

British Sky Broadcasting Limited

Annual Report and Accounts
for the year ended 30 June 2004

Registered number: 2906991



Directors and Officers

For the year ended 30 June 2004

Directors

British Sky Broadcasting Limited's ("the Company's") present Directors and those who served during the year are as follows:

A F E Ball	(resigned 4 November 2003)
R Freudenstein	
J R Murdoch	(appointed 4 November 2003)
M D Stewart	

Secretary

D J Gormley

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditors

Deloitte & Touche LLP
London

Directors' report

The Directors present their Annual Report on the affairs of the Company, together with the Accounts and Auditors' Report for the year ended 30 June 2004.

Principal activity and future developments

The Company operates one of the leading pay TV broadcasting services in the United Kingdom and Ireland. The Company's principal activities consist of the operation and distribution of twenty-six wholly-owned television channels in digital including the following fifteen channels and their multiplex versions: Sky Premier, Sky MovieMax, Sky Cinema, Sky Sports 1, Sky Sports 2, Sky Sports 3 and Sky Sports Extra, Sky One, Sky News, Sky Sports News, Sky Travel, Sky Travel Shop, Flaunt, Scuzz and The Amp. In addition, the Company currently markets to direct-to-home ("DTH") viewers channels owned and broadcast by third parties. The Directors expect these activities to continue for the foreseeable future.

Results and dividends

The audited accounts for the year ended 30 June 2004 are set out on pages 8 to 31. The profit on ordinary activities after taxation for the year was £506 million (2003: £287 million). The Directors recommend the payment of a final dividend of 3444p per ordinary share (2003: nil) which, together with the interim dividend of 730p per ordinary share (2003: nil), makes a total of 4174p per ordinary share for the year ended 30 June 2004 (2003: nil).

Directors and their interests

The Directors who served during the year are shown on page 1.

The Directors who held office at 30 June 2004 had the following interests in the shares of British Sky Broadcasting Group plc ("BSkyB") and its subsidiaries (the "Group"):

Options and awards over shares in BSkyB

	At 30 June 2003	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2004	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
R Freudenstein									
997 (a)	-	-	-	997	-	-	N/A	N/A	
203,602 (b)	-	-	-	-	203,602	£6.385	N/A	29/10/2002	29/10/2009
170,250 (c)	-	-	150,000	20,250	-	-	£7.130	N/A	
170,250 (c)	-	-	150,000	20,250	-	-	£7.130	N/A	
170,250 (c)	-	-	-	-	170,250	£8.300	N/A	30/06/2004	21/11/2011
85,166 (c)	-	-	-	-	85,166	£5.550	N/A	31/07/2004	02/08/2012
85,166 (c)	-	-	-	-	85,166	£5.550	N/A	31/07/2005	02/08/2012
4,300 (c)	-	-	-	-	4,300	£5.600	N/A	31/07/2004	02/08/2012
4,300 (c)	-	-	-	-	4,300	£5.600	N/A	31/07/2005	02/08/2012
19,500 (d)	-	-	-	-	19,500	N/A	N/A	31/07/2004	02/08/2012
19,500 (d)	-	-	-	-	19,500	N/A	N/A	31/07/2005	02/08/2012
- 160,000 (c)	-	-	-	-	160,000	£0.000	N/A	31/07/2006	13/08/2013
- 40,000 (d)	-	-	-	-	40,000	N/A	N/A	31/07/2006	13/08/2013

(a) Options granted under the BSkyB Sharesave Scheme

(b) Options granted under the Unapproved Executive Share Option Scheme

(c) Options granted under the BSkyB Long Term Incentive Plan ("LTIP")

(d) Awards granted under the BSkyB Equity Bonus Plan ("EBP")

Directors' report (continued)

J R Murdoch and M D Stewart are also Directors of the Company's ultimate parent undertaking, BSkyB. The interests of these Directors in the share capital of BSkyB are disclosed in the Report on Directors Remuneration in BSkyB's 2004 Annual Report and Accounts, which are publicly available (see note 21).

Details of the Unapproved Executive Share Option Scheme, the Sharesave Scheme, the LTIP and the EBP are also given in BSkyB's 2004 Annual Report and Accounts.

Awards under the EBP take the form of a contingent right to acquire existing BSkyB shares at the vesting date for nil consideration.

Except as disclosed in this report and in BSkyB's 2004 Annual Report and Accounts, no other Director held any interest in the share capital, including options, of the Company or any subsidiary of the Company, during the year.

At 30 June 2004, the BSkyB Executive Share Option Plan ("ESOP") was interested in 4,747,515 BSkyB Ordinary Shares in which the Directors who are employees are deemed to be interested by virtue of section 324 of the Companies Act 1985.

