

Sky Subscribers Services Limited

Annual report and financial statements
For the year ended 30 June 2012

Registered number 2340150

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Directors and Officers

For the year ended 30 June 2012

Directors

Sky Subscribers Services Limited's ("the Company's") present Directors and those who served during the year are as follows

D J Darroch

A J Griffith

R M Webster

Secretary

D J Gormley

Registered office

Grant Way

Isleworth

Middlesex

TW7 5QD

United Kingdom

Auditor

Deloitte LLP

Chartered Accountants

London

United Kingdom

Directors' Report

The Directors present their Annual Report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 30 June 2012

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 Group"). During the period the Company underwent a change of immediate parent from British Interactive Broadcasting Holdings Limited to British Sky Broadcasting Limited ("BSkyB Ltd")

The Company's principal activities are to provide support services (including conditional access, which is the technical process of ensuring encryption of our broadcasted channels, and subscriber management services) and to act as an agent for the direct-to-home ("DTH") pay TV business of its parent company BSkyB Limited. There have not been any significant changes in the Company's activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The audited financial statements for the year ended 30 June 2012 are set out on pages 9 to 37. The profit after tax for the year was £38,827,000 (2011: £41,150,000). The Company's performance is in line with last year as revenue increased by 2% in the year, whilst total operating expenses increased 3%.

The Company's shareholder's equity is £257,323,000 which is higher than at the prior year end (2011: £216,172,000). This is due to additional profit and a reduced share based payment charge in the current period. The Directors do not recommend the payment of a dividend for the year ended 30 June 2012 (2011: £200,000,000).

Key performance indicators (KPIs)

The Group manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the Company.

Principal risks and uncertainties

The principal risks facing the Company are liquidity risk and credit risk which is mainly associated with intercompany balances. The intercompany balances of the Company are detailed in notes 13 and 14.

Financial risk management objectives and policies

Credit risk

The Company's principal assets are intercompany balances. The Company's credit risk is primarily attributable to these balances.

The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, other than amounts payable to and receivable from other Group companies.

Directors' Report (continued)

Liquidity risk

The Company relies on the Group Treasury function to manage its liquidity and ensure that sufficient funds are available for ongoing operations and future developments. The Group currently has access to an undrawn £743 million revolving credit facility which is due to expire on 31 October 2017. The Company benefits from this liquidity through intra-group facilities and loans.

Interest rate risk

The Company has financial exposure to UK interest rates arising from various loan balances with other companies within the BSkyB Group.

Going concern

The Company's business activities, together with the factors likely to affect its future development and performance are set out in the Business review. The Directors' Report details the financial position of the Company, as well as the Company's objectives and policies, and details of its exposure to credit and liquidity risks.

After making enquiries, the directors have formed a judgment at the time of approving the financial statements that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors

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

Payment policy

The policy of the Company is to agree terms of payment with suppliers prior to entering into a contractual relationship. In the absence of a specific agreement, it is the policy of the Company to pay suppliers in accordance with its standard payment terms of 45 days. The Company had below 45 days' purchases outstanding at 30 June 2012 (2011: below 45 days), based on the total amount invoiced by trade suppliers during the year ended 30 June 2012.

Research and Development

Research and development expense during the current and prior year was in relation to encryption technology.

Employment policies

Organisation

Over the past year, the Company has continued in its efforts to make the Company a great place to work. The Company has continued to place particular focus on leadership capability, looking both at the Company's leaders of today and future leaders. The average monthly number of full-time equivalent persons employed by the Company during the year was 7,240 (2011: 6,066).

Leadership and Collaboration

The Company has articulated six behaviours that we believe are vital for our leaders to embrace to help us grow our business. These are: Clear Direction, Doing the Right Thing, Feedback and Development, Change and Improvement, Teamwork and Collaboration and Empowerment.

The most senior leaders have received detailed individual feedback on their leadership style and have been given support in their development against these through a variety of means including coaching, workshops and events. The behaviours are built into the Company's leadership and management programmes at all levels and our leaders are measured against them in their performance reviews.

Directors' Report (continued)

Employment policies (continued)

Leadership and Collaboration (continued)

The Company has also run comprehensive development programmes for the leaders in its contact centres to ensure they are equipped to motivate and manage their teams to deliver the best possible customer service

Managing and developing our people

Building our capability

With our people at the heart of everything we do, making sure everyone has the right skills to do their jobs is vital. The Development Studio offers a wide range of resources that enable everyone in the Company to have access to the latest e-learning, MP3 downloads, books and courses. This has been across a range of subjects including multi-skilling. The effectiveness of the training is tracked by testing individuals pre and post training.

Creating opportunities for all

There is a specific focus on succession planning and creating career development opportunities for employees with regular meetings with the senior executive team to plan internal mobility and cross functional moves.

We believe in attracting and nurturing future talent to support our growth so we have continued to develop our future talent programme. This year it has continued to go from strength to strength. Our future talent programme focuses on developing students still in education, school leavers and graduates. This year the Company increased its graduate intake and will be providing a new centralised graduate development programme aimed at building the leaders of tomorrow.

For school leavers the apprenticeship scheme is continuing to expand, doubling the size of its intake. Work placement opportunities also provide an opportunity for the Company to contribute to the development and experience of young people.

The Company is an equal opportunity employer and believes that everyone should have full and fair consideration for all vacancies, promotions, training and development. Should an employee become disabled during their employment with the Company, where possible, the Company will actively re-train and adjust their environment to allow them to maximise their potential. Over the year, the Company has partnered with various not-for-profit organisations with the aim of providing more opportunities for people with disabilities.

Employee engagement

The Company uses an employee engagement survey to enable the Company to benchmark itself against other UK companies and specifically against high performing companies.

The proportion of our people participating in the survey was extremely high (83%) compared with external benchmarks and showed a high level of employee engagement.

As well as reaching a high performance indicator for employee engagement (87%) the Company also learnt that compared to other high-performing companies, the Company performs exceptionally well in the categories of reward and recognition, corporate social responsibility, performance and development. Benchmarking also helped the Company to prioritise activity in support of the Company's overall employment proposition. The Company also uses "pulse" surveys, sampling a smaller proportion of employees throughout the year to allow the Company to continuously monitor the organisation so it can keep in touch with employees' views all year round.

Directors' Report (continued)

Employment policies (continued)

Managing and developing our people (continued)

Employee engagement (continued)

Having open and transparent communications through the business is important to the Company. Representatives from the Company meet several times a year to discuss a wide range of business issues and to provide input that helps to continuously innovate and improve the way the Company operates. The meetings are attended by the most senior executives of the Company. This year the forum has evolved and it is now more engaged in working through and helping resolve issues or implement ideas rather than just bringing them to the Company's attention.

