

BSKYB TELECOMMUNICATIONS LIMITED

Annual report and financial statements
for the year ended 30 June 2012

Registered number 05349163



Directors and Officers

For the year ended 30 June 2012

Directors

BSkyB Telecommunications Limited's ("the Company's") present Directors and those who served during the year are as follows

D J Darroch

A J Griffith

Secretary

D J Gormley (resigned 5/11/2012)

C J Taylor (appointed 5/11/2012)

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 2012

Business review and principal activities

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

The principal activity of the Company continues to be the provision of networking services in the United Kingdom in support of the BSkyB Ltd broadband service. During the year the total number of UK subscribers to this service grew from 3,335,000 (30 June 2011) to 4,000,000 (30 June 2012)

The growth in subscriber numbers has necessitated a significant capital investment of £33,195,000 (2011 £22,078,000) and resulted in an increased depreciation charge of £20,477,000 (2011 £15,004,000). Turnover has also increased to £90,332,000 (2011 £71,078,000) as a result of the increase in subscribers and an increase in the number of products taken by customers. The Company expects further significant growth in the number of Sky Broadband subscribers during the 12 months to 30 June 2013.

The Company's primary source of funding is loans from other group companies. During the year the amount payable rose to £203,601,000 (2011 £131,489,000). This sum is non-interest bearing and subsequent to year end the company received confirmation from its intercompany creditors that all amounts owed to group companies are not due for repayment within one year from the date of approval of these accounts.

The audited financial statements for the year ended 30 June 2012 are set out on pages 7 to 24. The profit on ordinary activities after tax for the year was £5,258,000 (2011 £2,730,000).

No political or charitable donations were made during the year.

Principal risks and uncertainties

The balance sheet of the Company includes intercompany balances and the Company is therefore exposed to the risks and uncertainties that affect the Group as a whole. Group risks are discussed in the Group's Annual Report which does not form part of this report. The intercompany balances of the Company are detailed in notes 8 and 10.

Information on the capital structure of the Company is provided in note 13.

Directors' Report (continued)

Financial risk management objectives and policies

Credit risk

The Company's principal financial assets are intercompany balances. The Company's credit risk is primarily attributable to these balances.

The amounts presented in the balance sheet are net of allowances for doubtful debts receivable from other Group companies.

This is recognised when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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 £743 million revolving credit facility which is due to expire on 31 October 2017. The Company benefits from this liquidity through intra-group facilities and loans.

The directors do not consider interest rate risk, cash flow risk or price rise risk to be applicable to this Company.

Going concern

The Company's business activities, together with the factors likely to affect its future development and performance are set out in the Business Review. The Directors' Report details the financial position of the Company, as well as the Company's objectives and policies, and details of its exposures to credit risk and liquidity risk.

After making enquiries, the Directors have formed a judgment at the time of approving the financial statements that the Company will have access to adequate resources to continue in existence for the foreseeable future. In making this decision the Directors have considered the net current liability position of the Company, and confirmations received from Sky Network Services Ltd and BSkyB Telecommunications Services Ltd that, for at least 12 months from the date of signing these financial statements, they will not demand payment of any amounts owed to them by the Company where such repayment would prevent the company from continuing to settle its third party liabilities as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors

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

The Directors do not recommend the payment of a dividend (2011: £nil).

Supplier Payment Policy

The policy of the Company is to agree terms of payment with suppliers prior to entering into a contractual relationship. In the absence of a specific agreement, it is the policy of the Company to pay suppliers in accordance with its standard payment terms of 45 days. Creditor days in the year were 14 days (2011: 4 days).

Directors' Report (continued)

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/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 auditor is aware of that information

Deloitte LLP have 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,



C J Taylor
Company Secretary

Grant Way
Isleworth
Middlesex
TW7 5QD

5 December 2012

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company'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 BSKyB Telecommunications Limited:

We have audited the financial statements of BSKyB Telecommunications Limited for the year ended 30 June 2012 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 16. 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 Statement of Directors' responsibilities, 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 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 Company's affairs as at 30 June 2012 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

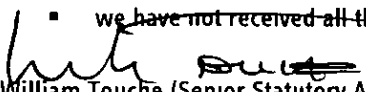
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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


William Touche (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
5 December 2012

Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Revenue	2	90,332	71,078
Operating expenses		(85,378)	(67,033)
Operating profit		4,954	4,045
Finance costs	3	(1,066)	(1,087)
Profit before tax	4	3,888	2,958
Tax	5	1,370	(228)
Profit for the year attributable to equity shareholders		5,258	2,730

