Sky New Media Ventures Limited

Annual Report and Financial Statements
for the year ended 30 June 2009

Registered number 3879726

Directors and Officers
For the year ended 30 June 2009

Directors
Sky New Media Ventures Limited's ("the Company's") Directors and those who served during the year are as follows

D J Darroch

A J Griffith

Secretary
D J Gormley

Registered office
Grant Way
Isleworth
Middlesex
TW7 5QD

Auditors
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 Auditors' Report for the year ended 30 June 2009

Business review and principal activities

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

The Company's principal activity continues to be as a holding company for investments in new media companies, on behalf of BSkyB, its ultimate parent undertaking There have not been any significant changes in the Company's activities in the year under review The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year

The audited accounts for the year ended 30 June 2009 are set out on pages 6 to 14 As shown in the Company's income statement on page 6, the Company did not recognise any revenue (2008 nil) The loss for the year was £4,867,000 (2008 nil)

During the year the Company's investment in MyKindaPlace Limited ("MKP") was impaired following the integration of that company's operations with the Group's online business unit, and in expectation that MKP's websites would be closed The Company recognised an impairment charge of £4,867,000 and reduced the carrying value of its investment in MKP to nil

On 18 September 2009, after the year end, MKP closed its websites and ceased operations The financial statements of MKP have since been prepared on a basis other than going concern Other than the cessation of operations by MKP in which the Company's investment is carried at nil, there have been no significant events since the year end

The balance sheet on page 7 of the financial statements shows that the Company's financial position at the year end reflects the impairment of its investment in MKP The Company's shareholders' deficit at the year end was £44,270,000 which is consistent with the prior year end after recognition of the £4 9 million impairment The Directors do not recommend the payment of a dividend for the year ended 30 June 2009 (2008 nil)

Key performance indicators (KPIs)

As a holding company with no significant activity in the period, the company does not maintain KPIs

Principal risks and uncertainties

The balance sheet of the Company primarily consists of investments in Group undertakings and intercompany balances and the Company is therefore exposed to those risks and uncertainties that affect the Group as a whole The intercompany balances of the Company are detailed in notes 5, 6 and 7 Investments in subsidiaries, joint ventures and associates are detailed in note 4

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk

Credit risk

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 note 5

Directors' report (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 £1,000 million revolving credit facility and will, on expiration of that facility, have access to a forward start revolving credit facility of £750 million which is available for drawing from 30 July 2010 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 or price risk

Going concern

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 each of BSkyB Finance Limited, British Sky Broadcasting Limited and Sky Sports Ventures Limited 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

Auditors

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

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and
- the Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information

Deloitte LLP have expressed their willingness to continue as auditors and a resolution to reappoint them will be proposed at the forthcoming annual General Meeting

By order of the Board,

D. Gormley

D J Gormley
Company Secretary
Grant Way
Isleworth
Middlesex
TW7 5QD

12 March 2010

Statement of Directors' responsibilities

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

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

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditors' Report to the Members of Sky New Media Ventures Limited:

We have audited the financial statements of Sky New Media Ventures Limited for the year ended 30 June 2009 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, 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 2009 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

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 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 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

T.M. Powell

Timothy Powell (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London
Date 12 March 2010

Income Statement for the year ended 30 June 2009

	Notes	2009 £000	2008 £000
Operating profit		-	-
Impairment of investment in subsidiary undertaking	4	(4,867)	-
Loss before tax	2	(4,867)	-
Taxation	3	-	-
Loss for the year attributable to equity shareholder		(4,867)	-

The accompanying notes are an integral part of this income statement

All results relate to continuing operations

Statement of Changes in Equity for the year ended 30 June 2009

	Share capital £000	Retained earnings £000	Total shareholders' deficit £000
At 1 July 2007	13	(39,416)	(39,403)
Profit for the year	-	-	-
At 30 June 2008	13	(39,416)	(39,403)
Loss for the year	-	(4,867)	(4,867)
At 30 June 2009	13	(44,283)	(44,270)

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

Balance Sheet as at 30 June 2009

	Notes	**2009 £000**	2008 £000
Non-current assets			
Investments	4	500	5,367
Current assets			
Trade and other receivables	5	559	559
Total assets		1,059	5,926
Current liabilities			
Trade and other payables	6	45,329	40,649
Non current liabilities			
Other payables	7	-	4,680
Total liabilities		45,329	45,329
Share Capital	9	13	13
Reserves		(44,283)	(39,416)
Shareholders' deficit attributable to equity shareholder		(44,270)	(39,403)
Total liabilities and shareholders' deficit		1,059	5,926

The accompanying notes are an integral part of this balance sheet

As at 30 June 2009 and 30 June 2008 the Company did not hold any cash or cash equivalents Accordingly, a cash flow statement has not been presented

These financial statements of Sky New Media Ventures Limited, registered number 3879726, were approved by the Board of Directors and authorised for issue on 12 March 2010

