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BRITISH SKY BROADCASTING GROUP PLC

Form 6-K

February 01, 2006

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of  
the Securities Exchange Act of 1934

For the month of February 2006  
1 February 2006

BRITISH SKY BROADCASTING GROUP PLC  
(Name of Registrant)

Grant Way, Isleworth, Middlesex, TW7 5QD England  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports  
under cover of Form 20-F or Form 40-F

Form 20-F  X

Form 40-F

Indicate by check mark whether the registrant by furnishing the information  
contained in this Form is also thereby furnishing the information to the  
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes

No  X

If "Yes" is marked, indicate below the file number assigned to the registrant in  
connection with Rule 12g3-2(b): Not Applicable

EXHIBIT INDEX

Exhibit

## Edgar Filing: BRITISH SKY BROADCASTING GROUP PLC - Form 6-K

EXHIBIT NO.1 Press release of British Sky Broadcasting Group plc  
announcing Interim Results released on 1 February 2006

1 February 2006

### BRITISH SKY BROADCASTING GROUP PLC Results for the six months ended 31 December 2005

BSkyB announces the highest net subscriber growth for three years, record growth in Sky+ and Multiroom households and a 16% increase in operating profit to GBP414 million

#### Operating highlights

- Net DTH subscriber growth of 215,000 (2004: 192,000) in the quarter to 8.1 million (2004: 7.6 million)
- Sky+ households increased by 254,000 (2004: 168,000) in the quarter to 1,281,000 (2004: 642,000), 16% penetration of total DTH subscribers
- Multiroom households increased by 158,000 (2004: 116,000) in the quarter to 906,000 (2004: 473,000), 11% penetration of total DTH subscribers
- Completion of Easynet acquisition enhances growth potential and positions the Group to deliver further value for customers and shareholders
- Successful launch of new services enable millions of Sky digital viewers to access content through their mobile and PC

#### Financial highlights

- Revenue increased by 9% to GBP2,136 million
- Gross margin expanded by three percentage points to 62%
- Operating profit increased by 16% to GBP414 million, a margin of 19%
- Profit for the period increased by 12% to GBP274 million
- Earnings per share increased by 17% to 14.9 pence
- Free cashflow increased by 29% to GBP318 million
- Interim dividend of 5.5 pence per share declared, an increase of 38%

James Murdoch, Chief Executive said:

"The business is moving forward on all fronts, including strong growth in earnings and cash flow. In the last quarter, more customers joined Sky than at any time in the last three years and we've seen record growth in Sky+ and Multiroom households. Now nearly one in three families chooses Sky.

This year, we'll push the bar further with the launch of high-definition TV and our broadband service. We are well positioned to sustain our growth as existing and future customers tell us that Sky is their preferred brand for new entertainment and communications services. Results like these reinforce our confidence that we will achieve our goal of 10 million customers in 2010."

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### Results highlights

All financial results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including comparatives.

Key subscriber information	2005	2004	Change	% Change
Net DTH subscriber additions(1)	215,000	192,000	23,000	12%
Total DTH subscribers(2) (3) (4) (5)	8,059,000	7,609,000	450,000	6%
Net Sky+ household additions(1)	254,000	168,000	86,000	51%
Total Sky+ households(2)	1,281,000	642,000	639,000	100%
Net Multiroom household additions(1) (6)	158,000	116,000	42,000	36%
Total Multiroom households(2)	906,000	473,000	433,000	92%

Income statement (GBPm)	Six months to 31 December			
	2005	2004	Change	% Change
Revenue	2,136	1,957	179	9%
Operating profit	414	356	58	16%
Operating profit margin	19.4%	18.2%	1.2%	6.6%
Profit before taxation	390	343	47	14%
Profit for the period	274	245	29	12%

Cash flow information (GBPm)	Six months to 31 December			
	2005	2004	Change	% Change
Cash generated from operations	514	407	107	26%
Net debt(2) (7)	458	369	-89	-24%

Per share information (pence)	Six months to 31 December			
	2005	2004	Change	% Change
Earnings per share	14.9	12.7	2.2	17%

1. In the three months to 31 December
2. As at 31 December
3. Includes DTH subscribers in Republic of Ireland. (393,000, as at 31 December 2005, 347,000, as at 31 December 2004.)
4. DTH subscribers include only primary subscriptions to Sky (no additional units are counted for Sky+ or Multiroom subscriptions). This does not include customers taking Sky's freesat offering or churned customers viewing free-to-air channels.
5. DTH subscribers include subscribers taking Sky packages via DSL through Kingston Interactive Television and Homechoice.

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6. Multiroom includes households subscribing to more than one digibox. (No additional units are counted for the second or any subsequent Multiroom subscriptions.)
7. Cash, cash-equivalents, short-term deposits, borrowings and borrowings related financial instruments

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There will be a presentation to analysts and investors at 09:30 a.m. (GMT) today at the LSE, 10 Paternoster Square, London, EC4M 7LS.

A conference call for US analysts and investors will be held at 10:00 a.m. (EST) today. Details of this call have been sent to North American institutions and can be obtained from John Sutton at Taylor Rafferty on +1 212 889 4350.

A live webcast of the presentation to analysts and investors, together with this press release, will be available today on Sky's corporate website which may be found at [www.sky.com/corporate](http://www.sky.com/corporate). Interviews with James Murdoch, CEO and Jeremy Darroch, CFO, in audio / video and transcript will be available from 7:00 a.m. today at [www.sky.com/corporate](http://www.sky.com/corporate) and [www.cantos.com](http://www.cantos.com).

### OVERVIEW

During the three months ended 31 December 2005 ("the quarter"), Sky exceeded the target it set two and a half years ago of 8 million direct-to-home ("DTH") digital satellite subscribers by the end of calendar year 2005.

Over the same time period, Sky has expanded gross margin(1) by 12 percentage points to 62%, operating profit margin by eight percentage points to 19% and has just recorded the sixteenth consecutive quarter of year on year growth in earnings per share(2).

Growth in the number of households subscribing to Sky+ and Multiroom has also accelerated over this two and a half year period. At 30 June 2003, one in every sixty-five Sky customers subscribed to Sky+. Today this ratio is one in six. The number of Multiroom households has also grown fivefold.

