British Interactive Broadcasting Holdings Limited

Annual report and financial statements for the year ended 30 June 2010

Registered number 03271968

Directors and Officers
For the year ended 30 June 2010

Directors

British Interactive Broadcasting Holdings Limited's ("the Company's") present Directors and those who served during the year are as follows

D J Darroch
A J Griffith

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 activities

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

The Company's purpose is to act as a holding company for certain subsidiary companies (see note 8), which are engaged in the provision of interactive television services, subsidising the sale and distribution of digiboxes and the provision of ancillary functions supporting the satellite broadcasting operations of BSkyB The Directors expect that there will be no major changes in the Company's activities in the following year

The audited financial statements for the year ended 30 June 2010 are set out on pages 6 to 21 The profit for the year was £153,647,000 (loss for the year ended 30 June 2009 £600,278,000) The company has made a profit after making a significant loss in the year ended 30 June 2009 when the Company guaranteed debt totalling £595,264,000 owed by its subsidiary Sky Interactive Limited ("SI") to other group companies for which 100% provision was made

In the year ended 30 June 2010, the Company agreed to subscribe for an additional 659 million of £1 ordinary shares in SI, at face value, taking its shareholding to 659,000,002 £1 ordinary shares In consideration for this the company assigned to SI loans receivable from other group companies totalling £658,362,000 and cancelled amounts receivable from SI of £638,000

The company has impaired its £659,000,000 investment in SI to £44,282,000 while simultaneously releasing the £595,264,000 provision recorded relating to guarantees on SI's debt to other group companies, which is no longer required

This was offset by dividend income of £175,000,000 arising in the form of an assignment by Sky Subscriber Services Limited ("SSSL") of a receivable from another group company to that value

Key performance indicators (KPIs)

The BSkyB 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 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

The Directors do not believe the Company is exposed to significant cash flow risk or price risk

Financial risk management objectives and policies

The use of financial derivatives is governed by the Group's treasury policy approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks The Company does not use derivative financial instruments for speculative purposes Refer to note 12 for further information

Credit risk

The balance sheet of the Company includes intercompany balances and the Company is therefore exposed to credit risk on these balances The intercompany balances of the Company are detailed in notes 9 and 10

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

Going concern

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 In making this decision the Directors have considered the net current liability position of the company, and confirmation received from each Sky Television Limited that, for at least 12 months from the date of signing these financial statements, they will not demand payment of any amounts owed to them by the company where such repayment would prevent the company from continuing to settle its third party liabilities as they fall due Accordingly, the Directors 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
29 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 to 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 British Interactive Broadcasting Holdings Limited:

We have audited the financial statements of British Interactive Broadcasting Holdings Limited for the year ended 30 June 2010 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 17 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 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.

Timothy Powell (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

London, United Kingdom

29 November 2010

Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	**2010**	2009
		£'000	£'000
Operating profit		**-**	-
Impairment of investment in subsidiaries	2	**(614,7187)**	-
Reversal of impairment of loans to group undertakings	3	**638**	
Investment Income	4	**175,000**	-
Finance costs	5	**592,727**	(600,278)
Profit (loss) before tax	6	**153,647**	(600,278)
Taxation	7	**-**	-
Profit (loss) for the year attributable to equity shareholder		**153,647**	(600,278)

The accompanying notes are an integral part of this statement of comprehensive income, for the year ended 30 June 2010, the Company did not have any other 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	Share Premium £'000	Retained earnings £'000	Total shareholders' equity £'000
At 1 July 2008	652	398,801	113,826	513,279
Loss for the year	-	-	(600,278)	(600,278)
At 30 June 2009	**652**	**398,801**	**(486,452)**	**(86,999)**
Profit for the year	-	-	153,647	153,647
At 30 June 2010	**652**	**398,801**	**(332,805)**	**66,648**

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

Balance Sheet

As at 30 June 2010

	Notes	**2010**	2009
		£'000	£'000
Non-current assets			
Investment in subsidiaries	8	**144,282**	100,000
		144,282	100,000
Current assets			
Trade and other receivables	9	**52,701**	537,359
Cash and cash equivalents		**27**	35
		52,728	537,394
Total assets		**197,010**	637,394
Current liabilities			
Trade and other payables	10	**130,362**	129,129
Provisions	11	**-**	595,264
		130,362	724,393
Total liabilities		**130,362**	724,393
Share capital	13	**652**	652
Share premium		**398,801**	398,801
Reserves		**(332,805)**	(486,452)
Shareholder's equity attributable to equity shareholder		**163,442**	(86,999)
Total liabilities and shareholder's equity		**293,804**	637,394

The accompanying notes are an integral part of this balance sheet

The financial statements of British Interactive Broadcasting Holdings Limited, registered number 03271968, were approved by the Board of Directors on 29 November 2010 and were signed on its behalf by

