Sky Holdings Limited
(formerly Sky Broadband Services Limited)

Annual report and financial statements
for the eight month period ended 30 June 2006

Registered number: 5585009

Directors and Officers for the period from incorporation

For the period ended 30 June 2006

Directors

Sky Holdings Limited's ("the Company's'") present Directors and those who served during the period are as follows:

D J Darroch (appointed 20 October 2005)
J R Murdoch (appointed 20 October 2005)
Alnery Incorporations No.1 Limited (appointed 6 October 2005, resigned 20 October 2005)
Alnery Incorporations No.2 Limited (appointed 6 October 2005, resigned 20 October 2005)

Secretary

D J Gormley (appointed 20 October 2005)
Alnery Incorporations No.1 Limited (appointed 6 October 2005, resigned 20 October 2005)

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditors

Deloitte & Touche LLP
London

Directors' report

The Directors present their Annual Report on the affairs of the Company, together with the financial statements and Auditors' Report for the period ended 30 June 2006. The Company changed its name from Sky Broadband Services Limited to Sky Holdings Limited on the 11 December 2006. This is the first set of financial statements since incorporation on 6 October 2005.

Business review and principal activities

The Company is a wholly owned subsidiary of British Sky Broadcasting Group plc ("BSkyB") and operates together with BSkyB's other subsidiaries as a part of the Group.

The Company's principal activity is to act as a holding company. The Company wholly owns Easynet Group plc ("Easynet"). Easynet is the parent company of a group of companies involved in the provision of broadband networking services in the UK and other European countries. On 17 November 2006, the Company purchased a 17.9% interest in ITV plc. The Directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year.

The audited accounts for the period ended 30 June 2006 are set out on pages 6 to 11. The profit on ordinary activities after taxation for the period was £nil. The Directors do not recommend the payment of a dividend for the period ended 30 June 2006. The balance sheet shows that the Company's shareholders' equity position at the end of the period was £nil.

The Company's directors believe that further key performance indicators of the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principle risks and uncertainty

The balance sheet of the Company includes intercompany balances and the Company is therefore exposed to credit risk on these balances. The intercompany balances of the Company are detailed in note 3.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company relies on the British Sky Broadcasting Group Plc Treasury function, which has access to a £1,000m rolling credit facility to ensure ongoing liquidity.

The Directors do not believe the business is exposed to cash flow risk or price risk.

Directors and their interests

The Directors who served during the period are shown on page 1.

J R Murdoch and D J Darroch are also Directors of the Company's ultimate parent undertaking, BSkyB. The interests of these Directors in the share capital of BSkyB are disclosed in the Report on Directors' Remuneration in BSkyB's 2006 Annual Report, which are publicly available.

Details of the Unapproved Executive Share Option Scheme, the Sharesave Scheme, the LTIP and the EBP are also given in BSkyB's 2006 Annual Report.

Awards under the EBP take the form of a contingent right to acquire existing BSkyB shares at the vesting date for nil consideration.

Except as disclosed in this report and in BSkyB's 2006 Annual Report, no other Director held any interest in the share capital, including options, of the Company or any subsidiary of the Company, during the period.

Directors' report (continued)

At 30 June 2006, the BSkyB Employee Share Ownership Plan ("ESOP") held an interest of 4,448,876 BSkyB Ordinary Shares in which the Directors who are employees are deemed to be interested by virtue of section 324 of the Companies Act 1985.

During the year ended 30 June 2006 the BSkyB share price traded within the range of £4.785 to £5.79 per share. The middle-market closing price on the last working day of the financial year was £5.735.

Auditors

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and

- each of the directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

By order of the Board,

D. G. Gormley

D J Gormley

Company Secretary
Grant Way
Isleworth
Middlesex
TW7 5QD

8 March 2007

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements. The Directors have elected to prepare financial statements for the company in accordance with International Financial Reporting Standards ("IFRS"). Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

IAS 1 – Presentation of Financial Statements ("IAS 1") requires that financial statements present fairly, for each financial year, the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognitions criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

Auditors' report

Independent Auditors' Report to the Members of Sky Holdings Limited

We have audited the financial statements of Sky Holdings Limited for the period ended 30 June 2006 which comprise the balance sheet and the related notes 1 to 8. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, 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 financial statements 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 financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with those IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 June 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the directors' report is consistent with the financial statements.

