

Summary financial statement

SUMMARY CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2011

	2011 £m	2010 £m
Continuing operations		
Revenue	6,597	5,709
Operating expense	(5,524)	(4,865)
Litigation settlement income	-	269
Operating profit	1,073	1,113
Share of results of joint ventures and associates	34	32
Investment income on litigation settlement	-	49
Investment income	9	3
Finance costs	(111)	(122)
Profit on disposal of available-for-sale investment	9	115
Profit before tax	1,014	1,190
Taxation	(256)	(294)
Profit for the year from continuing operations	758	896
Discontinued operations		
Profit (loss) for the year from discontinued operations	52	(18)
Profit for the year attributable to equity shareholders of the parent company	810	878
Earnings (loss) per share from profit (loss) for the year (in pence)		
Basic		
Continuing operations	43.5p	51.4p
Discontinued operations	3.0p	(1.0)p
Total	46.5p	50.4p
Diluted		
Continuing operations	43.0p	51.1p
Discontinued operations	2.9p	(1.0)p
Total	45.9p	50.1p

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	2011 £m	2010 £m
Profit for the year attributable to equity shareholders of the parent company	810	878
Other comprehensive income		
Amounts recognised directly in equity		
Exchange differences on translation of foreign operations	(8)	8
Gain on revaluation of available-for-sale investments	59	117
(Loss) gain on cash flow hedges	(130)	160
Tax on cash flow hedges	36	(45)
	(43)	240
Amounts reclassified and reported in the income statement		
Gain (loss) on cash flow hedges	42	(89)
Tax on cash flow hedges	(11)	25
Transfer to income statement on disposal of available-for-sale investment	-	(115)
Transfer to income statement on disposal of foreign operations	4	-
	35	(179)
Other comprehensive (loss) income for the year (net of tax)	(8)	61
Total comprehensive income for the year attributable to equity shareholders of the parent company	802	939

SUMMARY CONSOLIDATED BALANCE SHEET

as at 30 June 2011

	2011 £m	2010 £m
Non-current assets		
Goodwill	944	852
Intangible assets	462	336
Property, plant and equipment	896	899
Investments in joint ventures and associates	151	149
Available-for-sale investments	215	182
Deferred tax assets	69	-
Trade and other receivables	13	18
Derivative financial assets	275	382
	3,025	2,818
Current assets		
Inventories	375	343
Trade and other receivables	592	538
Short-term deposits	430	400
Cash and cash equivalents	921	649
Derivative financial assets	11	56
	2,329	1,986
Total assets	5,354	4,804
Current liabilities		
Borrowings	8	8
Trade and other payables	1,675	1,526
Current tax liabilities	187	136
Provisions	21	27
Derivative financial liabilities	21	10
	1,912	1,707
Non-current liabilities		
Borrowings	2,325	2,450
Trade and other payables	26	52
Provisions	9	11
Derivative financial liabilities	47	17
Deferred tax liabilities	-	7
	2,407	2,537
Total liabilities	4,319	4,244
Share capital	876	876
Share premium	1,437	1,437
Reserves	(1,278)	(1,753)
Total equity attributable to equity shareholders of the parent company	1,035	560
Total liabilities and shareholders' equity	5,354	4,804

This summary financial statement has been approved by the Board of Directors on 28 July 2011 and was signed on its behalf by:

Jeremy Darroch
Chief Executive Officer

Andrew Griffith
Chief Financial Officer

SUMMARY FINANCIAL STATEMENT

continued

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2011

	2011 £m	2010 £m
Continuing operations		
Cash flows from operating activities		
Cash generated from operations	1,569	1,626
Interest received	7	57
Taxation paid	(219)	(319)
Net cash from operating activities	1,357	1,364
Cash flows from investing activities		
Dividends received from joint ventures and associates	29	30
Net funding to joint ventures and associates	(4)	(1)
Proceeds on disposal of investments	32	196
Purchase of property, plant and equipment	(197)	(246)
Purchase of intangible assets	(226)	(183)
Purchase of subsidiaries (net of cash and cash equivalents purchased)	(222)	-
Proceeds on disposal of property, plant and equipment	-	1
Increase in short-term deposits	(30)	(310)
Net cash used in investing activities	(618)	(513)
Cash flows from financing activities		
Repayment of borrowings	-	(495)
Repayment of obligations under finance leases	(1)	-
Proceeds from disposal of shares in Employee Share Ownership Plan ("ESOP")	32	16
Purchase of own shares for ESOP	(90)	(56)
Interest paid	(124)	(156)
Dividends paid to shareholders	(353)	(314)
Net cash used in financing activities	(536)	(1,005)
Net increase (decrease) in cash and cash equivalents from continuing operations	203	(154)
Cash generated from (used in) discontinued operations	69	(8)
Cash and cash equivalents at the beginning of the year	649	811
Cash and cash equivalents at the end of the year	921	649

