RIVALS DIGITAL MEDIA LIMITED

Annual report and financial statements
For the year ended 30 June 2011

Registered number 4284373

Directors and Officers

For the year ended 30 June 2011

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
S Steele

Secretary

D J Gormley

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD
United Kingdom

Auditor

Deloitte LLP
Chartered Accountants
London
United Kingdom

Directors' Report

The Directors present their Annual Report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 30 June 2011

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 Group") The immediate parent company of the Company is 365 Media Group Limited

During the year, the principal activity of the Company was that of the production, publishing and distribution of sports content across digital platforms, especially 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 During the year, the trade and assets of the business were transferred to 365 Media Group Limited and the Company is now a holding company To facilitate the business transfer, the Company has issued share capital to clear intercompany balances and then undertaken a reduction in both the share capital and share premium balances, as detailed in note 11

The Directors believe that the Company is likely to cease trading by 30 June 2012, and as such the accounts have been prepared on a basis other than going concern No material adjustments arose as a result of ceasing to apply the going concern basis

The Balance Sheet shows the Company's shareholder's deficit position at the year-end of £nil (2010 deficit of £840,000) The audited financial statements for the year ended 30 June 2011 are set out on pages 6 to 17 The loss for the year was £676,000 (2010 loss of £672,000) The Directors do not recommend the payment of a dividend for the year ended 30 June 2011 (2010 £nil)

Key performance indicators (KPIs)

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

Principal risks and uncertainties

The 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 7 and 8

Financial risk management objectives and policies

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

Financial risk management objectives and policies (continued)

Credit risk

The Company's principal assets are intercompany balances The Company's credit risk is primarily attributable to these balances The intercompany balances of the Company are detailed in notes 7 and 8

Price and Cash Flow risk

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

Basis other than going concern

The Directors believe that the Company is likely to cease trading by 30 June 2012, and as such the accounts have been prepared on a basis other than going concern No material adjustments arose as a result of ceasing to apply the going concern basis

Directors

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

Auditor

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

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and
- the Director has taken all the steps that he 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 auditor is aware of that information

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

By Order of the Board,

S Steele
Director

Grant Way
Isleworth
Middlesex
TW7 5QD

30 November 2011

Statement of Directors' responsibility

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 are required 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

Auditor's report

Independent Auditor's 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 2011 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 15 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

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

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

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter - Financial statements prepared other than on a going concern basis
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern

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

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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

William Touche (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30 November 2011

Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	**2011** £'000	2010 £'000
Discontinued Operations			
Revenue	2	**149**	537
Operating expense	3	**(825)**	(1,209)
Operating loss before tax		**(676)**	(672)
Tax	5	**-**	-
Loss for the year attributable to equity shareholder		**(676)**	(672)

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

For the years ended 30 June 2011 and 30 June 2010, the Company did not have any other items of Comprehensive Income

All current and prior year trading qualifies as discontinued operations under the criteria of IFRS 5 at the year end, and there are no statement of comprehensive income balances relating to continued operations in either the current or prior year

Statement of Changes in Equity

For the year ended 30 June 2011

	Share capital £'000	**Share premium £'000**	**Retained earnings £'000**	**Total shareholder's deficit £'000**
At 1 July 2009	1	2,812	(2,981)	(168)
Loss for the year	-	-	(672)	(672)
Total comprehensive loss for the year	**-**	**-**	**(672)**	**(672)**
At 30 June 2010	**1**	**2,812**	**(3,653)**	**(840)**
Loss for the year	-		(676)	(676)
Total comprehensive loss for the year	**-**	**-**	**(676)**	**(676)**
Share capital issued	1,700	-	-	1,700
Share premium reduction	-	(2,812)	2,812	-
Share capital reduction	(1,701)	-	1,701	-
Distributions paid to other group companies	-	-	(184)	(184)
At 30 June 2011	**-**	**-**	**-**	**-**

For a description of the nature and purpose of the share capital and share premium transactions, see note 11
The accompanying notes are an integral part of this Statement of Changes in Equity

Balance Sheet

As at 30 June 2011

	Notes	2011 £'000	2010 £'000
Current assets			
Trade and other receivables	7	-	4,170
Cash and cash equivalents		-	35
Total assets		-	4,205
Current liabilities			
Trade and other payables	8	-	5,045
Total liabilities		-	5,045
Share capital	11	-	1
Share premium	11	-	2,812
Reserves		-	(3,653)
Total deficit attributable to equity shareholder		-	(840)
Total liabilities and shareholder's deficit		-	4,205

The accompanying notes are an integral part of this Balance Sheet

The financial statements of Rivals Digital Media Limited, registered number 4284373, have been approved by the Board of Directors on 30 November 2011 and were signed on its behalf by

S Steele
Director
30 November 2011

Cash Flow Statement

For the year ended 30 June 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Cash used in operations	12	**(676)**	(754)
Net cash used in operating activities		**(676)**	(754)
Cash flows from financing activities			
(Repayment) proceeds of loans to and from other Group companies		**(875)**	775
Proceeds from share issue		**1,700**	-
Distributions paid to other group companies		**(184)**	-
Net cash from financing activities		**641**	775
Net (decrease) increase in cash and cash equivalents		**(35)**	21
Cash and cash equivalents at the beginning of the year		**35**	14
Cash and cash equivalents at the end of the year		**-**	35