Separate opinion in relation to IFRS

As explained in Note 1, the company, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 30 June 2006.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

8 March 2007

Balance Sheet

As at 30 June 2006

	Notes	2006 £m
Non-current assets		
Investment in Easynet Group plc	2	**223**
Total assets		**223**
Current liabilities		
Trade and other payables	3	**223**
Total liabilities		**223**
Shareholders' equity	5	**-**
Total liabilities and shareholders' equity		**223**

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

The Company had no income or expense in the period. Accordingly, no separate statement of recognised income and expense or income statement is provided.

This company has no cash flows. Accordingly, no cash flow statement has been presented.

Authorised by the Board and signed on its behalf.

D J Darroch
Director
8 March 2007

Notes to financial statements

1. Accounting policies

Sky Holdings Limited (the "Company") is a limited liability company incorporated in England and Wales, and domiciled in the United Kingdom ("UK").

a) Statement of compliance

These financial statements are prepared in accordance with IFRS (including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees) as adopted by the European Union ("EU"), the Companies Act 1985 and Article 4 of the IAS Regulations.

b) Basis of preparation

The financial statements have been prepared on an historical cost basis, except for the remeasurement to fair value of financial instruments as described in the accounting policies below. The accounts have been prepared on a going concern basis.

The Company 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 was 2 July 2006, this being a 52 week year (fiscal year 2005: 3 July 2005, 53 week year). For convenience purposes, the Group continues to date its financial statements as of 30 June 2006.

The Company has taken advantage of the exemption from preparing the consolidated accounts afforded by section 228 of the Companies Act 1985, because it is a wholly-owned subsidiary of BSkyB which prepares consolidated accounts which are publicly available (see note 8). Accordingly, these financial statements represent information of the Company and not of the Group.

c) Financial assets and liabilities

Financial assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. At each balance sheet date, the Company assesses whether there is any objective evidence that any financial asset is impaired. Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the financial asset or liability. Financial assets are derecognised from the balance sheet when the Company's contractual rights to the cash flows expire or the Company transfers substantially all the risks and rewards of the financial asset. Financial liabilities are derecognised from the Company's balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

i. Equity investments

Equity investments intended to be held for an indefinite period of time are classified as available for sale investments. They are carried at fair value, where this can be reliably measured, with movements in fair value recognised directly in reserves. Where the fair value cannot be reliably measured, the investment is carried at cost. Any impairment losses in equity investments are recognised in the income statement and are not reversible under any circumstances. Available for sale investments are included within non-current assets unless management have the intention of holding the investment for less than twelve months from the balance sheet date, in which case they are included in current assets. On disposal, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had previously been recognised directly in reserves is recognised in the income statement.

1. Accounting policies (continued)

ii. Trade and other payables

Trade and other payables are non-derivative financial liabilities and are measured at amortised cost using the effective interest method. Trade and other payables, with no stated interest rate, are measured at the original invoice amount if the effect of discounting is immaterial.

d) Impairment

At each balance sheet date, and in accordance with IAS 36 "Impairment of Assets", the Company reviews the carrying amounts of all its assets to determine whether there is any indication that any of those assets have suffered an impairment loss.

An impairment is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

An impairment loss for an individual asset shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised and is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Any impairment loss in respect of goodwill is irreversible.

e) Accounting standards, interpretations and amendments to published standards not yet effective

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 July 2006, or later periods. These new standards are listed below:

- Amendment to IAS 21 'Net Investment in a Foreign Operation' (effective from 1 July 2006)
- Amendment to IAS 39 and IFRS 4 'Financial Guarantee Contracts' (effective from 1 July 2006)
- Amendment to IAS 39 'Cash Flow Hedge Accounting of Forecast Intragroup Transactions' (effective from 1 July 2006)
- Amendment to IAS 39 'The Fair Value Option' (effective from 1 July 2006)
- IFRIC 4 'Determining whether an Arrangement contains a Lease' (effective from 1 July 2006)
- IFRIC 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds' (effective from 1 July 2006)
- IFRIC 6 'Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment' (effective from 1 July 2006)
- IFRIC 7 'Applying the restatement approach under IAS 29' (effective from 1 July 2006)
- IFRIC 8 'Scope of IFRS 2' (effective from 1 July 2006)
- IFRIC 9 'Reassessment of Embedded Derivatives' (effective from 1 July 2006)
- IFRS 6 'Exploration for and Evaluation of Mineral Resources' (effective from 1 July 2006)
- IFRS 7 'Financial Instruments: Disclosures' (effective from 1 July 2007) and amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures' (effective from 1 July 2007)

