BRITISH SKY BROADCASTING GROUP PLC
Results for the twelve months ended 30 June 2013

RECORD RESULTS. STRONG PLANS FOR 2013/14

	Adjusted results			Reported results		
Twelve months to 30 June	2012/13	2011/12	Variance	2012/13	2011/12	Variance
Revenue	£7,235m	£6,791m	+7%	£7,235m	£6,791m	+7%
EBITDA	£1,692m	£1,567m	+8%	£1,669m	£1,587m	+5%
Operating profit	£1,330m	£1,223m	+9%	£1,291m	£1,243m	+4%
Earnings per share (basic)	60.0p	50.8p	+18%	60.7p	52.6p	+15%

Record financial and operational performance on the back of strong demand

- Paid-for subscription product growth of 3.3 million to a total of 31.6 million
- Revenue of £7,235 million, up 7%
- EBITDA of £1,692 million, up 8% and operating profit of £1,330 million, up 9%
- Basic earnings per share of 60.0p, up 18%
- Free cash flow in excess of £1 billion
- ARPU of £577, up £29 year on year

New services resonating strongly with customers

- 170% growth in internet-connected Sky+HD boxes to 2.7 million
- 19% increase in Sky Go users to 3.3 million
- Fivefold increase in On Demand downloads
- 200% growth in Sky Store video rentals

Strong set of plans for 2013/14

- Extending leadership in core areas:
  - New slate of original British drama and outstanding year for Sky Sports
  - Offer best quality and value in broadband
  - Build advantage in customer service
- Investing to accelerate growth and returns from new services:
  - Accelerate roll-out of connected boxes
  - Extend leadership in mobile video
  - Build market-leading on demand service
  - Volume-driven impact of £60 million to £70 million expected on operating profit in 2013/14 with rapid returns from accelerated take-up and usage of new services

Growing returns to shareholders

- 18% increase in full year dividend to 30.0p per share, ninth consecutive year of growth
- £500 million capital return to shareholders via share buy-back

All figures and growth rates quoted above are based on adjusted results

Jeremy Darroch, Chief Executive, commented:

"We have had another very good year of growth, with revenues up 7%, operating profit up 9% and earnings per share up 18%. The strength of our financial performance is a result of our successful transition to more broadly-based growth and sustained investment to create a better service and wider range of products for customers.

"On the back of this performance, we are increasing returns to shareholders with the ninth consecutive rise in the ordinary dividend and we intend to seek approval for a further £500 million of share repurchases.

"Over the course of the year, we added more than three million new paid-for subscription products. We finished the year strongly with 11% organic growth in product sales for the fourth quarter, reflecting good demand in all areas. It was a particularly significant quarter for home communications as good organic growth, combined with the consolidation of the consumer broadband and fixed-line telephony business acquired from O2, delivered well over a million product additions.

"In our television business, there has been an excellent response from customers to our new services. We've seen an explosion in on-demand and mobile viewing as more people connect their Sky boxes to broadband and watch TV on laptops and mobile devices with Sky Go. Sky Go Extra, our new subscription service, has already attracted more than 150,000 customers in just five months. Customers tell us they get huge value from these services. The benefits to our business are equally strong through take-up of higher-tier packages, expanded revenue opportunities and improved customer satisfaction. We see an exciting opportunity for future growth in this area and we intend to increase investment over the next year to accelerate growth and returns from these new services.

"We expect the consumer environment to remain challenging over the coming twelve months. Against that backdrop, we have a strong set of plans that will extend our leadership in core areas – on screen, in home communications and in front-line service delivery; accelerate growth in new services; and improve efficiency to build a bigger, more profitable business for shareholders."

Results highlights

Customer Metrics (unaudited)
Consolidated for the acquisition of O2's consumer broadband and fixed-line telephony business

	As at 30-Jun-13	As at 30-Jun-12	Annual growth	Quarterly Growth to 30-Jun-13
Paid-for subscription products ('000s)	**31,634**	**28,365**	**+3,269**	**+1,406**
TV	10,422	10,288	+134	+34
HD	4,786	4,343	+443	+117
Multiroom	2,489	2,402	+87	+13
Sky Go Extra	166	-	+166	+122
Broadband	4,906	4,001	+905	+519
Telephony	4,501	3,768	+733	+293
Line rental	4,364	3,563	+801	+308
Paid-for products per retail customer	2.8	2.7		
New connected TV services ('000s)				
Internet-connected Sky+HD boxes	2,709	995	+1,714	+425
Sky Go unique users	3,257	2,740	+517	-5
Other metrics				
Total customers ('000s)	**14,830**	**14,278**	**+552**	**+217**
Retail customers	11,153	10,606	+547	+341
Wholesale customers (4)	3,677	3,672	+5	-124
ARPU (2) (5)	£577	£548	+£29	
Triple-play(5)	35%	32%	+3%	
Churn (2) (5)	10.9%	9.9%	+1.0%	

Additional KPI summary tables containing further detailed disclosure, including the effect of the O2 consolidation in the fourth quarter may be found at Schedules 1 and 2.

Business Performance (1) (unaudited)	12 months to 30-Jun-13	12 months to 30-Jun-12	Movement
Revenue	£7,235m	£6,791m	+7%
Adjusted EBITDA	£1,692m	£1,567m	+8%
% Adjusted EBITDA profit margin	*23.4%*	*23.1%*	*+30bps*
Adjusted operating profit	£1,330m	£1,223m	+9%
Adjusted profit before tax	£1,264m	£1,148m	+10%
Adjusted basic earnings per share (3)	60.0p	50.8p	+18%
Adjusted free cash flow	£1,028m	£910m	+13%
Net debt as at the end of the period	£1,183m	£876m	

[1] A reconciliation of adjusted operating profit, adjusted EBITDA and adjusted PBT to reported measures as well as cash generated from operations to adjusted free cash flow and net debt is set out in Appendix 2.
[2] Quarterly annualised.
[3] Adjusted basic EPS is calculated from adjusted profit for the period. A reconciliation of reported profit to adjusted profit is set out in note 6 to the consolidated financial information.
[4] Wholesale customers taking at least one paid for Sky channel. The customer numbers are as reported to us at May 2013.
[5] Other metrics to include O2 broadband and fixed-line telephony customers from Q1 2013/14 onwards.

SUMMARY OF OPERATIONAL AND FINANCIAL PERFORMANCE

We delivered a very strong performance for the year with good operating growth translating into another record set of financial results. A 7% increase in revenues, combined with a continued focus on cost efficiency, led to an 8% increase in adjusted EBITDA and an 18% growth in adjusted basic earnings per share to 60.0p, more than double the level of five years ago. The full year dividend of 30.0 pence per share is 18% higher year on year, the ninth consecutive year of growth.

Our successful transition to more broadly-based growth, combined with the acquisition of O2's consumer broadband and fixed-line telephony business ("O2"), delivered an increase of 1.4 million subscription products in the fourth quarter. We grew subscription products by 700,000 organically, with a further 706,000 as a result of the acquisition of the O2 business. In all, we added 3.3 million subscription products over the year to reach 31.6 million, more than double the level of five years ago. Customers now take an average of 2.8 paid-for products from Sky.

