BRITISH SKY BROADCASTING GROUP PLC
Results for the twelve months ended 30 June 2012

	Adjusted results			Reported results		
Twelve months to 30 June	2012	2011	Variance	2012	2011	Variance
Revenue	£6,791m	£6,597m	+3%	£6,791m	£6,597m	+3%
EBITDA	£1,567m	£1,405m	+12%	£1,587m	£1,405m	+13%
Operating profit	£1,223m	£1,073m	+14%	£1,243m	£1,073m	+16%
Earnings per share (basic)	50.8p	41.6p	+22%	52.6p	43.5p	+21%

ANOTHER YEAR OF STRONG OPERATIONAL GROWTH AND RECORD FINANCIAL RESULTS

Record financial performance

- Revenue up 4.5% to £6.791 billion on a like-for-like basis[1]
- Record adjusted operating profit of £1.223 billion, up 14% with continued margin expansion to reach 18.0%, the highest level for six years
- Adjusted basic EPS up 22% to 50.8 pence
- Full year dividend increased by 9% to 25.4 pence per share
- Additional £500 million capital return to shareholders via share buy-back

Consistent and strong operational growth

- Total products increase by 12% to reach 28.4 million
- 10.6 million customers choose Sky, up 312,000 on the prior year
- Strong customer loyalty with churn of 9.9% in the quarter
- Four million customers choose Sky Broadband for great quality and value
- Largest and fastest growing triple play customer base in Britain at 3.4 million, up 21%

Delivering the best experience for customers

- Breadth of sports coverage continues with new rights renewals for Spanish football, British and Irish Lions rugby and Premier League
- Our second brand, NOW TV, launched on 17 July to give millions of people easy, instant access to Sky content
- Bringing a full suite of Sky services to Irish customers with the launch of Sky Broadband and Talk later this year
- Extending Sky Go with eight kids' channels now available including Disney and Nickelodeon; access to 32 live channels and a broad range of on demand content
- Free-to-air catch-up service to launch in the autumn to include BBC iPlayer, ITV Player and Demand 5; Sky Anytime+ surpasses one million homes, up 57% on last quarter

Results highlights

Customer Metrics (unaudited)

	As at 30-Jun-12	As at 30-Jun-11	Annual Growth	Quarterly Growth to 30-Jun-12
Total products ('000s)	**28,365**	**25,375**	**+2,990**	**+631**
TV	10,288	10,187	+101	+20
HD	4,343	3,822	+521	+121
Multiroom	2,402	2,250	+152	+24
Broadband	4,001	3,335	+666	+138
Telephony	3,768	3,101	+667	+141
Line rental	3,563	2,680	+883	+187
Total customers ('000s)	**10,606**	**10,294**	**+312**	**+57**
Products per customer	**2.7**	**2.5**	**+0.2**	
Other metrics				
Customers taking each of TV, broadband & talk	32%	27%	+500 bps	
ARPU [(2)]	£548	£538	+£10	
Churn (quarterly annualised)	9.9%	10.4%	-50 bps	

An additional KPI summary table containing further detailed disclosure may be found in Schedule 1.

Business Performance [(3)] (unaudited)

£'millions	12 mths to 30-Jun-12	12 mths to 30-Jun-11	Movement
Revenue	6,791	6,597	+3%
Adjusted EBITDA	1,567	1,405	+12%
% Adjusted EBITDA margin	*23.1%*	*21.3%*	+180 bps
Adjusted operating profit	1,223	1,073	+14%
% Adjusted operating profit margin	*18.0%*	*16.3%*	+170 bps
Adjusted free cash flow	910	869	+5%
Adjusted basic earnings per share [(4)]	50.8p	41.6p	+22%
Net debt as at end of period	876	750	+17%

[1] Like-for-like revenue growth of 4.5% is calculated by removing one week of trading (an estimated £100 million of revenue) from 2011 which was a 53 week year.

[2] Quarterly annualised. Calculations have been restated to include customers taking standalone home communications products and to reflect the impact of the Sky magazine closure.

[3] A reconciliation of adjusted operating profit and adjusted EBITDA from continuing operations to reported measures as well as cash generated from continuing operations to adjusted free cash flow from continuing operations is set out in Appendix 2.

[4] Adjusted basic EPS is calculated from adjusted profit from continuing operations for the year. A reconciliation of reported profit from continuing operations to adjusted profit from continuing operations is set out in note 7 to the consolidated financial information.

Jeremy Darroch, Chief Executive, commented:

"We have delivered record financial results after another year of strong operational growth. Our consistent approach of investing where it matters most to customers and improving efficiency behind the scenes is working extremely well.

"In what remains a tough economic environment, customers are choosing Sky over other providers. We've continued to add new households and existing customers are remaining loyal and taking more products from us. More than 9 million homes are now choosing to watch their TV through Sky+, we're helping more customers to save money in home communications and innovative services like Sky Go are adding even more value to their subscription.

"We continue to transform our financial performance through discipline on costs combined with strong revenue growth from three million product additions and over 300,000 new Sky households during the year. We have delivered double-digit growth in operating profit, free cash flow and EPS, which has now doubled over the last four years. On the back of this sustained strong performance we are increasing returns to shareholders with the eighth consecutive year of growth in the ordinary dividend and we intend to seek approval for a further £500 million of share repurchases.

"Looking ahead, we will continue to deploy capital consistently to achieve our goals. We will invest sensibly in areas where customers see value – in getting better on screen and improving our products and services – and maintain a strong focus on operating efficiency and cost control to underpin our investments and deliver increasing returns for shareholders.

"This month, we have seen how our growth is leading to positive results for the UK as a whole. First, our contribution to the wider UK economy has been quantified in a new report by independent consultants Oxford Economics. It finds that Sky contributes over £5 billion a year to UK GDP, and supports nearly 120,000 jobs and a £2.3 billion contribution to tax revenues. In the last 12 months, we have created 2,200 new permanent jobs at Sky as we continue to invest in customer service, programme production and technology innovation.

"Second, we are proud to have played our part in the wonderful achievement of Team Sky and Bradley Wiggins, who created sporting history this week by becoming the first British winner of the Tour de France. Our support for Team Sky forms part of our broad partnership with British Cycling to get more people cycling regularly through inspiration from elite success and participation in grassroots activity, including our successful programme of Sky Ride events. We all hope that success at the Tour de France will add fuel to Britain's cycling boom and inspire a whole new generation to get on their bikes.