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

Charitable and political contributions

In 2004, the Company in the UK donated a total value of £1 million (2003: £1 million) to charities in the form of cash. Political contributions of the Company in the UK during 2004 amounted to nil (2003: nil).

Payment policy

The policy of the Company is to agree terms of payment with suppliers prior to entering into a contractual relationship. In the absence of a specific agreement, it is the policy of the Company to pay suppliers on a monthly basis. The Company had 28 days' purchases outstanding at 30 June 2004 (2003: 18 days) based on the total amount invoiced by non-programme trade suppliers during the year ended 30 June 2004. Programme creditors include significant balances which are not yet contractually due. In respect of amounts both contractually due and invoiced, the outstanding number of days' purchases is below 30 days (2003: below 30 days).

Employment policies

Equality of opportunity

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

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

Directors' report (continued)

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

Health and safety

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

Employee involvement and communication

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

Training and development

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

Financial participation

The Group, of which the Company is a subsidiary, operates a Sharesave (discounted share purchase) scheme, a pension scheme through the BSKyB Pension Plan, and also a stakeholder pension scheme for the benefit of all eligible employees.

Environmental responsibility

The Company recognises the importance of environmental responsibility and the complete BSKyB Environmental Report can be found in the corporate section on the Group's website. This report does not form part of this Annual Report.

Directors' report (continued)

Post balance sheet events

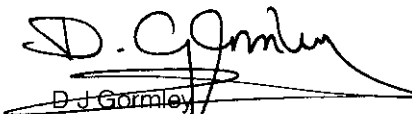
Post balance sheet events are disclosed in note 24 to the accounts.

Auditors

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

Grant Way
Isleworth
Middlesex
TW7 5QD

By order of the Board,


D.J. Gormley
Company Secretary

3 August 2004

Directors' responsibilities

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

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

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

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

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

Auditors' report

Independent Auditors' Report to the Members of British Sky Broadcasting Limited:

We have audited the financial statements of British Sky Broadcasting Limited for the year ended 30 June 2004 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We read the Directors' Report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

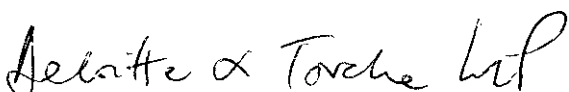
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 30 June 2004 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

3 August 2004

Profit and loss account

For the year ended 30 June 2004

	Notes	2004 £m	Before exceptional items £m	Exceptional items (see note 4) £m	2003 Total £m
Turnover	2	3,310	2,938	-	2,938
Operating expenses, net	3	(2,836)	(2,558)	5	(2,553)
Operating profit		474	380	5	385
Amounts written back to (written off) fixed asset investments, net	5	128	(1)	(91)	(92)
Profit on ordinary activities before interest and taxation		602	379	(86)	293
Income from shares in group undertakings		42	-	-	-
Interest receivable and similar income	6a)	21	15	116	131
Interest payable and similar charges	6b)	(46)	(75)	-	(75)
Profit on ordinary activities before taxation	7	619	319	30	349
Tax charge on profit on ordinary activities	9	(113)	(60)	(2)	(62)
Profit on ordinary activities after taxation	18	506	259	28	287
Equity dividends	10	(417)			-
Retained profit for the financial year		89			287

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

All results relate to continuing operations.

There were no recognised gains or losses in either year other than those included within the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is provided.

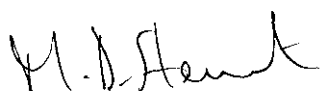
Balance sheet

At 30 June 2004

	Notes	2004 £m	2003 £m
Fixed assets			
Tangible fixed assets	11	195	189
Investments	12	74	88
		269	277
Current assets			
Stocks	13	322	328
Debtors: Amounts falling due within one year			
- deferred tax asset	15	-	3
- other	14	1,007	938
		1,007	941
Debtors: Amounts falling due after more than one year			
- deferred tax asset	15	13	12
- other	14	18	18
		31	30
Cash and liquid resources			
- current asset investments		173	-
- cash at bank and in hand		419	46
		592	46
		1,952	1,345
Creditors: Amounts falling due within one year	16	(1,838)	(1,334)
Net current assets		114	11
Total assets less current liabilities		383	288
Creditors: Amounts falling due after more than one year	16	(30)	(24)
Net assets		353	264
Capital and reserves – equity			
Called-up share capital	17	10	10
Share premium	18	242	242
Profit and loss account	18	101	12
Total shareholder's funds	18	353	264

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

Signed on behalf of the Board



MD Stewart

Director

3 August 2004

Notes to financial statements (continued)

1 Accounting policies

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

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom financial reporting and accounting standards.