The accompanying notes are an integral part of this Cash Flow Statement

Notes to the 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

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

b) Basis of preparation

The financial statements have been prepared on an historical cost basis, except for the remeasurement to fair value of financial instruments as described in the accounting policies below

The Company has adopted the new accounting pronouncements which became effective this period, none of which had any significant impact on the Company's results or financial position

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year In fiscal year 2011, this date was 3 July 2011, this being a 53 week year (fiscal year 2010 27 June 2010, 52 week year) For convenience purposes, the Company continues to date its financial statements as at 30 June The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company

Basis other than going concern

The Directors believe that the Company is likely to cease trading by 30 June 2012, and as such the accounts have been prepared on a basis other than going concern (please refer to the Directors' Report for further details)

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

i. Trade and other receivables

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

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 also included as a component of cash and cash equivalents where offset conditions are met.

Notes to the financial statements

1. Accounting policies (continued)

c) Financial assets and liabilities (continued)

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) Impairment

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

An impairment, other than an impairment of an investment in a joint venture or associate, is recognised in the Statement of Comprehensive Income whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount An impairment of an investment in a joint venture or associate is recognised within the share of profit from joint ventures and associates The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis

An impairment loss for an individual asset or cash generating unit 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

e) Revenue recognition

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Company's operating activities The Company's main source of revenue is advertising sales revenue which is recognised when the advertising is broadcast Revenue generated from airtime sales, where Sky acts as an agent on behalf of third parties, is recognised on a net commission basis

f) Tax

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

Notes to the financial statements

1 Accounting policies (continued)

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 July 2011 or later periods These new pronouncements are listed below

- IAS 24 Revised (2009) "Related Party Disclosures" (effective 1 January 2011),
- Improvements to IFRSs 2010 – various standards (effective 1 January 2011),
- IFRS 9 "Financial Instruments" (effective 1 January 2013), and
- IFRS 13 "Fair Value Measurement" (effective 1 January 2013)

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

h) Critical accounting policies and the use of judgment

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

(i) Revenue (see note 2)

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

2. Revenue

	2011	2010
	£'000	£'000
Advertising	**149**	537

Revenue arises from goods and services provided to the UK

3 Operating expense

	2011	2010
	£'000	£'000
Administration	**825**	1,209

Notes to the financial statements

4 Loss before tax

Audit fees

Amounts paid to the auditor for the audit of the Company's annual accounts of £10,500 (2010 £10,500) were borne by another Group subsidiary in 2011 and 2010 No amounts for other services have been paid to the auditor

Employee benefits and key management compensation

a) Employee benefits for the Company

Services during 2011 and 2010 were provided by employees of other companies within the Group (defined as BSkyB and its subsidiary undertakings)

b) Key management compensation

The Directors received no remuneration in respect of the services to the Company (2010 £nil)

5. Tax

No taxation charge was recognised in the year ended 30 June 2011 (2010 £nil)

b) Reconciliation of effective tax rate

The tax expense for the year is higher (2010 higher) than the expense that would have been charged using the blended rate of corporation tax in the UK (27 5%) applied to loss before tax The applicable or substantively enacted blended rate of UK corporation tax for the year was 27 5% (2010 28%) The differences are explained below

	2011 **£'000**	2010 £'000
Loss before tax	**(676)**	(672)
Loss before tax multiplied by blended rate of corporation tax in the UK of 27 5% (2010 28%)	**(186)**	(188)
Effects of		
Group relief surrendered for £nil consideration	**189**	195
Capital allowances in excess of depreciation	**(3)**	(7)
Tax	**-**	-

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

All remaining trading losses were transferred to 365 Media Group Limited on 27 February 2011

6. Discontinued operations

On 27th February 2011, the business of the Company was transferred to 365 Media Group Limited at a book value of £36,000 with the consideration being an intercompany receivable from 365 Media Group Limited

The net assets of the Company at the date of transfer were

	27 February 2011 £'000
Current assets	
Cash and cash equivalents	36
Total assets	**36**
Net assets	**36**
Total consideration	36
Net assets disposed	(36)
Net profit on disposal	**-**

7. Trade and other receivables

	2011 £'000	2010 £'000
Amounts receivable from other Group companies	-	4,170

In the prior year, the Directors considered that the carrying amount of trade and other receivables approximated their fair value

Amounts receivable from other Group companies

In the prior year, amounts due from other Group companies totalling £4,170,000 represented intercompany receivables, they were non-interest bearing and repayable on demand

On 14 February 2011, the Company assigned £2,888,000 of the receivable from BSkyB Limited and £141,000 of the receivable from Oddschecker Services Limited to settle a £3,029,000 payable owed to TEAMtalk com Limited

On the same day, the Company assigned £149,000 of the receivable from 365 Digital Media Limited and £676,000 of the receivable from BSkyB Limited to settle a £825,000 payable owed to TEAMtalk com Limited

