BRITISH SKY BROADCASTING GROUP PLC
Form 6-K
March 18, 2005

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Special Report of Foreign Issuer

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

For the month of March 2005

18 March 2005

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 Form 20-F or Form 40-F

Form 20-F þ Form 40-F o

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 o No þ

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

This Report is incorporated by reference in the prospectus contained in Registration Statements on Form F-3 (SEC File No. 333-08246) and Form F-3/S-3 (SEC File No. 333-106837) filed by the Registrant under the Securities Act of 1933.

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: 18 March 2005

By: /s/ Dave Gormley
Dave Gormley
Company Secretary

BRITISH SKY BROADCASTING GROUP PLC

HALF YEAR ENDED 31 DECEMBER 2004

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This Interim Report on Form 6-K 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 respect to the potential for growth of free-to-air and pay television, 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.

These statements (and all other forward-looking statements contained in this Interim Report on Form 6-K) 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, our reliance on technology, which is subject to risk, change and development, our 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 United Kingdom (UK) and Ireland.

Information on some risks and uncertainties are described in Item 1 Selected Financial Data Risk Factors . All forward-looking statements in this document are based on information known to the Group on the date hereof. Except as required by law, 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.

ITEM 1. SELECTED FINANCIAL DATA

Set forth below is selected financial data for the Group for each of the years in the five year period ended 30 June 2004 and as at 30 June 2004, 2003, 2002, 2001, and 2000. Also set forth below is selected financial data for the Group for the half year periods ended 31 December 2004 and 2003.

The information contained in the following tables should be read in conjunction with Item 2 Operating and Financial Review and Prospects and the Group s historical consolidated financial statements and related notes, as well as other information included elsewhere in this document.

The selected profit and loss account data set forth below for the half year periods ended 31 December 2004 and 2003, and the balance sheet data at 31 December 2004 are derived from interim consolidated financial statements included in this Interim Report on Form 6-K, which have been prepared in accordance with UK GAAP and differ in certain significant respects from US GAAP. A reconciliation of certain amounts from UK GAAP, as well as a description of the principal differences between UK GAAP and US GAAP applicable to the Group, is presented in Item 5 Summary of Differences Between United Kingdom and United States Generally Accepted Accounting Principles . The selected profit and loss account data set forth below for each of the years in the five year period ended 30 June 2004 and the balance sheet data as at 30 June 2004, 2003, 2002, 2001, and 2000, are derived from the audited consolidated financial statements appearing in our historical annual reports as filed on Form 20-F with the Securities and Exchange Commission.

	Half year ended 31 December			Full year ended 30 June				
	2004 (1)	**2004**	**2003**	**2004**	**2003**	**2002**	**2001**	**2000**
	(in millions except per share data)							
Profit and Loss Account: Amounts in accordance with UK GAAP								
DTH subscribers revenues	**$ 2,732**	**£ 1,426**	£ 1,285	£ 2,660	£ 2,341	£ 1,929	£ 1,537	£ 1,189
Cable and DTT subscribers revenues (2)	**209**	**109**	103	215	202	279	299	303
Advertising revenues	**305**	**159**	147	312	284	251	271	242
Sky Bet revenues (3)	**226**	**118**	91	191	117	95	78	
Sky Active revenues (3)	**88**	**46**	56	116	101	91	15	5
Other revenues	**167**	**87**	84	162	141	131	106	108
Group turnover	**3,727**	**1,945**	1,766	3,656	3,186	2,776	2,306	1,847
Operating expenses, net, before amortisation of goodwill and operating exceptional items	**(3,048)**	**(1,591)**	(1,483)	(3,056)	(2,822)	(2,590)	(2,154)	(1,762)
Amortisation and impairment of intangible fixed assets	**(109)**	**(57)**	(58)	(119)	(121)	(119)	(44)	
Release of provision against (provision against) ITV Digital programming debtors					5	(22)		
Estimated cost of reorganisation of Sky Interactive							(23)	
Estimated cost of transitioning analogue customers to digital service								(58)
Estimated cost of termination of analogue operations						4		(41)
Estimated cost of Sky In-Home Service Limited reorganisation								(6)
Operating expenses, net	**(3,157)**	**(1,648)**	(1,541)	(3,175)	(2,938)	(2,727)	(2,221)	(1,867)
Operating profit (loss)	**570**	**297**	225	481	248	49	85	(20)
Share of joint ventures and associates operating results*	**15**	**8**	(5)	5	3	(1,146)	(357)	(136)