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

The Company has taken advantage of the exemption from preparing consolidated accounts afforded by section 228 of the Companies Act 1985, because it is a wholly owned subsidiary of BSkyB which prepares consolidated accounts which are publicly available (see note 21). Accordingly, these financial statements represent information of the Company and not of the Group. The Company is also, on this basis, exempt from the requirement of Financial Reporting Standard 1 (Revised) to present a cash flow statement.

b) Turnover

Turnover, which excludes value added tax, represents the value of products and services sold. The Company's main sources of turnover are recognised as follows:

- Revenues from the provision of direct-to-home ("DTH") subscription services are recognised as the services are provided. Pay-per-view revenue is recognised when the event, movie or football match is viewed.
- Cable revenues are recognised as the services are provided to the cable wholesalers and are based on the number of subscribers taking the Sky channels, as reported to the Company by the cable companies, and the applicable rate card.
- Advertising sales revenues are recognised when the advertising is broadcast.
- Interactive revenues include income from on-line advertising and text services. All Interactive revenues are recognised when the services are delivered.
- Other revenues principally include marketing contributions from third party channels and platform access fees. Other revenues are recognised, net of any discount given, when the relevant service has been provided.

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

Notes to financial statements (continued)

1 Accounting policies (continued)

c) *Tangible fixed assets*

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. Freehold land and assets in the course of construction are not depreciated. Depreciation is provided to write off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life. Principal annual rates used for this purpose are:

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

d) *Fixed Asset Investments*

Investments in subsidiary undertakings are stated at cost. Provision is made for any impairment in value.

Shares in BSkyB Group plc held by the Employee Share Ownership Plan ("ESOP") are included in the balance sheet as a fixed asset investment until such time as the interest in the shares is transferred unconditionally to the employees. Provision is made for any permanent diminution in the value of shares held by the ESOP.

A charge is made in the profit and loss account in relation to the shares held by the ESOP for awards under the LTIP, the KCP and the EBP, based on an assessment of the probability of the performance criteria under the LTIP, KCP and EBP being met. The charge is allocated on a straight-line basis over the vesting periods of the LTIP, KCP and EBP.

Other fixed asset investments are stated at cost, less any provision for permanent diminution in value.

e) *Impairment of fixed assets*

Tangible fixed assets are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. Should an impairment review be required, this is performed in accordance with Financial Reporting Standard 11 "Impairment of fixed assets and goodwill".

Notes to financial statements (continued)

1 Accounting policies (continued)

f) Stocks

Acquired and commissioned television programme rights

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

Contractual obligations for programme rights not yet available for transmission are not included in the cost of programme rights, but are disclosed as contractual commitments (see note 19). Payments made upon receipt of commissioned and acquired programming, but in advance of the legal right to broadcast the programmes, are treated as prepayments. Programme rights are recorded in stock at cost when the programmes are available for transmission.

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

Sports	100% on first showing, or, where contracts provide for sports rights for multiple seasons or competitions, the amortisation of each contract is based on anticipated revenue.
Current affairs	100% on first showing.
General entertainment	Straight-line basis on each transmission. One showing planned - 100% Two showings planned - 60%; 40% Three showings planned - 50%; 30%; 20% Four showings planned - 40%; 30%; 20%; 10%
Movies	Acquired movies are amortised on a straight-line basis over the period of transmission rights. Where acquired movie rights provide for a second availability window, 10% of the cost is allocated to that window. Own movie productions are amortised in line with anticipated revenue over a maximum of five years.

g) *Transponder rental prepayments*

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

h) *Taxation*

Corporation tax payable is provided at current rates on all taxable profits. Losses are generally surrendered between companies within the Group for no consideration.

Notes to financial statements (continued)

1 Accounting policies (continued)

i) *Deferred taxation*

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

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

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

j) *Foreign currency*

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

k) *Derivatives and other financial instruments*

The Company uses a number of derivative financial instruments to hedge its exposures to fluctuations in interest and foreign exchange rates. Receipts and payments on interest rate instruments are recognised on an accruals basis over the life of the instrument. Gains and losses on those instruments which are designated as hedges are not recognised until the underlying creditor being hedged is recognised. If an instrument ceases to be designated as a hedge, for example, by the underlying hedged position being eliminated, the instrument is marked to market and any resulting gain or loss is recognised immediately in the profit and loss account. The Company does not hold or issue derivative financial instruments for speculative purposes.

l) *Pension costs*

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

m) *Leases*

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

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

Notes to financial statements (continued)

2 Turnover

	2004 £m	2003 £m
DTH subscribers	2,660	2,341
Cable subscribers	215	202
Advertising	313	286
Interactive	25	18
Other	97	91
	3,310	2,938

All Company turnover is derived from the Company's sole class of business, being television broadcasting together with certain ancillary functions. Turnover arises principally within the United Kingdom from activities conducted from the United Kingdom. In order to provide shareholders with additional information, the Company's turnover has been analysed as shown above.

