VAT payments.

£5.4bn
Total annual
GDP contribution

120,000
Total jobs dependent
on Sky

75%
More than 75%
of Sky's £6.4bn
revenue was
retained in
the UK in 2011

£2.3bn
Total annual tax
contribution

23,000
Sky employs people across
the UK with 41% based in
London, 28% in Scotland
and 7% in Yorkshire

4,000
Sky purchases from
4,000 different
UK companies

£36
Taxes raised as a result
of Sky's total economic
activity equate to
£36 per UK citizen

What we put on screen is right at the heart of Sky. That's because we know our customers value great TV above all else. We've always given them outstanding sports coverage, in-depth news reporting and a great range of must-see movies. Now, we're building on those traditional strengths by taking our entertainment channels to the next level too.

TV people love

INVESTING IN HOME-GROWN CONTENT

Content is our lifeblood. We never forget that the main reason why customers choose Sky is for a better choice of television. Over the past year, we've given them more reasons to do so. We've brought our customers more of the programmes they're passionate about. And we've invested well over £2 billion on screen to do so, more than any other British broadcaster.

One of our priorities across our entertainment channels has been an increasing focus on UK commissioning and production. That's because we know that home-grown content really resonates with our customers and we want to give them more of the TV they love. By 2014, we expect to be spending £600 million a year on UK commissioning and production, an increase of more than 50% over three years. And that's enabling us to work with more of the country's leading talent and support British creativity.

Our flagship entertainment channel, Sky 1, has been at the fore of this change. Over the past few years, Sky 1 has been developing a growing roster of returning original series, including *Got to Dance* with Davina McCall, *An Idiot Abroad* starring Ricky Gervais and Karl Pilkington, and *Mad Dogs*, whose all-star cast includes John Simm and Philip Glenister. This year, the channel kicked off a brand new British comedy strand. It got off to a great start with *Trollied*, starring Jane Horrocks, which enjoyed the biggest multi-channel comedy premiere ever. Among the other highlights were *Spy*, which won its star Darren Boyd a BAFTA and a British Comedy Award, and *Stella*, created by and starring Ruth Jones. Following their success, all of Sky 1's British comedies have been recommissioned for further series. Sky 1 was also named Channel of the Year by the industry magazine, *Broadcast*, in recognition of its leading role in what it called a "content revolution".

sky 1 HD



£600m

Commitment to investment
in UK commissioning and
production by 2014



Still
got it



"Nowadays everyone is being woken
up by Sky...it's shaken everything up,
just like C4 did in the 1980s."

JIMMY MULVILLE, COMEDY PRODUCER
AND FOUNDER, HAT TRICK PRODUCTIONS



STRENGTHENING OUR ENTERTAINMENT LINE-UP

Over recent years, we have strengthened and expanded our line-up of entertainment channels, to complement our traditional strengths in sport, movies and news. Our aim is to provide a wide range of high-quality programming that offers something for every member of the family.

Our newest entertainment channel, Sky Atlantic, features some of the greatest acting, directing and writing talent in the world. It has brought new series of acclaimed shows like *Game of Thrones* and *Boardwalk Empire* to the UK and further enhanced its reputation for uncompromising, intelligent drama when it exclusively showed the fifth season of *Mad Men*. Just as important to the channel's development has been Sky Atlantic's first original drama, *Hit & Miss*, starring Academy Award Nominee Chloë Sevigny and created by one of the country's most respected screenwriters, Paul Abbott. As well as new drama, Sky Atlantic also began its own run of new comedies, with well-known figures like Steve Coogan's *Alan Partridge* appearing alongside new shows such as *Veep* from BAFTA award-winning comedy writer and director Armando Iannucci.

Over the past year, we've also continued to build Sky Living into a channel that super-serves our female customers, with popular US shows like *Grey's Anatomy*, *Cougar Town* and *Criminal Minds* sitting next to stylish original programming. There are long-running favourites like *Britain & Ireland's Next Top Model*, presented by Elle Macpherson, as well as brand new shows like *The Love Machine*, presented by Stacey Solomon and Chris Moyles, and the return of *Bedlam*, Sky Living's first original drama.

sky ATLANTIC HD

"God bless Sky Atlantic for giving so many people an opportunity to present new comedy. This is my dream show. I have been wanting to make this for 14 years."

HENRY NORMAL, CEO, BABY COW



sky LIVING HD



sky ARTS HD

“Sky Arts is showing how to do culture on television.”
 DAVID LISTER, THE INDEPENDENT

Another area where Sky offers something distinct from other broadcasters is the arts. Sky Arts 1 and 2 remain the only channels dedicated to showing the full range of arts, entertainment and culture - from literary and music festivals to the biggest exhibitions of the year. More than six million viewers a month now tune in for highlights such as *Playhouse Presents*, a series of exclusive new plays from some of the most talented writers from stage and screen with all-star casts including double Oscar-winner Emma Thompson, Alison Steadman and Sir Tom Jones. Meanwhile, *The Ronnie Wood Show* has featured interviews with and performances from musicians including Sir Paul McCartney, and *Leonardo Live* saw Sky Arts at the National Gallery for the opening night of the biggest collection of works by Leonardo Da Vinci ever assembled.

As well as investing in the arts on screen, we're also supporting the arts on the ground. Through our Sky Arts Ignition Series, we're supporting the creation of brand new works of art with £1.2 million of direct investment with arts partners - the first with Tate Liverpool. You can find out more about our broad support for the arts by turning to page 25.



BUILDING ON OUR TRADITIONAL STRENGTHS

When we first launched, it made sense for us to focus on areas that were under-served by other channels - namely sport, movies and 24-hour news. These areas have remained our strengths ever since and we're just as committed to them as ever.

Over the past two decades, Sky Sports has set new standards in sports broadcasting and provided vital funding and coverage for a wide range of sports. This year, we've added even greater breadth and depth to our line-up with live coverage of the 2012 Formula 1 season. We've given the sport the full Sky Sports treatment with a dedicated channel in Sky Sports F1, offering more in-depth coverage than ever before, the latest technology and a team that includes fan favourites like Martin Brundle.

Our coverage remains unparalleled in other sports too. In a year in which England were the number one test team in the world, our cricket coverage was hailed by the Daily Telegraph as "Not just the best around, but the finest coverage of any sport that there has ever been". In golf, Sky Sports was once again the only place to see live coverage of all four days of the US Masters. Meanwhile in rugby, the audience for the knock-out stages of the Heineken Cup increased by 16% on last year.

In football, former Manchester United and England international Gary Neville brought his vast experience and insight to our team as both the FA Premier League and UEFA Champions League reached thrilling conclusions. With audiences for Premier League matches increasing by 12% for the 2011/12 season, we're delighted that Sky Sports will remain the home of Premier League football until at least 2016.

Sky Movies aims to be the only service film fans will ever need. With around 600 films to choose from and up to five brand new premieres every Friday, at least 12 months before they are available on other online subscription services, there's something for everyone, from cult indie cinema to the biggest blockbusters. This year, we also secured exclusive rights to show the entire iconic James Bond film catalogue uninterrupted and in HD for the first time. We're also investing in original feature-length films for television aimed at the whole family.

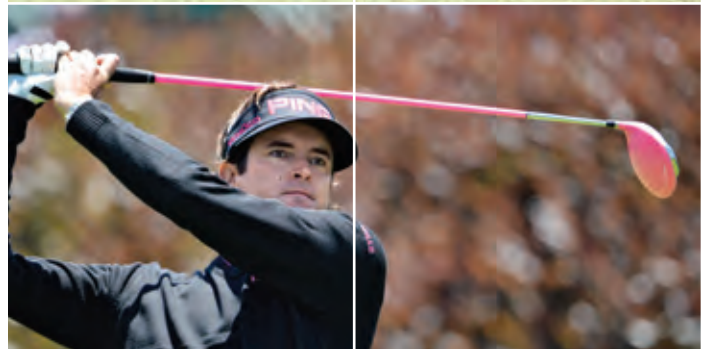
As well as a wider choice of what to watch, we want to offer the best possible in-home movies experience, with all our movies available in HD on one of our 11 dedicated channels. Our customers also have the choice of watching one of the hundreds of movies that are available on demand on TV or on PCs, laptops, games consoles, tablets and smartphones. The result is that this year Sky Movies reached its highest number of subscribers for five years.

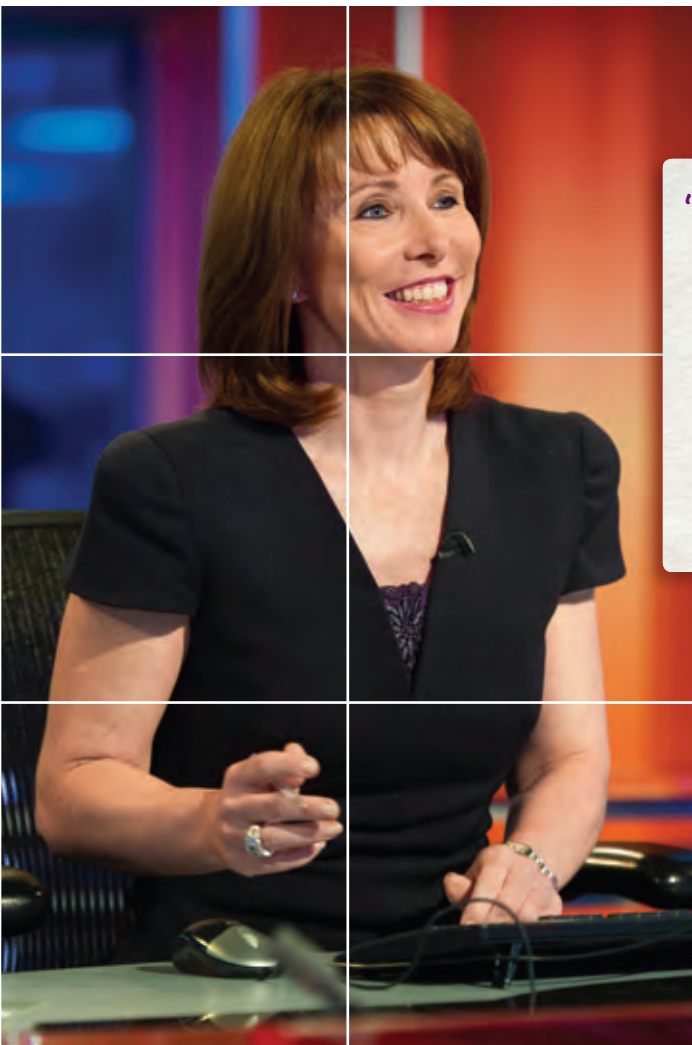
Now available in over 103 million homes worldwide, Sky News remains the place to go for breaking news. The last twelve months have seen some momentous news stories and Sky News was there for them all.



"Sky Sports has raised the bar for all live television broadcasters with its innovative, informed and comprehensive coverage of cricket.. No one should be in any doubt that our partnership with Sky has been of immense benefit to the wider game."

GILES CLARKE, CHAIRMAN, ENGLAND AND WALES CRICKET BOARD





“Powerful journalism by a team of correspondents, camera crews and producers, reporting from the front line of a brutal civil war.”

RTS AWARDS JUDGES, SKY NEWS
- WINNER OF INTERNATIONAL NEWS FOR COVERAGE IN LIBYA

sky NEWS HD



BREAKING NEWS LIBYA CONFLICT
REBELS REACH GREEN SQUARE
06:02 **BREAKING NEWS LIBYA AFTER REBELS REACHED CENTRE OF TRIPOLI**



103m
Sky News reaches over 103m homes across 115 countries around the world

Internationally, Sky News’ special correspondent Alex Crawford reported live from the back of a truck that was part of the rebel convoy that drove into Tripoli. Her reports, broadcast to the world via a camera plugged into a cigarette lighter, saw Alex named the Royal Television Society (RTS) Television Journalist of the Year for a record fourth time and she was awarded an OBE in the New Year Honours list for her services to Broadcast Journalism.

Our domestic coverage was equally memorable. Mark Stone’s reports from the streets of London formed part of our coverage of the UK riots, which won the RTS award for Home News. Meanwhile, in a highly successful weekend of coverage across all Sky News platforms, the Queen’s Diamond Jubilee celebrations were watched by almost six million viewers.

Finally, in a joint venture with Abu Dhabi Media Investment Corporation, we launched Sky News Arabia in May 2012, which is broadcasting from Abu Dhabi to over 50 million homes across the Middle East and North Africa. Supported by 400 editorial staff across a global network of bureaux, the Arabic-language channel offers a new and fresh approach to news across the Arab world, building on Sky News’ reputation for independent, impartial reporting.

We want to make the whole experience of watching television better. From improving picture and sound quality to giving our customers more control and flexibility over the ways they watch, we've constantly innovated to bring TV to life and help our customers get the most out of their subscription.

More ways to watch

IMPROVING THE VIEWING EXPERIENCE

Over the years, we've constantly looked to improve the viewing experience with innovations like Sky+ and high definition (HD) TV. The reason is simple. They give customers more reasons to subscribe and help them get more value from their subscription.

It's now over a decade since we introduced Sky+, the personal video recorder (PVR) that ensures customers never have to miss a moment by allowing them to pause, rewind and record their favourite shows. Over nine million homes now have a Sky+ box and we continue to improve the service with the introduction of more on demand content. By connecting their Sky+ HD box to the internet, customers can access a huge library of on demand entertainment and movies, ready to watch when they want, all at no extra cost to their subscription.



"Sky F1 hits you as if you've been shunted sideways by Kamui Kobayashi and then bashed up the exhaust by Pastor Maldonado. The sound and the high-definition pictures combine to make a superb double act..."

PAUL WEAVER, THE GUARDIAN





"Sky+ the gold standard
for TV time shifting."

STUFF MAGAZINE, OCTOBER 2011



As well as downloading programming from our entertainment and movies channels, customers can rent the latest blockbusters and classic movies instantly from the Sky Store. We've already added classic TV shows from the ITV library and we'll be adding more and more content over the coming months, including BBC iPlayer, Demand 5 and more shows from ITV – that means our customers will be able to enjoy the best of terrestrial TV as well as pay TV, whenever they want.

With its pin-sharp pictures and crystal-clear sound, HD TV has set new standards for quality. Over four million customers now have access to up to 60 HD channels on the Sky platform, which is the widest choice of HD viewing in the UK.

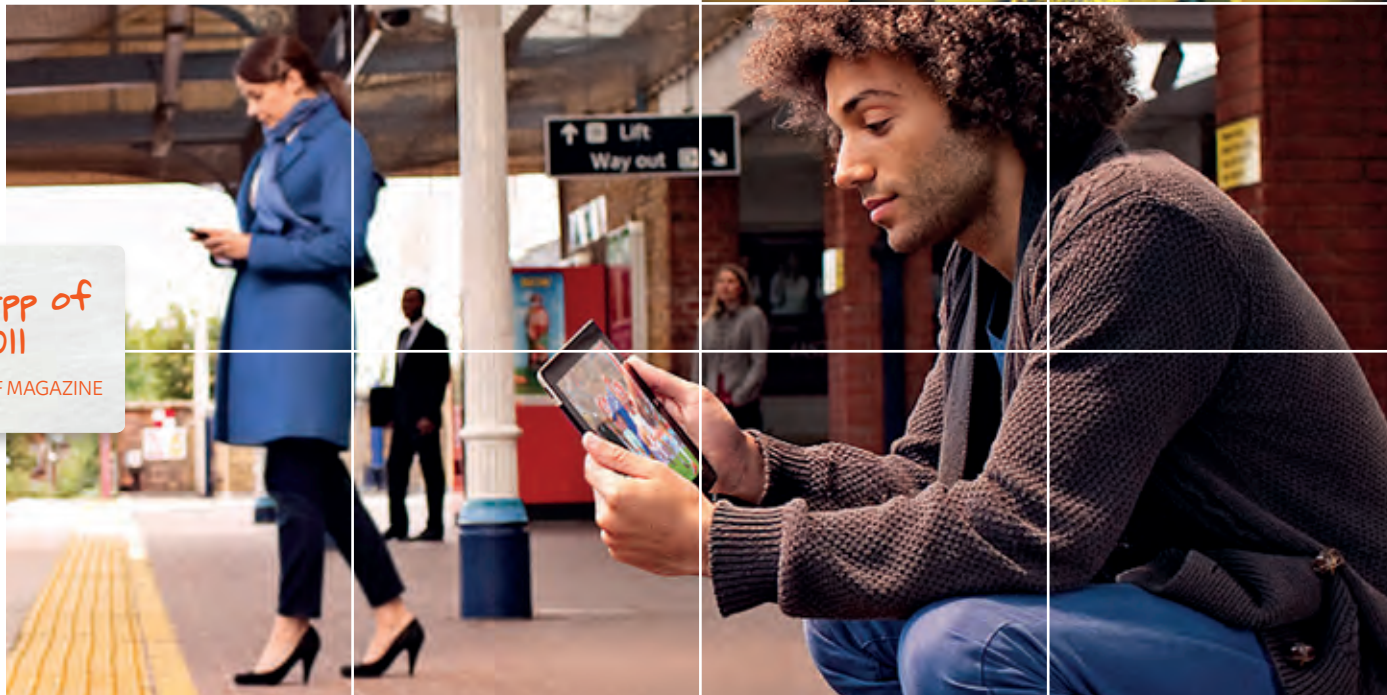
Meanwhile, through Europe's first 3D channel, our customers can also enjoy action that bursts out of the screen. Over the last 12 months, Sky 3D has broadcast music festivals, ballet, movies, sporting events and documentaries like *Kingdom of Plants 3D*, in which Sir David Attenborough used ground-breaking 3D technology to reveal the stunning secret lives of plants.