Loss on disposal of investments in joint ventures	**(44)**	**(23)**						
Profit (loss) on disposal of fixed asset investments			2	51		2		(1)
Share of joint venture s loss on disposal of fixed asset investments							(70)	(14)
Amounts written back to (written off) fixed asset investments, net			24	24	(15)	(60)	(39)	
Release of provision against (provision against) loss on disposal of subsidiary						10	(10)	
Interest receivable and similar income	**29**	**15**	3	10	4	11	18	11
Interest payable and similar charges	**(90)**	**(47)**	(45)	(91)	(118)	(148)	(153)	(103)
Exceptional finance credit							3	
Profit (loss) on ordinary activities before taxation	**480**	**250**	204	480	122	(1,282)	(523)	(263)
Tax (charge) credit on profit (loss) on ordinary activities	**(184)**	**(96)**	(74)	(158)	62	(107)	(24)	65
Profit (loss) on ordinary activities after taxation	**296**	**154**	130	322	184	(1,389)	(547)	(198)
Equity dividends (4)	**(148)**	**(77)**	(53)	(116)				
Retained profit (loss)	**148**	**77**	77	206	184	(1,389)	(547)	(198)
Earnings (loss) per share basic	**15.3p**	**8.0p**	6.7p	16.6p	9.6p	(73.6p)	(29.6p)	(11.3p)
Earnings (loss) per share diluted	**15.1p**	**7.9p**	6.7p	16.6p	9.5p	(73.6p)	(29.6p)	(11.3p)
Dividends per share (4)		**4.0p**	2.8p	6.0p				
Dividends per share (4)		**7.5¢**	4.9¢	10.9¢				

* Included within joint ventures and associates operating results of £1,070 million for fiscal 2002 is £971 million in respect of an impairment of KirchPayTV goodwill.

All results relate to continuing operations.

	Half year ended 31 December		Full year ended 30 June					
	2004 (1)	**2004**	**2003**	**2004**	**2003**	**2002**	**2001**	**2000**
	(in millions except per share data)							
Amounts in accordance with US GAAP								
Total revenues	**$ 3,573**	**£ 1,865**	£ 1,702	£ 3,535	£ 3,082	£ 2,707	£ 2,296	£ 1,911
Amortisation and impairment of intangible fixed assets					(5)	(145)	(58)	(12)
Operating profit (loss)	**666**	**348**	306	666	370	(30)	(176)	(247)
Joint ventures and associates goodwill amortisation and impairment, net				(3)		(712)	(71)	(10)
Loss on disposal of investments in joint ventures	**(27)**	**(14)**						
Income (loss) before income tax	**630**	**329**	262	595	260	(940)	(660)	(473)
Net income (loss)	**442**	**231**	186	434	286	(1,047)	(625)	(351)
Basic earnings (loss) per share	**22.9¢**	**11.9p**	9.6p	22.4p	14.9p	(55.5p)	(33.8p)	(20.1p)
Diluted earnings (loss) per share	**22.8¢**	**11.9p**	9.6p	22.3p	14.7p	(55.5p)	(33.8p)	(20.1p)
Basic earnings (loss) per ADS (5)	**91.5¢**	**47.8p**	38.4p	89.7p	59.7p	(221.9p)	(135.4p)	(80.3p)
Diluted earnings (loss) per ADS (5)	**91.4¢**	**47.7p**	38.3p	89.3p	58.9p	(221.9p)	(135.4p)	(80.3p)