Diversity

The Company is starting to reap the benefits of its diversity strategy which focuses on increasing representation of women and people from Black and Minority Ethnic (BAME) groups in leadership and management positions. There have been a number of initiatives in support of the strategy, including evolving our Senior Women's Development Network, significantly enhancing our maternity benefits and partnering with various non-for-profit organisations in support of the recruitment of BAME applicants into the Company.

Reward and Recognition

The Company continues to provide a generous benefits package to all its employees and to benchmark pay against relevant industry norms to ensure that the Company's reward practices are meeting the evolving needs of the business.

The Company's various recognition schemes ensure that its people are recognised for their outstanding contribution to the business.

Health, Safety and Wellbeing

The health, safety and wellbeing of the Company's people are of paramount importance wherever, whenever they work and whatever they are doing.

The Company takes a holistic approach to keeping the Company a safe place to work, so whilst accident prevention and safety training is important, the long-term wellbeing of the Company's employees is equally important.

The Company's Occupational Health service supports employees with staying productive with a range of support and facilities to help keep people healthy and happy. Some on-site complimentary therapies have been introduced at some of our sites.

Directors' Report (continued)


Auditor

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and
- the Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information

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

By Order of the Board,

A handwritten signature in black ink, appearing to read 'D J Gormley', is written over a horizontal line. The signature is stylized with a large loop at the end.

D J Gormley
Company Secretary

Grant Way
Isleworth
Middlesex
TW7 5QD

19 October 2012

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. Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors

- 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 Company'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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Auditor's report

Independent Auditor's report to the members of Sky Subscribers Services Limited

We have audited the financial statements of Sky Subscribers Services Limited for the year ended 30 June 2012 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the Company's affairs as at 30 June 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



William Touche (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

19 October 2012

Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Revenue	2	494,141	486,286
Operating expense	3	(455,157)	(440,924)
Operating profit		38,984	45,362
Investment income	4	9,352	9,098
Finance costs	4	(112)	(230)
Profit before tax	5	48,224	54,230
Tax	7	(9,397)	(13,080)
Profit for the year attributable to equity shareholder		38,827	41,150

The accompanying notes are an integral part of this Statement of Comprehensive Income

For the years ended 30 June 2012 and 30 June 2011, the Company did not have any other items of Comprehensive Income

All results relate to continuing operations

Statement of Changes in Equity

For the year ended 30 June 2012

	Share capital	Share premium	Retained earnings	Total shareholder's equity
	£'000	£'000	£'000	£'000
At 1 July 2010	-	100,000	270,794	370,794
Profit for the year	-	-	41,150	41,150
Total comprehensive income for the year	-	-	41,150	41,150
Dividends	-	-	(200,000)	(200,000)
Share-based payment	-	-	3,261	3,261
Tax on items taken directly to equity	-	-	967	967
At 30 June 2011	-	100,000	116,172	216,172
Profit for the year	-	-	38,827	38,827
Total comprehensive income for the year	-	-	38,827	38,827
Share-based payment	-	-	2,533	2,533
Tax on items taken directly to equity	-	-	(209)	(209)
At 30 June 2012	-	100,000	157,323	257,323

The accompanying notes are an integral part of this Statement of Changes in Equity

Balance Sheet

As at 30 June 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Intangible assets	8	122,239	110,312
Property, plant and equipment	9	45,462	38,407
Investment in subsidiary	10	11,196	11,196
Deferred tax assets	11	6,981	8,820
		185,878	168,735
Current assets			
Inventories	12	141	2,139
Trade and other receivables	13	779,218	874,462
		779,359	876,601
Total assets		965,237	1,045,336
Current liabilities			
Borrowings	16	1,471	1,647
Trade and other payables	14	695,151	817,712
Tax payable		-	1
Provisions	15	3,167	512
		699,789	819,872
Non-current liabilities			
Borrowings	16	7,794	8,279
Other payables	14	131	101
Provisions	15	200	912
		8,125	9,292
Total liabilities		707,914	829,164
Share capital	19	-	-
Share premium		100,000	100,000
Reserves		157,323	116,172
Shareholder's equity attributable to equity shareholder		257,323	216,172
Total liabilities and shareholder's equity		965,237	1,045,336

The accompanying notes are an integral part of this Balance Sheet

These financial statements of Sky Subscribers Services Limited, registered number 2340150, were approved by the Board of Directors on 19 October 2012 and were signed on its behalf by

A J Griffith

Director

19 October 2012

Cash Flow Statement

For the year ended 30 June 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated from operations	20	47,656	51,154
Net cash from operating activities		47,656	51,154
Cash flows from investing activities			
Interest received		9,352	9,098
Purchase of property, plant and equipment		(15,332)	(15,604)
Purchase of intangible assets		(32,347)	(35,690)
Loans (to) from other Group Companies		(8,556)	192,031
Net cash (used in) from investing activities		(46,883)	149,835
Cash flows from financing activities			
Interest paid		(622)	(1,039)
Dividend paid to shareholder		-	(200,000)
Net cash used in financing activities		(622)	(201,039)
Net increase (decrease) in cash and cash equivalents		151	(50)
Cash and cash equivalents at the beginning of the year		(319)	(269)
Cash and cash equivalents at the end of the year		(168)	(319)

The accompanying notes are an integral part of this Cash Flow Statement. All results relate to continuing operations.

Notes to the financial statements

1 Accounting policies

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

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the Companies Act 2006. In addition, the Company also complied with IFRS as issued by the International Accounting Standards Board ("IASB")

b) Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Directors' Report) and on an historical cost basis. The Company has adopted the new accounting pronouncements which became effective this year, none of which had any significant impact on the Company's results or financial position.

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2012, this date was 1 July 2012, this being a 52 week year (fiscal year 2011: 3 July 2011, 53 week year). For convenience purposes, the Company continues to date its financial statements as at 30 June. The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company.

The Company has taken advantage of the exemption from preparing the consolidated accounts afforded by section 400 of the Companies Act 2006, because it is a wholly-owned subsidiary of BSkyB which prepares consolidated accounts which are publicly available (see note 24).

c) Intangible assets

Research expenditure is recognised in operating expense in the Statement of Comprehensive Income as the expenditure is incurred. Development expenditure (relating to the application of research knowledge to plan or design new or substantially improved products for sale or use within the business) is recognised as an intangible asset from the point at which it is probable that the Company has the intention and ability to generate future economic benefits from the development expenditure, that the development is technically feasible and that the subsequent expenditure can be measured reliably. Any other development expenditure is recognised in operating expense as incurred.

Other intangible assets, which are acquired by the Company separately or through a business combination, are initially stated at cost or fair value, respectively, less accumulated amortisation and impairment losses, other than those that are classified as held for sale, which are stated at the lower of carrying amount and fair value less costs to sell.

Amortisation of an intangible asset begins when the asset is available for use, and is charged to the Statement of Comprehensive Income through operating expense on a straight-line basis over the intangible asset's estimated useful life, principally being a period between 1 and 25 years, unless the asset life is judged to be indefinite. If the useful life is indefinite or the asset is not yet available for use, no amortisation is charged and an impairment test is carried out at least annually (see accounting policy g). Other intangible assets are tested for impairment in line with accounting policy g below.

