

sky

British Sky Broadcasting Group plc
Annual Report 2000

Delivering our vision



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Since the launch of Sky digital, we have connected over 3.6 million digital subscribers, with a target of five million digital customers by the end of the year.

Delivering Our Vision.

Nothing less will do.

We are making every day extraordinary for every one of our customers. As a seamless, multi-service communications company, Sky's mission is to deliver compelling content and e-commerce both to the home and to people on the move. We're changing the way people watch TV and the way we communicate, empowering consumers with tomorrow's technology today.



Due to the significant increase in subscribers to our services, we now handle up to one million calls per month.

Sky's flagship portal, sky.com, attracts around 40 million page impressions a month. Combined with skysports.com and sites gained with the acquisition of Sports Internet Group, the number of page impressions totals more than 70 million a month.



Sky Sports staged over 700 outside broadcasts in the past year.

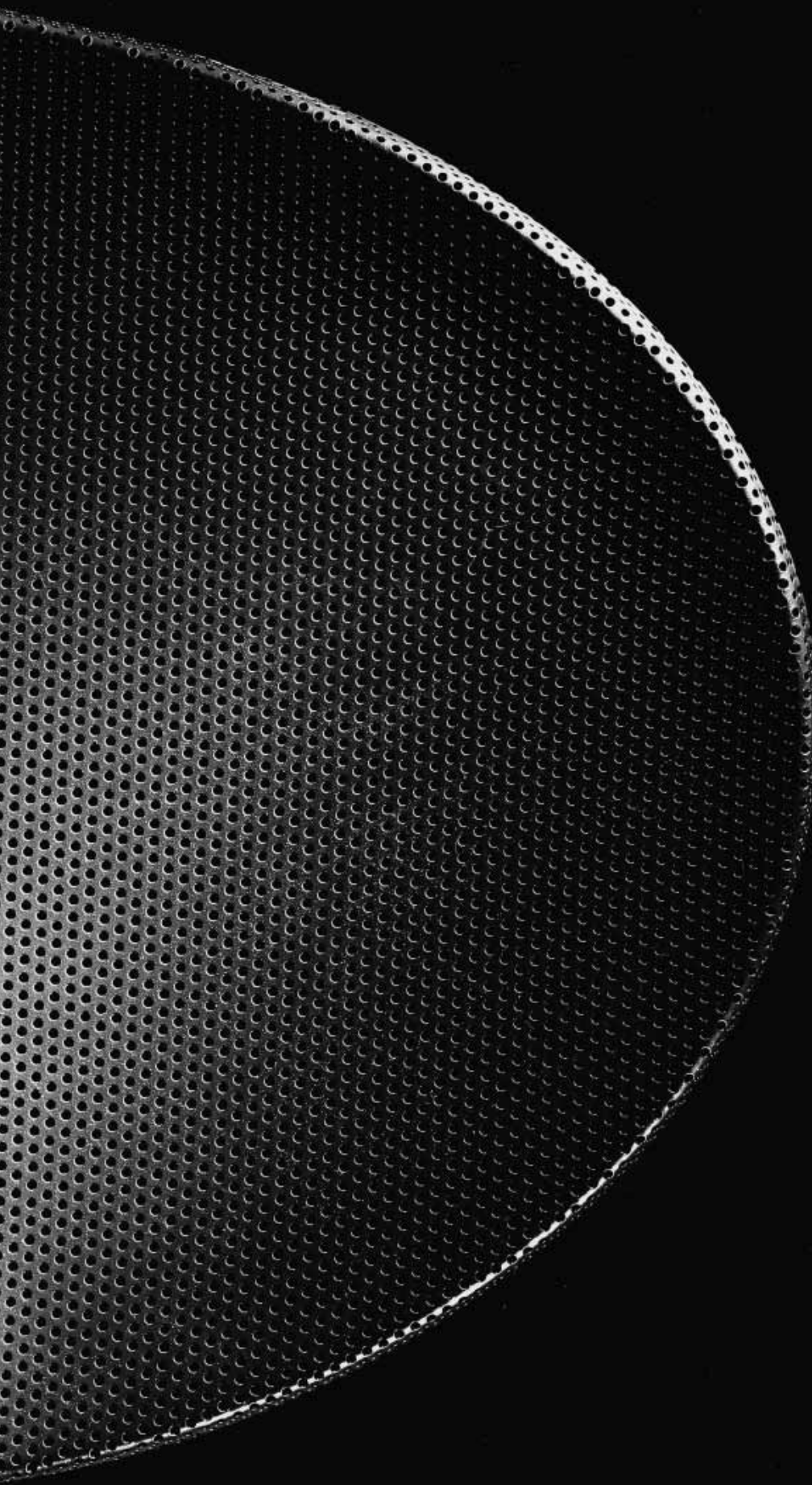


BSkyB secured the rights to broadcast the Premier League, FA Cup and all England home internationals until the end of the 2003-2004 season.



In July 2000, BSkyB reached an agreement to increase its stake in Open from 32.5% to 80.1% subject to regulatory approval. Open has become the largest television e-commerce platform in the UK with access to over nine million people through televisions in 3.6 million homes.





Almost 80% of the Direct to Home ("DTH") base is now digital. Digital transition is expected to be completed in June 2001.

Chairman's Statement
FORGING STRONG, DEEP AND PROFITABLE
RELATIONSHIPS WITH OUR CUSTOMERS



A handwritten signature in dark ink that reads "Rupert Murdoch". The signature is fluid and cursive.

Rupert Murdoch
Chairman

Sky has made impressive gains over the year with digital subscriber numbers more than quadrupling and investments in Europe and new media presenting opportunities for continued growth and expansion.

Once again, I would like to pay tribute to all Sky staff for their flair and commitment which gives the company the strength it has. Together, they are building one of the most innovative and entrepreneurial media companies in the world.

Results

Sky digital subscribers totalled 3.6 million at the end of the financial year – a record annual growth of over one million new digital customers in 12 months. Our large investment in free set-top boxes has stimulated strong take-up of digital TV, and I remain confident that this will bring large returns in the near future.

Opportunities for companies to acquire true market leadership are rare, and BSkyB is uniquely positioned to achieve this on the back of our investment in hardware, programmes and technologies.

More than nine million households enjoy Sky programmes – an all-time high. We intend to keep these households and others at the forefront of digital entertainment and information technology, helping them navigate effortlessly through the new media environment with seamless Sky content on all devices.

From digital television and Open, we are now moving decisively into new

media through organic development, acquisitions, partnerships and joint ventures to make a virtual circle between on-air and on-line provision of compelling content. When other broadband technologies permit, BSkyB will use its marketing strengths to encourage acceptance.

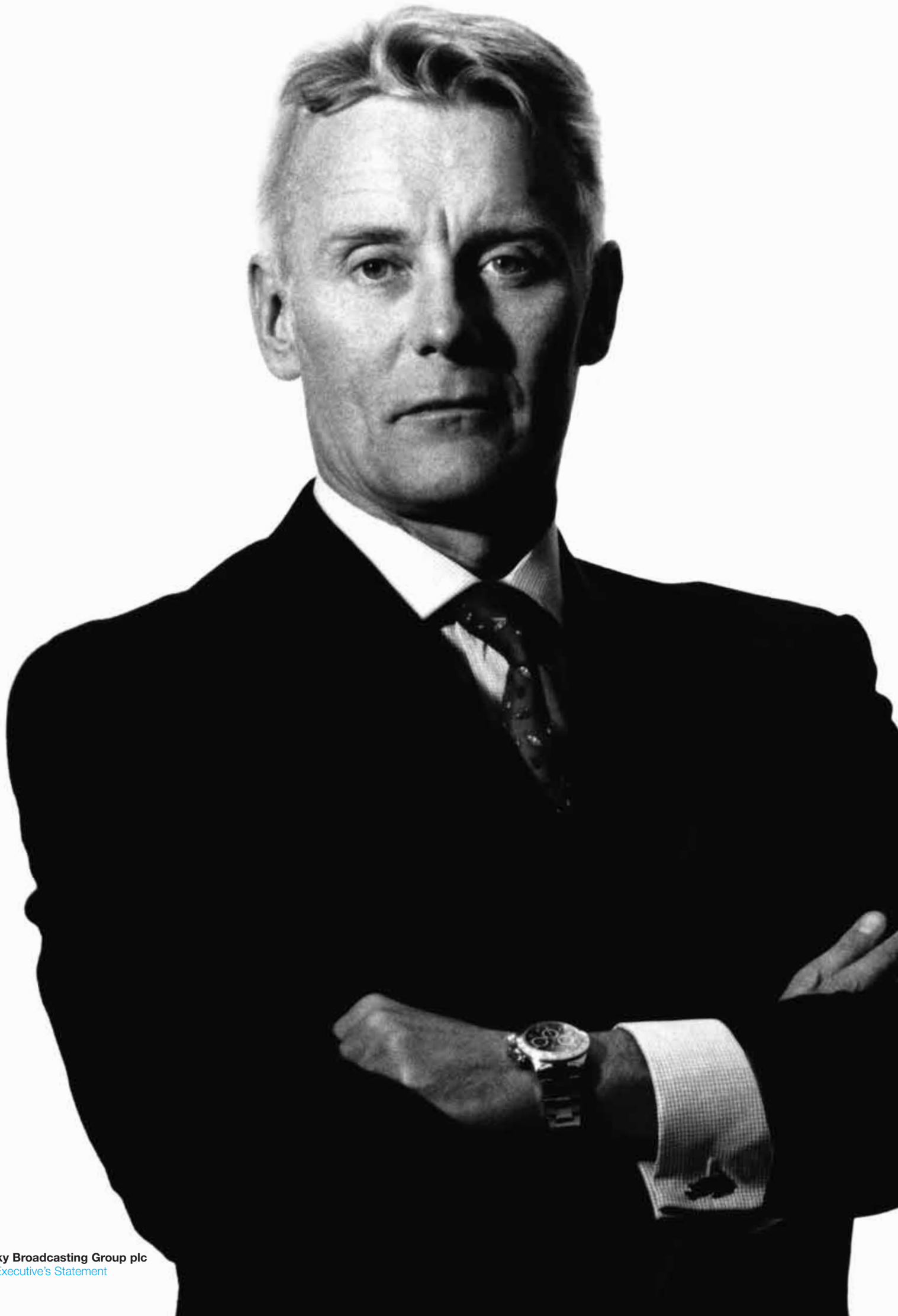
By forging strong, deep and profitable relationships with our customers, across an array of devices, we want them to value the hours they spend using our services. We want them to stay longer and visit more frequently, naturally looking to us for all forms of entertainment, information and communication.

The Sky brand is the perfect umbrella for this. We will try to anticipate what consumers want and how they want to access it, and offer a customised experience. I am determined that our drive for innovation must extend to customer service and that this clearly differentiates us from our competitors.

Management

There have been a number of changes to the Board during the year, which are discussed further on within this document. I would like to mention, however, Dame Anne Mueller, who had been a Director of the Company since 1991 and retired on 28 April, who passed away in July. Dame Anne was always a strong contributor to our Board deliberations and will be sadly missed.

I again congratulate and thank all our employees who are making this company such an outstanding success.



Chief Executive's Statement
THIS YEAR HAS SEEN A FOCUS ON DELIVERY



Tony Ball
Chief Executive

The past year has seen the Company make its digital vision a reality. With a million new digital subscribers joining between July 1999 and June 2000, and nine million subscribing to Sky's channels in total, we have named the date for switching off our current analogue service while others are still talking of rolling out digital services.

It was the best year since 1992-1993 for new business, with the Christmas quarter beating our previous record by 30%. The mix of entertainment available on Sky digital and the interactive innovations launched this year make the platform a compelling consumer proposition.

We took an important step during the year by agreeing to increase our stake in Open to over 80%, subject to regulatory approval, and will build on its success by introducing enhanced applications to broaden the range and quality of its e-commerce services. We also remain open to opportunities outside the domestic market where our leadership in digital TV would add value. The acquisition of a 24% stake in KirchPayTV, completed in May 2000, takes Sky into Germany, potentially continental Europe's largest and most valuable television market.

Financial perspective

Turnover of £1,847 million was up 20% on last year. Direct to Home ("DTH") revenue increased by 21% to £1,189 million, reflecting a 13% increase in the average number of subscribers and a 7% increase in the average revenue per subscriber. Operating profits before exceptional items were £85 million. Loss before tax and exceptional charges was £142 million.

Digital success

The Company's core business is performing well in all respects. The free set-top box offer initiated in May 1999 accelerated the creation of a large customer base, with the target of five million subscribers by December 2000 in prospect.

Digital customer retention is significantly better than analogue, indicating greater customer satisfaction and the success of new loyalty schemes. As digital customers buy more premium-priced channels, annual average revenue per DTH subscriber is now £287, an increase of £18 on last year. In short, the free box strategy is working.

Award-winning programming

Keeping customers satisfied demands compelling content and top quality service. Altogether, Sky invested almost £1 billion in programming during the year. The Royal Television Society awarded Sky a prestigious Gold Medal for ten years' service to broadcasting. Sky also won an Emmy, the Sundance World Cinema Audience Award, and the Royal Television Society News Event Award. We continue to raise our commitment to invest in programming of world-class standard.

In addition to our own original movies and television productions, we continue to showcase the biggest hit programmes from around the world, including the first British showings of such series as Star Trek, Pokémon and The Simpsons. We were delighted to learn in June that our bids for the live coverage of 66 Premier League matches for three seasons from 2001, as well as for FA Cup and England internationals, had been successful. We look forward to maintaining relationships that are good for football, good for customers and good for the media industry.

Delivering digital

When bandwidth is no longer a constraint, only outstanding service will separate the good from the merely adequate. Great service leads to strong customer relationships, and better understanding of customer requirements in turn creates opportunities to generate revenue.

Tremendous effort has gone into customer service to meet the demand for Sky digital. In the run-up

Sky Sports has secured the rights for the Premier League, FA Cup and England Internationals until the end of 2003-2004 season.



to Christmas 1999, when some 100,000 customers a week were signing contracts, we achieved up to 70,000 installations each week thanks to a new recruitment and training programme for installation engineers.

Quality of service is a key factor influencing the consumer's choice of brands. A new multi-platform customer relationship management centre is to be constructed near Manchester. This will enable customers to access account, billing and other information, and services on-line via sky.com, interactively via their television and EPG, or by fixed or mobile telephone devices. Our objective is to build world-class call handling infrastructures, thus raising customer satisfaction and corporate efficiency simultaneously. The new systems will also be deployed in the call centres at Dunfermline and Livingston, giving customer service representatives instant on-line access to a history of an individual subscriber's transactions when needed.

Interactive innovation

Open launched in October 1999 and quickly established impressive usage figures. Eight million people in over 3.6 million UK homes now have access to Open via digital satellite. In June 2000 alone, 1.6 million homes used Open. On average, viewers access the service about seven times each month and spend 17 minutes per visit. Over 200,000 e-mail addresses were registered even before the keypad became available, and this has now risen to over 900,000, making Open one of the UK's top five providers of e-mail services. We intend to build on Open's success to date and will introduce new browser software, to be downloaded to all digital set-top boxes, which will complement and enhance Open's services. Any household with Sky digital will be able to access information and e-commerce services without changing channels. This will increase Open's appeal to television audiences, traditional

and new media retailers, and content providers allowing us to drive Open's revenues by offering even more compelling content.

Enhanced television

Launched shortly after the 1999-2000 football season began, Sky Sports Extra was an immediate hit with digital audiences, with up to half of Sky digital viewers using the interactive coverage on Sky Sports Extra during an average match. This service lets viewers select highlights, statistics and alternative camera angles, while keeping the live game in view. Live and interactive coverage from the past year has included Six Nations Rugby, domestic and international cricket fixtures and all major football matches.

In June 2000, Sky News followed sports into interactive broadcasting, with Sky News Active delivering a world first in television news. Our pioneering technology puts viewers in control, giving them choice over how they view the news at the touch of a button. The next step is personalised media. In the Autumn, Sky will begin marketing TiVo, a personal video recorder that can store up to 40 hours of programmes and customise what is stored according to viewers' tastes.

From on-air to on-line

Sky is determined to distribute its content as widely as possible. Sky's news, sport and entertainment services are already available on digital television and, via our flagship portals sky.com and skysports.com, on personal computers and mobile internet devices including personal digital assistants. At the end of July 2000, we began distributing news and sports content over the Orange mobile phone network.

The acquisition of Sports Internet took our combined websites to over 70 million page impressions monthly. Equally important, it brought a management team with a strong reputation in Internet content infrastructures and an on-line gaming business. Sky remains committed to



Sky's programming resources, especially in news, sport and entertainment, offer immense value across multiple platforms.

creating innovative and consumer-friendly TV-based e-commerce platforms. Skysportsstore.com, our first retail commerce venture, will launch in Autumn 2000. E-commerce assets such as skysportsstore.com and on-line betting from Surrey Sports, will be available on many new platforms and devices.

Millennium inspiration

Across the UK our corporate activity reflects our commitment to changing lives for the better, especially young lives. We are keen supporters of grassroots education and sports initiatives and leading patrons of the performing arts, television and film. These are themes that harness our expertise and business experience. Among the causes we support are the Royal Court Theatre and the Chicken Shed Theatre Company. The Sky Soccer Roadshow provides free professional coaching in all designated Education Action Zones.

Reach For The Sky is a nationwide scheme that aims to inspire teenagers to 'see what they can be'. We have developed an award winning website and donated airtime for public service announcements designed to help teenagers discover their hidden talents and find the career that is right for them. Many Sky employees have acted as mentors in the related residential workshops held around the country.

While the Millennium Dome has been plagued by poor publicity, BSkyB's sponsorship of Skyscape, which presents live performance and screenings of Sky's Reach for the Sky film and Blackadder Back and Forth, is always among the top visitor attractions, with a satisfaction rating of over 90%.

Sky achieves

This has been a remarkable year for Sky and it is entirely thanks to the tireless efforts and talents of our staff. It has been a fantastic collective performance and it is my privilege to continue working with such a creative and dynamic team: Thank you.

In June 2000, Sky News followed sports into interactive broadcasting to deliver the world's first interactive news service with Sky News Active.



Digital subscribers

Total number of subscribers by quarter to year end June 2000 in millions

Q4	3.583
Q3	2.751
Q2	2.065
Q1	1.279

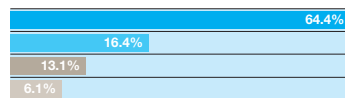
A phenomenal digital take-up rate has given Sky a substantial lead over its competitors.

Operating and Financial Review
 WE HAVE CONTINUED OUR STRATEGY OF
 INVESTMENT IN THE TAKE-UP OF DIGITAL



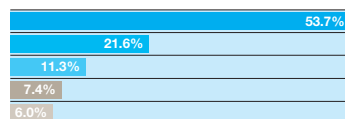
Martin Stewart
 Chief Financial Officer

Split of turnover
 For 1999-2000



- Direct to Home
- Wholesale
- Advertising
- Other

Split of operating costs pre exceptional items
 For 1999-2000



- Programming
- Marketing
- Subscriber management
- Administration
- Transmission and related functions

The record growth in DTH subscribers over the past 12 months has meant that, whilst revenues continued to grow, significant subscriber acquisition costs have impacted operating profit before exceptional items, which was down 54% at £85 million. The loss before tax and exceptional items of £142 million was £215 million lower than last year, principally due to reduced operating profits, a £55 million increase in our share of the losses of British Interactive Broadcasting Limited ("BiB") and, subsequent to the acquisition of 24% of KirchPayTV in April 2000, our share of KirchPayTV's losses of £11 million. After exceptional charges of £120 million, the Group recorded a loss before tax of £263 million.

Turnover

Turnover grew by 20% to £1,847 million, with growth in all areas.

Subscriber revenues, which account for 81% of total turnover, grew 21% year-on-year. DTH revenue, which accounts for 64% of total turnover, increased by 21% to £1,189 million, reflecting a 13% increase in the average number of subscribers and a 7% increase in average revenue per subscriber. The digital DTH pay to basic ratio at the year end of 285% was 14% points above the analogue DTH ratio of 271%. Wholesale revenue from cable and DTT subscribers rose 20% to £303 million, mainly reflecting a full year's income from ONdigital.

Advertising revenue increased by 12% to £242 million, driven by increased rates and greater penetration of Sky channels in UK homes, which stands at 34% (1999: 30%). Sky's share of viewing in multi-channel homes during the year was 13.4% (1999: 13.7%).

Programming costs

Programming costs increased to £946 million, reflecting the growth in the number of subscribers, and the continued increase in programming, both original and acquired, which is now available on the digital platform.

Sports costs, which represent 41% of total programming costs (1999: 40%), increased by £67 million to £385 million, driven by an increase of £46 million in football costs (mainly UEFA Cup rights and contractual increases in Premier League costs), together with the costs of the Ryder Cup and cricket rights.

An increase in movie costs of 17% (£40 million) to £278 million, reflected the increased number of movies offered and a higher average number of movie subscribers.

Entertainment programming costs increased by 13% (£8 million) to £66 million, reflecting increased investment in commissioned programming (which accounted for 32% of Sky One costs) and increased licensed programming costs due to more first run shows and higher rights costs for popular US series.

DTH distribution fees paid to third party channels rose by 27% (£38 million) to £177 million, due to the increased number of total subscribers and the increased number of channels available to digital subscribers compared to analogue.

Other operating costs

Marketing costs pre exceptional items increased by £166 million (77%) to £381 million, due mainly to the cost of the free set-top box promotion following the substantial increase in new subscribers.

Subscriber-related costs pre exceptional items (mainly subscriber handling and smart card costs) increased by 29% to £200 million, driven by the increased number of staff required to handle greater call volumes and the costs of issuing smartcards to new subscribers.

Transmission and related costs pre exceptional items rose by £14 million to £105 million, as the result of the cost of leasing eight new digital transponders to support the expanding service during the year, partly offset by savings from reduced analogue operations.



Overheads increased by £17 million to £130 million due mainly to a growth in staff to support a larger and more complex group and a full year's depreciation on digital assets.

Exceptional items

Operating exceptional items of £105 million comprise a £41 million provision for early termination of the current analogue service, a £58 million increase in the transition provision and £6 million of costs for the re-organisation of Sky In-Home Services Limited ("SHS").

In May 1999, the Group announced a marketing promotion under which it committed to transitioning its existing analogue subscribers onto its digital service. This did not include subsidy costs provided by BiB, 32.5% of whose funding was met by the Group. Following the acquisition by the Group of a further 47.6% shareholding in BiB and the consequent agreement for the Group to provide 100% of BiB's funding, it became appropriate to increase the provision by £58 million, principally to provide for the costs of subsidising the set-top boxes for the remaining analogue subscribers.

The Group's share of KirchPayTV's loss on sale of fixed asset investments of £14 million is also included as an exceptional item.

Joint ventures

The Group's share of net operating losses from joint ventures increased from £58 million to £121 million, mainly due to its investments in BiB and KirchPayTV. The Group's share of BiB's operating loss increased by £55 million to £99 million, in line with the rapid growth in digital set-top box sales. The Group's share of KirchPayTV's operating loss, an amount of £11 million, was included for the first time following the acquisition of our 24% stake in April 2000, as was related goodwill amortisation. The Group continues to invest in its programming joint ventures with losses reducing by 16% during the year to £11 million.

Interest

Net interest costs of £92 million increased by £32 million compared to the prior year, due to an increase in average borrowings and an increase in average interest rates.

Taxation

As a result of losses in the year, the Group has no liability to UK taxation. The tax benefit of these losses amounting to £76 million has not been recognised in the accounts. The £9 million tax charge arises from the effect of paying for tax losses of joint ventures without being able to benefit from losses acquired until future years. Estimated tax losses carried forward of approximately £550 million are available to shelter future taxable profits.

Cash flow

Significant growth in the number of digital subscribers following the set-top box promotion impacted operating cash flows, which decreased by £471 million creating an outflow of £233 million. Combined with investment in new media (£27 million), purchase of stakes in football clubs (£21 million), net interest paid (£65 million) and capex (£58 million), this resulted in a £480 million increase in net debt during the year, to £1,145 million at 30 June 2000. The capital expenditure of £58 million related to continued investment in digital technology and enhanced/interactive services, subscriber management and advertising systems. The acquisition of a 24% stake in KirchPayTV was funded by the proceeds of a share placing and the issue of 78 million shares in the Company to KirchPayTV.

Financing

The Group issued significant share capital during the year to acquire its 24% interest in KirchPayTV. The consideration was funded by a cash placing of 19 million new BSKyB shares in March and the issue to KirchPayTV of 78 million new BSKyB shares in May.

The Group also restructured its debt during the year to provide the

flexibility to deal with the increased requirements for financing during the digital rollout period.

During the year, the Group's syndicated loan facility of £1 billion was replaced by a new £750 million revolving credit facility ("RCF") and the drawn down balance of £150 million repaid. The new facility will mature in four years, and interest will accrue at rates between 0.50% and 1.40% per annum above Sterling LIBOR, depending on the Group's credit rating.

At the beginning of the year, the Group issued US\$650 million and £100 million ten-year global Regulation S/144A bonds with SEC registration rights. The proceeds of the dollar bonds have been swapped into sterling at a fixed semi-annual rate of 7.65% per annum. The sterling notes are at a fixed rate of 7.75% per annum. The net aggregate proceeds of the bond issues of £512 million were used to repay the drawn down balance on the £1 billion RCF, with the remaining cash balance used to provide funding for the rollout of digital.

At the year end the Group also had in issue US\$600 million Guaranteed Notes repayable in 2009, which have been swapped into sterling at an average floating rate of 127 basis points above the six month LIBOR rate. In addition, the Group had in issue US\$300 million 7.30% Guaranteed Notes repayable in October 2006 for which swap transactions were entered into to convert the proceeds into sterling, half of which carries a fixed rate of interest of 8.384% per annum for the full ten years and the remainder is fixed at 7.94% until April 2002, thereafter floating at 62 basis points above the six month LIBOR rate.

Treasury policy and risk management

The main purpose of the Group's financial instruments is to raise finance for its operations. In addition, the Group enters into derivative transactions to manage both interest rate and currency risks arising from

Average revenue per DTH subscriber, including subscription and pay-per-view income

Year on year to June 2000

1999-2000	287
1998-1999	269

Churn rates

Year on year to June 2000

1999-2000	10.5%
1998-1999	13.4%

BSkyB opening and closing share prices

June 1999 and June 2000

June 2000	1,292p
June 1999	640p

Investing £1,000 in BSkyB plc shares in 1995

Value at 30 June 2000 of £1,000 invested in BSkyB plc shares on 30 June 1995.

2000	£4,943
1995	£1,000

the Group's operations and its sources of finance. It is the Group's policy that foreign exchange transactions are restricted to fixed price instruments, that all hedging is to cover known risks and that no trading in financial instruments is undertaken. The amount of cash that can be placed with any one institution is restricted according to credit rating, and regular and frequent reporting to management is required for all transactions and exposures.

The Group finances its operations through bank borrowings, the issue of long-term bonds and share capital. The Group borrows at both fixed and floating rates of interest and then uses interest rate swaps to manage exposure to interest rate fluctuations. It is the Group's policy to have an appropriate mixture of fixed and floating rates. At 30 June 2000, 76% of the Group's borrowings were at fixed rates after taking account of interest rate swaps (30 June 1999: 42%).

To ensure continuity of funding, the Group's policy is to ensure that its borrowings mature over a period of years. At 30 June 2000 76% of the Group's borrowings were due to mature in more than five years (1999: 79%).

The Group's revenues are substantially denominated in pounds sterling, although a significant proportion of operating costs is denominated in US dollars. In the year to 30 June 2000, 15% of operating costs (£269 million) were denominated in US dollars (1999: 20%). These costs relate mainly to the Group's long term programming contracts with US suppliers.

