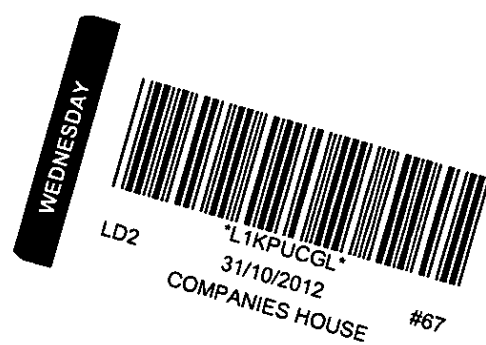


BSkyB Finance UK plc

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

Registered number 05576975



Directors and Officers

For the year ended 30 June 2012

Directors

BSkyB Finance UK plc'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

Registered office

Grant Way

Isleworth

Middlesex

TW7 5QD

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 Group")

The Company's purpose is to assist in financing the operations of the Group. The Directors expect that there will be no major changes in the Company's activities in the following year.

The audited financial statements for the year ended 30 June 2012 are set out on pages 7 to 29. The loss for the year was £22,244,000 (2011: £20,145,000 loss). During the year the Company had investment income of £19,163,000 (2011: £18,419,000) and finance costs of £39,789,000 (2011: £36,143,000). The increase in investment income was a result of a higher interest rate on variable interest-bearing intercompany loans receivable. The increase in finance costs is driven by foreign exchange and interest rate mark-to-market movements on derivative financial instruments and hedged items in designated fair value hedge accounting relationships.

The balance sheet shows that the Company's shareholders' position at the end of the year was £633,695,000 (2011: £65,475,000 deficit position). The improvement principally arose as a result of BSkyB waiving intercompany payables amounting to £700,000,000 owed to them by the Company. This waiver has been treated as a capital contribution in the year, as a reduction in retained losses.

Key performance indicators (KPIs)

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

Principal risks and uncertainties

The Company's activities expose it to financial risks, namely market risk, credit risk and liquidity risk.

Financial risk management objectives and policies

The use of financial derivatives is governed by the Group's treasury policy approved by the Board of Directors, which provides written principles on the use of financial derivatives to manage risk. The Company does not use derivative financial instruments for speculative purposes.

The primary risks of the Company relate to derivative and other financial instruments. The Company transacts in derivative financial instruments for risk management purposes only. It is the Company's policy that all hedging is to cover known risks and that no speculative trading in financial instruments is undertaken. Following evaluation of those market risks, the Company selectively enters into derivative financial instruments to manage these exposures. The principal instruments currently used are interest rate swaps to hedge interest rate risks, and cross-currency swaps to hedge exposures on long-term foreign currency debt. See note 10 for further details.

Market Risk

The Company's principal market risks are exposure to changes in interest rates and foreign exchange rates, which arise both from the Company's sources of finance and its operations.

Directors' Report (continued)

Interest rate risk

The Company has financial exposure to UK interest rates arising from the investment of surplus cash and various loan balances with other companies within the BSKyB Group

Foreign exchange risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts and options to hedge these exposures. Refer to note 11 for further information.

Credit risk

The Company is exposed to the credit risk of amounts receivable from group companies and the Company is therefore exposed to those risks and uncertainties that affect the Group as a whole.

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 believe the Company is exposed to significant cash flow risk or price risk.

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. 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 in the current year (2011: nil).

Auditor

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

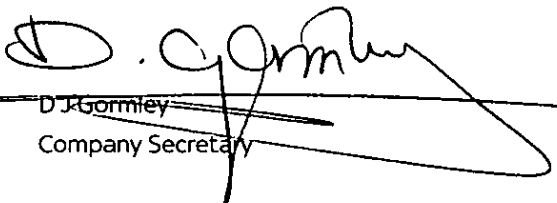
- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as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

Directors' Report (continued)

Auditor (continued)

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,



~~D.J. Gormley~~
Company Secretary

Grant Way

Isleworth

Middlesex

TW7 5QD

19 October 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 entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

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

Auditor's report

Independent Auditor's report to the members of BSKyB Finance UK plc

We have audited the financial statements of BSKyB Finance UK plc for the year ended 30 June 2012 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity the Balance Sheet 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 Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 June 2012 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 applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