(1) Defined as revenue less total programming expenses as a proportion of revenue

(2) The financial results for the years ended 30 June 2003 and 2004 were prepared under UK GAAP

### OUTLOOK

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The Group delivered a strong performance in the six months ended 31 December 2005 ("the period") achieving core performance targets including subscriber growth, sales, operating profit and earnings per share. Operationally, the Group has continued to enhance the subscriber mix with 16% penetration of Sky+, 11% penetration of Multiroom and 73% of DTH customers subscribing to one or more premium channels.

After a strong focus on customer acquisition in the important pre-Christmas selling period, the priority for the first half of calendar 2006 will be on executing a number of key work streams that will support and strengthen Sky's capacity for growth and innovation, and enable the business to drive the pace of change in the industry. These include:

- Completing the migration of all eight million customers to the recently introduced CRM system, currently being used for new customers only;
- The national launch of high definition TV; and
- The development and preparatory work for the launch and roll-out of residential broadband services.

Against this background, and with the main benefits of these operational initiatives starting to accrue in the run up to Christmas 2006, the Group expects the phasing of subscriber growth to be weighted towards the second half of this calendar year. Continued growth is anticipated in both the remaining quarters of this financial year with the Group planning to add a total of around 100,000 net subscribers by 30 June 2006. Looking further out, the Group remains on track to achieve its medium-term targets of 10 million DTH subscribers in 2010, with 25% penetration of Sky+ and 30% penetration of Multiroom.

### OPERATING REVIEW

At 31 December 2005, the total number of DTH digital satellite subscribers was 8,059,000, representing a net increase of 215,000 in the quarter, the highest net growth since the equivalent period three years ago. Gross DTH subscriber additions in the quarter increased by 15% year on year to 426,000, the highest rate of growth for five years.

During the three months ended 31 December 2005, over a quarter of a million households subscribed to Sky+ for the first time, taking the total number of Sky+ households to 1,281,000, 16% penetration of total DTH subscribers. 84% of customers state that Sky+ improves the quality of the TV programmes they watch and over half say that Sky+ had introduced them to programmes and subjects that they previously would not have watched. The Sky+ experience, which gives customers real choice and the flexibility to control and manage how they consume entertainment within the home continues to rate highly; four out of five customers rate their satisfaction at least '8' on a scale of '1' to '10' with one in three giving it the perfect '10' score(3).

Supported by the growth of Sky+, the number of households taking more than one subscription increased by a record 158,000 driving the total number of Multiroom households to 906,000, 11% penetration of total DTH subscribers. As with Sky+, Multiroom customers show increased levels of loyalty and a higher propensity to take premium channels.

Annualised average revenue per DTH subscriber ("ARPU") increased by GBP12 on the previous quarter to GBP397, principally benefiting from the changes to UK and Ireland retail pricing, which became effective on 1 September 2005.

DTH churn for the quarter (annualised) was 10.6%, a reduction of 1.1 percentage points on the previous quarter. This reflects the seasonal effect of Christmas and no price changes in the quarter. The Group is trialling a range of initiatives aimed at improving customer retention over time. These include a new

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welcome process, an improved customer information programme and greater use of predictive modelling to anticipate at risk customers. The Group's medium term target for churn remains around 10%, but it continues to expect churn for the 2006 financial year to be around 11%.

In a dynamic market place, as entertainment and communications converge, the Group continues to differentiate itself by evolving its entertainment-led proposition to give existing and future customers more choice and control over how, when and where they watch. Following the acquisition of Easynet, the Group is well positioned to extend its range of innovative products and services further and set the pace of change in this fast growing market place.

On 10 January 2006, the Sky by broadband service launched giving millions of Sky digital subscribers' access to hundreds of films and sporting highlights on their PC. The service, which enables eligible subscribers with a broadband connection to browse, download and manage content 'on demand' through an intuitive portal has shown encouraging usage since launch. In the first three weeks after launch around 52,000 customers joined the service, generating over 70,000 movie downloads. The most popular movie downloads were "Layer Cake", "I Robot" and "The Girl Next Door".

Since launching Sky Mobile TV in partnership with Vodafone on 1 November 2005, 3G mobile customers have shown a strong appetite for the service during a three month free period, accessing more than five million unique streams of 'live' and 'made for mobile' content in the 10 weeks to 10 January 2006. It is anticipated that the service, which gives subscribers access to 19 channels, will be made available to other mobile networks later this calendar year. The Sky by mobile service, which is free of charge and exclusive to eligible Sky digital customers, also launched on 10 January 2006. Customers are able to enjoy sports, news and entertainment updates and videos on the move, manage their Sky Bet account and will be able to set their Sky+ box to record, remotely from their mobile phone later this calendar year.

On 28 November 2005, National Geographic announced that it would be the first broadcaster to join Sky's High Definition TV line-up. The channel's innovative and factual coverage of natural history, wildlife and science, combined with the enhanced picture quality, vibrant colour and sound of High Definition will be an exciting addition to the HD line-up. On 21 December 2005, Sky and Sony announced a major new marketing agreement to promote the HD revolution, raise customer awareness and provide increased value to customers ahead of the scheduled launch in the first half of this calendar year. A reported 700,000 'HD Ready' TV sets had been sold by the end of calendar 2005 and an estimated 2 million will have been sold by the end of calendar year 2006(4).

During the Christmas period, Multichannel television increased its viewing share from 29.6% to 31.7%(5) with the top three most watched programmes all being on Sky channels; Everton vs. Liverpool and Charlton vs. Arsenal in Premier League Football and the UK TV premiere of Shrek 2 on Christmas Day.

In 2005, Sky Sports offered more sport than ever before, broadcasting almost 40,000 hours of coverage, with the six most televised sports all receiving increased air-time. Highlights during the quarter included exclusive PPV coverage of Ricky Hatton's victory in the boxing world title unification fight, the Darts World Championships and England's cricket tour to Pakistan, the 16th successive winter of Sky coverage. The year ahead brings an exciting schedule with exclusive coverage of golf's Ryder Cup in September, the England cricket team's defence of the Ashes starting in November and more imminently, exclusive coverage of Chelsea vs. Barcelona in the knock-out stages of football's UEFA Champions League on 22 February 2006.