	Half year ended 31 December		Full year ended 30 June				
	2004 (1)	**2004**	**2004**	**2003**	**2002**	**2001**	**2000**
	(in millions)						
Balance Sheet: Amounts in accordance with UK GAAP							
Total assets	**$ 5,112**	**£ 2,668**	£ 2,364	£ 1,990	£ 2,159	£ 3,858	£ 3,253
Long-term debt	**(2,062)**	**(1,076)**	(1,076)	(1,152)	(1,577)	(1,768)	(1,412)
Net assets (liabilities)	**159**	**83**	90	(152)	(352)	1,035	770
Capital stock (6)	**4,953**	**2,585**	2,614	3,772	3,837	3,901	3,096
Shares in issue (number)	**1,919**	**1,919**	1,942	1,938	1,893	1,889	1,826

Half year ended 31 December	Full year ended 30 June				
2004	**2004**	**2003**	**2002**	**2001**	**2000**

	2004 (1)						
				(in millions)			
Amounts in accordance with US GAAP							
Total assets	**$ 6,402**	**£ 3,341**	£ 2,988	£ 2,810	£ 2,853	£ 4,209	£ 3,060
Net assets (liabilities)	**1,613**	**841**	812	448	(141)	850	681

	Half year ended 31 December		**Full year ended 30 June**				
	2004	**2003**	**2004**	**2003**	**2002**	**2001**	**2000**
				(in thousands)			
Distribution of Sky Channels							
DTH homes	**7,609**	7,208	7,355	6,845	6,101	5,453	4,513
Cable homes (7)	**3,876**	3,862	3,895	3,871	4,091	3,486	3,735
DTT UK (8)	**4,216**	2,075	3,084	1,510		1,105	740
Total Sky homes	**15,701**	13,145	14,334	12,226	10,192	10,044	8,988

(1) Solely for convenience, pounds sterling amounts for the half year ended 31 December 2004 and as at that date have been translated into US dollars at the noon buying rate of the Federal Reserve Bank of New York on 31 December 2004, which was US$1.9160 per £1.00.

(2) From fiscal 2003, this relates solely to cable subscribers revenues.

(3) Additional detail has been provided with regard to the analysis of interactive revenues between the Group s betting and games revenues Sky Bet and other interactive revenues Sky Active and the prior year comparatives have been restated accordingly.

(4) An interim dividend of £77 million, representing 4.0p per share, was resolved to be paid for the half year ended 31 December 2004 (7.5¢ in US dollars at date of declaration). An interim dividend of £53 million, representing 2.75p per share, was paid for the half year ended 31 December 2003 (4.9¢ in US dollars at date of payment on 23 April 2004) and a final dividend of £63 million, representing 3.25p per share was paid for the fiscal year ended 30 June 2004 (6.0¢ in US dollars at date of payment on 19 November 2004). No interim or final dividends were paid or proposed for fiscal 2003, 2002, 2001 or 2000. The dividend per ADS is equal to four times the dividends described above.

(5) In our Annual Reports filed on Form 20-F for fiscal 2002, 2001 and 2000, the earnings (loss) per ADS was calculated using the weighted average number of ADSs outstanding on the basis of 1 ADS for 6 Ordinary Shares. On 23 December 2002, the ratio was revised to reflect a new ratio of 1 ADS representing 4 Ordinary Shares. Therefore, this period s and prior periods earnings (loss) per ADS have been calculated using a weighted average number of ADSs outstanding on the basis of 1 ADS for 4 Ordinary Shares. Earnings (loss) per ADS is not exactly four times earnings (loss) per share due to rounding differences.

(6) Capital stock includes called-up share capital, share premium, shares to be issued, Employee Share Ownership Plan (ESOP) reserve, merger reserve, special reserve and capital redemption reserve.

(7) The number of cable subscribers is as reported to us by the cable operators. The cable subscribers disclosure for fiscal 2000 was restated in fiscal 2001 to include subscribers in the Republic of Ireland.

(8) From fiscal 2003, the DTT subscriber number consists of the Broadcasters' Audience Research Board's (BARB) estimate of the number of homes with access to Freeview (the free DTT offering available in the UK). Up until fiscal 2001, this subscriber number consisted of the number of homes subscribing to ITV Digital s (previously On Digital s) DTT pay television service.