We closed the quarter with 11.2 million retail customers, an increase of 341,000 in the quarter. Of these, after reflecting overlap of the two customer bases, 290,000 joined Sky through our purchase of the O2 business.

ARPU continued to rise to £577, up £29 on last year. Quarterly annualised churn was 10.9%.

We saw good growth in the quarter across all products adding another 117,000 HD customers and 122,000 Sky Go Extra customers. In all, Sky Go Extra, our new paid-for mobile TV service, had a total of 166,000 paying customers at year end, just five months after launch. The transactional element of NOW TV, the sports day pass, got off to a good start as more than 50,000 individual users purchased day passes in the first three months. We continue to roll-out NOW TV across multiple platforms having launched on PS3, and this week concluded an exclusive agreement with LG by which they will make NOW TV available on their Smart TVs.

Home communications also had a very good quarter on the back of our broadband value campaign. Before accounting for the acquisition of O2, we added 119,000 customers in broadband, 140,000 in telephony and 155,000 in line rental. The acquisition of O2 added a further 400,000 broadband subscribers and 153,000 each of telephony and line rental. In all, 35% of our customer base now take all three of TV, broadband and telephony from Sky, up from 32% last year.

STRONG SET OF PLANS FOR 2013/14

We enter the new financial year in a strong position to continue to grow our business and create value. Our plan for 2013/14 will focus on two broad areas: firstly, extending leadership in our core areas of strength, on screen, in home communications and in our front-line customer service delivery; and secondly, accelerating the take-up and usage of new services where we are already seeing a very strong response from customers.

Products

Our focus on providing customers with more ways to watch TV is delivering good results with strong momentum in the take-up and usage of our connected TV services.

More than 2.7 million customers, one quarter of our TV base, have now connected their Sky+HD boxes to broadband, a rise of 170% on last year. Combined with an expanded range of content available on demand, this led to a fivefold increase in the number of average weekly On Demand downloads over the year. Meanwhile, our mobile video service Sky Go continues to perform well with quarterly users up 19% to 3.3 million, 166,000 of whom are now paying £5 a month for our new subscription service Sky Go Extra. Our transactional movie rental service, Sky Store, also grew strongly, with the number of films rented up threefold on last year.

With the momentum that we have established, we will push harder in 2013/14 to bring forward both growth and returns for the business.

There are three key elements to our plan: first, we will step up the roll-out of connected boxes across our base by offering a low-cost wireless connector to customers that have a Sky+HD box but haven't yet connected it to broadband. We will also launch a new WiFi-enabled Sky+HD box as standard from September, rolling it out to targeted groups of customers who don't yet have Sky+HD boxes. This acceleration of our connected Sky+HD platform will open up access to the full range of On Demand services, increasing the value we deliver to customers and providing an important platform from which to grow new revenue streams.

Additionally, we plan to extend our reach into new segments of the market with the launch of a NOW TV IP streaming box. This will be available from today for just £9.99 and will provide an attractive new way for customers to access our content via NOW TV.

Second, we are going to extend the leadership that we have established in mobile TV with Sky Go. We will add more than ten new channels to the service next year and continue to improve functionality. On the back of this, we will increase our marketing to drive greater usage and upsell to our new subscription service Sky Go Extra. For £5 a month, this lets customers register up to four devices per account and download movies and TV shows to watch offline.

Third, we are going to enhance our market-leading on demand service. We plan to add more than 20 new channels to our Catch Up TV service and develop the quality of our Box Sets, increasing the hours of content available by around 50% in the next year. Both initiatives are aimed at driving on-demand usage and reinforcing our platform superiority. We will monetise this usage with the new Entertainment Extra+ bundle. In addition, we will expand Sky Store, our movie rental service offering customers the choice of thousands of blockbuster movies.

Investment in these three areas will enable us to meet the growing customer demand for new services and drive greater returns from increased take-up of higher-tier packages; higher transactional revenues; increased penetration of NOW TV; and higher levels of customer satisfaction and advocacy.

Overall, we expect accelerating the take-up and usage of new services to have an impact of between £60 million and £70 million on operating profit in 2013/14. The majority of the investment will be in hardware and largely volume-driven. We expect the aggregate effect of investment and higher revenue to be broadly neutral in 2014/15 and to increase our profits in 2015/16 and thereafter.

Content

In 2013/14, we will continue to improve the quality of our on-screen offering building on the progress we have made in the past year.

In sport, the summer got off to a great start with the Lions Tour to Australia attracting record audiences for Rugby Union on Sky, with figures for the Test series up 85% on 2009. Meanwhile, coverage of the Ashes started well this month, with the average audience to the first test up almost 20% on the last English Ashes series. The coverage benefited from having its own channel for the first time following the temporary rebrand of Sky Sports 2 HD as Sky Sports Ashes HD.

We continue to expand the breadth of our offering in sport having secured a number of key rights agreements in the year. These include live rights to all Home Nations and Republic of Ireland qualification matches for UEFA Euro 2016 and 2018 FIFA World Cup and a new three-year broadcasting agreement with the Football League. Starting in August 2015, this will give us 148 live games each season from the Football League, Capital One Cup and Johnstone's Paint Trophy.

Elsewhere, we have continued to strengthen our entertainment offering with a good response from customers. *An Idiot Abroad 3* on Sky 1 delivered the highest weekly audience ever in the channel's history, taking account of live, On Demand and time-shifted viewing. US acquisitions also performed strongly across the portfolio. Arrow on Sky 1 was the most successful US drama in pay TV history averaging 1.5 million viewers per episode; The Following was the highest-rating series ever on Sky Atlantic; while Elementary has become the highest-rating series ever on Sky Living. Meanwhile, season 3 of Game of Thrones broke new records for On Demand viewing across all platforms including more than 1 million On Demand downloads through the set-top box and 2.3 million views over Sky Go.

In all, the number of entertainment shows attracting an audience of more than 1 million rose 200% in the last two years to 122.

Looking ahead, we are taking our next big step in original British content this year with a big step up in commissioned drama across the portfolio. We currently have close to 90 hours in production with highlights including The Tunnel, a ten-part crime drama, based on the format of The Bridge and co-produced with Canal+ and Fleming, a new four-part drama about the life of the celebrated James Bond creator, Ian Fleming.

Service

In an environment where customers are taking a broader set of products and services from us, customer service is an increasingly important differentiator. Sky has consistently been top of Ofcom's Customer Satisfaction survey in all three categories of TV, broadband and telephony.

We know that efficient service is better service. We aim to achieve further improvements in service quality this year by rolling out our 'One Service' pilot. We have been testing One Service for a number of months with the aim of providing customers with a more joined-up service experience. As part of this, we are bringing around 700 engineers from our outsource partner AVC in house in October to help achieve better coordination between the customer call centres and engineers in the field. Results from the pilot have been excellent with first-time resolution scores up 10% and our net promoter score, a key measure of customer advocacy, three times higher than previously.

BROADER CONTRIBUTION

Our partnership with British Cycling delivered further success this month with Chris Froome's victory in the Tour de France, the 100th anniversary year of the event and the second consecutive win for Team Sky. This is a great success story for British sport that we hope will deliver another boost to grassroots cycling and inspire even more people to get out and ride their bikes.