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

The Company's profit before tax and its net assets relate to activities conducted in the United Kingdom.

3 Operating expenses, net

	2004 £m	Before exceptional items £m	Exceptional items £m	Total 2003 £m
Programming (i)	1,690	1,589	-	1,589
Transmission and related functions (i)	132	124	-	124
Marketing	463	425	-	425
Subscriber management	231	195	-	195
Administration	320	225	(5)	220
	2,836	2,558	(5)	2,553

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

Notes to financial statements (continued)

4 Exceptional items

	2004 £m	(Charge) credit before taxation £m	Taxation charge £m	2003 Total £m
Release of provision against ITV Digital programming debtors (a)	-	5	(2)	3
Exceptional operating items	-	5	(2)	3
Provision against investment (b)	-	(91)	-	(91)
Dividend received on liquidation of investment (b)	-	116	-	116
Total exceptional items	-	30	(2)	28

2003

Exceptional operating items

(a) ITV Digital

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

(b) BSkyB Interactive Investments Limited ("BIIL")

On 14 August 2002, BIIL, a wholly-owned subsidiary of the Company, was placed into Members Voluntary Liquidation. On the same date, BIIL assigned £116 million to the Company as a first and final distribution of its assets. In addition, BIIL assigned all and any rights under the Loan Agreement signed 15 November 1999 to the Company. This assignment offset amounts owed to BIIL under the Loan Agreement by the Company at 14 August 2002, totalling £116 million. This resulted in a net credit to the profit and loss account of £25 million in the year ended 30 June 2003, being the excess of the assets distributed over the £91 million carrying value of the investment in BIIL.

5 Amounts written back to (written off) fixed asset investments

Amounts written back to fixed asset investments during the year include a £132 million write back of a provision against a loan made to British Interactive Broadcasting Limited ("BiB") (see note 12a).

The Company participates in various joint ventures, which are held via the Company's wholly owned subsidiary undertakings, Sky Ventures Limited and Sky New Media Ventures Limited. Funding is provided by the Company to these joint ventures via Sky Ventures Limited and Sky New Media Ventures Limited. During the year a provision of £4 million was made against the Company's investment in Sky New Media Ventures Limited.

The net provision of £92 million written off against investments in 2003 related principally to a provision of £91 million made against the investment in BIIL (see note 4) following its placement into Members Voluntary Liquidation. The other movements in provisions in 2003 related to a provision made of £2 million against the Company's investment in Sky New Media Ventures Limited, partly offset by £1 million written back against the Company's investment in Sky Ventures Limited.

Notes to financial statements (continued)

6 Interest

a) Interest receivable and similar income

	2004	Before exceptional items	Exceptional items (see note 4)	Total 2003
	£m	£m	£m	£m
Dividend on liquidation of investment	-	-	116	116
Intercompany interest receivable	13	12	-	12
Other interest receivable and similar income	8	3	-	3
	21	15	116	131

Intercompany interest is receivable on loans to BiB (see note 14) and Sky Ventures Limited (see note 12a). Other interest is receivable on bank deposits.

b) Interest payable and similar charges

	2004	2003
	£m	£m
Intercompany interest payable	45	74
Other interest payable and similar charges	1	1
	46	75

Intercompany interest payable includes interest on US\$650m Guaranteed Notes at 8.200%, £100m Guaranteed Notes at 7.750% and interest on a £600 million revolving credit facility ("RCF") at between 0.600% and 1.125% above LIBOR all recharged from BSkyB. All Guaranteed Notes are repayable in full by BSkyB in 2009. The £600 million RCF matures in March 2008.

7 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	2004	2003
	£m	£m
Depreciation		
- owned assets	52	54
- assets held under finance leases	-	4
Loss on disposal of fixed assets	1	-
Rentals on operating leases and similar arrangements		
- land and buildings	9	8
- plant and machinery	70	74
- intellectual property	70	-
Staff costs	212	183

Intellectual property operating lease rentals relate to royalties payable to BSkyB in respect of the Sky Brand.