"These are good examples of the important economic and social contribution that a successful British company can make and we hope to do even more in the future."

OPERATIONAL REVIEW

Sky has delivered another year of strong operational growth and record financial results. Despite the tough economic environment, more customers are choosing more of our products than ever before with almost three million net product additions to reach a base of 28.4 million, up 12% on the prior year. We added 312,000 new households to reach 10.6 million customers, of which 32% now take our triple-play of television, broadband and telephony. Customer loyalty remains strong with annualised churn of 9.9% in the fourth quarter, reflecting increased take-up of our products and strong rates of overall satisfaction with our service.

Alongside our strong operating performance we have delivered record financial results with double-digit growth in each of operating profit, EPS and adjusted free cash flow[1]. Like-for-like revenue growth of 4.5%[2], combined with our focus on cost efficiency, translated into 14% growth in adjusted operating profit and 22% growth in adjusted basic EPS to reach 50.8p, now double the level of four years ago. The final dividend of 16.2 pence per share is 11% higher year on year, resulting in the eighth consecutive year of growth in the full year dividend.

Operational Performance

We continued to see strong demand for our products with 631,000 additions in the quarter to reach a total of 28.4 million. We added 57,000 new Sky households in the quarter, including 37,000 standalone home communications customers and 20,000 TV customers.

Following good growth across all product categories, our customers are now taking an average of 2.7 products each, up from 2.5 a year ago and double the level of five years ago. ARPU increased by £10 on last year to £548, as the impact of this year's price freeze was more than offset by success in selling more products to new and existing customers. While the consumer environment remains challenging, customers are responding to the quality and value of our offering with quarterly annualised churn of 9.9%; lower than both the prior quarter and the prior year.

We delivered another good quarter in home communications as customers continue to choose Sky over other providers; we added 138,000 broadband, 141,000 telephony and 187,000 line rental products. As a result, we closed the year with 3.4 million triple play customers, up 21%, to extend our lead as the nation's favourite triple-play provider.

We continue to make good progress in unbundling. During the quarter, we added 165,000 customers to our own network such that 69% of our on-net broadband customers are fully unbundled. Through the unbundling process, we can further improve the economics of our home communications business.

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[1] Adjusted free cash flow of £910 million further excluding an £82 million deposit in relation to Premier League rights for the season starting August 2013.
[2] Like-for-like revenue growth of 4.5% is calculated by removing one week of trading (estimated £100 million of revenue) from 2011 which was a 53 week year.

Today we are announcing plans to launch home communications services in the Republic of Ireland later this year, making our high quality, great value broadband and telephony available to an additional 1.6 million homes. We have reached a wholesale agreement with BT Ireland allowing us to bring greater choice to customers and allowing them to take their entertainment and communications services from one trusted provider. Pricing will be announced closer to launch but we will offer customers a great value proposition at attractive ongoing economics for our business.

Our 'Summer of Sport in HD' campaign combined with the continued success of our Sky Sports F1 HD channel contributed to 121,000 HD additions in the quarter. With over half a million additions across the year, HD penetration of our base has now reached 41%. Multiroom benefitted from a successful marketing campaign with 24,000 net additions in the quarter to reach 2.4 million.

Our continued focus on customer service is delivering meaningful benefits to the business. This quarter, average calls per customer fell by more than 15% despite continued strong product growth while service visits to customers' homes to fix a problem were the lowest in eight years. These improvements reflect continued focus on even better reliability of our products and services and resolving customer issues first time, through increased training and moving more conversations in-house. Our focus on e-enablement deflected over 6 million telephone calls online over the course of the year and has led to sky.com being consistently our most popular sales channel. In June, Ofcom published their sixth quarterly complaints report in which we performed strongly once again with the fewest complaints of any provider in both broadband and TV.

Getting even better on screen

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

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

Our innovative new coverage of Formula 1 on Sky Sports F1 HD continues with an unprecedented and exciting start to the season with seven different winners in the first ten races and over 7.3 million viewers watching the new channel. Looking ahead, Sky customers can look forward to a strong period on Sky Sports with golf's US PGA Championship and Ryder Cup, US Open tennis, Test and One-Day cricket and the return of UEFA Champions League football.

We renewed a broad range of sports rights in the quarter, ensuring the continued breadth and quality of our sports offering and giving us greater certainty than ever before over the largest item in our cost base. In the recent Premier League ('PL') tender process, for live rights for the three seasons beginning in August 2013, we successfully secured five packs including 116 live matches per year, ensuring that Sky remains the home of PL football.

In addition, we have renewed multi-year agreements to show more live football from La Liga and next year's British & Irish Lions tour to Australia. With these latest renewals we have now secured the majority of our sports rights for at least the next three years ensuring continuity of Sky Sports' unparalleled sports coverage.

We've continued to develop our entertainment offering and achieved success with a combined reach of 25 million viewers to our entertainment channel portfolio per month. Our decision to invest in original British comedy is proving very successful with a number of Sky 1 shows recommissioned for further series after their successful first runs, including 'Stella', 'Starlings' and 'Trollied'. Following its successful launch last year, Sky Atlantic continues to hold very strong appeal to both existing and new customers. The channel's first UK drama, 'Hit & Miss', proved popular during the quarter and the return of 'Game of Thrones' is the best show ever on the channel achieving an average weekly cumulative audience of 1.2 million viewers.

After its move higher up the Electronic Programme Guide in February, Sky Arts strongly increased viewing share, with the 'Playhouse Presents' series delivering the highest ever ratings for the channel.

Alongside our continued investment in content, we are widening the distribution of our channels and broadening the monetisation of our content. Today we are announcing a new comprehensive wholesale distribution agreement that will allow TalkTalk to offer its YouView customers a wide range of Sky's standard definition entertainment, sports and movies channels in the UK.

Improving our products and services

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

Sky Go, our ground breaking over the top service, continues to resonate strongly with customers enjoying the convenience and flexibility of being able to access a wide selection of our content on the move. Customers can choose from hundreds of hours of TV live or on demand across 32 channels, download a movie from the Sky Movies library of over 450 titles, or rent a movie instantly on a laptop from the new Sky Store. We saw 2.7 million unique users access the service in the quarter, up by 5% on the previous quarter. In July we made content from our entertainment channels available on demand for all customers and today we are launching on-demand shows from eight kids' channels to all devices in time for the summer holidays, including Disney and Nick Junior. Over the next 12 months we will continue to extend the service to make it available to more devices and add new features such as pause and rewind, search and personal recommendations.

