

Sky Retail Stores Limited

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

Registered number 03990450



Directors and Officers

For the year ended 30 June 2010

Directors

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

D J Gormley

A Sedgley (resigned 20 July 2009)

B K Aumuller (appointed 20 July 2009)

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 "Group")

The Company's principal activity is as a sales and advisory outlet for Sky Television, Sky Broadband and Sky Talk products. Operations are conducted from kiosk based units which are located in many UK shopping centres. These outlets provide the Company's customers with the opportunity to ask questions about, and see demonstrations of, Sky products before subscribing to any service. During the year the Company has maintained the portfolio of shopping centres in which it operates. As at 30 June 2010, the Company operated in 308 shopping centres (2009: 307). 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 accounts for the year ended 30 June 2010 are set out on pages 6 to 23. The profit for the year was £5,144,000 (2009: loss of £10,802,000). This increase is the result of the adoption of a cost-plus revenue model, in which costs are recharged to British Sky Broadcasting Limited. Revenue has grown to £52,813,000 (2009: £27,966,000) and operating expenses have grown to £46,902,000 (2009: £38,623,000). The Directors do not recommend the payment of a dividend for the year ended 30 June 2010 (2009: nil). The balance sheet shows that the Company's shareholders' deficit position at the year end was £19,136,000 (2009: deficit of £24,280,000). There have been no other significant events since the end of the year.

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

Credit risk

The Company's principal financial assets are cash, cash equivalents and trade and other receivables. The Company's credit risk is primarily attributable to its intercompany balances with other companies in the BSkyB Group. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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 expires in July 2013. The Company benefits from this liquidity through intra-group facilities and loans.

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 unless stated otherwise 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/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 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,



B K Aumuller
Director
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 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 Sky Retail Stores Limited:

We have audited the financial statements of Sky Retail Stores 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 18. 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 £'000	2009 £'000
Revenue	2	52,813	27,966
Operating expense	3	(46,902)	(38,623)
Operating profit (loss)		5,911	(10,657)
Investment income	4	2	-
Finance costs	4	(980)	(2)
Profit (loss) before tax		4,933	(10,659)
Taxation	7	211	(143)
Profit (loss) for the year attributable to equity shareholder		5,144	(10,802)

The accompanying notes are an integral part of this income statement. All results relate to continuing operations. For the year ended 30 June 2010 the Company did not have any other comprehensive income.

Statement of Changes in Equity

For the year ended 30 June 2010

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total shareholders' deficit £'000
At 1 July 2008	50	1,040	(14,568)	(13,478)
Loss for the year attributable to equity shareholder	-	-	(10,802)	(10,802)
At 30 June 2009	50	1,040	(25,370)	(24,280)
Profit for the year attributable to equity shareholder	-	-	5,144	5,144
At 30 June 2010	50	1,040	(20,226)	(19,136)

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
Non-current assets			
Property, plant and equipment	8	5,098	6,509
Current assets			
Trade and other receivables	9	10,481	2,652
Cash and cash equivalents		-	49
		10,481	2,701
Total assets		15,579	9,210
Current liabilities			
Trade and other payables	10	3,735	33,136
Bank overdraft		1,792	-
		5,527	33,136
Non-current liabilities			
Other Payables	10	29,045	-
Deferred tax	11	143	354
		29,188	354
Total liabilities		34,715	33,490
Share Capital	13	50	50
Share Premium		1,040	1,040
Reserves		(20,226)	(25,370)
Shareholder's deficit attributable to equity shareholder		(19,136)	(24,280)
Total liabilities and shareholder's deficit		15,579	9,210

The accompanying notes are an integral part of this balance sheet

The financial statements of Sky Retail Stores Limited, registered number 03990450, were approved by the board of directors and authorised for issued on 29 November 2010 and were signed on its behalf by

B Aumuller

Director

29 November 2010



Cash Flow Statement

For the year ended 30 June 2010

	Notes	2010 £'000	2009 £'000
Cash flows from operating activities			
Cash generated from operations	14	(1,328)	3,596
Interest received		2	-
Interest paid		-	(2)
Net cash from operating activities		(1,326)	3,594
Cash flows from investing activities			
Purchase of property, plant and equipment		(515)	(3,550)
Net cash used in investing activities		(515)	(3,550)
Net (decrease) increase in cash and cash equivalents		(1,841)	44
Cash and cash equivalents at the beginning of the year		49	5
Cash and cash equivalents at the end of the year		(1,792)	49

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

Notes to the financial statements

1. Accounting policies

Sky Retail Stores 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 Group 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 operation, none of which had any significant impact on its results or financial position:

IAS 1 Revised (2007) "Presentation of Financial Statements"

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

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

i. Owned assets

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment losses, (see accounting policy f), 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.

When an item of property, plant and equipment comprises major components having different useful economic lives, the components are accounted for as separate items of property, plant and equipment.

ii. Depreciation

Depreciation is provided to write off the cost, less estimated residual value, of property, plant and equipment 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 years
Leasehold improvements	Lower of lease term or life of the asset
Equipment, furniture and fixtures	3 to 15 years

Notes to the financial statements

1 Accounting policies (continued)

d) 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 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.

