

Rivals Digital Media Limited

Annual report and financial statements
for the year ended 30 June 2008

Registered number: 4284373

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Directors and Officers

For the year ended 30 June 2008

Directors

Rival Digital Media Limited's ("the Company's") present Directors and those who served during the year are as follows:

P Croton

R Flint

V Russell (appointed 27 May 2008)

A Griffith (resigned 27 May 2008)

Secretary

D J Gormley

Registered office

Grant Way

Isleworth

Middlesex

TW7 5QD

Auditors

Deloitte LLP

Chartered Accountants

Leeds

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 2008.

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 part of the Group.

The principal activity of the company is that of the production, publishing and distribution of sports content across digital platforms, specially the internet and mobile phones, Rivals Digital Media publishes its own online brand but also produces and distributes sports information to other businesses such as internet service providers and mobile phone retailers and networks. There have not been any significant changes in the Company's activities in the year under review.

The balance sheet shows the Company's shareholders' equity position at the year end of £596,000 (2007: £637,000 deficit). The audited accounts for the year ended 30 June 2008 are set out on pages 7 to 26. The profit for the period was £1,233,000 (2007: £595,000). The increase arising from improved online advertising sales revenues. The Directors do not recommend the payment of a dividend for the year ended 30 June 2008 (2007: nil).

There have not been any significant changes in the Company's activities in the year under review. In assessing the appropriateness of the application of the going concern basis, the Directors have considered the trading position of the company and the available cash. The Directors are of the view that it is appropriate to apply the going concern basis.

Principal risks and uncertainties

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 10 and 11.

Liquidity Risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company relies on the Group treasury function, which has access to an undrawn £1,000m rolling credit facility to ensure ongoing liquidity.

Price and Cash Flow risk

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

Directors

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

Directors' report

Auditors

In accordance with the provisions of Section 234ZA of the Companies Act 1985, 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 1985) 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.

KPMG Audit Plc resigned as auditors during the year. Deloitte LLP were appointed to fill the casual vacancy. Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board,



R C Flint
Director
Grant Way
Isleworth
Middlesex
TW7 5QD

6 March 2009

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 and as issued by the International Accounting Standards Board. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 "Presentation of Financial Statements" requires that financial statements present fairly, for each financial year, the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expense set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- 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 proper accounting records that 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 1985. 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 Rivals Digital Media Limited:

We have audited the financial statements of Rivals Digital Media Limited for the year ended 30 June 2008 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Financial Statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with those IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 June 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Auditors' report

Separate opinion in relation to IFRS

As explained in note 1 to the financial statements, the company in addition to complying with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 30 June 2008 and of its profit for the year then ended.



Deloitte LLP

Chartered Accountants and Registered Auditors

Leeds, United Kingdom

16 March 2009

Income Statement

For the year ended 30 June 2008

	Notes	12mths to June 2008 £'000	18 mths to June 2007 £'000
Revenue	2	3,099	2,511
Operating expense	3	(1,824)	(1,916)
Operating profit		1,275	595
Investment income	4	1	-
Finance costs	4	(43)	-
Profit before tax	5	1,233	595
Taxation	7	-	-
Profit for the period attributable to equity holders		1,233	595

The accompanying notes are an integral part of this income statement. All results relate to continuing operations.

Statement of Changes in Equity

For the year ended 30 June 2008

	Share capital	Share premium	Retained earnings	Total shareholders' equity
	£'000	£'000	£'000	£'000
At 1 January 2006	1	2,812	(4,045)	(1,232)
Profit for the period	-	-	595	595
At 30 June 2007	1	2,812	(3,450)	(637)
Profit for the year	-	-	1,233	1,233
At 30 June 2008	1	2,812	(2,217)	596

Balance Sheet

As at 30 June 2008

	Notes	2008 £'000	2007 £'000
Non-current assets			
Intangible assets	8	-	7
Property, plant and equipment	9	-	44
		-	51
Current assets			
Inventories		-	4
Trade and other receivables	10	3,071	3,267
Cash and cash equivalents		67	-
		3,138	3,271
Total assets		3,138	3,322
Current liabilities			
Trade and other payables	11	2,542	3,577
Bank overdraft		-	382
Total liabilities		2,542	3,959
Shareholders' equity		596	(637)
Total liabilities and shareholders' equity		3,138	3,322

The accompanying notes are an integral part of this balance sheet.