Notes to financial statements (continued)

7 Profit on ordinary activities before taxation (continued)

Amounts payable to the auditors are analysed below:

	2004 £m	2003 £m
Statutory audit services	1	1
Audit related fees	1	1
Audit and related services	2	2
 Tax advisory services	 -	 1
 Other services	 -	 1
Non-audit related services	-	1

8 Staff costs

a) Employee costs

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

	2004 £m	2003 £m
Wages and salaries	166	129
Costs of LTIP, KCP, EBP and other share-related incentive schemes	16	27
Social security costs	20	18
Other pension costs	10	9
	212	183

Awards under the LTIP and KCP made in 2001 and 2002 take the form of a market value option to acquire existing BSkyB ordinary shares with a cash bonus equal to the exercise price of the option. To the extent that the market price of the share at the date of vesting of such awards is below the exercise price at the date of exercise, awards are satisfied by a transfer of shares. The number of shares received varies to the extent that performance conditions have been achieved.

Awards under the LTIP and KCP made in 2003 take the form of a nil-priced option to acquire existing BSkyB ordinary shares.

Awards under the EBP take the form of a contingent right to acquire existing BSkyB shares at the vesting date for nil consideration.

Notes to financial statements (continued)

8 Staff costs (continued)

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

	2004 Number	2003 Number
Programming	1,229	1,003
Transmission and related functions	1,356	1,322
Marketing	209	173
Administration	985	869
	3,779	3,367

The Company operates a defined contribution pension scheme through the BSKyB Pension Plan ("the Plan"). The pension charge for the year represents the cost of contributions payable by the Company to the Plan during the year and amounted to £10 million (2003: £9 million). The Company's contributions owing to the Plan at 30 June 2004 were £1 million (2003: £1 million).

b) Directors emoluments

The remuneration of the Directors was as follows:

	2004 £m	2003 £m
Payment to Director on expiry of contract	11	-
Other emoluments	5	5
	16	5

Awards under the LTIP take the form of a market-value option with a cash bonus equal to the exercise price. In 2003 and 2004, as the market price of a share at the date of vesting of the LTIP was below the exercise price, the awards were treated as lapsed. Instead, participants received shares, for no consideration, equal to the value of their vested awards and no cash bonus was paid. The gain on receipt of such shares is not included in the above amounts. Three Directors received shares upon vesting under the LTIP during the year (2003: one Director).

One Director exercised share options during the year (2003: no Directors).

All Directors in the current and prior year are members of the BSKyB defined contribution pension scheme.

The above amounts for remuneration include the following in respect of the highest paid Director:

	2004 £m	2003 £m
Emoluments	13	2

The highest paid director exercised share options and received shares upon vesting under the LTIP during the year (2003: nil).

Details of movements on share options and awards for Directors are given in the Directors' Report on pages 2 and 3.

Notes to financial statements (continued)

9 Taxation

a) Analysis of charge (credit) in year

	2004	Tax charge (credit) on profit before exceptional items	Exceptional tax charge (see note 4)	2003 Total
	£m	£m	£m	£m
Current tax				
Tax charge on profit on ordinary activities for the year	109	70	2	72
Items relating to prior year	2	-	-	-
Total current tax	111	70	2	72
Deferred tax:				
Origination and reversal of timing differences	(4)	(1)	-	(1)
Increase (decrease) in estimate of recoverable deferred tax asset in respect of prior years (i)	6	(9)	-	(9)
Total deferred tax	2	(10)	-	(10)
	113	60	2	62

(i) During the prior year the Company recorded a deferred tax credit of £17 million relating to deferred tax assets not previously recognised (of which £11 million related to short-term timing differences and £6 million related to losses), offset by a £8 million reduction in the deferred tax asset recognised at 30 June 2002 on accelerated capital allowances.

Notes to financial statements (continued)

9 Taxation (continued)

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

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

	2004 £m	2003 £m
Profit on ordinary activities before tax	619	349
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	186	105
Effects of:		
Non-taxable dividends received	(12)	(35)
(Non-taxable) non-deductible amounts written (back) off fixed asset investments	(40)	27
Other permanent differences	4	4
Depreciation for the year in excess of capital allowances, net	2	3
Utilisation of tax losses	-	(6)
Group relief claimed from other BSkyB companies for no charge	(35)	(33)
Other timing differences	4	5
Current tax charge for the year	109	70

c) Factors that may affect future tax charges

A deferred tax asset of £7 million (2003: £5 million) arising principally on other timing differences has not been recognised on the basis that these timing differences are not more likely than not to reverse.