On 31 October 2005, Sky Three was made available to Sky digital, freesat and Freeview households offering a mixed schedule that showcases programming from

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the Sky One library as well as original lifestyle commissions and travel documentaries from Sky Travel. The channel has performed well against recent channel entrants and has helped boost the combined share of the Sky One family and travel channels by 9% to 2.8% in multichannel homes.

- (3) According to an independent survey prepared by ICM Research
- (4) GFK / third party forecasts
- (5) According to figures from the Broadcaster's Audience Research Board ("BARB")

### FINANCIAL REVIEW

#### Revenue

Total revenues for the period increased by 9% over the six months ended 31 December 2004 ("the comparable period") to GBP2,136 million.

DTH revenues increased by 9% on the comparable period to GBP1,554 million. This was driven by 6% growth in the average number of DTH subscribers and a 3% increase in average DTH revenue per subscriber, principally due to the September 2005 price rise.

Wholesale revenues increased by 3% on the comparable period to GBP112 million, mainly due to the change in wholesale prices in September 2005.

Advertising revenue growth continued to outperform the UK television advertising sector driven by strong growth in Sky's overall share in this sector to 12.4%. Advertising revenue increased by 8% on the comparable period, substantially higher than sector growth of 1.4%, to GBP171 million. With the majority of agency deals now in place, the Group expects to exceed growth in the UK television advertising sector in 2006, as was achieved in 2005.

Total SkyBet revenues grew by 15% on the comparable period to GBP136 million. This was principally due to an increase in activity through Sky Vegas, following the launch of a number of new casino style games during the period.

Sky Active revenues of GBP46 million were in line with the comparable period. Growth in revenue from interactive advertising and enhanced TV were offset by a reduction in revenues from other areas of the business, including the SkyBuy retail service, which was wound down and closed in the final quarter of last financial year.

Other revenues increased by 18% on the comparable period to GBP117 million principally due to the growth in digibox revenues associated with the record sales in Sky+ and Multiroom, the Sky News channel five contract and revenue generated from Sky's Credit Card, 'SkyCard'.

#### Programming costs

Total programming costs were broadly flat on the comparable period, increasing by GBP4 million to GBP810 million. This resulted in a further increase in gross margin by three percentage points to 62%.

Sports costs increased by GBP7 million on the comparable period to GBP380 million due to an increased level of live coverage and a deeper sports offering following the addition of the new A1 Grand Prix competition and the UEFA Champions League qualifying football matches. The associated increase in costs was partially offset by the absence of the Ryder Cup, a bi-annual event, in the period.

Total movie costs decreased by GBP9 million on the comparable period to GBP159 million. The additional costs associated with a larger subscriber base were more than offset by the benefits of the weaker dollar and savings generated from

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recent contract renewals.

Third party channel costs reduced by GBP15 million on the comparable period to GBP167 million, reflecting a 13% saving in the cost per subscriber per month partially offset by 6% growth in the average number of DTH subscribers. This saving has been predominantly driven by the renewal, on improved terms, of a number of contracts.

Entertainment and news costs increased by GBP21 million on the comparable period to GBP104 million, reflecting the increased investment in Sky One programming and the incremental cost associated with the coverage of the hurricanes in America earlier this year.

Other operating expenses

Marketing costs increased by GBP68 million on the comparable period to GBP332 million. During the period, the group increased the level of gross additions by 15% year on year and enhanced the mix of new customers, with one in five taking Sky+, as opposed to one in nine last year. As a result of this activity, the blended subscriber acquisition cost for the period was GBP250. The Group also continued to drive the penetration of Sky+ and Multiroom to existing subscribers, with 60% more subscribers upgrading to Sky+ and 53% more upgrading to Multiroom compared to last year. Above the line marketing costs increased by GBP3 million on the comparable period to GBP46 million and retention and other marketing costs were GBP54 million, an increase of GBP8 million on the comparable period.

Subscriber management costs increased by GBP22 million to GBP215 million, principally due to higher call volumes associated with the increased sales activity and the first full quarter of CRM depreciation, following the launch of the new system on 1 September 2005.

The remaining other operating expenses increased by GBP27 million on the comparable period to GBP365 million, mainly due to the GBP18 million increase in betting costs, which increased in line with SkyBet revenues.

Operating profit increased by 16% on the comparable period to GBP414 million generating a one percentage point increase in operating profit margin to 19%.

After the Group's share of operating profits from joint ventures of GBP7 million and a net interest charge of GBP31 million, the Group made a profit before tax in the period of GBP390 million, up from GBP343 million for the comparable period.

Taxation

The total tax charge for the period was GBP116 million, comprising of a current tax charge of GBP93 million and a deferred tax charge of GBP23 million. The Group's underlying effective tax rate, which excludes the effect of joint ventures, moved from 31.4% for the comparable period to 30.1%, as a result of reduction in the overall level of profit and loss charges being disallowed for tax purposes.

The mainstream corporate tax liability for the period was GBP93 million and, in accordance with the quarterly instalment regime, GBP52 million was paid in January 2006.

Earnings

The Group's profit for the period increased by 12% to GBP274 million generating earnings per share of 14.9 pence, a 17% increase on the comparable period.



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### Cash Flow

Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 16% on the comparable period to GBP470 million. Following a working capital inflow of GBP44 million, the Group generated a cash inflow from operations of GBP514 million, up from GBP407 million for the comparable period. After taxation of GBP76 million, net interest payable of GBP28 million, net proceeds from joint ventures of GBP2 million and capital expenditure of GBP94 million, the Group generated GBP318 million of free cashflow, an increase of 29% on the comparable period. After returns of GBP330 million to shareholders, comprising of GBP92 million through the ordinary dividend and GBP238 million through the share buy-back programme (excluding GBP2 million of stamp duty and commissions), fixed asset investments of GBP51 million and other items(6), the Group's net debt position increased to GBP458 million as at 31 December 2005.