In addition to the convenient local storage of the set-top box, our video on demand service, Anytime$^+$, is now available to more than five million homes. We made the service available to all HD boxes irrespective of their ISP and have now surpassed one million active users in total. As part of our plans to extend the Anytime+ service, we are announcing today a new agreement to add free-to-air catch-up content from Channel 5 later this year, which will be available alongside catch-up content from BBC and ITV, as well as the best in on-demand content from Sky.

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

In the year ahead, we have a strong pipeline of innovative new products and services planned for release. We plan to enhance the functionality of the Sky$^+$ app to allow customers to use the iPad as a remote control for browsing the EPG, managing their Sky$^+$ planner and selecting programmes to watch, pause, fast forward and rewind.

NOW TV, a new internet TV service giving millions more people an easy and flexible way to access some of Sky's best content, launched on 17 July across a wide range of internet-connected devices.

Starting initially with Sky Movies, NOW TV offers access to an extensive range of classic movies and the latest Hollywood blockbusters. Customers can rent more than 1,000 movies, from classic titles to the latest 'now on DVD' releases, on a simple, pay-as-you-go basis. Alternatively, customers can choose a monthly pass providing exclusive access to over 600 movies including titles from major studios such as Disney, Fox, Paramount, Sony, Warner Bros. and Universal. This includes up to five new premieres each week at least 12 months before other subscription services. Rental prices range from 99p to £3.49 and the Sky Movies pass is available for £15 a month. Both options will offer movies to stream instantly with no set-up costs, installation or contract. More Sky content will be added to NOW TV in the coming months, including content from Sky Sports and Sky entertainment channels.

NOW TV is available to anyone in the UK with an internet connection on devices including PC, Mac, and selected Android smartphones. The service will become available on iPhone, iPad and Xbox within the next month, on YouView when it launches and other platforms including Sony PlayStation 3 and Roku later this year. We estimate associated launch costs of approximately £30 million will be required for a through the line marketing campaign and support of the new product in the fiscal year to 30 June 2013.

The Bigger Picture

As part of our commitment to making a positive contribution to the community, we delivered a number of initiatives this quarter through our Bigger Picture programme, which focuses on the environment, sport and the arts.

Through our partnership with British Cycling, which aims to increase participation in the sport, our pro cycling team, 'Team Sky', created sporting history in this year's Tour de France. Team Sky won a third of the stages in the Tour with Bradley Wiggins becoming the first British rider ever to win the event alongside teammate and fellow Brit Chris Froome in second place, with Mark Cavendish claiming his fourth consecutive final stage victory in Paris. Alongside this, the 2012 Skyride programme is underway with over 70,000 people having participated to date in city centre and local rides, with further events planned over the summer.

Also in sport, our eight year partnership with the Youth Sports Trust, Sky Sports Living for Sports, has had its best year ever with over 850 schools and 18,000 students taking part. Our 50 athlete mentors, including Darren Campbell and Sky Sports' Kirsty Gallacher, have made over 1,400 school visits.

In May, we announced the extension of our Sky Rainforest Rescue campaign in partnership with WWF for a further three years. The first phase of the campaign hit its £2 million fundraising target six months early and Sky has matched all donations pound for pound to reach a total of £4 million.

In May, Sky Arts returned to the Hay and Brighton festivals building on our work to open up the arts to more people. At Hay, six episodes of the Book Show along with 20 other sessions were filmed and shown on Sky Arts. In addition, the 'Sky Arts Ignition: Futures Fund' awarded further bursaries of £30,000 each to three young artists in order to assist their emerging careers.

FINANCIAL SUMMARY

For the twelve months ended 30 June 2012 ("the year") we delivered record financial results. Revenue increased by 4.5% on a like-for-like basis[3], reflecting our continued growth in households and total products, and good contribution from other businesses. Top-line growth translated into strong profitability with adjusted EBITDA up 12% at £1,567 million and adjusted operating profit at its highest ever level of £1,223 million, at an expanded adjusted operating margin of 18.0%. Adjusted basic earnings per share increased by 22% to reach 50.8 pence.

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

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

Revenue

Reported group revenue increased by £194 million to £6,791 million (2011: £6,597 million). Like-for-like revenue[3] increased by 4.5% as the growth in customers and products more than offset headwinds in advertising and Sky Business.

Retail subscription revenue increased to £5,593 million (2011: £5,471 million) as a result of strong product growth over the year and a larger customer base more than offsetting our decision to freeze subscription prices. Excluding the impact of the additional week of revenue in the comparative, subscription revenue grew 4% on the prior year on a like-for-like basis[3].

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

Advertising revenue was 4% lower year on year at £440 million (2011: £458 million). We continued to increase our market share, by 100 basis points year on year to 21.2%, with the majority of growth due to improved channel ratings for our third party partners with whom we share revenue upside. Looking over a longer period, the benefits of increased scale have enabled us to grow revenue by £111 million since 2008/09 at an average annual growth of 10%. Looking ahead, we expect TV advertising will remain challenging and anticipate an overall market decline in the second half of calendar 2012.

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

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

Direct Costs

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

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

Other Operating Costs

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

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

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

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

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

Earnings

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

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

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

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

Exceptional Items

Reported operating profit of £1,243 million included a net benefit of £20 million consisting of a £31 million gain relating to the break fee from News Corporation net of related costs, and £11 million of restructuring costs which comprise severance payments in relation to approximately 35 senior roles as part of a restructuring initiative to improve operational efficiency. Both exceptional items were recognised in administration costs.

Reported profit after tax of £906 million also included an additional £11 million exceptional gain, which consisted of a £7 million profit on disposal of our stake in Chelsea Digital Media, an exceptional gain of £19 million relating to the re-measurement of derivative financial instruments not qualifying for hedge accounting (2011: £18 million gain), a £5 million charge due to writing-off the fees relating to the previous revolving credit facility, and a £10 million charge relating to the tax effect on exceptional items. See Appendix 2 for a reconciliation of the reported to adjusted income statement.

Cash Flow and Financial Position

Adjusted free cash flow increased by 14% to £992 million (2011: £869 million), excluding a one-off payment of £82 million in respect of the Premier League rights deposit for the season starting August 2013 (including the one-off payment, adjusted free cash flow was £910 million. See Appendix 2 for a reconciliation of adjusted free cash flow.). The strong underlying cash flow growth reflects 12% increase in adjusted EBITDA and a 9% improvement in working capital, offset by increased capital expenditure.