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

For the years ended 30 June 2012 and 30 June 2011, the Company did not have any other items of Other Comprehensive Income

All results relate to continuing operations

Statement of Changes in Equity

For the year ended 30 June 2012

	Share capital £'000	Retained Earnings £'000	Total shareholders' (deficit)/equity £'000
At 1 July 2010	1	(46)	(45)
Profit for the year	-	2,730	2,730
At 30 June 2011	1	2,684	2,685
Profit for the year	-	5,258	5,258
At 30 June 2012	1	7,942	7,943

Balance Sheet

As at 30 June 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Intangible assets	6	-	-
Property, plant and equipment	7	69,011	56,293
		69,011	56,293
Current assets			
Trade and other receivables	8	177,487	116,783
Cash and cash equivalents	9	44	-
		177,531	116,783
Total assets		246,542	173,076
Current liabilities			
Trade and other payables	10	213,392	141,183
Overdrafts		-	3,741
		213,392	144,924
Non-current liabilities			
Deferred tax liabilities	11	919	2,245
Borrowings	10	24,288	23,222
		25,207	25,467
Total liabilities		238,599	170,391
Share Capital		1	1
Reserves		7,942	2,684
Shareholders' Equity		7,943	2,685
Total liabilities and shareholders' equity		246,542	173,076

The accompanying notes are an integral part of this Balance Sheet

The financial statements of BSkyB Telecommunications Limited, registered number 05349163, have been approved by the Board of Directors on 5 December 2012 and were signed on its behalf by



A J Griffith

5 December 2012, Director

Cash Flow Statement

For the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated from operations	14	35,914	20,532
Net cash from operating activities		35,914	20,532
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(33,195)	(23,407)
Net cash used in investing activities		(33,195)	(23,407)
Cash flows from financing activities			
Proceeds of loan from Group companies		1,066	1,087
Net cash from financing activities		1,066	1,087
Net increase/(decrease) in cash and cash equivalents		3,785	(1,788)
Cash and cash equivalents at the beginning of the year		(3,741)	(1,953)
Cash and cash equivalents at the end of the year		44	(3,741)

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

Notes to financial statements (continued)

1. Accounting policies

BSkyB Telecommunications Limited (the "Company") is a limited liability company incorporated in Great Britain, and domiciled in the United Kingdom ("UK")

a) Statement of compliance

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

b) Basis of preparation

The financial statements have been prepared on an going concern basis (as set out in the Directors' Report) and 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 year, 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 2012, this date was 1 July 2012, this being a 52 week year (fiscal year 2011 – 3 July 2012, 53 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.

c) Intangible assets and property, plant and equipment

i. Intangible assets

Research expenditure is recognised in operating expense in the Statement of Comprehensive Income 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 operating expense as incurred.

Other intangible assets, which are acquired by the Company separately or through a business combination, are initially stated at cost or fair value, respectively, less accumulated amortisation and impairment losses, 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.

Amortisation of an intangible asset begins when the asset is available for use, and is charged to the Statement of Comprehensive Income through operating expense on a straight-line basis over the intangible asset's estimated useful life, principally being a period between 3 and 25 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. Other intangible assets are tested for impairment in line with accounting policy e below.

Notes to financial statements (continued)

1. Accounting policies (continued)

ii. Property, plant and equipment

Owned PPE is stated at cost, net of accumulated depreciation and any impairment losses, (see accounting policy e), other than those items 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 PPE comprises major components having different useful economic lives, the components are accounted for as separate items of PPE.

The cost of PPE, less estimated residual value, is depreciated in operating expense 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:

Electronic equipment	5 years
Leasehold improvements, office equipment and fixtures	5 years

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

To the extent that the financing for a qualifying asset is part of the Group's general borrowings, the interest cost to be capitalised is calculated based upon the weighted average cost of borrowing to the Group (excluding the interest on any borrowings specific to any qualifying assets). This is then applied to the expenditures on the asset.

All other borrowing costs are recognised in profit or loss in the period to which they relate.

d) Financial assets and liabilities

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

i. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and, 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.

Notes to financial statements (continued)

1. Accounting policies (continued)

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.

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.

iv. Borrowings

Borrowings are recorded as the proceeds received, net of direct issue costs. Finance charges, including any premium payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the statement of comprehensive income using the effective interest method and are added to the carrying amount of the underlying instrument to which they relate, to the extent that they are not settled in the period in which they arise.

e) 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 inventories, non-current assets classified as held for sale, financial assets (see accounting policy d) and deferred tax (see accounting policy g) 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.