ENHANCING THE TV EXPERIENCE

With over half of all Sky customers now owning smartphones, we have an opportunity to give them even more value. Our range of apps allows them to enjoy some of their favourite things from Sky on the move – from live TV and breaking news to the latest scores and more. All available at no extra cost with their monthly subscription.

Our mobile TV service, Sky Go, allows customers to watch great TV wherever they are via PCs, laptops, games consoles, tablets and a range of smartphones. All our Sky Movies and Sky Sports channels, our entertainment channels and Sky News can be watched live on Sky Go, with entertainment programmes and movies also now available to watch on demand. In the three months to the end of June 2012, Sky Go was used by 2.7 million unique users.

Through our award-winning Sky News app, customers can also keep up to date with the latest headlines by watching live or by choosing which stories to follow. Formula 1 fans can also choose the perfect partner for watching live Grands Prix with a special companion app that allows them to access different camera angles and real-time data. Other Sky apps that complement the main TV experience are our Sky+ app, which enables customers to browse the Sky Guide and set their Sky+ box when they're out and about, and our Sky Movies app, which enables movie fans to find a film to watch at home or at their local cinema.



Sky Go - App of the Year 2011

STUFF MAGAZINE



REACHING NEW AUDIENCES

By investing in content and innovation, we're creating more reasons for people to join Sky and take more products from us. The growth of internet-connected devices also opens up an additional opportunity for us to offer another choice to the 13 million homes that don't currently take pay TV. That's why, in July 2012, we launched a new internet TV service, NOW TV.

NOW TV will be available on a range of internet-connected devices, including PCs, laptops, games consoles, tablets and smartphones. Customers will be able to 'pay & play' for instant access to an extensive range of over 1,000 movies through Sky Store or opt for a monthly pass offering unlimited access to the entire Sky Movies collection. More great content will be added in the coming months as Sky Sports comes to NOW TV, followed by home-grown drama, original comedy and US shows from our entertainment channels. With NOW TV, we will be able to serve the needs and preferences of different customers more effectively by offering two distinct ways to watch. There's the full, market-leading Sky service for the whole family, complete with the widest range of channels, products like Sky+, HD, 3D and Sky Go, and the peace of mind of a monthly bill. And there's the flexible, more spontaneous, pay-as-you-go service of NOW TV, which is 'powered by Sky' so customers know they're still getting the best content and a high-quality experience from a provider they can trust.

As more people choose Sky for a wider range of products, Sky Broadband and Sky Talk are growing faster than ever. Customers are responding to the value, quality and service they offer, helping to make Sky the nation's favourite digital TV, broadband and home phone provider.

Connecting people

SWITCH AND SAVE

We first entered the home communications sector because we saw the potential to bring more choice and value to consumers. And that's exactly what we're doing.

Over the past year, we added a total of over two million broadband and home phone products, bringing the overall total to more than 11 million. As a result, we remained Britain's fastest-growing home communications provider and also became the nation's number one choice for the 'triple play' of TV, broadband and home phone, with 3.4 million homes taking all three products from us.

Switching to Sky for home phone and broadband offers our TV customers the potential to save hundreds of pounds a year, as well as the greater simplicity of taking all their entertainment and home communications services from a single provider they can trust.

Thanks to our state-of-the-art all-fibre core network, Sky is the only internet service provider to offer a truly unlimited service with no usage caps, even at peak times. We also help our customers to get online when they're out and about. All Sky Broadband Unlimited customers can now enjoy free WiFi at more than 11,000 public hotspots, including locations like Pizza Express, Caffè Nero and Network Rail train stations. If they also take Sky TV from us, it means customers can enjoy their favourite channels on the move with Sky Go and at home on demand, all at no extra cost.

We want even more people to be able to benefit from great value broadband. That's why we've announced that we will further extend our UK network to a million more homes by June 2013, as well as bringing our broadband and home phone services to the Republic of Ireland for the first time. And we've also launched new fibre products that enable customers to access download speeds of up to 76 megabits per second.





No.1
Britain's favourite TV,
broadband and home
phone provider

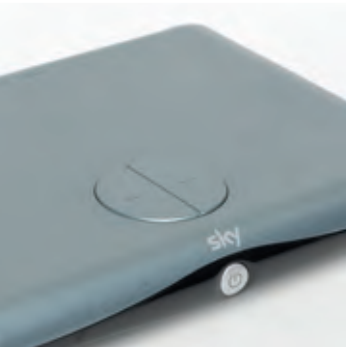


Customers continue to respond very positively to Sky Talk. For the fourth year running, Sky Talk was voted overall winner in the uSwitch Home Phone Customer Satisfaction Report, with awards including 'Best overall customer satisfaction' and 'Best value for money'.

With two thirds of Sky customers yet to switch their home communications to us, millions more still have the opportunity to enjoy a better experience and save money by taking their broadband and home telephone from Sky.

We never forget that customers always have a choice. That's why we aim to provide great-value products which meet their needs and to back this up with excellent customer service.

Super-serving customers



The Sky Talker is a device designed in partnership with the Royal National Institute of Blind People (RNIB) which makes it easier for visually impaired customers to choose what to watch. It works by allowing customers to hear some of the text that appears on screen by vocalising Sky+ functions, including the programme synopsis.

"Sky has shown a real commitment to helping blind and partially sighted people enjoy television."

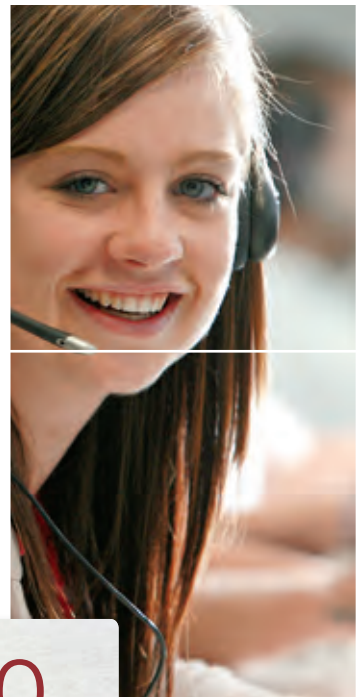
Lesley-Anne Alexander
CEO, RNIB

PROVIDING GREAT SERVICE

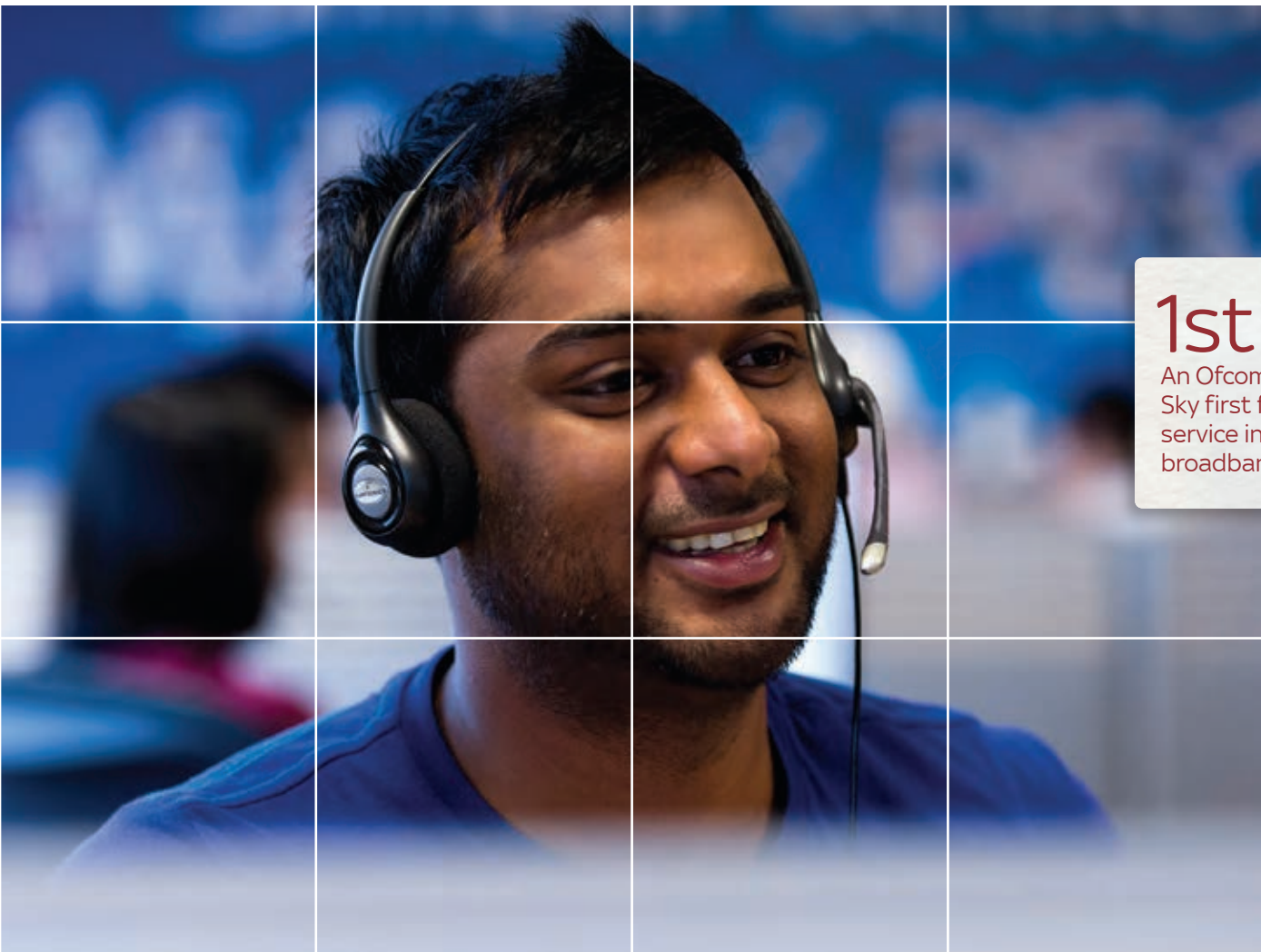
At Sky, our motivation doesn't come from winning awards or being first to offer a new technology. It comes from our commitment to give customers a set of products which meet their needs better than anyone else, to help them to get the most from their subscription and to provide exceptional customer service.

To help deliver the great service that our customers expect, we have created over 1,200 new customer-facing jobs this year across the UK and Ireland, including the opening of a new customer service centre in Newcastle. This is part of an on-going programme to bring more of our customer service teams in house and ensure our own people deal with the most complex queries. In the coming months, we will take this approach a step further with the opening of our new Dublin centre to provide a dedicated service to our Irish customers. To ensure that our people are equipped to deal with issues first-time, we have also carried out comprehensive training for more than 10,000 of our contact centre staff in the last year. And our annual FAME awards give well-deserved recognition to those colleagues who go the extra mile to provide great service to our customers.

At the same time as expanding our customer service capability, we are making it easier for customers to contact us in the way that suits them. They can get in touch through a live chat facility on our website or visit our help forum to find the answer to their query, often from another customer. We've also made it easy for customers to go online for basic requests like re-setting a PIN or changing payment details.



1,200
new customer-facing
jobs this year



1st
 An Ofcom survey ranked Sky first for customer service in pay TV, fixed broadband and landline



We know that great service comes from having great products. By bringing the design of our set-top box in house, we've driven efficiencies and improved reliability, which has led to a 30% reduction in service visits. All our work to super-serve our customers was recognised this year in a consumer survey published by Ofcom, which ranked Sky above all others in customer service for broadband, home telephony and pay TV.

It's important to us that our products and services can be enjoyed by everyone, including those with disabilities. For example, Sky is the only media company to have a specialist service team dedicated to supporting these customers. For deaf and hard-of-hearing customers, we provide over 400,000 hours of subtitling a year and we invest in the development of quality sign language-presented programming through our support of the British Sign Language Broadcasting Trust.

We were also the first broadcaster to voluntarily provide audio description, a service for people with visual impairments which is now on 26% of the output on our main channels. And our Sky Talker device, designed in conjunction with the Royal National Institute of Blind People (RNIB), makes it easier for visually impaired customers to choose what to watch by allowing them to hear information from our on-screen programme guide.



We understand the importance of playing a positive role in the society in which we operate. To achieve our goal of long-term, sustainable success, we need to build the trust of our 10 million customers and gain wider recognition that Sky is a responsible business making a valuable contribution to life in the UK and Ireland. So, in addition to meeting customers' needs with our products and services, we're also committed to doing the right thing, inspiring people to make a positive difference to society and making Sky a great place to work for our people.

How we do business

A RESPONSIBLE BUSINESS DAY TO DAY

Our business is built on long-term relationships with millions of customers across Britain and Ireland. We recognise that they have high expectations of the companies they choose to do business with and will reward those brands that they trust to act responsibly and lead on the issues they care about. Beyond our own customers, we also want to be recognised more broadly as a business that has a positive impact on the society and communities in which we operate. So we understand the importance of doing the right thing and continuing to develop our reputation as a responsible business.

As a major UK business listed on the London Stock Exchange, we are committed to maintaining high standards of corporate governance. Our Board ensures that the Company's strategy is aligned to the interests of our investors and takes account of the interests of our stakeholders. Its approach to Corporate Governance is based on a culture of honesty, integrity and transparency and in accordance with best practice at least half the Board, excluding the Chairman, are determined to be independent.

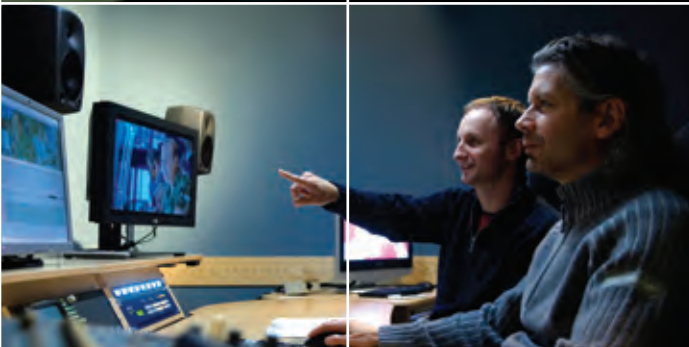
We're proud of our track record as a broadcaster. We've opened up more choice in television, stimulated the growth of a multi-channel industry and brought people more of the programmes they love. In common with the rest of the commercial television industry, our broadcasting activities are subject to regulation under Ofcom's Broadcasting Code, which sets out standards in areas such as fairness, privacy and impartiality of news programmes. We take our regulatory obligations very seriously and seek to abide by the Code at all times.

Because we know the importance of safety for parents, we give customers the tools they need to protect their children when using our television and broadband services. On our television platform, we provide market-leading parental control technology, including the ability to set a bespoke watershed or to restrict access to specific channels altogether. Likewise all of our broadband customers receive free parental controls for as long as they want them. This year, we co-authored a Government-backed Code of Practice for child internet safety and we continue to explore other ways to helping parents to control access to online content.



PG

Our customers can set their own watershed or block access to channels



31%
reduction in CO₂
emissions per
£million turnover

In line with our commitment to acting responsibly, we encourage a culture of doing the right thing in day-to-day operations throughout our business. That includes treating our customers with respect, ensuring all our dealings are professional and resolving problems as quickly as possible. It also includes building productive, fair, ethical relationships with the growing number of partners and suppliers that we do business with, promoting better social and environmental standards through our supply chain. We make sure that everyone at Sky understands our responsibilities towards customers and suppliers, as well as shareholders, colleagues and the wider community, through our code of business conduct, Sky's Ways of Working.

We recognise that protecting the environment is everyone's responsibility and we've been taking action to help to tackle climate change since 2005. Three years ago, we set ourselves 10 challenging environmental targets, including cutting our CO₂ emissions by 25% per £million turnover, which we exceeded this year by making a 31% reduction. We also plan to source 20% of our energy from on-site renewables by 2020, which is something we're already doing at our new broadcasting facility, Sky Studios, Europe's most sustainable broadcasting facility. For detailed information about our environmental targets and performance, please visit www.sky.com/thebiggerpicture

INSPIRING PEOPLE TO MAKE A POSITIVE DIFFERENCE

As a broadcaster in over 10 million homes across the UK and Ireland, we have an opportunity to extend our reach beyond the screen to make a positive impact on society. Through our Bigger Picture programme, we aim to inspire people to take action and make it easy for them to join in. The Bigger Picture is fundamental to our values and the way we work, helping to build trust among our customers, develop our brand and build long-term success.

We focus our work in four areas that we're passionate about: inspiring our customers and our people to help tackle climate change; improving lives through sport; opening up the arts and fuelling creativity; and raising the aspirations of young people in schools.

