Sky Holdings Limited
(formerly Sky Broadband Services Limited)

Annual report and financial statements for the year ended 30 June 2007

Registered number 5585009

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Directors and Officers

For the year ended 30 June 2007

Directors

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

D J Darroch
J R Murdoch

Secretary

D J Gormley

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditors

Deloitte & Touche LLP
Chartered Accountants
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 2007

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") and 365 Media plc ("365 Media") 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 and 365 Media (which was acquired in January 2007) is the parent company of a group of companies involved in the provision of on-line gaming During 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 2007 are set out on pages 6 to 13 The loss on ordinary activities after taxation for the period was £12,000,000 (2006 £nil) The Directors do not recommend the payment of a dividend for the period ended 30 June 2007 (2006 nil) The balance sheet shows that the Company's shareholders' deficit position at the end of the period was £163,000,000 (2006 £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

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

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

Auditors

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte have expressed their willingness to continue as auditors and a resolution to reappoint them will be proposed at the forthcoming annual General Meeting

Directors' report (continued)

By order of the Board,

~~D J Gormley~~

Company Secretary
Grant Way
Isleworth
Middlesex
TW7 5QD

7 April 2008

Directors' responsibilities

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union, the Companies Act 1985 and Article 4 of the IAS Regulation

International Accounting Standard 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 recognition 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 However, 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,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

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

Auditors' report

Independent Auditors' Report to the Members of Sky Holdings Limited

We have audited the financial statements of Sky Holdings Limited for the year ended 30 June 2007 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet and the related notes 1 to 12 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 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 and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any further information outside the Annual Report

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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 IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 June 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Separate opinion in relation to IFRSs

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 2007 and of its loss for the year then ended

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
7 April 2008

Income Statement for the year to 30 June 2007

	Notes	**Year ended 30 June 2007 £m**	Year ended 30 June 2006 £m
Investment income	2	**13**	-
Finance costs	2	**(25)**	-
Loss before tax	3	**(12)**	-
Taxation	4	**-**	-
Loss for the year		**(12)**	-

The accompanying notes are an integral part of this income statement

All results derived from continuing operations

Statement of Recognised Income and Expense for the year ended 30 June 2007

	2007 £m	2006 £m
Profit for the year	**(12)**	-
Net (losses) gains recognised directly in equity		
Loss on available-for-sale investments	**(151)**	-
Total recognised income and expense for the year	**(163)**	-

The accompanying notes are an integral part of this statement of recognised income and expense

Balance Sheet as at 30 June 2007

	Notes	2007 £m	2006 £m
Non-current assets			
Investment in group companies	5	**328**	**223**
Investments in available-for-sale investments	5	**795**	-
Current assets			
Trade and other receivables	6	**20**	-
Total assets		**1,143**	**223**
Current liabilities			
Borrowings		**16**	-
Trade and other payables	7	**1,290**	**223**
Total liabilities		**1,306**	**223**
Shareholders' equity	9	**(163)**	-
Total liabilities and shareholders' equity		**1,143**	**223**

The accompanying notes are an integral part of this balance sheet

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

Approved and authorised for issue and signed on behalf of the Board

D J Darroch
Director
7 April 2008

Notes to the 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) Basis of preparation

The financial statements have been prepared on an historical cost basis 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 2007 this date was 1 July 2007, this being a 52 week year (fiscal year 2006 2 July 2006, 52 week year) For convenience purposes, the Company continues to date its financial statements as of 30 June 2007

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 Accordingly, these financial statements represent information of the Company and not of the Group

b) 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

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

c) 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

Notes to the financial statements

1 Accounting policies (continued)

d) 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 2007, or later periods These new standards are listed below

- IFRS 7 "Financial Instruments Disclosures" (effective from 1 July 2007)
- Amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures" (effective from 1 July 2007)
- Revised guide on Implementing IFRS 4 "Insurance Contracts" (effective from 1 July 2007)
- IFRIC 10 "Interim Financial Reporting and Impairment" (effective from 1 July 2007)
- IFRIC 12 "Service Concession Arrangements" (effective from 1 July 2008)
- IFRIC 13 "Customer Loyalty Programmes" (effective from 1 July 2008)
- IFRIC 14 "IAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction" (effective from 1 July 2008)
- Amendment to IAS 23 "Borrowing Costs" (effective from 1 July 2009)
- IFRS 8 "Operating Segments" (effective from 1 July 2009)

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

2. Investment income and finance costs

	Year ended 30 June 2007 £m	Year ended 30 June 2006 £m
Investment income		
Dividend receivable from ITV plc	**13**	-
Finance costs		
Interest payable to Group companies	**(25)**	-