Notes to financial statements (continued)

1 Accounting policies (continued)

f) 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 source of revenue relates to fees derived from the provision of network services to other companies in the BSKyB Group of companies and is recognised as such services are provided. Third party revenue is also recognised on the same basis. Any unbilled amounts are carried on the balance sheet as accrued income.

g) Tax, including deferred 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.

Deferred tax assets and liabilities are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantially enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. Deferred tax is charged or credited in the income, 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 tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

h) Critical accounting policies

Certain accounting policies are considered to be critical to the Company. An accounting policy is considered to be critical if its selection or application materially affects the Company's financial position or results. The Directors are required to use their 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.

Notes to financial statements (continued)

1. Accounting policies (continued)

i) Tax (see note g)

- The Company's tax charge is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process.
- The amounts recognised in the financial statements in respect of each matter are derived from the Company's best estimation and judgment, as described above. However, the inherent uncertainty regarding the outcome of these items means the eventual resolution could differ from the provision and in such event the Company would be required to make an adjustment in a subsequent period which could have a material impact on the Company's profit and loss and/or cash position.

ii) Intangible assets and property, plant and equipment (see note c)

- The assessment of the useful economic lives of these assets requires judgment. Depreciation and amortisation is charged to the income statement based on the useful economic life selected. This assessment requires estimation of the period over which the Company will benefit from the assets.
- Determining whether the carrying amount of these assets has any indication of impairment also requires judgment. If an indication of impairment is identified, further judgment is required to assess whether the carrying amount can be supported by the net present value of future cash flows forecast to be derived from the asset. This forecast involves cash flow projections and selecting the appropriate discount rate.
- Assessing whether assets meet the required criteria for initial capitalisation requires judgment. This requires a determination of whether the assets will result in future benefits to the Company. In particular, internally generated intangible assets must be assessed during the development phase to identify whether the Company has the ability and intention to complete the development successfully.

(iii) Deferred tax (see note g)

- The key area of judgment in respect of deferred tax accounting is the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the balance sheet date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deferred tax assets can be utilised.

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

- The key area 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 2012 or later periods. These new pronouncements are listed below.
- Amendments to IAS 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income" (effective 1 July 2012)
- IFRS 13 "Fair Value Measurement" (effective 1 January 2013)

Notes to financial statements (continued)

1. Accounting policies (continued)

- Amendment to IAS 27 "Separate Financial Statements" (effective 1 January 2013)

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

2. Revenue

	2012 £'000	2011 £'000
Provision of network services	76,540	62,114
Other Revenue	13,792	8,964
	90,332	71,078

All revenue in the current and preceding year arises from either services provided to other group companies in the United Kingdom or from the company's sole activity, the provision of network services. The Company does not have any separable business segments.

3. Investment income and finance costs

	2012 £'000	2011 £'000
Finance costs		
Intercompany interest payable (i)	1,066	1,087

(i) Intercompany interest payable includes interest payable on a loan of £24,288,000 (2011: £23,222,000) incurring 5.00% interest year on year.

4. Profit before tax

Profit before tax is stated after charging

	2012 £'000	2011 £'000
Network maintenance and support costs	64,901	51,961
Depreciation of property, plant and equipment	20,477	15,004
Amortisation of intangible assets	-	69

Audit fees

Amounts paid to the auditor for the audit of the annual accounts of £10,500 (2011: £10,500) were borne by another Group subsidiary in 2012 and 2011. No amounts for other services have been paid to the auditors.

Notes to financial statements (continued)

5. Tax

a) Tax recognised in the Statement of Comprehensive Income

	2012 £'000	2011 £'000
Current tax expense		
Current year	-	1,746
Adjustment in respect of prior years	(44)	-
Total current tax (credit)/expense	(44)	1,746
Deferred tax credit		
Current year	(1,201)	(862)
Adjustment in respect of prior years	(25)	(468)
Decrease in estimate of deferred tax liability	(100)	(188)
Total deferred tax credit	(1,326)	(1,518)
Tax	(1,370)	228

b) Reconciliation of total tax charge

The tax expense for the year is lower (2011: lower) than the expense that would have been charged using the standard rate of corporation tax in the UK 25.75% (2011: 27.5%) applied to profit before tax. The differences are explained below.