This year marked the tenth anniversary of Sky Sports Living for Sport, our programme to help the confidence and life skills of young people using the power of sport. During the quarter, we reached our target of one third of all UK secondary schools participating in the scheme. With 1,500 schools now taking part, we have doubled the size of the initiative in the past year, growing it tenfold in the last four years. In May, we expanded the programme to Ireland where we aim to engage a third of all schools within three years. Additionally, we announced a long-term partnership with David Beckham who will support the Sky Sports Living For Sport programme as a Sky ambassador.

In the arts, our second Sky Arts Ignition project, where we collaborate with major arts organisations and artists to create new works, opened at the V&A in London. Memory Palace opened in June, the result of a collaboration between Sky Arts and the V&A to bring an original work of fiction by Hari Kunzru, Memory Palace, to life.

DETAILED FINANCIAL PERFORMANCE

Unless otherwise stated, all figures and growth rates included below exclude exceptional items. Adjusting items are detailed on page 10 and in Appendix 2.

As we consistently executed our strategy throughout the year, we delivered excellent growth in each of revenue, EBITDA, earnings and free cash flow. For the twelve months ended 30 June 2013, revenue growth of 7% combined with our continued focus on operating efficiency to deliver growth in profit before tax of 10% and earnings per share of 60.0p, up 18%.

Revenue

Group revenue increased by 7% to £7,235 million (2012: £6,791 million), with good growth in both retail and wholesale operations and improvement in the more cyclical operations in advertising and Sky Business (pubs and clubs).

Retail subscription revenue grew by 6% to £5,951 million (2012: £5,593 million), reflecting continued product and customer growth and the benefit of the price rise which came into effect in September 2012. Sky Business returned to growth in the second half to achieve revenue growth of 1% for the full year.

We delivered a strong performance in wholesale subscription revenue which increased by 13% to £396 million (2012: £351 million). Although the volume of wholesale subscribers was flat year on year, we continue to benefit from greater take-up of Sky premium channels on other platforms.

Advertising revenue was flat year on year at £440 million (2012: £440 million), despite the impact of the Olympics in our first quarter. Sky Media gained market share across the year to reach 22.2%, with the majority of this growth underpinned by increased ratings for our media partner channels with whom we share revenue upside. AdSmart, our tailored advertising product, is on track to launch this summer with good interest from potential advertisers.

Installation, hardware and service revenue of £87 million was lower year on year (2012: £98 million) driven by improved product reliability, an increased number of customer self-installations, and higher right-first-time engineer visits.

Other revenue increased by 17% to £361 million (2012: £309 million) due to continued strong performance from Sky Bet which saw an increase in unique users in the year, and growth in international programme sales due to more original commissions.

Direct Costs

Programming costs increased by 8% to £2,486 million (2012: £2,298 million) in line with our expectations. Sports accounted for the majority of the absolute increase due to the inclusion of Formula 1, Ryder Cup and Lions costs not in the prior year. Movie costs increased and included investment in expanded rights agreements to support new product offerings such as Sky Go Extra and NOW TV. Entertainment costs saw the largest percentage increase (+15% year on year) as we continued to invest in new and exclusive UK-commissioned content across our channel portfolio.

Our work on network efficiency within our communications operations resulted in excellent operating leverage in direct network costs, up only 6% to £715 million (2012: £676 million) despite a 15% increase in organic home communications product volumes.

Other Operating Costs

We continued to focus on costs and once again delivered a strong performance, with other operating costs reducing as a percentage of sales by 80 basis points. Within other operating costs, every cost line reduced as a percentage of sales year on year, continuing our approach of seeking efficiency in our cost base to improve margins and reinvestment where customers see value.

Marketing costs of £1,116 million (2012: £1,064 million) reduced by 30 basis points as a percentage of sales. Lower cost route-to-market sales and lower acquisition volumes helped to offset additional advertising spend to support the launch of NOW TV and a national broadband campaign which included the launch of fibre in the second half of the year.

Subscriber management and supply chain costs were up 4% at £647 million (2012: £621 million) driven largely by higher volume of set-top box sales to Sky Italia and our own higher broadband volumes.

Transmission, technology and fixed network costs increased by a net 2% to £401 million (2012: £395 million) due to the increased transmission of additional content from the Formula 1 channel, Sky Go, NOW TV and On Demand largely offset by continued efficiencies. Administration costs were up 5% at £540 million (2012: £514 million) reflecting the biennial phasing of our share incentive plans. Excluding this, administration expenses would have been flat on last year.

Profits and Earnings

EBITDA of £1,692 million was up strongly at 8%. Depreciation and amortisation of £362 million increased 5% year on year, largely due to new products being depreciated for the first time and a higher proportion of intangible capital expenditure on assets with shorter economic lives. Operating profit of £1,330 million was up 9%.

Profit before tax was £1,264 million (2012: £1,148 million), which included the Group's share of joint ventures and associates' profits of £37 million (2012: £32 million) and a net interest charge of £103 million (2012: £107 million). Taxation for the period was £295 million (2012: £273 million). Our adjusted effective tax rate was 23% (2012: 24%), benefiting from the reduction in the rate of UK corporation tax on 1 April 2012 from 26% to 24% and 1 April 2013 to 23%.

Profit after tax for the year was £969 million (2012: £875 million), generating earnings per share of 60.0 pence (2012: 50.8 pence). Over the year the weighted average number of shares excluding those held by the Employee Share Ownership Plan ('ESOP') for the settlement of employee share awards was 1,614 million (2012: 1,721 million). The number of shares, excluding the ESOP shares, at the end of the year was 1,573 million (2012: 1,658 million).

Adjusting Items

Reported profit after tax of £979 million (2012: £906 million) includes a net exceptional gain of £10 million. In addition to the gain of £26 million recognised in previous quarters, we incurred a £15 million charge related to the acquisition of O2's consumer broadband and fixed-line telephony business, and £33 million from a corporate efficiency programme including the redundancy of approximately 250 head office employees. Other adjusting items were a £23 million gain relating to mark to market values of derivative financial instruments and a £17 million gain relating to the tax exceptionals and the tax effect on all adjusting items. Full details of all of these items are set out in Appendix 2.

Cash Flow & Financial Position

Adjusted free cash flow was 13% higher at £1,028 million (2012: £910 million) reflecting strong growth in adjusted EBITDA, a positive working capital movement, lower interest and capital expenditure.

Capital expenditure of £454 million (2012: £457 million) was slightly lower than last year. Phasing of spend throughout the year picked up in the fourth quarter as we started the construction of a new building on our main site and commenced the integration of O2 broadband customers.

Net debt increased to £1,183 million (2012: £876 million) primarily as a result of the share buy-back and dividend growth. Gross debt was £2,593 million, with £1,410 million of cash and equivalents at 30 June 2013. The Group's liquidity and headroom remain comfortable.

Uses of Capital and Distributions to Shareholders

Our policy on use of capital continues to focus on four consistent areas: organic growth, regular dividends, acquisitions and share repurchases. We are a growth company and our first priority is investing in areas in which we see the opportunity to add revenues and grow earnings. Today's investment of around £60 million to £70 million in organic growth during 2013/14 is a good example of such an opportunity.