Notes to the financial statements

1 Accounting policies (continued)

d) Property, plant and equipment ("PPE")

Owned PPE is stated at cost, net of accumulated depreciation and any impairment losses, (see accounting policy g), other than those items that are classified as held for sale, which are stated at the lower of carrying amount and fair value less costs to sell. When an item of PPE comprises major components having different useful economic lives, the components are accounted for as separate items of PPE.

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are treated as PPE (see accounting policy k).

The cost of PPE, less estimated residual value, is depreciated in operating expense on a straight-line basis over its estimated useful life. Land, and assets that are not yet available for use, are not depreciated. Principal useful economic lives used for this purpose are:

Freehold buildings	25 to 40 years
Equipment, furniture and fixtures	3 to 15 years
Assets under finance leases and leasehold improvements	Lesser of lease term and the useful economic life of the asset

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

To the extent that the financing for a qualifying asset is part of the Group's general borrowings, the interest cost to be capitalised is calculated based upon the weighted average cost of borrowing to the Group (excluding the interest on any borrowings specific to any qualifying assets). This is then applied to the expenditures on the asset.

All other borrowing costs are recognised in profit or loss in the period to which they relate.

e) Inventories

Raw materials, consumables and goods held for resale are valued at the lower of cost and net realisable value ("NRV"). The cost of raw materials, consumables and goods held for resale is recognised through the operating expense line of the Statement of Comprehensive Income on a first in, first out basis.

f) 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, cancelled or expires.

i. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and, where no stated interest rate is applicable, are measured at the original invoice amount, if the effect of discounting is immaterial. Where discounting is material, trade and other receivables are measured at amortised cost using the effective interest method. An allowance account is maintained to reduce the carrying value of trade and other receivables for impairment losses identified from objective evidence, with movements in the allowance account, either from increased impairment losses or reversals of impairment losses, being recognised in the Statement of Comprehensive Income.

Notes to the financial statements

1. Accounting policies (continued)

f) Financial assets and liabilities (continued)

ii. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts, deposits receivable on demand and deposits with maturity dates of three months or less from the date of inception. Bank overdrafts that are repayable on demand and which form an integral part of the Company's cash management are included as a component of cash and cash equivalents where offset conditions are met.

iii. 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.

iv. Borrowings

Borrowings are recorded as the proceeds received, net of direct issue costs. Finance charges, including any premium payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest method and are added to the carrying amount of the underlying instrument to which they relate, to the extent that they are not settled in the period in which they arise.

v. Investment in subsidiary

An investment in a subsidiary is recognised at cost less any provision for impairment. As permitted by section 133 of the Companies Act 2006, where the relief afforded under section 131 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings. Dividends received from subsidiaries are recognised as income only to the extent that the Company receives distributions from accumulated profits of the subsidiary arising after the date of acquisition. Distributions received in excess of such profits are first recognised as a reduction in the cost of investment.

g) Impairment

At each Balance Sheet date, in accordance with IAS 36 "Impairment of Assets", the Company reviews the carrying amounts of all its assets excluding inventories (see accounting policy e), financial assets (see accounting policy f) and deferred tax (see accounting policy l) to determine whether there is any indication that any of those assets have suffered an impairment loss.

An impairment is recognised in the Statement of Comprehensive Income whenever the carrying amount of an asset or its cash generating unit 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

Notes to the financial statements

1. Accounting policies (continued)

g) Impairment (continued)

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

h) Provisions

Provisions are recognised when the Company has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the Company's best estimate of the transfer of benefits that will be required to settle the obligation as of the Balance Sheet date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

i) Revenue recognition

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Company's operating activities. Revenue is measured at the fair value of the consideration received or receivable. The Company's main source of revenue is derived from intercompany revenue earned from the provision of call centre services to other Group companies.

j) Employee benefits

Wages, salaries, social security contributions, bonuses payable and non-monetary benefits for current employees are recognised in the Statement of Comprehensive Income as the employees' services are rendered.

The Company provides pensions to eligible employees through defined contribution schemes. The amount charged to the Statement of Comprehensive Income in the year represents the cost of contributions payable by the Company to the scheme in exchange for employee services rendered in that year. The assets of the schemes are held independently of the Company.

Termination benefits are recognised as a liability when, and only when, the Company has a demonstrable commitment to terminate the employment of an employee or group of employees before the normal retirement date or as the result of an offer to encourage voluntary redundancy.

The Company issues equity-settled share-based payments to certain employees which must be measured at fair value and recognised as an expense in the Statement of Comprehensive Income with a corresponding increase in equity. The fair values of equity-settled payments are measured at the dates of grant using option-pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the Company's estimate of the number of awards which will be forfeited, either due to employees leaving the Company prior to vesting or due to non-market based performance conditions not being met. Where an award has market-based performance conditions, the fair value of the award is adjusted at the date of grant for the probability of achieving these via the option pricing model. The total amount recognised in the Statement of Comprehensive Income as an expense is adjusted to reflect the actual number of awards that vest, except where forfeiture is due to the failure to meet market-based performance measures. In the event of a cancellation, whether by the Company or by a participating employee, the compensation expense that would have been recognised over the remainder of the vesting period is recognised immediately in profit or loss.

Notes to the financial statements

1. Accounting policies (continued)

k) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

When the Company is lessor, sublease income from operating leases is recognised on a straight-line basis over the term of the lease.

When the Company is lessee, assets held under finance leases are recognised as assets of the Company at their fair value on the date of acquisition, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reductions of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

The lease expense arising from operating leases is charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Benefits received and receivable as incentives to enter into operating leases are recorded on a straight-line basis over the lease term.

l) Tax, including deferred tax

The Company's liability for current tax is based on taxable profit for the year, and is calculated using tax rates that have been enacted or substantively enacted at the Balance Sheet date.

Deferred tax assets and liabilities are recognised using the Balance Sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the Balance Sheet and the corresponding tax bases used in the computation of taxable profit. Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the Balance Sheet date.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. Deferred tax is charged or credited in the Statement of Comprehensive Income, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Notes to the financial statements

1. Accounting policies (continued)

m) Distributions to equity shareholders

Dividends are recognised in the retained earnings reserve in the year in which they are declared

n) Foreign currency translation

The Company's functional currency and presentational currency is pounds sterling. Trading activities denominated in foreign currencies are recorded in pounds sterling at the applicable monthly exchange rates. Monetary assets, liabilities and commitments denominated in foreign currencies at the balance sheet date are reported at the rates of exchange at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated to pounds sterling at the exchange rate prevailing at the date of the initial transaction. Gains and losses from the retranslation of assets and liabilities are included net in profit for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

The assets and liabilities of the Company's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the applicable monthly average exchange rates. Any exchange differences arising are classified as equity and transferred to other reserves.

o) Accounting Standards, interpretations and amendments to existing standards that are not yet effective

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 July 2012 or later periods.