Sky Rainforest Rescue is our partnership with WWF and the state government of Acre in Brazil to help save one billion trees in the Amazon rainforest and protect the region's rich natural diversity. It does so by raising awareness of the threat of tropical deforestation at home, inspiring people to donate money towards the cause and then working with local communities on the ground to make the forest worth more alive than dead. In May, we announced that we reached our public fundraising target of £2 million, which Sky matched pound for pound to bring the overall amount raised to £4 million. At the same time, we extended our partnership with WWF and the Acre government for a further three years so we can go further to promote sustainable alternatives to deforestation.

In sport, we've been working with British Cycling for four years with the aim of getting a million more people cycling regularly. We're on track to reach this goal, having already encouraged almost 700,000 people to get back on their bikes. This year we expanded our Sky Ride programme to 17 events in 17 cities across the UK and Ireland, providing traffic-free streets for cyclists of all ages to enjoy and attracting over 200,000 participants. Because elite success is one of the best ways of inspiring the next generation of cyclists, we're providing support across the breadth and depth of the GB team and our professional road racing team, Team Sky, enjoyed an historic achievement with Bradley Wiggins' victory in the 2012 Tour de France, the first time that a British rider has ever won the race.

For the past nine years, Sky Sports Living for Sport, our secondary schools initiative in partnership with Youth Sport Trust, has used sports stars and skills to help boost confidence, improve life skills and raise academic attainment among young people. Over the last year, 868 schools took part, more than twice the number of the previous year. Since 2003, Sky Sports Living for Sport has helped around 50,000 young people and our research shows participants achieve higher than the national average in English and maths.

With the England cricket team enjoying great success on the field, we're also working with the ECB to help more people play cricket at a grassroots level. Since its launch in 2006, our coach education programme has trained more than 45,000 cricket coaches.



45,000
cricket coaches trained through the Sky Sports ECB Coach Education programme



700,000
more people cycling regularly





£4m
 raised to help save
 one billion trees
 in the Amazon



50,000
 young people have
 joined in with Sky
 Sports Living for Sport




£1.2m
 Sky Arts Ignition Series
 supporting brand new arts
 projects across the UK



We want to fuel creativity and open up the arts to more people. That's why we continue to showcase the very best of the arts from around the world on our Sky Arts channels. It's also why we're collaborating with arts organisations in the creation of new, ground-breaking works through our Sky Arts Ignition Series. We plan to invest £1.2 million to help new projects get off the ground and our first partner, Tate Liverpool, has commissioned an exciting new work by the renowned video artist Doug Aitken, which is due to open as part of the 2012 Liverpool Biennial. To boost the careers of emerging talent, we're also providing promising young artists with bursaries of £30,000 each through the Sky Arts Ignition Futures Fund to help them to focus on creating a new work and make the transition to become working artists. From over 1,500 applications, we've selected five young artists so far, ranging from an opera director to a visual artist, and each will also receive mentoring from Sky to help develop their commercial skills and knowledge.

We already contribute to the success and vitality of our local communities by supporting local schools with a range of activities from hosting tours of our facilities to providing mentors who can offer careers advice. We're now going even further to raise the aspirations of young people and help them learn valuable new skills. Our new Sky Skills Studios aims to inspire young people by offering them a free learning experience that links to the curriculum and helps to build life skills. Opening in September 2012, students aged 8 to 18 will be able to work with our technology, including broadcast-quality cameras, green screens and touch screen edit tables, to make their very own television report on subjects they're studying at school.

INVESTING IN OUR PEOPLE

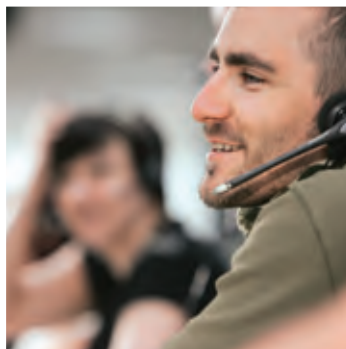
The talent, hard work and enthusiasm of our people are what have made Sky a success. They're critical to our ability to keep on delivering for customers and shareholders in the future. So it's vital that we attract the best people, develop their skills and create a great place to work.

Our aim is to build a culture in which all of our 23,000 people can perform at their best and fulfil their potential. To help them to progress, we provide a wide range of opportunities for development and skills training such as our online Development Studio, which is open to all staff and provides access to a huge range of learning resources and courses. More than 240,000 e-learning courses were accessed via the Studio this year, an increase of around a quarter on the previous year. Our leadership development programmes help to build the capability of our senior team and we sponsor a number of our people to study towards professional qualifications such as those from the Chartered Institute of Management Accountants, which contributed to a total of 118,000 development days this year.

Among the benefits of working for a large and diverse company like Sky are the opportunities for our people to broaden their experience through exposure to different parts of our business. We actively encourage internal moves and job rotations to assist the development of a broader skills base and to strengthen collaboration and knowledge sharing across the company. This year, we were pleased to see a significant increase in the number of people taking advantage of a move to a new team to develop their careers within Sky.

As part of our diversity strategy, we continue to promote greater representation of women in senior positions through a range of initiatives including mentoring, networking groups and flexible working. We were proud to win the Corporate Award at the 2011 Women of the Future Awards in recognition of the opportunities and support we provide to female employees. There is always more to do to make sure our workforce reflects our community so we continue to focus on ensuring that more women and people from black, minority and ethnic groups are properly represented at Sky.

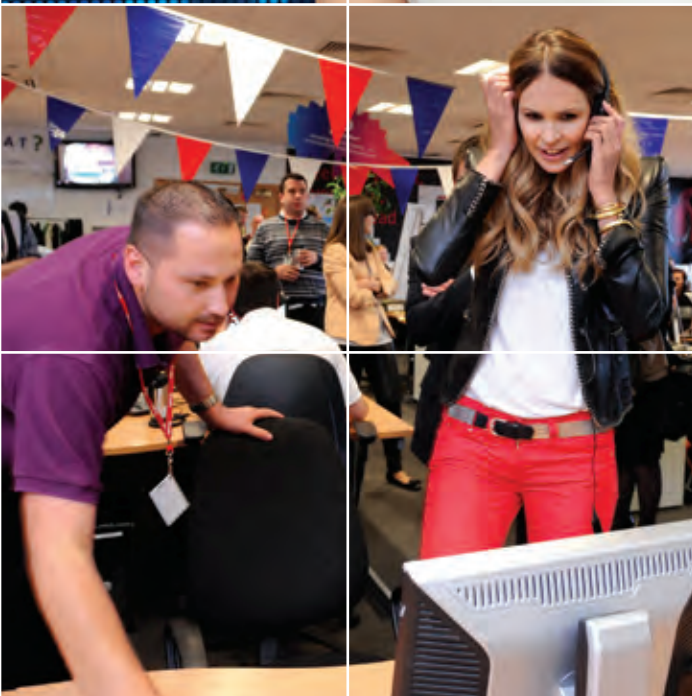
As well as developing the people who already work at Sky, we want to continue to encourage talented people to join us. Over the last year, we've created thousands of entirely new job opportunities in roles across the UK and Ireland and increased our staff numbers by 12%.





"Working at Sky Sports News was always a dream for me. I've been here for over 10 years, joining as a runner before moving on to presenting, and Sky has always given me the support and training opportunities for professional development. I cannot imagine working for another broadcaster; Sky feels like home and we are very much one big family."

NATALIE SAWYER, PRESENTER, SKY SPORTS NEWS



This year we increased the intake of our graduate schemes by 40% as 100 university leavers joined in placements across a wide range of disciplines, including finance, marketing and operations. As a result, Sky was once again named as one of the UK's top graduate employers by *The Times*. We also took on 38 apprentices in roles across our installation, customer service and broadcast operations teams.

Because we want Sky to be a great place to work, we offer a comprehensive reward and benefits package to all permanent employees, including a pension plan, healthcare cover and life assurance as well as free Sky+HD, Sky Broadband and Sky Talk. To encourage our people to make a positive difference to our communities, we give all full-time staff the opportunity to take two days of paid leave each year to volunteer for charitable work. Over the past year, many have worked with schools on projects related to our Bigger Picture initiatives in the environment, sport, the arts and schools.

We're using our partnership with British Cycling to encourage more of our own people to cycle regularly. Our workplace cycling initiatives include the ability to hire bikes free of charge, lunchtime rides around the local area and free services at our on-site bike shop. In addition, we're running our biggest ever programme of organised bike rides for staff with, for example, over 200 people joining in a ride from London to Brighton.

Among our recognition schemes, the annual Believe in Better awards attracted a record number of nominations this year with over 3,000 people and 700 teams nominated. And we are expanding Sky Fest, our free festival for staff and their families, to more events in more cities than ever to say thank you to our people for their commitment and to ensure that as many as possible get to join in the fun.



Strong operational growth and record financial results



Andrew Griffith
Chief Financial Officer

Sky has delivered another year of strong operational growth and record financial results. Despite the tough economic environment, more customers are choosing more of our products than ever before with almost three million net product additions to reach a base of 28.4 million, up 12% on the prior year. We added 312,000 new households to reach 10.6 million customers, of which 32% now take our triple play of television, broadband and telephony.

Following good growth across all product categories, our customers are now taking an average of 2.7 products each, up from 2.5 a year ago and double the level of five years ago. ARPU increased by £10 on last year to £548, as the impact of this year's price freeze was more than offset by success in selling more products to new and existing customers. While the consumer environment remains challenging, customers are responding to the quality and value of our offering with churn for the 12 months of 10.2%, down on last year.

We delivered another good year in home communications as customers continue to choose Sky over other providers. We added 666,000 broadband customers, 667,000 telephony customers and 883,000 line rental products across the year. As a result, we closed the year with 3.4 million triple play customers – up 21% – and we are now the nation's favourite triple play provider.

We continued to extend our broadband network coverage, reaching 83% of the UK, bringing our high-quality, great value home communications products to more homes. To build further, this year we will launch Sky broadband and talk to the Republic of Ireland, making our full suite of services available to an additional 1.6 million homes for the first time.

We also continue to make good progress in unbundling. During the year, we migrated more than 900,000 customers to our own network and 69% of our on-net broadband customers are now fully unbundled, further improving the economics of our home communications business.

Our 'Summer of Sport in HD' campaign in the final quarter, combined with the continued success of our Sky Sports F1 channel contributed to 521,000 HD additions across the year to reach 41% penetration of the total customer base. Multiroom benefited from successful marketing campaigns with 152,000 net additions in the year to reach 2.4 million customers.

Our continued focus on customer service is delivering meaningful benefits to the business. In the fourth quarter, average calls per customer fell by more than 15% year on year despite continued strong product growth and service visits to customers' homes to fix a problem were the lowest in eight years. These improvements reflect continued focus on even better reliability of our products and services and resolving customer issues first time, through increased training and moving more conversations in-house. Our focus on e-enablement deflected over six million telephone calls online over the course of the year and has led to sky.com being consistently our most popular sales channel. In June, Ofcom published their sixth quarterly complaints report in which we once again performed strongly with the fewest complaints of any provider in both broadband and TV.



CHURN

10.2%

2011: 10.4%
2010: 10.3%

Extending leadership on screen

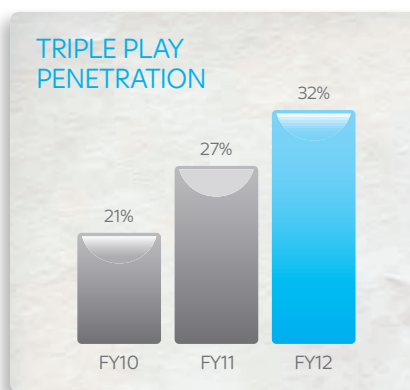
We continued to extend our leadership in content through building on our traditional areas of strength in sports, movies and news and at the same time driving a step change in our entertainment offering.

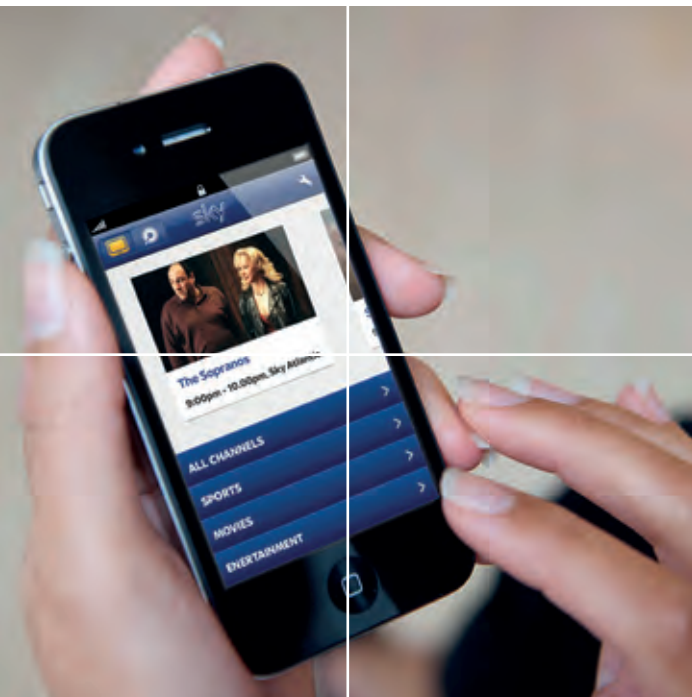
We had a strong year in sport, both on and off screen. A crucial Monday Night Football match between Manchester City and Manchester United on 30 April set a new record for live Premier League football and for Sky, peaking at 4.29 million viewers. In addition, many customers watched the game on the move or online via Sky Go, with the platform achieving a record 230,000 unique views for the game. Overall, the dramatic 2011/12 Premier League season generated average audiences that were up 12% on the prior year and on the final day of the season 4.6 million viewers watched the climax on one of the Sky Sports channels.

Our new channel Sky Sports F1 launched during the year and covered the unprecedented and exciting start to the season with seven different winners in the first seven races. Over 7.2 million viewers have watched the new channel since launch.

We renewed a broad range of sports rights during the year, ensuring the continued breadth and quality of our sports offering and giving us greater certainty than ever before over the largest item in our cost base. In the Premier League tender process for live rights for the three seasons beginning in August 2013, we successfully secured five packs including 116 live matches per year, ensuring that Sky remains the home of Premier League football. In addition, we secured rights for ICC cricket, the European Tour in golf, Spanish football from La Liga and next year's British & Irish Lions rugby tour to Australia. Together, these agreements help to ensure continuity of Sky Sports unparalleled sports coverage.

We've continued to develop our entertainment offering with great success and our decision to invest more in original British production has resonated well with customers during the year. Our in-house commission *Mount Pleasant* achieved one of the biggest comedy launches in multi-channel history, the returning series of *An Idiot Abroad* set a record audience for Sky 1 and our adaptation of *Treasure Island* delivered Sky 1's highest drama audience for four years. Sky Atlantic continues to hold very strong appeal to both existing and new customers with the channel's first UK drama, *Hit & Miss*, proving popular during the fourth quarter and the return series of *Game of Thrones* setting a new high for audiences on the channel.





ADJUSTED OPERATING MARGIN

18.0%

2011: 16.3%
2010: 15.3%

Leading product innovation

We continue to focus on improving our products to deliver the best customer experience and get more of our services into customers' homes.

Sky Go, our ground-breaking internet and mobile TV service, continues to resonate strongly with customers helping them to enjoy the convenience and flexibility of accessing a wide selection of our content on the move. Customers can access hundreds of hours of TV on 32 live channels, download a movie from the Sky Movies library, or rent a movie instantly on a laptop from the new Sky Store from a range of devices including PCs, Mac, smartphones and tablets. Usage continued to grow throughout the year, reaching 2.7 million unique users in the fourth quarter. We continue to extend the service by adding more channels and launching to new devices.

In addition to the convenient local storage of the set-top box, our video on demand service, Anytime+, is now available to more than five million homes. We made the service available to all HD boxes irrespective of their ISP and surpassed one million active users in the fourth quarter.

In home communications, we further enhanced our broadband service in April with the launch of The Cloud WiFi hotspots, giving seamless internet access free of charge to Sky Broadband Unlimited, Sky Fibre Unlimited and Sky Connect customers. We now have over 11,000 high-bandwidth, public access hotspots live across the UK, providing valued WiFi access for customers in convenient locations.

FINANCIAL SUMMARY

For the twelve months ended 30 June 2012 ('the year') we delivered record financial results. Revenue increased by 4.5% on a like-for-like basis¹, reflecting our continued growth in households and total products, and good contribution from other businesses. Top-line growth translated into strong profitability with adjusted EBITDA up 12% at £1,567 million and adjusted operating profit at its highest ever level of £1,223 million, at an expanded adjusted operating margin of 18.0%. Adjusted basic earnings per share increased by 22% to reach 50.8 pence and we grew the final dividend by 11% to reach 25.4 pence per share for the year.

Unless otherwise stated, all figures and growth rates included within this financial summary exclude exceptional items and are from continuing operations.

¹ Like-for-like revenue growth is calculated by removing one week of trading (estimated £100 million of revenue) from 2011 which was a 53-week year.

Revenue

Group revenue increased by £194 million to £6,791 million (2011: £6,597 million). Like-for-like revenue¹ increased by 4.5% as the growth in customers and products more than offset headwinds in advertising and Sky Business.