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

19 October 2012

Income Statement

For the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Investment income	2	19,163	18,419
Finance costs	2	(39,789)	(36,143)
Loss before tax	3	(20,626)	(17,724)
Tax	4	(1,618)	(2,421)
Loss for the year attributable to equity shareholders		(22,244)	(20,145)

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

Statement of Comprehensive Income

For the year ended 30 June 2012

	2012 £'000	2011 £'000
Loss for the year attributable to equity shareholders	(22,244)	(20,145)
Other comprehensive income		
Amounts recognised directly in equity		
Gain (loss) on cash flow hedges	40,062	(24,379)
Tax on cash flow hedges	(9,200)	7,294
	30,862	(17,085)
Amounts reclassified and reported in the income statement		
(Loss) gain on cash flow hedges	(12,682)	27,325
Tax on cash flow hedges	3,234	(7,514)
	(9,448)	19,811
Other comprehensive income for the year (net of tax)	21,414	2,726
Total comprehensive loss for the year attributable to equity shareholders	(830)	(17,419)

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

All results relate to continuing operations

Statement of Changes in Equity

For the year ended 30 June 2012

	Share capital	Hedging Reserve	Retained earnings	Total shareholders' (deficit) equity
	£'000	£'000	£'000	£'000
At 1 July 2010	50	19,664	(67,770)	(48,056)
Loss for the year	-	-	(20,145)	(20,145)
Recognition and transfer of cash flow hedges	-	2,946	-	2,946
Tax on items taken directly to equity	-	(220)	-	(220)
Total comprehensive loss for the year	-	2,726	(20,145)	(17,419)
At 30 June 2011	50	22,390	(87,915)	(65,475)
Loss for the year	-	-	(22,244)	(22,244)
Recognition and transfer of cash flow hedges	-	27,380	-	27,380
Tax on items taken directly to equity	-	(5,966)	-	(5,966)
Total comprehensive loss for the year	-	21,414	(22,244)	(830)
Capital Contribution	-	-	700,000	700,000
At 30 June 2012	50	43,804	589,841	633,695

For a description of the nature and purpose of each equity reserve, see note 13

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

Balance Sheet

As at 30 June 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Investment in subsidiary	5	570,000	-
Derivative financial assets	10	192,117	140,534
		762,117	140,534
Current assets			
Trade and other receivables	7	1,043,772	953,958
		1,043,772	953,958
Total assets		1,805,889	1,094,492
Current liabilities			
Trade and other payables	8	24,999	37,929
		24,999	37,929
Non-current liabilities			
Borrowings	9	1,126,820	1,109,247
Deferred tax liabilities	6	20,375	12,791
		1,147,195	1,122,038
Total liabilities		1,172,194	1,159,967
Share capital	12	50	50
Reserves		633,645	(65,525)
Total equity (deficit) attributable to equity shareholders		633,695	(65,475)
Total liabilities and shareholders' equity (deficit)		1,805,889	1,094,492

The accompanying notes are an integral part of this Balance Sheet

The Company has no cash balances. Accordingly, no cash flow statement or reconciliation of operating profit to cash flows from operating activities has been prepared.

The financial statements of BSKYB Finance UK plc, registered number 05576975, were approved by the Board of Directors on 19 October 2012 and were signed on its behalf by


AJ Griffith

Director

19 October 2012

Notes to the financial statements

1. Accounting policies

BSkyB Finance UK plc (the "Company") is a limited liability company incorporated in England and Wales, and domiciled in the United Kingdom ("UK")

a) Statement of compliance

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

b) Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Director's Report) and on a 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 2011, 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.

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 16).

c) Derivative financial instruments and hedging activities

The Company uses a number of derivative financial instruments to hedge its exposure to fluctuations in interest and foreign exchange rates.

Derivatives are held at fair value from the date on which a derivative contract is entered into. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of derivative financial instruments is estimated with reference to the contracted value and the appropriate market value prevailing at the balance sheet date. Certain derivatives held by the Company which relate to highly probable forecast transactions ("hedged items"), which meet qualifying criteria under IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"), are designated as cash flow hedges or fair value hedges, and are subject to cash flow hedge accounting or fair value hedge accounting respectively. In certain circumstances, only the intrinsic value of a derivative has been designated as a cash flow hedge, with the remaining fair value not designated as a cash flow hedge. Certain other derivatives held by the Company do not meet the qualifying criteria for recognition for accounting purposes as hedges, despite this being their economic function. Changes in the fair values of these derivatives are recognised immediately in the income statement. The Company does not hold or issue derivatives for speculative purposes.