10 Equity dividends

	2004 £m	2003 £m
Interim dividend paid of 730p (2003: nil) per Ordinary Share	73	-
Final proposed dividend of 3444p (2003: nil) per Ordinary Share	344	-
	417	-

On 24 October 2003, the Company transferred the Sky Brand to BSkyB at nil book value, by way of a dividend in specie.

Notes to financial statements (continued)

11 Tangible fixed assets

The movement in the year was as follows:

	Freehold land and buildings (i) £m	Short leasehold improvements £m	Equipment, fixtures and fittings (ii) £m	Assets in the course of construction £m	Total £m
Cost					
Beginning of year	19	80	407	-	506
Additions	-	-	45	14	59
Disposals	-	-	(2)	-	(2)
End of year	19	80	450	14	563
Depreciation					
Beginning of year	-	46	271	-	317
Charge	1	3	48	-	52
Disposals	-	-	(1)	-	(1)
End of year	1	49	318	-	368
Net book value					
Beginning of year	19	34	136	-	189
End of year	18	31	132	14	195

(i) Depreciation was not charged on £6 million of land (2003: £6 million).

(ii) The amounts shown include assets held under finance leases with a net book value of nil (2003: nil). Depreciation charged during the year on such assets was nil (2003: £4 million).

12 Fixed asset investments

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

	2004 £m	2003 £m
Loans and subscription for shares in subsidiary undertakings (a)	43	52
Investment by ESOP in BSkyB shares (b)	30	35
Other fixed asset investments	1	1
	74	88

Other fixed asset investments relate to a £1m investment in Shine Entertainment Limited, in which the Company has a 3.5% equity shareholding.

Notes to financial statements (continued)

12 Fixed asset investments (continued)

(a) Loans and subscription for shares in subsidiary undertakings

The movement in the year was as follows:

	Loans £m	Shares £m	Total £m	2003 £m
Cost and funding				
Beginning of year	186	130	316	612
Subscription for shares	-	-	-	7
Loans (repaid) advanced during the year, net	(5)	-	(5)	10
Loans transferred to debtors due in less than one year	(132)	-	(132)	-
Liquidation of subsidiaries	-	-	-	(313)
End of year	49	130	179	316
Amounts provided				
Beginning of year	134	130	264	485
Amounts (written back) provided (see note 5)	(128)	-	(128)	92
Liquidation of subsidiaries	-	-	-	(313)
End of year	6	130	136	264
Net book value				
Beginning of year	52	-	52	127
End of year	43	-	43	52

Fixed asset investments shown above represent the cost of the shares of the wholly-owned subsidiary undertakings plus loans advanced, less provisions made for any impairment in value.

All loans to subsidiary undertakings are non-interest bearing, except for loans of £3 million (2003: £3 million) which bear interest at LIBOR plus 1.0% and £3 million (2003: nil) which bear interest at LIBOR plus 1.5% to Sky Ventures Limited, a subsidiary undertaking.

Amounts written back during the year include a write back of £132 million against a loan made to BiB. The Directors consider that this loan is now fully recoverable. The loan of £132 million has been transferred to debtors due in less than one year.

The liquidation of subsidiaries relates to the liquidation of BiIL and Sky Scottish Limited during the prior year.

Notes to financial statements (continued)

12 Fixed asset investments (continued)

(b) Investment by ESOP in BSkyB shares

The movement in the year was as follows:

	Number of Ordinary Shares	Carrying value £m
At beginning of year	5,457,012	35
Share options exercised during the year	(4,339,497)	(27)
Shares purchased by the Company during the year	3,630,000	22
At end of year	4,747,515	30

At 30 June 2004, the ESOP held 4.7 million Ordinary Shares in BSkyB (2003: 5.5 million) at an average value of £6.25 per share (2003: £6.34 per share).

The 4.3 million Ordinary Shares utilised during the year relate to the exercise of LTIP, KCP and Executive Share Option Scheme awards.

The market value of shares held by the ESOP at 30 June 2004 was £30 million (2003: £37 million), and the nominal value was £2 million (2003: £3 million).

13 Stocks

	2004 £m	2003 £m
Television programme rights	322	328

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

Notes to financial statements (continued)

14 Debtors

	2004 £m	2003 £m
Amounts falling due within one year:		
Trade debtors	145	149
Amounts owed by fellow subsidiary undertakings	721	631
Amounts owed by subsidiary undertakings	9	18
Amounts owed by joint ventures and associates	6	14
Amounts owed by other related parties (see note 20)	2	-
Other debtors	1	4
Prepaid programme rights	35	54
Prepaid transponder rentals	6	6
Advanced corporation tax	-	19
Other prepayments and accrued income	82	43
	1,007	938
Amounts falling due after more than one year:		
Prepaid programme rights	6	3
Prepaid transponder rentals	6	8
Other prepayments and accrued income	6	7
	18	18

No interest is charged on amounts owed by fellow subsidiary undertakings or subsidiary undertakings, except as described below. All balances are repayable on demand.

