BSkyB Comedy Limited

Annual Report and Accounts
for the year ended 30 June 2010

Registered number 3079609

Directors and Officers
For the year ended 30 June 2010

Directors

BSkyB Comedy Limited's ("the Company's") present Directors and those who served during the year are as follows

A J Griffith
D J Darroch

Secretary

D J Gormley

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditors

Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

Directors' Report

The Directors present their Annual Report on the affairs of the Company, together with the financial statements and Auditors' Report for the year ended 30 June 2010

Business review and principal activity

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")

The Company's principal activity is to act as a holding company The Company has a 25% interest in Paramount UK ("PUK"), a joint venture partnership whose principal activity is the broadcasting of two general entertainment television channels called 'Comedy Central' and 'Comedy Central Extra' to multi-channel subscribers The Directors expect these activities to continue for the foreseeable future

The audited accounts for the year ended 30 June 2010 are set out on pages 6 to 14 The profit after taxation for the financial year was £3,250,000 (2009 £3,250,000) The balance sheet on page 8 of the financial statements shows that the Company's financial position at the year end is, in terms of net assets, stronger than at the prior year end The balance sheet shows that the Company's shareholders' equity at the year end of £16,250,000 was higher than at the prior year end The Directors do not recommend the payment of a dividend for the year ended 30 June 2010 (2009 £nil)

There have been no significant events since the year end

Key performance indicators (KPIs)

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

Principal risks and uncertainties

The Company's activities expose it to financial risks, namely credit risk and liquidity risk The Company is also exposed to risk through the performance of its investments, which are subject to impairment risk

Financial risk management objectives and policies

Credit risk

The balance sheet of the Company includes intercompany balances and the Company is therefore exposed to credit risk on these balances

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 £750 million revolving credit facility which is due to expire on 30 July 2013 The Company benefits from this liquidity through intra-group facilities and loans

Cash flow risk, price risk and foreign exchange risk

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

Directors' Report (continued)

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 exposures to credit risk and liquidity risk

After making enquiries, the directors have formed a judgement 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

Auditors

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

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

By order of the Board,

D. Gormley

D J Gormley
Company Secretary
Grant Way
Isleworth
Middlesex
TW7 5QD
15 November 2010

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 entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping 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

Auditors' report

Independent Auditors' Report to the Members of BSkyB Comedy Limited·

We have audited the financial statements of BSkyB Comedy Limited for the year ended 30 June 2010 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 9 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 auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditors
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 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

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view and of the Company's affairs as at 30 June 2010 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 Company 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

T.M. Powell

Timothy Powell (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
15 November 2010

Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	2010 £'000	2009 £'000
Investment income	2	**3,250**	3,250
Profit before tax	3	**3,250**	3,250
Taxation	4	-	-
Profit for the year attributable to equity shareholders		**3,250**	3,250

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

For the years ended 30 June 2010 and 30 June 2009, the Company did not have any items of other comprehensive income

All results relate to continuing operations

Statement of Changes in Equity

For the year ended 30 June 2010

	Share capital £'000	Retained earnings £'000	Total shareholder's equity £'000
At 1 July 2008	**-**	**9,750**	**9,750**
Profit for the year	-	3,250	3,250
At 30 June 2009	**-**	**13,000**	**13,000**
Profit for the year	-	3,250	3,250
At 30 June 2010	**-**	**16,250**	**16,250**

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

Balance Sheet

As at 30 June 2010

	Notes	2010 £'000	2009 £'000
Current assets			
Trade and other receivables	5	**16,250**	13,000
Total assets		**16,250**	13,000
Share Capital	7	-	-
Reserves		**16,250**	13,000
Shareholder's equity attributable to equity shareholder		**16,250**	13,000
Total liabilities and shareholder's equity		**16,250**	13,000

The accompanying notes are an integral part of this Balance Sheet

As at 30 June 2010 and 30 June 2009, the Company did not have any cash or cash equivalents Accordingly, a cash flow statement has not been presented

The financial statements of BSkyB Comedy Limited, registered number 3079609, were approved by the Board of Directors on 15 November 2010 and were signed on its behalf by

A J Griffith

Director

15 November 2010

Notes to financial statements

1. Accounting policies

BSkyB Comedy 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"), the Companies Act 2006 and Article 4 of the International Accounting Standard ("IAS") Regulations 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 an historical cost basis, except for the remeasurement to fair value of financial instruments as described in the accounting policies below The accounts have been prepared on a going concern basis (as set out in the Directors' Report)

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year In fiscal year 2010, this date was 27 June 2010, this being a 52 week year (fiscal year 2009 28 June 2009, 52 week year) For convenience purposes, the Company continues to date its financial statements as at 30 June

At the beginning of the current year, the Company adopted the following accounting pronouncements that are relevant to its operations, none of which had any significant impact on its results or financial position

IAS 1 Revised (2007) "Presentation of Financial Statements"
IAS 27 Revised (2008) "Consolidated and Separate Financial Statements"
Amendment to IFRS 2 "Share-based Payment - Vesting Conditions and Cancellations"
Amendments to IFRS 7 "Financial Instruments Disclosures - Improving Disclosures about Financial Instruments"
Amendment to IAS 39 "Financial Instruments Recognition and Measurement - Eligible Hedged Items"

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 9)

c) Financial assets and liabilities

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

Notes to financial statements

1. Accounting policies (continued)

c) Financial assets and liabilities (continued)

i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and are measured at amortised cost using the effective interest method Trade and other receivables, with no stated interest rate, are measured at the original invoice amount if the effect of discounting is immaterial 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 income statement

d) Taxation, including deferred taxation

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 substantially 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 income statement, 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 taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis

e) Investments

The Company's investments in joint ventures are held at cost and less any repayment of capital Any additional distributions are recognised as investment income when they are declared and approved

Notes to financial statements

1 Accounting policies (continued)

f) Critical accounting policies

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 judgement in order to select and apply the Company's critical accounting policies

The Company's critical accounting policy is with regards to the recoverability of its intercompany receivables (see note 5)

On an annual basis, the Directors consider the recoverability of intercompany receivables with other counterparties, including, amongst other factors, the net asset or liability position of the counterparty in making that assessment.