The Group currently manages its US dollar/pound sterling exchange risk exposure primarily by the purchase of forward foreign exchange agreements for approximately one year. Future foreign exchange liabilities are substantially hedged up to one year ahead, using forward foreign exchange contracts. Occasionally, other financial instruments are employed to manage the exposure where these are more appropriate.

All US dollar-denominated forward rate agreements and similar financial instruments entered into by the Group are in respect of firm commitments which exceed the value of such agreements and instruments.

At 30 June 2000 the Group had outstanding commitments to purchase in aggregate US\$440 million at an average rate of US \$1.6064 to £1.00. The Group also incurs costs in Euros relating to certain transponder rental costs; these payments are also covered by forward rate agreements for approximately one year. Although these financial instruments can mitigate the effect of short-term fluctuations in exchange rates, there can be no effective or complete hedge against long-term currency fluctuations.

The Group's debt exposure is currently denominated in sterling after taking foreign exchange swaps into account.

Going concern

The Directors consider, on the basis of current financial projections and facilities available, that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason, the going concern basis has been adopted in preparing the accounts.

A Year of Achievement

August 1999

Strategic media alliance between Leeds Sporting PLC and BSkyB

Sky Sports Extra channel launches on digital satellite

October 1999

Interactive TV from Open launches on digital satellite

November 1999

BSkyB acquires 9.9% stake in Manchester City PLC

BSkyB wins the Royal Television Society Judges Award for Technical Innovation

BSkyB leads way with first webcast of international football match – Scotland vs. England at Hampden Park

BSkyB takes stake in e-tailer Toyzone

December 1999

Sunderland plc and BSkyB announce strategic alliance

January 2000

BSkyB moves to new on-line address: sky.com

BSkyB takes stake in Internet sports network Sportal

February 2000

Sky Sports launches interactive Rugby Union on Sky Sports Extra.

BSkyB and TiVo strategic alliance to offer UK's first personal video recorders

BSkyB announces agreement to form joint venture with Kingston Communications

BSkyB takes stake in entertainment products e-tailer Streets OnLine and interactive tv and broadcast design company Static

March 2000

Tottenham Hotspur and BSkyB team up on the Internet

Chelsea Village plc and BSkyB announce strategic alliance

BSkyB launches new customer loyalty scheme

BSkyB takes home the Royal Television Society Gold Award for outstanding service to television

April 2000

Smithsonian Institute honours Sky

BSkyB takes stake in letsbuyit.com co-buying site and teen girls' portal mykindaplace.com

May 2000

Sky Sports' live interactive sport wins a Royal Television Society award for innovation

BSkyB announces total digital sales of 3.4 million and the highest ever third quarter net DTH growth in sales

BSkyB receives clearance for acquisition of 24% of KirchPayTV

June 2000

Sky Sports launches interactive cricket on Sky Sports Extra

BSkyB welcomes FA Premier League decision on live football rights

BSkyB and BBC awarded live rights to FA Cup and England Home Internationals

BSkyB announces record growth of over one million DTH subscribers in 12 months

Sky News, Europe's first 24-hour television news channel, launches Sky News Active, the world's first interactive television news service

July 2000

BSkyB begins offering news and sports to mobile phone customers

BSkyB offer for Sports Internet Group completed

BSkyB agrees to increase shareholding in Open from 32.5% to 80.1% subject to regulatory approval

Tomorrow is already here.

It arrived yesterday.

For Sky, the digital age is now. A new era of seamless, multi-service entertainment, communications and e-commerce – giving customers what they want, when they want it. Interactivity on-air as well as on-line. Premium products matched by next generation levels of customer care and support.

DELIVERING DIGITAL

People are switching on. More choice of more quality programming for more affluent, better-informed customers. A premium range of services for which viewers are ready and willing to pay – the successful outcome of BSKyB's free dish and box strategy.



From e-mail to e-commerce to interactive news, entertainment and sport. A single screen does it all for the growing ranks of switched-on Sky customers.

Over one million new digital subscribers in the last 12 months and almost 80% of the DTH base is now digital. The digital pay to basic ratio is 285%, compared to 271% in analogue satellite homes.



MULTI-SERVICE ON DEMAND

Sky has built a digital platform on which many different revenue-creating services can be delivered. Pay TV is merely the first. Sky will continue to innovate and develop services that drive new revenue streams and enhance customer loyalty.



Leadership through acquisition: adding Sports Internet Group and agreeing to increase our stake in Open have made BSkyB one of Britain's favourite sports portals and a top name in e-commerce.

For customers, top talent is just as important as the latest technology. BSkyB continues to offer the best programming, investing £946 million in the last year.



BUILDING CUSTOMER RELATIONSHIPS

Technology is only a tool. Down the line, at the end of the phone, customers need to know there is really someone there. BSkyB employees are in the front line of service delivery, working to improve processes in new and upgraded facilities.



Our investment in customer service will not only let customers contact us by any device they find convenient, it will also enhance efficiency, permitting us to introduce and support new services as well as to keep pace with the demand for Sky digital.



THE WAY AHEAD

The communications business is moving as fast as the technology that drives it. Leading the way in digital broadcasting, BSkyB will keep breaking down the barriers. Always remembering that innovation is not enough. It is service that sets us apart.



In every aspect of our business only excellence will do.

Compelling programming. Seamless connections between new and existing media. Ground-breaking developments in interactivity. All this and much more will continue to make Sky an unbeatable consumer proposition.

Customer growth 1992-2000 (millions)

Dates	DTT, Cable and N. Ireland subscribers	Analogue subscribers	Digital subscribers	Total
2000	4.475	0.930	3.583	8.988
1999	3.982	2.707	0.753	7.442
1998	3.352	3.547	–	6.899
1997	2.840	3.532	–	6.372
1996	2.246	3.247	–	5.493
1995	1.702	2.893	–	4.595
1994	1.354	2.541	–	3.895
1993	0.647	1.861	–	2.508
1992	0.469	1.293	–	1.762

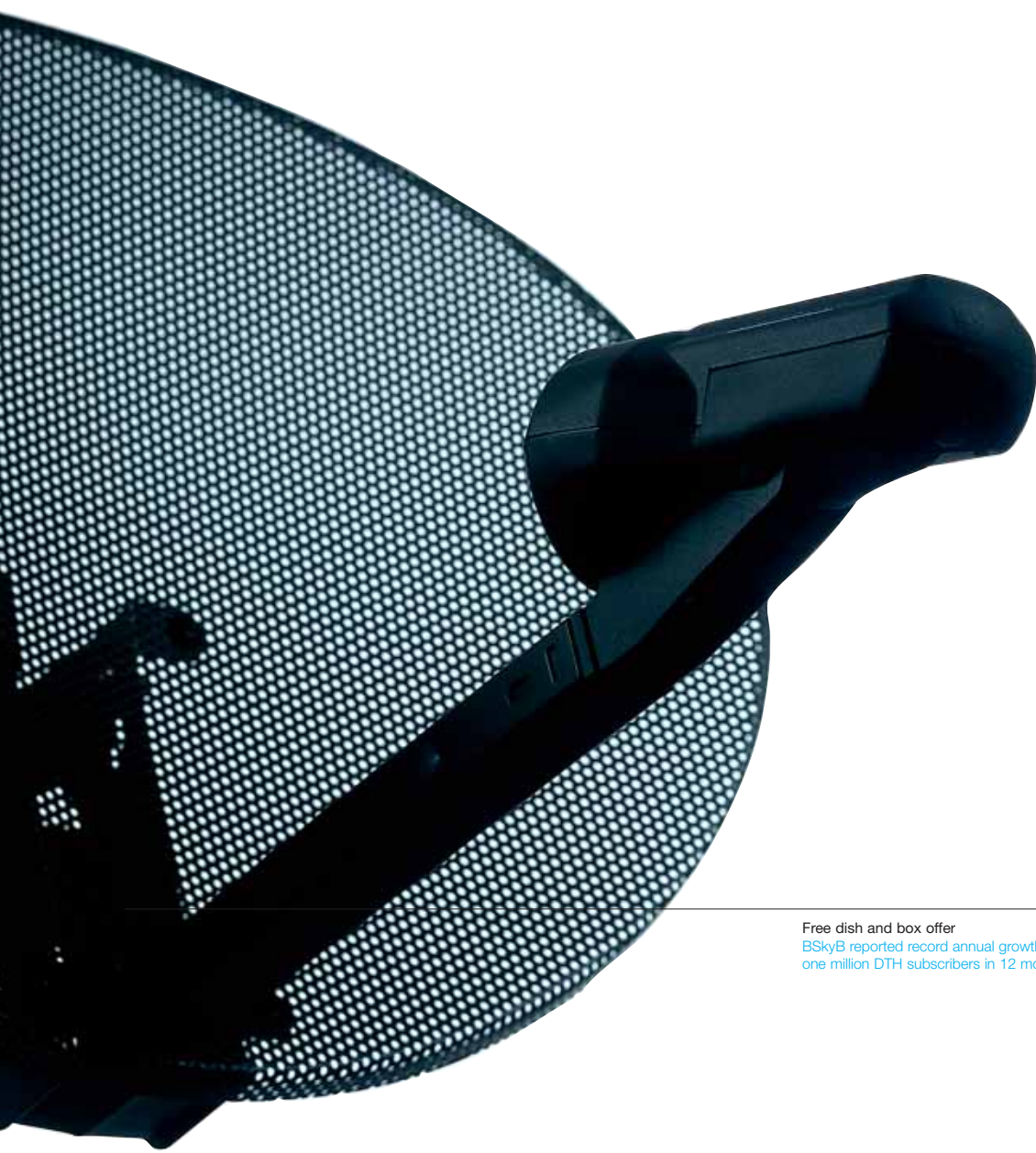
Customer numbers subscribing to Sky's channels approached the nine million mark in the year to 30 June 2000.

Getting customers and keeping them: two priorities driving everything Sky does. Integrated marketing campaigns proved their worth by attracting one million new subscribers in a year.

DISTRIBUTION, SALES & SERVICE



Sky Customer magazine re-launch
Reinforcing positive feelings customers have about Sky, Sky Customer magazine was re-launched to focus on building a relationship with customers rather than providing listings, which are available through EPG in digital.



BSkyB ended the year with 3.6 million digital subscribers, a 2.8 million increase from June 1999, and with 4.5 million Direct to Home (“DTH”) customers in total, to record the Company’s best net DTH annual growth rate in six years. These customers now represent 18.7% of UK households and the lion’s share of the migration from analogue to digital has been completed. The advantage of digital satellite over competing platforms was evident in the significant volumes of customers transferring to Sky and a minimal 3.5% churn rate among Sky digital subscribers.

BSkyB is moving towards its goal of making Sky the heart of the 21st century home, consolidating its market position while maintaining revenue per customer and pay to basic ratios at exceptional levels. Highly effective marketing and distribution strategies have sustained the momentum of the free box offer. A unique loyalty scheme and rising customer service standards are strengthening the relationship between BSKyB and its customers. A new customer management strategy aimed at delivering the lowest possible churn levels in the most cost-effective way has got off to an excellent start.

Total subscribers to BSKyB’s services increased by 1.5 million during the year, resulting in a total of nine million cable, DTT and satellite customers

Free dish and box offer
BSkyB reported record annual growth with over one million DTH subscribers in 12 months.



Investment in marketing
 Integrated advertising campaigns including the free dish and set-top box promotion are designed to increase Sky digital sales and boost pay to basic ratios and maximise profitability per customer.



at 30 June 2000. Of these, 8.4 million are in the UK and 0.6 million in the Republic of Ireland. A further 37,000 are commercial subscribers through Sky's distribution in pubs and clubs.

Rewarding customer loyalty

The reward scheme launched in April 2000 reinforces the positive feelings that customers have about Sky, with prizes such as tickets to special events covered on TV. Digital viewers can enter the reward scheme's competitions by phone, via the website, or through Open. They can win tickets for concerts and sports fixtures, or a chance to look behind the scenes. The same logic powered the re-launch of the Sky Customer magazine to focus on building a relationship with customers rather than providing listings, which in digital are available through the EPG. Readers are treated to an insider view, with exclusive show biz gossip and an invitation to contribute reviews and suggest features.

Innovative marketing campaigns

Such initiatives form part of a continuous integrated marketing campaign designed to boost pay to basic ratios and maximise profitability per customer. All sales channels enjoyed record sales volumes in 1999-2000, backed by above the line brand marketing and tactical direct response campaigns, including third party promotions and cross-links with Open. It was the best year to date

for sales of subscriptions through the leading electrical retailer, Dixons. This year also saw growth in sales of subscriptions delivered via Sky's Direct Sales channel accelerate by 372% on 1998-1999. Cost-effective call generation and management of both process and sales conversion has delivered a low average cost per sale. Extensive and effective direct marketing activity has enabled the Company to develop and refine its targeting and overall strategy to ensure continued growth and success in 2000-2001.

We introduced a door-to-door sales campaign on a trial basis in July 1999, with 30 representatives in two areas. By the year end, this had been increased to over 250 advisers who had achieved almost 100,000 sales. Door-to-door selling has been a successful new part of our distribution strategy and will form an important part of our plans for the financial year ahead. In March 2000, BSKyB launched Internet Digital Ordering, a service that allows customers to book an appointment to have the set-top box and dish installed on-line. The first service of its kind in the UK, Internet Digital Ordering has low operating costs and offers a superb opportunity to reduce the average cost of sales. The initial tests were sufficiently successful to merit further development of IDO as a frontline sales channel.

New product introductions

Several leading manufacturers are working to integrate digital set-top box technology into their widescreen televisions so customers can access all digital TV services without an external decoder. Last year, LG Electronics launched the first BSKyB digital compatible iDTV. A successful marketing campaign, including direct mail promotions with Dixons and Comet, made it the best-selling iDTV. Panasonic's first Sky iDTV will be available shortly. The first set-top box manufactured by Sony will become available in Autumn 2000. Other products including Skytalk, a telephone service offering calls below BT basic rates, and Skycare, an extended warranty for digital satellite equipment, have performed well.



Tivo
 This Autumn, Sky will pioneer the introduction of personal video recorders ("PVR") in partnership with Tivo. This will be marketed as a premium product competing against high specification video and DVD recorders.





Customer Service

To support a wider range of products and services, the Group is investing in a new customer relationship management centre which will be located near Manchester and is expected to be operational in early 2001. The Group will also be upgrading the existing centres in Livingston and Dunfermline.

During the first half of the year, the Group focused on handling record volumes of new and existing customers requesting Sky digital. Investment made at that time in recruitment and training led to second half improvements with the average cost per call handled down by 17% and the number of calls cut by half.

Serving the customer

Winning the customer is only one part of the challenge. Looking after customers well and cost-effectively is also essential, and great efforts are being made to improve business performance to service them. BSkyB is investing £50 million in a new customer relationship management centre in Irlam near Manchester to become operational in 2001, in its quest to be among the world's best service companies.

The focus of 1999-2000 has been coping with the flood of new and existing customers wanting Sky digital. Massive recruitment and training initiatives were necessary to keep pace. Now that new customers can normally be connected within a week, the emphasis is shifting to equipping customer service representatives with the additional skills needed for relationship management, where judgement and initiative are critical to success. Early results have been encouraging with the average cost per call for digital subscribers down from £1.91 to £1.59, and digital call rates cut by half.

Similar efficiency measures are taking place within Sky In-Home Service, the installation arm of Sky. A new national distribution centre in Sheffield will be fully operational from the Autumn,

replacing 15 smaller locations around the UK. This will improve the flexibility of service, allowing Sky to supply and install new products, such as the TiVo personal video recorder which will be marketed in the UK from this Autumn, quickly and efficiently.

Commercial customers

Sky Business, which develops non-domestic revenue by providing Sky programming via cable and satellite to commercial customers, had a record year generating revenue in excess of £100 million. The target for 1999-2000 was to move beyond the established pub customer base. This is being successfully accomplished with new customers in offices, retail, financial services, health and leisure, education and government premises using Sky to transform the business environment. Like the DTH business, the majority of BSkyB's 200,000 commercial customers have made the transition to digital service.

The Company is also making the most of lower digital transmission costs by creating private networks for business-to-business television. These networks make, market and supply specialist programmes for professionals. In May 2000, BSkyB took a 20% stake in The Medical Channel. This offers healthcare professionals factual programmes that help consolidate and update their

training with information on best practices and new products. Other services, including the Pub Channel provide a range of sector specific news and information, factual training, entertainment and e-commerce. Other business-to-business channels are in development.

BSkyB is investing significantly in Sky Business channels, including the development of television studios in Hayes to produce programmes. These will carry advertising and have related websites to allow viewers to interact with programming. Commercial customers will eventually be offered airtime and production packages to facilitate tailor-made communication to their employees and consumers on a closed user-group basis. Advertisers are beginning to appreciate the extra value that Sky Business customers represent. Over 37,000 pubs and clubs showing Sky Sports generate an average weekly in-pub audience in excess of 3.4 million viewers.

Sky Homes

Sky Homes ensures that buildings can receive digital satellite by marketing SMATV to blocks of flats and social housing where a conventional DTH dish is impractical. It also encourages developers of new properties to provide digital facilities ready for connection to Sky. There

was significant progress on both fronts during the year. Wilcon Homes has completed 3,800 new homes incorporating digital satellite to date and in June 2000, Sky Homes announced that it had agreed plans with Aberdeen City Council to install an integrated reception system in 8,000 homes. Another 23,500 homes in Enfield, Walsall and Manchester will be connected under similar contracts. Further expansion of these areas is planned in the year ahead.

sky business

Sky business delivers bespoke digital services and channels to businesses.





Service
Sky's customer relationship management centres in Scotland are fully equipped to handle customer calls, seven days a week.



NEW MEDIA



skysports.com
Sky leads the way in providing sports information on-line.



sky.com
Sky's website regularly ranks in the top ten of the most visited sites in the UK.

As BSkyB continues to evolve into the UK's premier media company, its success will be built on its strength and ability to manage content from origination through to delivery. By creating and packaging content for distribution across an increasing number of consumer devices, BSkyB is aiming to capture both the narrowband and broadband media markets in the UK. The goal is to be the branded content leader, providing universal access to its information across multiple devices and platforms.

The vision for new media is simple and compelling – to have Sky content available wherever and whenever consumers want it. Current initiatives are aimed at capturing value from customers through e-commerce, subscriptions, advertising and sponsorship opportunities in order to maximise return to shareholders. The intention is for BSkyB to be a UK commercial leader in on-line news, entertainment and sports.

BSkyB's New Media division was created in November 1999, formalising BSkyB's commitment to developing expertise in emerging technologies aligned with its television businesses. The efforts of BSkyB's focus on delivering traffic, advertising and revenue between Sky's television channels and new platforms such as the web, mobile Internet, digital text and interactive TV. New Media explores ways to maximise the

value of Sky content across these platforms. In the UK, skysports.com is a leader in sports content, news and traffic, while Sky News On-line is a front-runner in on-line breaking news. Sky.com/one promotes Sky One's entertainment programming to reach new audiences on the web.

BSkyB is investing increasingly in new technology applications, building on its record of innovation and enterprise. A Wireless Markup Language ("WML") based Internet browser will be downloaded into every digital satellite set-top box installed so far, giving all Sky subscribers access to a secure environment containing Internet content. No additional hardware is required. This will support the move from analogue to digital text and provide the basis of numerous interactive services.

Open – interactive television
Since its launch in Autumn 1999, Open has become the largest e-commerce platform in the UK with access to nine million people through television sets in over 3.6 million homes. In June 2000, 1.6 million homes used Open. Open homes use the service an average of seven times each month and spend 17 minutes each visit shopping, banking, contacting friends, playing games and accessing information. There are over 900,000 registered e-mail users, making Open one of the UK's top five providers of e-mail.

BSkyB's basic premise: give customers what they want – when and how they want it. New Media is providing all that and more with breakthroughs in e-commerce, interactive television for news and sport, mobile phone links and on-line betting.

In July 2000, BSkyB agreed to increase its shareholding in Open from 32.5% to 80.1%, subject to regulatory approval. The Company plans to build on Open's early success to introduce enhanced applications that will increase the range and quantity of e-commerce services. Usage will be encouraged by provision of more compelling content as new participants are brought onto the platform, a wider range of services and an improved look and feel. Open has scope to work with old and new broadcasters, high street stores, e-tailers and others, to create a strong new revenue stream and long term value.

skysports.com
BSkyB has been carefully investing in content and commerce partners, expanding its reach and services to on-line customers. In May 2000 BSkyB agreed its first major Internet acquisition with the all-share offer for Sports Internet Group for approximately £250 million. This purchase brought with it an experienced management team and agreements with football clubs to build their websites, develop e-commerce opportunities, as well as ownership of Opta, the statistical analysis service, and the Surrey Sports Group, which provides both offline tele-betting and on-line betting facilities. These services are already being integrated into skysports.com. On-line betting through surreysports.com betting

applications for WAP and interactive television platforms are expected to provide a significant source of value for Sky New Media.

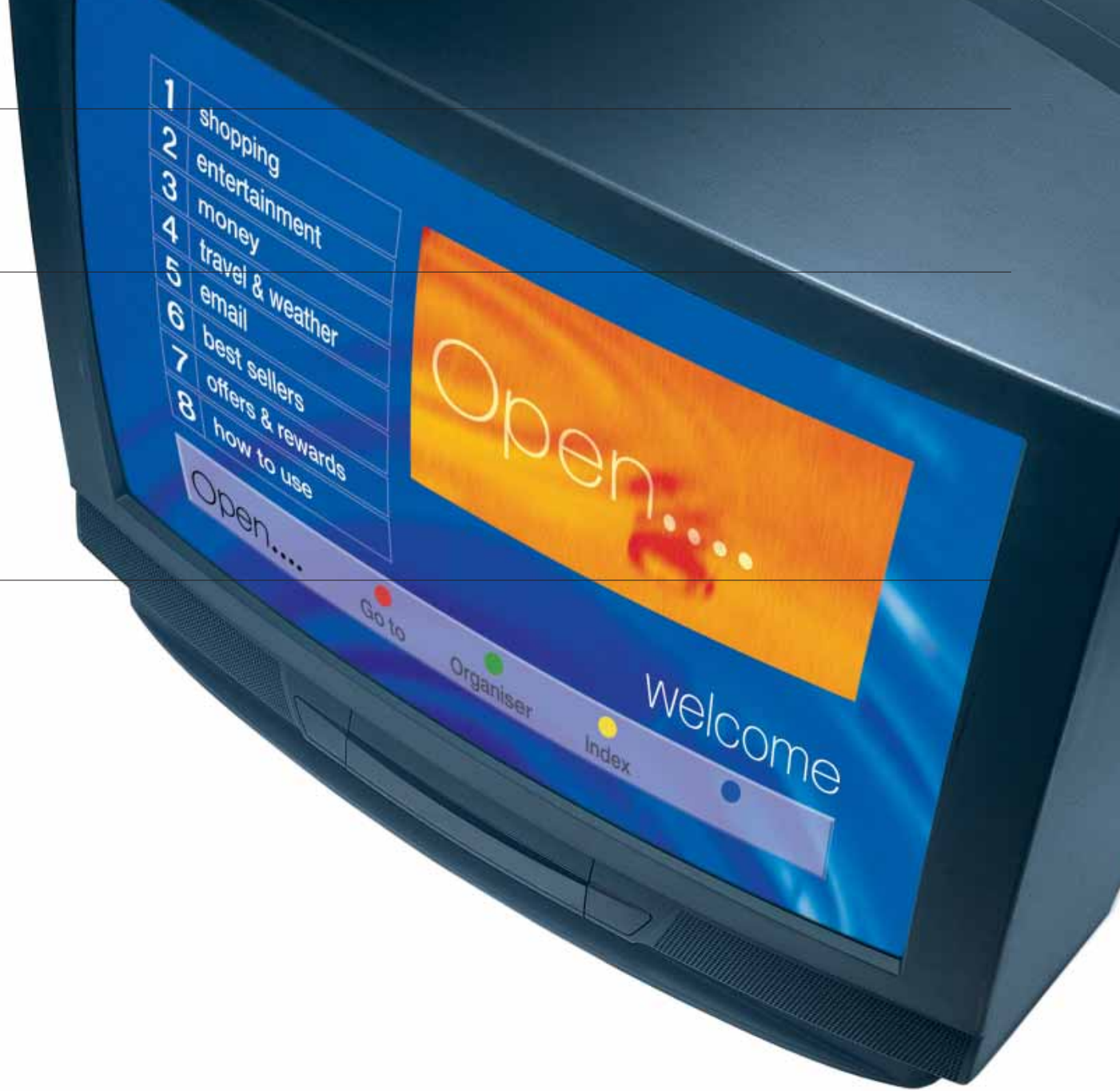
Even before the acquisition of Sports Internet Group, Sky had one of the UK's most popular sports websites and it had been consistently growing in popularity, with 420,000 visitors to the site in March. Skysports.com also made its mark through groundbreaking live coverage, including a live webcast of the England vs. Scotland Euro 2000 qualifying game in November 1999, the first time a live football match had been shown on the Internet in the UK.

In addition to its technology initiatives, Sky has innovative new media relationships with sports organisations spanning both narrowband and broadband. These include an arrangement with the West Indies Cricket Board to produce its website and develop revenue-enhancing opportunities, deals with several football clubs, and a strategic investment in Sportal, an international provider of sports content.

The Sky Sports 24-hour sports news channel now called skysports.comTV has also co-ordinated content with the Sky Sports website.



Open
In October 1999 Open was launched and in just nine months has become the largest television based e-commerce platform in the UK with over 900,000 registered e-mail users.





New Media

Sky's new media strategy is to develop and distribute our content across multiple devices and platforms and to monetise the traffic through e-commerce advertising and subscription.

Sky plans to introduce a Wireless Markup Language ("WML") based Internet browser into every existing digital satellite set-top box, giving all customers access to a secure environment containing Internet content. This browser will allow Sky Text to offer e-commerce and information across all of Sky's channels.



Delivery platforms

Sky's commitment to bringing content to customers via a range of delivery platforms has been enhanced by the accessibility of sky.com news and sports information via WAP and Personal Digital Assistant ("PDA").



Sky News Active
The launch of Sky News Active offers digital viewers the chance to select the stories they most want to see.

Sky News on-line

Sky News' excellence in live breaking coverage also extends to its up-to-the-minute on-line news service. Numerous big stories aired on Sky News have been covered on skynews.com with a fresh slant, including the Afghan airliner hijacking, the Budget and the Paddington rail disaster. In covering breaking news, we are regularly faster than our rivals.

Sky News makes a feature of tapping into its 'punter-power'. Ever since the Kosovo crisis, when thousands of e-mails were received daily, the Internet has proved a powerful link between viewers and journalists. The Your Call programme gives viewers a voice on-air and on-line and the on-line poll has been a success story which has generated both its own editorial content and thousands of votes each week.

Sky entertainment

Showbiz Weekly, Sky's on-air entertainment magazine supplies sky.com with exclusive interviews that appear on the site first, days before they are broadcast. The Oscars, the BAFTAs, Catherine Zeta Jones' pregnancy and Jennifer Lopez's famous Grammy dress have been among the features that make the entertainment section one of the most popular on the site.

As well as providing entertainment content on the website, niche content is being strengthened for phased launches from October 2000. A comprehensive on-line entertainment offering based around the Sky One broadcast channel is planned to offer an enriched experience to key audience demographics such as kids, teens, 16-24s, comedy and sci-fi fans. The aim is to build communities around each site corresponding to key programming by creating tailored propositions for the groups. There will also be an enhanced Sky One highlights site offering programme information and on-line entertainment. Most content will be provided through joint ventures.

skymovies.com

Plans are taking shape for a movie site offering everything on film-related topics from channel information and listings to a comprehensive movie database and on-line cinema ticket purchasing.