	2012 £'000	2011 £'000
Profit before tax	3,888	2,958
Profit before tax multiplied by blended rate of corporation tax in the UK of 25.75% (2011: 27.5%)	992	813
Effects of		
Adjustment in respect of prior years	(69)	(468)
Decrease in estimate of deferred tax liability	(100)	(117)
Group relief claimed for no consideration	(2,193)	-
Tax	(1,370)	228

Notes to financial statements (continued)

6. Intangible assets

	Software	Total
	£'000	£'000
Cost		
At 1 July 2010	1,980	1,980
At 30 June 2011	1,980	1,980
Additions	-	-
At 30 June 2012	1,980	1,980
Amortisation		
At 30 June 2010	1,911	1,911
Charge for the year	69	69
At 30 June 2011	1,980	1,980
Charge for the year	-	-
At 30 June 2012	1,980	1,980
Carrying amounts		
At 1 July 2010	69	69
At 30 June 2011	-	-
At 30 June 2012	-	-

Notes to financial statements (continued)

7. Property, plant and equipment

	Electronic equipment £'000	Leasehold improvements, office equipment and fixtures £'000	Total £'000
Cost			
At 1 July 2010	68,216	26	68,242
Additions	22,078	-	22,078
At 30 June 2011	90,294	26	90,320
Additions	33,195	-	33,195
At 30 June 2012	123,489	26	123,515
Depreciation			
At 30 June 2010	19,008	15	19,023
Charge for the year	14,998	6	15,004
At 30 June 2011	34,006	21	34,027
Charge for the year	20,472	5	20,477
At 30 June 2012	54,478	26	54,504
Carrying amounts			
At 1 July 2010	49,208	11	49,219
At 30 June 2011	56,288	5	56,293
At 30 June 2012	69,011	-	69,011

8. Trade and other receivables

	2012 £'000	2011 £'000
Amounts receivable from other Group companies	171,480	112,514
VAT receivable	3,162	2,343
Gross trade receivables	1,593	1,037
Accrued income	1,252	865
Other receivables	-	20
Prepayments	-	4
Total Trade and Other Receivables	177,487	116,783

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. Amounts due from other Group Companies totalling £171,480,000 are non-interest bearing and repayable on demand. No allowances have been recorded against amounts receivable from group companies as they have been assessed to be fully recoverable.

Notes to financial statements (continued)

8. Trade and other receivables (continued)

The Company is exposed to credit risk on its trade and other receivables. The Company does not have any significant concentrations of credit risk with third parties, as the exposure is spread over a large number of counterparties and customers. Within the Company there is a concentration of risk within amounts receivable from other Group companies. No allowances have been recorded against amounts receivable from Group Companies as they have been assessed to be fully recoverable.

9. Cash and cash equivalents

	2012 £'000	2011 £'000
Cash at bank and in hand	44	-

10. Trade and other payables

	2012 £'000	2011 £'000
Current Payables		
Trade payables	2,504	526
Amounts payable to other Group companies	203,601	131,489
Accruals	7,287	9,168
Total current payables	213,392	141,183
Non-current payables		
Borrowings	24,288	23,222
Total Trade and Other Payables	237,680	164,405

The Directors consider that the carrying amount of Trade and other payables approximates to fair value. Trade payables principally comprise amounts outstanding for purchases of Network IP equipment.

The company received confirmation from its intercompany creditors that, for a period of 12 months, they will not demand payment of any amounts owed to them by the company where such repayment would prevent the company from continuing to settle its third party liabilities as they fall due.

Non-current amounts payable are as a result of the long term loan arrangement entered into with BSKyB Finance Limited. The loan was entered into on 16 October 2009, for the duration of 5 years with interest payable at 5%.

Notes to financial statements (continued)

11. Deferred tax

Recognised deferred liabilities	Property, plant and equipment timing differences £'000	Total £'000
At 30 June 2010	3,764	3,764
Credit to income	(1,519)	(1,519)
At 30 June 2011	2,245	2,245
Credit to income	(1,326)	(1,326)
At 30 June 2012	919	919

There are no unrecognised deferred tax liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rate enacted or substantively enacted for the relevant periods of reversal is 24% as at June 2012 (2011 26%). The Government has indicated that it intends to introduce further reductions in the main tax rate, with the rate falling by 1% each year down to 22% by 1 April 2014. These further reductions to the tax rate, below the 24% rate, have not been substantively enacted at the balance sheet date and therefore not reflected in these financial statements.