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

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

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

Distributions to Shareholders

In setting the Company's financial strategy and policy for the use of capital, our aim is to strike a balance between value accretive investment in the business and cash returns to shareholders. We are a growth company and our first priority for the use of capital is to re-invest in the business where we see the opportunity to grow revenues and earnings. Alongside this, we expect our shareholders to continue to benefit from our commitment to increase our ordinary dividend in line with earnings growth. Where appropriate we will also look to pursue acquisition opportunities and/or to return capital to shareholders.

Our policy with respect to the ordinary dividend is to pay-out 50% of adjusted earnings each year to shareholders and for the fiscal year ended 30 June 2012 the Directors propose a final dividend of 16.20 pence per share, resulting in a full year dividend of 25.40 pence per share, up 9%. The proposed dividend continues our strong track record of growth and represents the eighth consecutive year-on-year increase.

In addition, this year we intend to seek shareholder approval at the Company's AGM on 1 November 2012 for a further £500 million of share repurchases.

As with the current share repurchase programme, we have entered into an agreement with News Corporation under which, following any market purchases of shares by the Company, News Corporation 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 News Corporation'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.

The ex-dividend date will be 24 October 2012 and, subject to shareholder approval at the Annual General Meeting to be held on 1 November 2012, the final dividend of 16.20 pence will be paid on 16 November 2012 to shareholders appearing on the register at the close of business on 26 October 2012.

Corporate

The company continues to engage with Ofcom as part of its ongoing assessment of whether BSkyB is fit and proper to hold its broadcasting licences. We continue to believe that Sky remains a fit and proper licence holder, as demonstrated by our strong record of regulatory compliance and high standards of governance.

Sky also makes a positive contribution to UK audiences, employment and the broader economy. To measure and explain the scale of our economic impact in particular, we commissioned a report from independent consultants Oxford Economics. The study, 'The Economic Impact of Sky on the UK'[4], found that Sky contributes over £5 billion a year to UK GDP, and supports nearly 120,000 jobs and a £2.3 billion contribution to tax revenues. The full report is available at www.sky.com/corporate.

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[4] Source: *The Economic Impact of Sky on the UK*, Oxford Economics, June 2012. The full report is posted at http://corporate.sky.com/documents/pdf/publications/2012/the_economic_impact_of_sky_on_the_uk

Roku

Sky has made a $10m equity investment in Roku, a leading platform which delivers over-the-top (OTT) services via its innovative and low-cost streaming devices. This follows earlier confirmation that NOW TV will be made available through Roku's UK devices. In addition to this carriage deal, the equity stake gives Sky the option to rebrand and distribute versions of Roku's streaming devices in the future, should it wish to complement the OTT distribution it currently receives over third-party platforms.

Notes:
1) References to Roku are to Roku Inc.
2) Gross assets subject to this transaction were $10m
3) Profits attributable to the assets subject to this transaction were $nil

Schedule 1 – KPI Summary

All figures (000) unless stated	FY9/10	FY10/11				FY11/12			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total Customers	**9,868**	**9,979**	**10,150**	**10,223**	**10,294**	**10,371**	**10,471**	**10,549**	**10,606**
Total Products	**21,597**	**22,586**	**23,790**	**24,591**	**25,375**	**26,058**	**26,830**	**27,734**	**28,365**
Television	9,860	9,956	10,096	10,147	10,187	10,213	10,253	10,268	10,288
Sky^{+}HD	2,939	3,154	3,497	3,686	3,822	3,925	4,063	4,222	4,343
Multiroom	2,121	2,158	2,219	2,237	2,250	2,295	2,350	2,378	2,402
Broadband	2,624	2,802	3,006	3,161	3,335	3,485	3,651	3,863	4,001
Telephony	2,367	2,570	2,757	2,916	3,101	3,248	3,407	3,627	3,768
Line Rental	1,686	1,946	2,215	2,444	2,680	2,892	3,106	3,376	3,563
Other Metrics									
% of customers taking TV, Broadband and Talk	21%	23%	24%	26%	27%	28%	29%	31%	32%
ARPU (£)	£504	£510	£536	£537	£538	£535	£544	£546	£548
Churn – quarterly annualised	10.5%	11.2%	9.5%	10.4%	10.4%	11.1%	9.6%	10.1%	9.9%
Fixed Network Metrics									
On-net base	2,288	2,450	2,659	2,856	3,045	3,205	3,403	3,636	3,778
MPF base	883	1,064	1,247	1,435	1,686	1,869	2,146	2,423	2,588
SMPF base	1,405	1,386	1,412	1,421	1,359	1,336	1,257	1,213	1,190
MPF %	39%	43%	47%	50%	55%	58%	63%	67%	69%
SMPF %	61%	57%	53%	50%	45%	42%	37%	33%	31%
Off-net base	336	352	347	305	290	280	248	227	223
Total Broadband	2,624	2,802	3,006	3,161	3,335	3,485	3,651	3,863	4,001
On-net %	87%	87%	88%	90%	91%	92%	93%	94%	94%
No. of new LLU exchanges	6	94	141	115	28	155	175	57	1
Total no. of LLU exchanges	1,199	1,293	1,434	1,549	1,577	1,732	1,907	1,964	1,965

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There will be a presentation to analysts and investors at 08.45 a.m. (BST) today. Participants must register by contacting Yasmin Charabati on +44 20 7251 3801 or at yasmin.charabati@RLMfinsbury.com. In addition, the live webcast will be available via http://www.sky.com/investors and subsequently available for replay.

