

Summary financial statement

SUMMARY CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2012

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

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2012

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

SUMMARY CONSOLIDATED BALANCE SHEET
as at 30 June 2012

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

This summary financial statement has been approved by the Board of Directors on 25 July 2012 and was signed on its behalf by:

Jeremy Darroch
Chief Executive Officer

Andrew Griffith
Chief Financial Officer

Summary financial statement

continued

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2012

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

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2012

	Share capital £m	Share premium £m	ESOP reserve £m	Hedging reserve £m	Available-for-sale reserve £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
At 1 July 2010	876	1,437	(47)	77	98	362	(2,243)	560
Profit for the year	-	-	-	-	-	-	810	810
Exchange differences on translation of foreign operations	-	-	-	-	-	(8)	-	(8)
Transfer to income statement on disposal of foreign operations	-	-	-	-	-	4	-	4
Revaluation of available-for-sale investments	-	-	-	-	59	-	-	59
Recognition and transfer of cash flow hedges	-	-	-	(88)	-	-	-	(88)
Tax on items taken directly to equity	-	-	-	25	-	-	-	25
Total comprehensive income for the year	-	-	-	(63)	59	(4)	810	802
Share-based payment	-	-	(60)	-	-	-	70	10
Tax on items taken directly to equity	-	-	-	-	-	-	19	19
Purchase of non-controlling interest	-	-	-	-	-	-	(3)	(3)
Dividends	-	-	-	-	-	-	(353)	(353)
At 30 June 2011	876	1,437	(107)	14	157	358	(1,700)	1,035
Profit for the year	-	-	-	-	-	-	906	906
Exchange differences on translation of foreign operations	-	-	-	-	-	2	-	2
Revaluation of available-for-sale investments	-	-	-	-	8	-	-	8
Recognition and transfer of cash flow hedges	-	-	-	70	-	-	-	70
Tax on items taken directly to equity	-	-	-	(16)	-	-	-	(16)
Total comprehensive income for the year	-	-	-	54	8	2	906	970
Share-based payment	-	-	(5)	-	-	-	(80)	(85)
Tax on items taken directly to equity	-	-	-	-	-	-	(10)	(10)
Share buy-back programme								
- Purchase of own shares for cancellation	(39)	-	-	-	-	39	(546)	(546)
- Financial liability for close period purchases	-	-	-	-	-	-	(10)	(10)
Dividends	-	-	-	-	-	-	(410)	(410)
At 30 June 2012	837	1,437	(112)	68	165	399	(1,850)	944

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

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

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

Summary financial statement

continued

NON-GAAP MEASURES

All continuing operations

RECONCILIATION OF OPERATING PROFIT TO ADJUSTED OPERATING PROFIT AND ADJUSTED EBITDA for the year ended 30 June 2012

	2012 £m	2011 £m	2010 £m
Operating profit	1,243	1,073	1,113
(Net recovery of) costs in relation to News Corporation proposal	(31)	15	-
Costs relating to restructuring exercise	11	-	32
Living TV restructuring costs	-	26	-
Recovery of import duty on set-top boxes	-	(41)	-
Litigation settlement income relating to claim against EDS	-	-	(269)
Legal costs relating to claim against EDS	-	-	1
Cancellation of accounts payable on settlement of claim against EDS	-	-	(5)
Adjusted EBITDA	1,567	1,405	1,185
Depreciation and amortisation	(344)	(332)	(338)
Costs relating to restructuring exercise included within depreciation and amortisation ⁽ⁱ⁾	-	-	25
Adjusted operating profit	1,223	1,073	872

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

RECONCILIATION OF CASH GENERATED FROM OPERATIONS TO ADJUSTED FREE CASH FLOW for the year ended 30 June 2012

	2012 £m	2011 £m	2010 £m
Cash generated from operations	1,737	1,569	1,626
Interest received	17	7	57
Taxation paid	(254)	(219)	(319)
Dividends received from joint ventures and associates	39	29	30
Net funding to joint ventures and associates	(6)	(4)	(1)
Purchase of property, plant and equipment	(228)	(197)	(246)
Purchase of intangible assets	(229)	(226)	(183)
Interest paid	(125)	(124)	(156)
Free cash flow	951	835	808
Recovery of import duty on set-top boxes (after corporation tax)	(25)	-	-
(Net recovery of) costs in relation to News Corporation proposal (after corporation tax)	(13)	2	-
Receipt on disposal/closure of joint venture	(6)	-	(3)
Cash paid relating to restructuring exercise	3	6	-
Living TV restructuring costs	-	26	-
Litigation settlement income relating to claim against EDS (after corporation tax)	-	-	(229)
Legal costs relating to claim against EDS	-	-	1
Adjusted free cash flow	910	869	577

AVERAGE REVENUE PER USER (ARPU) for the year ended 30 June 2012

	2012 £	2011 £	2010 £
ARPU as previously reported	n/a	539	508
Impact of Standalone Home Communications ⁽ⁱ⁾	-	(5)	-
Benefit of zero-VAT magazine related income ⁽ⁱⁱ⁾	-	(3)	(4)
Elimination of timing difference related to magazine closure ⁽ⁱⁱⁱ⁾	-	7	-
ARPU	548	538	504

(i) We have restated ARPU to include standalone home communications customers.

(ii) We previously recognised the benefit arising from the zero rated VAT treatment on a small portion of customer revenue attributable to the Sky magazine. Following closure of the magazine we have restated the comparatives to present on a like-for-like basis.

(iii) Following our decision to close the Sky customer magazine, a one-off timing upside was reversed which related to revenue recognition of the magazine element of subscription revenue. This equated to a £7 reduction to ARPU in 2011.

SUMMARY FINANCIAL STATEMENT

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

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

The Group maintains a 52 or 53-week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal 2012, this date was 1 July 2012, this being a 52-week year (fiscal year 2011: 3 July 2011, 53-week year). For convenience purposes, the Group continues to date its consolidated financial statements as at 30 June.

FORWARD LOOKING STATEMENTS

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

Although the Company believes that the expectations reflected in such forward looking statements are reasonable, these statements (and all other forward looking statements contained in this document) are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or implied or forecast in the forward looking statements. These factors include, but are not limited to, those risks that are highlighted in the Annual Report in the section entitled 'Directors' report – Business review – Principal risks & uncertainties', and information on the significant risks and uncertainties associated with our business is described therein.

No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in the Company or any other entity and must not be relied upon in any way in connection with any investment decision. All forward looking statements in this document are based on information known to us on the date hereof. Except as required by law, we undertake no obligation publicly to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

USE OF MEASURES NOT DEFINED UNDER IFRS

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