(6) Includes share option exercise proceeds, the revaluation of long-term borrowings and borrowing-related financial derivatives

### CORPORATE

In light of the continued cash generative nature of the Group and reflecting the strong future prospects of the business, the Board has decided to adjust the Company's dividend policy whilst ensuring a flexible capital structure.

Accordingly the Board aims to reduce the Company's target dividend cover from approximately 3.0 times to approximately 2.5 times. In line with this policy, the Directors are declaring an interim dividend of 5.5 pence per Ordinary Share, an increase of 38% on the prior year. The ex-dividend date will be 29 March 2006 and the dividend will be paid on 25 April 2006 to shareholders of record on 31 March 2006.

On 6 January 2006, the directors of BSKyB announced that all conditions of the cash offer for Easynet Group Plc had been satisfied or waived, and accordingly the offer was declared unconditional in all respects.

On 12 January 2006, the directors of BSKyB announced their intention to exercise their right, pursuant to the provisions of sections 428 and 430F of the Companies Act to acquire compulsorily the outstanding Easynet shares to which the offer relates under the same terms as the offer.

Jacques Nasser has stepped down as Chairman of the Remuneration Committee and will be replaced as Chairman by Nicholas Ferguson, with immediate effect. Mr Nasser will however, remain as a member of the Remuneration Committee.

### Use of measures not defined under IFRS

This press release 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 measures.

### Forward-looking statements

This document contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 with respect to the Group's financial condition, results of operations and business, and management's strategy, plans and objectives for the Group. These statements include, without limitation, those that express forecasts, expectations and projections with regard to the potential for growth of free-to-air and pay-TV, advertising growth, DTH subscriber growth and Multiroom and Sky+ penetration, DTH revenue, profitability and margin growth, cash flow generation, subscriber acquisition costs and marketing expenditure, capital expenditure programmes and proposals for returning capital to shareholders.

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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 the Group's control, are difficult to predict and could cause actual results to differ materially from those expressed or implied or forecast in the forward-looking statements. These factors include, but are not limited to, the fact that the Group operates in a highly competitive environment, the effects of government regulation upon the Group's activities, its reliance on technology, which is subject to risk, change and development, its ability to continue to obtain exclusive rights to movies, sports events and other programming content, risks inherent in the implementation of large-scale capital expenditure projects, the Group's ability to continue to communicate and market its services effectively, and the risks associated with the Group's operation of digital television transmission in the UK and Ireland.

Information on some risks and uncertainties are described in the "Risk Factors" section of Sky's Annual Report on form 20-F for the year ended 30 June 2005. Copies of the Annual Report on form 20-F are available on request from British Sky Broadcasting Group plc, Grant Way, Isleworth TW7 5QD or from the British Sky Broadcasting web page at [www.sky.com/corporate](http://www.sky.com/corporate). All forward-looking statements in this document are based on information known to the Group on the date hereof. The Group undertakes no obligation publicly to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### Appendix 1

#### Subscribers to Sky Channels

	Prior year Q2 as at 31/12/04	Q1 2005/06 as at 30/09/05	Q2 2005/06 as at 31/12/05
DTH homes <sup>1,2 3</sup>	7,609,000	7,844,000	8,059,000
Total TV homes in the UK and Ireland <sup>4</sup>	26,249,000	26,417,000	26,585,000
DTH homes as a percentage of total UK and Ireland TV homes	29%	30%	30%
Cable - UK	3,292,000	3,281,000	3,292,000
Cable - Ireland	584,000	588,000	597,000
Total Sky pay homes	11,485,000	11,713,000	11,948,000
Total Sky pay homes as a percentage of total UK and Ireland TV homes	44%	44%	45%
Sky+ homes	642,000	1,027,000	1,281,000
Multiroom homes <sup>5</sup>	473,000	748,000	906,000
DTT - UK <sup>6</sup>	4,216,000	5,316,000	6,363,000

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- 1: Includes DTH subscribers in Republic of Ireland. (393,000, as at 31 December 2005, 347,000 as at 31 December 2004.)
- 2: DTH subscribers includes only primary subscriptions to Sky (no additional units are counted for Sky+ or Multiroom subscriptions). This does not include customers taking Sky's freesat offering or churned customers viewing free-to-air channels.
- 3: DTH homes include subscribers taking Sky packages via DSL through Kingston Interactive Television and Homechoice.
- 4: Total UK homes estimated by BARB and taken from the beginning of the month following the period end (latest figures as at 1 January 2006). Total Ireland homes estimated by Nielsen Media Research, conducted on an annual basis in July with results available in September (latest figures as at July 2005).
- 5: Multiroom includes households subscribing to more than one digibox. (No additional units are counted for the second or any subsequent Multiroom subscriptions.)
- 6: DTT homes estimated by BARB and taken from the beginning of the following month (latest figures as at 1 January 2006). These include Sky or Cable homes that already take multi-channel TV.

### Appendix 2

#### Glossary

Useful definitions	Description
ARPU	Average Revenue Per User: the amount spent by the Group's residential subscribers in the quarter, divided by the average number of residential subscribers in the quarter, annualised
Churn	The rate at which subscribers relinquish their subscriptions, expressed as a percentage of total subscribers
CRM	Customer Relationship Management
Digibox	Digital satellite reception equipment
EBITDA	Earnings before interest, taxation, depreciation and amortisation is calculated as operating profit before depreciation and amortisation or impairment of goodwill and intangible assets
Effective tax rate	Taxation divided by profit before taxation
Free cash flow	Cash generated from operations less net interest paid, taxation paid, purchase of property, plant & equipment and intangible assets plus net proceeds from joint ventures and associates
Gross margin	Revenue less programming expenses as a proportion of revenue.
HD	High Definition
Mainstream corporation tax liability	Current corporation tax charge for the year.