These new pronouncements are listed below:

- Amendments to IAS 12 "Income Taxes – Deferred Tax – Recovery of Underlying Assets" (effective 1 January 2012)
- Amendments to IAS 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income" (effective 1 July 2012)
- IFRS 11 "Joint Arrangements" (effective 1 January 2013)
- IFRS 12 "Disclosure of Interests in Other Entities" (effective 1 January 2013)
- IFRS 13 "Fair Value Measurement" (effective 1 January 2013)
- Amendment to IAS 19 "Employee Benefits" (effective 1 January 2013)
- Amendment to IAS 27 "Separate Financial Statements" (effective 1 January 2013)
- Amendment to IAS 28 "Investments in Associates and Joint Ventures" (effective 1 January 2013)
- Amendments to IFRS 7 "Financial Instruments – Disclosures – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2013)
- Amendments to IAS 32 "Financial Instruments – Presentation – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2014)
- IFRS 9 "Financial Instruments" (effective 1 January 2015)
- Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

p) Critical accounting policies and the use of judgment

Certain accounting policies are considered to be critical to the Company. An accounting policy is considered to be critical if its selection or application materially affects the Company's financial position or results. The Directors are required to use their judgment in order to select and apply the Company's critical accounting policies. Below is a summary of the Company's critical accounting policies and details of the key areas of judgment that are exercised in their application.

Notes to the financial statements

1. Accounting policies (continued)

p) Critical accounting policies and the use of judgment (continued)

(i) Revenue

- Selecting the appropriate timing for, and amount of, revenue to be recognised requires judgment. This may involve estimating the fair value of consideration before it is received
- Judgment is also required in evaluating the likelihood of collection of customer debt after revenue has been recognised. This evaluation requires estimates to be made, including the level of provision to be made for amounts with uncertain recovery profiles. Provisions are based on historical trends in the percentage of debts which are not recovered or on more detailed reviews of individually significant balances

(ii) Tax (see note 7)

- The Company's tax charge is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process
- The amounts recognised in the financial statements in respect of each matter are derived from the Company's best estimation and judgment, as described above. However, the inherent uncertainty regarding the outcome of these items means the eventual resolution could differ from the provision and in such event the Company would be required to make an adjustment in a subsequent period which could have a material impact on the Company's profit and loss and/or cash position

(iii) Intangible assets and property, plant and equipment (see notes 8 and 9)

- The assessment of the useful economic lives of these assets requires judgment. Depreciation and amortisation is charged to the Statement of Comprehensive Income based on the useful economic life selected. This assessment requires estimation of the period over which the Company will benefit from the assets
- Determining whether the carrying amount of these assets has any indication of impairment also requires judgment. If an indication of impairment is identified, further judgment is required to assess whether the carrying amount can be supported by the net present value of future cash flows forecast to be derived from the asset. This forecast involves cash flow projections and selecting the appropriate discount rate
- Assessing whether assets meet the required criteria for initial capitalisation requires judgment. This requires a determination of whether the assets will result in future benefits to the Company. In particular, internally generated intangible assets must be assessed during the development phase to identify whether the Company has the ability and intention to complete the development successfully

(iv) Deferred tax (see note 11)

- The key area of judgment in respect of deferred tax accounting is the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the Balance Sheet date. In particular, assessment is required of whether taxable profits are more likely than not to arise against which the deferred tax can be utilised

Notes to the financial statements

2. Revenue

	2012	2011
	£'000	£'000
Revenue	494,141	486,286
	494,141	486,286

Revenue is generated from intercompany recharges for the provision of core management and call handling services

3. Operating expense

	2012	2011
	£'000	£'000
Subscriber management	435,757	414,514
Administration	19,400	26,410
	455,157	440,924

4. Investment income and finance costs

	2012	2011
	£'000	£'000
Investment income		
Distribution receivable ⁽ⁱ⁾	795	1,130
Intercompany interest receivable ⁽ⁱⁱ⁾	8,557	7,968
	9,352	9,098
Finance costs		
Finance lease interest ⁽ⁱⁱⁱ⁾	(112)	(230)

(i) During the year, the Company received a distribution of £795,000 (2011 £1,130,000) from its investment in Athena Court Property Unit Trust (see note 10)

(ii) Intercompany interest is receivable on a loan made to BSkyB Finance Limited at an interest rate of 1 month LIBOR +0.75% (see note 13)

(iii) Finance lease interest is payable on financing arrangements in connection with a building in Dunfermline which bears interest at a rate of 8.5% (see note 16)

Notes to the financial statements

5. Profit before tax

Profit before tax is stated after charging

	2012	2011
	£'000	£'000
Cost of inventories recognised as an expense	9,269	11,145
Depreciation and impairment of property, plant and equipment	8,420	8,283
Amortisation and impairment of intangible assets	21,078	34,815
Rentals on operating leases and similar arrangements	2,636	1,809

Audit fees

Amounts paid to the auditor for the audit of the Company's annual accounts of £15,000 (2011 £15,000) were borne by another Group subsidiary in 2012 and 2011. No amounts for other services have been paid to the auditor.

6 Employee benefits and key management compensation

a) Company employee benefits

	2012	2011
	£'000	£'000
Wages and salaries	166,906	141,912
Social security costs	13,692	11,604
Costs of employee share option schemes ⁽ⁱ⁾	2,533	3,261
Contributions to the BSkyB pension scheme ("the Pension Plan") ⁽ⁱⁱ⁾	6,714	6,086
	189,845	162,863

(i) The expense recognised for employee share option schemes relates wholly to equity-settled share-based payments.

(ii) BSkyB operates a defined contribution pension scheme through (the "Pension Plan"). The pension charge for the year represents the cost of contributions payable by the Company to the schemes during the year. The amount payable to the schemes at 30 June 2012 was £1,321,000 (2011 £1,134,000).

The average monthly number of full-time equivalent persons (including temporary employees) employed by the Company during the year was as follows:

	2012	2011
Customer service, sales and marketing	6,319	5,251
Transmission and technology	597	516
Management and administration	324	299
	7,240	6,066

b) Key management compensation

The Directors did not receive any remuneration during the year (2011 £nil) in respect of their services to the Company.

Notes to the financial statements

7 Tax

a) Tax recognised in the Statement of Comprehensive Income

	2012 £'000	2011 £'000
Current tax expense		
Current year	10,633	17,456
Adjustments in respect of prior years	(2,085)	(3,686)
Total current tax	8,548	13,770
Deferred tax expense		
Origination and reversal of temporary differences	1,224	(2,516)
Decrease in estimate of recoverable deferred tax asset	526	648
Adjustment in respect of prior years	(901)	1,178
Total deferred tax	849	(690)
Tax	9,397	13,080

b) Tax recognised directly in equity

	2012 £'000	2011 £'000
Current tax credit relating to share-based payments	781	93
Deferred tax (charge) / credit relating to share-based payments	(990)	874
	(209)	967

c) Reconciliation of total tax charge

The tax expense for the year is lower (2011 lower) than the expense that would have been charged using the blended rate of corporation tax in the UK (25.5%) (2011 27.5%) applied to profit before tax. The applicable or substantively enacted rate of UK corporation tax for the year was 25.5% (2011 27.5%). The differences are explained below.