The Directors currently anticipate that the adoption of these standards, amendments and interpretations in future periods will not have a material impact on the financial statements of the Company other than additional disclosure requirements.

Notes to financial statements

2. Investments

Non-current subscription for shares in other group companies

The movement in the year was as follows:

	2006 £m
Cost and funding	
Beginning of period	-
Subscription for shares	223
End of period	**223**
Amounts provided	
Beginning and end of period	-
Net book value	
Beginning of period	-
End of period	**223**

Fixed asset investments shown above represent the cost of the shares of the wholly-owned subsidiary undertakings, less provisions made for any impairment in value.

On the 6 January 2006, the Company took control of Easynet Group Plc ("Easynet"). The Company has purchased 100% of the issued share capital for consideration of £223 million in cash. This consideration includes professional fees of £4m. Easynet is the parent company of a group of companies involved in the provision of broadband networking services in the UK and other European countries.

Details of the principal investments of the Company are as follows:

Name	Country of incorporation	Description and proportion of shares held (%)	Principal activity
Direct holdings			
Easynet Group Plc	England and Wales	121,308,489 Ordinary Shares of £0.04 each (100%)	Holding company for broadband networking services

Notes to financial statements

3. Trade and other payables

	2006
	£m
Amounts payable to other Group companies	**223**

The Directors consider that the carrying amount of trade and other payables approximates to fair values.

On 25 April 2006, the Company entered into a revolving credit facility RCF for £250m with BSkyB Finance, which at the same time entered into a reciprocal facility on the same terms with British Sky Broadcasting Limited, a Group company. This facility is repayable on demand and is non-interest bearing.

4. Share capital

	2006
	£
Authorised	
1,000 ordinary shares of £1 each	**1,000**
Allotted, called-up and fully paid	
100 ordinary shares of £1 each	**100**

The Company has one class of ordinary shares which carry equal voting rights and no contractual right to receive payment.

5. Reconciliation of shareholders' equity

	Share capital	Retained earnings	Total shareholders' equity
	£m	£m	£m
At 6 October 2005	-	-	-
At 30 June 2006	-	-	-

Notes to financial statements

6. Transactions with related parties

The Company did not conduct any business transactions with other Group companies. For details of amounts owed to other Group companies, see Note 3.

The Group's treasury function is responsible for liquidity management across the Group's operations. It is standard practice for the company to lend and borrow cash to and from other Group companies as required. During the period, British Sky Broadcasting Limited settled £223m of liabilities on behalf of the company.

7. Post Balance Sheet Events

On 17 November 2006, the Company acquired 696 million shares in ITV plc, representing 17.9 per cent of the issued share capital, for a total consideration of £946 million including directly related costs. These shares are intended to be held for an indefinite period of time and are classified as available for sale financial assets and carried at fair value.

On 15 December 2006, the Company made a recommended cash offer for the entire issued and to be issued share capital of 365 Media Group plc ("365"). The carrying value of the Company's equity stake in 365 at 31 December 2006 was £28 million. On 23 January 2007, the offer was declared unconditional in all respects as the Company had received valid acceptances of the offer in respect of more than nine-tenths in value of 365 shares to which the offer related. Thereafter, the Company 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 the 30 January 2007, the Company had acquired or received valid acceptances under the offer for 97% of the existing issued share capital of 365.

8. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of British Sky Broadcasting Group plc, a company incorporated in Great Britain and registered in England and Wales. The Company is ultimately controlled by British Sky Broadcasting Group plc. The only group in which the results of the Company are consolidated is that headed by BSkyB.

The consolidated accounts of the Group are available to the public and may be obtained from the Company Secretary, British Sky Broadcasting Group plc, Grant Way, Isleworth, Middlesex, TW7 5QD.