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Multichannel viewing share	Share of viewers of non-analogue terrestrial television.
Multiroom	Installation of one or more additional digiboxes in the household of an existing DTH subscriber.
Net debt	Cash, cash-equivalents, short-term deposits, borrowings and borrowings related derivative financial instruments.
PVR	Personal Video Recorder: Digital TV receiver which utilises a built in hard disk drive to enable viewers to record without videotapes, pause live TV, and record one programme while watching another.
Sky +	Sky's fully-integrated Personal Video Recorder (PVR) and satellite decoder.
Underlying effective tax rate	Taxation divided by profit before taxation, excluding the effect of joint ventures and in respect of adjustments in prior years
Viewing share	Number of people viewing a channel as a percentage of total viewing audience

### Consolidated Income Statement for the half year ended 31 December 2005

		2005/06 Half year GBPm (unaudited)	2004/05 Half year GBPm (unaudited)	2004/05 Full year GBPm (audited)
Notes	-----	-----	-----	-----
Revenue	2	2,136	1,957	4,071
Operating expenses	3	(1,722)	(1,601)	(3,249)
-----	-----	-----	-----	-----
EBITDA		470	404	914
Depreciation and amortisation		(56)	(48)	(92)
-----	-----	-----	-----	-----
Operating profit		414	356	822
-----	-----	-----	-----	-----
Share of results of joint ventures and associates		7	8	14
Investment income		20	15	29
Finance costs		(51)	(45)	(87)
Profit on disposal of joint venture		-	9	9
Profit before tax		390	343	787
-----	-----	-----	-----	-----
Taxation	4	(116)	(98)	(209)
Profit for the period		274	245	578
=====	=====	=====	=====	=====
Earnings per share from profit for the period				
Basic and diluted (in pence)	5	14.9p	12.7p	30.2p
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All profit for the period is attributable to equity holders of the parent.

All results relate to continuing operations.

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

### Consolidated Income Statement for the quarter ended 31 December 2005

	2005/06 Three months ended 31 December 2005 GBPm (unaudited)	2004/05 Three months ended 31 December 2004 GBPm (unaudited)
Revenue	1,113	1,009
Operating expenses	(914)	(842)
EBITDA	231	191
Depreciation and amortisation	(32)	(24)
Operating profit	199	167
Share of results of joint ventures and associates	5	7
Investment income	12	8
Finance costs	(26)	(24)
Profit on disposal of joint venture	-	9
Profit before tax	190	167
Taxation	(56)	(44)
Profit for the period	134	123
Earnings per share from profit for the period		
Basic and diluted (in pence)	7.3p	6.4p

All profit for the period is attributable to equity holders of the parent.

All results relate to continuing operations.

### Consolidated Statement of Recognised Income and Expense for the half year ended 31 December 2005

	2005/06 Half year GBPm (unaudited)	2004/05 Half year GBPm (unaudited)	2004/05 Full year GBPm (audited)
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Profit for the period	274	245	578
Unrealised gains (losses) arising during the period			
Cash flow hedges	19	(78)	(22)
Tax on cash flow hedges	(6)	23	6
	13	(55)	(16)
Reclassified and reported in profit for the period			
(Gains) losses on cash flow hedges	(18)	54	4
Tax on cash flow hedges	6	(16)	(1)
	(12)	38	3
Net gains (losses) not recognised in the Income Statement	1	(17)	(13)
Total recognised income for the period	275	228	565

All recognised income for the period is attributable to equity holders of the parent.

Consolidated Balance Sheet as at 31 December 2005

	Notes	31 December 2005 GBPm (unaudited)	31 December 2004 GBPm (unaudited)	30 June 2005 GBPm (audited)
Non-current assets				
Goodwill		417	417	417
Intangible assets		221	169	202
Property, plant and equipment		349	283	335
Investments in joint ventures and associates		29	25	23
Available for sale investments		52	2	2
Derivative financial assets		13	8	9
Deferred tax assets		79	131	105
		1,160	1,035	1,093
Current assets				
Inventories		568	599	321
Trade and other receivables		389	375	331
Derivative financial assets		29	2	14
Short-term deposits		764	65	194
Cash and cash equivalents		889	642	503
		2,639	1,683	1,363
Total assets		3,799	2,718	2,456
Current liabilities				

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Borrowings		174	-	-
Trade and other payables		1,376	1,242	1,031
Derivative financial liabilities		26	41	6
Current tax liabilities		116	110	100
Provisions		6	1	13
		1,698	1,394	1,150
-----				
Non-current liabilities				
Borrowings		1,854	911	982
Other payables		23	27	25
Derivative financial liabilities		80	173	112
		1,957	1,111	1,119
-----				
Total liabilities		3,655	2,505	2,269
-----				
Shareholders' equity	7	144	213	187
-----				
Total liabilities and shareholders' equity		3,799	2,718	2,456
=====				

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

Consolidated Cash Flow Statement for the half year ended 31 December 2005

	Notes	2005/06 Half year GBPm (unaudited)	2004/05 Half year GBPm (unaudited)	2004/05 Full year GBPm (audited)
-----				
Cash flows from operating activities				
Cash generated from operations	8a	514	407	989
Interest received		16	17	28
Taxation paid		(76)	(28)	(103)
(Increase) decrease in short-term deposits		(570)	71	(60)
Net cash (used in) from operating activities		(116)	467	854
-----				
Cash flows from investing activities				
Funding to joint ventures and associates		(2)	(4)	(4)
Repayments of funding from joint ventures and associates		1	6	8
Dividends received from joint ventures and associates		3	7	12
Proceeds from the sale of a joint venture		-	14	14
Purchase of property, plant and equipment		(58)	(60)	(149)

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Purchase of intangible assets		(36)	(63)	(92)
Purchase of available-for-sale investments		(51)	-	-
Proceeds from the sale of equity investments		-	-	1
Net cash used in investing activities		(143)	(100)	(210)
-----				
Cash flows from financing activities				
Proceeds from issue of guaranteed notes	8b	1,014	-	-
Proceeds from disposal of shares in Employee Share Ownership Plan ("ESOP")		7	2	4
Purchase of own shares for ESOP		-	-	(14)
Share buy-back		(240)	(128)	(416)
Interest paid		(44)	(49)	(91)
Dividends paid to shareholders		(92)	(63)	(138)
Net cash from (used in) financing activities		645	(238)	(655)
-----				
Effect of foreign exchange rate changes		-	-	1
Net increase (decrease) in cash and cash equivalents	8b	386	129	(10)
=====				

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

### Notes to the interim accounts

#### 1 Basis of preparation

The interim accounts for the half year ended 31 December 2005 were approved by the Board of Directors on 31 January 2006. The 2006 Annual Report & Accounts will contain the Group's first full financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union ("EU"). Accordingly, the unaudited accounts for the half year ended 31 December 2005 and the restatement of financial information for the year ended 30 June 2005 and the half year ended 31 December 2004 have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") as adopted by the EU.