There will be a separate conference call for US analysts and investors at 10.00 a.m. (EDT) today. Details of this call have been sent to US institutions and can be obtained from Dana Diver at Taylor Rafferty on +1 212 889 4350. A live conference call and supporting materials will be available on Sky's corporate website, http://www.sky.com/corporate. A replay will subsequently be 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, Sky Anytime$^+$, NOW TV, Sky Go, Sky$^+$HD and other services penetration, 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 2011 (as updated in Sky's results for the six months ended 31 December 2011). Copies of the Annual Report and 31 December 2011 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 2012

	Notes	2012 £m	2011 £m
Continuing operations			
Revenue	1	**6,791**	6,597
Operating expense	2	**(5,548)**	(5,524)
EBITDA		**1,587**	1,405
Depreciation and amortisation		**(344)**	(332)
Operating profit		**1,243**	1,073
Share of results of joint ventures and associates	12	**39**	34
Investment income	3	**18**	9
Finance costs	3	**(111)**	(111)
Profit on disposal of available-for-sale investment	4	**-**	9
Profit before tax		**1,189**	1,014
Taxation	5	**(283)**	(256)
Profit for the year from continuing operations		**906**	758
Discontinued operations			
Profit for the year from discontinued operations	6	**-**	52
Profit for the year attributable to equity shareholders of the parent company		**906**	810
Earnings per share from profit for the year (in pence)			
Basic			
Continuing operations	7	**52.6p**	43.5p
Discontinued operations	7	**-**	3.0p
Total	7	**52.6p**	46.5p
Diluted			
Continuing operations	7	**52.2p**	43.0p
Discontinued operations	7	**-**	2.9p
Total	7	**52.2p**	45.9p
Adjusted earnings per share from adjusted profit for the year from continuing operations (in pence)			
Basic	7	**50.8p**	41.6p
Diluted	7	**50.4p**	41.1p

Consolidated Statement of Comprehensive Income for the year ended 30 June 2012

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

Consolidated Balance Sheet as at 30 June 2012

	Notes	2012 £m	2011 £m
Non-current assets			
Goodwill	9	**956**	944
Intangible assets	10	**523**	462
Property, plant and equipment	11	**948**	896
Investments in joint ventures and associates	12	**156**	151
Available-for-sale investments	13	**228**	215
Deferred tax assets	14	**16**	69
Trade and other receivables	16	**17**	13
Derivative financial assets		**390**	275
		3,234	3,025
Current assets			
Inventories	15	**456**	375
Trade and other receivables	16	**621**	592
Short-term deposits		**710**	430
Cash and cash equivalents		**464**	921
Derivative financial assets		**24**	11
		2,275	2,329
Total assets		**5,509**	5,354
Current liabilities			
Borrowings	19	**8**	8
Trade and other payables	17	**1,855**	1,675
Current tax liabilities		**189**	187
Provisions	18	**43**	21
Derivative financial liabilities		**3**	21
		2,098	1,912
Non-current liabilities			
Borrowings	19	**2,398**	2,325
Trade and other payables	17	**27**	26
Provisions	18	**12**	9
Derivative financial liabilities		**29**	47
Deferred tax liabilities	14	**1**	-
		2,467	2,407
Total liabilities		**4,565**	4,319
Share capital	20	**837**	876
Share premium		**1,437**	1,437
Reserves		**(1,330)**	(1,278)
Total equity attributable to equity shareholders of the parent company		**944**	1,035
Total liabilities and shareholders' equity		**5,509**	5,354

Consolidated Cash Flow Statement for the year ended 30 June 2012

	Notes	2012 £m	2011 £m
Continuing operations			
Cash flows from operating activities			
Cash generated from operations	22	**1,737**	1,569
Interest received		**17**	7
Taxation paid		**(254)**	(219)
Net cash from operating activities		**1,500**	1,357
Cash flows from investing activities			
Dividends received from joint ventures and associates		**39**	29
Net funding to joint ventures and associates		**(6)**	(4)
Proceeds on disposal of investments		**-**	32
Purchase of property, plant and equipment		**(228)**	(197)
Purchase of intangible assets		**(229)**	(226)
Purchase of subsidiaries (net of cash and cash equivalents purchased)		**(15)**	(222)
Purchase of available-for-sale investments		**(5)**	-
Increase in short-term deposits		**(280)**	(30)
Net cash used in investing activities		**(724)**	(618)
Cash flows from financing activities			
Repayment of obligations under finance leases		**(1)**	(1)
Proceeds from disposal of shares in Employee Share Ownership Plan ("ESOP")		**10**	32
Purchase of own shares for ESOP		**(161)**	(90)
Purchase of own shares for cancellation		**(546)**	-
Interest paid		**(125)**	(124)
Dividends paid to shareholders		**(410)**	(353)
Net cash used in financing activities		**(1,233)**	(536)
Net (decrease) increase in cash and cash equivalents from continuing operations		**(457)**	203
Cash generated from discontinued operations	6	**-**	69
Cash and cash equivalents at the beginning of the year		**921**	649
Cash and cash equivalents at the end of the year		**464**	921

Consolidated Statement of Changes in Equity for the year ended 30 June 2012

	Share capital £m	Share premium £m	ESOP reserve £m	Hedging reserve £m	Available-for-sale reserve £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
At 1 July 2010	**876**	**1,437**	**(47)**	**77**	**98**	**362**	**(2,243)**	**560**
Profit for the year	-	-	-	-	-	-	810	810
Exchange differences on translation of foreign operations	-	-	-	-	-	(8)	-	(8)
Transfer to income statement on disposal of foreign operations	-	-	-	-	-	4	-	4
Revaluation of available-for-sale investment	-	-	-	-	59	-	-	59
Recognition and transfer of cash flow hedges	-	-	-	(88)	-	-	-	(88)
Tax on items taken directly to equity	-	-	-	25	-	-	-	25
Total comprehensive income for the year	**-**	**-**	**-**	**(63)**	**59**	**(4)**	**810**	**802**
Share-based payment	-	-	(60)	-	-	-	70	10
Tax on items taken directly to equity	-	-	-	-	-	-	19	19
Purchase of non-controlling interest	-	-	-	-	-	-	(3)	(3)
Dividends	-	-	-	-	-	-	(353)	(353)
At 30 June 2011	**876**	**1,437**	**(107)**	**14**	**157**	**358**	**(1,700)**	**1,035**
Profit for the year	-	-	-	-	-	-	906	906
Exchange differences on translation of foreign operations	-	-	-	-	-	2	-	2
Revaluation of available-for-sale investment	-	-	-	-	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 21)								
- 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**

Notes to the consolidated financial statements

The financial information set out in this preliminary announcement does not constitute statutory financial statements for the years ended 30 June 2012 or 2011, for the purpose of the Companies Act 2006, but is derived from those financial statements. Statutory financial statements for 2012, 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 2012. Statutory financial statements for 2011 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 2011 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 year ending on the Sunday nearest to 30 June in each year. In fiscal year 2012, this date was 1 July 2012, this being a 52 week year (fiscal year 2011: 3 July 2011, 53 week year). For convenience purposes, the Group continues to date its consolidated financial statements as at 30 June.