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 excluding financial assets (see accounting policy d) and deferred taxation (see accounting policy i) to determine whether there is any indication that any of those assets have suffered an impairment loss.

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

An impairment loss for an individual asset shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised and is only reversed to the extent

Notes to the financial statements

1. Accounting policies (continued)

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) Revenue recognition

Revenue 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 derives from recharges to other companies in the BSkyB Group of companies.

g) Employee benefits

i Wages, salaries and social security contributions

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

ii. Pension obligations

The Company provides pensions to eligible employees through defined contribution schemes. The amount charged to the income statement 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.

iii Termination benefits

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.

h) 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.

The Company as 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 income statement on a straight-line basis over the term of the lease, unless another systematic basis is more appropriate. Benefits received and receivable as incentives to enter into operating leases are recorded on a straight-line basis over the lease term.

Notes to the financial statements

1. Accounting policies (continued)

i) 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.

j) 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) Revenue

Selecting the appropriate timing for, and amount of, revenue to be recognised requires judgement. This involves estimating the fair value of consideration before it is received. In the year to 30 June 2010, the Company adopted a cost-plus revenue model, in which costs are recharged to British Sky Broadcasting Limited.

(ii) Deferred Taxation

An estimation of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different tax and accounting treatments is required. Assumptions are made around the extent to which it is probable that future taxable profit will be available against which the temporary differences can be utilised and deferred tax assets are recognised at the balance sheet date based on these assumptions.

Notes to the financial statements

1 Accounting policies (continued)

(iii) Fixed Assets

Assessing whether assets meet the required criteria for initial capitalisation requires judgement. This requires a determination of whether the assets will result in future benefits to the Company.

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

The Group 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)
- Amendments to IFRS 2 “Share Based Payment – Group Cash settled Share-based Payment Transactions” (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)
- Amendment to IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” (effective 1 January 2011)
- 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 Revenue

Revenue is wholly derived from the principal activity of the company undertaken in the United Kingdom.

3 Operating expense

	2010	2009
	£'000	£'000
Marketing	37,648	31,398
Administration	9,254	7,225
	46,902	38,623

Notes to the financial statements

4. Investment income and finance costs

	2010 £'000	2009 £'000
Investment income		
Interest receivable	2	-
Intercompany interest payable (i)	(980)	-
Other interest payable	-	2
	(978)	2

(i) Intercompany interest payable consists of £980,000 due on amounts of £29,045,000 borrowed from a revolving credit facility held with British Sky Broadcasting Limited. This facility will expire in October 2014.

5. Profit (loss) before taxation

Profit before taxation is stated after charging

	2010 £'000	2009 £'000
Depreciation of property, plant and equipment	1,736	1,223
Rentals on operating leases and similar arrangements	10,249	9,916

Audit fees

Amounts paid to the auditors for audit services of £10,500 (2009: £10,500) were borne by another Group subsidiary in 2010 and 2009. No amounts for other services have been paid to the auditors.

Notes to the financial statements

6. Employee benefits and key management compensation

	2010	2009
	£'000	£'000
Wages and salaries	3,074	2,926
Social security costs	340	358
Contributions to the Pension Plan ("the Pension Plan") (i)	113	59
	3,527	3,343

(i) The Company 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 average monthly number of full-time equivalent persons (including temporary employees) employed by the Company during the year was 918 (2009: 681).

The Directors did not receive any remuneration during the year in respect of their services to the company (2009: £nil).

7 Taxation

a) Taxation recognised in the income statement

	2010	2009
	£'000	£'000
Current tax expense		
Current year	-	-
Total current tax	-	-
Deferred tax (credit) expense		
Origination and reversal of temporary differences	(148)	64
Adjustment in respect of prior years	(63)	79
Total deferred tax	(211)	143
Taxation	(211)	143

Notes to the financial statements

b) Reconciliation of total (credit) tax charge

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

	2010 £'000	2009 £'000
Profit (loss) before tax	4,933	(10,659)
Profit (loss) before tax multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	1,381	(2,985)
Effects of		
Non-deductible expense	60	56
Losses (claimed) surrendered for nil consideration	(1,500)	2,993
Utilisation of brought forward losses	(89)	-
Adjustments in respect of prior years	(63)	79
Taxation	(211)	143

8. Property, plant and equipment

	Kiosks £'000	Office Equipment £'000	Total £'000
Cost			
At 1 July 2008	6,749	122	6,871
Additions	2,216	-	2,216
At 30 June 2009	8,965	122	9,087
Additions	325	-	325
Disposals	(162)	-	(162)
At 30 June 2010	9,128	122	9,250
Depreciation			
At 1 July 2008	1,264	91	1,355
Depreciation	1,192	31	1,223
At 30 June 2009	2,456	122	2,578
Depreciation	1,736	-	1,736
Disposals	(162)	-	(162)
At 30 June 2010	4,030	122	4,152
Carrying amounts			
At 1 July 2008	5,485	31	5,516
At 30 June 2009	6,509	-	6,509
At 30 June 2010	5,098	-	5,098