At the same time, we understand the value our shareholders place on a growing regular return and have once again increased our ordinary dividend in line with earnings growth, maintaining a sector-leading payout ratio of fifty per cent. The Directors' proposed final dividend of 19.0 pence per share takes the total dividend payable in respect of the financial year to 30.0 pence per share, an increase of 18% over prior year and almost double the level of six years ago. We have shown through our past successful investments in both Broadband and HD that our financial flexibility enables us to balance both investment in growth and cash returns to shareholders. Consequently, looking to the year ahead we anticipate continued growth in the ordinary dividend.

The ex-dividend date will be 13 November 2013 and, subject to shareholder approval at the Annual General Meeting to be held on 22 November 2013, the final dividend of 19.0 pence will be paid on 6 December 2013 to shareholders appearing on the register at the close of business on 15 November 2013.

Finally, we will continue to look to deploy our balance sheet strength in a disciplined way to enhance returns for shareholders via acquisitions, should attractive opportunities present themselves, or share repurchases. To this end, we intend to seek shareholder approval at the Company's AGM for a further £500 million of share repurchases.

As with the current share repurchase programme, we have entered into an agreement with Twenty-First Century Fox, Inc. (formerly known as News Corporation) (and others) under which, following any market purchases of shares by the Company, Twenty-First Century Fox, Inc. will sell to the Company sufficient shares to maintain its percentage shareholding at the same level as applied prior to those market purchases, ensuring that there will be no change in Twenty-First Century Fox, Inc.'s economic or voting interests in the Company as a result of the share buy-back programme. The agreement is conditional on the appropriate shareholder approvals being granted.

Schedule 1 – KPI Summary

All figures (000) unless stated	FY10/11	FY11/12				FY12/13			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total paid-for subscription products	**25,375**	**26,058**	**26,830**	**27,734**	**28,365**	**28,898**	**29,513**	**30,228**	**31,634**
TV	10,187	10,213	10,253	10,268	10,288	10,308	10,358	10,388	10,422
Sky+HD	3,822	3,925	4,063	4,222	4,343	4,468	4,561	4,669	4,786
Multiroom	2,250	2,295	2,350	2,378	2,402	2,423	2,467	2,476	2,489
Sky Go Extra	-	-	-	-	-	-	-	44	166
Broadband	3,335	3,485	3,651	3,863	4,001	4,103	4,235	4,387	4,906
Telephony	3,101	3,248	3,407	3,627	3,768	3,888	4,022	4,208	4,501
Line Rental	2,680	2,892	3,106	3,376	3,563	3,708	3,870	4,056	4,364
New connected TV services	**-**	**1,829**	**2,549**	**3,211**	**3,735**	**4,023**	**4,781**	**5,546**	**5,966**
Connected HD boxes	-	204	442	604	995	1,255	1,715	2,284	2,709
Sky Go unique users	-	1,625	2,107	2,607	2,740	2,768	3,066	3,262	3,257
Total products and services	**25,375**	**27,887**	**29,379**	**30,945**	**32,100**	**32,921**	**34,294**	**35,774**	**37,600**
Other metrics:									
Retail customers	10,294	10,371	10,471	10,549	10,606	10,654	10,742	10,812	11,153
Wholesale customers	3,522	3,569	3,629	3,657	3,672	3,714	3,751	3,801	3,677
Total customers	**13,816**	**13,940**	**14,100**	**14,206**	**14,278**	**14,368**	**14,493**	**14,613**	**14,830**
ARPU (£)	£538	£535	£544	£546	£548	£550	£568	£576	£577
Triple-play %	27%	28%	29%	31%	32%	33%	33%	34%	35%
Churn	10.4%	11.1%	9.6%	10.1%	9.9%	10.9%	10.3%	10.8%	10.9%
Fixed Network Metrics									
On-net base	**3,045**	**3,205**	**3,403**	**3,636**	**3,778**	**3,882**	**4,031**	**4,190**	**4,696**
MPF base	1,686	1,869	2,146	2,423	2,588	2,762	2,926	3,159	3,359
SMPF base	1,359	1,336	1,257	1,213	1,190	1,120	1,105	1,031	1,337
MPF %	55%	58%	63%	67%	69%	71%	73%	75%	72%
SMPF %	45%	42%	37%	33%	31%	29%	27%	25%	28%
Off-net base	**290**	**280**	**248**	**227**	**223**	**221**	**204**	**197**	**210**
Total Broadband	**3,335**	**3,485**	**3,651**	**3,863**	**4,001**	**4,103**	**4,235**	**4,387**	**4,906**
On-net %	91%	92%	93%	94%	94%	95%	95%	96%	96%
Total no. of LLU exchanges	1,577	1,732	1,907	1,964	1,965	2,036	2,108	2,202	2,323

Schedule 2 – Impact of O2 consumer broadband and fixed-line telephony acquisition

All figures (000) unless stated	FY12/13			
	Q4 opening	*Q4 organic growth*	*Q4 acquired growth (O2)*	Q4 closing
Total paid-for subscription products	**30,228**	***700***	***706***	**31,634**
TV	10,388	*34*		10,422
Sky+HD	4,669	*117*	-	4,786
Multiroom	2,476	*13*	-	2,489
Sky Go Extra	44	*122*	-	166
Broadband	4,387	*119*	*400*	4,906
Telephony	4,208	*140*	*153*	4,501
Line Rental	4,056	*155*	*153*	4,364
New connected TV services	**5,546**	***420***	**-**	**5,966**
Connected HD boxes	2,284	*425*	-	2,709
Sky Go unique users	3,262	*-5*	-	3,257
Total products and services	**35,774**	***1,120***	***706***	**37,600**
Customers				
Retail customers	10,812	*51*	*290*	11,153
Wholesale customers	3,801	*-124*	-	3,677
Total customers	**14,613**	***-73***	***290***	**14,830**

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There will be a presentation for analysts and investors at 9.00 a.m (BST) at Allen & Overy, One Bishops Square, London, E1 6AD. CEO, Jeremy Darroch and CFO, Andrew Griffith, will present. Participants should register by contacting Camilla Regan on +44 20 7251 3801 or at camilla.regan@RLMFinsbury.com.

There will be a separate conference call for US analysts and investors at 10.00 a.m. (EDT). To register for this please contact Dana Diver at Taylor Rafferty on +1 212 889 4350. Alternatively you may register online by using the following link http://invite.taylor-rafferty.com/_bskyb/2013Q2CC/Default.htm .

A live webcast of the UK and US call will be available to analysts and investors via the BSkyB website at http://www.sky.com/corporate. Replays will be subsequently available.

Use of measures not defined under IFRS

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

Forward looking statements

This document contains certain forward looking statements with respect to the Group's financial condition, results of operations and business and management's strategy, plans and objectives for the Group. These statements include, without limitation, those that express forecasts, expectations and projections, such as forecasts, expectations and projections in relation 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, DTH and OTT customer growth, Multiroom, On Demand, NOW TV, Sky Go, Sky Go Extra, Sky+HD and other services, revenue, administration costs and other costs, advertising growth, churn, profit, cash flow, product penetration, our broadband network footprint, content, wholesale, marketing and capital expenditure and proposals for returning capital to shareholders.