The Group maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2006, this date will be 2 July 2006, this being a 52 week year (Fiscal Year 2005: 3 July 2005, 53 week year). This interim report is prepared to 1 January 2006, being the first 26 weeks of the 52 week year (Fiscal Year 2005: 26 weeks of the 53 week year). For convenience purposes, the Group continues to date its interim report as of 31 December 2005.

The IFRS information for the year ended 30 June 2005 was derived from information extracted from the statutory financial statements prepared under UK GAAP and filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain any statement under section 237(2)



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or (3) of the Companies Act 1985. The restated IFRS information for the year ended 30 June 2005 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

These interim accounts have been prepared in accordance with the accounting policies set out in the document entitled 'IFRS Accounting Policies', which was issued by B Sky B on 14 September 2005. These interim accounts should be read in conjunction with that document. The document can be found on our website, [www.sky.com/corporate](http://www.sky.com/corporate). An explanation setting out the major differences between UK GAAP and IFRS for the Group, and reconciliations of UK GAAP to IFRS for the Income Statement for the year ended 30 June 2005, Statement of Recognised Interest and Expense for the year ended 30 June 2005, Balance Sheets at 1 July 2004 and 30 June 2005 and Cash Flow Statement for the year ended 30 June 2005 can be found in the document entitled '2005 Results Restated under IFRS'. This document was published on 14 September 2005 and can be found on the Group's website, [www.sky.com/corporate](http://www.sky.com/corporate). Reconciliations for the interim period ended 31 December 2004 are set out in note 11.

The unaudited interim accounts for the half year ended 31 December 2005 do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

### 2 Revenue

	2005/06 Half year GBPm (unaudited)	2004/05 Half year GBPm (unaudited)	2004/05 Full year GBPm (audited)
DTH subscribers	1,554	1,426	2,968
Cable subscribers	112	109	219
Advertising	171	159	329
Sky Bet	136	118	261
Sky Active	46	46	92
Other	117	99	202
	2,136	1,957	4,071

### 3 Operating expenses

	2005/06 Half year GBPm (unaudited)	2004/05 Half year GBPm (unaudited)	2004/05 Full year GBPm (audited)
Programming	810	806	1,635
Transmission and related functions	87	87	171
Marketing	332	264	527
Subscriber management	215	193	385
Administration	154	145	295
Betting	124	106	236
	1,722	1,601	3,249

### 4 Taxation

Taxation recognised in the income statement

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	2005/06 Half year charge GBPm (unaudited)	2004/05 Half year charge GBPm (unaudited)	2004/05 Full year charge GBPm (audited)
-----	-----	-----	-----
Current tax expense			
Current year	93	73	163
Adjustment in respect of prior years	-	(8)	(8)
Total current tax	93	65	155
-----	-----	-----	-----
Deferred tax expense			
Origination and reversal of temporary differences	23	32	71
Adjustment in respect of prior years	-	1	(17)
Total deferred tax	23	33	54
-----	-----	-----	-----
Taxation	116	98	209
-----	-----	-----	-----

At 31 December 2005 a deferred tax asset of GBP14 million (2004/05: half year GBP12 million; full year GBP14 million) principally arising from UK losses in the Group has not been recognised as these losses can be offset only against taxable profits generated in the entities concerned. There is currently insufficient evidence to support recognition of a deferred tax asset relating to these losses.

A deferred tax asset of GBP64 million (2004/05: half year GBP64 million; full year GBP64 million) has not been recognised in respect of trading losses in the Group's German holding companies of KirchPayTV on the basis that it is not probable that these temporary differences will reverse.

A deferred tax asset of GBP330 million (2004/05: half year GBP450 million; full year GBP330 million) has not been recognised in respect of potential capital losses related to the Group's holding of KirchPayTV, on the basis that these temporary differences do not meet the criteria of a reversal being probable. The Group has realised and unrealised capital losses in respect of football club and other investments estimated to be in excess of GBP24 million (2004/05: half year GBP25 million; full year GBP24 million) which have not been recognised as a deferred tax asset, on the basis that it is not probable that they will be utilised.

#### 5 Earnings per share

Basic earnings per share represents profit for the period, divided by the weighted average number of Ordinary Shares in issue during the period, less the weighted average number of shares held in the Group's ESOP trust during the period.

Diluted earnings per share represents the profit for the period, divided by the weighted average number of Ordinary Shares in issue during the period, less the weighted average number of shares held in the Group's ESOP trust during the period, plus the weighted average number of dilutive shares resulting from share options and other potential Ordinary Shares outstanding during the period.

The weighted average number of shares was:

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	2005/06 Half year Millions of shares (unaudited)	2004/05 Half year Millions of shares (unaudited)	2004/05 Full year Millions of shares (audited)
Ordinary Shares	1,849	1,939	1,917
ESOP trust Ordinary Shares	(4)	(4)	(4)
Basic shares	1,845	1,935	1,913
Dilutive Ordinary Shares from share options	2	2	4
Diluted shares	1,847	1,937	1,917

The calculation of diluted earnings per share excludes 34 million share options (2004/05: half year 41 million; full year 37 million), which could potentially dilute earnings per share in the future, because they were anti-dilutive for the period since the expected future proceeds from the options exceeded the average fair value of shares during the period.

6 Equity dividends

	2005/06 Half year GBPm (unaudited)	2004/05 Half year GBPm (unaudited)	2004/05 Full year GBPm (audited)
2004/05 Interim dividend paid: 4.0p per Ordinary Share	-	-	77
2004/05 Final dividend paid: 5.0p per Ordinary Share (2003/04: 3.25p)	92	63	63
	92	63	140

The proposed interim dividend for the half year ended 31 December 2005 of 5.5 pence per Ordinary Share, was approved by the Directors, and was recognised as a GBP100 million liability, on 31 January 2006. It will be paid on 25 April 2006 to shareholders of record on 31 March 2006.