1 Revenue

	2012	2011
	£m	£m
Continuing operations		
Retail subscription	**5,593**	5,471
Wholesale subscription	**351**	323
Advertising	**440**	458
Installation, hardware and service	**98**	112
Other	**309**	233
	6,791	6,597

To provide a more relevant presentation, management has reclassified Sky Player and Sky Mobile revenue of £11 million in the current period and £16 million in the comparative period from other revenue to retail subscription revenue.

2 Operating expense

	2012	2011
	£m	£m
Continuing operations		
Programming	**2,298**	2,188
Direct networks	**676**	584
Marketing(ii)	**1,064**	1,179
Subscriber management and supply chain	**621**	596
Transmission, technology and fixed networks	**395**	395
Administration(i)	**494**	582
	5,548	5,524

(i) Included within administration costs for the year ended 30 June 2012 is a credit of £31 million in relation to the News Corporation proposal consisting of costs incurred offset by the receipt of the break fee. Also included are restructuring costs of £11 million which comprise severance payments in relation to approximately 35 senior roles as part of a restructuring initiative to improve operational efficiency. Included within administration costs for the year ended 30 June 2011 is £26 million of restructuring costs arising on the acquisition of Living TV, which comprise principally redundancy payments and the early termination of a pre-acquisition contract and £15 million of costs in relation to the News Corporation proposal.

(ii) Included within marketing costs for the year ended 30 June 2011 is a credit of £41 million in relation to the refund of import duty on set-top boxes paid out in prior years.

3 Investment income and finance costs

	2012 £m	2011 £m
Investment income		
Cash, cash equivalents and short-term deposits	**14**	9
Dividends received from available-for-sale investments	**4**	-
	18	9

	2012 £m	2011 £m
Finance costs		
– Interest payable and similar charges		
£743 million/£750 million Revolving Credit Facilities ("RCF") (i)	**(8)**	(6)
Guaranteed Notes	**(115)**	(116)
Finance lease interest	**(7)**	(7)
	(130)	(129)
– Other finance income (expense)		
Remeasurement of borrowings and borrowings-related derivative financial instruments (ii)	**20**	17
Remeasurement of other derivative financial instruments (ii)	**-**	(2)
Gain (loss) arising on derivatives in a designated fair value hedge accounting relationship	**47**	(4)
(Loss) gain arising on adjustment for hedged item in a designated fair value hedge accounting relationship	**(48)**	7
	19	18
	(111)	(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. This has now been replaced with the £743 million RCF which has a maturity date of 31 October 2016.

(ii) Not qualifying for hedge accounting.

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.4% (2011: 5.3%) to expenditure on such assets. The amount capitalised in the current year amounted to £1 million (2011: less than £1 million).

4 Profit on disposal of available-for-sale investment

In the prior year, on 5 April 2011, the Group sold its available-for-sale investment in Shine Limited ("Shine") for a maximum consideration of £36 million, of which £31 million has been received to date. The remaining consideration is contingent on certain post transaction criteria and is currently held in escrow. At the date of disposal, the Group estimated the fair value of the contingent consideration to be £4 million and recorded a profit on disposal of £9 million, being the excess of the recognised consideration above the carrying value of the shares.

5 Taxation

Taxation recognised in the income statement

	2012 £m	2011 £m
Current tax expense		
Current year	**303**	386
Adjustment in respect of prior years	**(33)**	(115)
Total current tax charge(i)	**270**	271
Deferred tax expense		
Origination and reversal of temporary differences	**6**	(17)
Adjustment in respect of prior years	**7**	10
Total deferred tax charge (credit)	**13**	(7)
Taxation	**283**	264
Continuing operations	**283**	256
Discountinued operations (see note 6)	**-**	8
	283	264

(i) This includes the tax effect of agreeing a number of historic issues with HMRC resulting in a credit to the prior year tax liability.

Taxation relates to a £283 million UK corporation tax charge (2011: £264 million).

6 Discontinued operations

On 1 September 2010, the Group completed the sale of its business-to-business telecommunications operation, Easynet Global Services ("Easynet"), to Lloyds Development Capital ("LDC") for £100 million. Subsequent to this an agreed working capital adjustment reduced total net consideration to £94 million.

The Group retains the UK network assets that it acquired as part of the original acquisition of Easynet Group in 2005. As part of the sale, the Group and LDC entered into a long-term supply agreement to grant Easynet continued access to the Group's fibre network and Easynet continues to be a key supplier of data network and hosting services to the Group.

Easynet represented a separate major line of business for the Group. As a result its operations were treated as discontinued for the year ended 30 June 2011. A single amount is shown on the face of the consolidated income statement comprising the post-tax result of discontinued operations and the post-tax profit recognised on the disposal of the discontinued operation.

A pre-tax profit of £62 million arose on the disposal of Easynet being the net proceeds of disposal less the carrying amount of Easynet's net liabilities and attributable goodwill.

The results of discontinued operations, which were included in the consolidated income statement for the year ended 30 June 2011, were as follows:

	2011(i) £m
Revenue	32
Operating expense	(34)
Operating loss	**(2)**
Profit on disposal	62
Profit before tax	**60**
Attributable tax expense(ii)	(8)
Profit for the year from discontinued operations	**52**

(i) Amounts include the results of discontinued operations up to the date of disposal (1 September 2010).

(ii) Attributable tax expense comprises nil in respect of operating activities and £8 million arising as a result of the disposal.

During the year ended 30 June 2011, cash flows attributable to Easynet comprised a net operating cash outflow of £7 million and a net cash inflow in respect of investing activities of £76 million.

7 Earnings per share

The weighted average number of shares for the year was:

	2012 Millions of shares	2011 Millions of shares
Ordinary shares	**1,731**	1,753
ESOP trust ordinary shares	**(10)**	(10)
Basic shares	**1,721**	1,743
Dilutive ordinary shares from share options	**16**	20
Diluted shares	**1,737**	1,763

The calculation of diluted earnings per share excludes less than 1 million share options (2011: 2 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 or loss 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.

