

Other governance and statutory disclosures

BUSINESS REVIEW

The Companies Act 2006 requires the Company to set out in the Directors' Report a fair review of the business of the Group during the financial year ended 30 June 2012 including an analysis of the position of the Group at the end of the financial year, and a description of the principal risks and uncertainties facing the Group (known as a 'Business Review'). The purpose of the Business Review is to enable shareholders to assess how the Directors have performed their duty under section 172 of the Companies Act 2006.

The information that fulfils the Business Review requirements can be found in the following sections of the Directors' Report.

- Chief Executive Officer's statement on pages 4 to 6
- Our performance KPIs on pages 10 to 11
- Review of our business on pages 12 to 27
- Financial and operating review on pages 32 to 38
- Principal risks and uncertainties that face the Group are described on pages 28 to 31
- Significant trends that could have a material effect on the performance of the Group are described on pages 37 to 38
- People matters and community and environmental matters are described in the How we do business section on pages 19 to 27.

Pages 4 to 66 inclusive (together with the sections incorporated by reference) consist of a Directors' Report that has been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by the law.

Principal activities

British Sky Broadcasting Group plc is the holding company of the British Sky Broadcasting group of companies. The Group's principal activities are detailed in the Review of our business on pages 12 to 27.

Results and dividends

The profit for the year ended 30 June 2012 was £906 million (2011: £810 million). The Directors recommend a final dividend for the year ended 30 June 2012 of 16.20 pence per ordinary share which, together with the interim dividend of 9.20 pence paid to shareholders on 24 April 2012, will make a total dividend for the year of 25.40 pence (2011: 23.28 pence). Subject to approval at the AGM, the final dividend will be paid on 16 November 2012 to shareholders appearing on the register at the close of business on 26 October 2012.

Share capital

The Company's issued ordinary share capital at 30 June 2012 comprised one class of ordinary shares. All of the issued ordinary shares are fully paid and rank equally in all respects. Further details of the Company's share capital is disclosed in notes 25 and 26 to the consolidated financial statements.

Interests in voting rights

Information provided to the Company pursuant to the UK Listing Authority's Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. As at 25 July 2012, the Company had been notified under DTR5 of the following significant holdings of voting rights in its shares.

Identity of person or group	Amount owned	Percent of class
News UK Nominees Limited ⁽ⁱ⁾	654,974,065	39.14
Capital Research and Management Company ⁽ⁱⁱ⁾	90,751,601	5.18
BlackRock, Inc. ⁽ⁱⁱ⁾	88,682,765	5.06
The Capital Group Companies, Inc. ⁽ⁱⁱ⁾	55,977,854	3.10

(i) Direct holding which is subject to restrictions on its voting rights (please see "Voting rights" below).

(ii) Indirect holding.

At 25 July 2012, 39.14% of the Company's shares are held by News UK Nominees Limited, a company incorporated under the laws of England and Wales which is an indirect wholly owned subsidiary of News Corporation. As a result of Rupert Murdoch's ability to appoint certain members of the Board of Directors of the corporate trustee of the Murdoch Family Trust, which beneficially owns less than 1% of News Corporation's Class A Common Stock and 38.4% of its Class B Common Stock, Rupert Murdoch may be deemed to be a beneficial owner of the shares beneficially owned by the Murdoch Family Trust. Rupert Murdoch, however, disclaims any beneficial ownership of those shares. Also, Rupert Murdoch beneficially owns less than 1% of News Corporation's Class A Common Stock and an additional 1.3% of its Class B Common Stock. Thus, Rupert Murdoch may be deemed to beneficially own in the aggregate less than 1% of News Corporation's Class A Common Stock and 39.7% of its Class B Common Stock, although, as stated above, Rupert Murdoch disclaims beneficial ownership of the shares of News Corporation beneficially owned by the Murdoch Family Trust.

The Employee Share Ownership Plan ("ESOP") was established to satisfy awards made to participants of the Company's employee share plans. The trustees of the ESOP have waived the right to dividends payable in respect of the shares held by it, except to the extent of 0.0001% of the dividend payable on each share. At 30 June 2012, the ESOP had an interest in 16,293,345 of the Company's ordinary shares. The Trustees, who are independent of the Company, have full discretion on how they vote the ordinary shares held by the ESOP.

Voting rights

The Company's articles of association provide that subject to any rights or restrictions attached to any shares, on a show of hands every member present in person or by proxy shall have one vote, and on a poll every member shall have one vote for every share of which he is a holder. On a poll, votes may be given either personally or by proxy or (in the case of a corporate member) by a duly authorised representative.

A shareholder entitled to attend and vote at a general meeting may appoint one or more proxies to attend and vote instead of him. If a member appoints more than one proxy he must specify the number of shares which each proxy is entitled to exercise rights over. A proxy need not be a shareholder of the Company. Holders of the Company's ordinary shares do not have cumulative voting rights. A voting agreement dated 21 September 2005 was entered into between the Company, BSkyB Holdco Inc, News Corporation and News UK Nominees Limited which became unconditional on 4 November 2005 and caps News UK Nominees Limited's voting rights at any general meeting at 37.19%. The provisions of the voting agreement cease to apply on the first to occur of a number of circumstances which include the date on which a general offer is made by an independent person (as defined in the voting agreement) for the ordinary share capital of the Company.

Restrictions on transfer of securities

There are no specific restrictions on the transfer of securities in the Company, which is governed by the articles of association and prevailing legislation, nor is the Company aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or that may result in restrictions on voting rights.