Notes to the financial statements

1. Accounting policies (continued)

c) Derivative financial instruments and hedging activities (continued)

i. Derivatives that qualify for cash flow hedge accounting

Changes in the fair values of derivatives that are designated as cash flow hedges ("cash flow hedging instruments") are initially recognised in the hedging reserve. Amounts accumulated in the hedging reserve are subsequently recognised in the income statement in the periods in which the related hedged items are recognised in the income statement.

At inception, the effectiveness of the Company's cash flow hedges is assessed through a comparison of the principal terms of the hedging instrument and the underlying hedged item. The ongoing effectiveness of the Company's cash flow hedges is assessed using the dollar-offset approach, with the expected cash flows of hedging instruments being compared to the expected cash flows of the hedged items. This assessment is used to demonstrate that each hedge relationship is expected to be highly effective on inception, has been highly effective in the period and is expected to continue to be highly effective in future periods. The measurement of hedge ineffectiveness for the Company's hedging instruments is calculated using the hypothetical derivative method, with the fair values of the hedging instruments being compared to those of the hypothetical derivative that would result in the designated cash flow hedge achieving perfect hedge effectiveness. The excess of the cumulative change in the fair value of the actual hedging instrument compared to that of the hypothetical derivative is deemed to be hedge ineffectiveness, which is recognised in the income statement.

The Company uses a range of 80% to 125% for hedge effectiveness, in accordance with IAS 39, and any relationship which has effectiveness outside this range is deemed to be ineffective and hedge accounting is suspended.

When a cash flow hedging instrument expires, is terminated or is exercised, or if a hedge no longer meets the qualifying criteria for hedge accounting, any cumulative gain or loss existing in the hedging reserve at that time remains in the hedging reserve and is recognised when the forecast transaction is ultimately recognised in the income statement, provided that the underlying transaction is still expected to occur. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the hedging reserve is immediately recognised in the income statement and all future changes in the fair value of the cash flow hedging instruments are immediately recognised in the income statement.

ii. Derivatives that qualify for fair value hedge accounting

The Company has designated certain derivatives as fair value hedges as defined under IAS 39. Any changes in the fair value of the derivatives are recognised immediately in the income statement. The carrying values of the underlying hedged items are adjusted for the change in the fair value of the hedged risks, with the gains or losses recognised immediately in the income statement, offsetting the fair value movement on the derivative.

Prospective effectiveness is assessed quarterly, through a comparison of the principal terms of the hedging instrument and the underlying hedged item, including the likelihood of default by the derivative counterparty. The retrospective effectiveness of the Company's fair value hedges is calculated quarterly using the cumulative dollar-offset approach, with movements in the fair value of the hedged item being compared to movements in the fair value of the hedging instrument. The Company uses a range of 80% to 125% for hedge effectiveness and any relationship which has effectiveness outside this range is deemed to be ineffective and hedge accounting is suspended.

Notes to the financial statements

1. Accounting policies (continued)

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 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.

iii. 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 income statement 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.

iv. Investment in subsidiaries

An investment in a subsidiary is recognised at cost less any provision for impairment. As permitted by section 133 of the Companies Act 2006, where the relief afforded under section 131 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

e) 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.

Notes to the financial statements

1 Accounting policies (continued)

e) Tax, including deferred tax (continued)

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 substantively enacted at the balance sheet date.