	2012 £'000	2011 £'000
Profit before tax	48,224	54,230
Profit before tax multiplied by blended rate of corporation tax in the UK of 25.5% (2011 27.5%)	12,297	14,913
Effects of		
Non-deductible expenses / (Non-taxable income)	(117)	92
Net deduction in respect of share-based payments	(323)	(64)
Change in corporation tax rate	526	648
Adjustments in respect of prior years	(2,986)	(2,509)
Tax	9,397	13,080

All tax relates to UK corporation tax and is settled by British Sky Broadcasting Limited on the Company's behalf.

The adjustment in respect of prior years relates to adjustments in respect of fixed asset temporary differences (2011 transfer pricing adjustments on intra-group transactions and the receipt of additional group relief for no consideration).

Notes to the financial statements

8. Intangible assets

	Internally generated intangible assets	Software development (external)	Software licences	Other intangible assets	Internally generated assets not yet available for use	Acquired intangible assets not yet available for use	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 July 2010	36,207	228,705	40,746	268	6,262	40,788	352,976
Additions	3,140	1,935	484	241	10,422	19,414	35,636
Disposals	(17,615)	(32,504)	(17,003)	(117)	-	-	(67,239)
Transfers	(3,743)	14,912	(3,927)	-	-	7,676	14,918
At 30 June 2011	17,989	213,048	20,300	392	16,684	67,878	336,291
Additions	6,226	586	4,164	494	2,681	18,947	33,098
Disposals	(729)	(6,752)	(1,690)	(8)	-	-	(9,179)
Transfers	19,269	11,756	896	-	(19,269)	(12,652)	-
At 30 June 2012	42,755	218,638	23,670	878	96	74,173	360,210
Amortisation							
At 1 July 2010	22,383	201,764	34,012	244	-	-	258,403
Amortisation	4,151	26,710	1,701	23	-	-	32,585
Impairment	1,783	447	-	-	-	-	2,230
Disposals	(17,615)	(32,504)	(17,003)	(117)	-	-	(67,239)
At 30 June 2011	10,702	196,417	18,710	150	-	-	225,979
Amortisation	6,651	12,323	1,769	10	-	-	20,753
Impairment	124	89	112	-	-	-	325
Disposals	(699)	(6,689)	(1,690)	(8)	-	-	(9,086)
At 30 June 2012	16,778	202,140	18,901	152	-	-	237,971
Carrying amounts							
At 1 July 2010	13,824	26,941	6,734	24	6,262	40,788	94,573
At 30 June 2011	7,287	16,631	1,590	242	16,684	67,878	110,312
At 30 June 2012	25,977	16,498	4,769	726	96	74,173	122,239

The Company's internally generated intangible assets relate to software development associated with our customer management system. The Company's other intangible assets mainly include copyright licences, customer lists and relationships.

Notes to the financial statements

8. Intangible assets (continued)

The estimated future amortisation charge on intangible assets with finite lives for each of the next five years is set out below. It is likely that future amortisation will vary from the figures below as the estimate does not include the impact of any future investments, disposals or capital expenditure.

	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000
Estimated amortisation charge	36,913	34,428	31,964	6,012	5,627

9. Property, plant and equipment

	Freehold land and buildings ⁽ⁱ⁾ £'000	Leasehold improvements £'000	Equipment, furniture and fixtures £'000	Assets not yet available for use £'000	Total £'000
Cost					
At 1 July 2010	18,661	762	75,950	10,799	106,172
Additions	489	-	8,154	6,938	15,581
Disposals	(1)	(762)	-	-	(763)
Transfers	-	-	(7,235)	(7,683)	(14,918)
At 30 June 2011	19,149	-	76,869	10,054	106,072
Additions	41	147	12,067	3,344	15,599
Disposals	(431)	-	(7,484)	(99)	(8,014)
Transfers	-	-	13,000	(13,000)	-
At 30 June 2012	18,759	147	94,452	299	113,657
Accumulated Depreciation					
At 1 July 2010	9,752	762	49,631	-	60,145
Depreciation	727	-	6,975	-	7,702
Disposals	(1)	(762)	-	-	(763)
Impairment	-	-	581	-	581
At 30 June 2011	10,478	-	57,187	-	67,665
Depreciation	720	10	7,330	-	8,060
Disposals	(430)	-	(7,460)	-	(7,890)
Impairment	150	-	210	-	360
At 30 June 2012	10,918	10	57,267	-	68,195
Carrying amounts					
At 1 July 2010	8,909	-	26,319	10,799	46,027
At 30 June 2011	8,671	-	19,682	10,054	38,407
At 30 June 2012	7,841	137	37,185	299	45,462

(i) Depreciation was not charged on £634,000 of land (2011: £634,000)

Notes to the financial statements

9. Property, plant and equipment (continued)

The amounts shown include assets held under finance leases with a net book value of £5 million (2011 £6 million). The cost of these assets was £11 million (2011 £11 million) and the accumulated depreciation was £6 million (2011 £5 million). Depreciation charged during the year on such assets was £1 million (2011 £1 million).

10. Investment in subsidiary

Details of the principal investment of the Company is as follows

Name	Country of incorporation	Description and proportion of shares held (%)	Principal activity
Direct holdings			
Athena Court Property Unit Trust	UK	95.02% of total units	Property letting

Investments in subsidiaries shown above represent the cost of the shares of the wholly-owned subsidiary undertakings plus non-current loans advanced, less provisions made for any impairment in value.

On 8 September 2008, the entire unit holdings in Athena Court Property Unit Trust ("Trust") were acquired by the Group. The Company acquired 230,737 units, representing 95.02% of the total units in the Trust for £23,169,392.

The remaining 4.98% of the total units in the Trust are held by another Group company.

On review at 30 June 2009, it was determined that the carrying value of the Athena Court property owned by the trust was impaired due to economic conditions surrounding the UK property markets, and the carrying value of SSSL's investment in the Trust has been reduced to £11,196,000 accordingly. In the current and prior year, the carrying value of the property and the Company's investment in the Trust were again reviewed for impairment, and no further impairments were recorded.

11. Deferred tax

Recognised deferred tax assets

	Accelerated tax depreciation	Short-term temporary differences	Share-based payments temporary differences	Total
	£'000	£'000	£'000	£'000
At 1 July 2010	5,653	546	1,057	7,256
Credit to income	110	(60)	640	690
Credit to equity	-	-	874	874
At 1 July 2011	5,763	486	2,571	8,820
Charge to income	(608)	(16)	(225)	(849)
Charge to equity	-	-	(990)	(990)
At 30 June 2012	5,155	470	1,356	6,981

Deferred tax assets have been recognised at 30 June 2012 and 30 June 2011 on the basis that management deem it probable that there will be suitable taxable profits against which these assets can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rate enacted or substantively enacted for the relevant period of reversal is 24% as at June 2012 (2011 26%).