Factors which materially affect the comparability of the selected financial data

Accounting changes

During fiscal 2004, US EITF 00-21 Revenue Arrangements with Multiple Deliverables (EITF 00-21) was adopted.

During fiscal 2003, US accounting standard SFAS No. 142 Goodwill and Other Intangible Assets (SFAS No. 142) was adopted.

During fiscal 2001, US accounting standard SFAS No. 133 Accounting for Derivative Instruments and Hedge Accounting (SFAS No. 133) was adopted.

For further details of the above accounting changes, please refer to the relevant Annual Reports on Form 20-F.

Business combinations

During fiscal 2001, we completed the acquisition of British Interactive Broadcasting (BiB) and Sports Internet Group (SIG). The results of these acquisitions were consolidated from the respective dates of acquisition.

Exchange rates

A significant portion of our liabilities and expenses associated with the cost of programming acquired from US film licensors is denominated in US dollars. For a discussion of the impact of exchange rate movements on our financial condition and results of operations, see Item 3 Quantitative and Qualitative Disclosures About Market Risk .

Since any dividends that we declare are declared in pounds sterling, exchange rate fluctuations will affect the US dollar equivalent of cash dividends receivable by holders of ADSs.

The following table sets forth, for the periods indicated, information concerning the noon buying rates provided by the US Federal Reserve Bank of New York for pounds sterling expressed in US dollars per £1.00.

Month	**High**	**Low**
September 2004	1.8105	1.7733
October 2004	1.8404	1.7790
November 2004	1.9073	1.8323
December 2004	1.9482	1.9125
January 2005	1.9058	1.8647
February 2005	1.9249	1.8570

Full year ended 30 June	**Period end**	**Average (1)**	**High**	**Low**
2000	1.5256	1.5919	1.6724	1.4837
2001	1.4041	1.4509	1.5182	1.3737
2002	1.5347	1.4479	1.5347	1.4000
2003	1.6529	1.5915	1.6840	1.5192
2004	1.8126	1.7491	1.9045	1.5728

Half year ended 31 December	**High**	**Low**

	Period end	**Average (1)**		
2003	1.7842	1.6587	1.7842	1.5728
2004	1.9160	1.8480	1.9482	1.7733

(1) The average rate is calculated by using the average of the noon buying rates on the last day of each month during the relevant period.

On 11 March 2005 the noon buying rate was US$1.9261 per £1.00.

RISK FACTORS

This section describes the significant risk factors affecting our business. These should be read in conjunction with our long-term operating targets, which are set out in Item 2 Operating and Financial Review and Prospects Overview and Recent Developments . These risks could materially adversely affect any or all of our business, financial condition, prospects, liquidity or results of operations. Additional risks and uncertainties of which we are not aware or which we currently believe are immaterial may also adversely affect our business, financial condition, prospects, liquidity or results of operations.

Our business is heavily regulated and changes in regulations, changes in interpretation of existing regulations or failure to obtain required regulatory approvals or licences could adversely affect our ability to operate or compete effectively.

We are subject to regulation primarily in the UK and the European Community. The regimes which affect our business include broadcasting, telecommunications, and competition (anti-trust) laws and regulations. Relevant authorities may introduce additional or new regulations applicable to our business. Our business and business prospects could be adversely affected by the introduction of new laws, policies or regulations or changes in the interpretation or application of existing laws, policies and regulations. Changes in regulations relating to one or more of licensing requirements, access requirements, programming transmission and spectrum specifications, consumer protection, or other aspects of our business, or that of any of our competitors, could have a material adverse effect on our business and the results of our operations.