A J Griffith
Director
29 November 2010

Cash Flow Statement

For the year ended 30 June 2010

	Note	2010 £'000	2009 £'000
Cash flows from operating activities			
Cash generated from operations	14	**2,529**	-
Net cash from operating activities		**2,529**	-
Cash flows from investing activities			
Loans to subsidiaries		**-**	(15)
Net cash used in investing activities		**-**	(15)
Cash flows from financing activities			
Interest paid		**(2,537)**	-
Net cash used in financing activities		**(2,537)**	-
Net decrease in cash and cash equivalents		**(8)**	(15)
Cash and cash equivalents at the beginning of the year		**35**	50
Cash and cash equivalents at the end of the year		**27**	35

The accompanying notes are an integral part of this cash flow statement

Notes to financial statements

1. Accounting policies

British Interactive Broadcasting Holdings Limited (the "Company") is a limited liability Company incorporated in England and Wales and domiciled in the United Kingdom ("UK")

a) Statement of compliance

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"
Amendments to IFRS 7 "Financial Instruments Disclosures – Improving Disclosures about Financial Instruments"

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 17)

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

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

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

d) Investment in subsidiaries

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

e) Impairment

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

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

1. Accounting policies (continued)

e) 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 Any impairment loss in respect of goodwill is irreversible

f) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation to make a probable transfer of economic benefits as a result of past events 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 market rate adjusted for risks specific to the liability

g) 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

h) Dividends

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

Notes to financial statements

i) 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

i. Receivables (see note 9)

Judgement is required in evaluating the likelihood of collection of debt This evaluation requires estimates to be made, including the level of provision to be made for amounts with uncertain recovery profiles

ii. Investments (see note 8)

Determining whether the carrying amount of these investments 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

j) 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 our accounting periods beginning on or after 1 July 2010 or later periods These new pronouncements are listed below

- Improvements to IFRSs 2009 - various standards (effective 1 January 2010)
- Amendment to IAS 32 "Financial Instruments Presentation - Classification of Rights Issues" (effective 1 February 2010)
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective 1 July 2010)
- Improvements to IFRSs 2010 - various standards (effective 1 July 2010 and 1 January 2011)
- IAS 24 Revised (2009) "Related Party Disclosures" (effective 1 January 2010)
- IFRS 9 "Financial Instruments" (effective 1 January 2013)

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

2. Impairment of investment in subsidiaries

During the year ended 30 June 2010 the Company increased its investment in Sky Interactive Limited ("SI") by investing in a further 659,000,000 shares of £1 each, increasing the value of the investment to £659,000,002 The Company subsequently impaired the investment to £44,282,000 resulting in an impairment charge of £614,718,002 in the Income Statement

3. Reversal of impairment of loans to group undertakings

During the year ended 30 June 2010 the Company cancelled a £638,000 loan receivable from SI in exchange for additional shares in SI This loan had previously been fully provided against On cancellation the provision was released to the income statement

4. Investment Income

During the year the Company received a £175,000,000 dividend from one of its wholly owned subsidiaries, Sky Subscribers Services Limited ("SSSL")

Notes to financial statements

5. Finance costs

	2010	2009
	£'000	£'000
Intercompany interest payable (i)	(2,537)	(5,014)
Financial guarantee (ii)	595,264	(595,264)
	592,727	(600,278)

(i) Intercompany interest payable represents interest on loans payable to Sky Television Limited, a fellow group company (see note 10)

(ii) In the year ended 30 June 2009 the Company made provision for the guarantee of £595,264,000 of loans due from SI to fellow Group companies BSkyB Finance Limited, BSkyB Finance UK plc, BSkyB Investments Limited and SSSL The Company increased its investment in SI to allow SI to settle those liabilities and therefore the provision is no longer required at 30 June 2010 The release of the provision was recorded in Finance Costs for the year

6. Profit (loss) before taxation

There were no employee costs during the year (2009 £nil), as the Company had no employees (2009 none) Services are provided by employees of other companies within the Group with no charge being made for their services (2009 £nil) The Directors did not receive any remuneration during the year in respect of their services to the Company (2009 £nil)

Amounts paid to the auditors for audit services of £11,000 (2009 £11,000) were borne by another Group subsidiary in 2010 and 2009 No amounts for other services have been paid to the auditors

7. Taxation

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

Reconciliation of total tax charge

The tax expense for the year is lower (2009 higher) than the standard rate of corporation tax in the UK (28%) applied to profit before tax The differences are explained below

	2010	2009
	£'000	£'000
Profit (loss) before tax	153,647	(600,278)
Profit (loss) before tax multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	43,021	(168,078)
Effects of		
Permanent differences	5,269	166,674
Non taxable dividend income	(49,000)	-
Group relief surrendered for nil consideration	710	1,404
Taxation	-	-