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

f) Foreign currency translation

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

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 July 2012 or later periods. These new pronouncements are listed below:

- Amendments to IAS 12 "Income Taxes – Deferred Tax – Recovery of Underlying Assets" (effective 1 January 2012)
- Amendments to IAS 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income" (effective 1 July 2012)
- IFRS 12 "Disclosure of Interests in Other Entities" (effective 1 January 2013)
- IFRS 13 "Fair Value Measurement" (effective 1 January 2013)
- Amendments to IFRS 7 "Financial Instruments – Disclosures – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2013)
- Amendments to IAS 32 "Financial Instruments – Presentation – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2014)
- IFRS 9 "Financial Instruments" (effective 1 January 2015)

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

Notes to the financial statements

1. Accounting policies (continued)

h) Critical accounting policies and the use of judgment

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

i. Tax (see note 4)

- 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.
- Accruals for tax contingencies require management to make judgments and estimates in relation to tax audit issues and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless it is probable that the tax positions will be sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of the likely resolution of the issue through negotiation and/or litigation.

ii. Investment in subsidiaries (see note 5)

- The Company reviews the carrying amounts of its investment to determine whether there is any indication that the investment has suffered an impairment loss.

iii. Deferred tax (see note 6)

- 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. Hedge accounting (see note 10)

- Certain derivatives held by the Company which relate to highly probable forecast transactions ("hedged items"), which meet qualifying criteria under IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"), are designated as cash flow hedges or fair value hedges, and are subject to cash flow hedge accounting or fair value hedge accounting respectively. Derivatives are held at fair value from the date on which a derivative contract is entered into. The fair valuing of derivative financial instruments requires management to make estimates with reference to the contracted value and the appropriate market value prevailing at the balance sheet date.

Notes to the financial statements

2. Investment income and finance costs

	2012	2011
	£'000	£'000
Investment income		
Intercompany interest (i)	19,163	18,419

	2012	2011
	£'000	£'000
Finance costs		
- Interest payable and similar charges		
US\$750 million of 5.625% Guaranteed Notes repayable in 2015 (ii)	(14,849)	(14,523)
£400 million of 5.750% Guaranteed Notes repayable in 2017 (ii)	(20,809)	(21,124)
US\$350 million of 6.500% Guaranteed Notes repayable in 2035 (ii)	(11,689)	(11,906)
	(47,347)	(47,553)
- Other finance income (expense)		
Remeasurement of borrowings and borrowings-related derivative financial instruments (not qualifying for hedge accounting)	8,319	10,000
Gain (loss) arising on derivatives in a designated fair value hedge accounting relationship	5,277	(3,101)
(Loss) gain arising on adjustment for hedged item in a designated fair value hedge accounting relationship	(6,038)	4,511
	(39,789)	(36,143)

(i) Details of intercompany interest receivable can be found in note 7

(ii) In October 2005, the Company issued Guaranteed Notes consisting of US\$750 million aggregate principal amount of notes paying 5.625% interest and maturing on 15 October 2015, £400 million aggregate principal amount of notes paying 5.750% interest and maturing on 20 October 2017, and US\$350 million aggregate principal amount of notes paying 6.500% interest and maturing on 15 October 2035

3. Loss before tax

Loss before tax is stated after charging

Employee Services

There were no employee costs during the year, as the Company had no employees, other than the Directors. Services are provided by employees of other companies within the Group with no charge being made for their services. The Directors did not receive any remuneration during the year in respect of their services to the Company.

Notes to the financial statements

3 Loss before tax (continued)

Audit fees

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

4. Tax

a) Tax recognised in the income statement

	2012	2011
	£'000	£'000
Current tax expense		
Adjustment in respect of prior years	-	-
Total current tax charge	-	-
Deferred tax expense		
Origination and reversal of temporary differences	2,121	2,750
Decrease in estimate of deferred tax liability	(503)	(329)
Total deferred tax charge	1,618	2,421
Tax	1,618	2,421

b) Tax recognised directly in equity

	2012	2011
	£'000	£'000
Deferred tax charge relating to cash flow hedges	(5,966)	(220)

c) Reconciliation of effective tax rate

The tax expense for the year is higher (2011 higher) than the expense that would have been charged using the blended rate of corporation tax in the UK (25.5%) applied to loss before tax. The applicable or substantively enacted effective rate of UK corporation tax for the year was 25.5% (2011 27.5%). The differences are explained below.