Retail subscription revenue increased to £5,593 million (2011: £5,471 million) as a result of strong product growth over the year and a larger customer base more than offsetting our decision to freeze subscription prices. Excluding the impact of the additional week of revenue in the comparative, subscription revenue¹ grew 4% on the prior year on a like-for-like basis.

Our wholesale business continues to perform strongly with revenue up by 9% to £351 million (2011: £323 million) due to increased take up for our channels across other platforms, the addition and success of our new Formula 1 channel and the addition of new carriage deals in the the first quarter of the fiscal year.

Advertising revenue was 4% lower year on year at £440 million (2011: £458 million). We continued to increase our market share, by 100 basis points across the year to 21.2%, with the majority of growth due to improved channel ratings for our third-party partners with whom we share revenue upside. Looking over a longer period, the benefits of increased scale have enabled us to grow revenue by £111 million since 2008/09 at an average annual growth rate of 10%.

Installation, hardware and service revenue of £98 million was lower year on year (2011: £112 million). In the context of continued growth in customers and product penetration, our work on product reliability and right-first-time installation rates led to the lowest level of service visits for eight years.

Other revenue increased by 33% to £309 million (2011: £233 million), including £52 million from the sale of set-top boxes to Sky Italia, for which the corresponding cost is recognised in subscriber management and supply chain. Excluding these sales, other revenue was up by 22% benefiting from continued strong performance in Sky Bet and the consolidation of The Cloud (acquired on 23rd February 2011).

Direct costs

Programming costs increased by 5% to £2,298 million (2011: £2,188 million) reflecting our continued investment in high-quality content. Of the £110 million increase year on year, entertainment costs accounted for £70 million as a result of a full 12 months of Sky Atlantic programming, alongside increased investment in original UK content. Third-party channel costs were £30 million higher as a result of adding seven additional HD channels in the year and 14% growth in HD customers year on year. Sports costs were £12 million higher year on year with the first time inclusion of the Formula 1 channel being partly offset by lower costs for cricket, golf and boxing due to the absence of biennial and other events such as the Ryder Cup and the Haye Klitschko fight that were included in the comparative year. Movies costs were flat year on year.

Direct network costs increased by 16% to £676 million (2011: £584 million), with 24% growth in home communications products partially offset by our continued progress in migrating customers to our fully unbundled network, thereby reducing the per customer cost. Gross margin of our home communications products improved as a result of revenue growth, additional scale and cost savings achieved as a greater proportion of customers are on our network.

ADJUSTED
OPERATING PROFIT
+14%

£1,223m

ADJUSTED BASIC
EARNINGS PER SHARE
(EPS)
+22%

50.8p





Other operating costs

We have delivered another strong performance in costs, where efficiency programmes have contributed to a 6% reduction in adjusted other operating costs for the period to £2,594 million (2011: £2,752 million) and a 350 basis points reduction as a percentage of sales.

Marketing costs were 13% lower year on year at £1,064 million (2011: £1,220 million) with lower cost route-to-market sales, less above-the-line spend and fewer gross additions. Online is now consistently our single largest route-to-market, with our best offers available via sky.com. In addition to savings from the closure of the Sky customer magazine, above-the-line costs were £25 million lower year on year. Overall, the cost to acquire a new TV customer ('SAC') was £397 (2011: £376), with lower costs of direct marketing and set-top box costs offset by lower customer acquisition volumes.

Subscriber management and supply chain costs increased by £25 million year on year to £621 million (2011: £596 million). The largest contributor to the increase was the cost of sales of set-top boxes to Sky Italia (with corresponding revenue recorded within other revenue). Excluding the impact from these box sales, in both the current and comparative year, subscriber management and supply costs were down in absolute terms year on year; a good result in the context of a growing customer base and a 12% increase in the sale of total products year on year.

Transmission, technology and fixed network costs were flat at £395 million (2011: £395 million) as a result of favourable negotiations with suppliers and improved broadcasting efficiency due to the move to tapeless production within Sky Studios.

Administration costs fell by £27 million to £514 million (2011: £541 million) helped by a lower non-cash IFRS 2 'Share-based payment' charge and associated National Insurance costs than in the prior year.

Earnings

On an adjusted basis, profit before tax was £1,148 million (2011: £987 million), which included the Group's share of joint ventures and associates' profits of £32 million (2011: £34 million) and a net interest charge of £107 million (2011: £120 million).

Adjusted taxation for the period was £273 million (2011: £262 million). The adjusted effective tax rate was 24% (2011: 27%) reflecting the reduction in the rate of UK Corporation Tax, and one-off tax losses recognised in the third quarter largely inherited at the time of acquisition of Sky's core network, formerly part of Easynet, in 2006.

Adjusted profit for the period was £875 million (2011: £725 million), generating an adjusted basic earnings per share from continuing operations of 50.8 pence (2011: 41.6 pence).

Over the year the weighted average number of shares excluding those held by the Employee Share Ownership Plan for the settlement of employee share awards was 1,721 million (2011: 1,743 million). The number of shares at the end of the year was 1,674 million (2011: 1,753 million).

Exceptional items

Reported operating profit of £1,243 million included a net benefit of £20 million consisting of a £31 million gain relating to the break fee from News Corporation net of related costs and £11 million of restructuring costs which comprise severance payments in relation to a number of senior roles as part of a restructuring initiative to improve operational efficiency. Both exceptional items were recognised in administration costs.

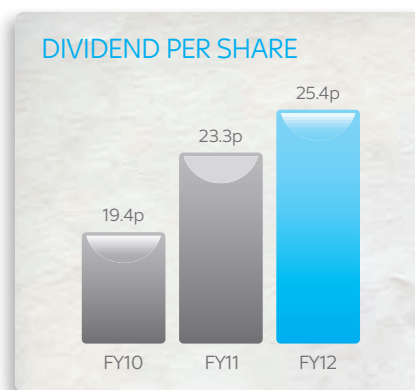
Reported profit after tax of £906 million also included an additional £11 million exceptional gain, which consisted of a £7 million profit on disposal of our stake in Chelsea Digital Media, an exceptional gain of £19 million relating to the re-measurement of derivative financial instruments not qualifying for hedge accounting (2011: £18 million gain), a £5 million charge due to writing-off the fees relating to the previous revolving credit facility, and a £10 million charge relating to the tax effect on exceptional items. See note 1 on page 51 of Summary financial statement.

Cash flow and financial position

Adjusted free cash flow increased by 14% to £992 million (2011: £869 million), excluding a one-off payment of £82 million in respect of the Premier League rights deposit for the season starting August 2013 (including the one-off payment, adjusted free cash flow was £910 million, see Summary financial statement for a reconciliation). The strong underlying cash flow growth reflects a 12% increase in adjusted EBITDA and a 9% improvement in working capital, offset by increased capital expenditure.

Capital expenditure increased by £34 million to £457 million (2011: £423 million), 6.7% of sales. The largest contributor to growth was the growing scale of our broadband network as we unbundled a further 388 exchanges to reach 83% coverage of the UK, expanded The Cloud WiFi network and launched a fibre product.

Net debt as at 30 June 2012 was £876 million (2011: £750 million). The value of shares repurchased to date under the £750 million share repurchase plan approved by shareholders on 29 November 2011 totalled £549 million, of which £236 million was completed in the fourth quarter.



The Group's liquidity and headroom are comfortable with no bond redemptions until October 2015 when £428 million falls due. As at the end of the year, cash and cash equivalents and short-term deposits were £1,174 million and the Company's £743 million revolving credit facility remained wholly undrawn.

Distributions to shareholders

The Directors propose an increase of 11% in the final dividend to 16.2 pence per share. Taking this into account the full-year dividend will be 25.4 pence per share, consistent with our policy of maintaining a payout ratio of 50% of adjusted earnings.

The proposed dividend continues our strong track record of delivering returns to shareholders and represents the eighth consecutive year-on-year increase in the dividend. Our full-year dividend has doubled since 2006 and has grown at a compound annual growth rate of 20% since it was restarted in 2004. Including the share buy-back, we will have returned almost £1 billion to shareholders in the last 12 months.

The ex-dividend date will be 24 October 2012 and, subject to shareholder approval at the Annual General Meeting to be held on 1 November 2012, the final dividend of 16.2 pence will be paid on 16 November 2012 to shareholders appearing on the register at the close of business on 26 October 2012.



Our business model

Sky is the leading pay television provider in the UK and Ireland and the fastest growing provider of home communications services in the UK. As at 30 June 2012, we had 10.6 million customers taking a total of 28.4 million products.

WHAT WE DO

Sky retails pay TV services to residential customers in SD, HD and 3D via satellite, on demand with Anytime+ and on the move with Sky Go, and from July 2012, via internet streaming with NOW TV. We keep our customers connected with great-value broadband and telephony products in the home via DSL and fibre, and away from the home with The Cloud WiFi. We also retail our TV services to commercial customers, and operate adjacent businesses wholesaling our channels portfolio, selling advertising on our own and partner channels and offering a range of betting and gaming services.

OUR APPROACH

We have a clear and consistent strategy: to attract new customers to Sky; sell more products and services to our existing customers; and develop our adjacent businesses. To achieve this broadly-based growth, we continue to invest in the customer experience while improving the efficiency of our operations, all with the aim of building a larger, more profitable business.

Our business model

We want to be the first choice for entertainment and communications so we put customers at the heart of everything we do. Through focus on quality, flexibility, value and service we can grow in a variety of ways, create value for shareholders, and make a broader contribution to the community.

Invest in standout content

We invest in high-quality, exclusive content to give customers a greater choice of TV that they are passionate about.

Add value through innovation

We deliver innovative new products and services which improve the experience of watching TV and add more value for customers.

Grow share in home communications

More customers are choosing Sky home communications products over other providers for our quality, value and reliable service.

Grow adjacent businesses

Our content investment supports growth in our adjacent wholesale, advertising and Sky Bet businesses.

Increase operating efficiency

We focus on operating efficiency to deliver the best service, underpin investment in future growth and increase profit, cashflow and returns.

Develop our long-term capability

We continue to invest in the key building blocks of our brand, our people and our infrastructure as key components of long-term success.



Build a larger, more profitable business

HOW WE DO BUSINESS

We are focused on building a sustainable business. We want to be known for being a great company to do business with, for making a positive contribution to UK and Irish life and for being a great place to work.

A responsible business day-to-day

Because our reputation is a valuable asset, we pay as much attention to the way we do business as we do to the quality of the services we offer.

Our people

We aim to attract the best talent and create a culture where they achieve their potential and have a great career.

Inspiring action

We extend our reach beyond the screen by inspiring our customers to make a positive impact on society.

How we manage risk

We identify and manage risk across the Group through a formal risk management framework.

Our performance

Strong demand across our growing product range translated into growth in each of revenue, operating profit, earnings per share and free cash flow, on an adjusted basis. We have identified a number of key performance indicators, both operational and financial that we use to assess the Group's performance against its core strategic priorities. We also have 25 independently assured KPIs we use to measure our sustainability performance, which can be found at www.sky.com/thebiggerpicture

OPERATIONAL KEY PERFORMANCE INDICATORS

PRODUCTS & CUSTOMERS (million)

■ Total products ■ Total customers



Description A customer is defined as a subscriber to one of our TV packages or standalone home communications service. Total products is defined as the total of all subscription products taken by our customers and includes TV, HD, Multiroom, Broadband, Telephony and Line Rental.

Analysis Total customers and products are both key determinants of the Group's value. Our strategy is to continue adding customers and selling more products to our existing base. In 2012, we added 312,000 new customers and grew the total products taken by 12% to 28.4 million.

CHURN (%)

2012: **10.2%**

2011: 10.4% 2010: 10.3%

Description Churn represents the number of customers over a given period who terminated their subscriptions, net of former customers who reinstated their subscription (within 12 months of terminating their original subscription), expressed as a percentage of total average customers.

Analysis Churn is a good measure of customer satisfaction, which is a key driver of value for our business. Churn for the year 2012 was stable at 10.2%.

CUSTOMERS TAKING EACH OF TV, BROADBAND AND TELEPHONY (million)

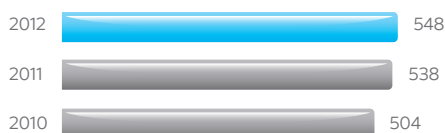


Description The number of customers taking one of our TV products and both a Sky Broadband and a Sky Talk product. Customers may also opt for our line rental product.

Analysis This is an important measure for our business, with higher penetration positively impacting ARPU and customer loyalty. At 30 June 2012, 3.4 million customers chose each of TV, broadband and telephony, up 21% from the prior year.

FINANCIAL KEY PERFORMANCE INDICATORS

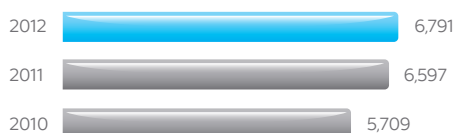
ARPU (£)³



Description Average revenue per user (ARPU) is calculated by taking the amount spent by the Group's residential customers (ex-VAT), divided by the average number of residential customers.

Analysis ARPU is impacted by the type of subscription package taken by a customer, as well as the number of additional paid-for products. ARPU increased by £10 as customers rewarded us with more of their business.

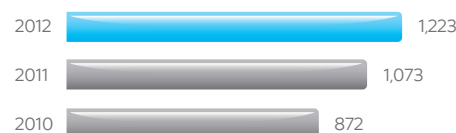
REVENUE (£m)¹



Description Revenue includes revenue from retail subscriptions, wholesale revenue, advertising, and installation, hardware and service revenue.

Analysis Revenue is a key measure of how the Group is delivering on its strategy to grow the business. In 2012 revenue grew by 3% on last year notwithstanding prices were frozen for existing customers.

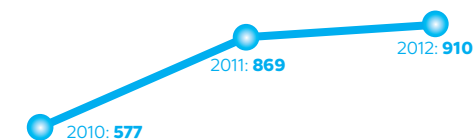
ADJUSTED OPERATING PROFIT (£m)^{1,3}



Description Adjusted operating profit for the Group excludes any exceptional or one-off items.

Analysis Adjusted operating profit is a key measure of the underlying business performance. It increased by 14% in 2012.

ADJUSTED FREE CASH FLOW (£m)^{1,3}



Description Adjusted free cash flow is defined as cash generated from operations after the impact of capital expenditure, net interest and tax paid, cash flows to and from joint ventures, excluding exceptional items.

Analysis Free cash flow is an important measure of the Group's success in converting profits to cash flow and of the underlying health of the business. Adjusted free cash flow increased by 5% as a result of higher profitability and strong working capital.

ADJUSTED BASIC EARNINGS PER SHARE (p)^{1,2}

2012: **50.8p**

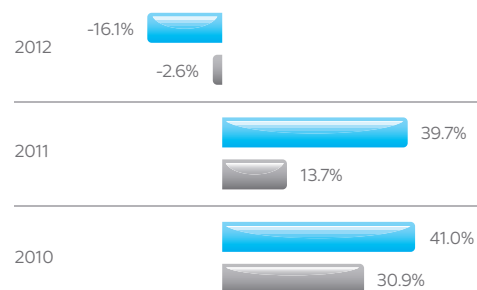
2011: 41.6p (+30%) 2010: 32.1p (+15%)

Description Adjusted basic EPS is the profit after tax for the year, excluding exceptional items and related tax effects, divided by the weighted average number of ordinary shares.

Analysis Adjusted basic EPS provides a measure of shareholder return that is comparable over time. Adjusted basic EPS increased by 22% to reach a record level of 50.8p.

TOTAL SHAREHOLDER RETURN (%)

■ SKY ■ FTSE



Description Total shareholder return (TSR) represents the change in value of a share held for the 12 months to 30 June, assuming that dividends are reinvested to purchase additional shares at the closing price applicable on the ex-dividend date. The value of the share is based on the average share price over the three months prior to 30 June.

Analysis TSR represents a comparable measure of shareholder return over time. BSKyB shares underperformed the FTSE 100 index by 13.5 percentage points in the year to 30 June 2012; however, our share price was heavily influenced by the withdrawal of the proposed offer by News Corporation on 13 July 2011. In the period since the withdrawal, we outperformed the FTSE by 4.1% on a TSR basis.

¹ From continuing operations.

² For further details see note 10 of the consolidated financial statements.

³ For a reconciliation of non-GAAP measures including a reconciliation of ARPU which has been restated for 2011 and 2010, see page 52.

Board of Directors



Nicholas Ferguson

Chairman

Appointed to the Board: 15/06/2004
Nationality: British

Skills and experience

Extensive experience in leadership roles in the finance sector. Co-founder and instrumental in the development of Schroder Ventures the private equity group which later became Permira of which he served as Chairman from 1984 to 2001.

Prior to his appointment as Chairman of the Company on 3 April 2012, Mr Ferguson served as Deputy Chairman and Senior Independent Non-Executive Director.

Other appointments

Mr Ferguson has been Chairman of SVG Capital plc, a publicly quoted private equity group, since April 2005 and has served as a Director of the company since 1996. His chairmanships in the not-for-profit sector include the Courtauld Institute of Art.