Variation of rights

Subject to the Companies Act 2006, rights attached to any class of shares may be varied with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the shareholders.

Directors' powers in relation to the Company issuing and buying back its own shares

The Directors were granted authority at the 2011 AGM to allot relevant securities up to a nominal amount of £289,000,000. This authority will apply until the conclusion of this year's AGM. An ordinary resolution to provide the Directors' with an authority to allot relevant securities up to a nominal amount of £273,000,000 will be proposed at the 2012 AGM. A special resolution will also be proposed to renew the Directors' powers to make non-pre-emptive issues for cash in connection with rights issues and otherwise up to a nominal amount of £41,000,000.

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

On 25 July 2012, the Board agreed to seek the necessary approvals to return a further £500 million of capital to shareholders via a share buy-back programme. Shareholder approvals will be sought at the Company's AGM on 1 November 2012. The Company has entered into an agreement with News Corporation under which, following any market purchases of shares by the Company, News Corporation will sell to the Company sufficient shares to maintain its percentage shareholding at the same level as applied prior to those market purchases. The price payable to News Corporation will be the price payable by the Company in respect of the relevant market purchases. The agreement is conditional on the appropriate shareholder approvals being granted. The effect of the agreement is to provide that there will be no change in News Corporation's economic or voting interests in the Company as a result of the share buy-back programme.

Articles of association

The Company's articles of association may only be amended by special resolution at a general meeting of shareholders.

Board of Directors

The names and biographical details of the Directors of the Company are given on pages 40 to 41.

The Directors' interests in the ordinary shares and options of the Company are disclosed within the report on Directors' remuneration on pages 60 to 66.

Appointment and retirement of Directors

The Directors may from time to time appoint one or more Directors. Any such Director shall hold office only until the next AGM and shall then be eligible for reappointment by the Company's shareholders. At the Company's 2012 AGM all current Executive and Non-Executive Directors will retire. It is the intention that Jacques Nasser will not seek reappointment but all the other Executive Directors and Non-Executive Directors will offer themselves for reappointment in accordance with provision B.7.1 of the Code.

Alternate Directors

A Director may appoint any other Director or any other person to act as his Alternate. An Alternate Director shall be entitled to receive notice of and attend meetings of the Directors and committees of Directors of which his appointer is a member and not able to attend. The Alternate Director shall be entitled to vote at such meetings and generally perform all the functions of his appointer as a Director in his absence.

On the resignation of the appointer for any reason the Alternate Director shall cease to be an Alternate Director. The appointer may also remove his Alternate Director by notice to the Company Secretary signed by the appointer revoking the appointment. An Alternate Director shall not be entitled to fees for his service as an Alternate Director.

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continued

Thomas Mockridge, David DeVoe, Arthur Siskind and James Murdoch have appointed each of the others to act as their Alternate Director.

Significant agreements

Details of any significant agreements that take effect, alter or terminate on a change of control of the Company, are disclosed in the review of the business on pages 18 and 19.

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 in accordance with its standard payment terms of 45 days. The Group had below 45 days' purchases outstanding at 30 June 2012 (2011: below 45 days), based on the total amount invoiced by non-programme trade suppliers during the year ended 30 June 2012. 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 45 days (2011: below 45 days).

Financial instruments

Details of the Group's use of financial instruments, together with information on our financial risk management objectives and policies, and our exposure to financial risks can be found in note 24 to the consolidated financial statements.

Charitable contributions and community and environmental activities

During the financial year, Sky contributed £5,208,632 to charities for the purpose of supporting Bigger Picture activities focusing on responsibility, environment, sport, arts and cycling. These contributions were made to Sky's key charity partners Youth Sports Trust, British Cycling, WWF, Global Action Plan and the Hay, Cheltenham, Bath and Brighton literature festivals. We also made contributions to charities through our employee matched fundraising and payroll giving activities and our volunteering initiatives.

An overview of how Sky makes a positive difference to UK and Irish society through its Bigger Picture programme is provided in the section on "How we do business" on pages 19 to 27 of the Directors' report – Business review. In addition Sky will publish an in-depth summary of its Bigger Picture activities in September 2012 and in this will outline Sky's total community investment using the London Benchmarking Group model.

Additional information can be found at www.sky.com/thebiggerpicture.

Political contributions

Political contributions of the Group in the UK during 2012 amounted to nil (2011: nil).

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of the business on pages 12 to 27. The financial

position of the Group, its cash flows and liquidity position are described in the financial and operating review on pages 32 to 38. In addition, notes 22, 23 and 24 to the consolidated financial statements include details of the Group's treasury activities, long term funding arrangements, financial instruments and hedging activities and exposure to financial risk.

As set out above, the Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments as set out on pages 111 to 112, its approved capital expenditure and any proposed dividends, and the Group is well placed to manage its business risks successfully, despite the current economic outlook.

After making enquiries, the Directors have formed the judgment, at the time of approving the consolidated financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Disclosure of information to auditors

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

Auditors

Deloitte LLP, the auditors of the Company, have expressed their willingness to continue in office. A resolution to reappoint them as the Company's auditors and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM.

Annual General Meeting

The notice convening the AGM, to be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on 1 November 2012 at 11.00am, is available for download from the Company's corporate website at www.sky.com/corporate.

By order of the Board,

Dave Gormley
Company Secretary
25 July 2012