	2012	2011
	£'000	£'000
Loss before tax	(20,626)	(17,724)
Loss before tax multiplied by blended rate of corporation tax in the UK of 25.5% (2011 27.5%)	(5,260)	(4,874)
Effects of		
Deferred tax write back following tax rate change	(503)	(329)
Group relief surrendered for £nil consideration	7,381	7,624
Tax	1,618	2,421

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

Notes to the financial statements

5. Investment in subsidiary

	2012 £'000	2011 £'000
Cost and Net book value		
Beginning of year	-	-
Subscription for shares	570,000	-
End of year	570,000	-

The investment in subsidiary shown above represents the cost of the shares of the wholly-owned subsidiary undertaking less provisions made for any impairment in value

Details of the principal investment of the Company are as follows

Name	Country of incorporation	Description and proportion of shares held (%)	Principal activity
Direct holdings			
Sky Holdings Ltd	UK	600 ordinary shares of £1 each (100%)	Holding company

At the beginning of the year, the Company had 600 ordinary shares of £1 each in its subsidiary Sky Holdings Limited. During the year, the Company subscribed for an additional 570,000,000 ordinary shares in Sky Holdings Limited for a consideration of £570,000,000. Following the subscription, Sky Holdings Limited performed a share capital reduction of 570,000,000 shares.

6. Deferred tax liability

	Financial instruments temporary differences £'000
At 1 July 2010	10,150
Charge to income	2,750
Charge to equity	810
Effect of change in tax rate	
- Income	(329)
- Equity	(590)
At 30 June 2011	12,791
Charge to income	2,121
Charge to equity	6,982
Effect of change in tax rate	
- Income	(503)
- Equity	(1,016)
At 30 June 2012	20,375

Notes to the financial statements

6. Deferred tax liability (continued)

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.

7. Trade and other receivables

	2012 £'000	2011 £'000
Amounts receivable from other Group companies (a)	1,043,772	942,536
Amounts receivable from subsidiaries (b)	-	11,422
	1,043,772	953,958

(a) Amounts receivable from other Group companies

Amounts due from other Group companies totalling £294,935,000 (2011 £135,006,000) represent trade receivables which are non-interest bearing and are repayable on demand.

On 29 June 2008 the Company entered a loan agreement of £72,742,000 with Sky Interactive Limited whereby the Company was lender and Sky Interactive Limited was borrower. This was an interest bearing loan incurring interest at one month LIBOR plus 0.45% and was repayable on demand. This loan was repaid in full on 3 June 2012.

On 29 June 2008, the Company entered into a loan agreement of £42,080,000 with British Sky Broadcasting Limited whereby the Company was lender and British Sky Broadcasting Limited was borrower. This is an interest bearing loan incurring interest at a rate of twelve month LIBOR plus 0.75% and is repayable on demand. The amount outstanding on this loan (including interest) as at 30 June 2012 was £47,559,000.

On 29 June 2008, the Company entered into a loan agreement of £43,578,000 with British Sky Broadcasting Limited whereby the Company was lender and British Sky Broadcasting Limited was borrower. At inception this loan was interest bearing at a rate of 6.54% and is repayable on demand. As of 1 January 2009 this loan became non-interest bearing. The amount outstanding on this loan (including interest) as at 30 June 2012 was £45,843,000.

On 16 October 2009, the Company entered into a loan agreement of £610,700,000 with British Sky Broadcasting Limited whereby the Company was lender and British Sky Broadcasting Limited was borrower. This was an interest bearing loan incurring interest at a rate of one month LIBOR plus 2.00% and is repayable on demand. The amount outstanding on this loan (including interest) as at 30 June 2012 was £655,435,000.

Notes to the financial statements

7. Trade and other receivables (continued)

(a) Amounts receivable from other Group companies (continued)

Within the Company there is a concentration of risk within amounts receivable from other Group companies

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. No allowances have been recorded against amounts receivable from Group companies as they have been assessed to be fully recoverable.

b) Amounts receivable from subsidiaries

Amounts due from subsidiaries of £nil (2011: £11,422,000) represent trade receivables, they are non-interest bearing and are repayable on demand.

8. Trade and other payables

	2012 £'000	2011 £'000
Amounts payable to other Group companies	-	12,839
Accruals	24,999	25,090
	24,999	37,929

The Directors consider that the carrying amount of trade and other payables approximates their fair values. Trade payables principally comprise amounts payable to other Group companies and accruals.

