Rivals Digital Media Limited

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

Registered number 4284373

Directors and Officers

For the year ended 30 June 2010

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	(resigned 9 November 2009)
S Steele	(appointed 9 November 2009)

Secretary

D J Gormley

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditors

Deloitte LLP
Chartered Accountants and Statutory Auditors
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 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 part of the Group

The principal activity of the company is 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 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 deficit position at the year end of £840,000 (2009 £168,000) The audited accounts for the year ended 30 June 2010 are set out on pages 7 to 19 The loss for the period was £672,000 (2009 £764,000) The Directors do not recommend the payment of a dividend for the year ended 30 June 2010 (2009 nil)

The Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company will cease trading by 30 June 2011 For this reason the Directors have adopted a basis other than going concern in preparing the financial statements No material adjustments arose as a result of ceasing to apply the going concern basis

Principal risks and uncertainty

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 6 and 7

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 30 July 2013 The Company benefits from this liquidity through intra-group facilities and loans

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

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

Directors' report

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,

S Steele
Director
9 November 2010

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

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 2010 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 12 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the financial statements

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

Emphasis of matter - Financial statements prepared other than on a going concern basis
In forming our opinion on the financial statements, which is not qualified, 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 going concern

Separate opinion in relation to IFRSs as issued by the IASB
As explained in note 1 to the group financial statements, the Company in addition to complying with its legal obligation to apply 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

Auditors' report

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

David Johnson B.A., F C.A (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

Leeds, United Kingdom

9 November 2010

Income Statement

For the year ended 30 June 2010

	Notes	2010 £'000	2009 £'000
Revenue	2	**537**	795
Operating expense	3	**(1,209)**	(1,559)
Operating loss		**(672)**	(764)
Taxation	5	**-**	-
Loss for the period attributable to equity holders		**(672)**	(764)

The accompanying notes are an integral part of this income statement

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	1	2,812	(2,217)	596
Loss for the year	-	-	(764)	(764)
At 30 June 2009	**1**	**2,812**	**(2,981)**	**(168)**
Loss for the year	-	-	(672)	(672)
At 30 June 2010	**1**	**2,812**	**(3,653)**	**(840)**

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

Balance Sheet

As at 30 June 2010

	Notes	2010 £'000	2009 £'000
Current assets			
Trade and other receivables	6	**4,170**	3,771
Cash and cash equivalents		**35**	14
Total assets		**4,205**	3,785
Current liabilities			
Trade and other payables	7	**5,045**	3,953
Total liabilities		**5,045**	3,953
Shareholders' deficit		**(840)**	(168)
Total liabilities and shareholders' deficit		**4,205**	3,785

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

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

S Steele
Director
9 November 2010

Cash Flow Statement

For the year ended 30 June 2010

	Note	2010 £'000	2009 £'000
Cash flows used in operating activities			
Cash used in operations	10	**(754)**	(741)
Net cash used in operating activities		**(754)**	(741)
Cash flows used in financing activities			
Receipts from loans to subsidiaries		**775**	688
Net cash used in financing activities		**775**	688
Net increase/(decrease) in cash and cash equivalents		**21**	(53)
Cash and cash equivalents at the beginning of the year		**14**	67
Cash and cash equivalents at the end of the year		**35**	14

The accompanying notes are an integral part of this 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

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), the Companies Act 2006 and Article 4 of the International Accounting Standard ("IAS") Regulations In addition, the Company also complied with IFRS as issued by the International Accounting Standards Board ("IASB")

b) Basis of preparation

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

The 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 of 30 June 2010

The Directors believe that the Company is likely to cease trading by 30 June 2011, 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 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

Notes to financial statements

1 Accounting policies (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, 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 c) and deferred taxation (see accounting policy f) 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

e) 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

- 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

f) Taxation, including deferred taxation

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

Notes to financial statements

1 Accounting policies (continued)

g) 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 debt This evaluation requires estimates to be made, including the level of provision to be made for amounts with uncertain recovery profiles

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

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

Notes to financial statements

2. Revenue

	2010	2009
	£'000	£'000
Advertising	**537**	795

Revenue arises from goods and services provided to the United Kingdom
The Company does not have any separable business segments

3. Operating expenses

	2010	2009
	£'000	£'000
Administrative costs	**1,209**	1,559

4. Loss before taxation

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 financial statements

5 Taxation

a) Taxation recognised in the income statement

	2010	2009
	£'000	£'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 higher (2009 higher) than the standard rate of corporation tax in the UK 28% applied to profit before tax The differences are explained below

	2010	2009
	£'000	£'000
Loss before tax	**(672)**	(764)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	**(188)**	(214)
Effects of		
Movement in deferred tax assets not recognised	-	(5)
Capital allowances in excess of depreciation	**(7)**	(8)
Group relief surrendered for nil consideration	**195**	227
Taxation	-	-

At 30 June 2010 there was a deferred tax asset of £971,000 (2008 £978,000) relating primarily to trading losses arising within the company Based on the current year results and the reasonable expectation that the Company will cease trading by 30 June 2011, the losses remain unrecognised

Notes to financial statements

6 Trade and other receivables

	2010 £'000	2009 £'000
Amounts receivable from other Group companies	**4,170**	3,771

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

7. Trade and other payables

	2010 £'000	2009 £'000
Trade payables	-	2
Amounts payable to ultimate parent company	**316**	353
Amounts payable to other Group companies	**4,729**	3,518
Accruals	-	80
	5,045	3,953

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

Notes to financial statements

8 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 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
At 30 June 2009				
Trade and other payables	-	(3,953)	(3,953)	(3,953)
Trade and other receivables	3,771	-	3,771	3,771
Cash and cash equivalents	14	-	14	14

The Directors consider that the carrying amount of trade and other receivables 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

Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of £35,000 (2009 £14,000)

The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 6

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 £750 million rolling credit facility to ensure ongoing liquidity This facility expires in 2013

The Company's financial liabilities are shown in note 7

Notes to financial statements

8. Financial risk management objectives and policies (continued)

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 2010				
Trade and other payables	5,045	-	-	-
At 30 June 2009				
Trade and other payables	3,953	-	-	-

9. Share capital

	2010	2009
	£'000	£'000
Authorised		
20,000(2009 20,000) ordinary 'A' shares of £0 01 each	**-**	-
80,000 (2009 80,000) ordinary 'B' shares of £0 01 each	**1**	1
Allotted, called-up and fully paid		
12,000 (2009 12,000) ordinary 'A' shares of £0 01 each	**-**	-
80,000 (2009 80,000) ordinary 'B' shares of £0 01 each	**1**	1

10. Notes to the Cash Flow Statement

Reconciliation of loss before taxation to cash used in operations

	2010	2009
	£'000	£'000
Loss before taxation	**(672)**	(764)
Decrease in trade and other receivables	**-**	60
Decrease in trade and other payables	**(82)**	(37)
Cash used in operations	**(754)**	(741)

Notes to financial statements

11. Transactions with related parties

Details of amounts owed by fellow subsidiary undertakings to the Company are given in note 6 and amounts owed to fellow subsidiary undertakings by the Company are given in note 7

The BSkyB 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

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

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

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

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

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

12. 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