Notes to the financial statements

11. Deferred tax (continued)

Recognised deferred tax assets (continued)

The Government has indicated that it intends to introduce further reductions in the main tax rate, with the rate falling by 1% each year down to 22% by 1 April 2014. These further reductions to the tax rate, below the 24% rate, have not been substantively enacted at the balance sheet date and are therefore not reflected in these financial statements.

12. Inventories

	2012	2011
	£'000	£'000
Raw materials and consumables	141	2,139

13 Trade and other receivables

	2012	2011
	£'000	£'000
Gross trade receivables	1,843	1,901
Less: provision for impairment of receivables	(574)	(283)
Net trade receivables	1,269	1,618
Amounts receivable from other Group companies	754,885	855,094
Amounts receivable from joint ventures and associates	38	28
Amounts owed by related parties	-	1
VAT	14,536	14,168
Prepayments	8,490	3,553
Current trade and other receivables	779,218	874,462

The ageing of the Company's net trade receivables which are past due but not impaired is as follows:

	2012	2011
	£'000	£'000
Up to 30 days past due date	489	487
30 to 60 days past due date	77	54
60 to 90 days past due date	9	39
90 to 120 days past due date	27	3
More than 120 days past due date	60	4
	662	587

Provision for doubtful debts

	2012	2011
	£'000	£'000
Balance at beginning of year	283	5,228
Amounts utilised	(274)	(5,038)
Statement of Comprehensive Income charge	565	93
Balance at end of year	574	283

Notes to the financial statements

13. Trade and other receivables (continued)

Provision for doubtful debts (continued)

Trade receivables principally comprise amounts outstanding from subscribers and other customers. The Directors consider that the carrying amount of trade and other receivables approximates their fair values.

Amounts receivable from other Group companies

There are amounts due from other Group companies totalling £111,744,000 (2011: £220,510,000) that are trade receivables, these balances are non-interest bearing and are repayable on demand. The remaining balance of £643,141,000 is intercompany loans (see below).

Amounts receivable from other Group companies

On 11 April 2008 the Company entered into a revolving credit facility of £250 million with BSKyB Finance Limited, whereby the Company was lender and BSKyB Finance Limited was borrower. This loan is repayable on demand. Interest is payable at 1 month LIBOR+0.75%. On 26 June 2009 the agreed limit was extended to £700 million. The amount outstanding at the balance sheet date in relation to this facility is £598,037,000 (2011: £589,480,000).

In addition the Company is owed a further £45,104,000 (2011: £45,104,000), of non-interest bearing loan receivable from BSKyB Finance Limited which is repayable on demand.

The Company is exposed to credit risk on its trade and other receivables. However, the Company does not have any significant concentrations of credit risk, with third parties, as the majority of its receivables are from other Group companies. No allowances have been recorded against amounts receivable from other Group companies as they have been assessed to be fully recoverable.

14. Trade and other payables

	2012 £'000	2011 £'000
Trade payables	22,762	13,069
Amounts payable to the parent Company	190,480	334,050
Amounts owed to other Group companies	427,880	407,496
Amounts owed to other related parties	9,687	13,168
Social security and PAYE	4,083	3,409
Other payables	668	1,262
Accruals	39,591	45,258
Current trade and other payables	695,151	817,712
Non-current other payables	131	101
Total trade and other payables	695,282	817,813

The Directors consider that the carrying amount of trade and other payables approximates their fair values. Trade payables principally comprise amounts outstanding for ongoing costs.

Amounts due to the parent Company and other Group companies are repayable on demand and are non-interest bearing.

Notes to the financial statements

15. Provisions

	At 1 July 2010 £'000	Provided during the year £'000	Utilised during the year £'000	At 30 June 2011 £'000	Provided during the year £'000	Utilised during the year £'000	At 30 June 2012 £'000
Current liabilities							
Restructuring provision	543	440	(543)	440	2,256	(341)	2,355
Other provision ⁽ⁱ⁾	-	72	-	72	740	-	812
	543	512	(543)	512	2,996	(341)	3,167
Non-current liabilities							
Other provision ⁽ⁱ⁾	-	912	-	912	-	(712)	200

(i) Included within current and non-current other provisions are amounts provided for onerous contracts for property leases and maintenance due to the move from New Logic House to the Watermark building. The timing of the cash flows are dependent on the terms of the leases, but are expected to continue up to November 2013.

16. Borrowings

	2012 £'000	2011 £'000
Current borrowings		
Bank loans and overdrafts	168	319
Obligations under finance leases	1,303	1,328
	1,471	1,647
Non-current borrowings		
Obligations under finance leases	7,794	8,279

Finance leases

The minimum lease payments under finance leases fall due as follows

	2012 £'000	2011 £'000
Within one year	1,303	1,328
Between one and two years	1,303	1,328
Between two and three years	1,303	1,328
Between three and four years	1,631	1,328
Between four and five years	1,741	1,663
After five years	5,658	7,542
	12,939	14,517
Future finance charges on finance lease liabilities	(3,842)	(4,910)
Present value of finance lease liabilities	9,097	9,607

Financing arrangements are in connection with the building in Dunfermline. During the year, repayments of £1,328,000 (2011: £1,602,000) were made against the lease. A proportion of these payments have been allocated against the capital amount outstanding. The lease bears interest at a rate of 8.5% and expires in September 2020.

Notes to the financial statements

17. Financial instruments

Carrying value and fair value

The Company's principal financial instruments comprise trade and other payables, obligations under finance leases, bank loans and overdrafts, and trade and other receivables. The Company has various financial assets such as trade and other receivables.

The accounting classification of each class of the Company's financial assets and financial liabilities, together with their fair values, is as follows:

	Loans and receivables £'000	Available- for-sale investments £'000	Other liabilities £'000	Total carrying value £'000	Total fair values £'000
At 30 June 2012					
Trade and other payables	-	-	(691,199)	(691,199)	(691,199)
Obligations under finance leases	-	-	(9,097)	(9,097)	(9,097)
Provisions	-	-	(436)	(436)	(436)
Bank loans and overdrafts	(168)	-	-	(168)	(168)
Trade and other receivables	756,192	-	-	756,192	756,192
At 30 June 2011					
Trade and other payables	-	-	(814,404)	(814,404)	(814,404)
Obligations under finance leases	-	-	(9,607)	(9,607)	(9,607)
Provisions	-	-	(984)	(984)	(984)
Bank loans and overdrafts	-	-	(319)	(319)	(319)
Trade and other receivables	856,741	-	-	856,741	856,741

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments,
- The fair value of obligations under finance leases and other borrowings is estimated by discounting the future cash flows to net present value, and
- The fair value of cash and cash equivalents is equivalent to book value due to the short-term nature of these instruments.