All taxation relates to UK corporation tax

Notes to financial statements

8. Investment in subsidiaries

The movement in the year was as follows

Shares	**2010 £'000**	2009 £'000
Cost		
Beginning of year	100,000	100,000
Subscription for shares	659,000	-
End of year	**759,000**	100,000
Amounts provided		
Beginning of year	-	-
Amounts provided for impairment during the year	614,718	-
End of year	**614,718**	-
Net book value		
Beginning of year	100,000	100,000
End of year	**144,282**	100,000

Investments in subsidiaries shown above represent the cost of the shares of the wholly-owned subsidiary undertakings, less provisions made for any impairment in value

On 26 March 2010 the Company's increased its investment in SI from its initial cost of £2 to £659,000,002 following the subscription at par for an additional 659,000,000 ordinary shares of £1 Following this increase in the carrying value of the investment, its fair value was reviewed and the Company made a provision against its investment At 30 June 2010, the investment in SI is carried at £44,282,000

The investment in SSSL has been recorded at cost of £100,000,002 (2009 £100,000,002)

The investment in Marketing Contributions Limited has been recorded at cost of £2 (2009 £2)

Details of the principal investments of the Company are as follows

Subsidiary undertakings	Country of incorporation/ operation	Principal activity	Description and proportion of ordinary shares held %
Sky Interactive Limited	Great Britain	The provision of interactive television services	659,000,002 ordinary Shares of £1 each (99 99%)
Marketing Contributions Limited	Great Britain	Subsidy of the sale of digiboxes	2 ordinary Shares of £1 each (100%)
Sky Subscribers Services Limited	Great Britain	The provision of ancillary functions supporting the satellite broadcasting operations of British Sky Broadcasting Group plc	3 ordinary Shares of £1 each (100%)

Notes to financial statements

9. Trade and other receivables

	2010	2009
	£'000	£'000
Amounts receivable from other Group companies [a]	**50,142**	535,341
Amounts receivable from subsidiaries [b]	**2,559**	2,656
Less provision for impairment of receivables	-	(638)
	52,701	537,359

Provisions for doubtful debts

	2010	2009
	£'000	£'000
Balance at beginning of year	638	638
Amounts released on cancellation of the underlying loan in exchange for shares	(638)	-
Balance at end of year	-	**638**

a) Amounts receivable from other Group companies

Amounts due from other Group companies totalling £33,833,000 (2009 £118,209,000) represent trade receivables, they are non-interest bearing and are repayable on demand

On 15 March 2010 the Company entered into a loan agreement of £16,290,000 with BSkyB Finance Limited, whereby the Company was lender and BSkyB Finance Limited was borrower This loan is non-interest bearing and repayable on demand

On 29 June 2008 the Company entered into a new RCF for £500 million with BSkyB Finance Limited The facility is non-interest bearing and repayable on demand On subscription for additional shares in SI, £418,347,000 of this loan was assigned to SI The balance at 30 June 2010 was a payable of £1,234,000 which is included in trade and other payables (2009 receivable of £417,113,000)

Other amounts of £19,000 (2009 £19,000) receivable from other group undertakings are non interest bearing and repayable on demand On subscription for additional shares in SI, £240,015,000 of such balances receivable from other group companies were assigned to SI

b) Amounts receivable from subsidiaries

Amounts due from subsidiaries totalling £541,000 (2009 £nil) represent trade receivables, they are non-interest bearing and are repayable on demand

On 1 July 2002 the Company made an £11 million loan to Marketing Contributions Limited The loan is non-interest bearing and repayable on demand The balance of this loan at 30 June 2010 was £2,018,000 (2009 £2,018,000)

Notes to financial statements

9. Trade and other receivables (continued)

b) Amounts receivable from subsidiaries (continued)

On 26 March 2010 the Company cancelled its loan receivable from SI for £638,000 as part of the consideration for the subscription for additional shares in SI This loan had been fully provided and on cancellation of the loan the provision was released to the income statement

All other amounts owed by subsidiary undertakings are non-interest bearing and repayable on demand

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value No other allowances have been recorded against amounts receivable from Group companies as they have been assessed to be fully recoverable

10. Trade and other payables

	2010	2009
	£'000	£'000
Amounts payable to other Group companies [(a)]	**130,362**	126,590
Amounts payable to subsidiaries [(b)]	-	2,539
	130,362	129,129

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

a) Amounts payable to other Group companies

Amounts due to other Group companies totalling £5,000 (2009 £5,000) represent trade payables, they are non-interest bearing and are repayable on demand