3. Loss before taxation

There were no employee costs during the year, as the Company had no employees Services are provided by employees of other companies within the Group with no charge being made for their services The Directors did not receive any remuneration during the year in respect of their services to the Company

Amounts paid to the auditors for audit services of £6,250 (2006 £6,000) were borne by another Group subsidiary in 2007 and 2006 No amounts for other services have been paid to the auditors

Notes to the financial statements

4. Taxation

a) Taxation recognised in the income statement

No taxation charge was recognised in the period ended 30 June 2007 (2006 nil)

b) Factors affecting the tax charge for the year

The tax expense for the year is higher (2006 nil) than the standard rate of corporation tax in the UK (30%) applied to profit before tax The differences are explained below

Reconciliation of total tax charge

	Year ended 30 June 2007 £m	Year ended 30 June 2006 £m
Loss before tax	**(12)**	-
Loss before tax multiplied by standard rate of corporation tax in the UK of 30%	**(4)**	-
Effects of		
Dividend income not taxable	**(4)**	
Group relief (claimed)/surrendered for no charge	**8**	-
Taxation	-	-

All taxation relates to UK corporation tax

5. Investments

	Note	Subsidiary undertakings	Available-for-sale investments	**Total £m**
Cost or valuation				
At 1 July 2006		223	-	**223**
Additions		105	946	**1,051**
Disposals		-	-	-
Transfer to available-for-sale reserve	9		(151)	**(151)**
At 30 June 2007		328	795	**1,123**

Fixed asset investments shown above represent the cost of the shares of the wholly-owned subsidiary undertakings, less provision 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

Notes to the financial statements

5. Investments (continued)

On the 23 January 2007, the Company completed its acquisition of 365 Media Group Plc The total consideration for the acquisition was £105 million 365 Media is an operator of sports and gaming websites

On the 17 November 2006, the Company acquired 696 million shares in ITV Plc amounting to 17 9% of its issued share capital The total consideration paid totalled £946 million The market value of the investment as the balance sheet date was £795 million

Details of the principal investments of the Company are as follows

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings			
Easynet Group Plc	Ordinary shares	100%	Broadband networking services
365 Media Plc	Ordinary shares	100%	Internet
Associate			
ITV Plc	Ordinary shares	17 9%	Media

6. Trade and other receivables

	2007 £m	2006 £m
Amounts owed by Group undertakings	7	-
Other debtors	13	
	20	-

Amounts due from group undertakings are non-interest bearing and all amounts are repayable on demand The Directors consider that the carrying amount of trade and other receivables approximates to their fair values

7. Trade and other payables

	2007 £m	2006 £m
Amounts due to Group undertakings	1,290	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

Notes to the financial statements

8 Share capital

	2007	2006
	£	£
Authorised		
1,000 ordinary shares of £1 each	**1,000**	**1,000**
Allotted, called-up and fully paid		
100 ordinary shares of £1 each	**100**	**100**

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

9. Reconciliation of shareholders' equity

	Available-for-sale-reserve £m	Retained earnings £m	Total shareholders ' equity £m
At 1 July 2006	-	-	-
Loss for the year	-	**(12)**	**(12)**
Revaluation of available-for-sale investments	**(151)**	-	**(151)**
At 30 June 2007	**(151)**	**(12)**	**(163)**

10. Transactions with related parties

For details of amounts owed by and due to other Group companies, see note 6 and 7

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

11. Post Balance Sheet Events

The investment in ITV has been subject to an in-depth review by the Competition Commission ("CC") In December 2007 the CC completed its review and delivered the final report of its findings to the Secretary of State for Business, Enterprise and Regulatory Reform ("SoS"), for him to decide what action to take

The CC concluded that a relevant merger situation had been created, granting it jurisdiction, and that the creation of that situation may be expected to result in substantial lessening of competition arising from the loss of rivalry in an all-TV market between ITV and the Group which may be expected to operate against the public interest

The CC recommended, by way of remedy, that the Group be required to divest part of its stake such that it holds less than 7 5% of ITV's issued share capital The SoS announced on 29 January 2008 his decision to make an adverse public interest finding taking account of the CC's decision that the transaction results in a substantial lessening of competition in the UK market for all-TV

Notes to the financial statements

11. Post Balance Sheet Events (continued)

The SoS also decided to impose on the Group the remedies recommended by the CC to address the substantial lessening of competition identified in the CC's report divestment of the Group's shares in ITV down to a level below 7 5% within a specified period (which has not been publicly disclosed), and behavioural undertakings from the Group requiring the Group not to dispose of the shares to an associated person, not to seek or accept representation to the Board of ITV and not to reacquire shares in ITV

The Group is currently appealing the decision and is unable to determine the effect that these matters will have on the Group until such matters have been finally resolved

12. 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