Thomas Mockridge

Deputy Chairman

Appointed to the Board: 10/02/2009
Nationality: New Zealander

Skills and experience

An experienced executive in both print journalism and pay television. Mr Mockridge was appointed Chief Executive Officer (CEO) of News International in July 2011.

Previously, he was CEO of Sky Italia and Chief Executive, European Television of News Corporation where he oversaw News Corporation's television operations in Europe. Prior to joining Sky Italia, Mr Mockridge held various roles at Star Group Limited and was previously CEO of Foxtel, News Corporation's Pay-TV joint venture with Telstra.

Mr Mockridge was appointed as Deputy Chairman of the Company on 3 April 2012.



Andrew Higginson

Senior Independent Non-Executive Director, Chairman of the Corporate Governance & Nominations Committee and the Audit Committee

Appointed to the Board: 01/09/2004
Nationality: British

Skills and experience

Mr Higginson has been a Director of Tesco plc for the last 14 years, first as Finance and Strategy Director, and latterly as Chief Executive of their Retailing Services business. Mr Higginson's early career was with Unilever, Guinness, Laura Ashley and the Burton Group. Member of the 100 Group of Finance Directors.

Mr Higginson was appointed Senior Independent Non-Executive Director of the Company on 3 April 2012.

Other appointments

Mr Higginson is Chairman of Poundland Limited and is a Non-Executive Director of Woolworth SA, the Rugby Football Union and Chairman designate N Brown plc.



Jeremy Darroch

Chief Executive Officer

Appointed to the Board: 16/08/2004
Nationality: British

Skills and experience

Mr Darroch joined the Company as Chief Financial Officer (CFO) in 2004 and was appointed CEO in December 2007. Mr Darroch has extensive experience in the retailing and fast-moving consumer goods sectors. Prior to joining the Company, Mr Darroch was Group Finance Director of DSG International plc (DSG), formerly Dixons Group plc. Prior to DSG, Mr Darroch spent 12 years at Procter & Gamble in a variety of roles in the UK and Europe.

Other appointments

Mr Darroch is a Non-Executive Director and the Chairman of the Audit Committee of Marks and Spencer Group plc. He is a Board Member of the charity Youth Sport Trust and a Council Member of the Council for Industry and Higher Education.



Tracy Clarke

Independent Non-Executive Director

Appointed to the Board: 11/06/2012
Nationality: British

Skills and experience

Ms Clarke is an experienced banking and human resources professional. She is Group Head of Human Resources & Communications of Standard Chartered Bank and has spent most of her career in banking roles both in the UK and in Hong Kong. She is a member of the Institute of Financial Services.

Other appointments

Ms Clarke was a Non-Executive Director of SC First Bank in Korea from 2005-2007 and also a Non-Executive Director of eaga plc from 2007-2011, where she chaired the Remuneration Committee.



David F. DeVoe

Non-Executive Director

Appointed to the Board: 15/12/1994
Nationality: American

Skills and experience

A finance professional with extensive experience in the media sector. A director of News Corporation and its CFO since October 1990. He has served as Senior Executive Vice President of News Corporation since January 1996.

Other appointments

Mr DeVoe has been a Director of NDS Group Limited since October 1996 and was appointed as a Director of Shine Limited on 15 April 2011. He served as a Director of Gemstar-TV Guide from 2001 to 2008 and as a Director of DIRECTV from 2003 to 2008.



Martin Gilbert

Independent Non-Executive Director

Appointed to the Board: 29/11/2011
Nationality: British

Skills and experience

Experienced finance professional and entrepreneur. Mr Gilbert is CEO of Aberdeen Asset Management PLC, the fund management group that he co-founded in 1983. Named CEO of the Year at the Business Insider/PWC Scotland PLC Awards in 2011, he is a member of the Scottish Government's Financial Services Advisory Board and the EFAMA President's Advisory Council.

Other appointments

Mr Gilbert is a director of a number of investment trusts and is Chairman of Firstgroup plc, Chairman of the Investment Committee of Chaucer Holdings PLC and Non-Executive Director of Dynmark International Limited.



Andrew Griffith

Chief Financial Officer

Appointed to the Board: 07/04/2008
Nationality: British

Skills and experience

An experienced finance professional. Mr Griffith joined the Company in 1999 and held a number of senior finance roles prior to his appointment as CFO in April 2008.

Mr Griffith joined the company from Rothschild, the investment banking organisation, where he provided financial and strategic advice to corporate clients in the technology, media and telecommunications sector. He has a degree in law from Nottingham University and is a member of the 100 Group of Finance Directors.



James Murdoch ●
 Non-Executive Director, Chairman of the Bigger Picture Committee
 Appointed to the Board: 13/02/2003
 Nationality: American

Skills and experience
 Mr Murdoch is an experienced media executive and has held a number of senior leadership roles within News Corporation. He has been a Director of the Company since 2003 and served as Chief Executive from November 2003 until December 2007 and Chairman from December 2007 until April 2012.

Other appointments
 Mr Murdoch is Deputy Chief Operating Officer and Chairman and CEO, International, at News Corporation and is a member of News Corporation's Board of Directors and Executive Committee. Between 2000 and 2003, he was Chairman and CEO of Star Group Limited. Mr Murdoch was a Non-Executive Director of GlaxoSmithKline plc from May 2009 to May 2012 and Sotheby's from May 2010 to May 2012.



Jacques Nasser ◎
 Independent Non-Executive Director
 Appointed to the Board: 08/11/2002
 Nationality: Australian

Skills and experience
 Extensive experience as a leading global business executive. He has served as Chairman of the Board of BHP Billiton since 2010 and was President and CEO of Ford Motor Company from 1998 to 2001. Mr Nasser graduated from RMIT University of Melbourne, Australia and has also received an honorary Doctorate of Technology.

Other appointments
 Non-Executive advisory partner of One Equity Partners, the private equity arm of JPMorgan Chase and a member of the International Advisory Council of Allianz AG.



Matthieu Pigasse ●
 Independent Non-Executive Director
 Appointed to the Board: 29/11/2011
 Nationality: French

Skills and experience
 Leading investment banking professional and former civilian administrator of the French Ministry of Economy and Finance. In 2002 he joined investment banking firm Lazard. In 2009 he became Deputy CEO of Lazard in France and Vice President of Lazard in Europe. He is also the owner of the French publishing group, Les Inrockuptibles and a co-controlling shareholder of the leading newspaper publisher Le Monde and the French edition of the Huffington Post.

Other appointments
 He is a board member of Groupe Lucien Barrière, Derichebourg and Relax News.



Daniel Rimer ◎◎
 Independent Non-Executive Director, Chairman of the Remuneration Committee
 Appointed to the Board: 07/04/2008
 Nationality: Swiss

Skills and experience
 Investment finance professional and entrepreneur with extensive experience of building investment businesses internationally. Specific sector knowledge and skills focus include internet infrastructure software and services, technology, communications, ecommerce, and media business. General Partner of the venture capital firm Index Ventures Management LLP (Index Ventures) and established the firm's London office. Prior to joining Index Ventures, he was a General Partner of The Barksdale Group.

Other appointments
 Mr Rimer currently serves on a number of boards including Etsy, Inc., Flipboard, Inc., RightScale Inc., Oanda Corporation, FON Wireless Limited, and Stardoll Inc.



Arthur Siskind ◎
 Non-Executive Director
 Appointed to the Board: 19/11/1991
 Nationality: American

Skills and experience
 Highly experienced legal practitioner and member of the Bar of the State of New York since 1962. He has been Senior Advisor to the Chairman of News Corporation since January 2005. Mr Siskind has been an Executive Director of News Corporation since 1991 and was Group General Counsel of News Corporation from March 1991 until December 2004. He was an Adjunct Professor of Law at the Cornell Law School from 2007 to 2009 and was an Adjunct Professor of Law at Georgetown University Law Center from 2005 to 2007.



Lord Wilson of Dinton ◎●
 Independent Non-Executive Director
 Appointed to the Board: 13/02/2003
 Nationality: British

Skills and experience
 An experienced civil servant who served in a number of UK Government Departments over a period of 36 years. He became Permanent Under Secretary of the Home Office in 1994 and Secretary of the Cabinet and Head of the Home Civil Service in 1998. Since his retirement in 2002 he has been Master of Emmanuel College, Cambridge. Lord Wilson was made a peer in 2002.

Other appointments
 Non-Executive Chairman of C. Hoare and Co, Bankers.

Committee Membership

- Audit Committee
- ◎ Remuneration Committee
- ◎ Corporate Governance and Nominations Committee
- The Bigger Picture Committee

Summary Directors' report – Governance

DIRECTORS' REPORT

A more detailed Directors' report is included in the Company's Annual Report which can be downloaded from the Company's corporate website at www.sky.com/corporate.

DIVIDENDS

The Directors recommend a final dividend for the year ended 30 June 2012 of 16.20 pence per ordinary share which, together with the interim dividend of 9.20 pence paid to shareholders on 24 April 2012, will make a total dividend for the year of 25.40 pence (2011: 23.28 pence). Subject to approval by shareholders at the Annual General Meeting (AGM), the final dividend will be paid on 16 November 2012 to shareholders appearing on the register at the close of business on 26 October 2012.

INTERESTS IN VOTING RIGHTS

Information provided to the Company pursuant to the UK Listing Authority's Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. As at 25 July 2012, the Company had been notified under DTR5 of the following significant holdings of voting rights in its shares.

Identity of person or group	Amount owned	Percent of class
News UK Nominees Limited ⁽ⁱ⁾	654,974,065	39.14
Capital Research and Management Company ⁽ⁱⁱ⁾	90,751,601	5.18
BlackRock, Inc. ⁽ⁱⁱ⁾	88,682,765	5.06
The Capital Group Companies, Inc. ⁽ⁱⁱ⁾	55,977,854	3.10

(i) Direct holding which is subject to restrictions on its voting rights.
(ii) Indirect holding.

CHARITABLE CONTRIBUTIONS AND COMMUNITY AND ENVIRONMENTAL ACTIVITIES

The Summary Bigger Picture Report, which does not form part of the Annual Review, will be made available online, and will provide further information on the Group's commitment to corporate responsibility, including community and environmental activities (see www.sky.com/thebiggerpicture). An overview of the Group's Bigger Picture approach, including community and environmental activities is also provided on pages 22 to 27.

DIRECTORS

The names and biographical details of the Directors of the Company are given on pages 36 and 37. The changes to the Board of Directors during the financial year are listed in the Corporate Governance Section of this report.

At the Company's 2012 AGM all current Executive and Non-Executive Directors will retire. It is the intention that Jacques Nasser will not seek reappointment but all the other Executive Directors and Non-Executive Directors will offer themselves for reappointment in accordance with provision B.7.1 of the Code.

The Directors' interests in the ordinary shares and options of the Company are disclosed within the report on Directors' remuneration on pages 45 to 47.

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 1 November 2012 at 11.00am, is available for download from the Company's corporate website at www.sky.com/corporate.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in its management of the Group and when accounting to shareholders. The Company values its dialogue with both institutional and private investors. For the benefit of private investors, the Company produces this short form Annual Review which contains the information believed to be of most interest to them.

A more detailed corporate governance report is included in the Company's Annual Report which is available for download from the Company's corporate website at www.sky.com/corporate.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code (the 'Code') provides the standard of good corporate governance in the UK. The Financial Services Authority requires listed companies to disclose whether they have complied with the provisions of the Code throughout the financial year.

The Board considers that the Company complied with the main principles of the Code for the whole of the year ended 30 June 2012 with the following exception. Provision C.3.1. of the Code states that the Audit Committee must be comprised of at least three Independent Non-Executive Directors. There was a period during the year between Allan Leighton's retirement from the Board and the Audit Committee on 29 November 2011 and Matthieu Pigasse's appointment as a member of the Audit Committee on 1 May 2012, that the Audit Committee's membership fell to two Independent Non-Executive Directors. The meeting of the Audit Committee held on 30 January 2012 was held prior to Mr Pigasse's appointment to the Committee. There were no other meetings held without three Independent Non-Executive Directors being present from 29 November 2011 to 1 May 2012.

We believe that at the close of the financial period the Company is wholly compliant with the provisions of the Code having addressed the unintentional departure from the Code as documented above.

LEADERSHIP

Role of the Board

The Board has collective responsibility for the management, direction and performance of the Group and provides leadership within a framework of prudent and effective controls which enables

risk to be appropriately assessed and managed. The Board sets the Company's strategic direction, ensuring that the necessary resources are in place for the Company to meet its objectives and deliver sustainable performance.

Board delegation

The Board has delegated specific responsibilities to Board committees, notably the Audit, Remuneration, Corporate Governance & Nominations and The Bigger Picture committees. Each committee's terms of reference can be found on the Company's corporate website.

The Board has delegated authority for the day-to-day running of the organisation to the Executive Directors. A committee of senior management generally meets on a weekly basis to allow prompt discussion of relevant business issues. It is chaired by the CEO and comprises the CFO and other senior executives from within the Group.

EFFECTIVENESS

Board composition and independence

The Board currently comprises 14 Directors, made up of two Executive Directors and 12 Non-Executive Directors. At least half of the Board of Directors are determined to be independent by the Board in accordance with the provision B.1.2 of the code. Biographies of each of the Directors are set out on pages 36 and 37 and identify those Directors who are, in the view of the Board, independent within the meaning of the Code. On appointment the Chairman met the independence criteria set out in provision B.1.1 of the Code.

The Independent Non-Executive Directors bring a wide range of experience and expertise to the Group's affairs, and carry significant weight in the Board's decisions. The Independent Non-Executive Directors are encouraged to challenge management and help develop proposals on strategy. Time is regularly put aside at Board meetings to discuss the strategic direction of the Company.

Prior to appointment, and on an annual basis, each Board member receives and completes a questionnaire to determine factors that may affect independence according to best practice statements contained within the Code. The responses to the questionnaire assist the Board in ascertaining whether a Director is independent in character and judgment, and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgment.

Appointments to the Board and succession planning

The Corporate Governance & Nominations Committee keeps the Board's balance of skills, knowledge, experience and the length of service of individuals under constant review. In respect of succession planning and supplementing the skill set of the Board, there is an established procedure for the appointment of Directors. In brief, the Committee identifies the set of skills and experience required, and with the assistance of external search agencies selects individuals to take Board positions on review of their individual merits.

Board and committee changes during the year

On 18 October 2011 Andrew Higginson was appointed as a member of the Corporate Governance & Nominations Committee. At the Company's AGM on 29 November 2011, David Evans and Allan Leighton retired from the Board. On the same date, Martin Gilbert and Matthieu Pigasse were appointed to the Board as Independent Non-Executive Directors.

On 3 April 2012, the Company announced that James Murdoch had stepped down as Chairman and would continue to serve in his capacity as a Non-Executive Director of the Company. Nicholas Ferguson was appointed as Chairman, Thomas Mockridge was appointed as Deputy Chairman and Andrew Higginson was appointed as Senior Independent Non-Executive Director.

On 1 May 2012, Daniel Rimer replaced Nicholas Ferguson as Chairman of the Remuneration Committee. Nicholas Ferguson remains a member of the Remuneration Committee and Martin Gilbert was appointed as a member of the Committee. Matthieu Pigasse was appointed as a member of the Audit Committee. Also on 1 May 2012, Andrew Higginson replaced Lord Wilson as Chairman of the Corporate Governance & Nominations Committee. Lord Wilson remains a member of the Corporate Governance & Nominations Committee and Daniel Rimer was appointed as a member of this Committee. James Murdoch was appointed Chairman of The Bigger Picture Committee in place of Dame Gail Rebeck who stepped down as Chairman and as a member of the Committee.

On 11 June 2012 Martin Gilbert was appointed as a member of the Audit Committee. On 11 June 2012 Dame Gail Rebeck retired from the Board. On the same date, Tracy Clarke was appointed to the Board as an Independent Non-Executive Director and was also appointed as a member of the Remuneration and The Bigger Picture Committees.

RELATIONS WITH SHAREHOLDERS

Shareholder communications

Presentations and webcasts on the development of the business are available to all shareholders on the Company's corporate website. The Company also uses email alerts and actively promotes downloading of all reports enhancing speed and equality of shareholder communication. The Company has taken full advantage of the provisions within the Companies Act 2006 allowing the website to be used as the primary means of communication with shareholders where they have not requested hard copy documentation. The shareholder information section on page 56 contains further details on electronic shareholder communications together with more general information of interest to shareholders which is also included on the Company's corporate website.

By order of the Board,
Dave Gormley
Company Secretary
25 July 2012

Summary report on Directors' remuneration

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present our report on Directors' remuneration for 2012, a year in which the Company has delivered another excellent performance and increased returns to shareholders. We put performance at the heart of our remuneration policy. Our objectives are to align executive interests with value creation for shareholders and to ensure that the Company can continue to retain and attract the talent that will allow it to achieve long-term success.

As a consequence, the majority of executive pay is tied to the achievement of challenging targets based on a range of measures geared to the Company's strategic goals. If those targets are met or exceeded through outstanding performance, the Company's executives will be rewarded accordingly. By the same token, any failure to achieve the Company's goals has a direct impact on executive pay.