The differences between carrying values and fair values reflect unrealised gains or losses inherent in the financial instruments, based on valuations as at 30 June 2012 and 30 June 2011. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

Notes to the financial statements

18. Financial risk management objectives and policies

The Group's Treasury function is responsible for raising finance for the Company's operations, together with associated liquidity management and management of foreign exchange, interest rate and credit risks. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by both the Audit Committee and the Board, which receive regular updates of Treasury activity. Regular and frequent reporting to management is required for all transactions and exposures, and the internal control environment is subject to periodic review by the Group's internal audit team.

Capital Risk Management

The capital structure of the Company consists of equity attributable to equity holders of the parent Company, comprising issued capital, reserves and retained earnings. Risk and treasury management is governed by British Sky Broadcasting Group plc's policies approved by its Board of Directors.

Credit risk

The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 13.

Interest rate risk

The Company has financial exposures to UK interest rates, arising primarily from the Company's intercompany loans and cash balances. The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments at the Balance Sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the Balance Sheet date was outstanding for the whole year. A one percentage point rise or fall in interest rates represents a large but realistic movement which can easily be manipulated to give sensitivities at different interest rates.

If interest rates had been one percentage point higher and all other variables were held constant, the Company's profit for the year ended 30 June 2012 would increase by £5,980,000 (2011: increase by £5,895,000).

The sensitivity analyses provided are hypothetical only and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced because the Company's actual exposure to market rates is constantly changing as the Company's portfolio of debt and equity contracts changes. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company. The changes in valuations are estimates of the impact of changes in market variables and are not a prediction of future events or anticipated gains or losses.

Notes to the financial statements

18. Financial risk management objectives and policies (continued)

Liquidity risk

The Company's financial liabilities are shown in notes 14, 15 and 16

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date

The amounts disclosed in the table are the contractual undiscounted cash flows. The amounts disclosed may not reconcile to the amounts disclosed on the balance sheet for borrowings, provisions and trade and other payables

	Less than twelve months £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000
At 30 June 2012				
Trade and other payables	691,068	131	-	-
Bank loans and overdrafts	168	-	-	-
Provisions	308	128	-	-
Obligations under finance leases	1,303	1,303	4,675	5,657
At 30 June 2011				
Trade and other payables	814,303	101	-	-
Bank loans and overdrafts	319	-	-	-
Provisions	72	912	-	-
Obligations under finance leases	1,328	1,328	4,319	7,542

19. Share capital

	2012 £	2011 £
Allotted, called-up and fully paid		
3 (2011: 3) ordinary shares of £1 (2011: £1) each	3	3

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

Notes to the financial statements

19. Share capital (continued)

Share option and contingent share award schemes

The Company operates various equity-settled share option schemes (the "Schemes") for certain employees. The awards outstanding can be summarised as follows:

Scheme	2012 Number of ordinary shares	2011 Number of ordinary shares
Executive Share Option Scheme options (i)	93,807	184,510
Sharesave Scheme options (ii)	1,668,749	1,490,284
All employee awards (iii)	-	471,207
Management LTIP awards (iv)	515,304	838,392
Management Co-Investment LTIP awards (v)	38,513	14,599
Co-Investment LTIP award (vi)	-	6,147
	2,316,373	3,005,139

(i) Executive Share Option Scheme options

All Executive Share Option Scheme options outstanding at 30 June 2012 and 30 June 2011 have vested. No options have been granted under the scheme since 2004. Grants under the Executive Share Option Scheme were made on an annual basis to selected employees, with the exercise price of options being equal to BSkyB's share price on the date of grant. For those options with performance conditions, growth in EPS had to exceed growth in the Retail Prices Index plus 3% per annum in order for awards to vest. Options vested on an accelerated basis over a period of up to four years from the date of grant. The contractual life of all Executive Share Option Scheme options is ten years.

(ii) Sharesave Scheme options

All Sharesave Scheme options outstanding at 30 June 2012 and 30 June 2011 have no performance criteria attached, other than the requirement that the employee remains in employment with the Company. Options granted under the Sharesave Scheme must be exercised within six months of the relevant award vesting date. The Sharesave Scheme is open to all employees. Options are normally exercisable after either three or five years from the date of grant. The price at which options are offered is not less than 80% of the middle-market price on the dealing day immediately preceding the date of invitation. It is the policy of the Group to make an invitation to employees to participate in the scheme following the announcement of the end of year results.

(iii) All Employee awards

The All Employee awards had no performance criteria attached, other than the requirement that the employee remained in employment with the Group until the vesting date on 5 February 2012. The Company granted the All Employee award to all permanent employees on 5 February 2009. Awards under the scheme were granted in the form of a nil-priced option, and were satisfied using market-purchased shares.

Notes to the financial statements

19 Share capital (continued)

(iv) Management LTIP awards

All Management LTIP awards outstanding at 30 June 2012 and 30 June 2011 vest only if performance conditions are met. Awards granted under the Management LTIP must be exercised within five years of the relevant award vesting date.

The Company grants awards to selected employees under the Management LTIP. Awards under this scheme mirror the LTIP, with the same performance conditions. Awards exercised under the Management LTIP can only be satisfied by the issue of market-purchased shares.

(v) Management Co-Investment LTIP awards

All Management Co-Investment LTIP awards outstanding at 30 June 2012 and 30 June 2011 vest only if performance conditions are met. Awards granted under the Management Co-Investment LTIP must be exercised within five years of the relevant awards vesting date.

The Company grants awards to selected employees under the Management Co-Investment LTIP. Awards under this scheme mirror the Co-Investment LTIP, with the same performance conditions.

(vi) Co-Investment LTIP awards

All Co-Investment LTIP awards outstanding at 30 June 2012 and 30 June 2011 vest only if performance conditions are met. Awards granted under the Co-Investment LTIP must be exercised within five years of the relevant awards vesting date.

The Company operates the Co-Investment LTIP award for Executive Directors and Senior Executives. Employees who participate in the plan are granted a conditional award of shares based on the amount they have invested in British Sky Broadcasting Group plc. The investment will be matched up to a maximum of 1.5 shares for every share invested, subject to a three-year EPS performance condition.

For the purposes of the disclosure below, the Sharesave Scheme options and All Employee awards ("Sharesave Schemes") and the Management LTIP, LTIP, Co-Investment Management LTIP and Co-Investment LTIP awards ("Senior Management Schemes") have been aggregated.