A J Griffith
Director

12 March 2010

Notes to the financial statements

1. Accounting policies

Sky New Media Ventures Limited ("the Company") is a limited liability company incorporated in Great Britain, and domiciled in the United Kingdom ("UK")

a) Statement of compliance

These financial statements are prepared in accordance with IFRS (including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees) as adopted for use in the European Union ("EU"), the Companies Act 2006 and as issued by the 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 In preparing the financial statements, the directors have adopted the going concern basis (as set out in the Directors' Report)

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year In fiscal year 2009 this date was 28 June 2009, this being a 52 week year (fiscal year 2008 29 June 2008, 52 week year) For convenience purposes, the Company continues to date its financial statements as at 30 June 2009

The Company has taken advantage of the exemption from preparing the consolidated accounts afforded by section 400 of the Companies Act 2006, because it is a wholly-owned subsidiary of BSkyB which prepares consolidated accounts which are publicly available (see note 12)

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. Trade and other payables

Trade and other payables are non-derivative financial liabilities and are measured at amortised cost using the effective interest method Trade and other payables, with no stated interest rate, are measured at the original invoice amount if the effect of discounting is immaterial

Notes to the financial statements

1. Accounting policies (continued)

d) Taxation, including deferred taxation

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax assets and liabilities are not discounted Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 July 2008, or later periods These new standards are listed below

- IFRS 8 "Operating Segments" (effective from 1 January 2009)
- IFRIC 17 "Distributions of Non Cash Assets to Owners" (effective 1 July 2009)
- IFRIC 18 "Transfers of Assets to Customers" (effective 1 July 2009)
- Revision to IAS 1 "Presentation of Financial Statements" (effective 1 January 2009)
- Amendments to IAS 23 "Borrowing Costs" (effective 1 January 2009)
- Revision to IFRS 3 "Business Combinations" (effective 1 July 2009)
- Revision to IAS 27 "Consolidated and Separate Financial Statements" (effective 1 July 2009)
- Amendment to IFRS 2 "Share-Based Payment" (effective 1 January 2009)
- Amendment to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (effective 1 July 2009)
- Amendments to IAS 28 "Investment in Associates" (effective 1 January 2009)
- Amendment to IAS 32 "Financial Instruments Presentation" (effective 1 January 2009)
- Amendments to IAS 38 "Intangible Assets" (effective 1 January 2009)
- Amendment to IAS 39 "Financial Instruments Recognition and Measurement" (effective 1 January 2009)

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

Notes to the financial statements

2. Loss before taxation

There were no staff costs during the year, as the Company had no employees (2008 nil) The Directors did not receive any remuneration during the year in respect of their services to the Company (2008 nil)

Amounts paid to the auditors for audit services of £7,250 (2008 £7,250) were borne by another Group subsidiary in 2009 and 2008 No amounts for other services have been paid to the auditors

An impairment charge of £4,867,000 (2008 nil) was recognised in loss before taxation in respect of the Company's investment in MKP which was impaired in the year

3. Taxation

a) Taxation recognised in the income statement

	2009 £'000	2008 £'000
Current tax expense		
Current year	-	-
Adjustment in respect of prior years	-	-
Total current tax	-	-
Taxation	-	-

b) Reconciliation of total tax charge

The tax expense for the year is higher than (2008 equal to) the standard rate of corporation tax in the UK (28%) applied to loss before tax The differences are explained below

	2009 £'000	2008 £'000
Loss before tax	**4,867**	-
Loss before tax multiplied by standard rate of corporation tax in the UK of 28% (2008 29 5%)	**1,363**	-
Effects of		
Impairment of investments	**(1,363)**	-
Taxation	-	-

Notes to the financial statements

4. Non-current asset investments

The following are included in the net book value of investments

	2009 £000	2008 £000
Subscription for shares in subsidiary undertakings (a)	-	4,867
Subscriptions for shares in joint ventures and associates (b)	500	500
	500	5,367

(a) Subscription for shares in subsidiary undertaking

The movement in the year was as follows	2009 £000	2008 £000
Cost and funding		
Beginning of year	5,843	5,843
End of year	5,843	5,843
Amounts provided		
Beginning of year	976	976
Amounts provided during the year	4,867	-
End of year	5,843	976
Net book value		
Beginning of year	4,867	4,867
End of year	-	4,867

During the year the Company's investment in MyKindaPlace Limited ("MKP") was impaired following the integration of that company's operations with the Group's online business unit, and in expectation that MKP's websites would be closed The Company recognised an impairment charge of £4,867,000 and reduced the carrying value of its investment in MKP to nil

(b) Subscription for shares in joint ventures and associates

The movement in the year was as follows	2009 £000	2008 £000
Cost and funding		
Beginning of year	7,550	7,550
End of year	7,550	7,550
Amounts provided		
Beginning of year	7,050	7,050
End of year	7,050	7,050
Net book value		
Beginning of year	500	500
End of year	500	500