12. Financial instruments, risk management objectives and policies

The Company's principal financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

The following table details the Company's remaining contractual maturity for its financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities. All such liabilities are non interest-bearing.

	Less than 12 months £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000
At 30 June 2012				
Bank overdrafts	-	-	-	-
Borrowings	-	-	24,288	-
Trade and other payables	213,392	-	-	-
At 30 June 2011				
Bank overdrafts	3,741	-	-	-
Borrowings	-	-	23,222	-
Trade and other payables	141,183	-	-	-
At 30 June 2010				
Bank overdrafts	1,953	-	-	-
Borrowings	-	-	-	22,135
Trade and other payables	74,997	-	-	-

Notes to financial statements (continued)

12. Financial instruments, risk management objectives and policies (continued)

	Loans and receivables £'000	Other liabilities £'000	Total carrying value £'000	Total fair value £'000
At 30 June 2012				
Trade and other payables	-	213,392	213,392	213,392
Trade and other receivables	174,325	-	174,325	174,325
Borrowings	24,288	-	24,288	24,288
Bank overdrafts	-	-	-	-
At 30 June 2011				
Trade and other payables	-	141,183	141,183	141,183
Trade and other receivables	116,780	-	116,780	116,780
Borrowings	23,222	-	23,222	23,222
Bank overdrafts	-	3,741	3,741	3,741
At 30 June 2010				
Trade and other payables	-	74,997	74,997	74,997
Trade and other receivables	51,048	-	51,048	51,048
Borrowings	22,135	-	22,135	22,135
Bank overdrafts	-	1,953	1,953	1,953

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of £nil (2011: £nil).

The Company is exposed to credit risk on its trade and other receivables. There is a concentration of risk with respect to amounts receivable from other Group companies, but no provision for impairment has been recorded as these balances are considered fully recoverable.

The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 8.

Interest rate risk

The Company has financial exposures to UK interest rates, arising primarily from the Company's intercompany loans and cash balances.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

Notes to financial statements (continued)

12. Financial instruments, risk management objectives and policies (continued)

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 £743 million revolving credit facility which is due to expire on 31 October 2017. The Company benefits from this liquidity through intra-group facilities and loans.

A one percentage point increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been one percentage point higher and all other variables were held constant, the Company's profit for the year ended 30 June 2012 would decrease by £213,000 (2011: £218,000).

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of intercompany indebtedness, cash and cash equivalents and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings as disclosed in notes 1 to 16.

Risk and treasury management is governed by British Sky Broadcasting Group plc's policies approved by its board of directors. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Further information on financial risk management is included in the Directors' Report.

Additional information

At 30 June 2012, the carrying value of financial assets that were, upon initial recognition, designated as financial assets at fair value through profit or loss, was nil (2011: £nil). Cash and cash equivalents include £nil (2011: £nil) of held to maturity investments, which have maturity dates of less than three months from inception. Where cash balances are material, treasury policy requires that cash to be distributed across a wide range of counterparties.

13. Share capital

	2012 £'000	2011 £'000
Authorised		
1,000 (2011: 1,000) ordinary shares of £1 each	1	1
Allotted, called-up and fully paid		
1,000 (2011: 1,000) ordinary shares of £1 each	1	1

Share option and contingent share award schemes

The Company does not operate share option schemes.

Notes to financial statements (continued)

14. Notes to the Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	2012	2011
	£'000	£'000
Profit before tax	3,888	2,958
Depreciation of property, plant and equipment	20,477	15,004
Amortisation of intangible assets	-	69
(Increase) in trade and other receivables	(1,738)	(1,155)
(Decrease) in trade and other payables	(58,922)	(62,114)
Increase in intercompany payables	97	672
Decrease in intercompany receivables	72,112	65,098
Net cash generated from operating activities	35,914	20,532

15. Transactions with other group companies

	2012	2011
	£'000	£'000
Supply of services by the Company	76,540	58,421
Purchases of goods/services by the Company	-	-

The Company has related party transactions with both Sky Network Services Ltd and BSkyB Telecommunications Services Ltd (Other Group Companies). In particular, it is normal practice for the Company to borrow cash from other Group companies as required. For details of amounts owed to and from other Group companies, see notes 8 and 10.

Key management

The company has a related party relationship with the Directors of the Company as key management. At 30 June 2012, there were three (2011: three) key managers, who were Directors of the Company. The Directors are remunerated through British Sky Broadcasting Limited.

16. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of British Sky Broadcasting Group plc ("BSkyB"), 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 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.