The Company has loaned £234 million (2003: £282 million) (against which nil was provided in 2004 and £132 million provided in 2003) to BiB on which interest is charged at LIBOR plus 1.0%. This loan was matched by an equal amount that was loaned to the Company by BIL on which interest was charged at LIBOR plus 1.0% until 14 August 2002 when BIL was placed into Members Voluntary Liquidation and assigned all rights under the Loan Agreement to the Company.

On 25 January 2002, the Company entered into five RCF's with a fellow subsidiary undertaking, British Sky Broadcasting Finance Limited ("BSkyB Finance"). At the same time, BSKyB Finance entered into reciprocal facilities on the same terms with the following group undertakings:

- Sky Sports Ventures Limited
- WAP TV Limited
- Surrey Group Limited
- Sky New Media Ventures Limited
- Sky Subscribers Services Limited ("SSSL")

Notes to financial statements (continued)

14 Debtors (continued)

Each of these facilities was for £100 million, with the exception of the RCF with SSSL, which was for £500 million. On 30 September 2002, the Company entered into an RCF with BSkyB Finance for £100 million, who at the same time entered into a reciprocal facility on the same terms with the Sports Internet Group, another group undertaking. All of the RCFs are repayable on demand and are non-interest bearing.

The Company has loaned £99 million (2003: £123 million) under these facilities at the year end.

15 Deferred tax asset

	2004 £m	2003 £m
Included within debtors due within one year:		
- short-term timing differences	-	3
	-	3
Included within debtors due after more than one year:		
- accelerated capital allowances	1	(1)
- short-term timing differences	12	13
	13	12
Deferred tax asset		
Beginning of year	15	6
(Charge) credit in the profit and loss account during the year	(2)	9
End of year	13	15

The amount of unrecognised deferred tax within the Company is disclosed in note 9c.

The Directors consider that there is sufficient evidence to support the recognition of the deferred tax asset present at 30 June 2004 on the basis that it is more likely than not that there will be suitable taxable profits against which these assets can be utilised.

Notes to financial statements (continued)

16 Creditors

	2004 £m	2003 £m
Amounts falling due within one year:		
Trade creditors	341	289
Amounts due to parent undertaking	394	354
Amounts due to fellow group undertakings	4	136
Amounts due to subsidiary undertakings	176	44
Amounts due to joint ventures and associates	8	-
Amounts due to other related parties (see note 20)	29	25
UK corporation tax	34	23
VAT	107	74
Social security and PAYE	6	-
Other creditors	52	35
Accruals and deferred income	343	354
Proposed dividend	344	-
	1,838	1,334
Amounts falling due after more than one year:		
Accruals and deferred income	30	24

No interest is charged on amounts due to fellow group undertakings, subsidiary undertakings or joint ventures, except as described in note 14. These amounts are repayable on demand. The amount due to fellow group undertakings under the RCF agreements (see note 14) was £16 million (2003: £14 million) as at the year end.

An amount of £31 million (2003: £38 million) due to the parent undertaking represents the loan from BSkyB to the ESOP to enable it to purchase the shares in BSkyB. No interest is payable on the loan and the loan is repayable on demand.

17 Called-up share capital

	2004 £m	2003 £m
<i>Authorised</i>		
12,000,000 Ordinary Shares of £1 each	12	12
<i>Allotted, called-up and fully paid</i>		
10,000,002 Ordinary Shares of £1 each	10	10

Notes to financial statements (continued)

18 Reconciliation of movements in shareholder's funds (deficit)

	Share capital £m	Share premium £m	Profit and loss account £m	Total shareholder's funds (deficit) £m
At 1 July 2002	10	242	(275)	(23)
Profit for the financial year	-	-	287	287
At 1 July 2003	10	242	12	264
Profit for the financial year	-	-	506	506
Dividends	-	-	(417)	(417)
At 30 June 2004	10	242	101	353

19 Guarantees, contingencies and other financial commitments

a) Future expenditure

	2004 £m	2003 £m
Contracted for but not provided for in the accounts		
- set-top boxes and related equipment	62	84
- television programme rights (i)	2,489	1,618
- third party payments (ii)	41	46
- capital expenditure	17	1
- other purchase obligations	60	8
	2,669	1,757

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

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

At 30 June 2004, the US dollar television programme rights commitments have been translated at the year end rate of US\$1.8219:£1 (2003: US\$1.6497:£1), except for US\$340 million (2003: US\$566 million) covered by forward rate contracts where the average forward rate set out above has been used. The Swiss franc commitments have been translated at the year end rate of CHF2.2743:£1 (2003: CHF2.2288: £1) except for CHF90 million (2003: CHF99 million) covered by forward rate contracts where the average forward rates set out above have been used. The Euro commitments have been translated at the year end rate of Euro1.5020:£1.