	2012 £m	2011 £m
Reconciliation from profit for the year from continuing operations to adjusted profit for the year from continuing operations		
Profit for the year from continuing operations	**906**	758
(Net recovery of) costs in relation to News Corporation proposal (see note 2)	**(31)**	15
Costs relating to restructuring exercise (see note 2)	**11**	-
Living TV restructuring costs (see note 2)	**-**	26
Recovery of import duty on set-top boxes (see note 2)	**-**	(41)
RCF fee write-off (see note 3)	**5**	-
Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness (see note 3)	**(19)**	(18)
Profit on disposal of joint venture (see note 12)	**(7)**	-
Profit on disposal of available-for-sale investment (see note 4)	**-**	(9)
Tax credit on settlement of liability(i)	**-**	(15)
Tax effect of above items	**10**	9
Adjusted profit for the year from continuing operations	**875**	725

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

8 Dividends

	2012 £m	2011 £m
Dividends declared and paid during the year		
2010 Final dividend paid: 11.525p per ordinary share	**-**	201
2011 Interim dividend paid: 8.74p per ordinary share	**-**	152
2011 Final dividend paid: 14.54p per ordinary share	**253**	-
2012 Interim dividend paid: 9.20p per ordinary share	**157**	-
	410	353

The 2012 final dividend proposed is 16.20 pence per ordinary share being £269 million. The dividend was not declared at the balance sheet date and is therefore not recognised as a liability as at 30 June 2012.

9 Goodwill

	2012 £m	2011 £m
Carrying value	**956**	944

During the year, the Group completed the acquisition of Acetrax AG for consideration of £15 million. This resulted in additional goodwill of £12 million.

10 Intangible Assets

	Internally generated intangible assets £m	Software development (external) £m	Software licenses £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 2011	214	347	88	243	26	92	1,010
Additions from business combinations	-	3	-	1	-	-	4
Additions	45	22	11	57	56	31	222
Disposals	(35)	(44)	(20)	(17)	-	-	(116)
Transfers	28	19	1	-	(28)	(20)	-
At 30 June 2012	**252**	**347**	**80**	**284**	**54**	**103**	**1,120**
Amortisation							
At 1 July 2011	103	256	64	125	-	-	548
Amortisation	54	37	15	59	-	-	165
Disposals	(35)	(44)	(20)	(17)	-	-	(116)
At 30 June 2012	**122**	**249**	**59**	**167**	**-**	**-**	**597**
Carrying amounts							
At 1 July 2011	111	91	24	118	26	92	462
At 30 June 2012	**130**	**98**	**21**	**117**	**54**	**103**	**523**

11 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 2011	332	59	1,139	30	1,560
Foreign exchange movements	-	-	(1)	-	(1)
Additions	-	1	192	38	231
Disposals	-	(1)	(160)	-	(161)
Transfers	1	-	40	(41)	-
At 30 June 2012	**333**	**59**	**1,210**	**27**	**1,629**
Depreciation					
At 1 July 2011	31	22	611	-	664
Foreign exchange movements	-	-	(1)	-	(1)
Depreciation	10	6	163	-	179
Disposals	(1)	(1)	(159)	-	(161)
At 30 June 2012	**40**	**27**	**614**	**-**	**681**
Carrying amounts					
At 1 July 2011	301	37	528	30	896
At 30 June 2012	**293**	**32**	**596**	**27**	**948**

12 Investments in joint ventures and associates

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

	2012 £m	2011 £m
Share of net assets		
- At 1 July	**151**	149
Movement in net assets		
– Funding, net of repayments	**6**	4
– Dividends received(i)	**(39)**	(29)
– Share of profits(i)	**39**	34
- Disposal of joint venture(i)	**(3)**	-
– Exchange differences on translation of foreign joint ventures and associates	**2**	(7)
At 30 June	**156**	151

A. During the 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.

13 Available-for-sale investments

	2012 £m	2011 £m
Fair value of ITV investment	**223**	215
Other investments at cost	**5**	-
	228	215

14 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 2011	14	1	6	58	(10)	69
(Charge) to income	(1)	-	-	(6)	(5)	(12)
Credit to equity	-	-	-	(23)	(18)	(41)
Acquisition of subsidiaries	(1)	-	-	-	-	(1)
Effect of change in tax rate						
- Income	-	-	-	(2)	1	(1)
- Equity	-	-	-	(1)	2	1
At 30 June 2012	**12**	**1**	**6**	**26**	**(30)**	**15**

15 Inventories

	2012 £m	2011 £m
Television programme rights	**379**	265
Set-top boxes and related equipment	**69**	98
Other inventories	**8**	12
	456	375

16 Trade and other receivables

	2012 £m	2011 £m
Net trade receivables	**81**	79
Amounts receivable from joint ventures and associates	**8**	7
Amounts receivable from other related parties	**12**	10
Prepayments	**294**	239
Accrued income	**155**	152
VAT	**1**	17
Other	**70**	88
Current trade and other receivables	**621**	592
Non-current prepayments	**7**	13
Non-current other receivables	**10**	-
Non-current trade and other receivables	**17**	13
Total trade and other receivables	**638**	605

Included within current trade and other receivables is nil (2011: nil) which is due in more than one year.

17 Trade and other payables

	2012	2011
	£m	£m
Trade payables	**629**	429
Amounts owed to joint ventures and associates	**10**	5
Amounts owed to other related parties	**90**	69
VAT	**140**	145
Accruals	**620**	654
Deferred income	**291**	286
Other	**75**	87
Current trade and other payables	**1,855**	1,675
Trade payables	**9**	12
Amounts owed to other related parties	**8**	5
Deferred income	**6**	7
Other	**4**	2
Non-current trade and other payables	**27**	26
Total trade and other payables	**1,882**	1,701

18 Provisions

	At 1 July 2011	**Provided during the year**	**Utilised during the year**	**At 30 June 2012**
	£m	**£m**	**£m**	**£m**
Current liabilities				
Restructuring provision	-	6	-	**6**
Acquired and acquisition related provisions	11	4	-	**15**
Other provisions	10	18	(6)	**22**
	21	28	(6)	**43**
Non-current liabilities				
Other provisions	9	7	(4)	**12**

19 Borrowings

	2012	2011
	£m	£m
Current borrowings		
Obligations under finance leases	**8**	8
Non-current borrowings		
Guaranteed Notes	**2,338**	2,264
Obligations under finance leases	**60**	61
	2,398	2,325

20 Share Capital

	2012 £m	2011 £m
Allotted, called-up and fully paid shares of 50p		
1,674,454,881 (2011: 1,752,842,599)	**837**	876

21 Shareholders' equity

Purchase of own equity shares for cancellation

On 29 November 2011, the Company's shareholders approved a resolution ("the November 2011 resolution") at the AGM for the Company to return £750 million of capital to shareholders via a share buy-back programme.