Commercialisation of services

BSkyB's e-commerce services will be innovative and integrated with our core content. Skysportsstore.com will be launched in Autumn 2000. It aims to become a leading sports e-tailer, offering a comprehensive inventory of over 60 leading sports brands with exceptional service.

Other attractive commercial opportunities arise out of BskyB's on-line partnerships and equity investments in key players in collective purchasing, games, music, books, toys and the teen market.

Distribution of content

BSkyB is expanding its narrowband presence through the re-launch of sky.com, a comprehensive portal. Sky is also continuing to develop its current ISP service. This is a key element in the strategy of driving customers to PC-based Sky content. Some Sky content is also currently being distributed via the Excite and TDL Infospace Internet portals.

In the broadband era, BskyB expects to provide popular content to mass markets so customers can access content on any device they choose, with particular focus on mobile applications, television, PCs and PDAs. As the Company makes the shift from multi-channel to multi-service, new services are planned and existing services will be enhanced.

Digital text

The next stage in the development of Sky digital is a digital interactive text service, Sky Text. From October 2000, the WML browser will allow Sky Text to offer e-commerce and information across all Sky's channels, thus complementing and enhancing

Open's services. It will look and feel consistent with the Sky website and incorporate live video feeds, betting services and other interactive products.

Sky mobile

In July 2000, Sky launched a mobile Internet service, sky.com/mobile, offering instant breaking news and up-to-the-minute sports information from Sky News' and Sky Sports' award-winning teams of journalists. The service is distributed via Orange's WAP portal and discussions are under way with other network operators. BskyB intends to enhance its mobile content offer during the course of 2000 and to incorporate leading edge applications and services, including audio on demand.

Sky's digital satellite platform can deliver many different revenue generating services. Pay television was just the first. Now the Group is readying itself to develop and distribute its content across multiple devices and to monetise the traffic through e-commerce, advertising and subscription.



Interactive rugby
In February 2000 interactive Rugby Union was launched for England vs. Ireland in the inaugural Six Nations Championship.



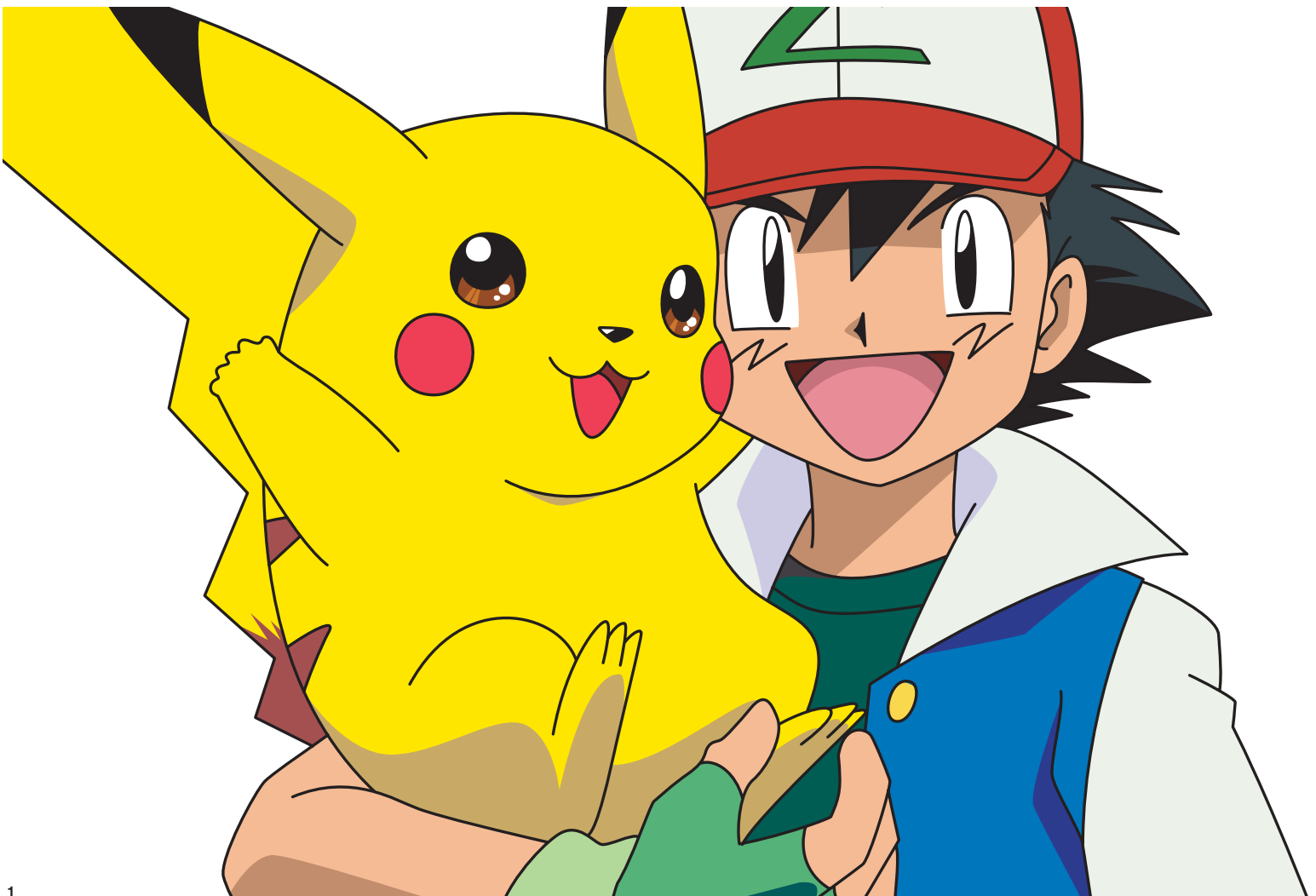
Interactive cricket
To the delight of every cricket fan, Sky Sports launched interactive cricket and new camera angles at the second Test England vs. Zimbabwe at Trent Bridge.

SKY ONE

Sky One continues to win higher ratings than any other non-terrestrial general entertainment channel with its popular formula of high-quality original content and exclusive first runs of top American hit series.



sky.com/one
Sky's website promotes Sky One's entertainment programming to reach new audiences on the Internet.



1



2



3



4

Sky One viewing profiles
1999-2000

By age

16-34	51%
35-54	39%
55+	10%

Source: TNS/BARB – all adults

Men	39%
Woman	36%
Children	25%

Source: TNS/BARB – all Individuals



Content

Throughout the year, Sky One has steadily built up its original programming, commissioning work from a growing roster of UK-based production companies.



Customer Service

Sky One's goal for the year is to target the under-50 population while retaining the valuable and largely male demographic groups amongst which the channel is already strong.

The UK's most popular non-terrestrial channel Sky One, BSkyB's general entertainment channel, continues to be the highest-rating non-terrestrial entertainment channel in satellite and cable homes. It owes its popularity to exciting and innovative original programming made in the UK and to the nation's favourite American hits, many of which receive their first British showings on Sky One. In April 2000, Sky One again won the Favourite Entertainment Channel category in the Cable Guide Cable TV Awards.

Sky One has a far younger viewing profile than that of the total TV audience: people under 34 represent 63% of Sky One's viewers. This makes the channel irresistible to advertisers who target the 16-34 and 4-15 age groups but find them elusive, which explains why Sky One contributes over half of BSkyB's advertising revenue. In fact, in satellite and cable homes, Sky One consistently achieves larger viewing shares than Channel 5 and regularly beats BBC2 and Channel 4 among 16-34 year olds.

More original content

Throughout the last year, Sky One has steadily built up its original programming, commissioning work from a growing roster of UK-based production companies. The third series of the award-winning and hugely popular football-based soap

opera, Dream Team, performed as well as its predecessors, and fantasy drama The Tenth Kingdom secured high ratings as well as universal critical acclaim. Other successes included a second series of Prickly Heat with Julian Clary and Denise Van Outen, a new, highly unusual dating formula, The Villa, and live concerts from The Spice Girls, Boyzone and Robbie Williams. Sky One also commissioned several offbeat factual series such as British Tribes, Life's a Beach, Gun Law, Battle Stripes, 16, Summer 99 Uncovered, and Cream, set in the heartland of the northern dance club circuit.

Hit series

Five Sky One series, Friends, ER, The Tenth Kingdom, The Simpsons and The X-Files had audiences of above one million. In January 2000, an episode of Friends recorded Sky One's largest ever audience of 2.9 million, pushing ITV and BBC1 into second and third places with a 29% share of viewing in satellite and cable homes.

The Pokémon phenomenon has been responsible for major shifts in children's viewing preferences in multi-channel homes. This has resulted in Sky One beating Channel 4, Channel 5, BBC2 and all the specialist children's channels across all hours in cable and satellite homes to become the top channel for children on weekday mornings before school.

Broadening Sky One's appeal

In the year ahead, Sky One will continue to increase its commitment to original programming. New commissions will feature A-list talent to maximise audiences across a broader demographic group and especially to strengthen its appeal for women. Amanda Redman and Anita Dobson, both strong leading artists who are popular with female viewers, have committed to make new drama series for Sky One. The goal is to target the entire population under 50, while retaining the valuable and largely male demographic groups amongst which the channel is already strong.



- Sky One**
1. Pokémon
 2. Angel
 3. The X-Files
 4. Buffy the Vampire Slayer
 5. The Simpsons

Sky News is now making headlines itself with Sky News Active, the world's first interactive television news service. Part of a broader mission to keep customers better informed about the events that touch their lives.



sky.com/news
Bringing up-to-the-minute information, attracting an ever-increasing customer base.

Sky News has continued to out-perform its competitors both in journalism and popularity.

The Royal Television Society's News Event award for its reporting of the Kosovo conflict was an acknowledgement that Sky News now sets the standard for continuous news coverage in the UK and Europe. The citation praised Sky News' "unsurpassed live coverage... enterprise, flair and a tremendous sense of organisation" and said that the channel "provided a lesson to other broadcasters into how to cover a breaking story."

That standard is achieved with considerably fewer resources than its competitors. Sky News' coverage of the millennium, for example, was widely acclaimed and cost a fraction of the BBC equivalent. One Sky News reporter, Jeremy Thompson, even managed to see in the new year twice, once in New Zealand and then, by flying east across the Pacific, in Hawaii – a unique piece of live broadcasting. The millennium coverage also demonstrated Sky News' superiority in the use of virtual reality studios.

Covering the major stories

Sky News proved, once again, that it has no equal when it comes to responding to major stories. Its coverage of the Paddington rail disaster led the way from start to

finish and included world exclusive video of the escape of passengers from the train's burning wreckage.

The channel achieved notable success in its coverage of international stories including the civil war in East Timor, the Turkish earthquakes and the catastrophic floods in Mozambique. As well as the Royal Television Society award, Sky News was the runner-up in the BAFTA news and current affairs category, and a finalist in both the International Emmy Awards and the New York Festival awards. Sky News also won praise from viewers around the world for its extended coverage of the Pope's visit to the Holy Land.

Launch of Sky News Active

Sky News has expanded its new media activities during the year. Its on-line news service on sky.com/news attracts ever-increasing numbers of users and now offers streamed audio and video feeds. In June 2000, Sky News launched Sky News Active, the world's first interactive television news service. This allows viewers to select the style and content of their news requirement at any time by switching between real-time programming, interactive news and text services to get the information most relevant to them.

Sky News operates in an intensely competitive world. Its main rival, BBC

News 24, has improved substantially since it began and is now receiving more resources from the Corporation. ITN has announced that it will start a 24-hour news service in summer 2000. More specialist news and information channels are appearing on digital satellite all the time.

Despite the growing pressures, Sky News has maintained its status as the market leader, attracting an audience share almost four times greater than that of our nearest competitor, BBC News 24, in multi-channel homes. Sky News at Ten remains the most popular programme on the channel.



1 Award-winning Sky News has continued to out-perform competitors, winning various awards during the year including the Royal Television Society's News Event award for the reporting of the Kosovo conflict.



Sky News viewing profiles

By age

16-34	22%
35-54	45%
55+	33%

Source: TNS/BARB - all adults



Content



New Media

The channel achieved notable success in its coverage of international stories including the civil war in East Timor, the Turkish earthquakes and the catastrophic floods in Mozambique.

In June 2000, Sky News launched Sky News Active, the world's first digital interactive television news service. It allows viewers to select the news they want when they want it by switching between real-time programming, interactive news and text services to get the information most relevant to them.



Sky News Active

Viewers can select: **WATCH** – allowing them to instantly call up a selection of video news; **READ** – text based reports providing further background on the stories.



4

Sky News

- 1. Receiving the RTS News Event award
- 2. Mozambique flooding
- 3. Live millennium coverage
- 4. Sky News Active
- 5,6. Paddington rail disaster



Having retained the Premier League and FA Cup rights for another three years, and taken the lead in innovation with the UK's first live interactive sport, Sky Sports remains at the forefront of television sports coverage.



skysports.com
There are on average 20-25 million hits per month on skysports.com.



Sky Sports viewing profiles

By age

16-34	33%
35-54	41%
55+	26%

Source: TNS/BARB – all adults

By sex

Men	70%
Woman	30%

Source: TNS/BARB



Content

In the last year Sky Sports broadcast over 30,000 hours of sport – approximately one third of the programming – live across five dedicated channels.



New Media

The Sky Sports website, skysports.com, scored a notable first with the first live webcast of the football international between Scotland and England in the European Championship qualifying round. The first world title fight shown on the Internet was also available live on skysports.com.

Any sport, any way, anywhere... with over 30,000 hours of sports coverage broadcast during the last 12 months, approximately one third of it live, Sky Sports provides everything the ardent sports fan wants. Success in the June 2000 round of bidding for the next three seasons of the Premier League and FA Cup action concluded a remarkable year for Sky Sports.

New channels, new media

It was a year of innovation, which saw the Sky Sports channels making full use of digital technology. Sky Sports added a fifth channel, Sky Sports Extra, to its network in August 1999, enabling Sky Sports to provide a home for interactive sports coverage which Sky Sports initiated and developed.

Viewers now have the option of creating personalised TV coverage of live action with highlights, statistics and alternative camera angles. This was subsequently enhanced with two further choices of camera angle and player-cam. Within weeks, interactive TV was a firm favourite with half of all digital viewers using the service. Interactive coverage across all Sky Sports channels was extended from football to Rugby Union for the Six Nations championship and to cricket coverage for the Second Test against Zimbabwe and the triangular tournament between England, Zimbabwe and the West Indies.

Sky Sports News was re-launched in April as skysports.comTV. The new look gave digital audiences more information with windows for breaking news, latest headlines, league standings and match fixtures around the broadcast image. It was an immediate hit with ratings up 21% in the first week.

The Sky Sports website, skysports.com, scored a notable first with the first live webcast of an international football match between Scotland and England in the European Championship qualifying round. The same match was also available on the television in widescreen and with enhanced coverage on Sky Sports Extra.

skysports.comTV

In April 2000 the Sky Sports News channel was re-branded as skysports.comTV – ratings increased by 20% in its first week.



Sky Sports

1. Premier League coverage
2. Nationwide League coverage
3. FA Cup coverage
4. Premier League celebrations
5. skysports.comTV
6. Sky Sports Interactive





Landmarks on Sky Sports

July 1999 to June 2000

1999

August

Sky Sports Extra launches offering world's first live interactive football

November

New deals secured for Ryder Cup 2001 and 2003 and European Golf Tours

Sky Sports announces long-term broadcast deal for Australian cricket

2000

January

Sky Sports secures new deal for WWF wrestling

February

Live interactive rugby launched with Six Nations

May

Sky Sports signs long-term web and broadcast deal with West Indies Cricket Board

June

Live interactive cricket launched on Sky Sports Extra

Sky awarded new three-year deals for live FA Premier League football and for FA Cup and England internationals

Broadcast rights secured

As well as the Premier League, Sky Sports has renewed or gained the exclusive live rights to many of the world's top sporting events. It added live UEFA Cup rights for home games from West Ham, Tottenham, Newcastle and Leeds United, and secured a deal with the FA of Ireland for all home internationals until 2002 including World Cup qualifiers.

In golf, new rights include the next two Ryder Cup tournaments, four more years of the European Golf Tour, and the top ladies' events, the Solheim Cup in 2000 and 2002 and the European Tour for 2000-2002.

New international cricket deals were signed with the Australian, Pakistani and West Indies sides. WWF wrestling, a fixture in the schedule since Sky Sports launched, will continue on Sky up until 2005 with an expanded programme of shows.

Programming highlights

Europe's defence of the Ryder Cup in September 1999, the third time the tournament has been shown exclusively live on Sky, was a triumph with more coverage across more channels than ever before, including a choice between the European and American feeds and a constant scoreboard. Sky's interview with Sam Torrance after the drama at the 17th green made headlines on both sides of the Atlantic.

In another first, Sky Sports covered cricket every month of the year. The Cricket World Cup, including the sensational semi-final between South Africa and Australia, was followed by Sky's first live domestic Test, the England winter tour to South Africa and live internationals from Pakistan, Zimbabwe, Australia and India.

Viewers of Sky Box Office saw Lennox Lewis defeat Evander Holyfield to become undisputed heavyweight champion of the world and Prince Naseem Hamed extend his reign as world featherweight champion to five years.



Sky Sports

1. Rugby World Cup coverage
- 2,3. Ryder Cup coverage
4. World Featherweight Championship
- 5,6,7. Interactive cricket



Sports awards won

July 1999 to June 2000

Favourite Sports Channel – Cable
Guide Awards (2000) Sky Sports 1

Sports Programme of the Year –
Royal Television Society
Scotland vs. England

Sports Innovation of the Year –
Royal Television Society (2000)
Live Interactive Football



5

Interactive cricket

The simple on-screen menu offers Sky digital customers four screen options – cameras, highlights, scorecard and statistics.

6

ENGLAND SCORECARD		100	10000
SECOND TEST - THIRD DAY		ACTIVE	
A J STEWART	0	ADAMS	11
N V KNIGHT	0	ARMSTRONG	14
N WILDGATE	0	CHAMBERPAUL	13
V B SOLOMONS	0	ARMSTRONG	14
D P THORPE	0	ARMSTRONG	14
A P FURTFOPF	0	ARMSTRONG	14
M A HALE	0	ARMSTRONG	14
A K CASDICR	0	ARMSTRONG	14
C W W HALE	0	ARMSTRONG	14
D WOODH	0	ARMSTRONG	14
A T MULLALLY	0	ARMSTRONG	14
EXTRAS	0	ARMSTRONG	14
		TOTAL	174



The latest blockbusters, old favourites, classic cinema, major seasons and themed festivals – a choice of over 60 screens and staggered start times. 4.3 million customers are choosing to stay home to go to the movies with Sky.



- Sky Movies**
- 1. Titanic – Sky Premier
 - 2. Halloween H₂O – Sky MovieMax
 - 3. Working Girl – Sky Cinema
- Sky Box Office**
- 4. Entrapment – Sky Box Office
 - 5. Steps in concert – Sky Box Office
 - 6. Lennox vs. Holyfield – Sky Box Office

Sky Movies viewing profiles

Sky Premier by age

4-15	18%
16-34	32%
35-54	39%
55+	12%

Source: TNS/BARB

Sky Moviemax by age

4-15	12%
16-34	32%
35-54	38%
55+	18%

Source: TNS/BARB

Sky Cinema by age

4-15	9%
16-34	23%
35-54	38%
55+	30%

Source: TNS/BARB

Oscars night
Presented by Barry Norman and Elle MacPherson – Sky Premier.



Sky Movies

BSkyB's movie channels benefited strongly from the first full year of technological advantages offered by Sky digital with increased subscriptions and share of viewing.

Things have moved on since audiences had the stark choice of going to the cinema to see a first run movie, or waiting for it to turn up on terrestrial television. The multiplexed versions of Sky Premier, Sky Moviemax and Sky Cinema now offer customers 12 screens of movies, allowing greater flexibility of choice and convenience of start times. In peak time, viewers have the choice of up to six films starting every hour.

Increased viewing share

This immense diversity of choice has led to a significant increase in viewing. The January to June 2000 period saw a share of viewing in digital satellite homes in excess of 7%, approximately double the average share in analogue homes, and by quarter three total movies share was up 18% on the previous year.

There has also been a steady increase in the number of subscribers to the premium movie channels. This number has grown to over 4.3 million across satellite, cable and DTT.

In addition, the Sky Box Office service has 61 movie screens offering early showings of the biggest films from all the major Hollywood studios.

Film favourites

Sky Premier

Sky Premier is home to the biggest and best films. It showed over 650 different films during the year, including 216 movie channel premieres. These were supported by live coverage of The Oscars, The Orange British Academy Film Awards and authoritative movie commentary programmes such as Barry Norman's Film Night and Richard Jobson's Movietalk.

In addition, Sky Premier celebrated the new millennium with the Millennium Movies Show presented by Barry Norman and Lord Attenborough. It aired on Saturday 11 July 1999, celebrating a century of cinema with the results of the nation's vote for its favourite three films. These proved to be Star Wars, Titanic and Gone With The Wind. The programme was followed by a weekly season, between July and November 1999, featuring films from the Sky Premier's Millennium Movies top 100.

Top action movies

Sky Moviemax

Sky Moviemax is billed as the channel for high-action escapist entertainment, adventure and comedy, featuring

Hollywood's biggest stars. Via the core channel and multiplex screens, Moviemax showed 898 different titles over the 12 months, 252 of them movie channel premieres, including I Know What You Did Last Summer, Double Team, Scream 2, Blues Brothers 2000, Deep Rising and Halloween H20.

Themed nights continued, including a Jean-Claude Van Damme week advertised as 'Muscles from Brussels', a martial arts night at Christmas, 'Kick-Boxing Day' and 'ScaryMax', a weekend extravaganza of horror films over the May Bank Holiday.

Movie classics

Sky Cinema

Sky Cinema specialises in film classics and offers audiences a remarkable selection of movies, covering seven decades. It screened 793 different films in 1999/2000, ranging from Fred Astaire's 1935 classic Top Hat, to 1991 fantasy The Fisher King.

Major seasons and themed festivals included John Wayne Day, Clint Eastwood Birthday Week, An Alfred Hitchcock Tribute and Elizabeth Taylor: A Cinema Celebration. Budweiser sponsored a season on Cinema, 'Budweiser American Classics', which included such all-time greats as Rebel Without a Cause, High Noon and Goodfellas.

Expanded Sky Box Office

Sky Box Office expanded its service in September 1999 and also operates five screens showing 18 Plus movies from 10.00pm each day. The movie channels' analogue service was closed down in April 2000, the first BSKyB service to complete the transition to digital, more than a year ahead of the planned June 2001 conclusion of analogue transmission.

Sky Box Office buys continue to peak at the weekend, with 44% of purchases on Saturdays/Sundays and 59% on Friday/Saturday/Sunday. The top selling genres are action adventures and comedies. The top five titles for the year were Lethal Weapon 4, There's Something About Mary, Armageddon, Saving Private Ryan and Dr. Dolittle.

Sky Box Office again featured an exciting programme of live and exclusive pay-per-view events. The highlights of the year were the Lennox Lewis vs. Evander Holyfield fight and live concerts from Simply Red, the record breaking teen group Steps and Sir Cliff Richard.



A-list talent and rising investment underpin the quality productions that are gaining B Sky B recognition in original television and film content around the globe.

SKY PICTURES & SKY PRODUCTIONS



Sky Pictures

Sky Pictures is fast becoming a significant force in the UK's resurgent film industry. After just 18 months, Sky Pictures has produced nine films and enjoyed its first critical and box office successes as well as securing a theatrical distribution deal in the UK with 20th Century Fox.

Formed to make films that are mainstream and have commercial appeal, Sky Pictures has started establishing itself as the leading European producer of English language movies. Featuring the best names in British film and drama both in front of and behind the camera, it provides Sky customers with entertainment that is not available elsewhere. In the medium term, the intention is to be the UK's top film production company and to provide B Sky B with another earnings stream.

Box office success

Sky Pictures' initial two theatrical releases have both performed well at the UK box office. The first, *Saving Grace*, starring Brenda Blethyn and Martin Clunes, won the Audience Award at the prestigious American Sundance Film Festival in February and was bought for US distribution for over \$4 million. Released in the UK in May 2000, *Saving Grace* will have its US theatrical release in early August. When the Sky Falls, a tough thriller set in Dublin and featuring Joan Allen, was released in the UK in June 2000 to considerable critical praise and good box office receipts.

Several Sky Pictures' films, including *Tube Tales* and *Milk*, completed during last year were shown on the platform in 1999-2000. They were broadcast on Sky Premier in Autumn 1999. *Best*, a portrait of 1960's football legend, George Best, was aired in May 2000.

Completed and awaiting release

Other Sky Pictures' projects completed during the year are *Paranoid*, with Iain Glen and Jeanne Tripplehorn, and *Breathtaking*, starring Joanne Whalley. Principal photography has been finished on *The Most Fertile Man in Ireland*, *Kiss Kiss (Bang Bang)* and *On the Nose*, with Dan Ackroyd, Robbie Coltrane and Brenda Blethyn. These are now in post-production and will be seen in the year ahead.

Sky Productions

High quality production means greater audience satisfaction and customer value. As original content increases on-screen, customers see more value in the Sky subscription.

Home grown success

Sky One's rising ratings rest on the growing success of Sky Original Productions' output. With the aim of producing television to talk about, Sky Productions has originated much of the freshest and most innovative entertainment enjoyed by Sky customers. Its programmes have been widely imitated and picked up by UK terrestrial channels. Documentary series such as *16*, *Gun Law* and *Battle Stripes* took

a cold hard look at contentious issues and showed that when Sky One has something serious to say, it can do so as authoritatively as the best.

Ambitious new productions

With a growing record of successful shows on air, Sky Productions is venturing into even more challenging terrain, with original drama and comedy commissions featuring the cream of television actors, writers and directors.

Top British talent is much in evidence in the production slate for next year. Three of Britain's leading comedians – Harry Enfield, David Baddiel and Al Murray – will have their own individual series on Sky One, with celebrity support from the cream of prime-time television. *The Stretch*, a London gangland drama by best-selling novelist Steven Leather, reunites Anita Dobson and Leslie Grantham. Other headline acts appearing in new productions include Dervla Kirwan in a high octane thriller, *The Bombmaker*, for showing in 2001.

Looking ahead, Sky Productions plans to broaden its programming to cater for the entire family in the way that audiences have come to expect: fun-filled, stylish and very slick.



Sky Pictures

1. *Saving Grace* – for general release
2. *Milk* – for Sky Premier
3. *When the Sky Falls* – for general release

Sky Productions

4. *Prickly Heat* – for Sky One
5. *Summer 99 Uncovered* – for Sky One
6. *The People's Harry Enfield* – for Sky One

SKY
PICTURES

SKY
PICTURES

Sky Pictures
completed titles:

[Saving Grace](#)
[When the Sky Falls](#)
[Paranoid](#)
[Breathtaking](#)
[Tube Tales](#)
[Milk](#)
[Best](#)

Sky Productions
completed titles:

[Dream Team](#)
[British Tribes](#)
[Cream](#)
[The Strangerers](#)
[Prickly Heat](#)
[The Villa](#)

Sky Pictures
in post-production:

[The Most Fertile Man In Ireland](#)
[Kiss Kiss \(Bang Bang\)](#)
[On The Nose](#)



Exploring and exploiting the opportunities of genre broadcasting through existing and new joint ventures – with a focus on developing cross-platform activities encompassing the Internet, e-commerce, interactive TV and broadband.

SKY VENTURES



A portfolio of channel investments

Sky Ventures manages BSkyB's equity interests in a portfolio of joint venture multi-platform channels and services, identifying new ventures in which Sky might invest. The portfolio comprises Nickelodeon, Paramount Comedy Channel, National Geographic Channel Europe, The History Channel, Granada Plus, Granada Breeze, Granada Men & Motors, Music Choice Europe, QVC, MUTV and Sky News Australia. Sky Ventures also has responsibility for two BSkyB wholly owned channels [.tv]

and Sky Travel. Nick Jr. and Adventure One joined the roster in 1999-2000. Nick Jr. is for pre-school children. Adventure One is an addition to the National Geographic line-up.