9. Borrowings and non-current other payables

	2012 £'000	2011 £'000
US\$750 million of 5.625% Guaranteed Notes repayable in October 2015 (i)	499,703	489,938
£400 million of 5.750% Guaranteed Notes repayable in October 2017 (i)	407,253	405,624
US\$350 million of 6.500% Guaranteed Notes repayable in October 2035 (i)	219,864	213,685
	1,126,820	1,109,247

Notes to the financial statements

9. Borrowings and non-current other payables (continued)

(i) Guaranteed notes

At 30 June 2012, the Company had in issue the following publicly-traded Guaranteed Notes

	Hedged value* £'000	Interest Rate Hedging		Hedged Interest Rates	
		Fixed £'000	Floating £'000	Fixed	Floating
US\$750 million of 5.625% Guaranteed Notes repayable in October 2015	427,838	171,135	256,703	5.427%	6m LIBOR + 0.698%
£400 million of 5.750% Guaranteed Notes repayable in October 2017	400,000	350,000	50,000	5.750%	6m LIBOR - 0.229%
US\$350 million of 6.500% Guaranteed Notes repayable in October 2035	199,739	199,739	-	5.826%	N/A
	1,027,577	720,874	306,703		

*Note: Hedged value is the final redemption value including any hedging

At 30 June 2011, the Company had in issue the following publicly-traded Guaranteed Notes

	Hedged value* £'000	Interest Rate Hedging		Hedged Interest Rates	
		Fixed £'000	Floating £'000	Fixed	Floating
US\$750 million of 5.625% Guaranteed Notes repayable in October 2015	427,838	171,135	256,703	5.427%	6m LIBOR + 0.698%
£400 million of 5.750% Guaranteed Notes repayable in October 2017	400,000	350,000	50,000	5.750%	6m LIBOR - 0.229%
US\$350 million of 6.500% Guaranteed Notes repayable in October 2035	199,739	199,739	-	5.826%	N/A
	1,027,577	720,874	306,703		

Four (2011: four) other Group companies, British Sky Broadcasting Group plc, British Sky Broadcasting Limited, Sky Subscribers Services Limited and Sky In-Home Service Limited have given joint and several guarantees in relation to the above mentioned notes

Notes to the financial statements

10. Derivatives and other financial instruments

Set out below are the derivative financial instruments entered into by the Company to manage its interest rate and foreign exchange risks

	2012		2011	
	Asset		Asset	
	Fair value £'000	Notional £'000	Fair value £'000	Notional £'000
Fair value hedges				
Interest rate swaps	53,750	338,737	48,902	330,895
Cash flow hedges				
Cross-currency swaps	106,005	370,874	67,453	370,874
Derivatives not in a formal hedge relationship				
Cross-currency swaps	32,362	256,703	24,179	256,703
Total	192,117	966,314	140,534	958,472

The maturity of the derivative financial instruments is as follows

	2012	2011
	Asset	Asset
	£'000	£'000
Between two and five years	99,089	85,386
In more than five years	93,028	55,148
Total	192,117	140,534

The carrying value of the above derivative financial instruments equals their fair value. The notional value of the derivative is shown as the principal value of underlying hedged item.

The fair value of the Company's debt-related derivative portfolio at 30 June 2012 was a £192 million net asset (2011 £141 million net asset), with notional principal amounts totalling £966 million (2011 £958 million). The fair value of the Company's derivative instruments designated as cash flow hedges at 30 June 2012 was a £106 million net asset (2011 £67 million net asset). The fair value of the Company's derivative instruments designated as fair value hedges at 30 June 2012 was a £54 million net asset (2011 £49 million net asset).

Hedge accounting classification and impact

The Company has designated its interest rate swaps as fair value hedges of interest rate risk, representing 31% (June 2011 31%) of the Company's debt portfolio. Movements in the fair value of the hedged items are taken to the income statement and are offset by movements in the fair value of the hedging instruments to the extent that hedge accounting is achieved.

Notes to the financial statements

10. Derivatives and other financial instruments (continued)

Hedge accounting classification and impact (continued)

The Company has designated its fixed rate cross-currency swaps as cash flow hedges of 38% (2011: 37%) of the Company's debt portfolio. As such, the effective portion of the gain or loss on these contracts is reported as a separate component of the hedging reserve, and is then reclassified to the income statement in the same periods that the forecast transactions affect the income statement. During the current year, gains of £11 million were removed from the hedging reserve and credited to finance costs in the income statement to offset the currency translation movements in the underlying hedged debt (2011: losses of £29 million).

