

SUMMARY FINANCIAL STATEMENT

Summary Consolidated Income Statement for the year ended 30 June 2010

	2010 £m	2009 £m
Revenue	5,912	5,359
Operating expense	(5,085)	(4,546)
Litigation settlement income	269	-
Operating profit	1,096	813
Share of results of joint ventures and associates	32	19
Investment income on litigation settlement	49	-
Investment income	3	35
Finance costs	(122)	(220)
Impairment of available-for-sale investment	-	(191)
Profit on disposal of available-for-sale investment	115	-
Profit before tax	1,173	456
Taxation	(295)	(197)
Profit for the year attributable to equity shareholders of the parent company	878	259
Earnings per share from profit for the year (in pence)		
Basic	50.4p	14.9p
Diluted	50.1p	14.8p

Summary Consolidated Statement of Comprehensive Income for the year ended 30 June 2010

	2010 £m	2009 £m
Profit for the year attributable to equity shareholders of the parent company	878	259
Other comprehensive income		
Amounts recognised directly in equity		
Exchange differences on translation of foreign operations	8	19
Gain on revaluation of available-for-sale investments	117	96
Gain on cash flow hedges	160	377
Tax on cash flow hedges	(45)	(105)
	240	387
Amounts reclassified and reported in the income statement		
Cash flow hedges	(89)	(351)
Tax on cash flow hedges	25	98
Transfer to income statement on disposal of available-for-sale investment	(115)	-
	(179)	(253)
Other comprehensive income for the year (net of tax)	61	134
Total comprehensive income for the year attributable to equity shareholders of the parent company	939	393

*Summary Consolidated Balance Sheet
as at 30 June 2010*

	2010 £m	2009 £m
Non-current assets		
Goodwill	852	852
Intangible assets	336	345
Property, plant and equipment	899	799
Investments in joint ventures and associates	149	135
Available-for-sale investments	182	261
Deferred tax assets	-	17
Trade and other receivables	18	21
Derivative financial assets	382	202
	2,818	2,632
Current assets		
Inventories	343	386
Trade and other receivables	538	613
Short-term deposits	400	90
Cash and cash equivalents	649	811
Derivative financial assets	56	37
	1,986	1,937
Total assets	4,804	4,569
Current liabilities		
Borrowings	-	465
Trade and other payables	1,526	1,492
Current tax liabilities	136	173
Provisions	27	18
Derivative financial liabilities	10	46
	1,699	2,194
Non-current liabilities		
Borrowings	2,458	2,279
Trade and other payables	52	66
Provisions	11	12
Derivative financial liabilities	17	82
Deferred tax liability	7	-
	2,545	2,439
Total liabilities	4,244	4,633
Share capital	876	876
Share premium	1,437	1,437
Reserves	(1,753)	(2,377)
Total equity (deficit) attributable to equity shareholders of the parent company	560	(64)
Total liabilities and shareholders' equity (deficit)	4,804	4,569

This summary financial statement has been approved by the Board of Directors on 28 July 2010 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 2010

	2010 £m	2009 £m
Cash flows from operating activities		
Cash generated from operations	1,634	1,205
Interest received	57	47
Taxation paid	(320)	(178)
Net cash from operating activities	1,371	1,074
Cash flows from investing activities		
Dividends received from joint ventures and associates	30	20
Net funding to joint ventures and associates	(1)	(3)
Proceeds on disposal of an investment	196	-
Purchase of property, plant and equipment	(261)	(261)
Purchase of intangible assets	(183)	(139)
Purchase of available-for-sale investments	-	(19)
Proceeds on disposal of property, plant and equipment	1	2
(Increase) decrease in short-term deposits	(310)	95
Net cash used in investing activities	(528)	(305)
Cash flows from financing activities		
Proceeds from borrowings	-	398
Repayment of borrowings	(495)	(434)
Proceeds from disposal of shares in Employee Share Ownership Plan (ESOP)	16	1
Purchase of own shares for ESOP	(56)	(40)
Interest paid	(156)	(217)
Dividends paid to shareholders	(314)	(298)
Net cash used in financing activities	(1,005)	(590)
Net (decrease) increase in cash and cash equivalents	(162)	179
Cash and cash equivalents at the beginning of the year	811	632
Cash and cash equivalents at the end of the year	649	811