Although the Company believes that the expectations reflected in such forward looking statements are reasonable, these statements 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. Information on the significant risks and uncertainties are described in the "Principal risks and uncertainties" section of Sky's Annual Report for the full year ended 30 June 2012 (as updated in Sky's results for the six months ended 31 December 2012). Copies of the Annual Report and 31 December 2012 results are available from the British Sky Broadcasting Group plc web page at www.sky.com/corporate.

All forward looking statements in this document are based on information known to the Group on the date hereof. The Group undertakes no obligation publicly to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Glossary of Terms

A glossary of terms is included within the Annual Report and on our corporate investor relations web page at http://corporate.sky.com/investors/glossary .

Appendix 1 – Consolidated Financial Information

Consolidated Income Statement for the year ended 30 June 2013

	Notes	2013 £m	2012 £m
Revenue	2	**7,235**	6,791
Operating expense	3	**(5,944)**	(5,548)
EBITDA		**1,669**	1,587
Depreciation and amortisation		**(378)**	(344)
Operating profit		**1,291**	1,243
Share of results of joint ventures and associates	11	**46**	39
Investment income	4	**28**	18
Finance costs	4	**(108)**	(111)
Profit before tax		**1,257**	1,189
Taxation	5	**(278)**	(283)
Profit for the year attributable to equity shareholders of the parent company		**979**	906
Earnings per share from profit for the year (in pence)			
Basic	6	**60.7p**	52.6p
Diluted	6	**59.7p**	52.2p
Adjusted earnings per share from adjusted profit for the year (in pence)			
Basic	6	**60.0p**	50.8p
Diluted	6	**59.1p**	50.4p

Consolidated Statement of Comprehensive Income for the year ended 30 June 2013

	2013 £m	2012 £m
Profit for the year attributable to equity shareholders of the parent company	**979**	906
Other comprehensive income		
Amounts recognised directly in equity		
Exchange differences on translation of foreign operations	**-**	2
Gain on revaluation of available-for-sale investments	**186**	8
(Loss) gain on cash flow hedges	**(27)**	99
Tax on cash flow hedges	**7**	(23)
	166	86
Amounts reclassified and reported in the income statement		
Loss on cash flow hedges	**(48)**	(29)
Tax on cash flow hedges	**11**	7
	(37)	(22)
Other comprehensive income for the year (net of tax)	**129**	64
Total comprehensive income for the year attributable to equity shareholders of the parent company	**1,108**	970

Consolidated Balance Sheet as at 30 June 2013

	Notes	2013 £m	2012 £m
Non-current assets			
Goodwill	8	**999**	956
Intangible assets	9	**718**	523
Property, plant and equipment	10	**1,041**	948
Investments in joint ventures and associates	11	**164**	156
Available-for-sale investments	12	**422**	228
Deferred tax assets	13	**38**	16
Programme distribution rights	14	**17**	-
Trade and other receivables	15	**17**	17
Derivative financial assets		**360**	390
		3,776	3,234
Current assets			
Inventories	14	**548**	456
Trade and other receivables	15	**591**	621
Short-term deposits		**595**	710
Cash and cash equivalents		**815**	464
Derivative financial assets		**20**	24
		2,569	2,275
Total assets		**6,345**	5,509
Current liabilities			
Borrowings	18	**11**	8
Trade and other payables	16	**2,023**	1,855
Current tax liabilities		**176**	189
Provisions	17	**94**	43
Derivative financial liabilities		**13**	3
		2,317	2,098
Non-current liabilities			
Borrowings	18	**2,909**	2,398
Trade and other payables	16	**63**	27
Provisions	17	**14**	12
Derivative financial liabilities		**29**	29
Deferred tax liabilities	13	**1**	1
		3,016	2,467
Total liabilities		**5,333**	4,565
Share capital	19	**797**	837
Share premium		**1,437**	1,437
Reserves		**(1,222)**	(1,330)
Total equity attributable to equity shareholders of the parent company		**1,012**	944
Total liabilities and shareholders' equity		**6,345**	5,509

Consolidated Cash Flow Statement for the year ended 30 June 2013

	Notes	**2013 £m**	2012 £m
Cash flows from operating activities			
Cash generated from operations	21	**1,877**	1,737
Interest received		**29**	17
Taxation paid		**(300)**	(254)
Net cash from operating activities		**1,606**	1,500
Cash flows from investing activities			
Dividends received from joint ventures and associates		**43**	39
Net funding to joint ventures and associates		**(4)**	(6)
Proceeds on disposal of an investment		**4**	-
Purchase of property, plant and equipment		**(203)**	(228)
Purchase of intangible assets		**(251)**	(229)
Purchase of subsidiaries (net of cash and cash equivalents purchased)		**(197)**	(15)
Purchase of available-for-sale investments		**(9)**	(5)
Decrease (increase) in short-term deposits		**115**	(280)
Net cash used in investing activities		**(502)**	(724)
Cash flows from financing activities			
Net proceeds from borrowings		**498**	-
Repayment of obligations under finance leases		**(1)**	(1)
Proceeds from disposal of shares in Employee Share Ownership Plan ("ESOP")		**15**	10
Purchase of own shares for ESOP		**(69)**	(161)
Purchase of own shares for cancellation		**(627)**	(546)
Interest paid		**(128)**	(125)
Dividends paid to shareholders		**(441)**	(410)
Net cash used in financing activities		**(753)**	(1,233)
Net increase (decrease) in cash and cash equivalents		**351**	(457)
Cash and cash equivalents at the beginning of the year		**464**	921
Cash and cash equivalents at the end of the year		**815**	464

Consolidated Statement of Changes in Equity for the year ended 30 June 2013

	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 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 (see note 20):								
- 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**
Profit for the year	-	-	-	-	-	-	979	979
Revaluation of available-for-sale investments	-	-	-	-	186	-	-	186
Recognition and transfer of cash flow hedges	-	-	-	(75)	-	-	-	(75)
Tax on items taken directly to equity	-	-	-	18	-	-	-	18
Total comprehensive income for the year	**-**	**-**	**-**	**(57)**	**186**	**-**	**979**	**1,108**
Share-based payment	-	-	(35)	-	-	-	61	26
Tax on items taken directly to equity	-	-	-	-	-	-	8	8
Share buy-back programme (see note 20):								
- Purchase of own shares for cancellation	(40)	-	-	-	-	40	(617)	(617)
- Financial liability for close period purchases	-	-	-	-	-	-	(16)	(16)
Dividends	-	-	-	-	-	-	(441)	(441)
At 30 June 2013	**797**	**1,437**	**(147)**	**11**	**351**	**439**	**(1,876)**	**1,012**

Notes to the consolidated financial statements

1 Basis of Preparation

The financial information set out in this preliminary announcement does not constitute statutory financial statements for the years ended 30 June 2013 or 2012, for the purpose of the Companies Act 2006, but is derived from those financial statements. Statutory financial statements for 2013, on which the Group's auditors have given an unqualified report which does not contain statements under s. 498(2) or (3) of the Companies Act 2006, will be filed with the Registrar of Companies by 31 December 2013. Statutory financial statements for 2012 have been filed with the Registrar of Companies. The Group's auditors have reported on those accounts; their reports were unqualified and did not contain statements under s. 498(2) or (3) of the Companies Act 2006.