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after 1 July 2010 or later periods These new standards are listed below

- IFRS 9 "Financial Instruments" (effective 1 January 2013),
- Revision to IFRS 2 "Share-Based Payments" (effective 1 January 2010),
- Revision to IFRS 5 "Non-current Assets Held For Sale and Discontinued Operations" (effective 1 January 2010),
- Revision to IAS 7 "Statement of Cash Flows" (effective 1 January 2010),
- Revision to IAS 17 "Leases" (effective 1 January 2010),
- Revision to IAS 24 "Related Party Disclosures" (effective 1 January 2010),
- Revision to IAS 36 "Impairment of Assets" (effective 1 January 2010),
- Amendment to IAS 32 "Financial Instruments Presentation" (effective 1 February 2010),
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective 1 July 2010),
- Amendment to IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective 1 January 2011)

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

2 Investment income

	2010 £'000	2009 £'000
Investment income		
Distribution from joint venture	**3,250**	3,250

The Company has a 25% interest in its joint venture, Paramount UK ("PUK"), a partnership operating in the UK and Ireland The principal activity of this company is the transmission of a general entertainment comedy channel

3. Profit before taxation

Staff costs during the year were £nil (2009 £nil) and the average monthly number of persons employed by the Company during the year was none (2009 none) The Directors did not receive any remuneration during either year in respect of their services to the Company

Amounts paid to the auditors for audit services of £6,250 (2009 £6,250) were borne by another Group subsidiary in 2010 and 2009 No amounts for other services have been paid to the auditors

4. Taxation

No taxation charge was recognised in the year ended 30 June 2010 (2009 No taxation charge)

Reconciliation of tax charge

The taxation charge is lower (2009 lower) than the expense that would have been charged using the standard rate of corporation tax in the UK (28%) applied to the profit before tax The differences are explained below

	2010 £'000	2009 £'000
Profit before tax	**3,250**	3,250
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	**910**	910
Effects of		
Non taxable partnership distribution	**(910)**	(910)
Share of taxable profits of partnership in which the Company is a partner	**959**	884
Group relief claimed free of charge	**(959)**	(884)
Taxation	**-**	-

5. Trade and other receivables

	2010 £'000	2009 £'000
Amounts receivable from parent company	**16,250**	13,000

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value

Amounts due from the parent undertaking totalling £16,250,000 (2009 £13,000,000) represent trade receivables, they are non-interest bearing and are repayable on demand

Notes to financial statements

6. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade receivables

	Loans and receivables £'000	Other liabilities £'000	Total carrying value £'000	Total fair values £'000
At 30 June 2009				
Trade and other receivables	13,000	-	13,000	13,000
At 30 June 2010				
Trade and other receivables	**16,250**	**-**	**16,250**	**16,250**

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

The fair value of 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

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 BSkyB's policies approved by its Board of Directors

7. Share Capital

	2010	2009
	£	£
Authorised		
100 ordinary shares of £1 each	**100**	100
Allotted, called up and fully-paid		
2 ordinary shares of £1 each	**2**	2

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

8. Transactions with related parties

For details of amounts owed by the parent company, see note 5 Investment income of £3,250,000 (2009 £3,250,000) was received from Paramount UK during the year

The Group's treasury function is responsible for liquidity management across the Group's operations It is standard practice for the Company to lend and borrow cash to and from the parent company as required Under this policy, British Sky Broadcasting Limited received cash of £3,250,000 (2009 £3,250,000) on behalf of the company, during the year

8 Transactions with related parties (continued)

On 15 June 2010 News Corporation announced a proposal relating to a possible offer for the entire issued share capital of BSkyB not already owned by News Corporation ("the Proposal")

BSkyB announced on the same date that the Proposal, which is not a formal offer, is subject to regulatory and financing pre-conditions, which add considerable uncertainty to when and whether any formal offer could be made and that the Independent Directors of BSkyB, who have been so advised by Morgan Stanley and UBS Investment Bank, unanimously considered the terms of the Proposal to undervalue significantly BSkyB

News Corporation has confirmed that the Proposal does not amount to a firm intention to make an offer under Rule 2 5 of the Takeover Code and that there can be no certainty that any offer will ultimately be made even if the pre-conditions are satisfied or waived There is no obligation on News Corporation to make such an offer and therefore it can withdraw the Proposal at its sole discretion at any time

Recognising that an offer from News Corporation could be in the interests of the BSkyB's shareholders in the future, and that obtaining any necessary merger clearances would facilitate such an offer, BSkyB has agreed to co-operate with News Corporation in seeking those clearances from the relevant authorities

If merger clearance is not granted or granted subject to a material remedy, then News Corporation will reimburse BSkyB for costs incurred up to a maximum of £20 million Further, if News Corporation either receives merger clearance unconditionally or subject to non-material remedies prior to 31 December 2011 and fails to make a firm offer within five months thereafter, or announces prior to obtaining merger clearance that it does not intend to make a firm offer, then News Corporation will pay BSkyB a fee of £38 5 million, representing 0 5% of the value of the Proposal

9. Ultimate parent undertaking

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

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