Results for this year show that, against the continued backdrop of a challenging economic environment, the Company has generated continued strong demand from customers for its products and delivered record financial performance. As we continue to improve the quality and value that we offer, customers are choosing Sky in greater numbers and taking a growing number of products from us. Net product growth of 3.0 million took the total to 28.4 million, up by 12% year on year, including the addition of 312,000 new households. Over the last three years our total subscription product base has now grown by 61%, from 17.6 million to 28.4 million.

Strong operating results led to revenue growth of 3% despite freezing prices for customers. Combined with good discipline on costs, this has delivered double-digit growth in adjusted operating profit and the highest adjusted operating margin for six years. Earnings per share has more than doubled since 2007/8. We have also provided superior returns to shareholders, and our share price has outperformed the FTSE100 index by 4% since the proposed News Corporation offer dropped away. Cash returns to shareholders this fiscal year were £953 million.

This strong performance is reflected in the remuneration of the Executive Directors, which is designed to align their interests as strongly as possible with those of shareholders. Overall remuneration is composed of a mix of fixed pay, short-term variable pay and long-term variable pay. The ratio of fixed to variable pay is 20% : 80% which remains one of the lowest in the FTSE 100 where the average fixed to variable ratio is 35% : 65%. Over a five year period fixed pay for Executive Directors today is 7% lower in absolute terms than it was in 2007. Over the same period, base pay for employees as a whole has increased by 16.5% in absolute terms.

This year the Remuneration Committee proposed not to increase the base salaries of the CEO and CFO. Salary increases for the rest of the Company were awarded and in light of the excellent performance of the Company the average increase of 2.75% for those employees earning less than £100,000 pa was increased to 4%, ensuring that the largest proportion of the increase went to front line staff and junior and middle management.

It is the Committee's intention that a high proportion of total executive pay should be variable and related to performance.

To ensure that variable pay is fair and appropriate in light of the Company's overall performance, the Committee retains the discretion to adjust bonus payments either up or down. The major component of variable pay is the Long Term Incentive Plan which is determined by Company performance and shareholder returns over a three-year period. We believe this approach will continue to provide the right incentives of significant rewards for superior performance over time and promotes value creation for shareholders.

As a Committee, we are very aware of the strong interest in the subject of remuneration and, as well as taking due account of other external factors, we are committed to an ongoing dialogue with our investors. We hold an annual consultation meeting on remuneration with the Company's major shareholders and institutional investor groups which enables us to take shareholders' views fully into account when making decisions about remuneration.

During 2011/12 the Committee reviewed the remuneration arrangements for Executive Directors to ensure that they continue to meet the objectives of the Company's remuneration policy.

As part of the review of annual bonus measures it was proposed to replace customer net growth with the broader measure of product net growth. This aligns our measures to our agreed business strategy.

The Remuneration Committee have noted that the Executive Long Term Incentive Plan (LTIP) vests every two years. This differs from most other schemes which have annual vesting. The effect of this is that subject to the performance conditions having been met, there will be a significant difference in Directors' total remuneration from one year to the next. As part of its continuing review of policy, the Remuneration Committee will consider the possibility of moving to annual vesting in respect of the LTIP.

During this calendar year the Department for Business, Innovation and Skills (BIS) has made several proposals for changes to the Directors' Remuneration Reports published as part of companies' Annual Reports. The Committee discussed these proposals at length and will give further consideration to the appropriate changes in due course. To improve the presentation of this report we have made a number of changes and I trust shareholders will appreciate the new format.

Daniel Rimer
Committee Chairman

SECTION 1 – REMUNERATION POLICY

1.1 Principles

In setting remuneration policy, the Committee is guided by its responsibility to shareholders, the performance of the Company and relevant external factors.

Remuneration across Sky is based on the following principles:

- We want to reward all our people **fairly and competitively** to attract and retain the calibre of individuals that will continue to deliver significant growth in value.
- Any increases in fixed pay for Executive Directors are decided in the **same way as those for all employees** and are based on the performance and experience of each individual, and the size and scope of their role.
- Executive Directors' remuneration is geared towards rewarding **challenging long-term strategic objectives and targets** and offers the opportunity to earn significant rewards for outstanding levels of performance.
- Care is taken to ensure that the overall remuneration policy **does not inadvertently encourage inappropriate risk taking** and the Committee periodically conducts a formal review of risk in the context of remuneration.
- This year, the Committee **reintroduced relative TSR** into the July 2012 LTIP awards which was omitted for the 2011 financial year due to the share price being impacted by the possible bid from News Corporation.

1.2 Structure of remuneration

Element of remuneration	How it supports the strategy	Level / opportunity	Detail
Basic salary	Takes account of each executive's experience and personal contribution.	<ul style="list-style-type: none"> • CEO – £935,000 • CFO – £573,500 	<ul style="list-style-type: none"> • Salaries are reviewed annually. Any changes are made from 1 July • No increases were awarded in 2012/13
Annual bonus	Drives and rewards annual performance.	<ul style="list-style-type: none"> • CEO – up to 200% of base salary • CFO – up to 150% of base salary • An amount equivalent to up to half of the bonus can be invested in the Co-Investment Plan 	Payments are based on achievement of targets, including: <ul style="list-style-type: none"> • Operating profit growth • Operating cash flow • Product net growth
Co-Investment Plan	Encourages executive investment and commitment. Helps retain talent.	<ul style="list-style-type: none"> • Executive may invest an amount equivalent to up to half of their annual cash bonus in shares • The number of shares may be matched up to a maximum of 1.5 shares (on an after tax basis) for every share invested 	Deferred shares are matched based on three-year compound annual EPS growth: <ul style="list-style-type: none"> • Below RPI +3% – no match • RPI +3% – 1 : 1 match • RPI +6% – 1.5 : 1 match • Straight line vesting in between
Long Term Incentive Plan (LTIP)	Incentivises long-term value creation, directly linking to shareholder interests. Rewards achievement of sustained EPS growth and relative TSR performance.	2012/13 awards will be: <ul style="list-style-type: none"> • CEO – 600,000 shares • CFO – 320,000 shares 	<ul style="list-style-type: none"> • 70% of award is based on achievement of operational targets (equally weighted on EPS, Operating cash flow, Revenue growth) • 30% of the award is based on TSR relative to the FTSE100 • Measured over three years • Vesting occurs every two years

Notes

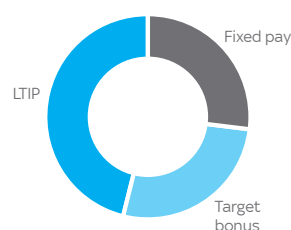
(i) Pension and other benefits detailed in 1.4.

(ii) Operating profit, operating cash flow, EPS and revenue growth are generally defined as adjusted operating profit, adjusted operating cash flow, adjusted EPS and adjusted revenue growth, however the Committee will review the measures and may amend definitions at its discretion.

REMUNERATION MIX

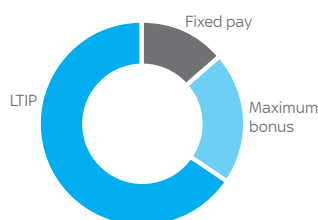
Target remuneration

Average of Executive Directors



Maximum remuneration

Average of Executive Directors



Executive Directors' remuneration at Sky has three main elements:

- Fixed pay – basic salary, pension and other benefits.
- Short-term variable pay – annual bonus with an option to invest an amount equivalent to up to half the bonus in a Co-Investment Plan.
- Long-term variable pay – the Long-Term Incentive Plan.

The Remuneration Committee believes that the majority of executive pay should be linked to performance.

Summary report on Directors' remuneration

continued

1.3 Basic salary

Basic salaries of all our employees are reviewed annually. Salary awards for employees including Executive Directors, take account of Company performance, an individual's performance during the year and, if appropriate, local market conditions. For Executive Directors, salaries are benchmarked against a subset of the FTSE100 (comprising 20 relevant companies of a similar market capitalisation). No salary increases have been awarded to Executive Directors for 2013.

1.4 Pension and other benefits

The Company operates a defined contribution plan for all eligible employees, the BSkyB Pension Plan ('Pension Plan'). The Group has no legacy-defined benefit plans. Employees contribute up to 4% of pensionable salary into the Pension Plan each year and the Company matches this with a contribution of up to 8% of pensionable salary.

Individuals whose pension contributions exceed the Annual Allowance for pension tax relief are paid as a cash supplement. During the year Jeremy Darroch was given a cash supplement of £128,255, and Andrew Griffith was given a cash supplement of £37,883. For Executive Directors this contribution rate is well below market norms.

The Pension Plan has income protection of up to two-thirds salary, or £300,000 and insured death in service of up to one-third salary, which can be taken entirely as a pension, or 50% lump sum and 50% pension, or entirely as a lump sum, subject to the lifetime allowance. The Pension Plan also has enhanced Life Assurance cover up to four times annual salary, for those employees who decide not to join the Pension Plan they receive Life Assurance of two times annual salary.

Other benefits include use of a company car and private medical insurance.

1.5 Annual bonus

The annual bonus is designed to drive the achievement of annual financial and strategic business targets, and personal performance.

For 2013, the annual bonus for Executive Directors will continue to be based on three equally-weighted measures: operating profit, free cash flow and product growth. These are three of the Key Performance Indicators for Sky as detailed in our performance on page 35. The bonus that may be achieved against the three measures may be adjusted up or down by the Committee based on the personal performance of each individual executive.

The maximum bonus opportunities for 2013 continue to be 200% and 150% of salary for the CEO and CFO respectively. Executive Directors and Senior Executives have the opportunity to invest an amount equivalent to up to half of their annual bonuses in return for performance-related matching shares under the Co-Investment Plan (see page 43). For 2012, actual performance against measures and the resulting payouts under the annual bonus are shown on page 44.

1.6 Long-Term Incentive Plan (LTIP)

Sky operates an LTIP for its Executive Directors and Senior Executives to incentivise and drive long-term value creation. This provides strong alignment with shareholders' interests and ensures that the entire senior management team is focused on the same goals.

Key features of the LTIP

- All awards are made at the discretion of the Remuneration Committee.
- The LTIP operates in three-year cycles, with vesting occurring every other year. The next vesting of LTIPs are due to vest at the end of the 2012/13 financial year.
- In the first year, participants are granted nil-cost options with vesting based on a three-year performance period. In the second year, a further award of up to 100% of the year-one award may be granted. This second tranche vests at the same time as the first.
- To provide alignment with shareholders, the grants are fixed as a number of shares rather than as a monetary value. The value of an Executive's award is therefore linked to the share price.
- To ensure an outcome that is fair to both executives and shareholders, the Committee retains discretion over any vesting in the event of change of control.

LTIP award sizes

As part of the 2012/13 LTIP grant cycle Jeremy Darroch will be granted an award of 600,000 shares and Andrew Griffith will be granted an award of 320,000 shares.

There was no increase made to the level of LTIP awards this year.

Conditions of vesting

The Committee regularly reviews the measures under the LTIP to ensure they remain appropriate.

For the awards that were made in 2010 and 2011 (vesting in 2013), TSR was not used as a measure as the Company's share price at the time of grant was materially impacted by the possible bid from News Corporation.

For awards made from July 2012 and any that will be made in 2013 (vesting in 2015), the relative TSR measure will be reintroduced. 70% of these awards will be based on operational targets and 30% on relative TSR.

j) Operational targets (100% weighting for 2010/2011 awards and 70% for 2012/2013 awards)

The operational performance conditions for the LTIP are EPS growth, operating cash flow and revenue growth, each of which is key to Sky's success. EPS captures our bottom line performance, operating cash flow, our ability to generate and manage cash and revenue growth is a key measure of the success of our strategy.

2010/2011 awards

Points are awarded for performance on three operational measures as follows:

- For EPS, one point is awarded for growth of RPI +3% pa, with the maximum 10 points awarded for RPI +8% pa or more.
- For operating cash flow and revenue growth, one point is awarded for 75% achievement of target on a sliding scale up to 10 points for 105% or more.
- One point equates to 10% of the award vesting, with maximum vesting for 21 points or more, with straight-line basis between these points.

This is shown in further detail in the table below:

EPS growth		Operating cash flow		Revenue growth	
Performance achieved	Points awarded	Performance achieved (% of target)	Points awarded	Performance achieved (% of target)	Points awarded
		105%		105%	
RPI +8% pa	10	or more	10	or more	10
RPI +7% pa	8	100%	8	100%	8
RPI +6% pa	6	95%	6	95%	6
RPI +5% pa	4	90%	4	90%	4
RPI +4% pa	2	85%	2	85%	2
RPI +3% pa	1	75%	1	75%	1
Less than RPI +3% pa	0	Less than 75%	0	Less than 75%	0

2012/2013 awards

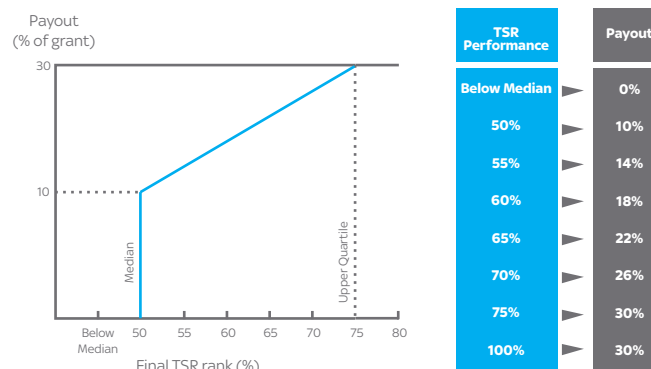
The operational performance conditions of the LTIP award for 2012/2015 are the same as the awards for 2010/2013, being EPS growth, operating cash flow and revenue growth over three years. As previously disclosed, the Company will reintroduce TSR for this scheme and 30% of the awards will vest on TSR performance. The EPS growth target for the maximum award of 10 points was set at RPI +5% pa (equivalent to 26% growth in earnings over three years if RPI is 3% pa). This level of growth in earnings was set at a level which exceeds consensus research analysts' estimates.

ii) TSR performance (30% weighting for 2012 and 2013 awards)

The Company's TSR performance is measured relative to the TSR of the constituents of the FTSE100.

If the Company's TSR performance is below median, the TSR element of the award lapses in full. For median performance, 10% of an award may vest, with 30% vesting for upper quartile performance. Vesting is on a straight-line basis, between these points as shown below.

TSR VESTING SCHEDULE



TSR calculations are conducted independently by New Bridge Street, advisors to the Committee.

1.7 Co-Investment Plan

To further encourage Executive Directors and Senior Executives to invest in the Company, the Co-Investment Plan (CIP) offers the opportunity to earn performance-related matching shares in return for their investment.

Key features of the CIP

- This helps align executives with shareholder interests by encouraging them to purchase BSkyB shares.
- Around 136 executives are invited to buy shares. 90 executives elected to do so, during the period under review, including both of the Executive Directors.
- Participants in the CIP can invest an amount equivalent to up to 50% of their annual bonus in shares (deferred for three years) and are granted a conditional matching award of shares based on the amount invested.

Shares are matched up to a maximum of 1.5 shares : 1 share invested, and may vest depending on three-year EPS growth. One matching share is awarded for RPI +3% pa, with 1.5 shares for RPI +6% pa as set out below:

EPS growth performance (annual average growth over three-year term)	Match awarded (number of matching shares awarded per deferred share)
Less than RPI +3%	0.0
RPI +3%	1.0
RPI +4%	1.17
RPI +5%	1.33
RPI +6%	1.5
More than RPI +6%	1.5

Straight-line interpolation between points.

1.8 Other share plans

i) Management Long-Term Incentive Plan (the 'Management LTIP')

The Company also operates a Management LTIP. Selected employees participate in the Management LTIP but this does not include any Executive Directors or Senior Executives who participate in the LTIP. Awards under this scheme are made at the discretion of the CEO.

Summary report on Directors' remuneration

continued

ii) Sharesave Scheme

The Sharesave Scheme is open to UK and Irish employees. Options are normally exercisable after either three or five 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 year-end results. Currently approximately 5,450 employees participate in these schemes. Jeremy Darroch and Andrew Griffith each have options granted under the Sharesave Scheme.

iii) 20 Year Award Plan

A one-off grant of 100 shares was made to all employees in 2009 to celebrate Sky's 20th anniversary. Jeremy Darroch and Andrew Griffith were each awarded an option over 100 shares under the plan, these shares were delivered in February 2012. They were not subject to any further performance condition other than continued employment.

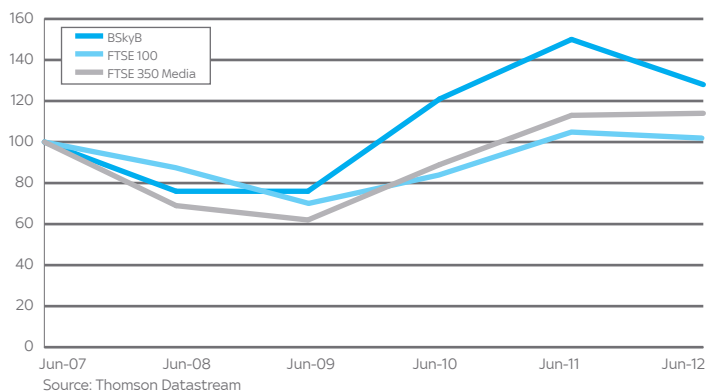
iv) Executive Share Option Schemes ('Executive Schemes')

Sky has in place Approved and Unapproved Executive Share Option Schemes under HMRC guidelines. Executive Directors and Senior Executives who participate in the LTIP do not participate in the Executive Schemes. No options have been granted since 2004. Andrew Griffith was granted awards under the Executive Schemes prior to his appointment as an Executive Director.