On 29 June 2008 the Company entered into a £122 million loan payable to Sky Television Limited on which interest is charged at base rate plus 1 5% and is repayable on demand The balance of this loan at 30 June 2010 was £129,123,000 (2009 £126,585,000) The Company received confirmation from Sky Television Limited that, for a period of 12 months from the date of the approval of these financial statements, they will not demand payment of any amounts owed to them by the Company where such repayment would prevent the Company from continuing to settle its third party liabilities as they fall due

In addition the Company has a £500 million RCF with BSkyB Finance Limited The facility is non-interest bearing and repayable on demand On 30 June 2010 the balance was a payable of £1,234,000 and is included in trade and other payables (2009 receivable of £417,113,000)

b) Amounts payable to subsidiaries

Amounts due to subsidiaries totalling £nil (2009 £2,539,000) represent trade payables, they are non-interest bearing and are repayable on demand

Notes to financial statements

11. Provisions

	At 1 July 2008 £'000	Provided during the year £'000	Utilised during the year £'000	At 30 June 2009 £'000	**Provided during the year £'000**	**Released during the year £'000**	**At 30 June 2010 £'000**
Current liabilities							
Intercompany financial guarantee	-	595,264	-	595,264	**-**	**(595,264)**	**-**

On 27 October 2008 the Company undertook a joint guarantee to Sky Subscriber Services Limited, BSkyB Finance UK plc and BSkyB Finance Limited to pay amounts up to the value of £595,264,000 owed by its subsidiary SI, upon demand to the extent that SI is unable to meet such payments out of its own resources At 30 June 2009 SI was loss making and in a position where it was unlikely to be able to repay all of its debt to other Group companies therefore the Company recognised the guarantee within provisions

On 26 March 2010 the company increased its investment in SI by £659,000,000 to allow SI to settle the payables subject to the guarantee The increased investment was then subject to an impairment charge of £614,718,000 and the provision was released

12. Financial risk management objectives and policies

Carrying value and fair value

The Company's principal financial instruments comprise trade receivables and trade payables The Company has various financial assets such as trade receivables and cash and cash equivalents

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	Other liabilities £'000	Total carrying value £'000	Total fair values £'000
At 30 June 2010				
Trade and other payables	-	(130,362)	(130,362)	(130,362)
Trade and other receivables	52,701	-	52,701	52,701
Cash and cash equivalents	27	-	27	27
At 30 June 2009				
Trade and other payables	-	(129,129)	(129,129)	(129,129)
Financial guarantee	-	(595,264)	(595,264)	(595,264)
Trade and other receivables	537,359	-	537,359	537,359
Cash and cash equivalents	35	-	35	35

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

Notes to financial statements

12. Financial risk management objectives and policies (continued)

Liquidity risk

The Company's financial liabilities are shown in note 10 All amounts are repayable on demand

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 9

Interest rate risk

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 increase or decrease represents management's assessment of the reasonably possible change in 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 2010 would decrease by £1,291,000 (2009 decrease by £1,266,000)

13. Share capital

	2010	2009
	£'000	£'000
Authorised		
652,060 (2009 652,060) ordinary shares of £1 each	**652**	652
Allotted, called-up and fully paid		
651,960 (2009 651,960) ordinary shares of £1 each	**652**	652

Notes to financial statements

14. Notes to the Cash Flow Statement

Reconciliation of profit before taxation to cash generated from operations

	2010	2009
	£'000	£'000
Profit (loss) before taxation	**153,647**	(600,278)
Impairment of investment in subsidiaries	**614,718**	-
Reversal of impairment of loans to subsidiaries	**(638)**	-
Income from shares in Group undertakings	**(175,000)**	-
Finance costs	**(592,727)**	600,278
	-	-
Decrease in trade and other receivables	**1,296**	-
Increase in trade and other payables	**1,233**	-
Cash generated from operations	**2,529**	-

15. Transactions with related parties

a) Major shareholders of BSkyB plc

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

Notes to financial statements

15. Transactions with related parties (continued)

b) Transactions with subsidiaries and other group companies

The company has related party transactions with its subsidiaries and other Group companies In particular, it is normal practice for the company to lend and borrow cash to and from subsidiaries and other Group companies as required Interest is payable on certain loans from other Group companies For details of amounts owed by and amounts owed to other Group companies and subsidiaries, see notes 9 and 10 respectively For details of finance costs in relation to other Group companies, see note 6

c) Key management

The Company has a related party relationship with the Directors of the Company as key management At 30 June 2010, there were 2 (2009 2) key managers, all of whom were Directors of the Company

16. Events after the reporting period

Cancellation of share premium

On 18 October 2010 the Company's sole shareholder passed a written resolution that the share premium account in the Company be reduced and extinguished from £398,800,800 to £nil and the amount so cancelled being £398,800,800 be credited to the company's retained earnings reserve

The resolution took effect and was registered by the registrar of companies on that date in accordance with section 644 of the Companies Act 2006

17. Ultimate parent undertaking

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

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