The Company has entered into an agreement with News Corporation under which, following any market purchases of shares by the Company, News Corporation 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 News Corporation is the price payable by the Company in respect of the relevant market purchases. The effect of the agreement is to provide that there will be no change in News Corporation's economic or voting interests in the Company as a result of the share buy-back programme.

During the 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 consideration of £546 million. Consideration included stamp duty and commission of £3 million. This represents 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 News Corporation 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.

22 Notes to the Consolidated Cash Flow Statement

Reconciliation of profit before taxation from continuing operations to cash generated from continuing operations

	2012 £m	2011 £m
Profit before taxation	**1,189**	1,014
Depreciation and impairment of property, plant and equipment	**179**	173
Amortisation and impairment of intangible assets	**165**	159
Profit on disposal of available-for-sale investment	**-**	(9)
Share-based payment expense	**66**	69
Net finance costs	**93**	102
Share of results of joint ventures and associates	**(39)**	(34)
	1,653	1,474
Increase in trade and other receivables	**(32)**	(59)
(Increase) decrease in inventories	**(81)**	6
Increase in trade and other payables	**175**	158
Increase (decrease) in provisions	**25**	(8)
Decrease in derivative financial instruments	**(3)**	(2)
Cash generated from continuing operations	**1,737**	1,569

23 Events after the reporting period

On 25 July 2012, 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 1 November 2012. The Company has entered into an agreement with News Corporation under which, following any market purchases of shares by the Company, News Corporation 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 News Corporation 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 News Corporation's economic or voting interests in the Company as a result of the share buy-back programme.

Appendix 2 – Non-GAAP measures

Reconciliation of operating profit to adjusted operating profit and adjusted EBITDA (all continuing operations)
for the year ended 30 June 2012

	Notes	**2012 £m**	2011 £m
Operating profit		**1,243**	1,073
(Net recovery of) costs in relation to News Corporation proposal	2	**(31)**	15
Costs relating to restructuring exercise	2	**11**	-
Living TV restructuring costs	2	**-**	26
Recovery of import duty on set-top boxes	2	**-**	(41)
Adjusted EBITDA		**1,567**	1,405
Depreciation and amortisation		**(344)**	(332)
Adjusted operating profit		**1,223**	1,073

Reconciliation of cash generated from operations to adjusted free cash flow (all continuing operations)
for the year ended 30 June 2012

	Notes	**2012 £m**	2011 £m
Cash generated from operations	22	**1,737**	1,569
Interest received		**17**	7
Taxation paid		**(254)**	(219)
Dividends received from joint ventures and associates		**39**	29
Net funding to joint ventures and associates		**(6)**	(4)
Purchase of property, plant and equipment		**(228)**	(197)
Purchase of intangible assets		**(229)**	(226)
Interest paid		**(125)**	(124)
Free cash flow		**951**	835
Recovery of import duty on set-top boxes (after corporation tax)		**(25)**	-
(Net recovery of) costs in relation to News Corporation proposal (after corporation tax)		**(13)**	2
Receipt on disposal		**(6)**	-
Cash paid relating to restructuring exercise		**3**	6
Living TV restructuring costs		**-**	26
Adjusted free cash flow		**910**	869

Net debt

	2012 £m	2011 £m
Current borrowings	**8**	8
Non-current borrowings	**2,398**	2,325
Total borrowings	**2,406**	2,333
Borrowings-related derivative financial instruments	**(356)**	(232)
Cash and cash equivalents	**(464)**	(921)
Short-term deposits	**(710)**	(430)
Net debt	**876**	750

Consolidated income statement - reconciliation of reported and adjusted numbers (all continuing operations)

		2012			2011		
	Notes	**Reported £m**	**Adjusting Items £m**	**Adjusted £m**	Reported £m	Adjusting Items £m	Adjusted £m
Revenue							
Retail subscription		**5,593**	**-**	**5,593**	5,471	-	5,471
Wholesale subscription		**351**	**-**	**351**	323	-	323
Advertising		**440**	**-**	**440**	458	-	458
Installation, hardware and service		**98**	**-**	**98**	112	-	112
Other		**309**	**-**	**309**	233	-	233
		6,791	**-**	**6,791**	6,597	-	6,597
Operating expense							
Programming		**(2,298)**	**-**	**(2,298)**	(2,188)	-	(2,188)
Direct networks		**(676)**	**-**	**(676)**	(584)	-	(584)
Marketing	A	**(1,064)**	**-**	**(1,064)**	(1,179)	(41)	(1,220)
Subscriber management and supply chain		**(621)**	**-**	**(621)**	(596)	-	(596)
Transmission, technology and fixed networks		**(395)**	**-**	**(395)**	(395)	-	(395)
Administration	B	**(494)**	**(20)**	**(514)**	(582)	41	(541)
		(5,548)	**(20)**	**(5,568)**	(5,524)	-	(5,524)
Operating profit		**1,243**	**(20)**	**1,223**	1,073	-	1,073
Share of results of joint ventures and associates	C	**39**	**(7)**	**32**	34	-	34
Investment income		**18**	**-**	**18**	9	-	9
Finance costs	D	**(111)**	**(14)**	**(125)**	(111)	(18)	(129)
Profit on disposal of available-for-sale investment	E	**-**	**-**	**-**	9	(9)	-
Profit before tax		**1,189**	**(41)**	**1,148**	1,014	(27)	987
Taxation	F	**(283)**	**10**	**(273)**	(256)	(6)	(262)
Profit for the year from continuing operations		**906**	**(31)**	**875**	758	(33)	725

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

B. A credit of £31 million in relation to the News Corporation proposal, consisting of costs incurred offset by the receipt of the break fee and restructuring costs of £11 million, which comprise severance payments in relation to approximately 35 senior roles as part of a restructuring initiative to improve operational efficiency.

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

D. 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).

F. Tax effect of adjusting items.

Notes: explanation of adjusting items for the year ended 30 June 2011

A. A credit in relation to the refund of import duty on set-top boxes paid out in prior years.

B. Restructuring costs arising on the acquisition of Living TV, which comprise principally redundancy payments and the early termination of a pre-acquisition contract (£26 million) and costs in relation to the News Corporation proposal (£15 million).

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

E. Profit on disposal of the Group's investment in Shine

F. Tax effect of adjusting items (cost of £9 million) and a tax credit arising on the settlement of the pre-acquisition tax liabilities of a subsidiary of the Group (£15 million).