The ESOP has waived its rights to dividends.

7 Reconciliation of movement in shareholders' equity

Share capital GBPm	Share Premium GBPm	Capital redemption reserve GBPm	Special reserve GBPm	ESOP reserve GBPm	Merger reserve GBPm	Hedging reserve GBPm	Retained earnings GBPm
-----	-----	-----	-----	-----	-----	-----	-----

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At 1 July									
2004	971	1,437	-	14	(30)	222	(1)	(2,447)	
Share buyback	(37)	-	37	-	-	-	-	(416)	
Recognition and transfer of cash flow hedges	-	-	-	-	-	-	(18)	-	
Share-based payments	-	-	-	-	(2)	-	-	17	
Tax on items taken directly to equity	-	-	-	-	-	-	5	(3)	
Profit for the year	-	-	-	-	-	-	-	578	
Dividends	-	-	-	-	-	-	-	(140)	
At 1 July									
2005	934	1,437	37	14	(32)	222	(14)	(2,411)	
Share buyback	(23)	-	23	-	-	-	-	(240)	
Recognition and transfer of cash flow hedges	-	-	-	-	-	-	1	-	
Share-based payments	-	-	-	-	15	-	-	1	
Tax on items taken directly to equity	-	-	-	-	-	-	-	(2)	
Profit for the period	-	-	-	-	-	-	-	274	
Dividends	-	-	-	-	-	-	-	(92)	
At 31 December									
2005	911	1,437	60	14	(17)	222	(13)	(2,470)	

The period from 1 July 2004 to 30 June 2005 is audited. The period from 1 July 2005 to 31 December 2005 is unaudited.

Share option schemes

At 31 December 2005, the Group's ESOP held 2,991,441 Ordinary Shares in the Company at an average cost of GBP5.79 per share. During the period, 2,617,771 shares were utilised relating to the exercise of Long Term Incentive Plan, Equity Bonus Plan, Key Contributor Plan, Executive Share Option Scheme and Sharesave Scheme awards.

Purchase of own shares

On 12 November 2004, the Company's shareholders approved a resolution at the Annual General Meeting for the Company to purchase up to 97 million Ordinary

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Shares. On 4 November 2005, the Company's shareholders approved a resolution at the Annual General Meeting for the Company to further purchase up to 92 million Ordinary Shares. Under the former resolution, during the year ended 30 June 2005, the Company purchased, and subsequently cancelled, 74 million Ordinary Shares at an average price of 560 pence per share, with a nominal value of GBP37 million, for a consideration of GBP416 million. This represents 4% of called-up share capital at the beginning of the year. During the half year ended 31 December 2005 the Company purchased, and subsequently cancelled, 45 million Ordinary Shares at an average price of 528 pence per share, with a nominal value of GBP23 million, for a consideration of GBP240 million. This represents 2% of called-up share capital at the beginning of the half year period under review.

### 8 Notes to consolidated cash flow statement

#### a) Reconciliation of profit before taxation to cash generated from operations

	2005/06 Half year GBPm (unaudited)	2004/05 Half year GBPm (unaudited)	2004/05 Full year GBPm (audited)
Profit before taxation	390	343	787
Adjustments for:			
Depreciation of property, plant and equipment	36	20	47
Amortisation of intangible assets	20	28	45
Loss on disposal of property, plant and equipment	-	-	2
Profit on disposal of joint venture	-	(9)	(9)
Net finance costs	31	30	58
Share of results of joint ventures and associates	(7)	(8)	(14)
	470	404	916
(Increase) decrease in trade and other receivables	(54)	(13)	34
(Increase) decrease in inventories	(211)	275	28
Increase (decrease) in trade and other payables	312	(248)	(67)
(Decrease) increase in provisions	(7)	-	12
Decrease (increase) in derivative financial instruments	4	(11)	66
Cash generated from operations	514	407	989

#### b) Analysis of movements in net debt

	As at 1 July 2004 GBPm (audited)	Cash movements GBPm (audited)	Non-cash movements GBPm (audited)	As at 1 July 2005 GBPm (audited)	Cash movements GBPm (unaudited)	Non-cash movements GBPm (unaudited)

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Cash and cash equivalents	513	(11)	1	503	386	-
Short-term deposits	134	60	-	194	570	-
	647	49	1	697	956	-
-----	-----	-----	-----	-----	-----	-----
Borrowings	(958)	-	(24)	(982)	(1,014)	(32)
Borrowings-related derivative financial instruments	(99)	-	(4)	(103)	-	20
Net debt	(410)	49	(27)	(388)	(58)	(12)
-----	-----	-----	-----	-----	-----	-----

On 20 October 2005, the Group issued guaranteed notes (the "new notes") consisting of US \$750 million aggregate principal amount of notes paying 5.625% interest and maturing on 15 October 2015, US \$350 million aggregate principal amount of notes paying 6.500% interest and maturing on 15 October 2035 and GBP400 million aggregate principal amount of notes paying 5.750% interest and maturing on 20 October 2017. The new notes are carried in the balance sheet at GBP1,024 million at 31 December 2005.

In accordance with the Group's treasury policy, various cross-currency swap agreements have been entered into to swap the Group's exposure from the new notes into pounds sterling. In addition, the Group has entered into pound sterling interest rate swap agreements, which provide for the exchange, at specified intervals, of the difference between fixed rates and variable rates, calculated by reference to an agreed notional pounds sterling amount. The total fair value of new cross-currency swap and interest rate swap agreements associated with the new notes carried on the balance sheet at 31 December 2005 is GBP10 million.

### 9 Other matters

#### Events after the balance sheet date

On 21 October 2005, Sky Broadband Services Limited ("Sky Broadband"), a subsidiary of British Sky Broadcasting Group plc, made a recommended cash offer for the entire issued and to be issued share capital of Easynet Group plc ("Easynet"). On 6 January 2006, the offer was declared unconditional in all respects. On 12 January 2006, Sky Broadband had received valid acceptances of the offer in respect of more than nine-tenths in value of Easynet shares to which the offer related and implemented the procedure set out in sections 428 to 430F of the Companies Act 1985 to acquire compulsorily those shares which had not been assented to the offer. As of 31 January 2006, Sky Broadband has acquired or received valid acceptances under the offer for 99% of the existing issued share capital of Easynet.