Details of the principal investments of the Company are as follows

Name	County of incorporation / operation	Description and proportion of shares held (%)	Principal activity
Subsidiaries			
Mykindaplace Limited	England and Wales	99,845 ordinary shares of £0 01 each (100%)	The operation and hosting of four websites including Mykindaplace com and Monkeyslum com and providing web design services to third party companies
Joint ventures and associates·			
Chelsea Digital Media Limited	England and Wales	42,648 B Shares of £0 01 each (35%) and 7,000,000 redeemable preference shares of £1 each	The production and marketing of the Chelsea Football Club football channel and website

Notes to the financial statements

5. Trade and other receivables

	2009 £000	2008 £000
Amounts owed by group companies	**559**	559

Amounts owed by group companies are non-interest bearing and repayable on demand

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

6. Trade and other payables

	2009 £000	2008 £000
Amounts due to fellow subsidiary undertakings	**40,649**	40,649
Amounts payable to ultimate parent company	**4,680**	-
Trade and other payables	**45,329**	40,649

On 25 January 2002, the Company entered into a £100 million revolving credit facility ("RCF") with BSkyB Finance Limited, a fellow subsidiary undertaking of BSkyB, with the Company as the borrower and BSkyB Finance Limited as the lender This RCF is repayable on demand and is non-interest bearing As at 30 June 2009 the facility was drawn down by £34,590,000 (2008 £34,590,000) On the same date, the Company entered into a reciprocal RCF agreement with BSkyB Finance Limited, for the same amount and with the same terms as the above facility This facility remains undrawn

Other amounts due to the fellow subsidiary undertakings are non-interest bearing and are repayable on demand
The Directors consider that the carrying amount of trade and other payables approximates to their fair values

Amounts due to the ultimate parent company at 30 June 2009 are non-interest bearing and are repayable on the sale of the Company's investment in MKP In view of the impairment of the Company's investment in MKP and the expectation that MKP will be liquidated in the next 12 months, this liability is reclassified as current

Subsequent to the year end, the company received confirmation from its intercompany creditors that, for a period of at least 12 months from the date of signing of 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

7. Non-current other payables

	2009 £000	2008 £000
Amounts payable to ultimate parent company	-	4,680

Amounts due to the ultimate parent company at 30 June 2008 are non-interest bearing and are repayable on the sale of the Company's investment in MKP In view of the impairment of the Company's investment in MKP and the expectation that MKP will be liquidated in the next 12 months, this liability has been reclassified to current liabilities

Notes to the financial statements

8. Financial risk management objectives and policies

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

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 2009				
Trade and other payables	-	45,329	45,329	45,329
Trade and other receivables	559	-	559	559
At 30 June 2008				
Trade and other payables	-	45,329	45,329	45,329
Trade and other receivables	559	-	559	559

The directors consider that the carrying amount of financial assets and liabilities at 30 June 2009 and 30 June 2008 approximates to their fair value

The following tables analyse the Company's non-derivative financial liabilities, net-settled derivative financial instruments and gross-settled financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity The amounts disclosed in the table are the contractual undiscounted cash flows

	Less than 12 months £'000	Between one and two years £'000	Between two and five years £'000	More than 5 years £'000
At 30 June 2009				
Trade and other payables	40,649	-	-	4,680

	Less than 12 months £'000	Between one and two years £'000	Between two and five years £'000	More than 5 years £'000
At 30 June 2008				
Trade and other payables	40,649	-	-	4,680

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 BSkyB's policies approved by its board of directors

9. Share capital

	2009 £000	2008 £000
Authorised:		
50,000 Ordinary Shares of £1 each (2008 50,000)	50	50
Allotted and called-up:		
12,500 Ordinary Shares of £1 each (2008 12,500)	13	13

The Company has one class of ordinary shares which carry equal voting rights and no contractual right to receive payment

Notes to the financial statements

10. Transactions with related parties

Transactions with group undertakings

The Company has related party transactions with other Group companies In particular, it is normal practise 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 5, 6 and 7 All amounts payable to other Group companies are non-interest bearing and repayable on demand

11. Financial commitments

The Company has agreed that to the extent that any further funding is required by Chelsea Digital Media Limited ("CDML") in order to develop or carry on the business, such further funding will be provided to CDML by the Company by the subscription, from time to time, by the Company in cash at par for up to 7,000,000 preference shares of £1 each At 30 June 2009 funding of £7,000,000 (2008 £7,000,000) had been provided, hence the Company was committed to provide no further funding (2008 nil) A variation agreement was signed on 7 October 2005, whereby the Company has agreed to provide further funding to CDML up to an aggregate of £1 5 million in cash, by way of three £500,000 tranches As at 30 June 2009, only one £500,000 (2008 £500,000) tranche had been paid, and therefore the Company was committed to provide further funding of £1 million

12. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of British Sky Broadcasting Limited, a company incorporated in Great Britain and registered in England and Wales

The Company is ultimately controlled by BSkyB 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, BSkyB, Grant Way, Isleworth, Middlesex, TW7 5QD