These financial statements have been approved and authorised for issue by the Board of Directors on 6 March 2009 and were signed on its behalf by:



RC Flint
Director
6 March 2009

Cash Flow Statement

For the year ended 30 June 2008

	Note	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash generated from operations	14	1,331	449
Interest received		1	-
Interest paid		(19)	-
Taxation paid		-	-
Net cash from operating activities		1,313	449
Cash flows from investing activities			
Purchase of property, plant and equipment		(2)	(2)
Net cash used in investing activities		(2)	(2)
Cash flows from financing activities			
Intercompany interest paid		(24)	-
Payments from loans to subsidiaries		(838)	(878)
Net cash from financing activities		(862)	(878)
Net increase (decrease) in cash and cash equivalents		449	(431)
Cash and cash equivalents at the beginning of the year		(382)	49
Cash and cash equivalents at the end of the year		67	(382)

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

Notes to financial statements

1. Accounting policies

Rivals Digital Media Limited (the "Company") is a limited liability company incorporated in England and Wales, and domiciled in the United Kingdom ("UK").

a) Statement of compliance

These financial statements are prepared in accordance with IFRS (including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees) as adopted for use in the European Union ("EU"), the Companies Act 1985 and as issued by the IASB.

The following IFRSs were adopted from the 1 July 2004, the date of transition to IFRS (the "Transition Date"), which is earlier than required under the IFRS transitional provisions: IAS 32 "Financial Instruments: Disclosure and Presentation", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 2 "Share-based Payment" and IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

b) Basis of preparation

The financial statements have been prepared on the historical cost basis. The accounts have been prepared on the going concern basis.

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2008 this date was 29 June 2008, this being a 52 week year (fiscal year 2007: 1 July 2007, 52 week year). For convenience purposes, the Company continues to date its financial statements as of 30 June 2008.

The Company has taken advantage of the exemption from preparing the consolidated accounts afforded by section 228 of the Companies Act 1985, because it is a wholly-owned subsidiary of BSkyB which prepares consolidated accounts which are publicly available (see note 17).

c) Foreign currency translation

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

Notes to financial statements

1. Accounting policies (continued)

d) Intangible assets

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

Amortisation of an intangible asset begins when the asset is available for use, and is charged to the income statement through operating expenses on a straight-line basis over the intangible assets' estimated useful life, being a period of no more than ten years, unless the asset life is judged to be indefinite. If the useful life is indefinite or the asset is not yet available for use, no amortisation is charged and an impairment test is carried out at least annually.

e) 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 i), 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
Equipment, furniture and fixtures	3 to 15 years
Assets under finance leases and leasehold improvements	Lesser of lease term and the useful economic life of the asset

Notes to financial statements

1. Accounting policies (continued)

f) Financial assets and liabilities

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

Notes to financial statements

1. Accounting policies (continued)

g) 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 inventories, non-current assets classified as held for sale, financial assets (see accounting policy f) and deferred taxation (see accounting policy l) to determine whether there is any indication that any of those assets have suffered an impairment loss.

An impairment is recognised in the 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 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.

h) 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.

i) Revenue recognition

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Company's operating activities. Revenue is measured at the fair value of the consideration received or receivable. The Company's main sources of revenue are recognised as follows:

- The production, publishing and distribution of sports content across digital platforms, specially the internet and mobile phones. This revenue is recognised in the month in which the content is provided.
- Advertising sales revenue is recognised when the advertising is shown on the Company's websites. Revenue generated from airtime sales where the Company acts as an agent on behalf of third parties is recognised on a net commission basis.
- Online e-commerce sales which include the sale of products through a dedicated web based shop. The revenue is recognised in the month of sale.

Notes to financial statements

1. Accounting policies (continued)

j) Employee benefits

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.

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.

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.

k) Leases

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

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.

l) Taxation, including deferred taxation

The Company's liability for current tax is based on taxable profits 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. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is "probable" to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted.

Notes to financial statements

1. Accounting policies (continued)

l) Taxation, including deferred taxation (continued)

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.

The standard rate of corporation tax has changed from 30% to 28% in the UK with effect from 1 April 2008.

m) Critical accounting policies

Critical accounting policies are those that require significant judgement or estimates and potentially result in material different results under different assumptions or conditions.

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.