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

	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' (deficit) equity £m
At 1 July 2009	876	1,437	(73)	26	96	354	(2,780)	(64)
Profit for the year	-	-	-	-	-	-	878	878
Exchange differences on translation of foreign operations	-	-	-	-	-	8	-	8
Revaluation of available-for-sale investment	-	-	-	-	117	-	-	117
Transfer to income statement on disposal of available-for-sale investment	-	-	-	-	(115)	-	-	(115)
Recognition and transfer of cash flow hedges	-	-	-	71	-	-	-	71
Tax on items taken directly to equity	-	-	-	(20)	-	-	-	(20)
Total comprehensive income for the year	-	-	-	51	2	8	878	939
Share-based payment	-	-	26	-	-	-	(36)	(10)
Tax on items taken directly to equity	-	-	-	-	-	-	9	9
Dividends	-	-	-	-	-	-	(314)	(314)
At 30 June 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

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

	2011 £m	2010 £m
Profit for the year from continuing operations	758	896
Living TV restructuring costs	26	-
Costs in relation to News Corporation proposal	15	-
Recovery of import duty on set-top boxes	(41)	-
Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness	(18)	(13)
Profit on disposal of available-for-sale investment	(9)	(115)
Litigation settlement income relating to claim against EDS	-	(269)
Investment income on litigation settlement	-	(49)
Legal costs relating to claim against EDS	-	1
Cancellation of accounts payable on settlement of claim against EDS	-	(5)
Cost relating to restructuring exercise	-	32
Receipt on closure of joint venture	-	(3)
Tax credit on settlement of liability ⁽ⁱ⁾	(15)	-
Tax effect of above items	9	85
Adjusted profit for the year from continuing operations	725	560

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

SUMMARY FINANCIAL STATEMENT

continued

NON-GAAP MEASURES

All continuing operations

RECONCILIATION OF REVENUE TO ADJUSTED REVENUE

for the year ended 30 June 2011

	2011 £m	2010 £m	2009 £m
Revenue	6,597	5,709	5,157
Recognition of deferred revenue	-	-	(36)
Adjusted Group revenue	6,597	5,709	5,121

RECONCILIATION OF OPERATING PROFIT TO ADJUSTED OPERATING PROFIT AND ADJUSTED EBITDA

for the year ended 30 June 2011

	2011 £m	2010 £m	2009 £m
Operating profit	1,073	1,113	842
Living TV restructuring costs	26	-	-
Costs in relation to News Corporation proposal	15	-	-
Recovery of import duty on set-top boxes	(41)	-	-
Litigation settlement income relating to claim against EDS	-	(269)	-
Legal costs relating to claim against EDS	-	1	3
Cancellation of accounts payable on settlement of claim against EDS	-	(5)	-
Costs relating to restructuring exercise	-	32	-
Recognition of deferred revenue	-	-	(36)
Adjusted EBITDA	1,405	1,185	1,077
Depreciation and amortisation	(332)	(338)	(268)
Costs relating to restructuring exercise included within depreciation and amortisation ⁽ⁱ⁾	-	25	-
Adjusted operating profit	1,073	872	809

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

RECONCILIATION OF CASH GENERATED FROM OPERATIONS TO ADJUSTED FREE CASH FLOW

for the year ended 30 June 2011

	2011 £m	2010 £m	2009 £m
Cash generated from operations	1,569	1,626	1,215
Interest received	7	57	47
Taxation paid	(219)	(319)	(178)
Dividends received from joint ventures and associates	29	30	20
Net funding to joint ventures and associates	(4)	(1)	(3)
Purchase of property, plant and equipment	(197)	(246)	(240)
Purchase of intangible assets	(226)	(183)	(139)
Interest paid	(124)	(156)	(217)
Free cash flow	835	808	505
Living TV restructuring costs	26	-	-
Costs in relation to News Corporation proposal	2	-	-
Litigation settlement income relating to claim against EDS (after tax)	-	(229)	-
Legal costs relating to claim against EDS	-	1	3
Receipt on closure of joint venture	-	(3)	-
Cash paid relating to restructuring exercise	6	-	7
Adjusted free cash flow	869	577⁽ⁱ⁾	515⁽ⁱ⁾

(i) The purchase of freehold land has been removed from adjusting items in the comparative periods (2010: £57 million; 2009: £24 million).

SUMMARY FINANCIAL STATEMENT

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

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

The Group maintains a 52 or 53 week year ending on the Sunday nearest to 30 June in each year. In fiscal year 2011, this date was 3 July 2011, this being a 53 week year (fiscal year 2010: 27 June 2010, 52 week year). For convenience purposes, the Group continues to date its summary financial statement as at 30 June.

FORWARD LOOKING STATEMENTS

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

Although the Company believes that the expectations reflected in such forward looking statements are reasonable, these statements (and all other forward looking statements contained in this document) are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or implied or forecast in the forward looking statements. These factors include, but are not limited to, the fact that we operate in a highly competitive environment, the effects of laws and government regulation upon our activities, our reliance on technology, which is subject to risk, change and development, failure of key suppliers, our ability to continue to obtain exclusive rights to movies, sports events and other programming content, risks inherent in the implementation of large-scale capital expenditure projects, our ability to continue to communicate and market our services effectively, and the risks associated with our operation of digital television transmission in the United Kingdom ("UK") and Republic of Ireland ("Ireland").

Information on the significant risks and uncertainties associated with our business is described in 'Directors' report – Business Review – Principal risks and uncertainties' in the Annual Report. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in the Company or any other entity and must not be relied upon in any way in connection with any investment decision. All forward looking statements in this document are based on information known to us on the date hereof. Except as required by law, we undertake no obligation publicly to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

USE OF MEASURES NOT DEFINED UNDER IFRS

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