As a result of the European Commission s investigations into the sale of broadcasting rights to Football Association Premier League Limited (FAPL) football matches, the FAPL has provisionally agreed with the European Commission, inter alia, that after the 2006/07 FAPL football season, the tendering procedures for television rights will ensure that no single buyer is able to acquire exclusively all of the centrally-marketed live FAPL rights packages (and that these packages will continue to be balanced). The FAPL has also provisionally agreed to examine, jointly with the European Commission, the way in which its tender processes are conducted to ensure that they do not exclude any potential competitors. The European Commission has consulted publicly on the terms of this provisional agreement. The outcome of this consultation has not yet been disclosed. We are not yet able to assess whether these developments will have a material effect on the Group.

The European Commission has opened a sector inquiry regarding the conditions of provision of audio-visual content from sports events to internet and other new media companies such as 3G mobile operators.

The European Commission has stated that the purpose of its investigation is to gain as clear and wide a view as possible of the availability of audio-visual sports rights in the European Union, so as to ascertain whether access by new media operators to such content is not unduly restricted. The Group is co-operating with this investigation. At this stage, the Group is unable to determine whether the investigation or its outcome will have a material effect on the Group.

We cannot assure you that we will succeed in obtaining all requisite approvals and licences in the future for our operations without the imposition of restrictions which may have an adverse consequence to us, nor that compliance issues will not be raised in respect of operations conducted prior to the date of filing of this Interim Report on Form 6-K.

We operate in a highly competitive environment that is subject to rapid change and we must continue to invest and adapt to remain competitive.

We face competition from a broad range of companies engaged in communications and entertainment services, including cable television providers, digital and analogue terrestrial television providers, telecommunications providers, home entertainment products companies, companies developing new technologies and other suppliers of news, information, sports and entertainment, as well as other providers of interactive services. Our competitors include organisations which are publicly funded, in whole or in part, and which fulfil a public service broadcasting mandate. Were such mandate to be changed, this could lead to an increase in the strength of competition from these organisations. Although we have continued to develop our services through technological innovation and in licensing, acquiring and producing a broad range of content, we cannot predict with certainty the changes that may occur in the future which may affect the competitiveness of our businesses. In particular, the means of delivering various of our (and/or competing) services may be subject to rapid technological change.

Viewers with a Sky+ set-top box may choose not to view advertising included on Sky Channels and Sky Distributed Channels. We therefore cannot assure you that our advertising revenues or programming costs will not be negatively impacted by this behaviour. We also cannot assure you that advertising revenues for Sky Channels currently offered on other platforms will not be negatively impacted in the future by the offering of similar devices by other operators.

Our ability to compete successfully will depend on our ability to continue to acquire, commission and produce, programming content. The programme content and third party programme services we have licensed from others are subject to fixed term contracts which will expire. We cannot assure you that programme content or third party programme services (whether on a renewal or otherwise) will be available to us on acceptable terms, or at all, and if so available, that such programme content or programme services will be attractive to our customers.

The future demand and speed of take up of our DTH service will depend upon our ability to attractively package our content and offer it to our customers at competitive prices, competitive pressures from competing services, and our ability to create demand for our products and to attract and retain customers through a wide range of marketing activities. In addition, we operate in a geographic region which has experienced sustained economic growth for a number of years. The effect of a possible slowdown in the rate of economic growth and/or a decline in consumer confidence on our ability to continue to attract and retain subscribers, is uncertain. We therefore cannot assure you that the current or future marketing activities we undertake will succeed in generating sufficient demand to achieve our operating targets.

We have made, and continue to make, significant investments in the modernisation of our customer relationship management centres and the replacement of our customer relationship management systems.

Throughout the last five fiscal years, we have invested more than £195 million in our customer relationship management centres and systems. This expenditure has been focused principally on replacing the existing customer management and billing systems with new applications and also on improving the existing physical infrastructure of the centres. The implementation of the new systems involves a number of complex activities, including the migration of all existing customer data onto the new applications. As a result, and in common with other projects of this scale, there is a risk that the implementation may not be completed as currently envisaged, either within the proposed timescale or budget, or that the anticipated business benefits may not be fully achieved. In addition, the high level of change inherent in the implementation of new systems absorbs considerable management time and may disrupt normal business operations. The implementation of the new applications has been deferred a number o