Receivables

Judgement is required in evaluating the likelihood of collection of customer debt. This evaluation requires estimates to be made, including the level of provision to be made for amounts with uncertain recovery profiles. Provisions are based on historical trends in the percentage of debts which are not recovered or on more detailed reviews of individually significant balances.

n) 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 and are mandatory for the Company's accounting periods beginning on or after 1 July 2008, or later periods. These new standards are listed below:

- IFRIC 12 "Service Concession Arrangements" (effective from 1 January 2008).
- IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective from 1 January 2008).
- IFRIC 13 "Customer Loyalty Programmes" (effective from 1 July 2008).
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective from 1 October 2008).
- IAS 1 (revised) "Presentation of Financial Statements" (effective from 1 January 2009).
- IAS 32 "Financial Instruments: Presentation" (effective 1 January 2009).
- Amendment to IAS 23 "Borrowing Costs" (effective from 1 January 2009).
- IFRS 8 "Operating Segments" (effective from 1 January 2009).
- IFRIC 15 "Agreements for the Construction of Real Estate" (effective from 1 January 2009).
- Amendments to IFRS 2 "Share-Based Payments" (effective from 1 January 2009).
- Amendments to IFRS 1 "First Time Adoption of International Financial Reporting Standards" (effective 1 January 2009).
- IFRS 3 "Business Combinations" (effective from 1 July 2009).
- IAS 27 "Consolidated & Separate Financial Statements" (effective from 1 July 2009).

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

Notes to financial statements

2. Revenue

	12 mths to June 2008 £'000	18 mths to June 2007 £'000
Advertising	3,023	2,058
Content	50	211
E-Commerce	2	242
Other	24	-
	3,099	2,511

Revenue arises from goods and services provided to the United Kingdom.

The Company does not have any separable business segments.

3. Operating expenses

	12 mths to June 2008 £'000	18 mths to June 2007 £'000
Cost of sales	78	360
Administrative costs	1,746	1,556
	1,824	1,916

4. Investment income and finance costs

	2008 £'000	2007 £'000
Investment income		
Cash, cash equivalents and short-term deposits	1	-
	1	-
	2008 £'000	2007 £'000
Finance costs		
Cash, cash equivalents and short-term deposits	(19)	-
Intercompany interest payable	(24)	-
	(43)	-

Notes to financial statements

5. Profit before taxation

Profit before taxation is stated after charging:

	12 mths to June 2008 £'000	18 mths to June 2007 £'000
Depreciation of property, plant and equipment	46	18
Amortisation of intangible assets	7	7
Rentals on operating leases and similar arrangements	69	147

Audit fees

Amounts paid to the auditors for audit services of £11,000 (2007: £6,000) were borne by another Group subsidiary in 2008 and 2007. No amounts for other services have been paid to the auditors.

6. Employee benefits and key management compensation

Employee benefits for the Company during the year

	12 mths to June 2008 £'000	18 mths to June 2007 £'000
Wages and salaries	115	268
Social security costs	11	29
Contributions to the 365 Media Group pension Plan ("the Pension Plan") (i)	3	7
	129	304

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 2 (2007: 7).

Notes to financial statements

7. Taxation

a) Taxation recognised in the income statement

	2008 £'000	2007 £'000
Current tax expense		
Current year	-	-
Total current tax	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Decrease/(Increase) in estimate of recoverable deferred tax asset	-	-
Total deferred tax	-	-
Taxation	-	-

b) Reconciliation of total tax charge

The tax expense for the year is lower (2007: lower) than the blended rate of corporation tax in the UK (29.5%) applied to profit before tax. The differences are explained below:

	2008 £'000	2007 £'000
Profit before tax	1,233	595
Profit before tax multiplied by blended rate of corporation tax in the UK of 29.5% (2007: 30%)	364	179
Effects of:		
Movement in deferred tax assets not recognised	2	-
Non-deductible expense	-	1
Losses brought forward and utilised	(366)	(180)
Taxation	-	-

At 30 June 2008 there was a deferred tax asset of £644,000 (2007: £923,000) relating primarily to trading losses arising within the company. These amounts will be recoverable provided that suitable taxable profits will arise in the future. Although the Directors do expect sufficient profits to arise, there is currently insufficient evidence to support recognition of a deferred tax asset relating to these balances.

Notes to financial statements

8. Intangible assets

	Internally generated intangible assets £'000
Cost	
At 1 July 2006	14
Additions	-
At 30 June 2007	14
Additions	-
At 30 June 2008	14
Amortisation	
At 1 July 2006	-
Amortisation for the year	7
At 30 June 2007	7
Amortisation for the year	7
At 30 June 2008	14
Carrying amounts	
At 1 July 2006	14
At 30 June 2007	7
At 30 June 2008	-