Notes to financial statements (continued)

19 Guarantees, contingencies and other financial commitments (continued)

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

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

b) Contingent assets

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

c) Guarantees

The Company has given joint and several guarantees, together with SSSL, a wholly owned subsidiary, in relation to the £600 million RCF held by its parent undertaking, BSkyB. The Company has also given joint and several guarantees, together with SSSL, in relation to the issue in the US public debt market of US\$300 million of 7.30% Guaranteed Notes repayable in October 2006, US\$600million of 6.875% Guaranteed Notes repayable in February 2009 and in relation to US\$650 million and £100 million Guaranteed Notes issued under Regulation S/144A and subsequently registered with the SEC, both repayable in July 2009.

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

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

Notes to financial statements (continued)

19 Guarantees, contingencies and other financial commitments (continued)

d) Lease and similar commitments

The minimum annual rentals under these arrangements are as follows:

	Land and buildings £m	Plant and machinery £m	Intellectual property £m	Total £m
Year ended 30 June 2004				
Operating leases and similar arrangements which expire:				
- within one year	-	3	-	3
- between two and five years	2	49	-	51
- after five years	9	23	106	138
	11	75	106	192
Year ended 30 June 2003				
Operating leases and similar arrangements which expire:				
- within one year	1	2	-	3
- between two and five years	2	26	-	28
- after five years	7	35	-	42
	10	63	-	73

20 Transactions with related parties

The Group, including the Company, conducts business transactions on a normal commercial basis with, and receives a number of services from, shareholder companies or members of their groups and associated undertakings. These transactions are described in the consolidated accounts of the Group.

The Company has taken advantage of the exemption given by Financial Reporting Standard 8 "Related Party Disclosures" not to provide further details of transactions with fellow group undertakings and other related parties as it is a wholly-owned subsidiary of BSkyB and disclosures of such transactions are made in the consolidated accounts of the Group, which are publicly available.

21 Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of British Sky Broadcasting Group plc, a company incorporated in Great Britain and registered in England and Wales. The only group in which the results of the Company are consolidated is that headed by BSkyB.

The consolidated accounts of the Group are available to the public and may be obtained from the Company Secretary, British Sky Broadcasting Group plc, Grant Way, Isleworth, Middlesex, TW7 5QD.

Notes to financial statements (continued)

22 Principal investments

Details of the principal investments of the Company are as follows:

Name	Country of incorporation	Description and proportion of shares held (%)	Principal activity
Direct holdings			
Sky Subscribers Services Limited	England and Wales	2 Ordinary Shares of £1 each (100%)	The provision of ancillary functions supporting the satellite television broadcasting operations of the Company
Sky Ventures Limited	England and Wales	912 Ordinary Shares of £1 each (100%)	Holding company for joint ventures
British Sky Broadcasting SA	Luxembourg	12,500 Ordinary Shares of £12 each (100%)	Digital satellite transponder leasing company
Sky New Media Ventures Limited	England and Wales	12,500 Ordinary Shares of £1 each (100%)	Holding company for new media investments
British Interactive Broadcasting Holdings Limited (i)	England and Wales	129,740 Ordinary Shares of £1 each (19.9%)	The transmission of interactive services
Indirect holdings			
Sky In-Home Service Limited	England and Wales	1,576,000 Ordinary Shares of £1 each (100%)	The supply, installation and maintenance of satellite television receiving equipment

(i) The remaining 80.1% is held by BSkyB.

23 Regulatory update

European Commission Investigation — Football Association Premier League Limited

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

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

Notes to financial statements (continued)

23 Regulatory update (continued)

European Commission Investigation — Movie Contracts

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

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

European Commission Sector Inquiry – “New Media” Sports Rights

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

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

24 Post balance sheet events

Potential legal claim

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

Capital investment programme

The Group intends to invest an additional approximately £450 million on capital expenditure over the four years to 30 June 2008, in order to support its long-term growth. This is in addition to ongoing core maintenance capital expenditure, which is expected to remain at about £100 million per annum over the same period. The Company is forecast to incur a significant portion of the additional expenditure on enhancements of Sky's Osterley campus and continuation of the current Advanced Technology Centre project.