#### 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 and National Geographic Channel UK.

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

#### Contingent assets

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Under the terms of one of the Group's channel distribution agreements, British Sky Broadcasting Limited is entitled to receive a payment (unless the agreement is terminated due to the default of the Group), between July and September 2006, equal to a proportion of the fair value of certain of the channels under that distribution agreement. The fair value of the channels is to be determined at the earlier of contract termination and 30 June 2006. Accordingly, it is not yet possible to determine the value of the payment to be received.

The Group has served a claim for a material amount against an information and technology services provider, which provided services to the Group as part of the Group's investment in Customer Relationship Management ("CRM") software and infrastructure. The amount that will be recovered by the Group will not be finally determined until resolution of the claim.

### Changes in estimates

There have been no material changes in estimates of amounts reported in the six months ended 31 December 2005 or in the year ended 30 June 2005.

### 10 Regulatory update

#### European Commission Investigation - Football Association Premier League Limited ("FAPL")

The European Commission's investigation into the FAPL's joint selling of exclusive broadcast rights to football matches is close to being concluded: the Commission published a notice on 30 April 2004 inviting third party comments on its intention to adopt a decision, making commitments offered by the FAPL legally enforceable and to close its file. Among other things, these commitments addressed the next auction of rights by the FAPL for the 2007/08 and subsequent seasons and included a commitment that no single broadcaster would be able to buy all of the packages of live rights.

In November 2005 the Commission announced that it had received improved commitments from the FAPL and that these revised commitments addressed points raised in the public consultation, including: specifying the precise terms of the "no single buyer" rule and the conduct of the auction process; the creation of more evenly balanced packages of rights; and increasing the availability of rights to broadcast via mobile phones.

The Commission has stated that it will prepare a draft decision rendering the revised commitments legally binding. This will be sent to the competition authorities of Member States for consultation, following which the Commission will issue a final decision, no later than the first quarter of 2006.

The Commission confirmed in 2004 in a "comfort letter" that, on the basis of performance by the Group of certain commitments given by the Group to the Commission, it has fully and finally settled the Commission's other investigations in connection with the Group's bids for all rights in relation to FAPL matches throughout the 2004/05 to 2006/07 FAPL seasons and any resulting agreements between the Group and FAPL.

#### European Commission Sector Inquiry - "New Media" Sports Rights

In September 2005, the European Commission published its concluding report on its sector inquiry into the provision of audio-visual content from sports events over 3G networks, which it had initiated in January 2004.

The European Commission has identified a number of commercial practices which it considers raise competition concerns in relation to the availability of mobile sports content and on which it states that it will focus in the future. Among others, these include: (i) the sale of what the European Commission considers to

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be bundled audiovisual rights for various retail platforms to one or a few operators, in relation to which the European Commission has said that it will target situations where rights to premium sports remain under-exploited through such bundled sale of rights and subsequent warehousing of rights by powerful operators; and (ii) restricting the length and timing of 3G transmissions of sports coverage, which the European Commission considers may have a negative impact on the value of 3G rights and the take-up of 3G sports services by consumers.

The European Commission has stated that it will take account of the findings of the sector inquiry in future proceedings in this area. It has also stated that it will further review, together with the relevant national competition authorities of Member States, potentially harmful situations identified during the sector inquiry, and that procedures will be initiated in cases where behavior is not adjusted to comply with the requirements of competition law.

The European Commission has not announced any proceedings arising from situations identified in the sector inquiry or publicly indicated which individual companies might be the subject of proceedings. At this stage, the Group is unable to determine whether the European Commission's concluding report or any subsequent proceedings might have a material effect on the Group.

### Ofcom review of conditional access guidelines

In May 2005, the Office of Communications ("Ofcom") initiated a review of its guidelines entitled "The pricing of conditional access services and related issues". These guidelines, which were originally adopted by the Office of Telecommunications (Ofcom) in May 2002, set out Ofcom's policy towards the regulation of the supply of conditional access (and access control) services (including the structure of tariffs charged for such services).

In November 2005, Ofcom published a consultation document as part of this review entitled "Provision of Technical Platform Services - a consultation on proposed guidance as to how Ofcom may interpret the meaning of "fair, reasonable and non-discriminatory" and other regulatory conditions when assessing charges and terms offered by regulated providers of Technical Platform Services". The deadline for comments on this consultation document is 1 February 2006. The Group is co-operating with this review and at this stage, is unable to determine whether the review will have a material effect on the Group.

### 11 UK GAAP to IFRS reconciliations

The following is a summary of the effects of the adjustments from UK GAAP to IFRS for the half year ended 31 December 2004. An explanation of the major differences between UK GAAP and IFRS for the Group is included in the document entitled '2005 Results Restated under IFRS'. This document was published on 14 September 2005 and can be found on the Group's website, [www.sky.com/corporate](http://www.sky.com/corporate).

	2004/05 Half year GBPm (unaudited)
-----	-----
Profit for the period under UK GAAP	154
Adjustments:	
Goodwill amortisation	57
Profit on disposal of joint venture	32
Financial instruments and hedge accounting	10



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Share-based payments	(6)
Tax impact of IFRS adjustments	(2)
Profit for the period under IFRS	245
-----	-----

31 December  
2004  
GBPm  
(unaudited)

-----	-----
Shareholders' equity under UK GAAP	83
Adjustments:	
Goodwill amortisation	57
Deferred taxation	10
Share-based payment	19
Financial instruments and hedge accounting	(36)
Joint ventures	3
Dividend accrual	77
Shareholders' equity under IFRS	213
-----	-----

There were no material adjustments to the cash flow statement for the half year ended 31 December 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BRITISH SKY BROADCASTING GROUP PLC

Date: 1 February 2006

By: /s/ Dave Gormley  
Dave Gormley  
Company Secretary