*Summary Consolidated Statement of Changes in Equity
for the year ended 30 June 2010*

	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 2008	876	1,437	(37)	7	-	335	(2,786)	(168)
Profit for the year	-	-	-	-	-	-	259	259
Exchange differences on translation of foreign operations	-	-	-	-	-	19	-	19
Revaluation of available-for-sale investment	-	-	-	-	96	-	-	96
Recognition and transfer of cash flow hedges	-	-	-	26	-	-	-	26
Tax on items taken directly to equity	-	-	-	(7)	-	-	-	(7)
Total comprehensive income for the year	-	-	-	19	96	19	259	393
Share-based payment	-	-	(36)	-	-	-	48	12
Tax on items taken directly to equity	-	-	-	-	-	-	(3)	(3)
Dividends	-	-	-	-	-	-	(298)	(298)
At 30 June 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

Note 1: Reconciliation from profit for the year to adjusted profit for the year

	2010 £m	2009 £m
Profit for the year	878	259
Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness	(13)	24
Litigation settlement income relating to claim against EDS	(269)	-
Investment income on litigation settlement	(49)	-
Legal costs relating to claim against EDS	1	3
Cancellation of accounts payable on settlement of claim against EDS	(5)	-
Cost relating to restructuring exercise	32	-
Receipt on closure of joint venture	(3)	-
Profit on disposal of available-for-sale investment	(115)	-
Impairment of available-for-sale investment	-	191
Recognition of deferred revenue	-	(36)
Deferred tax write off following change in legislation	-	6
Tax effect of above items	85	4
Adjusted profit for the year	542	451

SUMMARY FINANCIAL STATEMENT

continued

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.

The summary financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union, the Companies Act 2006 and Article 4 of the IAS Regulations.

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 - Review of the business - Principal risks and uncertainties' in this document. 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 decisions. All forward-looking statements in this document are based on information known to us on the date hereof. Except as required by law, we undertake no obligation publicly to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Use of measures not defined under IFRS

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

Glossary of terms

Term	Description
Adjusted earnings per share	Adjusted profit for the year divided by the weighted average number of ordinary shares during the year.
Adjusted operating profit and margin	Operating profit excluding exceptional items. Adjusted operating margin is stated as a percentage of adjusted revenue.
ARPU	Average Revenue Per User: the amount spent by the Group's residential subscribers in the quarter, divided by the average number of residential subscribers in the quarter, annualised.
Churn	The number of customers over a given period that terminate their subscription in its entirety, net of former customers who reinstate their subscription in that period (where such reinstatement is within a 12-month period of the termination of their original subscription), expressed as an annualised percentage of total average customers for the period.
Customer	A subscriber to a DTH service.
DTH	Direct-to-Home: the transmission of satellite services and functionality with reception through a mini dish. The Group also retails certain Sky Channels to a limited number of DSL subscribers (reference throughout to 'DTH subscribers' include DSL subscribers).
EBITDA	Earnings before joint ventures, interest, taxation, depreciation and amortisation is calculated as operating profit before depreciation, amortisation and impairment of property, plant and equipment and intangible assets.
Effective tax rate	The total tax charge as a percentage of profit before exceptional items.
Exceptional items	Items that arise from events or transactions that fall within the ordinary activities of the Group, but which management believes should be separately identified to help explain underlying performance.
Free cash flow	The amount of cash generated by Sky after meeting obligations for interest and tax, after all capital expenditure and net cash flows relating to joint ventures and associates.
Net debt	Borrowings net of cash and, cash equivalents, short-term deposits, and borrowings-related derivative financial instruments.
Product	Any service chosen by a Sky customer. These include DTH, Sky+, Sky Multiroom, Sky+HD, Sky Broadband and Sky Talk.
Sale	A sale is a gross addition of any product.