Whilst the financial information included in this press release 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 announcement does not itself contain sufficient information to comply with IFRS. The accounting policies applied in preparing this financial information are consistent with the Group's financial statements for the year ended 30 June 2012 except in relation to the mandatory adoption of new accounting standards and revisions and amendments to existing accounting standards, none of which had any significant impact on the Group's results or financial position.

The Group maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2013, this date was 30 June 2013, this being a 52 week year (fiscal year 2012: 1 July 2012, 52 week year). For convenience purposes, the Group continues to date its consolidated financial statements as at 30 June and to refer to the accounting period as a "year" for reporting purposes.

2 Revenue

	2013 **£m**	2012 £m
Retail subscription	**5,951**	5,593
Wholesale subscription	**396**	351
Advertising	**440**	440
Installation, hardware and service	**87**	98
Other	**361**	309
	7,235	6,791

3 Operating expense

	2013 **£m**	2012 £m
Programming	**2,487**	2,298
Direct networks	**686**	676
Marketing	**1,117**	1,064
Subscriber management and supply chain	**673**	621
Transmission, technology and fixed networks	**405**	395
Administration	**576**	494
	5,944	5,548

4 Investment income and finance costs

	2013 £m	2012 £m
Investment income		
Interest on cash, cash equivalents and short-term deposits	**9**	14
Dividends received from available-for-sale investments	**19**	4
	28	18

	2013 £m	2012 £m
Finance costs		
– Interest payable and similar charges		
£743 million/£750 million Revolving Credit Facilities ("RCF") (i)	**(2)**	(8)
Guaranteed Notes	**(122)**	(115)
Finance lease interest	**(7)**	(7)
	(131)	(130)
– Other finance income (expense)		
Remeasurement of borrowings and borrowings-related derivative financial instruments (ii)	**22**	20
Remeasurement of other derivative financial instruments (ii)	**(1)**	-
(Loss) gain arising on derivatives in a designated fair value hedge accounting relationship	**(34)**	47
Gain (loss) arising on adjustment for hedged item in a designated fair value hedge accounting relationship	**36**	(48)
	23	19
	(108)	(111)

(i) Included in RCF costs for the year ended 30 June 2012 is a write-off of £5 million relating to the facility fee on the £750 million RCF which has now been replaced with the £743 million RCF.
(ii) Not qualifying for hedge accounting.

5 Taxation

Taxation recognised in the income statement

	2013 £m	2012 £m
Current tax expense		
Current year	**332**	303
Adjustment in respect of prior years	**(44)**	(33)
Total current tax charge	**288**	270
Deferred tax expense		
Origination and reversal of temporary differences	**(20)**	6
Adjustment in respect of prior years	**10**	7
Total deferred tax (credit) charge	**(10)**	13
Taxation	**278**	283

Taxation relates to a £275 million UK corporation tax charge (2012: £280 million) and £3 million overseas corporation tax charge (2012: £3 million).

6 Earnings per share

The weighted average number of shares for the year was:

	2013	2012
	Millions of shares	Millions of shares
Ordinary shares	**1,633**	1,731
ESOP trust ordinary shares	**(19)**	(10)
Basic shares	**1,614**	1,721
Dilutive ordinary shares from share options	**26**	16
Diluted shares	**1,640**	1,737

The calculation of diluted earnings per share excludes no share options (2012: less than 1 million) which could potentially dilute earnings per share in the future, but which have been excluded from the calculation of diluted earnings per share as they are anti-dilutive in the year.

Basic and diluted earnings per share are calculated by dividing the profit for the year into the weighted average number of shares for the year. In order to provide a measure of underlying performance, management have chosen to present an adjusted profit for the year which excludes items that may distort comparability. Such items 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.

	2013	2012
	£m	£m
Reconciliation from profit for the year to adjusted profit for the year		
Profit for the year	**979**	906
Credit received following final settlement of disputes with a former manufacturer of set-top boxes	**(33)**	-
Costs relating to a corporate efficiency programme	**33**	-
Credit received following an Ofcom determination	**(32)**	-
Costs relating to one-off upgrade of set-top boxes	**31**	-
Costs relating to programme to offer wireless connectors to selected Sky Movies customers	**25**	-
Cost relating to the acquisition and integration of the O2 consumer broadband and fixed-line telephony business	**15**	-
Net recovery of costs in relation to News Corporation (subsequently renamed Twenty-First Century Fox, Inc.) proposal	**-**	(31)
Costs relating to a restructuring exercise	**-**	11
RCF fee write-off (see note 4)	**-**	5
Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness (see note 4)	**(23)**	(19)
Profit on disposal of joint venture (see note 11)	**(9)**	(7)
Tax adjusting items and the tax effect of above items	**(17)**	10
Adjusted profit for the year	**969**	875

7 Dividends

	2013	2012
	£m	£m
Dividends declared and paid during the year		
2011 Final dividend paid: 14.54p per ordinary share	**-**	253
2012 Interim dividend paid: 9.20p per ordinary share	**-**	157
2012 Final dividend paid: 16.20p per ordinary share	**265**	-
2013 Interim dividend paid: 11.00p per ordinary share	**176**	-
	441	410

The 2013 final dividend proposed is 19.0 pence per ordinary share being £299 million. The dividend was not declared at the balance sheet date and is therefore not recognised as a liability as at 30 June 2013.

8 Goodwill

	2013 £m	2012 £m
Carrying value	**999**	956

During the year, the Group completed the acquisition of the O2 consumer broadband and fixed-line telephony business which resulted in additional goodwill of £49 million.

9 Intangible assets

	Internally generated intangible assets £m	Software development (external) and software licences £m	Customer contracts and related customer relationships £m	Other intangible assets £m	Internally generated intangible assets not yet available for use £m	Acquired intangible assets not yet available for use £m	Total £m
Cost							
At 1 July 2012	252	427	60	224	54	103	1,120
Additions from business combinations	-	-	137	2	-	-	139
Additions	102	45	-	66	25	20	258
Disposals	(15)	(6)	-	-	(2)	(7)	(30)
Transfers	47	59	-	-	(47)	(59)	-
At 30 June 2013	**386**	**525**	**197**	**292**	**30**	**57**	**1,487**
Amortisation							
At 1 July 2012	122	308	9	158	-	-	597
Amortisation	72	55	7	57	-	-	191
Disposals	(15)	(6)	-	-	(2)	(7)	(30)
Impairments	2	-	-	-	2	7	11
At 30 June 2013	**181**	**357**	**16**	**215**	**-**	**-**	**769**
Carrying amounts							
At 1 July 2012	130	119	51	66	54	103	523
At 30 June 2013	**205**	**168**	**181**	**77**	**30**	**57**	**718**

In order to improve the presentation of the Group's intangible assets "Customer contracts and related customer relationships" have been disaggregated from the "Other intangible assets" category and "Software licences" have been aggregated with the "Software development (external)" category. The prior year categories have been re-presented accordingly.