New channels

In February 2000, Sky Ventures acquired an option to take a 20% interest in a new channel, Artsworld. The only broad-based culture and arts service in the UK, Artsworld will be launched on-line in September and on digital satellite



[.tv]
Ownership 100%

During 1999-2000 [.tv] has broadened awareness of the brand and increased both its viewing share (up 100%) and its website traffic (15-fold). Highlights include Which? OnAir, Sky's first foray into masthead programming. Throughout the year [.tv]'s unique content offer has secured a rapid and successful transition to digital.

Nickelodeon
Ownership 50%

During 1999-2000, Nickelodeon was the top-rating children's cable and satellite channel for the third time and won prestigious RTS, BAFTA, BPG and Cable Guide awards.

Nick Jr.
Ownership 50%

Nick Jr., the UK's first dedicated channel for young children, launched in September 1999 and its audience has grown by over 400% since launch.

The History Channel
Ownership 50%

Last year audiences improved dramatically. Monthly reach since January averaged 3.4 million, a yearly increase of 38%. Monthly impressions on the website rose to 475,000 on average. This Autumn, the channel will launch several new services including The Biography Channel, dedicated to programming the lives of famous people.

Paramount Comedy Channel
Ownership 25%

The Paramount Comedy Channel reached its break even point in the last financial year, and is now operating in profit. During the period January-June 2000, channel audience share increased 31% year on year for all adults over 16, and 40% for adults 16-44.

Sky Travel
Ownership 100%

As travel emerges as one of the leading e-commerce sectors over both the Internet and interactive television, Sky Travel has the potential to become a major player in this growing market. During the remainder of 2000 Sky Travel will integrate new business applications with high quality travel information and entertainment programming.

QVC
Ownership 20%

QVC is Britain's leading shopping channel. Launched this summer on Sky digital was the QVC Directory, the first offering from QVC Interactive. QVC's website, launched in 1998, has more than doubled its business year on year.

Music Choice Europe
Ownership 49%

Music Choice is the leading digital music broadcaster in Europe and the Middle East with subscribers to its 44 music channels increasing to over four million by June 2000. Music Choice is currently trialling broadband Internet streaming with ISPs across Europe and plans to make the service accessible via mobile technology.

later in the year. In addition, the Biography Channel, a new service from the History Channel, will make its debut in Autumn 2000.

Sky Ventures aims to establish strong audience-winning channel brands that excel in their genre and appeal across multiple distribution platforms. One of the year's recurrent themes for the whole portfolio has been planning and implementing the strategic transition from pure television into cross-platform

activities. All new ventures in which Sky invests will have both television and Internet elements from the outset.

Developing new media presence

Each joint venture continues to develop its core television business as well as developing a strong complementary on-line presence. They will explore the e-commerce opportunities available across interactive television, the Internet and WAP and broadband technology.

Television development is focusing on enhanced programming applications, digital text, expanded broadcasting hours and time-shifted services.

The goal for all channels is to maximise their asset value and increase audiences for the individual brands. Sky Ventures' priorities for the year ahead remain to diversify by genre, to expand and deepen its existing joint ventures onto new media platforms and to seek additional investments.



MUTV
Ownership 33.33%

MUTV is the world's first daily football channel dedicated to one of the most popular teams in football history. It is now available in the UK, Norway, Sweden, Finland and Denmark.

Granada Men & Motors
Economic interest 49.5%*

Having achieved its highest ratings since launch, with a year on year increase in ratings of +48% for all men and +57% for adults (16-44), Men & Motors has established itself as the top men's magazine on TV.

Sky News Australia
Ownership 33.33%

Sky News Australia continues as the first and only Australian-produced pay-TV news channel. Distribution has increased through Australia's two major pay-TV carriers Foxtel and Optus.

National Geographic
Ownership 50%

The National Geographic Channel-UK Partnership has over 20 million subscribers in more than 32 countries and broadcasts in eight languages. It has seen an impressive 20% increase in subscriber numbers since May 1999 and launched a second channel, Adventure One, in late 1999 together with a time shifted NGC channel on the Sky digital platform.

Granada Breeze
Economic interest 49.5%*

Having established itself as the only women's channel on all digital platforms, Breeze is now strategically placed to further exploit this position in the broadband era.

Granada Plus
Economic interest 49.5%*

Plus, 'Home of the TV Hits' has achieved record ratings and revenue levels and can now boast maximum distribution through award-winning marketing and promotion, together with the acquisition of key programmes,

Adventure One
Ownership 50%

Adventure One, a new channel from National Geographic, is now seen in the UK, Norway, Sweden and Denmark.

Artsworld (not shown above)
BSkyB has an option to take a 20% stake

Sky Ventures has the option to take a 20% interest in a new broad based arts channel, Artsworld, set to launch at the end of 2000.

*This represents BSKyB's economic interest. BSKyB has an 80% equity interest and a 49.5% economic interest in Granada Sky

Broadcasting Limited. BSKyB has a 20% equity interest and a 49.5% economic interest in Granada Sky Broadcasting (DTT) Limited.

Increasingly, Sky customers are the people advertisers want to reach. To that end, Sky is working closely with advertisers and sponsors across the media range to maximise the profitability of those communication links.

ADVERTISING



Transformed by technology

In pioneering interactive television, BSKyB is at the forefront of changes that fundamentally alter relationships between advertisers and consumers. Interactive television enhances the power of advertising and increases its value by allowing the consumer to express interest instantly. This year has seen significant breakthroughs that signal the beginning of a new dimension in advertising effectiveness.

Alongside the excitement of the first interactive television commercial, the core business had an excellent year. Advertising revenues grew by 12%, five times faster than the Retail Price Index. Revenue performance has been driven by healthy viewing growth across all Sky channels, the attractive profile of the Sky audience and the strong relationships the sales force has built with major advertisers and agencies.

The total viewing share to BSKyB channels continues to rise. BSKyB share of total commercial impacts is now 7% and growth has accelerated with increased penetration of Sky digital. In the period January to June 2000, share of viewing across all Sky channels in digital homes was 65% higher than in analogue.

Affluent youthful audiences

Sky channels present an irresistible proposition for advertisers. Compared to the average home, Sky customers are 35% more likely to have viewers aged between 16 and 34, and 7% more likely to be in the ABC1 social group. The appeal of sport, movies and entertainment programming for such audiences has made Sky channels an essential element in any advertising campaign aimed at a youthful market. Sky is where advertisers are finding long term future customers.

The market sectors in which BSKyB viewers are most interested are also those that are growing fastest. While advertising's traditional big spenders, such as FMCG businesses, are cutting back expenditure, new industries – telecoms and dotcoms, media and travel in particular – have boosted advertising investment. And as Sky is tailor-made for any product with a young, male, or upmarket bias, BSKyB has seen significant revenue growth.

Sky: the total communication solution

Spot advertising remains the largest single element in advertising revenue with 133,000 slots filled each month but revenues from sponsorship, Internet advertising, Sky Text and interactive advertising have also grown in significance. The advertising sales force was restructured in November 1999 into three teams, each incorporating experience in all

the areas, to develop and market individually customised advertising packages.

Sponsorship

With more than 30 sponsors on-air, Sky now accounts for around 25% of the entire broadcast sponsorship market in the UK. This success has been built on the ability to target a wide range of advertisers across a broad portfolio of channels. By incorporating major sports events, movie premieres, hit comedy shows, innovative new productions, popular animation, sci-fi and 'news' sponsorships into a single sell, Sky has an unmatched offering. New sponsors from the dotcom sector have joined such established names as Ford, sponsors of the Premier League, and Domino's Pizza, now firmly associated with The Simpsons. One of the highlights of the year was Nike committing to Good Morning Sports Fans on skysports.comTV in the first-ever sponsorship of a digital-only strand.

Internet

Sky On-line receives over 41 million page impressions monthly. Sky.com is one of the top 20 UK websites, while skysports.com is consistently among the top three sports sites averaging 20 million visits per month. With the recent acquisition of SIG, BSKyB's website portfolio provides opportunities both in advertising and sponsorship. The portal's wide-ranging content makes Sky On-line

a highly effective vehicle for branding and advertising.

Interactive television

In April 2000, BSKyB was the first UK broadcaster to trial interactive advertising with Unilever and their Chicken Tonight campaign. Viewers were able to use the remote control during the spot to access recipe ideas and to order a recipe book and a voucher for a free sample of the product. The response to the trial suggests that interactive advertising will become a powerful tool, akin to direct marketing in that live leads are generated and responses are quantifiable.

Although interactive slots will remain in the minority for some time, BSKyB will use its trials programme to strengthen its relationships with advertisers by helping them understand and exploit the new technology.

Media and media advertising is becoming ever more vital to the maintenance and development of brand awareness. As consumers increasingly bypass the high street, opportunities to communicate brand values through direct experience shrink. Sky offers a potent substitute with its combination of a desirable and growing audience and an innovative range of communications solutions.

Demographics

Sky digital

ABC1		52%
DE	23%	
C2	25%	

Source: Continental Research February 2000

Sky analogue

ABC1		46%
DE	28%	
C2	26%	

Source: Continental Research February 2000

Top ten advertisers
1999-2000

- British Telecom Ltd
- Coca Cola Great Britain & Ireland
- COI (Central Office of Information)
- Ford Dealers
- Ford Motor Company
- Mars Confectionery
- Procter & Gamble Ltd
- Scottish Courage Ltd
- Vauxhall Motors
- Volkswagen UK



1. Sponsorship advertising – Ford Super Sunday
2. On-air advertising
- 3,4. Interactive advertising on Open...



DIGITAL CHANNEL LINE-UP

Entertainment



Sky One
Our number one channel for family first-run entertainment and award-winning drama.



UK Gold
A quality selection of British comedy and drama.



UK Gold 2
The chance to catch up with your favourite UK Gold programmes if you missed them earlier in the day.



Living
Offers dramas, movies, real-life documentaries, talk shows, soaps and pre-school TV.



Granada Plus
The very best of classic British television and popular programmes from around the world.



Challenge TV
The channel that gives you your favourite game shows plus the chance to win prizes.



Bravo
A channel packed full of energy and attitude with movies, action, compelling series and provocative talk.



Paramount Comedy Channel
With award-winning sitcoms including shows like Cheers, Frasier and Monty Python.



Sci-Fi
Provoking the imagination with popular sci-fi films and action series, plus news on technology and space exploration.



Discovery Home & Leisure
Bringing you entertaining and original programmes and introducing new fields you'll love discovering.



Granada Breeze
Fresh, bubbly, live and interactive, Granada Breeze is the ultimate women's magazine on television.



Granada Men & Motors
Fast cars, bikes and fast women – the channel for men who like all the action.



Sky Travel
Magazine shows and documentaries providing viewers with holiday inspiration.



UK Style
A channel packed with ideas, inspiration and entertainment. A must for people who enjoy their leisure time and home life.



UK Drama*
The only British television channel devoted entirely to drama.



TARA Television
Entertainment from Ireland including soaps, chat, sports, drama, music and news.



Hallmark Entertainment Network*
This channel showcases a wide range of quality original programming, from epic mini-series to award-winning movies and children's entertainment.

Sport



Sky Sports 1
Sky Sports 2
Sky Sports 3



Sky Sports 1, 2 and 3 bring you the very best live sports coverage, including all the award-winning coverage you have come to expect from these three Sky Sports' sports channels.



Sky Sports Extra
An enhanced sports channel free to subscribers to both Sky Sports 1 and Sky Sports 2.



MUTV
The official television channel of Manchester United. Exclusive news and interviews 5-11pm, seven days a week.



skysports.comTV
The ultimate sports news and information service – the latest sports headlines, breaking stories, results and league tables discussed and displayed around the clock.



British Eurosport
Top class international sports with a special focus on British achievement at home and abroad.

Movies



Sky Premier
Sky Premier 2
Sky Premier 3
Sky Premier 4
Sky Premier brings you four 24-hour screens of great movie entertainment, plus shows such as Barry Norman's Film Night.



Sky Premier Widescreen
A widescreen service featuring at least two movies every evening.



Sky MovieMax
Sky MovieMax 2
Sky MovieMax 3
Sky MovieMax 4
Sky MovieMax 5*
Sky Moviemax provides five screens of non-stop action, adventure, hilarious comedy and cutting-edge cinema.



Sky Cinema
Sky Cinema 2
Sky Cinema is devoted to the classics of the screen. It features the greatest stars and masterpieces of the greatest directors.



FilmFour
The film channel from Channel 4 – the best in modern independent cinema.



Sky Box Office
Recent movies releases at the touch of a button, 24 hours a day, with films starting as often as every 15 minutes, plus exclusive live concerts and sporting events – you only pay for what you order.

News & Documentaries



Sky News
The award-winning 24-hour service, now with Sky News Active, Britain's first interactive television news service.



Bloomberg
Keep up to date with business and financial news, 24 hours a day.



CNBC
Business news and current affairs from around the world.



Discovery
Entertaining factual programmes about adventure, science, nature and technology.



Discovery (+1hr)
Discovery's high quality programmes shown one hour later.



Discovery Travel & Adventure
Thrilling programmes which explore our world, letting you experience it first hand.



Discovery Civilisation
Meet the people and see the crucial events which have shaped our past and present.



Discovery Sci-Trek
Innovative, fast-paced programming which shows the impact science is having on our lives.



National Geographic Channel
Unforgettable documentaries on wildlife, adventure and exploration, natural phenomena and world cultures.



National Geographic Channel (+1hr)*
A second chance to see award-winning documentaries from the heart of our planet.



Adventure One*
Television on the edge of a constant adrenaline rush – it's A1 in every sense.



The History Channel
Dedicated to history, including programmes with educational content relevant to the National Curriculum.



UK Horizons
Fly-on-the-wall documentaries, history, travel and adventure, natural history and science.



[.tv]
IT news, analysis, testing and appraising, games, gadgets and gizmos, practical tutorials, digital culture, the Internet and more!



Discovery Animal Planet
From the drama of life in the wild, to the humour of playful pets, Animal Planet brings you a whole world of amazing stories.

Kids



Cartoon Network
The world's first and only all-cartoon channel, the home of the greatest toons!



Cartoon Network Plus*
All Cartoon Network's toon action one hour later.



Nickelodeon
Award-winning cartoons, comedy and live action, including Rugrats and Kenan & Kel.



Nickelodeon Replay*
All Nickelodeon's programmes, one hour later.



Nick Jr.*
Dedicated to the Under-7s. Providing an entertaining mix of stimulating and 'safe' programmes for young children to play, laugh and learn.



Trouble
Number one channel for teens, with a mix of music, soaps, dramas, celebrity interviews and youth issues.



Fox Kids
Packed full with the best shows, biggest prizes and coolest presenters.



Fox Kids (+1hr)
Catch all those fantastic Fox Kids programmes – an hour later.



Disney Channel
Brings the magic of Disney to the whole family.

Music



MTV
The best of current hits, new music and live performance.



MTV Extra
Counter-scheduled to contrast and complement MTV.



MTV Base
The first music channel dedicated entirely to R&B and dance music.



MTV2
The cutting-edge music channel from the makers of MTV.



VH1
The best mix of today's music and yesterday's hits.



VH1 Classic
Classic hits from the Sixties, Seventies, Eighties and Nineties.



The Box
Music television you control, 24 hours a day.



Kiss*
24 hours of hot chart run-downs and fresh new releases.



UK Play
The UK's only music and comedy channel. Featuring current sounds and the best in cult comedy.



Music Choice
44 channels of digital audio music available 24 hours a day without advertisements or interruptions. Ten channels are included in the Sky Entertainment packages. You can add a further 34 channels with **Music Choice Extra**, a premium service.

Specialist



QVC The Shopping Channel
Shop from the comfort of your own home, 24 hours a day, seven days a week.

Non-subscription seven days a week



BBC One



BBC Two



Channel 4



Channel 5



BBC Choice
A mix of entertainment, music and sport.



S4C
Welsh language channel with news, documentaries, sport, music and drama.



BBC News 24
Full news bulletins on the hour, with headlines every 15 minutes, 24 hours a day.



BBC Parliament
Live, uninterrupted coverage of the House of Commons and recorded-as-live coverage of the House of Lords.



CNN International
The world's leading television news channel providing up-to-the-minute news coverage.



BBC Knowledge
A stimulating mix of factual content, both on-screen and on-line.



Money Channel*
A channel dedicated to money, which aims to demystify the world of finance.

Radio

Radio stations in digital quality sound on digital satellite:

BBC Radio 1
BBC Radio 2
BBC Radio 3
BBC Radio 4 FM
BBC Radio 5 Live
Classic FM
Virgin Radio
Talk Sport
Classic Gold
The Mix
Planet Rock
Core
Capital Gold
Xfm
BBC World Service
BBC Radio Scotland
BBC Radio Wales
BBC Radio Ulster
BBC Asian Network
BBC Radio 4 LW
youthfm.com
Heart

* New channels launched in 1999-2000

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Tony Ball

Executive Director

Tony Ball was appointed as Chief Executive and Managing Director in June 1999. He was previously President and CEO of Fox/Liberty Networks, after serving as President and COO of Fox Sports International, where he oversaw channels in North America, Latin America, Asia and Australia. He spent three years of his career with BSkyB beginning in 1993, holding the positions of Head of Production and Operations of Sky Sports and General Manager/Broadcasting.

Martin Stewart

Executive Director

Martin Stewart was appointed as Chief Financial Officer and a Director of the Company in May 1998. He previously served the Company as Head of Commercial Finance from March 1996. Prior to moving to the Company, Mr Stewart was employed at Polygram for five years, latterly at Polygram Filmed Entertainment, where he was Finance Director for two years.

Philip Bowman

Independent Non-Executive Director

Philip Bowman has been a Director of the Company since December 1994. He is Chief Executive of Allied Domecq plc. He was previously Chairman of Liberty plc, a Director of Coles Myer Ltd in Australia, an Executive Director of Bass plc and Chairman and Chief Executive of Bass Taverns Ltd.

David DeVoe

Shareholder Appointee

Non-Executive Director

David DeVoe has been a Director of the Company since December 1994. Mr DeVoe has been an Executive Director of News Corporation since October 1990; Senior Executive Vice President of News Corporation since January 1996; Chief Financial Officer and Finance Director of News Corporation since October 1990 and Deputy Finance Director from May 1985 to September 1990; Director of News America Incorporated (NAI), News Corporation's principal subsidiary in the United States, since January 1991; and a Director of Star Television since July 1993. He has also been a Director of Fox Entertainment Group Inc. ("FEG") since 1991 and a Senior Executive Vice President and Chief Financial Officer since August 1998. Mr DeVoe is one of Sky Global Networks Inc.'s ("SGN's") appointees as a Director of the Company.

Dr Dieter Hahn

Shareholder Appointee

Non-Executive Director

Dr Dieter Hahn was appointed a Director of the Company on 5 May 2000. He is Vice Chairman and Managing Director of Kirch Holding GmbH & Co KG. He is also a member of the supervisory Board of KirchPayTV and of Deutsches SportFernsehen ("DSF"). Prior to joining Kirch Gruppe he was Managing Director of DSF.

Leslie Hinton

Shareholder Appointee

Non-Executive Director

Leslie Hinton was appointed a Director of the Company on 15 October 1999. In 1995 he was appointed Executive Chairman of News International plc, responsible for all the newspapers in the UK. He is also Chairman and Chief Executive Officer of Fox Television Stations, President and Chief Executive Officer of News America Publishing and President of Murdoch Magazines. Mr Hinton is also a member of the News Corporation Executive Committee. In 1996 he joined the board of the Press Association in Britain, in 1998 he was elected Chairman of the newspaper and magazine publishing industry's Code of Practice Committee and in 1999 he became Chairman of the Council of the Commonwealth Press Union. Mr Hinton is one of SGN's appointees as a Director of the Company.

Allan Leighton

Independent Non-Executive Director

Allan Leighton was appointed a Director of the Company on 15 October 1999. In March 1992, he joined Asda Stores Limited as Group Marketing Director, in September 1996 he was appointed Chief Executive and in November 1999 he was appointed President and CEO of Wal-Mart Europe. Mr Leighton is also a Deputy Chairman of Wilson (Connolly) Holdings PLC and Deputy Chairman of Leeds Sporting PLC.

Eric Licoys

Shareholder Appointee

Non-Executive Director

Eric Licoys was appointed a Director of the Company on 15 October 1999. He is Directeur Général (Chief Operating Officer) of Vivendi and Chairman and Chief Executive Officer of Havas S.A. In 1990 he was appointed Director and Executive Vice President of Fonds-Partenaires-Gestion (Lazard Group) and became Chairman in 1995. Mr Licoys is also Director of a number of other major Vivendi group companies or companies in which Vivendi has a substantial interest including: Canal+, US Filter, Compagnie Générale d'Immobilier et de Services (the group's real estate holding company) and CGEA (the group's waste and transport business). He is also a Director of Intermediate Capital Group PLC. Mr Licoys is BSB Holding Limited's appointee as a Director of the Company.

Rupert Murdoch

Shareholder Appointee

Non-Executive Director

Rupert Murdoch has been a Director of the Company since 1990. He was appointed Chairman of the Company in June 1999. Mr Murdoch has been an Executive Director, and Chief Executive of News Corporation since August 1979. Mr Murdoch has been a Director of NAI since 1973; a Director of News International plc, News Corporation's principal subsidiary in the UK, since 1969; and a Director of News Limited, News Corporation's principal subsidiary in Australia, since 1953. Mr Murdoch has also served as a Director of FEG and its predecessor company since 1985, Chairman since 1992 and CEO since 1995. He has also been a Director of Star Television since 1993 and a Director of Philip Morris Company Inc. since 1989. Mr Murdoch is one of SGN's appointees as a Director of the Company.

Martin Pompadur

Shareholder Appointee

Non-Executive Director

Martin Pompadur was appointed a Director of the Company on 15 October 1999. Mr Pompadur has been Executive Vice President and President of News Corporation Eastern & Central Europe since June 1998. Prior to this, in 1983, he joined RP Companies where he held the positions of Chairman, Chief Executive and Chief Operating Officer. He is also a principal owner of Caribbean International News Corporation. Mr Pompadur is one of News International Television Limited's appointees as a Director of the Company.

Arthur Siskind

Shareholder Appointee

Non-Executive Director

Arthur Siskind has been a Director of the Company since June 1992. Mr Siskind has been a Senior Executive Vice President of News Corporation since January 1996 and an Executive and Group General Counsel of News Corporation since 1991. He was an Executive Vice President of News Corporation from February 1991 until January 1996. Mr Siskind has been a Director of NAI since 1991 and a Director of Star Television since 1993. Mr Siskind has also been Senior Executive Vice President, General Counsel and a Director of FEG since April 1998. Mr Siskind has been a member of the Bar of the State of New York since 1962. Mr Siskind is one of SGN's appointees as a Director of the Company.

Lord St John of Fawsley

Independent Non-Executive Director

Lord St John of Fawsley has been a Director of the Company since 1991. He has been Master of Emmanuel College, Cambridge, since 1991, of which he is a Life Fellow, and Chairman of the Royal Fine Art Commission since 1985.

John Thornton

Independent Non-Executive Director

John Thornton has been a Director of the Company since 1994. He is President and co-Chief Operating Officer of the Goldman Sachs Group, Inc. Mr Thornton is also a member of the Firm's board of Directors, its Management Committee and is co-Chairman of its Partnership Committee. Mr Thornton is a Director of the Ford Motor Company, the Pacific Century Group and Laura Ashley Holdings plc. He is also a member of the Council on Foreign Relations and a Director or Trustee of several educational and philanthropic organisations, including the Asia Society, the Brookings Institute, the Goldman Sachs Foundation, Hotchkiss School, Morehouse College, the Tsinghua University School of Economics and Management (Beijing), the Yale School of Management and the Yale University Investment Committee.

Morton Topfer

Independent Non-Executive Director

Morton Topfer was appointed a Director of the Company in May 1999. He was formerly Vice Chairman of Dell Computer Corporation and currently serves as a counsellor to the Chief Executive Officer and is a member of the company's board of directors. Prior to May 1994 Mr Topfer served as Corporate Executive Vice President of Motorola, Inc. and President of Motorola's Land Mobil Products sector. He was conferred the Darjah Johan Negeri Penang State Award in July 1996 by Dr Tun, the Governor of Penang. He is also on the Board of Autodesk, Crossroads Systems Inc. and a member of the advisory board of Singapore Technologies.

ALTERNATE DIRECTORS

Richard Linford

Alternate Director to David DeVoe, Leslie Hinton, Martin Pompadur, Rupert Murdoch, Arthur Siskind.

Richard Linford has been Chief Financial Officer of News International plc since January 1995. Previously he was Director of Finance at BSkyB from September 1991 to December 1994.

Jay Itzkowitz

Alternate Director to David DeVoe, Leslie Hinton, Rupert Murdoch, Martin Pompadur and Arthur Siskind.

Jay Itzkowitz joined News International plc as Director of Legal Affairs in September 1999. He is also Senior Vice President, Legal Affairs, for Fox Entertainment Group and Associate General Counsel for News America Incorporated.

Elisabeth Murdoch

Alternate Director to David DeVoe, Rupert Murdoch, Arthur Siskind, Leslie Hinton and Martin Pompadur.

Elisabeth Murdoch joined the Company in March 1996 as General Manager, Broadcasting and became an alternate Director of the Company in June of the same year. In August 1998 she was appointed as Managing Director of Sky Networks. Prior to joining BSkyB, she was Chief Executive of EP Communications, which owned NBC affiliate television stations KSBW and KSBY in Northern California. Ms Murdoch began her career at The Nine Network in Australia. Ms Murdoch resigned as an Alternate Director of the Company on 30 June 2000.

The Directors present their Annual Report on the affairs of British Sky Broadcasting Group plc ("BSkyB", "the Company") and its subsidiary undertakings ("the Group"), together with the Accounts and Auditors' Report for the year ended 30 June 2000.

Activities

The Chairman's Statement on page 7, the Chief Executive's Statement on pages 8 to 11 and the Operating and Financial Review on pages 12 to 15 report on the principal activities of the Group, its financial and operating performance during the year and the future development of the business.

Results and dividends

The loss on ordinary activities after taxation for the year ended 30 June 2000 was £271.5 million (1999: loss of £285.1 million). On 5 May 1999 it was announced that the Board had decided to suspend dividend payments to shareholders. Accordingly, no dividend is proposed.

Payment policy

The policy of the Group is to agree terms of payment with suppliers prior to entering into a contractual relationship. In the absence of a specific agreement it is the policy of the Group to pay suppliers on a monthly basis. The Group had 27 days' purchases outstanding at 30 June 2000 (1999: 31 days) based on the total amount invoiced by non-programme trade suppliers during the year ended 30 June 2000. Programme creditors include significant balances which are not yet contractually due. In respect of amounts both contractually due and invoiced the outstanding number of days' purchases is below 40 days (1999: 40 days).

Share capital

Details of changes in the share capital during the year are disclosed in note 22 to the accounts. On 25 July 2000 the following companies, or their subsidiary undertakings, held more than 3% of the Company's share capital:

Sky Global Networks Inc	37.57%
BSB Holdings Limited	11.15%
Vivendi S.A	11.85%
The Goldman Sachs Group Inc*	3.18%

On 27 June 2000, as part of a group re-organisation, News International Television Limited transferred its entire shareholding in the Company to News International plc. On 28 June 2000 News International plc sold the entire shareholding in the Company to Sky Global Networks, Inc. ("SGN"), a wholly-owned subsidiary of News Corporation.

Vivendi SA owns 100% of the share capital of BSB Holdings Limited and therefore retains a beneficial interest in these shares. Therefore Vivendi SA's indirect and direct shareholding is 23.04%.