Notes to financial statements

9. Property, plant and equipment

	Fixtures & Fittings £'000	Plant & Equipment £'000	Total £'000
Cost			
At 1 July 2006	235	983	1,218
Additions	-	2	2
Disposals	(189)	(950)	(1,139)
At 30 June 2007	46	35	81
Additions	-	2	2
At 30 June 2008	46	37	83
Depreciation			
At 1 July 2006	190	967	1,157
Depreciation	7	12	19
Disposals	(189)	(950)	(1,139)
At 30 June 2007	8	29	37
Depreciation	38	8	46
At 30 June 2008	46	37	83
Carrying amounts			
At 1 July 2006	45	16	61
At 30 June 2007	38	6	44
At 30 June 2008	-	-	-

Notes to financial statements

10. Trade and other receivables

	2008 £'000	2007 £'000
Gross trade receivables	13	56
Less: provision for impairment of receivables	(9)	(21)
Net trade receivables	4	35
Amounts receivable from other Group companies	3,011	3,078
Prepayments	51	116
Accrued income	-	29
Other receivables	5	9
	3,071	3,267

The ageing of the Company's net trade receivables past due or subject to impairment is as follows:

	2008 £'000	2007 £'000
Within due date	-	10
Up to thirty days past due date	-	3
Thirty to sixty days past due date	-	1
Sixty to ninety days past due date	4	1
Ninety to 120 days past due date	-	-
More than 120 days past due date	-	20
	4	35

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. Amounts owed by Group companies are non-interest bearing and repayable on demand.

Provisions for doubtful debts

	2008 £'000	2007 £'000
Balance at beginning of period	21	85
Amounts utilised	(44)	(66)
Income statement charge	32	2
Balance at end of period	9	21

Notes to financial statements

11. Trade and other payables

	2008 £'000	2007 £'000
Trade payables	-	100
Amounts payable to ultimate parent company	220	18
Amounts payable to other Group companies	2,203	3,314
Accruals	111	145
Other payables	8	-
	2,542	3,577

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

No interest is charged on amounts due to other Group companies. These amounts are repayable on demand.

12. Financial risk management objectives and policies

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 2008				
Trade and other payables	-	(2,542)	(2,542)	(2,542)
Trade and other receivables	3,020	-	3,020	3,020
Cash and cash equivalents	67	-	67	67
At 30 June 2007				
Trade and other payables	-	(3,577)	(3,577)	(3,577)
Trade and other receivables	3,151	-	3,151	3,151
Overdraft	-	(382)	(382)	(382)

The Directors consider that the carrying amount of financial instruments approximates to their fair value.

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.

Notes to financial statements

Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of £67,000 (2007: £nil).

The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 10.

Liquidity risk

Liquidity risk is managed on behalf of the Company by the Group treasury function of British Sky Broadcasting Group Plc, of which the Company forms a part. The Group has access to an undrawn £1,000 million rolling credit facility to ensure ongoing liquidity. This facility expires in 2010.

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	Between one and two years	Between two and five years	More than 5 years
At 30 June 2008				
Trade and other payables	2,542	-	-	-
At 30 June 2007				
Trade and other payables	3,577	-	-	-

13. Share capital

	2008 £'000	2007 £'000
Authorised		
20,000(2005: 20,000) ordinary 'A' shares of £0.01 each	-	-
80,000 (2005: 80,000) ordinary 'B' shares of £0.01 each	1	1
Allotted, called-up and fully paid		
12,000 (2005: 12,000) ordinary 'A' shares of £0.01 each	-	-
80,000 (2005: 80,000) ordinary 'B' shares of £0.01 each	1	1

Notes to financial statements

14. Notes to the Consolidated Cash Flow Statement

Reconciliation of profit before taxation to cash generated from operations

	2008 £'000	2007 £'000
Profit before taxation	1,233	595
Depreciation of property, plant and equipment	46	19
Amortisation of intangible assets	7	7
Net finance costs	42	-
	1,328	621
Decrease (increase) in trade and other receivables	129	(4)
Increase (decrease) in trade and other payables	(126)	(168)
Cash generated from operations	1,331	449

15. Operating lease commitments

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

	2008 £'000	2007 £'000
Within one year	25	-
Between one and two years	-	106
Between two and three years	-	-
Between three and four years	-	-
Between four and five years	-	-
After five years	-	-
	25	106

The operating lease shown above is for the lease of the property at Loman Street. This lease ceases in September 2008 and will not be renewed.

16. Transactions with related parties

Details of amounts owed by fellow subsidiary undertakings to the Company are given in note 10 and amounts owed to fellow subsidiary undertakings by the Company are given in note 11.

The Bsky8 Group plc's treasury function is responsible for liquidity management across the Company's operations. It is standard practice for the company to lend and borrow cash to and from subsidiaries as required.

Notes to financial statements

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.