SECTION 2 – PERFORMANCE

2.1 Performance graph

The graph below shows the Company's TSR for the five years to 30 June 2012, measured as the value of a £100 holding in ordinary shares at the start of the period. The performance is shown relative to the indices which are considered to be the most relevant.



2.2 Annual bonus

As shown on page 35, our customer focus once again delivered strong financial results. In a difficult consumer environment, customers continue to recognise the great value we offer by choosing Sky over other providers and buying more services from us.

The targets relevant to the calculation of the annual bonus are as follows:

- Operating profit up 14% to £1,223 million.
- Operating cash flow up 11% to £1,313 million.
- Customer net growth for the year was 312,000.

Based on the Company's record results, performance against the key bonus measures and outperformance against its competition, the maximum bonus will be paid out. Therefore, the CEO and CFO received bonuses of 200% and 150% of salary respectively. Next year customer net growth will be replaced by product net growth. This will align the measures to the business strategy going forward as product net growth is now the greater proportion of the value added to the business.

2.3 LTIP

As disclosed in last year's remuneration report, the three-year performance of the Company over the 2008 to 2011 financial years resulted in the operational performance conditions being met in full and 21 points being achieved, resulting in 70% of that award vesting. The TSR performance over the three-year period ended 31 July 2011 came in the top quartile at 80.0% meaning that the full 30% of this element of the award vested, resulting in 100% total vesting of the awards. Subsequently on 31 July 2011 1,200,000 LTIP shares vested to Jeremy Darroch and 640,000 LTIP shares vested to Andrew Griffith. Outstanding awards under this plan are shown in the table on page 47.

2.4 Co-Investment Plan

The EPS performance for the Co-Investment plan exceeded the target of RPI +6%pa and the award will vest in full on 27 August 2012.

Outstanding awards under this plan are shown in the table on page 47.

SECTION 3 – HOW DECISIONS ARE MADE

3.1 Membership of the Remuneration Committee

During the year ended 30 June 2012, the Committee, comprising the following Independent Non-Executive Directors, met four times:

- Daniel Rimer (appointed Chairman on 1 May 2012).
- Tracy Clarke (appointed a member on 11 June 2012).
- David Evans (resigned 29 November 2011).
- Nicholas Ferguson (stepped down as Chairman on 1 May 2012).
- Martin Gilbert (appointed 1 May 2012).
- Jacques Nasser.

Each member's attendance at these meetings is set out in the Corporate Governance report in the Annual Report.

The full terms of reference for the Committee are available on the Company's corporate website.

3.2 Advisors

New Bridge Street (an Aon Hewitt Company) (NBS) act as advisors to the Committee. They advise on all aspects of senior executive remuneration and have no other role within the Company. NBS is now wholly-owned by Aon plc and while other companies within the Aon group do undertake material non-remuneration work for the Company, the Committee does not believe that the independence of NBS is compromised in any way.

The fee paid to NBS for remuneration advice was £153,000.

The Chief Executive and the Director for People provide information as required. The Committee is also supported by the Company Secretary, Finance and Human Resources functions. No individuals are present nor provide any input regarding their own remuneration.

3.3 Remuneration Committee annual schedule

Date	Key agenda items
September	Committee Chairman meeting with Shareholders
October	Agree calendar for the year Review Company performance Shareholder update
January	Review the executive pay environment and governance issues including any changes in legislation Incentive plan performance update Agree comparator groups for benchmarking analysis Shareholder update
May	Review total remuneration and structure of packages against the comparator group Incentive plan performance update
June	Consider and review proposals for: – Any changes to Executive Directors' fixed pay – Achievement of bonus against Company performance – Executive and Management share awards – CEO's direct reports' total remuneration – Executive Directors' bonus targets for next financial year.
July	Review and agree: – CEO's direct reports' pay packages – Share awards for all management – Remuneration Report – Incentive plan performance outcome

SECTION 4 – NED AND CHAIRMAN FEES

Non-Executive Directors' fees are reviewed annually. The current fees are set out in the table below:

Fee category (per annum)	2011 £	2012 £	2013 £
Chairman	25,000	25,000 ⁽ⁱ⁾	450,000
Deputy Chairman	25,000	40,000 ⁽ⁱ⁾	30,000
Basic fee	53,800	56,500	58,000
Committee Chairman	25,000	25,000	25,000
Committee Members	10,000	10,000	10,000
Senior Independent Director	20,000	20,000 ⁽ⁱ⁾	40,000

(i) Following the appointment of Nicholas Ferguson as Chairman of the Company the Board reviewed the fees paid to the Chairman, Deputy Chairman and Senior Independent Director. After taking independent advice it was agreed that the fees for the Chairman be increased to £450,000 effective from Nicholas Ferguson's date of appointment as Chairman on 3 April 2012. This increase reflects the time commitment and duties of the role. The Chairman's fee is inclusive of the basic fee and committee fees payable to directors. The fees of the Deputy Chairman were set at £30,000 effective from 3 April 2012 and the fees payable to the Senior Independent Director were set at £40,000 effective from 3 April 2012.

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.

SECTION 5 – SERVICE CONTRACTS AND DIRECTORS' SHARE INTERESTS

5.1 Service contracts Executive Directors

Executive Directors' service agreements contain a maximum notice period of one year and a non-compete provision of one year. In the event of termination, Executive Directors may be entitled to up to one year's salary and benefits. No bonus is payable in respect of the notice period not worked by the individual. In the event of termination 'for cause' salary and benefits would be payable only up to the actual date of termination.

Jeremy Darroch's initial service contract as the CFO of the Company commenced on 16 August 2004. This was revised on 7 December 2007 when he became CEO.

Any outside appointments for Executive Directors are considered by the Corporate Governance & Nominations Committee to ensure they would not cause a conflict of interest and, if not, are then approved by the Chairman on behalf of the Board. It is the Company's policy that remuneration earned from such appointments may be retained by the individual. Jeremy Darroch is a Non-Executive Director of Marks and Spencer Group plc and earned £85,000 for his appointment in the year ended 30 June 2012.

5.2 Share interests

The Company encourages the Non-Executive Directors to build up a holding in the Company's shares and has introduced a facility whereby Non-Executive Directors can elect to receive a portion of their fees in BSKyB shares. Shares are purchased on a monthly basis in the market. The Directors who are deemed to be affiliated with News Corporation (James Murdoch, David DeVoe, Thomas Mockridge and Arthur Siskind) are not allowed to participate in this facility. This is due to the fact that under Rule 9 of the Takeover Code they would be deemed to be acting in concert with News Corporation if they were to purchase shares in the Company and this would place News Corporation under an obligation to make a mandatory offer for all of the issued share capital of the Company.

The interests of the Directors in the ordinary share capital of the Company during the year were:

	At 30 June 2011	At 30 June 2012
Jeremy Darroch	230,046	296,157
Nicholas Ferguson	12,239	14,966
Andrew Griffith	57,093	87,533
Andrew Higginson	4,485	5,639
Jacques Nasser	2,840	3,904
Daniel Rimer	9,876	15,836
Lord Wilson of Dinton	2,764	3,803
Martin Gilbert	–	971
Matthieu Pigasse	–	1,058

This table is audited.

Summary report on Directors' remuneration

continued

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 and 25 July 2012.

During the year ended 30 June 2012, the share price traded within the range of 614.0 and 850.5 pence per share. The middle-market closing price on the last trading day of the financial year was 696.5 pence.

SECTION 6 (AUDITED) – DIRECTORS' REMUNERATION

The emoluments of the Directors for the year are shown below:

	Salary and fees £	Bonus scheme £	Benefits £	Total emoluments before pension 2012 £	Employer's pensions £	Total emoluments including pension 2012 £	Total emoluments including pension 2011 £
Executive							
Jeremy Darroch	935,000	1,870,000	144,786 ⁽ⁱ⁾	2,949,786	33,333	2,983,119	2,788,554
Andrew Griffith	573,500	860,250	53,967 ⁽ⁱ⁾	1,487,717	33,333	1,521,050	1,424,259
Non-Executive							
Nicholas Ferguson ⁽ⁱ⁾	230,657	–	–	230,657	–	230,657	155,685
Thomas Mockridge ⁽ⁱⁱ⁾	63,808	–	–	63,808	–	63,808	53,800
Andrew Higginson ⁽ⁱⁱⁱ⁾	113,179	–	–	113,179	–	113,179	99,339
Tracy Clarke ^(iv)	4,413	–	–	4,413	–	4,413	–
David DeVoe	56,500	–	–	56,500	–	56,500	53,800
Martin Gilbert ^(v)	35,611	–	–	35,611	–	35,611	–
James Murdoch ^(vi)	89,417	–	–	89,417	–	89,417	88,800
Jacques Nasser	67,108	–	–	67,108	–	67,108	74,339
Matthieu Pigasse ^(vii)	35,060	–	–	35,060	–	35,060	–
Daniel Rimer ^(viii)	73,167	–	–	73,167	–	73,167	74,339
Arthur Siskind	66,500	–	–	66,500	–	66,500	63,800
Lord Wilson of Dinton ^(ix)	97,333	–	–	97,333	–	97,333	109,339
Dame Gail Rebeck ^(x)	92,749	–	–	92,749	–	92,749	109,339
David Evans ^(xi)	28,371	–	–	28,371	–	28,371	74,339
Allan Leighton ^(xi)	25,871	–	–	25,871	–	25,871	53,922
Total emoluments	2,588,244	2,730,250	198,753	5,517,247	66,666	5,583,913	5,223,654

This table is audited.

Notes:

- (i) Nicholas Ferguson was appointed Chairman of the Company on 3 April 2012 and stepped down as Chairman of the Remuneration Committee on 1 May 2012.
- (ii) Thomas Mockridge was appointed Deputy Chairman of the Company on 3 April 2012.
- (iii) Andrew Higginson was appointed Senior Independent Non-Executive Director on 3 April 2012 and Chairman of the Corporate Governance & Nominations Committee on 3 April 2012, after becoming a member of the committee on 18 October 2011.
- (iv) Tracy Clarke was appointed as a Director of the Company and a member of the Remuneration Committee and The Bigger Picture Committee on 11 June 2012.
- (v) Martin Gilbert was appointed as a Director of the Company on 29 November 2011, as a member of the Remuneration Committee on 1 May 2012 and as a member of the Audit Committee on 11 June 2012.
- (vi) James Murdoch stepped down as Chairman of the Company on 3 April 2012 and was appointed Chairman of The Bigger Picture Committee on 1 May 2012.
- (vii) Matthieu Pigasse was appointed as a Director of the Company on 29 November 2011 and as a member of the Audit Committee on 1 May 2012.
- (viii) Daniel Rimer was appointed Chairman of the Remuneration Committee and a member of the Corporate Governance & Nominations Committee on 1 May 2012.
- (ix) Lord Wilson of Dinton stepped down as Chairman of the Corporate Governance & Nominations Committee on 1 May 2012.
- (x) Dame Gail Rebeck stepped down as Chairman and a member of The Bigger Picture Committee on 1 May 2012 and resigned as a Director of the Company on 11 June 2012.
- (xi) David Evans and Allen Leighton resigned as Directors of the Company on 29 November 2011.

SECTION 7 (AUDITED) – SHARE SCHEMES

7.1 Long Term Incentive Plan

Details of all outstanding awards held under the LTIP are shown below:

Name of Director	Number of shares under award					Exercise price	Market price at date of exercise	Date of Award	Date from which exercisable	Expiry date
	At 30 June 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2012					
Jeremy Darroch	600,000	-	400,000	-	200,000	n/a	£6.7171	31.07.08	31.07.11	31.07.16
	600,000	-	220,000	-	380,000	n/a	£7.4587	26.08.09	31.07.11	31.07.16
	600,000	-	-	-	600,000	n/a	n/a	29.07.10	29.07.13	29.07.18
	-	900,000	-	-	900,000	n/a	n/a	29.07.11	29.07.13	29.07.18
Andrew Griffith	320,000	-	320,000	-	-	n/a	£6.7171	31.07.08	31.07.11	31.07.16
	320,000	-	80,000	-	-	n/a	£6.7171	26.08.09	31.07.11	31.07.16
	-	-	240,000	-	-	n/a	£6.9906	-	-	-
	320,000	-	-	-	320,000	n/a	n/a	29.07.10	29.07.13	29.07.18
	-	455,000	-	-	455,000	n/a	n/a	29.07.11	29.07.13	29.07.18

This table is audited.

Notes:

- The aggregate value received by the Directors on exercise of the LTIP before tax was £8,692,338 (2011: £nil).
- See performance conditions for LTIP on page 43.
- Following the vesting of awards, participants, still employed by the Company, will have five years to exercise their shares.

7.2 Co-Investment Plan

Details of all outstanding awards held under the Co-Investment Plan are shown below:

Name of Director	Number of shares under award					Exercise price	Market price at date of exercise	Date of Award	Date from which exercisable	Expiry date
	At 30 June 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2012					
Jeremy Darroch	204,425 ⁽ⁱ⁾	-	-	-	204,425	n/a	n/a	27.08.09	27.08.12	27.08.17
	183,935 ⁽ⁱⁱ⁾	-	-	-	183,935	n/a	n/a	31.08.10	31.08.13	31.08.18
	-	207,729 ⁽ⁱⁱⁱ⁾	-	-	207,729	n/a	n/a	30.08.11	30.08.14	30.08.19
Andrew Griffith	75,506 ^(iv)	-	-	-	75,506	n/a	n/a	27.08.09	27.08.12	27.08.17
	69,672 ^(v)	-	-	-	69,672	n/a	n/a	31.08.10	31.08.13	31.08.18
	-	95,793 ^(vi)	-	-	95,793	n/a	n/a	30.08.11	30.08.14	30.08.19

This table is audited.

Notes:

See performance conditions for the Co-Investment Plan on page 43.

- (i) Jeremy Darroch holds 79,848 shares as a match under this award.
- (ii) Jeremy Darroch holds 59,667 shares as a match under this award.
- (iii) Jeremy Darroch holds 66,011 shares as a match under this award.
- (iv) Andrew Griffith holds 29,492 shares as a match under this award.
- (v) Andrew Griffith holds 22,601 shares as a match under this award.
- (vi) Andrew Griffith holds 30,440 shares as a match under this award.