* Goldman Sachs Securities (nominees) Limited is the registered holder of KirchPayTV GmbH & Co KGaA's 3.17% shareholding in BSKyB.

Corporate governance

Details concerning the Group's arrangements relating to corporate governance and its compliance with the Combined Code of Best Practice and the Best Practice Provisions annexed to the Listing Rules of the London Stock Exchange are given on pages 57 and 58. The Report on Directors' Remuneration is on pages 60 to 63.

Charitable and political contributions and community activities

BSkyB takes its role as a corporate citizen very seriously and has made a firm commitment to support the development of sport, education and the arts. Thousands of young people across the UK and the Republic of Ireland already benefit from BSKyB's many initiatives. Some of the Group's major commitments are as follows:

- Reach for the Sky aims to inspire teenagers throughout the country to 'see what they can be'. Part of the Group's commitment to Britain in the millennium, Reach for the Sky, provides career advice and guidance to young people through BSKyB's airtime, a bespoke teen magazine, an award-winning website and residential workshops.
- The Sky Soccer Roadshow aims to nurture young talent and provide them with skills, sportsmanship and learning. Working with the Government's designated Education Action Zones across the UK, the Sky Soccer Roadshow delivers a powerful tool for teachers to motivate and inspire young people, especially those from socially disadvantaged backgrounds.
- BSKyB works very closely with teachers and students from local schools near its headquarters and this year the partnership sparked the launch of a Media Studies Curriculum Resource Pack for schools across the UK.
- Support for various British grassroots arts organisations such as Chicken Shed Theatre Company, Sky Television Actors Workshops at the Actors Centre, Youth Culture Television, the Young Writers Festival at the Royal Court Theatre and RADA. BSKyB has also provided in kind support to the Media Trust in the development of the Community Channel and has provided the channel with bandwidth on Sky digital's platform for three years.
- This year, BSKyB introduced a Give As You Earn scheme whereby employees are able to make monthly pre-tax donations to the charity of their choice with incremental match funding provided to the charities by the Company.

Charitable contributions of the Group in the UK amounted to £659,000 during the year (1999: £487,000), and BSKyB has given additional value in kind through staff involvement, donations to schools and Sky merchandise and products.

During the year the Group made a £nil contribution (1999: £20,000) in the form of sponsorship of the Labour Party Youth Party.

Year 2000

The Group did not experience any significant failures in its computer systems following the date change on 1 January 2000. The Group remains aware that possible problems associated with Year 2000 may still occur and controls remain in place to continue to monitor such risks.

Directors

The Directors who served during the year are listed on page 62.

Dieter Hahn and Allan Leighton offer themselves for election in accordance with the Articles of Association. Martin Stewart and John Thornton retire from the Board by rotation, and being eligible, offer themselves for re-election.

Employment policies

The Directors' interests in the Ordinary Shares and options of the Company are disclosed within the Report on Directors' Remuneration on pages 60 to 63.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The health and safety of the Group's employees is a matter of primary concern. Accordingly, it is the Group's policy to manage its activities so as to avoid causing any unnecessary or unacceptable risk to the health and safety of its employees.

It is the policy of the Group to develop employee involvement throughout the organisation and to ensure that employees are aware of the financial and economic factors affecting the Company and its subsidiary undertakings. Communication meetings between management and employees' representatives are held both formally and informally, where matters of specific interest are discussed. Consultation with employees or their representatives occurs on a regular basis covering pensions and health and safety, and their views are taken into consideration when making decisions. The Group publishes an employee newspaper covering a wide range of employee issues. Employees also have the opportunity to participate in a range of training programmes. The Group operates a profit related pay scheme for the benefit of all eligible employees.

Environmental responsibility

The Group recognises the importance of environmental responsibility. Though the nature of its activities has a minimal effect on the environment, the Group has noted the prominence this matter is now being given by the Government. The Group has therefore formed an internal taskforce with the specific remit of addressing environmental performance and reporting matters. The Group is currently in negotiation with recognised environmental consulting agencies to provide it with the guidance and expertise needed to meet the interests of all our stakeholders.

Annual General Meeting

The notice convening the Annual General Meeting to be held on 3 November 2000 at 11.30am can be found in a separate notice accompanying the Annual Report.

Auditors

The Directors will place a resolution before the Annual General Meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,
David Gormley
Company Secretary

25 July 2000

BSkyB is committed to high standards of corporate governance and, except as noted below, has complied throughout the year with the best practice provisions of Section 1 of the Combined Code on corporate governance (“the Code”) appended to the Listing Rules of the Financial Services Authority.

The Board

The Board currently comprises 14 Directors, made up of two Executive Directors, seven Shareholder Appointee Non-Executive Directors and five Independent Non-Executive Directors. The Non-Executive Directors of the Company bring a wide range of experience and expertise to the Company's affairs and they carry significant weight in the Board's decisions. Short biographies of each of the Directors are set out on pages 53 and 54, which also clearly identify those Directors who are independent within the meaning of the Code.

The roles of the Chairman and Chief Executive are separate and have been so since the Company obtained its listing in 1994. The Company has to date not identified a member of the Board to act as a senior Independent Director, nor is there a majority of Independent Non-Executive Directors, as specified by the Code; it believes that the composition of the Board is such that the appointment of a senior Independent Director is not necessary.

The Board is scheduled to meet at least six times a year to review appropriate strategic operational and financial matters as required. A schedule of items reserved for the full Board's approval is in place, which includes, inter alia, the approval of annual and interim results, significant transactions, agreements or arrangements between the Group and members of the News Corporation, Vivendi or Kirch groups of companies, major capital expenditure and the yearly business plan and budget.

The Board has also delegated specific responsibilities to Board committees, notably the Audit and the Remuneration Committees. Directors receive Board and Committee papers several days in advance of Board and Committee meetings and also have access to the advice and services of the Company Secretary. In addition, the Board members have access to external professional advice, although no advice has been sought to date.

Appointments of Independent Non-Executive Directors are for an initial term of three years subject to initial election by shareholders following appointment, subsequent re-election by shareholders, and Companies Act provisions relating to the removal of Directors. In addition, re-appointment for a further term is not automatic but may be made by mutual agreement.

Following a change to the Articles of Association approved at the Annual General Meeting in 1999, the Executive Directors and Independent Non-Executive Directors comply with the requirement for Directors to retire and offer themselves for re-election at least once every three years.

The Shareholder Appointee Non-Executive Directors appointed by Sky Global Networks (“SGN”) and BSB Holdings Limited (“BSBH”) are not subject to election by shareholders, nor do they have to retire by rotation as required by the Code. The Articles of Association of the Company permit the Principal Shareholders to appoint a number of Directors dependent on their shareholding in the Company. SGN have the right to appoint five Directors and BSBH one. The rights of the Principal Shareholders to appoint Directors were agreed with the London Stock Exchange at the time of flotation.

During the year the Company took a 24% stake in KirchPayTV, who also acquired a shareholding in the Company. As part of this transaction it was agreed that KirchPayTV would have the right to appoint one Director to the Board. This right has not been enshrined in the Company's Articles of Association. The Kirch-appointed Director is subject to re-election in accordance with the Articles of Association.

The Group Executive Committee generally meets more regularly than the Board to allow prompt decision making and discussion of business issues. It is chaired by the Chief Executive and comprises the Chief Financial Officer and other senior executives from within the Group.

Board Committees

The Articles of Association contain certain rights for SGN, dependent on their shareholding in the Company, to appoint and remove members of any standing Committee established by the Board. SGN has the right to appoint two members to any Committee.

Remuneration Committee

The Remuneration Committee, on behalf of the Board, is responsible for recommending to the Board the framework and policy for Executive Directors' remuneration and remuneration for any Executive of the Company earning in excess of £250,000 per annum. The Committee has clearly defined terms of reference, meets not less than once a year and takes advice from the Chief Executive and independent consultants as appropriate in carrying out its work. The Remuneration Committee comprises three Non-Executive Directors, two of whom are appointed by SGN (David DeVoe and Rupert Murdoch). Morton Topfer, an Independent Non-Executive Director, acts as Chairman. The Company, whilst noting that the composition of the Committee does not comply with the Code, which requires that all the members should be independent Non-Executive Directors, does not intend to change the rights that exist for SGN to appoint members to the Committee.

The Board also notes that the Remuneration Committee's objective on Executive Directors' service contracts and method of granting awards under the Group's Long Term Incentive Plan do not comply with the Code. This is more specifically discussed on pages 60 and 61.

The Report on the Directors' Remuneration can be found on pages 60 to 63. The Company does not propose to put forward the report for approval by shareholders at the Annual General Meeting.

Audit Committee

The Audit Committee, which consists exclusively of Non-Executive Directors, has clearly defined terms of reference as laid out by the Board. The Committee is chaired by Philip Bowman, an Independent Non-Executive Director, and its members are John Thornton, an Independent Non-Executive Director and David DeVoe and Arthur Siskind, both of whom are Directors appointed by SGN. It meets not less than four times a year to review all significant judgements made in the preparation of the quarterly, half yearly and annual financial results before they are submitted to the Board. It reviews with the external auditors the nature, scope and cost of their work, discusses with them the results thereof, and reviews the audit plans and findings of the Group's internal audit function, together with any related party transactions entered into by the Group. The Committee has the power to seek external advice as and when required. The Company notes that the composition of the Audit Committee does not comply with the Code, which requires that a majority of the members should be Independent Non-Executive Directors.

Nomination Committee

The Company has not formally established a standing nomination committee as required by the Code. The Company has from time to time engaged an executive research company to assist in the recruitment of Independent Non-Executive Directors. Suitable candidates who are nominated to serve on the Board meet with the Chairman and Chief Executive and other members of the Board. They are then put forward for consideration and appointment by the Board as a whole.

Appointment of Directors

During the year, Allan Leighton was appointed to the Board of Directors. Mr Leighton was recommended as a suitable candidate to the Board, following assistance from an executive research company, and met with Rupert Murdoch (Chairman of the Company) and Tony Ball (Chief Executive of the Company). Allan Leighton, after careful consideration by the Board, was appointed a Non-Executive Director of the Company and attended his first Board meeting on 15 October 1999.

On 28 September 1999 and 15 October 1999, Letizia Moratti and Bruce McWilliam respectively resigned as Directors of the Company. Following their resignations, on 15 October 1999, SGN appointed Leslie Hinton and Martin Pompadur as Directors of the Company pursuant to its rights under the Articles of Association.

On 12 October 1999, BSBH appointed Eric Licoys as a Director of the Company pursuant to its rights under the Articles of Association.

On 4 May 2000 Dieter Hahn was appointed as a Director of the Company following the completion of the Company's acquisition of a 24% stake in KirchPayTV.

Communication with Shareholders

The Board is keen to maintain a dialogue with institutional shareholders in order to ensure that the objectives of both the Company and the shareholders are understood. A programme of meetings with institutional shareholders, fund managers and analysts takes place each year.

The Board views the Annual General Meeting as an opportunity to communicate with private investors and sets aside time at these meetings for shareholders to ask questions of the Board. A presentation is made to the shareholders reviewing the previous year's activities of the Company and its plans for the forthcoming year. The Company, in accordance with the Code, announces the number of proxy votes cast on resolutions at the Annual General Meeting.

Directors' Responsibilities

The responsibilities of the Directors are set out on page 64.

Internal financial control

The Code now requires that Directors review the effectiveness of all internal controls, including operational controls. However, as allowed by the Stock Exchange, this year the Directors have only reported on internal financial controls. The Directors review relates to the Company and its subsidiaries and does not extend to associated companies and other investments.

The Group has established procedures necessary to implement the Turnbull guidance. The Group has established a Risk Committee, which will meet at least twice a year, to assess how business risks are being managed. The outcome of its work will be reported to the Audit Committee.

The Directors acknowledge that they are responsible for the Group's system of internal financial control and have reviewed its effectiveness. These controls are designed to provide the Board with reasonable assurance regarding the maintenance of proper accounting records, the reliability of the financial information used within the business and for publication and that assets are safeguarded.

There are inherent limitations in any system of internal financial control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

Key features of the Group's system of internal control include:

- approval of the Groups long term plan and annual budget by the Board of Directors;
- comparing financial results and key performance indicators against the annual budget and prior period results on a weekly and monthly basis with corrective action being taken as necessary. Monthly information is provided to the Board of Directors and the quarterly results are published;
- well-structured financial and administrative functions throughout the Group staffed by appropriately qualified personnel. These functions include Group accounting, central treasury management, company secretarial, legal and human resources;
- authority limits for the ordering of goods and services and for payments by the Group;
- procedures for the approval and monitoring of capital expenditure, with defined authority limits;
- treasury policies that have been established are reviewed and approved by the Audit Committee;
- detailed financial analysis and evaluation undertaken for all new business opportunities, including joint ventures; and
- division of responsibilities between the approval, execution and monitoring of business transactions.

The internal financial controls are monitored as follows:

- an internal audit team reviews key business risks, controls and procedures across the Group, reporting findings to the Audit Committee; and
- the external auditors review the operation of certain controls as part of the annual audit, reporting the key findings to the Audit Committee.

Compliance Committee

Independent Non-Executive members: Dame Anne Mueller, Lord St John of Fawsley.

In a year that has seen an increase in BSkyB's output, with the continuing roll out of digital services and the launch of new interactive technologies, BSkyB has continued to maintain its excellent compliance record with both the Independent Television Commission ("ITC") and Broadcasting Standards Commission ("BSC").

Complaints to the ITC and the BSC regarding BSkyB have continued to remain at a low level, with very few upheld. Complaints about satellite and cable services overall also remained a small proportion of the numbers registered with these regulatory bodies, even though there has been a substantial increase in the number of subscribers over the year.

The 1999 Annual Report and Accounts for the ITC notes that while the total number of programme complaints for the year increased by 16% to 3,894, the number of complaints concerning satellite and cable services fell during the year.

The BSC reported, in its annual report 1999-2000, that only 1% of all the complaints it received related to programmes and advertisements on satellite and cable channels, although these services represented almost 15% of all UK television viewing in the year.

The ITC upheld complaints in respect of three programme and promotional items on BSkyB licensed services in the year ended 30 June 2000. The BSC upheld complaints about one BSkyB programme. No complaint resulted in significant interventions or the imposition of a sanction by these regulatory bodies. The most serious complaint upheld by the ITC was for excessive bad language in 'Robbie Williams Live' on Sky One.

BSkyB continues to give great care to the logging and handling of customer questions, comments and complaints, above and beyond regulatory requirements. Customers' comments are actively encouraged, while complaints are dealt with promptly and in substance and any issues raised are regularly reviewed by senior staff.

We have achieved these high standards through the devoted work of many employees of BSkyB. Just as the annual report was being finished we received the sad news of the death of Dame Anne Mueller, the co-chairman of the Compliance Committee, whose devoted work for the company in general and for the Compliance Committee in particular, despite a debilitating illness, was an inspiration. Her co-chairman and all who worked with her at BSkyB will miss her very much, both as a colleague and as a truly remarkable person.

Each of the channels owned and operated by the Group broadcasts pursuant to licenses granted by the ITC, the public body responsible for licensing and regulating commercial television services in the UK. All ITC licensees are required to comply with the rules laid out in, inter alia, the ITC Programme Code, the Code of Advertising Standards and Practice, the Rules on the Amount and Scheduling of Advertising, and the Code of Programme Sponsorship.

In addition, the Sky channels are, under the terms of their licences, subject to the jurisdiction of the BSC, the statutory body for both standards and fairness in broadcasting.

Remuneration Committee

Independent Non-Executive member: Morton Topfer (Chairman). Shareholder Appointee Non-Executive members: Rupert Murdoch, David DeVoe.

The Remuneration Committee's (the "Committee's") terms of reference are principally concerned with the remuneration (in all its forms) of main Board Directors and other senior executives of the Company with a basic salary of at least £250,000 per annum (other than key production personnel or on-air talent). The Committee meets not less than once a year, has access to information and advice provided from external sources and from sources within the Company and ensures that:

- a) the salary, benefits and pension arrangements of the Executive Directors are competitive, but fair;
- b) awards under the Company's Approved and Unapproved Executive Share Option Scheme, Additional Executive Bonus Scheme and Long Term Incentive Plan ("LTIP") are consistent with the Group's overall performance and provide an additional incentive to management; and
- c) there is an objective and independent assessment of benefits granted to Executive Directors.

Compliance

The Auditors' Report set out on page 65 confirms that the scope of their work covers the amounts disclosed relating to the emoluments, share options, LTIP interests and pension benefits of the Directors contained in sections 11 to 13 of this report as required by the Listing Rules.

1. Remuneration Policy for the Executive Directors and Senior Executives

The Committee operates a policy of competitive remuneration packages to attract, retain and motivate Executive Directors and senior executives of the highest calibre.

2. Total Remuneration

Remuneration for Executive Directors and senior executives consists of basic salary, performance related bonuses, share incentive schemes and benefits including pension, life assurance, medical insurance and, where appropriate, company cars.

3. Basic Salary

The basic salary for each Executive Director and senior executive is determined by the Committee upon the recommendation of the Chief Executive, other than his own salary, and takes account of information provided from external sources relative to the industry sector in which the Company operates.

4. Senior Management Bonus Scheme

Executive Directors and senior executives participate in a bonus scheme under which awards are made to participants at the discretion of the Remuneration Committee, based on key indicators of their performance and that of the Company in the relevant financial year.

5. Pension Benefits

The Group provides pensions to eligible employees through the BSkyB pension plan which is a defined contribution plan. The Group does not currently operate a Supplementary Pension Scheme in excess of the Inland Revenue earnings cap.

6. Long Term Incentive Plan

The Company operates a Long Term Incentive Plan for Executive Directors and senior executives. An award under the LTIP comprises a Core Award and a Performance Award. The Core Award vests dependent on continued service with the Company for a specified period. The Performance Award vests, in full or in part, dependent on the satisfaction of certain performance targets. Awards are not transferable or pensionable and are made over a specified number of shares in the Company, determined by the Committee. Awards may be in a variety of forms with equivalent values.

Awards may be made to any employee or full time Director of the Company at the discretion of the Committee. During the year, awards under the plan were made to Tony Ball and Martin Stewart. Further information on the awards to the Directors can be found in Section 12 of this report.

The performance targets selected for the initial grant of Awards are based on a combination of business measures derived from the Company's business plan, and the Company's relative total shareholder return performance against a range of comparable companies in the UK media and telecommunications sectors.

Depending on the extent to which the performance targets have been met, an award may normally be exercisable or vest in full or in part for a limited period from the third anniversary of the date of grant, except in exceptional circumstances. If an award is not exercisable or does not vest in full, to the extent that performance has improved against the performance target, a further exercise or vesting may occur following the fourth or fifth anniversaries of the date of grant. During the year, the Remuneration Committee decided that 50% of the awards granted to the Executive Directors could vest from November 2000 provided that certain performance conditions are met.

In certain limited circumstances including take-over and transfer of a participant overseas, awards may be exercised or vest early at the discretion of the Committee.

When the Committee introduced the LTIP, they considered whether the awards should be in the form of a block award, or phased over a period of time. Given the importance of strategic goals contained in the performance targets attached to the initial award and the need to motivate and tie in the Executive Directors and key senior executives to the long-term success of the Company, it was decided that the awards should be made in the form of a block award and hence this does not comply with the provisions of the Code.

7. Additional Executive Bonus Scheme

The Company operates an Additional Executive Bonus Scheme in which beneficiaries participate and have the right to receive the growth in value on a number of notional shares. Any exercise is subject to the Group achieving real earnings per share growth. During the year the Company introduced an alternative performance target where exercise was subject to an increase in the Company's operating profit but adjusted for digital costs. There is no limit under the rules of the scheme as to the number of notional shares over which rights may be granted. Any rights not exercised after seven years from the date of grant will lapse. At exercise, the Company will pay a cash sum equal to accrued gains on the notional shares, subject to deduction of any tax. Accrued gains will be calculated by reference to the difference between the middle market price of the shares at the date of exercise and the price at which the notional shares were granted. Alternatively, the Company has the option to put shares of equal value to the accrued gains to the holders, in satisfaction of the Company's obligation to pay any accrued gains. During the year an award was made under the Additional Executive Bonus Scheme to Tony Ball in connection with his appointment as Chief Executive Officer.

8. Share Option Schemes

The Company operates both an Approved and an Unapproved Executive Share Option Scheme (the "Executive Schemes"). The Company also operates a Sharesave Scheme (the "Sharesave Scheme").

Under the Executive Schemes options are normally only exercisable after the expiry of three years from the date of grant and lapse if not exercised within ten years. Options are only exercisable if the pre-determined performance target of real growth in the Company's earnings per share over any three-year period during the life of the option is achieved. This performance target has subsequently been amended as the launch of the Company's free set-top box offer will impact on the growth in the Company's earnings per share. The Alternative Performance Target introduced by the Company during the year will make the exercise of options granted from 29 October 1999 conditional on the achievement of certain subscriber growth measures.

The Company's policy has been to grant options on an annual basis to senior executives and to grant options to key senior executives on joining the Company, upon recommendation from the Chief Executive. At the Company's Annual General Meeting held in October 1998, the rules of the Executive Schemes were amended following approval by the Company's shareholders. Under the unapproved part of the Executive Scheme, a participant may, in addition to the four times earnings limit, be granted options to subscribe for shares each year with a market value of up to two times his earnings. In exceptional circumstances, a participant may also be granted additional options over existing shares. A grant of options was made to Tony Ball during the year.

The Sharesave Scheme is open to all employees, including Executive Directors. Options are normally exercisable after either three, five or seven years from the date of grant. The price at which options are offered is not less than 80% of the middle-market price on the dealing day immediately preceding the date of invitation. It is the policy of the Company to make an invitation for the employees to participate in the scheme following the announcement of the end of year results.

9. Service Contracts

Tony Ball has an employment contract with the Company for a term of three years to 3 June 2002. The contract can be terminated by the Company subject to the payment of two years' salary or, if the contract is not extended at expiry, of one year's salary. The Committee is aware that this is not entirely consistent with the provisions of the Combined Code and, for this reason, the Committee considered very carefully what was in the Company's interest. Taking into account the very competitive nature of the media industry for top executives and the need for the Company to have access to the most able management, the Committee concluded the provisions of the Combined Code were not in the interests of the shareholders. Tony Ball's remuneration consists of a base salary of £700,000, plus an annual cost of living provision and an annual bonus based on performance criteria to be agreed by the Committee but to be no less than £500,000 annually. Tony Ball is also entitled to other benefits, namely participation in the LTIP, Additional Executive Bonus Scheme and Executive Schemes, pension benefits, company car, life assurance equal to four times base salary and medical insurance.

Martin Stewart has an employment contract with the Company which is deemed to commence on 1 December 1998 and shall continue unless or until terminated by either party giving to the other not less than 12 month's notice in writing such notice to expire on or after 30 August 2001. Again before proceeding with an employment contract which does not fit within the provision of the Combined Code, the Committee weighed up carefully what was in the interest of the Company and concluded that it was in the Company's interest to make a variation from the provisions of the Combined Code in this case. Martin Stewart's remuneration consists of a base salary of £300,000 per annum and an annual discretionary bonus to be agreed by the Committee. He is also entitled to other benefits, namely pension benefits, company car, life assurance equal to four times base salary and medical insurance. He also participates in the LTIP.

Elisabeth Murdoch who resigned as an Alternate Director of the Company on 30 June 2000 did not have a service contract with the Company. Her annual salary was £300,000. She also participated in the LTIP.

10. Non-Executive Directors

The basic fees payable to the Non-Executive Directors are set by the Board of Directors and are currently £25,000 each per annum. The Independent Non-Executive Directors are paid an additional £2,500 per annum each for membership of each of the Audit Committee and the Remuneration Committee. The Chairman of the Audit Committee and the Chairman of the Remuneration Committee each receive an additional £2,500 per annum. The Shareholder Appointee Non-Executive Directors do not receive any fees in their roles as Directors of the Company. Each Independent Non-Executive Director is engaged by the Company for an initial term of three years at which time the individual and the Board will make a conscious decision regarding whether or not they should continue in their position.

11. Directors' emoluments

The emoluments of the Directors for the year are shown below:

	Salary and fees £	Bonus schemes £	Benefits £	Total emoluments before pensions £	Pensions £	Total emoluments including pensions 2000 £	Total emoluments including pensions 1999 £
Executive							
Tony Ball	700,000	700,000	115,375	1,515,375	27,180	1,542,555	117,598
Martin Stewart	300,000	250,000	23,307	573,307	23,722	597,029	429,031
Alternate							
Elisabeth Murdoch (ix)	300,000	175,000	31,566	506,566	–	506,566	469,070
Non-Executive							
Philip Bowman	30,000	–	–	30,000	–	30,000	30,000
David Chance (i)	–	123,385	40,000	163,385	–	163,385	296,696
Dr Dieter Hahn (viii)	–	–	–	–	–	–	–
Allan Leighton (v)	17,724	–	–	17,724	–	17,724	–
Dame Anne Mueller (vii)	20,833	–	–	20,833	–	20,833	25,000
The Lord Stevenson of Coddendam (vi)	15,000	–	–	15,000	–	15,000	30,000
Lord St. John of Fawsley	25,000	–	–	25,000	–	25,000	25,000
John Thornton	26,770	–	–	26,770	–	26,770	25,000
Morton Topfer	28,334	–	–	28,334	–	28,334	4,070
Michel Crépon (iv)	–	–	–	–	–	–	–
David DeVoe	–	–	–	–	–	–	–
Leslie Hinton (v)	–	–	–	–	–	–	–
Eric Licoys (iii)	–	–	–	–	–	–	–
Martin Pompadur (v)	–	–	–	–	–	–	–
Bruce McWilliam (iv)	–	–	–	–	–	–	–
Letizia Moratti (ii)	–	–	–	–	–	–	–
Rupert Murdoch	–	–	–	–	–	–	–
Jérôme Seydoux (iv)	–	–	–	–	–	–	–
Arthur Siskind	–	–	–	–	–	–	–
Former Directors	–	–	–	–	–	–	5,521,692
Total emoluments	1,463,661	1,248,385	210,248	2,922,294	50,902	2,973,196	6,973,157

(i) David Chance resigned as a Director of the Company on 9 August 1999

(ii) Letizia Moratti resigned as a Director of the Company on 28 September 1999

(iii) Eric Licoys was appointed a Director of the Company on 12 October 1999

(iv) Bruce McWilliam, Michel Crépon and Jérôme Seydoux resigned as Directors of the Company on 15 October 1999

(v) Martin Pompadur, Leslie Hinton and Allan Leighton were appointed Directors of the Company on 15 October 1999

(vi) The Lord Stevenson of Coddendam resigned as a Director of the Company on 4 January 2000

(vii) Dame Anne Mueller resigned as a Director of the Company on 28 April 2000

(viii) Dr Dieter Hahn was appointed as a Director of the Company on 4 May 2000

(ix) Elisabeth Murdoch resigned as an Alternate Director of the Company on 30 June 2000

The amounts received by the Directors under bonus schemes are shown below:

	Additional Executive Bonus Scheme (i) £	Senior Management Bonus Scheme (ii) £	Total £
Executive			
Tony Ball	–	700,000	700,000
Martin Stewart	–	250,000	250,000
Elisabeth Murdoch	–	175,000	175,000
David Chance	123,385	–	123,385

i) Additional Executive Bonus Scheme

During the year David Chance exercised his remaining rights over 205,642 notional shares resulting in a gain of £123,385.

On 12 August 1999 Tony Ball was granted rights over 600,000 notional shares which become exercisable after three years at an option price of £5.35 and may not exceed a price per notional share of £5.83 on exercise.

At the year end there were no other notional shares issued under this scheme.

ii) Senior Management Bonus Scheme

The amounts shown above are those which have been approved by the Committee for the year ended 30 June 2000.