10 Property, plant and equipment

	Freehold land and buildings £m	Leasehold improvements £m	Equipment, furniture and fixtures £m	Assets not yet available for use £m	Total £m
Cost					
At 1 July 2012	333	59	1,210	27	1,629
Additions from business combinations	-	-	25	-	25
Additions	1	1	194	48	244
Disposals	-	(2)	(64)	-	(66)
Transfers	-	-	22	(22)	-
At 30 June 2013	**334**	**58**	**1,387**	**53**	**1,832**
Depreciation					
At 1 July 2012	40	27	614	-	681
Depreciation	6	8	160	-	174
Disposals	-	(2)	(64)	-	(66)
Impairments	-	1	1	-	2
At 30 June 2013	**46**	**34**	**711**	**-**	**791**
Carrying amounts					
At 1 July 2012	293	32	596	27	948
At 30 June 2013	**288**	**24**	**676**	**53**	**1,041**

11 Investments in joint ventures and associates

The movement in joint ventures and associates during the year was as follows:

	2013 £m	2012 £m
Share of net assets		
At 1 July	**156**	151
Movement in net assets		
– Funding, net of repayments	**4**	6
– Dividends received(i)	**(43)**	(39)
– Share of profits(i)	**46**	39
- Disposal of joint venture(i)	**(1)**	(3)
– Exchange differences on translation of foreign joint ventures and associates	**2**	2
At 30 June	**164**	156

(i) During the year, the Group disposed of its interest in MUTV Limited. Included in share of profits for the year is a profit on disposal of £9 million. Consideration received on the sale of £10 million is included within dividends received. During the prior year, the Group disposed of its interest in Chelsea Digital Media Limited. Included in share of profits for the year is a profit on disposal of £7 million. Consideration received on the sale to date of £6 million is included within dividends received.

12 Available-for-sale investments

	2013 £m	2012 £m
Fair value of ITV investment	**409**	223
Other investments at cost	**13**	5
	422	228

13 Deferred tax

Recognised deferred tax assets (liabilities)

	Accelerated tax depreciation £m	Tax losses £m	Short-term temporary differences £m	Share-based payments temporary differences £m	Financial instruments temporary differences £m	Total £m
At 1 July 2012	**12**	**1**	**6**	**26**	**(30)**	**15**
(Charge) credit to income	(2)	(1)	-	18	(5)	10
Credit to equity	-	-	-	6	18	24
Acquisition of subsidiaries	(12)	-	-	-	-	(12)
Effect of change in tax rate						
- Income	1	-	(1)	(1)	1	-
At 30 June 2013	**(1)**	**-**	**5**	**49**	**(16)**	**37**

14 Inventories

	2013 £m	2012 £m
Television programme rights	**470**	379
Set-top boxes and related equipment	**70**	69
Other inventories	**8**	8
Current inventory	**548**	456
Non-current programme distribution rights	**17**	-
Total inventory	**565**	456

15 Trade and other receivables

	2013 £m	2012 £m
Net trade receivables	**74**	81
Amounts receivable from joint ventures and associates	**8**	8
Amounts receivable from other related parties	**7**	12
Prepayments	**309**	294
Accrued income	**162**	155
VAT	**1**	1
Other	**30**	70
Current trade and other receivables	**591**	621
Prepayments	**6**	7
Other receivables	**11**	10
Non-current trade and other receivables	**17**	17
Total trade and other receivables	**608**	638

16 Trade and other payables

	2013 £m	2012 £m
Trade payables	**712**	629
Amounts owed to joint ventures and associates	**9**	10
Amounts owed to other related parties	**102**	90
VAT	**143**	140
Accruals	**685**	620
Deferred income	**295**	291
Other	**77**	75
Current trade and other payables	**2,023**	1,855
Trade payables	**18**	9
Amounts owed to other related parties	**-**	8
Deferred income	**9**	6
Other	**36**	4
Non-current trade and other payables	**63**	27
Total trade and other payables	**2,086**	1,882

17 Provisions

	At 1 July 2012 £m	Reclassified during the year £m	Provided (released) during the year £m	Utilised during the year £m	At 30 June 2013 £m
Current liabilities					
Restructuring provision	6	-	13	(3)	**16**
Acquired and acquisition-related provisions	15	(1)	(14)	-	**-**
Customer-related provisions	-	-	47	(6)	**41**
Other provisions	22	17	17	(19)	**37**
	43	16	63	(28)	**94**
Non-current liabilities					
Other provisions	12	2	6	(6)	**14**

18 Borrowings

	2013 £m	2012 £m
Current borrowings		
Obligations under finance leases	**11**	8
Non-current borrowings		
Guaranteed Notes	**2,843**	2,338
Obligations under finance leases	**66**	60
	2,909	2,398

19 Share capital

	2013 £m	2012 £m
Allotted, called-up and fully paid shares of 50p		
1,593,905,182 (2012: 1,674,454,881)	**797**	837

20 Shareholders' equity

Purchase of own equity shares for cancellation

On 29 November 2011, at the Company's AGM, the Company was granted the authority to return £750 million of capital to shareholders via a share buy-back programme. This authority was subject to an agreement between the Company and Twenty-First Century Fox, Inc. (formerly known as News Corporation) (and others) dated 28 July 2011 whereby following any market purchases of shares by the Company, Twenty-First Century Fox, Inc. would sell to the Company sufficient shares to maintain its percentage shareholding at the same level as applied prior to those market purchases. The price payable to Twenty-First Century Fox, Inc. would be the price payable by the Company in respect of the relevant market purchases (the "2011 Share Buy-back Agreement").

At the Company's AGM on 1 November 2012, the Company was granted the authority to return a further £500 million of capital to shareholders via a share buy-back programme. This authority was subject to an agreement between the Company and Twenty-First Century Fox, Inc. (and others) dated 28 July 2012 on substantially the same terms as the 2011 Share Buy-back Agreement.

During the year, the Company purchased, and subsequently cancelled, 80,549,699 ordinary shares at an average price of £7.75 per share, with a nominal value of £40 million, for a consideration of £627 million. Consideration included stamp duty and commission of £3 million. This represents 5% of called-up share capital at the beginning of the period. Of these purchases, the Company purchased, and subsequently cancelled, 31,525,314 ordinary shares from Twenty-First Century Fox, Inc. at an average price of £7.75 per share, with a nominal value of £16 million, for a consideration of £245 million. Consideration included stamp duty of £1 million.

During the prior year, the Company purchased, and subsequently cancelled, 78,387,718 ordinary shares at an average price of £6.92 per share, with a nominal value of £39 million, for a total consideration of £546 million. Consideration included stamp duty and commission of £3 million. This represented 4% of called-up share capital at the beginning of the period. Of these purchases, the Company purchased, and subsequently cancelled, 30,679,157 ordinary shares from Twenty-First Century Fox, Inc. at an average price of £6.92 per share, with a nominal value of £15 million, for a consideration of £213 million. Consideration included stamp duty of £1 million.