Notes to the financial statements

9. Trade and other receivables

	2010 £'000	2009 £'000
Amounts receivable from immediate Parent company(i)	6,686	-
Prepayments	2,457	1,771
VAT receivable	1,338	881
	10,481	2,652

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

(i) Amounts due from the immediate Parent company totalling £6,686,000 represent trade receivables, they are non-interest bearing and are repayable on demand

10. Trade and other payables

	2010 £'000	2009 £'000
Current payables		
Trade payables	1,009	475
Amounts payable to immediate Parent company	-	28,064
Bank overdraft	1,792	-
Accruals	2,726	4,597
	5,527	33,136
Non-current payables		
Amounts payable to immediate Parent company	29,045	-
Total payables	34,572	33,136

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

Amounts payable to other Group companies

On 16 October 2009, the company entered into a £40,000,000 RCF with BSKyB Ltd This loan is repayable in October 2014 and bears interest at a fixed rate of 5% At 30 June 2010, the balance drawn down on this facility was £29,045,000 The RCF replaces a loan with BSKyB limited that had been disclosed as current in the prior year

Notes to the financial statements

11 Deferred tax liability

	Fixed asset timing differences
	£'000
At 1 July 2009	354
Credit to income	(211)
At 30 June 2010	143

There are no unrecognised tax liabilities

12. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade receivables and trade payables. 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	-	(32,780)	(32,780)	(32,780)
Trade and other receivables	6,686	-	6,686	6,686
Cash and cash equivalents	-	(1,792)	(1,792)	(1,792)
At 30 June 2009				
Trade and other payables	-	(33,136)	(33,136)	(33,136)
Trade and other receivables	-	-	-	-
Cash and cash equivalents	49	-	49	49

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

Notes to the financial statements

12 Financial risk management objectives and policies (continued)

Liquidity risk

The Company's financial liabilities are shown in note 11

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

	Less than 12 months £'000	Between one and two years £'000	Between two and five years £'000	More than 5 years £'000
At 30 June 2010				
Trade and other payables	5,527	-	29,045	-
At 30 June 2009				
Trade and other payables	33,136	-	-	-

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

Additional information

As at 30 June 2010, the carrying value of financial assets that were, upon initial recognition, designated as financial assets at fair value through profit or loss, was £nil (2009: £nil)

Notes to the financial statements

13. Share capital

	2010 £	2009 £
Authorised		
4,998,000 (2009 4,998,000) deferred shares of £0.01 each	49,980	49,980
95,001,980 (2009 95,001,980) ordinary shares of £0.001 each	950,020	950,020
Allotted, called-up and fully paid		
4,998,000 (2009 4,998,000) deferred shares of £0.01 each	49,980	49,980
3,055 (2009 3,055) ordinary shares of £0.01 each	31	31

14 Notes to the Cash Flow Statement

a) Reconciliation of profit before taxation to cash generated from operations

	2010 £'000	2009 £'000
Profit (loss) before taxation	4,933	(10,659)
Depreciation of property, plant and equipment	1,736	1,223
Net finance costs	978	2
Decrease (increase) in trade and other receivables	(7,829)	(684)
Increase (decrease) in trade and other payables	(1,146)	13,714
Cash generated from operations	(1,328)	3,596

15. Operating lease commitments

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

	2010 £'000	2009 £'000
Within one year	9,703	10,613
Between one and two years	8,641	10,095
Between two and three years	5,763	8,955
Between three and four years	1,907	6,030
Between four and five years	425	1,443
After five years	-	-
	26,439	37,136

Notes to the financial statements

15. Operating lease commitments (continued)

Lease rentals include amounts payable in respect of property leases for the kiosk based operations of the business. All operating leases relate to property. The rents payable under these leases are fixed over the terms of the lease.

16. Contingent liabilities

At 30 June 2010 the Company had a contingent liability relating to an employment matter. No provision has been made in these financial statements as the Company's management, having taken appropriate legal advice, do not believe that there is any probable outflow.

17. Transactions with related parties

a) Key management

The Company has a related party relationship with the Directors of the Company as key management. At 30 June 2010, there were two (2009: two) key managers, both of whom were Directors of the Company. See note 6 for further information.

b) Transactions with immediate Parent company

The Company conducts business transactions with its immediate Parent Company, British Sky Broadcasting Limited. In the year to 30 June 2010, SRS earned revenue of £52,813,000 (2009: £27,966,000) from British Sky Broadcasting Limited. For details of amounts owed by and owed to British Sky Broadcasting Limited, see note 9 and note 10.

Additional information

The Group's treasury function is responsible for liquidity management across the Group's operations. It is standard practice for the Company to lend and borrow cash to and from other Group companies as required.

News Corporation

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 25 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.

Notes to the financial statements

17 Transactions with related parties (continued)

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.

18. 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.

British Sky Broadcasting Limited is the immediate parent company of Sky Retail Stores Limited.