12. LTIP

Details of outstanding awards receivable under the LTIP are shown below:

	At 30 June 1999	Awarded during the year	At 30 June 2000
Tony Ball	–	1,200,000	1,200,000
Martin Stewart	350,000	150,000	500,000
Elisabeth Murdoch	350,000	–	350,000

Tony Ball was made an award on 12 August 1999. The award granted is in the combination of options with an exercise price of £5.83 and with a cash bonus of £5.83 receivable on exercise of the option.

In addition an award of 150,000 options was made to Martin Stewart on 8 March 2000. This additional award is in the form of a combination of options with an exercise price of £21.415 and with a cash bonus of £21.415 receivable on exercise of each option.

All LTIP awards outstanding at year end are comprised of a share option together with a cash bonus equal to the exercise price of that share option.

As described on page 60 of the Report on Directors' Remuneration, 50% of the awards receivable under the LTIP could vest, subject to meeting performance conditions, in November 2000, with the remaining 50% being exercisable from November 2001, subject to similar performance conditions. To put this into effect, Tony Ball, Martin Stewart and Elisabeth Murdoch were granted awards respectively over 600,000 shares, 250,000 shares and 175,000 shares vesting in November 2000. To the extent that these awards vest, an equal number of awards vesting in November 2001 will lapse.

Elisabeth Murdoch resigned as an Alternate Director and executive of the Company on 30 June 2000. The Committee has agreed that she will retain her LTIP option entitlements in full, and she will retain her rights to exercise her other options (detailed in section 13) until 30 June 2001, except for the Sharesave Scheme options, which lapsed on 30 June 2000, the date Elisabeth Murdoch resigned from the Company.

13. Executive Share Options

Details of all outstanding options held under the Executive and Share Schemes are shown below:

	Number of options				At 30 June 2000	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
	At 30 June 1999	Granted during the year	Exercised during the year	Lapsed during the year					
David Chance	5,286	–	5,286	–	–	£5.675	£6.27	N/A	N/A
	405,998	–	405,998	–	–	£5.675	£6.27	N/A	N/A
Elisabeth Murdoch	5,286	–	–	–	5,286	£5.675	N/A	15.05.2000	30.06.2001
	135,683	–	–	–	135,683	£5.675	N/A	15.05.2000	30.06.2001
	2,063(i)	–	–	2,063	–	£3.78	N/A	N/A	N/A
Tony Ball	–	5,145	–	–	5,145	£5.83	N/A	12.08.2002	12.08.2006
	–	594,855	–	–	594,855	£5.83	N/A	12.08.2002	12.08.2009
Martin Stewart	2,110(i)	–	2,110	–	–	£4.62	£9.715	N/A	N/A
	–	2,096(i)	–	–	2,096	£4.62	N/A	01.01.2000	30.06.2003

(i) Options granted under the Company's Sharesave Scheme

During the year ended 30 June 2000 the share price traded within the range of £5.505 to £21.58 per share. The middle-market closing price on the last working day of the financial year was £12.92.

14. Share interests

Except as disclosed in this report, no Director held any interest in the share capital, including options, of the Company, or of any subsidiary of the Company, during the year. All interests at the date shown are beneficial and there have been no changes between 1 July 2000 and 25 July 2000.

The ESOP is interested in 4,842,687 Ordinary Shares in which the Directors who are employees are deemed to be interested by virtue of Section 324 of the Companies Act 1985 (see note 14 of the accounts).

Rupert Murdoch, a Director of the Company and members of his family, including Elisabeth Murdoch, his daughter and a former Alternate Director, have a significant interest in The News Corporation Limited, and therefore in companies within The News Corporation Group of companies ("The News Corporation Group"). The News Corporation Group has certain significant transactions with the Group as set out in note 25 of the accounts.

Directors' Responsibilities

Accounts, including adoption of going concern basis

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

In preparing the accounts, the Directors are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

Other matters

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

To the Shareholders of British Sky Broadcasting Group plc:

We have audited the accounts on pages 66 to 90 which have been prepared under the historical cost convention, as modified by the revaluation of certain investments, and the accounting policies set out on pages 70 and 71. We have also examined the amounts disclosed relating to the emoluments, share options, long-term incentive scheme interests and pension benefits of the Directors which form part of the Report on Directors' Remuneration on pages 60 to 63.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report including, as described on page 64, preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

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

We review whether the Corporate Governance statement on pages 57 and 58 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the Corporate Governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

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

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

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group at 30 June 2000 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street,
London WC2R 2PS

25 July 2000

Consolidated Profit and Loss Account
FOR THE YEAR ENDED 30 JUNE 2000

	Notes	Before exceptional items £m	Exceptional items (see note 4) £m	2000 Total £m	Before exceptional items £m	Exceptional items (see note 4) £m	1999 Total £m
Turnover: Group and share of joint ventures		1,934.7	–	1,934.7	1,583.0	–	1,583.0
Less: share of joint ventures' turnover		(87.7)	–	(87.7)	(38.0)	–	(38.0)
Group turnover	2	1,847.0	–	1,847.0	1,545.0	–	1,545.0
Operating expenses, net	3	(1,761.7)	(105.0)	(1,866.7)	(1,359.7)	(456.3)	(1,816.0)
Operating profit (loss)		85.3	(105.0)	(19.7)	185.3	(456.3)	(271.0)
Share of operating results of joint ventures	5	(121.3)	–	(121.3)	(57.7)	–	(57.7)
Joint ventures' goodwill amortisation	13	(14.4)	–	(14.4)	–	–	–
Loss on sale of fixed asset investments	4	–	(1.4)	(1.4)	–	–	–
Share of joint venture's loss on sale of fixed asset investment	4	–	(14.0)	(14.0)	–	–	–
(Loss) profit on ordinary activities before interest and taxation		(50.4)	(120.4)	(170.8)	127.6	(456.3)	(328.7)
Interest receivable and similar income	6	10.7	–	10.7	4.2	–	4.2
Interest payable and similar charges	6	(102.6)	–	(102.6)	(59.0)	(5.2)	(64.2)
(Loss) profit on ordinary activities before taxation	7	(142.3)	(120.4)	(262.7)	72.8	(461.5)	(388.7)
Taxation	9	(8.8)	–	(8.8)	(27.9)	131.5	103.6
(Loss) profit on ordinary activities after taxation		(151.1)	(120.4)	(271.5)	44.9	(330.0)	(285.1)
Equity dividends — paid	10			–			(47.3)
Retained loss				(271.5)			(332.4)
(Loss) earnings per share — basic and diluted	11	(8.7p)	(6.9p)	(15.6p)	2.6p	(19.1p)	(16.5p)

Details of movements on reserves are shown in note 23.
The accompanying notes are an integral part of this consolidated profit and loss account.
All activities relate to continuing operations.

Consolidated Statement of Total Recognised Gains and Losses
FOR THE YEAR ENDED 30 JUNE 2000

	Notes	2000 £m	1999 £m
Loss for the financial year	23	(271.5)	(285.1)
Translation differences on foreign currency net investment		4.1	–
Total recognised gains and losses relating to the year		(267.4)	(285.1)

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

Consolidated Balance Sheet
AS AT 30 JUNE 2000

	Notes	2000 £m	1999 £m
Fixed assets			
Tangible assets	12	224.9	219.0
Investments:			
Investments in joint ventures: Share of gross assets		667.2	64.0
: Share of gross liabilities		(513.4)	(34.8)
: Joint ventures' goodwill		1,358.0	—
: Transfer to creditors		0.5	0.4
Total investments in joint ventures	13	1,512.3	29.6
Other fixed asset investments	14	148.3	94.4
Total investments		1,660.6	124.0
		1,885.5	343.0
Current assets			
Stocks	15	358.2	288.8
Debtors: Amounts falling due within one year	16	301.5	257.7
Debtors: Amounts falling due after more than one year	16	302.6	170.6
Cash at bank and in hand		281.2	50.2
		1,243.5	767.3
Creditors: Amounts falling due within one year			
— short-term borrowings	18	(13.8)	(0.1)
— other creditors	18	(808.9)	(583.6)
		(822.7)	(583.7)
Net current assets		420.8	183.6
Total assets less current liabilities		2,306.3	526.6
Creditors: Amounts falling due after more than one year			
— long-term borrowings	19	(1,412.4)	(715.0)
— other creditors	19	(22.0)	(31.1)
		(1,434.4)	(746.1)
Provisions for liabilities and charges	21	(225.5)	(405.4)
		646.4	(624.9)
Capital and reserves — equity			
Called-up share capital	22	912.9	863.0
Share premium	23	2,209.9	703.0
Profit and loss account	23	(2,476.4)	(2,190.9)
		646.4	(624.9)

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

Signed on behalf of the Board

Tony Ball Chief Executive Officer

Martin Stewart Chief Financial Officer

25 July 2000

Company Balance Sheet
AS AT 30 JUNE 2000

	Notes	2000 £m	1999 £m
Fixed assets			
Tangible assets	12	2.3	2.5
Investments	14	6,545.9	5,011.2
		6,548.2	5,013.7
Current assets			
Debtors: Amounts falling due within one year	16	1,221.3	425.1
Debtors: Amounts falling due after more than one year	16	17.6	14.0
		1,238.9	439.1
Creditors: Amounts falling due within one year	18	(558.3)	(482.3)
Net current assets (liabilities)		680.6	(43.2)
Total assets less current liabilities		7,228.8	4,970.5
Creditors: Amounts falling due after more than one year	19	(2,845.6)	(1,997.7)
		4,383.2	2,972.8
Capital and reserves — equity			
Called-up share capital	22	912.9	863.0
Share premium	23	2,209.9	703.0
Profit and loss account	23	416.5	562.9
Other reserves	23	843.9	843.9
		4,383.2	2,972.8

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

Signed on behalf of the Board
Tony Ball Chief Executive Officer
Martin Stewart Chief Financial Officer

25 July 2000

Consolidated Cash Flow Statement
FOR THE YEAR ENDED 30 JUNE 2000

	Notes	2000 £m	1999 £m
Net cash (outflow) inflow from operating activities	26a	(232.5)	238.3
Returns on investments and servicing of finance			
Interest received and similar income		9.8	4.2
Interest paid and similar charges on external financing		(73.9)	(54.8)
Interest element of finance lease payments		(0.8)	(0.5)
Net cash outflow from returns on investments and servicing of finance		(64.9)	(51.1)
Taxation			
ACT paid		–	(25.8)
Consortium relief paid		(23.6)	(2.5)
Net cash outflow from taxation		(23.6)	(28.3)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(57.9)	(76.2)
Payments to acquire fixed asset investments		(48.0)	(66.9)
Receipt from sales of fixed asset investments		5.3	–
Receipt of government grants		0.6	1.1
Net cash outflow from capital expenditure and financial investment		(100.0)	(142.0)
Acquisitions and disposals			
Funding to joint ventures		(79.9)	(22.9)
Repayments of funding from joint ventures		1.7	–
Payments made in the acquisition of joint ventures		(333.0)	(45.4)
Net cash outflow from acquisitions and disposals		(411.2)	(68.3)
Equity dividends paid		–	(103.2)
Net cash outflow before management of liquid resources and financing		(832.2)	(154.6)
Management of liquid resources			
Increase in short-term deposits	26b	(155.0)	–
Financing			
Proceeds from issue of ordinary shares		359.8	8.0
Payments made on the issue of ordinary shares		(7.7)	–
Net increase in total debt	26b	697.4	132.1
Net cash inflow from financing		1,049.5	140.1
Increase (decrease) in cash	26c	62.3	(14.5)
Increase in net debt	26c	(480.1)	(146.6)

The accompanying notes are an integral part of this consolidated cash flow statement.

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are summarised below:

a) Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain investments, and in accordance with applicable financial reporting and accounting standards, including the following Financial Reporting Standards issued by the Accounting Standards Board which have come into force since the previous year end:

FRS 15 — Tangible Fixed Assets

This standard addresses the measurement, valuation and depreciation of tangible fixed assets. Compliance with this standard has not given rise to any restatement of figures reported for prior periods.

FRS 16 — Current Taxation

This standard specifies how current tax, in particular withholding tax and related tax credits, should be reflected in the financial statements. Compliance with this standard has not given rise to any restatement of figures reported for prior periods.

b) Basis of consolidation

The Group accounts consolidate the accounts of the Company and all its subsidiary undertakings. All companies are consolidated using acquisition accounting.

The Group maintains a 52-53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2000 this date was 2 July 2000, this being a 53 week year (1999: 27 June 1999, 52 week year).

The Company has taken advantage of the exemption in Section 230 of the Companies Act 1985 not to present its own profit and loss account. The Company's result for the financial year determined in accordance with the Act is disclosed in note 23.

c) Turnover

Turnover, which excludes value added tax, represents the invoiced value of advertising, pay channel subscriptions and other revenues.

d) Goodwill

Prior to 1 July 1998, goodwill arising on acquisition was eliminated against reserves. As permitted by FRS 10, this goodwill has not been restated on the balance sheet. On disposal or closure of a previously acquired business, the goodwill previously written off to reserves will be included in calculating the profit or loss on disposal. Purchased goodwill (representing the fair value of the consideration over the fair value of the separable net assets acquired) arising on acquisitions from 1 July 1998 is capitalised.

Where capitalised goodwill is regarded as having a limited useful economic life, the cost is amortised on a straight line basis over that life, of up to 20 years.

Impairment reviews are carried out to ensure that goodwill is not carried at above its recoverable amount. Any amortisation or impairment write-downs are charged to the profit and loss account.

e) Interests in joint ventures

Joint ventures are entities in which the Group holds a long-term interest and shares control under a contractual arrangement. These investments are dealt with by the gross equity method of accounting. In circumstances where the Group's investment in a joint venture has been fully provided against and where that investment is being funded by another party, with no recourse to the Group, no further share of losses of that undertaking is recognised. Provision is made within creditors where the Group's share of a joint venture's losses exceeds the Group's funding to date.

f) Investments

In the Company's accounts, investments in subsidiary undertakings are stated at cost, with the exception of the investment in Sky Television Limited ("Sky") which is stated at valuation. Provisions are made for impairments in value.

The Company's shares held by the Employee Share Ownership Plan ("ESOP") are included in the consolidated balance sheet as a fixed asset investment until such time as the interest in the shares is transferred unconditionally to the employees. In the event that those shares allocated against awards under the Additional Executive Bonus Scheme are not transferred to the employees on exercise of their options, the carrying cost is adjusted to the mid-market price on the date of exercise, with the excess over cost being offset against the cash cost of the bonus.

A charge is made in the profit and loss account in relation to the shares held by the ESOP for awards under the Long Term Incentive Plan ("LTIP"), based on an assessment of the probability of the performance criteria under the LTIP being met. The charge is allocated on a straight-line basis over the performance period of the LTIP.

Provision is made for any permanent diminution in the value of shares held by the ESOP.

The Group's other fixed asset investments are stated at cost, less any provision for permanent diminution in value.

g) Tangible fixed assets

Tangible fixed assets are stated at cost net of accumulated depreciation and any provision for impairment. Land is not depreciated.

Depreciation is provided to write off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life. Principal annual rates used for this purpose are:

Freehold buildings		4%
Leasehold improvements	Period of lease or life of the asset, whichever is less	
Equipment, fixtures and fittings:		
– Fixtures and fittings		10% – 20%
– Computer equipment		20% – 33 $\frac{1}{3}$ %
– Technical equipment		10% – 20%
– Motor vehicles		25%

h) Stocks

Stocks, apart from programme rights, are stated at the lower of cost and net realisable value ("NRV"). The stock of set-top boxes is valued at the lower of cost and NRV (which reflects the value to the business of the set-top box in the hands of the customer).

Programme rights are stated at cost (including, where applicable, estimated escalation payments) less accumulated amortisation.

Acquired programme rights, and the related liability, are recorded at cost when the programmes are available for transmission.

Contractual obligations for programme rights not yet available for transmission are not included in the cost of programme rights, but are disclosed as contractual commitments (see note 24).

Programme payments made in advance of the Group having availability to transmit the related acquired programmes are treated as prepayments.

1. Accounting policies continued

Amortisation is provided to write off the cost of acquired programme rights as follows:

Sports – 100% on first showing or, where contracts provide for sports rights for multiple seasons or competitions, the amortisation of each contract is based on anticipated sports revenue.

Current affairs – 100% on first showing

General entertainment – Reducing balance on each transmission at the following rates:

- One showing planned – 100%
- Two showings planned – 60%; 40%
- Three showings planned – 50%; 30%; 20%
- Four showings planned – 40%; 30%; 20%; 10%

Movies – Straight-line basis over the period of transmission rights. Where movie rights provide for a second availability window, 10% of the cost is allocated to that window.

Own movie productions are amortised in line with anticipated revenue over a maximum of five years.

Provisions are made for any programme rights which are excess to Group requirements or which will not be shown for any other reason.

i) Transponder rentals

Payments made in advance to secure distribution channels on the Astra satellites have been recorded as prepaid transponder rentals. These payments are amortised to the profit and loss account over the period from commencement of broadcasting to the end of the rental period, normally between five and ten years.

j) Taxation

Corporation tax payable is provided at current rates on all taxable profits.

k) Deferred taxation

Deferred taxation is provided using the liability method at the rates ruling at the year end. Net deferred tax assets resulting from tax losses and other timing differences are not recognised except to the extent that it is assured beyond reasonable doubt that future taxable profits will be sufficient to recover them. Any deferred tax assets not recognised in the year that they arise are subsequently only recognised as they are realised.

l) Foreign currency

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

The results of the overseas subsidiaries and joint ventures are translated at the average rates of exchange during the period and the balance sheet at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of the overseas subsidiaries and joint ventures and on foreign currency borrowings, to the extent that they hedge the Group's investment in these operations, are dealt with through reserves.

m) Derivatives and other financial instruments

The Group uses a limited number of derivative financial instruments to hedge its exposures to fluctuations in interest and foreign exchange rates. Instruments accounted for as hedges are structured so as to reduce the market risk associated with the underlying transaction being hedged and are designated as a hedge at the inception of the contract. Receipts and payments on interest rate instruments are recognised on an accruals basis, over the life of the instrument. Gains and losses on contracts hedging forecast transactional cash flows are recognised in the hedged periods.

Cash flows associated with derivative financial instruments are classified in the cash flow statement in a manner consistent with those of the underlying transactions being hedged. If an instrument ceases to be accounted for as a hedge, for example by the underlying hedged position being eliminated, the instrument is marked to market and any resulting gain or loss recognised in the profit and loss account.

The Group does not hold or issue derivative financial instruments for speculative purposes.

n) Pension costs

The Group provides pensions to eligible employees through the BSkyB pension plan which is a defined contribution plan. The assets of the plan are held independently of the Group.

The amount charged to the profit and loss account is based on the contributions payable for the year.

o) Leases

Assets held under finance leases are treated as tangible fixed assets. Depreciation is provided accordingly and the deemed capital element of future rentals is included within creditors. Deemed interest is charged as interest payable over the period of the lease.

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

p) Government grants

Government grants relating to tangible fixed assets are reported as deferred income and amortised over the expected useful life of the asset concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

2. Turnover

	2000 £m	1999 £m
Direct to Home subscribers	1,189.0	979.3
Cable and DTT subscribers	303.0	252.6
Advertising	242.3	216.5
Other	112.7	96.6
	1,847.0	1,545.0

All turnover is derived from the Group's sole class of business, being television broadcasting together with certain ancillary functions, and arises principally within the United Kingdom from activities conducted from the United Kingdom. Subscription revenue is recognised over the period to which it relates. In order to provide shareholders with additional information, the Group's turnover has been analysed as shown above.

Included in other turnover is £nil (1999: £38.3 million) representing sales of digital set-top boxes at cost. The corresponding cost is included within subscriber management costs.

Loss before tax and net assets relate to activities conducted from the United Kingdom, with the exception respectively of £43.8 million loss and £1,479.9 million of assets which relate to activities conducted from Germany.

3. Operating expenses, net

	Before exceptional items £m	Exceptional items (see note 4) £m	2000 Total £m	Before exceptional items £m	Exceptional items (see note 4) £m	1999 Total £m
Programming*	945.6	–	945.6	786.5	–	786.5
Transmission and related functions*	105.2	41.0	146.2	90.9	–	90.9
Marketing	381.3	58.3	439.6	215.5	450.0	665.5
Subscriber management (see note 2)	199.9	5.7	205.6	154.4	–	154.4
Administration	129.7	–	129.7	112.4	6.3	118.7
	1,761.7	105.0	1,866.7	1,359.7	456.3	1,816.0

*The amounts shown are net of £51.3 million (1999: £48.2 million) receivable from the disposal of programming rights not acquired for use by the Group, and £61.3 million (1999: £50.6 million) in respect of the provision to third party broadcasters of spare transponder capacity.

4. Exceptional items

	Before taxation £m	Taxation credit £m	2000 After taxation £m	Before taxation £m	Taxation credit £m	1999 After taxation £m
Estimated cost of termination of analogue operations	41.0	–	41.0	–	–	–
Estimated cost of transitioning analogue customers to digital service	58.3	–	58.3	450.0	(135.0)	315.0
Estimated cost of Sky In Home Service Limited reorganisation	5.7	–	5.7	–	–	–
Cost of aborted Manchester United PLC bid	–	–	–	6.3	(1.9)	4.4
Exceptional operating items	105.0	–	105.0	456.3	(136.9)	319.4
Loss on sale of fixed asset investments (see note 14)	1.4	–	1.4	–	–	–
Share of joint venture's loss on sale of fixed asset investment (see note 13)	14.0	–	14.0	–	–	–
Finance charges	–	–	–	5.2	(1.6)	3.6
	120.4	–	120.4	461.5	(138.5)	323.0
ACT written off	–	–	–	–	7.0	7.0
	120.4	–	120.4	461.5	(131.5)	330.0

In May 2000, the Group committed to terminating its analogue operations in June 2001, earlier than the previously announced date of 31 December 2002. The costs of the termination are estimated at £41.0 million and principally comprise the cost of early termination of analogue transponder leases and other costs to be incurred to terminate the Group's analogue operations. Of these costs £30.7 million are included within provisions at the year end, with the remaining costs being included within prepayments (£6.4 million) and stock balances (£3.9 million).

On 5 May 1999 the Group announced a marketing promotion under which it committed to transitioning its existing analogue subscribers onto its digital service. The net costs associated with this process were estimated at £450 million, before taking account of tax relief of £135 million (see notes 17 and 21). This did not include subsidy costs provided by British Interactive Broadcasting Holdings Limited ("BiB"), 32.5% of whose funding was met by the Group. Following the acquisition by the Group of a further 47.6% shareholding in BiB and the consequent agreement for the Group to provide 100% of BiB's funding, it became appropriate to increase the provision by £58.3 million, principally to provide for the costs of subsidising the set-top boxes for the remaining analogue subscribers. The total amount included within provisions of £192.9 million is net of £270.8 million utilised in the year and £44.6 million utilised in the prior year.

4. Exceptional items continued

In May 2000, the Group announced the reorganisation of the Sky In Home Service Limited distribution network at a cost of £5.7 million. These costs principally comprise the costs of staff redundancies, termination of building leases and fixed asset write downs. Of these costs, £1.9 million are included within provisions, £0.7 million was spent during the year and the remaining costs are included within fixed assets.

During the year the Group reduced its holdings in Manchester United PLC and Manchester City PLC so as to bring the holdings below the 10% holding limit stipulated by the rules of the Premier League. These disposals resulted in a total loss of £1.4 million (see note 14).

On 7 June 2000 KirchPayTV GmbH & Co KGaA ("KirchPayTV") sold 20 million of its holding of BSKyB shares. The Group's share of the loss on disposal was £14.0 million. The loss is calculated as 24% of the difference between the balance sheet value of the 20 million shares at £15.21 per share (based on the value of the shares at the date of acquisition of 24% of KirchPayTV by BSKyB) and the net proceeds realised by KirchPayTV of £12.30 per share.

The decision of the Monopolies and Mergers Commission in April 1999 to block the Group's bid for Manchester United PLC resulted in £6.3 million of costs associated with the bid being written off.

In 1999 the Group completed a refinancing of its borrowings, with the £1,000 million revolving credit facility ("RCF") being cancelled and replaced with a £750 million RCF. The exceptional finance charges of £5.2 million were composed of unamortised prepaid fees on the £1,000 million RCF and the mark-to-market of a floating-to-fixed interest rate swap over £100 million of the £1,000 million RCF which was no longer required.

The exceptional tax credit in 1999 of £131.5 million was after an ACT write off of £7.0 million previously considered recoverable prior to the recognition of exceptional charges in the year ended 30 June 1999 (see note 9).

5. Share of operating results of joint ventures

	2000 £m	1999 £m
Joint ventures:		
KirchPayTV (see note 13)	11.0	–
British Interactive Broadcasting	99.1	44.4
Programming joint ventures	11.2	13.3
	121.3	57.7

This relates to the Group's equity share of the operating results of the joint ventures listed in note 28.

6. Interest

a) Interest receivable and similar income

	2000 £m	1999 £m
Interest receivable on short term deposits	7.3	2.2
Share of interest receivable from joint ventures	0.9	0.8
Other interest receivable	2.5	1.2
	10.7	4.2

b) Interest payable and similar charges

	2000 £m	1999 £m
On bank loans, overdrafts and other loans repayable within five years, not by installments:		
£750 million revolving credit facility	11.0	–
£1,000 million revolving credit facility	0.2	33.3
US\$650 million of 8.200% Guaranteed Notes repayable in 2009	31.1	–
£100 million of 7.750% Guaranteed Notes repayable in 2009	7.7	–
US\$600 million of 6.875% Guaranteed Notes repayable in 2009	27.2	8.2
US\$300 million of 7.300% Guaranteed Notes repayable in 2006	15.8	15.4
Finance lease interest	0.9	0.9
Share of interest payable from joint ventures	8.3	0.7
Other interest payable and similar charges	0.4	0.5
	102.6	59.0
Exceptional finance charges (see note 4)	–	5.2
	102.6	64.2

7. (Loss) profit on ordinary activities before taxation

	2000 £m	1999 £m
The (loss) profit on ordinary activities before taxation is stated after charging (crediting):		
– depreciation (see note 12)	52.0	32.5
– joint ventures' goodwill amortisation (see note 13)	14.4	–
– auditors' remuneration for audit services	0.4	0.4
– rentals on operating leases and similar arrangements	118.6	88.4
– staff costs (see note 8)	255.5	190.9
– government grants	(1.3)	(1.8)

Amounts payable to the auditors for other services during the year were £5.7 million (1999: £2.4 million). These amounts relate principally to services as reporting accountants in connection with acquisitions of £1.5 million (1999: £0.4 million); taxation advice of £0.4 million (1999: £0.3 million); and other consulting services of £3.8 million (1999: £1.7 million).

8. Staff costs

a) Employee costs for permanent and temporary employees and Executive Directors during the year amounted to:

	2000 £m	1999 £m
Wages and salaries	219.2	170.0
Costs of Additional Executive Bonus Scheme	0.1	0.1
Costs of Long Term Incentive Plan	6.0	2.9
Social security costs	23.1	12.5
Other pension costs	7.1	5.4
	255.5	190.9

The Company operates a defined contribution pension scheme, contributions to which are charged to the profit and loss account on an accruals basis. The pension charge for the year represents contributions payable by the Group to the fund and amounted to £7.1 million (1999: £5.4 million).

The average monthly number of persons employed by the Group during the year was as follows:

	2000 Number	1999 Number
Programming	982	751
Transmission and related functions	1,040	915
Marketing	141	117
Subscriber management	7,809	5,701
Administration	758	787
	10,730	8,271

b) Directors' emoluments

A detailed breakdown of remuneration by Director, the terms of their employment contracts and their rights under the Group's bonus schemes are given within the Report on Directors' Remuneration on pages 60 to 63.