21 Notes to the Consolidated Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	2013 £m	2012 £m
Profit before tax	**1,257**	1,189
Depreciation and impairment of property, plant and equipment	**176**	179
Amortisation and impairment of intangible assets	**202**	165
Share-based payment expense	**80**	66
Net finance costs	**80**	93
Share of results of joint ventures and associates	**(46)**	(39)
	1,749	1,653
Decrease (increase) in trade and other receivables	**35**	(32)
Increase in inventories	**(93)**	(81)
Increase in trade and other payables	**136**	175
Increase in provisions	**52**	25
Decrease in derivative financial instruments	**(2)**	(3)
Cash generated from operations	**1,877**	1,737

22 Events after the reporting period

On 25 July 2013, the Board agreed to seek the necessary approvals to return a further £500 million of capital to shareholders via a share buy-back programme. Shareholder approvals will be sought at the Company's AGM on 22 November 2013. The Company has entered into an agreement with Twenty-First Century Fox, Inc. (formerly known as News Corporation) (and others) under which, following any market purchases of shares by the Company, Twenty-First Century Fox, Inc. will sell to the Company sufficient shares to maintain its percentage shareholding at the same level as applied prior to those market purchases. The price payable to Twenty-First Century Fox, Inc. will be the price payable by the Company in respect of the relevant market purchases. The agreement is conditional on the appropriate shareholder approvals being granted. The effect of the agreement is to provide that there will be no change in Twenty-First Century Fox, Inc.'s economic or voting interests in the Company as a result of the share buy-back programme.

Appendix 2 – Non-GAAP measures

Reconciliation of cash generated from operations to adjusted free cash flow
for the year ended 30 June 2013

	Note	**2013 £m**	2012 £m
Cash generated from operations	21	**1,877**	1,737
Interest received		**29**	17
Taxation paid		**(300)**	(254)
Dividends received from joint ventures and associates		**43**	39
Net funding to joint ventures and associates		**(4)**	(6)
Purchase of property, plant and equipment		**(203)**	(228)
Purchase of intangible assets		**(251)**	(229)
Interest paid		**(128)**	(125)
Free cash flow		**1,063**	951
Receipt following final settlement of disputes with a former manufacturer of set-top boxes(i)		**(10)**	-
Cash paid relating to a corporate efficiency programme		**4**	-
Receipt following an Ofcom determination(i)		**(28)**	-
Cash paid relating to one-off upgrade of set-top boxes(i)		**7**	-
Cash paid relating to programme to offer wireless connectors to selected Sky Movies customers(i)		**1**	-
Cash paid relating to the acquisition and integration of the O2 consumer broadband and fixed-line telephony business		**4**	-
Net recovery of costs in relation to News Corporation (subsequently renamed Twenty-First Century Fox, Inc.) proposal(i)		**-**	(13)
Cash paid relating to a restructuring exercise		**-**	3
Recovery of import duty on set-top boxes(i)		**-**	(25)
Receipt on disposal of joint venture(i)		**(13)**	(6)
Adjusted free cash flow		**1,028**	910

(i) Net of applicable corporation tax.

Net debt

	2013 £m	2012 £m
Current borrowings	**11**	8
Non-current borrowings	**2,909**	2,398
Borrowings-related derivative financial instruments	**(327)**	(356)
Gross debt	**2,593**	2,050
Cash and cash equivalents	**(815)**	(464)
Short-term deposits	**(595)**	(710)
Net debt	**1,183**	876

Consolidated Income Statement - reconciliation of reported and adjusted numbers

		2013			2012		
	Notes	**Reported £m**	**Adjusting Items £m**	**Adjusted £m**	Reported £m	Adjusting Items £m	Adjusted £m
Revenue							
Retail subscription		**5,951**	**-**	**5,951**	5,593	-	5,593
Wholesale subscription		**396**	**-**	**396**	351	-	351
Advertising		**440**	**-**	**440**	440	-	440
Installation, hardware and service		**87**	**-**	**87**	98	-	98
Other		**361**	**-**	**361**	309	-	309
		7,235	**-**	**7,235**	6,791	-	6,791
Operating expense							
Programming	A	**(2,487)**	**1**	**(2,486)**	(2,298)	-	(2,298)
Direct networks	B	**(686)**	**(29)**	**(715)**	(676)	-	(676)
Marketing	C	**(1,117)**	**1**	**(1,116)**	(1,064)	-	(1,064)
Subscriber management and supply chain	D	**(673)**	**26**	**(647)**	(621)	-	(621)
Transmission, technology and fixed networks	E	**(405)**	**4**	**(401)**	(395)	-	(395)
Administration	F	**(576)**	**36**	**(540)**	(494)	(20)	(514)
		(5,944)	**39**	**(5,905)**	(5,548)	(20)	(5,568)
EBITDA		**1,669**	**23**	**1,692**	1,587	(20)	1,567
Operating profit		**1,291**	**39**	**1,330**	1,243	(20)	1,223
Share of results of joint ventures and associates	G	**46**	**(9)**	**37**	39	(7)	32
Investment income		**28**	**-**	**28**	18	-	18
Finance costs	H	**(108)**	**(23)**	**(131)**	(111)	(14)	(125)
Profit before tax		**1,257**	**7**	**1,264**	1,189	(41)	1,148
Taxation	I	**(278)**	**(17)**	**(295)**	(283)	10	(273)
Profit for the year		**979**	**(10)**	**969**	906	(31)	875
Earnings per share (basic)		**60.7p**	**(0.7)p**	**60.0p**	52.6p	(1.8)p	50.8p

Notes: explanation of adjusting items for the year ended 30 June 2013

A. Costs of £1 million relating to a corporate efficiency programme.

B. Credit of £32 million relating to a credit note received following an Ofcom determination and costs of £3 million relating to the acquisition and integration of the O2 consumer broadband and fixed-line telephony business.

C. Costs of £1 million relating to a corporate efficiency programme.

D. Credit of £33 million relating to the final settlement of disputes with a former manufacturer of set-top boxes (net of associated costs and including an impairment of £6 million in relation to associated intangible assets), costs of £31 million relating to one-off upgrade of set-top boxes, costs of £25 million relating to a programme to offer wireless connectors to selected Sky Movies customers, costs of £2 million relating to the acquisition and integration of the O2 consumer broadband and fixed-line telephony business and costs of £1 million relating to a corporate efficiency programme.

E. Costs of £1 million relating to a corporate efficiency programme, significantly an impairment of associated intangible and tangible assets, and £3 million relating to the acquisition and integration of the O2 consumer broadband and fixed-line telephony business.

F. Costs of £29 million relating to a corporate efficiency programme, primarily redundancy costs and including an impairment of £5 million in relation to associated intangible and tangible assets, and £7 million relating to the acquisition and integration of the O2 consumer broadband and fixed-line telephony business, including amortisation of £4 million in relation to associated intangible assets.

G. Profit on disposal of the Group's interest in MUTV Limited.

H. Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness.

I. Tax adjusting items and the tax effect of above items.

Notes: explanation of adjusting items for the year ended 30 June 2012

F. Credit of £31 million relating to the News Corporation (subsequently renamed Twenty-First Century Fox, Inc.) proposal in 2011 consisting of costs incurred offset by the receipt of the break fee and restructuring costs of £11 million, which comprise severance payments relating to approximately 35 senior roles as part of a restructuring initiative to improve operational efficiency.

G. Profit on disposal of the Group's interest in Chelsea Digital Media Limited.

H. A write-off of £5 million relating to the facility fee on the £750 million RCF which has now been replaced with the £743 million RCF and the remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness (credit of £19 million).

I. Tax effect of adjusting items.