On 27 February 2011, the business of the Company was transferred to 365 Media Group Limited at a book value of £36,000 with the consideration being an intercompany receivable from 365 Media Group Limited The Company then made a distribution to TEAMtalk Media Group Limited of £184,000 consideration being the Company distributing £148,000 of a receivable from BSkyB Limited and £36,000 of a receivable from 365 Media Group Limited

In the prior year, within the Company there was a concentration of credit risk within amounts receivable from other Group companies No allowances were recorded against amounts receivable from Group companies as they were assessed to be fully recoverable

Notes to the financial statements

8. Trade and other payables

	2011	2010
	£'000	£'000
Amounts payable to ultimate parent Company	-	316
Amounts payable to other Group companies	-	4,729
	-	5,045

In the prior year, the Directors considered that the carrying amount of trade and other payables approximated their fair values

On 14 February 2011, the Company issued 170,000,000 of new ordinary shares of £0 01 each to TEAMtalk Media Group Limited ("TTMG") in consideration for TTMG agreeing to assume liability to pay £1,128,654 of a loan that was payable by the Company to 365 Media Group Limited and £571,346 of a loan that was payable by the Company to TEAMtalk com Limited

On the same day, the Company assigned £2,888,000 of the receivable from BSkyB Limited and £141,000 of the receivable from Oddschecker Services Limited to settle a £3,029,000 payable owed to TEAMtalk com Limited On the same day, the Company assigned £149,000 of the receivable from 365 Digital Media Limited and £676,000 of the receivable from BSkyB Limited to settle a £825,000 payable owed to TEAMtalk.com Limited

9. Financial instruments

Carrying value and fair value

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

The accounting classification of each class of the Company's financial assets and financial liabilities is as follows

	Loans and receivables £'000	Other liabilities £'000	Total carrying value £'000	Total fair values £'000
At 30 June 2011				
Trade and other payables	-	-	-	-
Trade and other receivables	-	-	-	-
Cash and cash equivalents	-	-	-	-
At 30 June 2010				
Trade and other payables	-	(5,045)	(5,045)	(5,045)
Trade and other receivables	4,170	-	4,170	4,170
Cash and cash equivalents	35	-	35	35

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

- The fair value of other financial assets and financial liabilities (excluding derivative instruments) 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, and
- The fair value of short-term deposits and cash and cash equivalents is equivalent to carrying value due to the short-term nature of these instruments

Notes to the financial statements

10. Financial risk management objectives and policies

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

Capital Risk Management

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

Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of £nil (2010 £35,000) The Company's maximum exposure to credit risk on intercompany receivables is the carrying amounts disclosed in note 7

Liquidity risk

The Company's financial liabilities are shown in note 8

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 twelve months	Between one and two years	Between two and five years	More than five years
	£'000	£'000	£'000	£'000
At 30 June 2011				
Trade and other payables	-	-	-	-
At 30 June 2010				
Trade and other payables	(5,045)	-	-	-

Notes to the financial statements

11. Share capital

	2011	2010
	£	£
Allotted, called-up and fully paid		
200 (2010 92,000) ordinary shares of £0 01 (2010 £0 01) each	**2**	920

On 14 February 2011, the Company issued 170,000,000 of new ordinary shares of £0 01 each to TEAMtalk Media Group Limited ("TTMG") in consideration for TTMG agreeing to assume liability to pay £1,128,654 of a loan that was payable by the Company to 365 Media Group Limited and £571,346 of a loan that was payable by the Company to TEAMtalk com

On the same day, the Company reduced its share capital from £1,700,920 to £2 by the cancelling and extinguishing of 170,091,800 ordinary shares of £0 01 each by crediting the amount to the Company's retained earnings reserve

On the same day the Company's share premium account was reduced and extinguished from £2,811,728 to £nil by crediting the amount to the Company's retained earnings reserve

12. Notes to the Cash Flow Statement

Reconciliation of loss before tax to cash used in operations

	2011	2010
	£'000	£'000
Loss before tax	**(676)**	(672)
Decrease in trade and other payables	**-**	(82)
Cash used in operations	**(676)**	(754)

13. Transactions with related parties and major shareholders of BSkyB plc

a) Major shareholders of BSkyB plc

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

On 15 June 2010, News Corporation announced a proposal relating to a possible offer for the entire share capital of BSkyB not already owned by News Corporation On 13 July 2011, this proposal was withdrawn

b) Key management

The Company has a related party relationship with the Directors of the Company as key management At 30 June 2011, there were three (2010 three) key managers, all of whom were Directors of the Company See note 4

c) Transactions with ultimate parent company and other Group companies

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 subsidiaries as required Details of amounts owed from by fellow subsidiary undertakings are given in notes 7 and 8

Notes to the financial statements

14 Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of 365 Media Group Limited, a Company incorporated in Great Britain and registered in England and Wales The Company is ultimately controlled by British Sky Broadcasting Group plc ("BSkyB") The only group in which the results of the Company are consolidated is that headed by BSkyB

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

15. Events after the reporting period

On 15 June 2010, News Corporation announced a proposal relating to a possible offer for the entire share capital of BSkyB not already owned by News Corporation On 13 July 2011, this proposal was withdrawn