9. Taxation

	2000 £m	1999 £m
Tax on profits before exceptional items:		
UK corporation tax	–	39.3
Consortium relief payable	25.7	–
ACT written off	–	2.3
Prior year adjustment	10.4	(3.9)
Share of joint ventures' tax credit	(27.3)	(9.8)
	8.8	27.9
Tax charge (credits) on exceptional items:		
Deferred tax asset	–	(88.8)
Carry back against prior year	–	(10.4)
Current year UK corporation tax	–	(39.3)
ACT written off	–	7.0
	–	(131.5)
	8.8	(103.6)

9. Taxation continued

In 2000 there is no mainstream UK corporation tax charge for the Group as the Group made a loss during the year. Tax relief on losses for the year of £76.4 million is available to offset future UK corporation tax liabilities of the Group but has not been recognised (1999: £nil). Estimated losses carried forward of approximately £550 million are available to shelter future taxable profits.

Included in the Group's prior year adjustment is £6.2 million relating to the Group's share of the joint ventures' prior year adjustment.

Cumulative Advance Corporation Tax ("ACT") of £71.3 million (1999: £71.3 million) has been written off and has not yet been recovered.

In 1999 the Group's UK corporation tax charge on ordinary activities (at 30.75%) was fully eliminated by tax credits on exceptional items. These exceptional tax credits resulted in a write-off of certain ACT previously considered recoverable in the year ended 30 June 1999.

10. Dividends

	2000 £m	1999 £m
Paid and proposed per Ordinary Share		
Interim paid dividend of £nil (1999: 2.75p)	–	47.3
	–	47.3

The Directors do not propose a final dividend for the financial year.

The ESOP has waived its rights to dividends.

11. (Loss) earnings per share

	Before exceptional items and goodwill	Goodwill	Exceptional items	2000 After exceptional items and goodwill	Before exceptional items and goodwill	Goodwill	Exceptional items	1999 After exceptional items and goodwill
(Loss) profit on ordinary activities after taxation	(£136.7m)	(£14.4m)	(£120.4m)	(£271.5m)	£44.9m	–	(£330.0m)	(£285.1m)
Weighted average number of Ordinary Shares				1,744,379,069				1,719,952,745
(Loss) earnings per share – basic and diluted	(7.9p)	(0.8p)	(6.9p)	(15.6p)	2.6p	–	(19.1p)	(16.5p)

Basic (loss) earnings per share represents the (loss) profit attributable to the equity shareholders in each year divided by the weighted average number of Ordinary Shares in issue during the year.

(Loss) earnings per share is shown calculated by reference to (losses) earnings both before and after exceptional items, goodwill and related tax, since the Directors consider that this gives a useful additional indication of underlying performance.

12. Tangible fixed assets

The movement in the year was as follows:

	Freehold land and buildings £m	Leasehold improvements £m	Equipment, fixtures and fittings £m	Total £m
Group				
Cost				
Beginning of year	26.7	73.1	280.2	380.0
Additions	0.2	2.5	55.2	57.9
Disposals	–	–	(0.1)	(0.1)
End of year	26.9	75.6	335.3	437.8
Depreciation				
Beginning of year	3.3	31.7	126.0	161.0
Charge	0.7	4.4	46.9	52.0
Disposals	–	–	(0.1)	(0.1)
End of year	4.0	36.1	172.8	212.9
Net book value				
Beginning of year	23.4	41.4	154.2	219.0
End of year	22.9	39.5	162.5	224.9

12. Tangible fixed assets continued

Included in the freehold land and buildings are assets held under finance leases with a net book value of £7.3 million (1999: £7.6 million). Depreciation charged during the year on such assets was £0.3 million (1999: £0.4 million).

Depreciation was not charged on £5.0 million of land (1999: £4.4 million).

The Company's only tangible fixed assets relate to leasehold improvements at the Group's head office, which amount to £2.3 million (1999: £2.5 million). The depreciation charged during the year on the Company's tangible fixed assets was £0.2 million (1999: £0.2 million).

13. Investments in joint ventures

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

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Joint ventures:				
– KirchPayTV	1,479.9	–	–	–
– British Interactive Broadcasting	17.7	15.6	–	–
– Programming Joint Ventures	14.7	14.0	–	–
Total investments in joint ventures	1,512.3	29.6	–	–

Investment in joint ventures

The movement in the year was as follows:

	Group 2000 £m	Group 1999 £m
Cost and funding		
Beginning of year	116.3	48.0
Loans advanced to joint ventures, net	76.4	22.9
Acquisition of 24% stake in KirchPayTV (see next page)	151.4	–
Subscriptions for shares in other joint ventures	1.8	45.4
End of year	345.9	116.3
Transfer from creditors	0.5	0.4
Share of results		
Beginning of year	(87.1)	(39.3)
Share of operating results of joint ventures	(121.3)	(57.7)
Share of joint venture's exceptional loss on sale of fixed asset investment (see note 4)	(14.0)	–
Share of interest receivable by joint ventures	0.9	0.8
Share of interest payable by joint ventures	(8.3)	(0.7)
Share of tax credits of joint ventures	33.5	9.8
Exchange adjustments	4.2	–
End of year	(192.1)	(87.1)
Goodwill		
Beginning of year	–	–
Additions	1,372.4	–
Amortisation	(14.4)	–
End of year	1,358.0	–
Net book value		
Beginning of year	29.6	16.0
End of year	1,512.3	29.6

The investment in joint ventures excludes cumulative losses of £0.5 million (1999: £0.4 million), which represent losses in excess of the funding provided. The related obligation is recorded within creditors.

Provisional goodwill of £1,368.5 million on the investment in KirchPayTV is being amortised over a period of up to 20 years on a straight-line basis.

In June 2000, the Group acquired a 20% holding in Medical Information and Broadcasting Limited for £3.9 million with a warrant to acquire an additional 10% at nominal value. Provisional goodwill of £3.9 million arose on the acquisition, which is being amortised over a period of up to five years on a straight line basis.

13. Investments in joint ventures continued

KirchPayTV

On 14 April 2000 a 24% interest in KirchPayTV was acquired for an aggregate consideration of £1,519.9 million. This acquisition has been accounted for using the gross equity method of accounting. As it has not been possible to complete the investigation to determine the fair value of KirchPayTV before the approval of the financial statements, provisional valuations have been made. Based on these valuations provisional goodwill of £1,368.5 million has arisen on acquisition, which has been capitalised on the Group's balance sheet within fixed asset investments. Further valuations will be made which might, if necessary, result in an adjustment being made to goodwill in the next annual financial statements.

Analysis of the acquisition of 24% of KirchPayTV:

	Provisional adjustments		Fair value to Group of 24% of KirchPayTV £m
	Book value of 24% of KirchPayTV £m	Revaluation £m	
Intangible fixed assets	169.0	(169.0)	–
Other non-current assets	425.2	–	425.2
Current assets	124.4	–	124.4
Current liabilities	(336.7)	–	(336.7)
Non-current liabilities	(61.5)	–	(61.5)
Net assets	320.4	(169.0)	151.4
Provisional goodwill arising on acquisition			1,368.5
			1,519.9
Satisfied by:			
Fair value of 78,019,778 shares issued (see note 23)			1,186.7
Cash			313.3
Costs associated with the acquisition			19.9
			1,519.9

The following information is given in respect of the Group's share of all joint ventures:

	Group 2000 £m	Group 1999 £m
Turnover	87.7	38.0
Fixed assets	381.7	20.3
Current assets	285.5	43.7
Liabilities due within one year	(439.6)	(34.7)
Liabilities due after one year or more	(73.8)	(0.1)

Included within the above is the Group's share of KirchPayTV (24%) (based on the period ended 31 March 2000) and BiB (32.5%) which are detailed individually below:

	24% of KirchPayTV (as adjusted) Period to 31 March 2000 £m	24% of KirchPayTV year to 31 December 1999 £m
Turnover	20.8	63.1
Operating loss	(11.0)	(69.6)
Loss on sale of fixed asset investment (see note 4)	(14.0)	–
Net interest payable	(4.4)	(10.4)
Loss before taxation	(29.4)	(80.0)
Taxation	(0.3)	0.7
Loss after taxation	(29.7)	(79.3)
Fixed assets	362.5	130.9
Current assets	189.6	44.9
Liabilities due within one year	(362.9)	(296.6)
Liabilities due after one year or more	(63.4)	(70.2)

In the absence to date of results for KirchPayTV for the period from investment on 14 April 2000 to 30 June 2000, the results for a similar period to 31 March 2000, have been used. One adjustment was made to these results following the sale by KirchPayTV, on 7 June 2000, of 20 million of its holdings of BSKyB shares (see note 4).

The results for the two week period ended 15 January 2000 and the two, week period ended 15 April 2000 are not materially different from any two week period within the results for the period to 31 March 2000 before adjustments. These results, which have been adjusted to include BSKyB's share of KirchPayTV's loss on disposal of 20 million of its holding of BSKyB shares on 7 June 2000 (see note 4), are shown above.

13. Investments in joint ventures continued

	32.5% of BiB 2000 £m	32.5% of BiB 1999 £m
Turnover	19.6	1.0
Operating loss	(99.1)	(44.4)
Loss before taxation	(101.8)	(43.9)
Taxation	33.3	9.8
Loss after taxation	(68.5)	(34.1)
Fixed assets	15.5	14.8
Current assets	56.2	12.4
Liabilities due within one year	(46.2)	(11.5)
Liabilities due after one year or more	(7.8)	(0.1)

14. Other fixed asset investments

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

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Subsidiary undertakings	–	–	6,464.6	4,944.3
Own shares	27.5	27.5	–	–
Other investments	120.8	66.9	81.3	66.9
	148.3	94.4	6,545.9	5,011.2

Investment in subsidiary undertakings

The movement in the year was as follows:

	Company 2000 £m	Company 1999 £m
Cost or valuation		
Beginning of year	4,944.3	4,944.3
Additions	1,520.3	–
End of year	6,464.6	4,944.3
Provision		
Beginning of year	–	(34.1)
Provision against investment in Sky released	–	34.1
End of year	–	–
Net book value		
Beginning of year	4,944.3	4,910.2
End of year	6,464.6	4,944.3

Additions in the year principally relate to the acquisition of 24% of KirchPayTV by the Group (see note 13).

Since 30 June 1994, excluding provisions, the Company's investment in Sky Television Limited ("Sky") has been carried at a Directors' valuation of £994.6 million, (an increase of £930 million), being Sky's net asset value at that date.

During 1999, the Company wrote back the remaining part of its provision against the investment in Sky following a profit in that company.

Investment in own shares

The movement in the year was as follows:

	Number of Ordinary Shares	Group £m
At beginning and end of year	4,842,687	27.5

At the beginning of the year the ESOP held Ordinary Shares in the Company at an average value of £5.68 per share, primarily to hedge the obligations of the Group then outstanding under the Additional Executive Bonus Scheme, the Long Term Incentive Plan ("LTIP") and share option schemes against further increases in the Company's share price.

At the year end, 0.6 million shares are held as a hedge against current obligations under the Additional Executive Bonus Scheme and 2.75 million shares are held against the LTIP, which was put in place in November 1998 and revised in March 2000. The carrying value of 1.37 million LTIP shares is being accrued over the vesting period to November 2000, with the remainder being accrued over the vesting period to November 2001. An amount of £8.9 million is included within accruals, with the 1999 accrual of 2.9 million having been reclassified accordingly. The remainder of shares held by the ESOP are not currently committed.

14. Other fixed asset investments continued

The market value of the shares held by the ESOP at 30 June 2000 was £62.6 million (1999: £29.2 million), and the nominal value was £2.4 million (1999: £2.4 million).

Other investments

During the year the Group purchased listed investments in Leeds Sporting plc, Sunderland PLC and gameplay.com plc. The Group also purchased unlisted investments in Toyzone.co.uk Limited, Static 2358 Limited, Manchester City PLC, Sportal Investment Limited, Streets OnLine Limited, Letsbuyit.com N.V. and mykindaplace Limited. The consideration given for purchases during the year totalled £60.8 million. In addition, during the year the Group reduced its holding in Manchester United PLC from 11.12% to 9.99% and its holding in Manchester City PLC from 10.36% to 9.91%, so as to bring the holdings below the 10% holding limit stipulated by the rules of the Premier League. This resulted in a total loss on disposal of £1.4 million (see note 4), with the net book value of disposals being £6.7 million (1999: £nil).

New media investments represent minority interests in companies in early stages of development. These companies may need additional finance to execute their plans and several of the companies are in the process of doing this. The fair value of such interests are therefore subject to significant fluctuation. No provision against the carrying value of such investments is considered necessary as at 30 June 2000.

During the year the Company purchased listed investments in Leeds Sporting plc, Sunderland PLC and purchased an unlisted investment in Manchester City PLC for £21.3 million. During the year the Company also reduced its holdings in Manchester United PLC and Manchester City PLC as described above. The net book value of these disposals was £6.9 million (1999: £nil).

During 1999, the Company and the Group purchased 28,884,374 shares (11.2%) in Manchester United PLC at a cost of £66.9 million.

There were no amounts written off by the Company or the Group (1999: £nil) during the year.

Further analysis of other investments is shown below:

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Listed investments included within other investments	88.3	66.9	75.9	66.9
Aggregate market value	111.2	57.5	99.2	57.5

No tax liability would arise on the sale of listed investments at market value due to the availability of losses.

15. Stocks

	Group 2000 £m	Group 1999 £m
Television programme rights	313.1	271.5
Digital set-top boxes	42.9	10.4
Raw materials and consumables	2.2	6.9
	358.2	288.8

At least 77% (1999: 82%) of the existing television programme rights at 30 June 2000 will be amortised within one year.

16. Debtors: Amounts falling due within one year

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Trade debtors	125.0	98.5	–	–
Amounts owed by subsidiary undertakings	–	–	1,216.8	422.3
Amounts owed by joint ventures (see note 25)	30.9	7.1	–	–
Amounts owed by other related parties (see note 25)	2.3	1.4	–	–
Other debtors	5.9	2.9	–	–
Prepaid programme rights	41.3	39.3	–	–
Prepaid transponder rentals	30.8	19.6	–	–
Deferred tax (see note 17)	–	29.8	–	–
Prepaid media rights	3.4	–	–	–
Other prepayments and accrued income	61.9	59.1	4.5	2.8
	301.5	257.7	1,221.3	425.1
Debtors: Amounts falling due after more than one year				
Amounts owed by joint ventures (see note 25)	6.7	–	–	–
Prepaid programme rights	86.4	14.5	–	–
Prepaid transponder rentals	71.2	80.2	–	–
Advance Corporation Tax	14.0	14.0	14.0	14.0
Deferred tax (see note 17)	88.8	59.0	–	–
Prepaid media rights	9.4	–	–	–
Other prepayments and accrued income	26.1	2.9	3.6	–
	302.6	170.6	17.6	14.0

17. Deferred tax asset

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Included within debtors due within one year	–	29.8	–	–
Included within debtors due after more than one year	88.8	59.0	–	–
	88.8	88.8	–	–

There was no reduction in the deferred tax asset during the year ended 30 June 2000.

In 1999, the deferred tax asset arose as a result of certain exceptional items booked in that year (see note 4).

18. Creditors: Amounts falling due within one year

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Short-term borrowings				
Bank overdrafts	13.7	–	–	–
Obligations under finance leases	0.1	0.1	–	–
	13.8	0.1	–	–
Other				
Trade creditors	349.2	263.9	–	–
Amounts due to subsidiary undertakings	–	–	511.1	470.2
Amounts due to joint ventures (see note 25)	25.0	2.5	–	–
Amounts due to related parties (see note 25)	39.3	47.5	–	–
UK corporation tax	4.7	2.4	–	–
VAT	36.8	36.5	–	–
Social security and PAYE	5.4	4.5	–	–
Other creditors	22.6	18.3	–	–
Accruals and deferred income	325.8	207.3	47.2	12.1
Government grants	0.1	0.7	–	–
	808.9	583.6	558.3	482.3
	822.7	583.7	558.3	482.3

Included within trade creditors are £227.5 million (1999: £211.0 million) of US dollar-denominated programme creditors. At least 90% (1999: 90%) of these were covered by forward rate currency contracts (see note 24).

19. Creditors: Amounts falling due after more than one year

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Long-term borrowings				
£750 million revolving credit facility	335.0	–	335.0	–
£1,000 million revolving credit facility	–	150.0	–	–
AUS\$1 million facility	0.4	0.4	0.4	–
US\$650 million of 8.200% Guaranteed Notes repayable in 2009	412.5	–	412.5	–
£100 million of 7.750% Guaranteed Notes repayable in 2009	100.0	–	100.0	–
US\$600 million of 6.875% Guaranteed Notes repayable in 2009	367.2	367.2	367.2	367.2
US\$300 million of 7.300% Guaranteed Notes repayable in 2006	189.2	189.2	189.2	189.2
Obligations under finance leases	8.1	8.2	–	–
Amounts due to subsidiary undertaking	–	–	1,441.3	1,441.3
	1,412.4	715.0	2,845.6	1,997.7
Other				
Accruals and deferred income	21.1	30.2	–	–
Government grants	0.9	0.9	–	–
	22.0	31.1	–	–
	1,434.4	746.1	2,845.6	1,997.7

At the beginning of the financial year, the £1,000 million revolving credit facility (“RCF”) was cancelled and replaced by a new £750 million RCF repayable in full on 29 June 2004 and bearing interest at rates between 0.50% and 1.40% per annum above LIBOR, depending on the Group’s credit rating. AUS\$1 million was drawn down on a facility to fund the Group’s ongoing investment in Australia News Channel Pty Limited. Interest accrues at AUS\$ LIBOR per annum. The loan is repayable in full on 30 April 2002.

19. Creditors: Amounts falling due after more than one year continued

In July 1999, the Group issued US\$650 million and £100 million 10-year global Regulation S/144A bonds, which are SEC registered. The US\$650 million Notes carry a coupon of 8.200% payable semi-annually and are repayable on 15 July 2009. They have been swapped into sterling at a fixed rate of 7.653% payable semi-annually. The £100 million Notes carry a fixed coupon of 7.750% payable annually and are repayable on 9 July 2009.

In February 1999 the Group issued, in the US public debt market, US\$600 million of 6.875% Guaranteed Notes repayable in February 2009. As at 30 June 2000 the proceeds were swapped into sterling at a fixed rate of 8.20% payable semi-annually and are repayable in February 2009.

In October 1996 the Group issued, in the US public debt market, US\$300 million 7.300% Guaranteed Notes repayable in October 2006. The Group subsequently entered into swap transactions to convert the proceeds into sterling, half of which carries a fixed rate of interest of 8.384% per annum for the full ten years and the remainder of which is fixed at 7.940% per annum for five years until April 2002 and thereafter floating at 0.62% above the six month LIBOR rate.

Amounts due to subsidiary undertaking relates to an intercompany loan from Sky. Interest of 1.5% above LIBOR has been charged on the balance outstanding from 1 July 1997. The loan is fully repayable on 30 June 2007.

Following the grant in December 1997 of the three digital terrestrial television licences to ONdigital, £60 million was received by the Group. This was credited to accruals and deferred income and is being released to income to match the associated costs, which include a shortfall arising on the sub-lease of the Marco Polo property. The net balance is being credited to other turnover over the five-year period of programme supply.

Borrowings outstanding, which include finance leases, are repayable as follows:

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Amounts repayable:				
– on demand or within the year	13.8	0.1	–	–
– within one to two years	0.6	0.1	0.4	–
– within two to five years	335.7	151.0	335.0	–
– after five years	1,076.1	563.9	2,510.2	1,997.7
	1,426.2	715.1	2,845.6	1,997.7

Obligations under finance leases are repayable as follows:

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Amounts repayable:				
– within one year	0.1	0.1	–	–
– within one to two years	0.2	0.1	–	–
– within two to five years	0.7	0.6	–	–
– after five years	7.2	7.5	–	–
	8.2	8.3	–	–

Obligations under finance leases represent amounts drawn down in connection with the Subscriber Management Centre in Dunfermline. Repayments of £0.2 million (1999: £0.2 million) were made each quarter. A proportion of these payments has been allocated to the capital amount outstanding. Interest accrues on the finance lease at a rate of 8.5%.

20. Derivatives and other financial instruments

On page 15, the Operating and Financial Review provides an explanation of the role that financial instruments have had during the year in the management of the Group's funding, liquidity and foreign exchange rate risks.

As permitted by FRS13, short-term debtors and creditors have been excluded from the FRS13 disclosures, other than the currency risks disclosures.

Interest rate risks

After taking into account interest rate swaps and forward foreign currency contracts entered into by the Group, the interest rate profile of the Group's financial liabilities was:

	Fixed	Floating	2000 Total	Fixed	Floating	1999 Total
£m	1,077.1	349.1	1,426.2	297.5	417.6	715.1
Weighted average interest rate	8.0%	7.2%	7.8%	8.4%	6.4%	7.2%
Weighted average period for which the rate is fixed (years)	8.0	n/a	n/a	4.2	n/a	n/a
Weighted average term (years)	8.4	4.0	7.3	6.2	8.8	7.7

Further details of interest rates on long-term borrowings are given in note 19.

20. Derivatives and other financial instruments continued

In addition, cash at bank and in hand of £281.2 million (1999: £50.2 million) consists mainly of sterling deposits, in bank accounts or on money markets at call. At 30 June 2000, £115 million (1999: £nil) relates to sterling time deposits which expire within 14 days of the year end (average interest rate of 5.395%). The remaining sterling cash deposits comprise deposits placed on the money market at three-day rates and sterling currency accounts.

Currency risks

The table below shows the Group's currency exposures after hedging that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the net monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating unit involved and principally consist of cash deposits, trade debtors and trade creditors.

Functional currency of Group operating unit	Net foreign currency monetary assets (£m)							1999 Total
	USD	Irish Punts	Euros	2000 Total	USD	Irish Punts	Euros	
Sterling	0.6	2.8	2.8	6.2	0.9	2.6	1.1	4.6

As at 30 June 2000 and 30 June 1999, the Group also held open various currency forward contracts that the Group had taken out to hedge expected future foreign currency commitments (see note 24(a)).

Liquidity risks

The profile of the Group's financial liabilities, other than short-term creditors, is shown in note 19.

The Group's undrawn committed bank facilities, subject to covenants, were as follows:

	2000 £m	1999 £m
Expiring in one year or less	-	-
Expiring in more than one year but less than two years	-	-
Expiring in more than two years	415.0	850.0
Total	415.0	850.0

Fair values

Set out below is a comparison by category of the book values and the estimated fair values of the Group's financial assets and financial liabilities, and associated derivative financial instruments as at 30 June 2000 and 30 June 1999:

	Book value £m	2000 Fair value £m	Book value £m	1999 Fair value £m
Primary financial instruments held or issued to finance the Group's operations				
Short-term financial liabilities	(13.7)	(13.7)	-	-
Bank borrowings	(335.4)	(335.4)	(158.6)	(158.6)
Quoted bond debt	(1,068.9)	(966.2)	(556.4)	(531.5)
Finance leases	(8.2)	(8.2)	(8.3)	(8.3)
Cash deposits	281.2	281.2	50.2	50.2
Derivative financial instruments held to manage the interest rate and currency profile				
Combined interest and exchange rate swaps	-	7.5	-	(19.1)
Forward foreign currency contracts	-	16.3	-	7.6

The fair values of quoted bond debt are based on period-end mid-market quoted prices. The fair values of other borrowings are estimated by discounting the future cash flows to net present value. The fair values of derivative financial instruments are estimated by calculating the difference between the contracted rates and the appropriate market rates prevailing at the period ends.

In addition to the fair value table, the Group had holdings in the equity share capital of other listed investments at 30 June 2000 and 30 June 1999. See note 14 for disclosure of their book and fair values.

The difference between book value and fair value reflects unrealised gains or losses inherent in the instrument, based on valuations as at 30 June 2000 and 30 June 1999. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

Hedges

The Group's policy is to hedge the following exposures:

- interest rate risk, using interest rate swaps
- transactional currency exposures, using forward foreign currency contracts
- exposures on long-term foreign currency debt

20. Derivatives and other financial instruments continued

Gains and losses on instruments used for hedging are not recognised until the hedged position is recognised. Unrecognised gains and losses on instruments used for hedging, and the movements therein, are as follows:

	Gains £m	Losses £m	2000 Total net (losses) gains £m	Gains £m	Losses £m	1999 Total net (losses) gains £m
Unrecognised gains and losses at the start of the year	10.1	(21.6)	(11.5)	6.3	(9.2)	(2.9)
Gains and losses arising in previous years that were recognised in the year*	(10.1)	2.5	(7.6)	–	8.9	8.9
Gains and losses arising before the start of the year that were not recognised in the year	–	(19.1)	(19.1)	6.3	(0.3)	6.0
Gains and losses arising in the year that were not recognised in the year	45.3	(2.4)	42.9	3.8	(21.3)	(17.5)
Unrecognised gains and losses on hedges at the end of the year	45.3	(21.5)	23.8	10.1	(21.6)	(11.5)
Of which:						
Gains and losses expected to be recognised in the next year	17.4	(1.1)	16.3	10.1	(2.5)	7.6
Gains and losses expected to be recognised after the next year	27.9	(20.4)	7.5	–	(19.1)	(19.1)

* Included in the loss in 1999 is the exceptional cost of marking-to-market the floating-to-fixed interest rate swap discussed in note 4.

21. Provisions for liabilities and charges

	Analogue termination provision £m	Transition provision £m	Sky In Home Services Limited reorganisation provision £m	Group 2000 Total £m	Transition provision £m	Group 1999 Total £m
At beginning of year	–	405.4	–	405.4	–	–
Charged to profit and loss account	30.7	58.3	1.9	90.9	450.0	450.0
Utilised in year	–	(270.8)	–	(270.8)	(44.6)	(44.6)
At end of year	30.7	192.9	1.9	225.5	405.4	405.4

The analogue provision costs principally comprise the cost of early termination of analogue transponder leases and various other costs to be incurred to terminate the Group's analogue operations (see note 4).

The transition provision costs comprise the cost of the set-top box, installation costs and various other costs to be incurred to enable a subscriber to use the digital service less any up front income received from the subscriber. The provision was originally calculated on the basis of the number of analogue subscribers at 5 May 1999 less allowance for churn (i.e. customers ceasing DTH subscriptions). This did not include subsidy costs provided by British Interactive Broadcasting Limited ("BiB"), 32.5% of whose funding was supplied by the Group. As part of the Group acquiring an 80.1 per cent holding in BiB (see note 27) the Group's share of BiB's funding increased to 100 per cent and hence as at 30 June 2000 the Group has increased the transition provision by £58.3 million principally to reflect the increased costs to the Group of subsidising set-top boxes.

The transition provision utilised during the year of £270.8 million (1999: £44.6 million) is net of £50.1 million (1999: £5.8 million) of installation income received from subscribers.

As at 30 June 2000 the Group believes that the remaining transition provision reflects the estimated cost of transitioning the remaining analogue subscribers.

The Sky In Home Service Limited reorganisation cost principally comprises the costs of staff redundancies, termination of building leases and write downs of fixed assets which are no longer required (see note 4).

22. Called-up share capital

	2000 £	1999 £
Authorised 3,000,000,000 Ordinary Shares of 50p	1,500,000,000	1,500,000,000
Allotted, called-up and fully paid – equity Ordinary Shares – 1,825,858,144 (1999: 1,725,987,067) of 50p	912,929,072	862,993,534

22. Called-up share capital continued

Allotted during the year

	Number
Allotted and fully-paid up at start of year	1,725,987,067
Options exercised under the Executive Share Option Scheme at between £2.560 and £5.780	2,141,104
Options exercised under the Sharesave Scheme at between £2.050 and £4.620	648,195
Share placing made in respect of the consideration for the acquisition of 24% of KirchPayTV (see note 13)	19,062,000
Shares issued to KirchPayTV in part consideration for the acquisition of 24% of KirchPayTV (see note 23)	78,019,778
Allotted and fully paid up at end of year	1,825,858,144

Movements in share capital in the year ended 30 June 2000 are described in note 23.