Summary financial statement

SUMMARY CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2012

	2012 £m	2011 £m
Continuing operations		
Revenue	6,791	6,597
Operating expense	(5,548)	(5,524)
Operating profit	1,243	1,073
Share of results of joint ventures and associates	39	34
Investment income	18	9
Finance costs	(111)	(111)
Profit on disposal of available-for-sale investment	-	9
Profit before tax	1,189	1,014
Taxation	(283)	(256)
Profit for the year from continuing operations	906	758
Discontinued operations		
Profit for the year from discontinued operations	-	52
Profit for the year attributable to equity shareholders of the parent company	906	810
Earnings per share from profit for the year (in pence)		
Basic		
Continuing operations	52.6p	43.5p
Discontinued operations	-	3.0p
Total	52.6p	46.5p
Diluted		
Continuing operations	52.2p	43.0p
Discontinued operations	-	2.9p
Total	52.2p	45.9p

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2012

	2012 £m	2011 £m
Profit for the year attributable to equity shareholders of the parent company	906	810
Other comprehensive income		
Amounts recognised directly in equity		
Exchange differences on translation of foreign operations	2	(8)
Gain on revaluation of available-for-sale investments	8	59
Gain (loss) on cash flow hedges	99	(130)
Tax on cash flow hedges	(23)	36
	86	(43)
Amounts reclassified and reported in the income statement		
(Loss) gain on cash flow hedges	(29)	42
Tax on cash flow hedges	7	(11)
Transfer to income statement on disposal of foreign operations	-	4
	(22)	35
Other comprehensive income (loss) for the year (net of tax)	64	(8)
Total comprehensive income for the year attributable to equity shareholders of the parent company	970	802

SUMMARY CONSOLIDATED BALANCE SHEET
as at 30 June 2012

	2012 £m	2011 £m
Non-current assets		
Goodwill	956	944
Intangible assets	523	462
Property, plant and equipment	948	896
Investments in joint ventures and associates	156	151
Available-for-sale investments	228	215
Deferred tax assets	16	69
Trade and other receivables	17	13
Derivative financial assets	390	275
	3,234	3,025
Current assets		
Inventories	456	375
Trade and other receivables	621	592
Short-term deposits	710	430
Cash and cash equivalents	464	921
Derivative financial assets	24	11
	2,275	2,329
Total assets	5,509	5,354
Current liabilities		
Borrowings	8	8
Trade and other payables	1,855	1,675
Current tax liabilities	189	187
Provisions	43	21
Derivative financial liabilities	3	21
	2,098	1,912
Non-current liabilities		
Borrowings	2,398	2,325
Trade and other payables	27	26
Provisions	12	9
Derivative financial liabilities	29	47
Deferred tax liabilities	1	-
	2,467	2,407
Total liabilities	4,565	4,319
Share capital	837	876
Share premium	1,437	1,437
Reserves	(1,330)	(1,278)
Total equity attributable to equity shareholders of the parent company	944	1,035
Total liabilities and shareholders' equity	5,509	5,354

This summary financial statement has been approved by the Board of Directors on 25 July 2012 and was signed on its behalf by:

Jeremy Darroch
Chief Executive Officer

Andrew Griffith
Chief Financial Officer

Summary financial statement

continued

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2012

	2012 £m	2011 £m
Continuing operations		
Cash flows from operating activities		
Cash generated from operations	1,737	1,569
Interest received	17	7
Taxation paid	(254)	(219)
Net cash from operating activities	1,500	1,357
Cash flows from investing activities		
Dividends received from joint ventures and associates	39	29
Net funding to joint ventures and associates	(6)	(4)
Proceeds on disposal of investments	-	32
Purchase of property, plant and equipment	(228)	(197)
Purchase of intangible assets	(229)	(226)
Purchase of subsidiaries (net of cash and cash equivalents purchased)	(15)	(222)
Purchase of available-for-sale investments	(5)	-
Increase in short-term deposits	(280)	(30)
Net cash used in investing activities	(724)	(618)
Cash flows from financing activities		
Repayment of obligations under finance leases	(1)	(1)
Proceeds from disposal of shares in Employee Share Ownership Plan ('ESOP')	10	32
Purchase of own shares for ESOP	(161)	(90)
Purchase of own shares for cancellation	(546)	-
Interest paid	(125)	(124)
Dividends paid to shareholders	(410)	(353)
Net cash used in financing activities	(1,233)	(536)
Net (decrease) increase in cash and cash equivalents from continuing operations	(457)	203
Cash generated from discontinued operations	-	69
Cash and cash equivalents at the beginning of the year	921	649
Cash and cash equivalents at the end of the year	464	921

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2012

	Share capital £m	Share premium £m	ESOP reserve £m	Hedging reserve £m	Available-for-sale reserve £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
At 1 July 2010	876	1,437	(47)	77	98	362	(2,243)	560
Profit for the year	-	-	-	-	-	-	810	810
Exchange differences on translation of foreign operations	-	-	-	-	-	(8)	-	(8)
Transfer to income statement on disposal of foreign operations	-	-	-	-	-	4	-	4
Revaluation of available-for-sale investments	-	-	-	-	59	-	-	59
Recognition and transfer of cash flow hedges	-	-	-	(88)	-	-	-	(88)
Tax on items taken directly to equity	-	-	-	25	-	-	-	25
Total comprehensive income for the year	-	-	-	(63)	59	(4)	810	802
Share-based payment	-	-	(60)	-	-	-	70	10
Tax on items taken directly to equity	-	-	-	-	-	-	19	19
Purchase of non-controlling interest	-	-	-	-	-	-	(3)	(3)
Dividends	-	-	-	-	-	-	(353)	(353)
At 30 June 2011	876	1,437	(107)	14	157	358	(1,700)	1,035
Profit for the year	-	-	-	-	-	-	906	906
Exchange differences on translation of foreign operations	-	-	-	-	-	2	-	2
Revaluation of available-for-sale investments	-	-	-	-	8	-	-	8
Recognition and transfer of cash flow hedges	-	-	-	70	-	-	-	70
Tax on items taken directly to equity	-	-	-	(16)	-	-	-	(16)
Total comprehensive income for the year	-	-	-	54	8	2	906	970
Share-based payment	-	-	(5)	-	-	-	(80)	(85)
Tax on items taken directly to equity	-	-	-	-	-	-	(10)	(10)
Share buy-back programme								
- Purchase of own shares for cancellation	(39)	-	-	-	-	39	(546)	(546)
- Financial liability for close period purchases	-	-	-	-	-	-	(10)	(10)
Dividends	-	-	-	-	-	-	(410)	(410)
At 30 June 2012	837	1,437	(112)	68	165	399	(1,850)	944

NOTE 1: RECONCILIATION FROM PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS TO ADJUSTED PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2012 £m	2011 £m
Profit for the year from continuing operations	906	758
(Net recovery of) costs in relation to News Corporation proposal	(31)	15
Costs relating to restructuring exercise	11	-
Living TV restructuring costs	-	26
Recovery of import duty on set-top boxes	-	(41)
RCF fee write-off	5	-
Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness	(19)	(18)
Profit on disposal of joint venture	(7)	-
Profit on disposal of available-for-sale investment	-	(9)
Tax credit on settlement of liability ⁽ⁱ⁾	-	(15)
Tax effect of above items	10	9
Adjusted profit for the year from continuing operations	875	725

(i) Tax credit arising on the settlement of the pre-acquisition tax liabilities of a subsidiary of the Group.

Summary financial statement

continued

NON-GAAP MEASURES

All continuing operations

RECONCILIATION OF OPERATING PROFIT TO ADJUSTED OPERATING PROFIT AND ADJUSTED EBITDA for the year ended 30 June 2012

	2012 £m	2011 £m	2010 £m
Operating profit	1,243	1,073	1,113
(Net recovery of) costs in relation to News Corporation proposal	(31)	15	-
Costs relating to restructuring exercise	11	-	32
Living TV restructuring costs	-	26	-
Recovery of import duty on set-top boxes	-	(41)	-
Litigation settlement income relating to claim against EDS	-	-	(269)
Legal costs relating to claim against EDS	-	-	1
Cancellation of accounts payable on settlement of claim against EDS	-	-	(5)
Adjusted EBITDA	1,567	1,405	1,185
Depreciation and amortisation	(344)	(332)	(338)
Costs relating to restructuring exercise included within depreciation and amortisation ⁽ⁱ⁾	-	-	25
Adjusted operating profit	1,223	1,073	872

(i) Included within depreciation and amortisation for the year ended 30 June 2010 is £25 million of expense relating to a restructuring exercise of which £22 million related to the impairment of assets associated with Picnic (the potential launch of a subscription television service on DTT) and £3 million related to restructuring costs.

RECONCILIATION OF CASH GENERATED FROM OPERATIONS TO ADJUSTED FREE CASH FLOW for the year ended 30 June 2012

	2012 £m	2011 £m	2010 £m
Cash generated from operations	1,737	1,569	1,626
Interest received	17	7	57
Taxation paid	(254)	(219)	(319)
Dividends received from joint ventures and associates	39	29	30
Net funding to joint ventures and associates	(6)	(4)	(1)
Purchase of property, plant and equipment	(228)	(197)	(246)
Purchase of intangible assets	(229)	(226)	(183)
Interest paid	(125)	(124)	(156)
Free cash flow	951	835	808
Recovery of import duty on set-top boxes (after corporation tax)	(25)	-	-
(Net recovery of) costs in relation to News Corporation proposal (after corporation tax)	(13)	2	-
Receipt on disposal/closure of joint venture	(6)	-	(3)
Cash paid relating to restructuring exercise	3	6	-
Living TV restructuring costs	-	26	-
Litigation settlement income relating to claim against EDS (after corporation tax)	-	-	(229)
Legal costs relating to claim against EDS	-	-	1
Adjusted free cash flow	910	869	577

AVERAGE REVENUE PER USER (ARPU) for the year ended 30 June 2012

	2012 £	2011 £	2010 £
ARPU as previously reported	n/a	539	508
Impact of Standalone Home Communications ⁽ⁱ⁾	-	(5)	-
Benefit of zero-VAT magazine related income ⁽ⁱⁱ⁾	-	(3)	(4)
Elimination of timing difference related to magazine closure ⁽ⁱⁱⁱ⁾	-	7	-
ARPU	548	538	504

(i) We have restated ARPU to include standalone home communications customers.

(ii) We previously recognised the benefit arising from the zero rated VAT treatment on a small portion of customer revenue attributable to the Sky magazine. Following closure of the magazine we have restated the comparatives to present on a like-for-like basis.

(iii) Following our decision to close the Sky customer magazine, a one-off timing upside was reversed which related to revenue recognition of the magazine element of subscription revenue. This equated to a £7 reduction to ARPU in 2011.

SUMMARY FINANCIAL STATEMENT

The summary financial statement, summary Directors' report and summary report on Directors' remuneration contained within this document are only a summary of the information provided in the consolidated financial statements and Directors' report contained within the Annual Report. The auditors' report on the Company's annual accounts was unqualified. The information has been prepared in accordance with the accounting policies as set out in the Annual Report. These summaries do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be allowed by the Annual Report, which contains more detail. A copy of the Annual Report can be obtained, free of charge, by writing to the Company Secretary at Grant Way, Isleworth, Middlesex TW7 5QD or it can be downloaded from the Company's website at www.sky.com/corporate. To elect to receive the Annual Report for future years, write to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Whilst the financial information included in this summary financial statement has been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union and as issued by the International Accounting Standards Board, this summary financial statement does not itself contain sufficient information to comply with IFRS.

The Group maintains a 52 or 53-week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal 2012, this date was 1 July 2012, this being a 52-week year (fiscal year 2011: 3 July 2011, 53-week year). For convenience purposes, the Group continues to date its consolidated financial statements as at 30 June.

FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements with respect to our financial condition, results of operations and business, and our strategy, plans and objectives. These statements include, without limitation, those that express forecasts, expectations and projections, such as forecasts, expectations and projections with respect to new products and services, the potential for growth of free-to-air and pay television, fixed line telephony, broadband and bandwidth requirements, advertising growth, Direct-to-Home ('DTH') customer growth, Over-the-top ('OTT') customer growth, Multiroom, Sky Anytime TV, Sky Anytime+, NOW TV, Sky Go, Sky+, Sky+HD and other services' penetration, churn, DTH and other revenue, profitability and margin growth, cash flow generation, programming costs, subscriber management and supply chain costs, administration costs and other costs, marketing expenditure, capital expenditure programmes and proposals for returning capital to shareholders.

Although the Company believes that the expectations reflected in such forward looking statements are reasonable, 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 our 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, those risks that are highlighted in the Annual Report in the section entitled 'Directors' report – Business review – Principal risks & uncertainties', and information on the significant risks and uncertainties associated with our business is described therein.

No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in the Company or any other entity and must not be relied upon in any way in connection with any investment decision. All forward looking statements in this document are based on information known to us on the date hereof. Except as required by law, we undertake no obligation publicly to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

USE OF MEASURES NOT DEFINED UNDER IFRS

This Annual Review contains certain information on the Group's financial position, operating results and cash flows that have been derived from measures calculated in accordance with IFRS. This information should not be read in isolation of the related IFRS measure.

Glossary of terms

Useful definitions	Description
Adjusted basic earnings per share (EPS)	Adjusted profit after tax for the year divided by the weighted average number of ordinary shares.
Adjusted operating profit and margin	Operating profit excluding exceptional items. Adjusted operating margin is stated as a percentage of adjusted revenue.
Adjusted profit for the year	Profit for the year adjusted to remove exceptional items and related tax effects.
ARPU	Average Revenue Per User: the amount spent by the Group's residential customers in the quarter, divided by the average number of residential customers in the quarter, annualised.
Churn	The number of total customers over a given period that terminate their subscription in its entirety, net of former customers who reinstated their subscription in that period (where such reinstatement is within a 12-month period of the termination of their original subscription), expressed as an annualised percentage of total average customers for the period.
DSL	Digital Subscriber Line.
DTH	Direct-to-Home: the transmission of satellite services and functionality with reception through a minidish. 'DTH customer' means a subscriber to one or more of our retailed packages of television channels made available via DTH.
EBITDA	Earnings before joint ventures, interest, profit on disposal of available-for-sale investment, taxation, depreciation and amortisation is calculated as operating profit before depreciation, amortisation and impairment of property, plant and equipment and intangible assets.
Exceptional items	Items that arise from events or transactions that fall within the ordinary activities of the Group, but which management believes should be separately identified to help explain underlying performance.
Free cash flow	The amount of cash generated by Sky after meeting obligations for interest and tax, after all capital expenditure and net cash flows relating to joint ventures and associates.
HD	High Definition television.
Multiroom	Installation of an additional set-top box in the household of an existing DTH customer.
Net debt	Borrowings net of cash and cash equivalents, short-term deposits, and borrowings-related derivative financial instruments.
NOW TV	An internet streaming service available to anyone in the UK with an internet connection regardless of ISP. At launch on 17 July 2012, the service was available on devices including PC, Mac and selected Android Smartphones with other devices and platforms to follow.
Sky Go	Sky's retailed packages of television channels and on demand content made available via a broadband connection, including the version made available to mobile devices via a wireless or 3G connection.
Sky+ HD	Sky's fully-integrated Personal Video Recorder (PVR) and satellite decoder with High Definition capability.
Sky Store	Our pay-per-view, on demand movies rental service available via Sky Anytime, Sky Anytime+ and Sky Go.
Standalone home communications	Sky's retailed packages of broadband, talk and line rental when taken without a television subscription package.
Triple play	Customers taking all three of TV, broadband and telephony.
TV customer	A paying subscriber to one or more of our DTH or Sky Go services.
Viewing share	Number of people viewing a channel as a percentage of total viewing television audience.

Independent Auditors' statement to the members of British Sky Broadcasting Group plc

We have examined the summary financial statement for the year ended 30 June 2012 which comprises the Summary Consolidated Income Statement, Summary Consolidated Statement of Comprehensive Income, Summary Consolidated Balance Sheet, Summary Consolidated Cash Flow Statement, Summary Consolidated Statement of Changes in Equity, Note 1, Summary Directors' Report and the Summary Directors' Remuneration Report.

This report is made solely to the Company's members, as a body, in accordance with section 428 of the Companies Act 2006. Our 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 auditor's 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, for our audit report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The Directors are responsible for preparing the Annual Review in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Annual Review with the full annual financial statements, the Directors' Report and the Directors' Remuneration Report, and its compliance with the relevant requirements of section 428 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the Annual Review as described in the contents section, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the company's full annual financial statements describes the basis of our audit opinion on those financial statements, the Directors' Remuneration Report and the Directors' Report.

OPINION

In our opinion, the summary financial statement is consistent with the full annual financial statements, the Directors' Report and the Directors' Remuneration Report of British Sky Broadcasting Group plc for the year ended 30 June 2012 and complies with the applicable requirements of section 428 of the Companies Act 2006, and the regulations made thereunder.

William Touche (Senior Statutory Auditor)

For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
25 July 2012

Shareholder information

REGISTRAR

The Company's shareholder register is maintained by its Registrar, Equiniti. Information on how to manage your shareholdings can be found at <https://help.shareview.co.uk>. The pages at this web address provide the following:

- Answers to commonly asked questions regarding shareholder registration;
- Links to downloadable forms, guidance notes, and Company history fact sheets;
- A choice of contact methods – via email, phone, or writing.

Alternatively, shareholders can contact Equiniti in relation to all administrative enquiries relating to their shares, such as a change of personal details, the loss of a share certificate or an out-of-date dividend cheque.

Shareholders can contact Equiniti at:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Telephone: 0871 384 2091*

Telephone number from outside the UK: +44 121 415 7567

* Calls to the above number are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary. Lines are open from 8.30am to 5.30pm Monday to Friday.

FINANCIAL CALENDAR

Results for the financial year ending 30 June 2013 will be published:

1 November 2012

31 January 2013*

2 May 2013*

31 July 2013*

* provisional dates

DIVIDENDS

As a BSKyB shareholder you have the opportunity to choose to invest your cash dividend in further BSKyB shares via the dividend re-investment plan. Alternatively, you can have your dividend paid directly to your bank account. If you would like more information about your choices and to download the forms please go to www.shareview.co.uk. Alternatively, you can always phone our registrar, Equiniti, who will be happy to help.

OVERSEAS DIVIDEND PAYMENTS

A service has been established to provide shareholders in over 30 countries worldwide with the opportunity to receive their dividends in their local currency. For a small flat-rate fee, shareholders can have their dividends automatically converted from Sterling and paid into their nominated bank account, normally within five working days of the dividend payment date. For further details, please contact Equiniti.

ELECTRONIC SHAREHOLDER COMMUNICATION

All BSKyB shareholder documents are available online. To allow us to provide you with company information quickly, efficiently and in an environmentally friendly way, we recommend that you elect to receive 'Electronic Communications' whereby we will contact you with relevant information directly by email. Registering for Electronic Communication is very straight forward, and is done via Shareview, a secure internet-based platform provided by our registrar Equiniti. Just go to www.shareview.co.uk and follow the 'Register' link in the top left corner. You will need your Shareholder Reference Number, which can be found on your Share Certificate.



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Dave Gormley

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COMPANY REGISTRATION NUMBER

2247735



The 2012 BSkyB Annual Review and Annual Report are available to view or download online at www.sky.com/corporate

You can find out more about Sky's contribution to UK and Irish life at www.sky.com/thebiggerpicture and download the Summary Bigger Picture Report 2012.

If you would like advice regarding accessibility of this document, please contact 08442 410333 (textphone 08442 410535)



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