The movement in share awards outstanding is summarised in the following table:

	2012	2012	2011	2011
	Number of	Weighted	Number of	Weighted
	shares	average	shares	average
	under option	exercise price	under option	exercise price
Outstanding at 1 July	3,005,139	£2.65	3,791,085	£4.49
Granted during the year	1,081,602	£3.91	812,085	£3.33
Exercised during the year	(1,401,444)	£1.30	(416,299)	£4.63
Forfeited during the year	(295,981)	£3.58	(257,192)	£3.64
Expired during the year	(72,943)	£7.64	(924,540)	£9.63
Outstanding at 30 June	2,316,373	£3.78	3,005,139	£2.65

The weighted average market price of British Sky Broadcasting Group plc's shares at the date of exercise for share options exercised during the year was £7.01 (2011: £7.85).

Notes to the financial statements

19. Share capital (continued)

The following table summarises information about share awards outstanding at 30 June

Range of Exercise Prices	2012 Number	2012 Weighted average remaining contractual life	Awards Outstanding	
			2011 Number	2011 Weighted average remaining contractual life
£0.00-£1.00	553,817	6.02	1,330,346	1.40
£3.00-£4.00	151,398	1.66	548,668	1.54
£4.00-£5.00	360,910	1.52	451,091	2.33
£5.00-£6.00	1,203,454	3.52	554,181	3.59
£6.00-£7.00	46,794	1.17	55,570	2.17
£7.00-£8.00	-	-	65,283	0.35
	2,316,373	3.64	3,005,139	1.96

The exercise prices of options outstanding at 30 June 2012 ranged from nil to £6.62

Information for awards granted during the year

The weighted average fair value of equity-settled share options granted during the year, as estimated at the date of grant, was £5.39 (2011: £5.95). This was calculated using the Black-Scholes share option pricing model except for grants of nil-priced options, which were treated as the award of a free share. The fair value of nil-priced options granted during the year was measured on the basis of the market-price of BSkyB's shares on the date of grant, discounted for expected dividends which would not be received over the vesting period of the options.

Expected volatility was determined by calculating the historical volatility of BSkyB's share price, over a period equal to the expected life of the options. Expected life was based on the contractual life of the options, adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

Weighted average fair value assumptions

The following weighted average assumptions were used in calculating these fair values:

	2012	2011
Share price	£7.00	£7.11
Exercise price	£1.26	£0.77
Expected volatility	28.6%	28.1%
Expected life	2.7 years	3.2 years
Expected dividend	3.3%	2.6%
Risk-free interest rate	1.0%	1.5%

Notes to the financial statements

20. Notes to the Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	2012 £'000	2011 £'000
Profit before tax	48,224	54,230
Depreciation and impairment of property, plant and equipment	8,420	8,283
Amortisation and impairment of intangible assets	21,078	34,815
Share-based payment expense	2,533	3,261
Net finance income	(9,240)	(8,868)
	71,015	91,721
Decrease in trade and other receivables	103,802	25,254
Decrease (increase) in inventories	1,998	(1,262)
Decrease in trade and other payables	(131,102)	(65,440)
Increase in provisions	1,943	881
Cash generated from operations	47,656	51,154

21. Contracted commitments, contingencies and guarantees

a) Future minimum expenditure contracted for but not recognised in the financial statements

	Year ending 30 June					After 5 years	Total at 30 June 2012	Total at 30 June 2011
	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	£'000	£'000	£'000
Property, plant and equipment	1,261	-	-	-	-	-	1,261	852
Intangible assets	18,084	18,275	18,527	18,826	18,826	23,533	116,071	130,763
Smartcards	43,152	42,952	43,662	44,707	44,707	55,883	275,063	360,349
Other	4,648	3,308	3,319	3,383	3,450	7,937	26,045	25,416
	67,145	64,535	65,508	66,916	66,983	87,353	418,440	517,380

Notes to the financial statements

21. Contracted commitments, contingencies and guarantees (continued)

b) Contingencies and guarantees

The Company, together with British Sky Broadcasting Limited, BSkyB Finance UK plc, and Sky In-Home Service Limited has given joint and several guarantees in relation to the £743 million Revolving Credit Facility ("RCF") held by its parent undertaking, British Sky Broadcasting Group plc ("BSkyB")

The Company, together with British Sky Broadcasting Limited, BSkyB Finance UK plc, and Sky In-Home Service Limited has given joint and several guarantees in relation to the issue in the public debt market of US\$582.8 million of 9.500% Guaranteed Notes repayable in November 2018, US\$750 million of 6.100% Guaranteed Notes repayable in February 2018 and £300 million of 6.000% Guaranteed Notes repayable in May 2027 and issued by its parent undertaking, BSkyB

The Company, together with British Sky Broadcasting Limited, BSkyB, and Sky In-Home Service Limited has given joint and several guarantees in relation to the issue in the public debt market of US\$750 million of 5.625% Guaranteed Notes repayable in October 2015, £400 million of 5.750% Guaranteed Notes repayable in October 2017 and US\$350 million of 6.500% Guaranteed Notes repayable in October 2035 and issued by BSkyB Finance UK plc.

22. Operating lease commitments

The minimum lease rentals to be paid under non-cancellable operating leases at 30 June are as follows

	2012	2011
	£'000	£'000
Within one year	1,838	1,118
Between one and two years	2,428	1,029
Between two and three years	3,209	1,827
Between three and four years	3,576	2,010
Between four and five years	2,584	2,028
After five years	15,014	9,174
	28,649	17,186

All operating leases relate to property. The rents payable under these leases are subject to renegotiation at the various intervals specified in the leases.

23. Transactions with related parties

a) Major shareholders of BSkyB plc

The Company conducts business transactions with companies that are part of the News Corporation group ("News Corporation"), a major shareholder of BSkyB, the ultimate parent undertaking of the Company:

	2012	2011
	£'000	£'000
Purchases of goods / services by the Company	63,039	66,047

Purchases of goods and services from News Corporation companies

During the year, the Company purchased smartcards and encryption services from News Corporation companies. The Company is jointly committed with another Group company to making payments to a News Corporation company for expected on going smartcard costs. These are disclosed in note 21.

Notes to the financial statements

23. Transactions with related parties (continued)

b) Key management

The Company has a related party relationship with the Directors of the Company as key management. At 30 June 2012, there were three (2011 three) key managers, all of whom were Directors of the Company. The Directors received £nil remuneration in respect of their services to the Company (2011 £nil).

c) Transactions with the parent company and other Group companies

The Company conducts business transactions with the parent company and other Group companies

	2012	2011
	£'000	£'000
Supply of services by the Company to the parent	427,326	465,190
Supply of services by the Company to other Group companies	56,660	11,884

For details of amounts owed by and owed to the parent company and other Group companies, see note 13 and 14

Principal services supplied to other Group companies

- Subscriber management services
- Conditional access services

The Group's treasury function is responsible for liquidity management across the Company and Group's operations. It is standard practice for the Company to lend and borrow cash to and from the parent company and other Group companies as required. Under this policy, British Sky Broadcasting Limited has settled liabilities of £461,010,000 (2011 £805,859,000) on behalf of the Company during the year.

24. Ultimate parent undertaking

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

The consolidated financial statements 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.