Share option schemes

Options in existence at 30 June 2000 under the Executive Schemes are shown in the table below:

Date of grant	Number of Ordinary Shares	Option price £	Exercisable from
08-Dec-94	225,875	2.560	08-Dec-97
28-May-96	22,000	4.510	28-May-99
15-May-97	966,799	5.675	15-May-00
10-Jun-97	38,491	5.975	10-Jun-00
18-Aug-97	6,864	4.370	18-Aug-00
18-Aug-97	101,809	4.420	18-Aug-00
14-Nov-97	7,308	4.105	14-Nov-00
14-Nov-97	166,253	4.030	14-Nov-00
04-Feb-98	8,298	3.615	04-Feb-01
04-Feb-98	111,261	3.685	04-Feb-01
09-Mar-98	14,050	4.270	09-Mar-01
09-Mar-98	238,805	4.355	09-Mar-01
01-Dec-98	6,230,414	5.010	01-Dec-01
12-Aug-99	600,000	5.830	12-Aug-02
29-Oct-99	4,962,114	6.385	29-Oct-02
01-Nov-99	214,231	6.535	01-Nov-02
22-Nov-99	107,775	6.495	22-Nov-02
21-Feb-00	107,513	17.300	21-Feb-03
28-Feb-00	13,592	16.185	28-Feb-03
01-Mar-00	31,222	16.270	01-Mar-03
20-Mar-00	8,657	18.480	20-Mar-03
05-Apr-00	95,916	13.970	05-Apr-03
12-May-00	32,355	12.980	12-May-03
22-May-00	21,842	10.530	22-May-03
23-May-00	126,529	9.800	23-May-03
12-Jun-00	34,993	11.430	12-Jun-03
30-Jun-00	100,931	12.880	30-Jun-03

Options under the Executive Schemes will normally only be exercisable after the expiry of three years from the date of the grant, and lapse if not exercised within seven years for share options issued under the Approved Scheme prior to 29 October 1999, and within ten years under the Unapproved Scheme, or for share options issued under the Approved Scheme after 29 October 1999. Options granted before 29 October 1999 are usually only exercisable if the pre-determined performance target of real growth in the Company's earnings per share over any three-year period during the life of the option is achieved. On 29 October 1999 the Company introduced a new performance target based on the achievement of certain subscriber growth measures.

Options over 129,135, 338,073, 427,561, 828,914 and 854,912 Ordinary Shares were in existence at 30 June 2000 under the Sharesave Scheme, with the exercise prices being 205p, 302p, 372p, 378p and 462p respectively. The options will normally be exercisable after either three, five or seven years from the date of grant.

23. Reconciliation of movement in shareholders' funds

Movement on shareholders' funds includes all movements in reserves.

	Share capital	Share premium	Profit and loss account	Total shareholders' funds
	£m	£m	£m	£m
Group				
As at 1 July 1998	861.7	690.6	(1,852.8)	(300.5)
Issue of share capital	1.3	12.4	(5.7)	8.0
Loss for the financial year	–	–	(285.1)	(285.1)
Dividends	–	–	(47.3)	(47.3)
As at 1 July 1999	863.0	703.0	(2,190.9)	(624.9)
Issue of share capital	49.9	1,514.6	(18.1)	1,546.4
Share issue costs	–	(7.7)	–	(7.7)
Loss for the financial year	–	–	(271.5)	(271.5)
Exchange adjustments	–	–	4.1	4.1
As at 30 June 2000	912.9	2,209.9	(2,476.4)	646.4

Included in the Company's reserves at 30 June 2000 is a capital reserve of £843.9 million. There was no movement on the capital reserve during the year. The Company's loss for the year was £146.4 million which was transferred to reserves. The Company has distributable reserves of £416.5 million at 30 June 2000 (1999: £562.9 million).

At 30 June 2000 the cumulative goodwill written off directly to reserves amounted to £523.8 million (1999: £523.8 million).

During the year the Company issued shares with a market value of £29.9 million in respect of the exercise of options awarded under various share option plans, with £11.8 million received from employees. In March 2000 the Company made a share placing of 19,062,000 shares with a market value of £347.9 million of which, together with a further 78,019,778 shares (market value £1,186.7 million) was used as consideration in respect of the acquisition of a 24% interest in KirchPayTV (see notes 13 and 22).

24. Guarantees and other financial commitments

	Group 2000	Group 1999	Company 2000	Company 1999
	£m	£m	£m	£m
a) Future expenditure				
Contracted for but not provided for in the accounts				
– set-top boxes	143.1	165.4	–	–
– television programme rights	3,161.6	1,940.7	–	–
– capital expenditure	3.7	5.5	–	–
	3,308.4	2,111.6	–	–

Under the terms of the completion agreement signed in 1998 for the BiB joint venture, the shareholders of BiB agreed to meet a funding requirement of £275 million, according to their shareholdings, of which the Group's share was £89.4 million. An amendment to this agreement on 14 December 1999 increased the funding requirement to £399.3 million, of which the Group's share was £129.8 million. As at 30 June 2000, the Company had funded £125.7 million to BiB and was accordingly committed to funding a further £4.1 million to this joint venture. On 17 July 2000, the Group announced the acquisition of a majority stake in BiB subject, inter alia, to regulatory approval. Under the acquisition agreement, the Group has committed to fund operational expenditure of up to £40 million (excluding the cost of set-top boxes) until completion (see note 27).

As at 30 June 2000, the Group had made or contemplated commitments to manufacturers, in relation to the supply of set-top boxes as shown above. This amount includes the subsidies which have been committed to by BiB except for the subsidies already provided for (see note 21).

Of the commitments for television programme rights, some £1,408 million (1999: £1,237 million) relates to commitments which are payable in US dollars and are for periods of up to six years. At 30 June 2000 the US dollar creditors and commitments have been translated at the year end rate of US\$1.5122: £1 (1999: US\$1.5897: £1), except for US\$440 million covered by forward rate contracts or other hedging instruments, where the average forward or hedged rate of US\$1.6064: £1 (1999: US\$1.6406: £1) has been used.

According to the terms of certain of the movie programme rights contracts, the minimum contracted amount is subject to price escalation clauses. The extent of the escalation, and hence of the commitments, is dependent both upon the number of subscribers to the relevant movie channel and upon the audience achieved on US theatrical release. If subscriber numbers were to remain at 30 June 2000 levels, the commitment in respect of subscriber escalation would be some £303 million (\$458 million) (1999: £185 million (\$293 million)), and would be in addition to the figures shown above.

Certain contracts may be extended at the licensor's option depending on subscriber levels to the relevant movie channel.

KirchPayTV has entered into various long-term commitments, including leases for decoders, transponders, cable lines and buildings. As at 31 March 2000, the Group's share of their non-cancellable aggregate minimum rental payments under operating leases was approximately £86 million, and under capital leases was £39 million. KirchPayTV has also entered into long-term contracts for the purchase of film and programming rights. As at 31 March 2000, the Group's share of their aggregate minimum commitments was approximately £341 million. The Group is under no obligation to fund any of these commitments.

24. Guarantees and other financial commitments continued

b) Contingent liabilities

The Group has contingent liabilities by virtue of its investments in unlimited companies, or partnerships, which include Nickelodeon UK, The History Channel (UK), Paramount UK, QVC, National Geographic Channel UK, KirchPayTV and BSkyB Germany GmbH & Co KG.

HM Customs & Excise have raised an assessment against the Company for £22 million, which the Directors believe is without foundation and independent legal counsel has advised is likely to be set aside on appeal. Accordingly no provision has been made within these accounts.

The Directors do not expect any material loss to arise from the above contingent liabilities.

c) Guarantees

The Company and certain subsidiaries have given joint and several guarantees in relation to the £750 million revolving credit facility (see note 19).

d) Lease and similar commitments

	Group property £m	Group transponder, computer and technical equipment £m	Company property £m
The minimum annual rentals under these arrangements are as follows:			
30 June 2000			
Operating leases and similar arrangements which expire:			
- within one year	0.1	61.0	-
- within two to five years	0.3	7.1	-
- after five years	6.7	34.6	1.0
	7.1	102.7	1.0
30 June 1999			
Operating leases and similar arrangements which expire:			
- within one year	0.1	1.1	-
- within two to five years	0.4	63.5	-
- after five years	6.7	15.9	1.0
	7.2	80.5	1.0

The Group leases certain land and buildings on short-term and long-term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. In addition the Group has agreements for the use of transponders on the Astra satellites.

The Group has forward rate contracts to purchase Euros 70 million, covering certain commitments in relation to transponder rental costs, at average rates of Euros 1.5775 respectively to £1.

In addition to the amounts shown above, the Company remains liable for leases for up to 15 years, in respect of certain of its former premises which have been sublet and for the use of two transponders which have been fully sublet on similar terms to those entered into by the Group. The Group's additional commitment should the sub-lessee default in respect of the premises amounts to some £1.2 million per annum and in respect of the transponders £7.7 million per annum.

25. Transactions with related parties and major shareholders

a) Transactions with major shareholders

The Company and Group conduct business transactions on a normal commercial basis with, and receive a number of services from, shareholder companies or members of their groups and associated undertakings.

A number of transactions are conducted with members of The News Corporation Group. These companies include 20th Century Fox, News Digital Systems Limited ("NDS"), Broadsystems Ventures Limited ("BVL"), Fox Kids Europe Limited and Zee TV with which the Group has significant contracts.

20th Century Fox supplied programming with a total value of £47.8 million in the year (1999: £27.6 million), the majority of which is supplied under arrangements which have been extended to December 2004 with a variable annual value dependent on the number of films supplied.

NDS supplied smart cards and encryption services with a value of £50.0 million in the year (1999: £26.6 million) under a contract extending to September 2004. The Group also has a number of contracts with NDS for the supply of digital equipment of which £5.7 million (1999: £5.7 million) was paid during the year. BVL supplied telephony services with a value of £1.8 million during the year (1999: £nil million). The Group also purchased sports rights from subsidiaries of the News Corporation for £2.6 million during the year (1999: £6.8 million).

During the year £7.3 million (1999: £8.2 million) was earned from Fox Kids Europe Limited and ZeeTV (a channel aimed at Asian consumers) for the provision of transponder capacity and subscriber and support services respectively. Carriage fees were paid for the supply of Fox Kids, a children's television channel, pursuant to an agreement with Ventura Film Distributors B.V. and Fox Kids Europe Limited.

Certain other related party transactions are entered into with shareholders, also in the normal course of business. These include advertising by the Group in media owned by shareholders of £5.8 million (1999: £4.6 million) and revenue earned by the Group for the sale of airtime to shareholders of £1.5 million (1999: £1.1 million).

25. Transactions with related parties and major shareholders continued

Balances payable to members of The News Corporation Group, a major shareholder, analysed by activity:

	2000 £m	1999 £m
Programming	35.8	31.2
Encryption services	7.1	12.6
Capital expenditure	–	0.6
Other	1.7	3.1
	44.6	47.5

Balances receivable from members of The News Corporation Group, a major shareholder, analysed by activity:

	2000 £m	1999 £m
Transponders	0.8	0.2
Other	1.5	1.2
	2.3	1.4

b) Transactions with joint ventures

All transactions with joint ventures are in the normal course of business.

	2000 £m	1999 £m
Revenue	62.5	20.1
Operating costs	42.7	29.6

Revenues are primarily generated from the provision of transponder capacity, marketing and support services together with commissions receivable. Operating costs represents fees payable for channel carriage.

	2000 £m	1999 £m
Funding to joint ventures (see note 13)	345.9	116.3
Amounts owed by joint ventures (see note 16)	37.6	7.1
Amounts owed to joint ventures (see note 18)	25.0	2.5

There were no transactions in the normal course of business with KirchPayTV, a significant joint venture, during the year.

Balances payable to BiB, a significant joint venture, analysed by activity:

	2000 £m	1999 £m
Consortium relief payment	16.1	–
Other trading balances	4.2	0.5
	20.3	0.5

Balances receivable from BiB, a significant joint venture, analysed by activity:

	2000 £m	1999 £m
Debentures	–	12.8
Subscriber management services	8.0	–
Transponders	3.7	–
Interactive discount	1.7	–
Other trading balances	11.4	1.8
	24.8	14.6

A number of transactions are conducted with BiB. During the year £28.1 million (1999: £0.8 million) was earned from BiB for the provision of transponder capacity and subscriber management services. Debenture interest of £3.2 million (1999: £0.1 million) was earned from BiB during the year.

During the year BiB offered customers acquiring digital set-top boxes and dishes the benefit of an interactive discount if the customer agreed to enter into an interactive discount contract with BiB for a minimum period of 12 months. The interactive discount reduced the price of the set-top box and dish to new and transition customers. Interactive discounts payable by BiB for 1999/2000 were £236.7 million (1998/99: £109.6 million).

c) Other transactions with related parties

John Thornton is a Non-Executive Director of BSKyB Group plc and is also President and Co-Chief Operating Officer of the Goldman Sachs Group Inc. and a member of their Board of Directors. Fees and expenses totalling £6.6 million were payable to the Goldman Sachs Group Inc. relating to advisory fees on the acquisition of 24% of KirchPayTV, advisory fees on the Sports Internet Group offer and underwriting and selling commissions relating to share issues. (1999: £1.6 million was paid relating to BSKyB's bid for Manchester United PLC.)

26. a) Reconciliation of operating profit to operating cash flows

	Before exceptional items £m	Exceptional items £m	2000 Total £m	Before exceptional items £m	Exceptional items £m	1999 Total £m
Operating profit (loss)	85.3	(105.0)	(19.7)	185.3	(456.3)	(271.0)
Depreciation (see note 12)	48.9	3.1	52.0	32.5	–	32.5
Loss on disposal of fixed assets	–	–	–	0.1	–	0.1
Amortisation of government grants	(1.3)	–	(1.3)	(0.2)	–	(0.2)
Deferred revenue released	(2.2)	–	(2.2)	–	–	–
(Increase) decrease in debtors	(177.7)	6.4	(171.3)	(5.2)	–	(5.2)
Increase in creditors	159.3	–	159.3	137.1	–	137.1
(Increase) decrease in stock	(73.3)	3.9	(69.4)	(60.4)	–	(60.4)
Provision (utilised) provided, net	–	(179.9)	(179.9)	–	405.4	405.4
Net cash inflow (outflow) from operating activities	39.0	(271.5)	(232.5)	289.2	(50.9)	238.3

b) Analysis of changes in net debt

	As at 1 July 1999 £m	Cashflow £m	As at 30 June 2000 £m
Cash at bank and in hand	35.4	43.7	79.1
Overnight deposits	14.8	32.3	47.1
Bank overdrafts	–	(13.7)	(13.7)
	50.2	62.3	112.5
Short term deposits	–	155.0	155.0
	50.2	217.3	267.5
Debt due within one year	–	–	–
Debt due after one year	(706.8)	(697.5)	(1,404.3)
Finance leases	(8.3)	0.1	(8.2)
Total debt	(715.1)	(697.4)	(1,412.5)
Total net debt	(664.9)	(480.1)	(1,145.0)

c) Reconciliation of net cash flow to movement in net debt

	Notes	2000 £m	1999 £m
Increase (decrease) in cash and bank overdrafts		62.3	(14.5)
Increase in short term deposits		155.0	–
Cash inflow resulting from increase in debt and lease financing		(697.4)	(132.1)
Increase in net debt		(480.1)	(146.6)
Net debt at beginning of year		(664.9)	(518.3)
Net debt at end of year	26b	(1,145.0)	(664.9)

d) Major non-cash transaction – Acquisition of 24% of KirchPayTV

In April 2000, the Group acquired 24% of KirchPayTV (see note 13). Part of the consideration was satisfied by the issue to KirchPayTV of 78,019,778 new BSKyB shares, with a fair value of £1,186.7 million.

27. Post balance sheet events

a) British Interactive Broadcasting Holdings Limited

On 17 July 2000, the Group announced an agreement with British Telecommunications plc ("BT"), HSBC Bank plc ("HSBC") and Matsushita Electric Europe (Headquarters) Limited ("Matsushita"), to increase its holding in British Interactive Broadcasting Holdings Limited ("BiB") from 32.5% to 80.1%.

Under the agreement, the Group will acquire 35% of the share capital of BiB from HSBC and Matsushita for £394 million in new BSkyB shares. Under certain conditions an additional £131 million will be payable to HSBC and Matsushita.

Following BSkyB's agreement to meet BiB's future funding requirements (see note 24), BT's holding is to be diluted from 32.5% to 19.9%. BT has been granted a one-off option to exit, on the same pro-rata terms (including deferred and contingent consideration) as those given to HSBC and Matsushita, at any time between 1 January 2001 and 31 March 2001.

Completion of the transaction is subject, inter alia, to regulatory approval. Under the acquisition agreement the Group has committed to fund operational expenditure of up to £40 million (excluding the cost of set-top boxes) until completion.

In the event of the transaction not completing, BiB would need to raise alternative sources of finance.

b) Sports Internet Group

On 7 June 2000, the Group made an offer for the Sports Internet Group ("SI") which was declared wholly unconditional on 12 July 2000 and on that date the offer valued the issued, and to be issued, share capital of SI at approximately £250 million.

c) Chelsea Village Plc

On 3 March 2000, the Group entered into arrangements with Chelsea Village Plc group ("Chelsea Village") to subscribe for ordinary and preference shares in Chelsea Village and to become their exclusive media agent, for a total consideration of £40 million. Shares acquired in Chelsea Village Plc represent 9.9% of its enlarged share capital. The £40 million consideration includes £15 million paid before the year end which is included within prepayments due in more than one year. The transaction completed on 14 July 2000.

28. Principal Group Investments

The investments of the Company and the Group which principally affect the consolidated results and net assets of the Group are as follows:

Name	Country of incorporation/operation	Description and proportion of shares held (%)	Principal activity
Subsidiaries: Direct holdings			
British Sky Broadcasting Limited	England and Wales	10,000,002 Ordinary Shares of £1 each (100%)	The transmission of the Group's English language satellite television broadcasting services
Sky Television Limited	England and Wales	13,376,982 Ordinary Shares of £1 each (100%)	Investment holding company
Subsidiaries: Indirect holdings			
Sky Subscribers Services Limited	England and Wales	2 Ordinary Shares of £1 each (100%)	Providing ancillary functions supporting the satellite television broadcasting operations of the Group
Sky In-Home Service Limited	England and Wales	1,176,000 Ordinary Shares of £1 each and 400,000 deferred shares of £1 each (100%)	The supply, installation and maintenance of satellite television receiving equipment
Sky Ventures Limited	England and Wales	912 Ordinary Shares of £1 each (100%)	Holding company for joint ventures
British Sky Broadcasting SA	Luxembourg	12,500 Ordinary Shares of £12 each (100%)	Digital satellite transponder leasing company
Sky New Media Ventures plc	England and Wales	12,500 Ordinary Shares of £1 each (100%)	Holding company for new media investments
Joint ventures			
KirchPayTV GmbH & Co KGaA (v)	Germany	4,800 Ordinary Shares of DM5 each (24%) Partnership interest (24%)	The transmission of German language satellite television broadcasting services
British Interactive Broadcasting Holdings Limited (vi)	England and Wales	44,655 Ordinary Shares of £1 each (32.5%)	The transmission of interactive services
Nickelodeon UK	England and Wales	104 B shares of £0.01 each (50%)	The transmission of a children's satellite television service
The History Channel (UK)	England and Wales	50,000 A shares of £1 each (50%)	The transmission of a historical programme channel
Paramount UK (i)	England and Wales	Partnership interest (25%)	The transmission of a general entertainment channel
Australian News Channel Pty Limited	Australia	1 Ordinary Share of AUS\$1 (33.33%)	The transmission of a 24-hour news channel
QVC	England and Wales	1 B share of £1 (20%)	The transmission of a home shopping channel
Granada Sky Broadcasting Limited (ii)	England and Wales	800 B shares of £1 each (80%)	The transmission of general entertainment channels
Granada Sky Broadcasting (DTT) Limited (iii)	England and Wales	200 B shares of £1 each (20%)	The transmission of general entertainment channels for distribution on DTT
MUTV	England and Wales	100 B shares of £1 each (33.33%)	The transmission of Manchester United football channel
National Geographic Channel UK (iv)	England and Wales	Partnership interest (50%)	The transmission of a natural history channel
Sky Five Text Limited (vii)	England and Wales	1 Ordinary Share of £1 (50%)	The transmission of a text service for Channel 5
Music Choice Europe Limited	England and Wales	2,750,070 A shares of £1 each (49%)	The transmission of audio music channels
Medical Information and Broadcasting Limited	England and Wales	400,000 C shares of £0.05 each (20%)	The transmission of medical and health-related matters to the medical profession

Notes

- (i) The registered address of Paramount UK is 15-18 Rathbone Place, London W1P 1DF.
(ii) The economic interest held in Granada Sky Broadcasting Limited is 49.5%.
(iii) The economic interest held in Granada Sky Broadcasting (DTT) Limited is 49.5%.
(iv) The registered address of National Geographic is Grant Way, Isleworth, Middlesex TW7 5QD.
(v) The registered address of KirchPayTV GmbH & Co is Medienallee 6, D-85774, Unterföhring, Germany.
KirchPayTV's financial accounting period is to 31 December each year.
(vi) Directly held by British Sky Broadcasting plc.

Five Year Summary

	2000 £m	1999 £m	1998 £m	1997 £m	1996 £m
Consolidated results					
DTH subscriber revenues	1,189	979	968	861	728
Cable and DTT revenues	303	253	228	191	122
Advertising revenues	242	217	195	150	110
Other revenues (i)	113	96	43	47	41
Turnover	1,847	1,545	1,434	1,249	1,001
Operating expenses, net (i)	(1,762)	(1,360)	(1,093)	(875)	(686)
Exceptional operating costs	(105)	(456)	–	–	–
Operating (loss) profit	(20)	(271)	341	374	315
Share of operating results of joint ventures	(122)	(58)	(17)	(10)	(4)
Joint ventures' goodwill amortisation	(14)	–	–	–	–
Share of joint venture's loss on sale of fixed asset investment	(14)	–	–	–	–
Loss on sale of fixed asset investment	(1)	–	–	–	–
Net interest payable	(92)	(60)	(53)	(50)	(54)
(Loss) profit on ordinary activities before taxation	(263)	(389)	271	314	257
Taxation	(9)	104	(22)	(26)	(23)
(Loss) profit on ordinary activities after taxation	(272)	(285)	249	288	234
Statistics					
(Loss) earnings per share (ii)	(15.6p)	(16.5p)	14.5p	16.8p	13.6p
Dividend per share – post flotation					
– interim	–	2.75p	2.75p	2.75p	2.5p
– final	–	–	3.25p	3.25p	3.0p
Capital expenditure (£m)	58	76	82	42	33
Direct-to-home subscribers ('000)	4,513	3,460	3,547	3,532	3,247
Cable subscribers ('000)	3,122	3,189	2,796	2,327	1,775
DTT subscribers ('000)	740	204	–	–	–
Total UK subscribers ('000)	8,375	6,853	6,343	5,859	5,022
Average number of full-time equivalent employees	10,730	8,271	4,634	4,580	4,205
Capital employed	£m	£m	£m	£m	£m
Fixed assets	1,886	343	219	148	97
Working capital	32	2	76	150	44
Provisions, tax and dividends	(127)	(305)	(78)	(92)	(90)
Net debt	(1,145)	(665)	(518)	(628)	(659)
Net assets (liabilities)	646	(625)	(301)	(422)	(608)

i) Other revenues and operating expenses for 1996 and 1997 have been restated. Amounts receivable from the disposal of programming rights not acquired for use by the Group and the provision to third party broadcasters of spare transponder capacity are now classified within operating expenses, not other revenues.

ii) Weighted average number of shares used in the calculation assumes the reclassification of shares held by the Company's shareholders prior to the flotation.

Shareholders' Service

Share Price Information

The Company's share price is broadcast on SkyText on the Sky News channel on page 360, BBC Ceefax page 222 and on Channel 4 Teletext page 511, all under the prefix BSKyB. It also appears in the financial columns of the national press.

The latest BSKyB share price is available from the Financial Times Cityline Service, on 0336 434816.

Share Dealing Service

The Company has arranged with NatWest stockbrokers to provide shareholders with a single, low cost method of buying and selling its shares. To take advantage of this service, call 020 7895 5029.

Shares Online

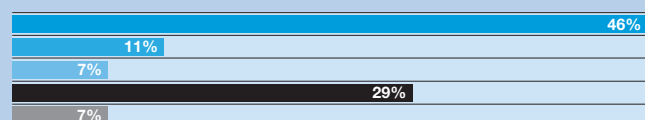
You can also access your shareholding online and find a range of other services at the Lloyds TSB Registrars Shareholder website, www.shareview.co.uk.

Shareholder Enquiries

All administrative enquiries relating to shareholders, such as queries concerning dividend payments, notification of change of address or the loss of a share certificate, should be made to the Company's registrars whose address is given on the next page.

Breakdown of Shareholders as at 30 June 2000

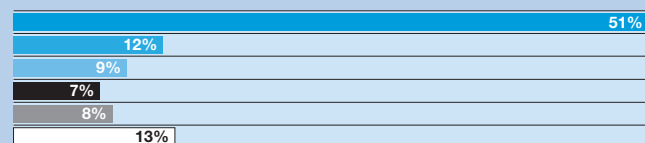
By type*



- Fund Management Groups
- Other
- Miscellaneous Banks
- Insurance Companies
- Pension Funds

Breakdown of Shareholders as at 30 June 2000

By location*



- London
- Scotland
- Continental Europe
- Other
- UK and Eire (excluding London and Scotland)
- USA and Canada

*Excluding founder shareholders (News International Television Limited, BSB Holdings Limited)

Corporate Shareholder Information

Board of Directors

Rupert Murdoch (Chairman)
Tony Ball (Chief Executive Officer and Managing Director)
Philip Bowman (Audit Committee Chairman)
Martin Stewart (Chief Financial Officer)
Morton Topfer (Remuneration Committee Chairman)
David DeVoe
Lord St John of Fawsley
Dr Dieter Hahn
Leslie Hinton
Allan Leighton
Eric Licoys
Martin Pompadur
Arthur Siskind
John Thornton

Alternate Directors

The Sky Global Networks Inc ("SGN") Directors have appointed each of the other SGN Directors to serve as alternate Directors and in addition have appointed Richard Linford and Jay Itzkowitz as their alternates.

Company Secretary

David Gormley

Financial calendar

First Quarter 2000-2001 results	Nov 2000
2000 Annual General Meeting	Nov 2000
2000-2001 Half year results	Feb 2001
2000-2001 Third quarter results	May 2001
Preliminary results for 2000-2001	July 2001
2001 Annual General Meeting	Nov 2001

Company Information

Registered office:
Grant Way,
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Middlesex TW7 5QD
Telephone 020 7705 3000

Internet address

<http://www.sky.com>

Registrars

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The Causeway,
Worthing,
West Sussex BN99 6DA
Telephone 0870 600 3970

ADR Depository

Citibank Shareholders Services
PO Box 2502,
Jersey City,
New Jersey 07303-2502 USA
Telephone 1-877-248-4237

Auditors

Arthur Andersen
1 Surrey Street,
London WC2R 2PS

Principal Bankers

Barclays Bank plc,
27 Soho Square,
London W1A 4WA

Solicitors

Herbert Smith,
Exchange House,
Primrose Street,
London EC2A 2HS

Company registration number

2247735



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Grant Way, Isleworth, Middlesex TW7 5QD England.
Telephone 020 7705 3000 Facsimile 020 7705 3030
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Registered in England No. 2247735