Hedge effectiveness testing is performed quarterly using the dollar-offset approach. The actual movement in the hedging items is compared with the movement in the valuation of the hypothetically perfect hedge of the underlying risk at inception, and any ineffectiveness is recognised directly in the income statement. £1 million of ineffectiveness was recognised in the income statement during the current year (2011: £1 million).

A hedge relationship is deemed to be effective if the ratio of changes in valuation of the underlying hedged item and the hedging instrument is within the range of 80% to 125%. Any relationship which has a ratio outside this range is deemed to be ineffective, at which point hedge accounting is suspended. During the year ended 30 June 2012, there were no instances in which the hedge relationship was not highly effective (2011: no instances).

Financial Instruments

(a) Carrying value and fair value

The Company's principal financial instruments comprise quoted bond debt. The Company has various financial assets such as intercompany trade and other receivables and derivative financial assets.

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

	Derivatives deemed held for trading	Derivatives in hedging relationships	Loans and receivables	Other liabilities	Total carrying value	Total fair value
	£'000	£'000	£'000	£'000	£'000	£'000
At 30 June 2012						
Quoted bond debt	-	-	-	(1,126,820)	(1,126,820)	(1,262,623)
Derivative financial instruments	32,362	159,755	-	-	192,117	192,117
Trade and other payables	-	-	-	(24,999)	(24,999)	(24,999)
Trade and other receivables	-	-	1,043,772	-	1,043,772	1,043,772
At 30 June 2011						
Quoted bond debt	-	-	-	(1,109,247)	(1,109,247)	(1,183,562)
Derivative financial instruments	24,179	116,355	-	-	140,534	140,534
Trade and other payables	-	-	-	(37,929)	(37,929)	(37,929)
Trade and other receivables	-	-	953,958	-	953,958	953,958

Notes to the financial statements

10. Derivatives and other financial instruments (continued)

Financial instruments (continued)

(a) Carrying value and fair value (continued)

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and which are traded on active liquid markets is determined with reference to quoted market prices,
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments, and
- Interest rate and cross currency swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates

The differences between carrying values and fair values reflect unrealised gains or losses inherent in the financial instruments, based on valuations as at 30 June 2012 and 30 June 2011. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

(b) Fair value hierarchy

All of the Company's financial instruments which are held at fair value are classified as Level 2 assets (2011: all). The fair value hierarchy reflects the degree to which observable inputs are used in determining their fair values.

Level 1

Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Fair values measured using inputs, other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3

Fair values measured using inputs for the asset or liability that are not based on observable market data.

11. Financial risk management objectives and policies

Treasury activity

The Group's Treasury function is responsible for raising finance for the Company's operations, together with associated liquidity management and management of foreign exchange, interest rate and credit risks. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by both the Audit Committee and the Board, which receive regular updates of Treasury activity. Derivative instruments are transacted for risk management purposes only. It is the Group's policy that all hedging is to cover known risks and no speculative trading is undertaken. Regular and frequent reporting to management is required for all transactions and exposures, and the internal control environment is subject to periodic review by the Group's internal audit team.

Notes to the financial statements

11. Financial risk management objectives and policies (continued)

Treasury activity (continued)

The Group's principal market risks are exposures to changes in interest rates and foreign exchange rates, which arise both from the Group's sources of finance and its operations. Following evaluation of those market risks, the Group selectively enters into derivative financial instruments to manage these exposures. The principal instruments currently used are interest rate swaps to hedge interest rate risks, and cross-currency swaps, forward foreign exchange contracts and currency options (collars) to hedge transactional and translational currency exposures.

Interest rate risk

The Company does not have any material interest rate exposure. Debt proceeds are loaned on to other BSKYB Group companies at terms linked to the hedged cost of the underlying debt instrument, thereby offsetting the interest rate risk that the Company would otherwise be subject to. Debt is issued in the form of fixed rate notes and interest rate swap agreements are used to adjust the fixed versus floating mix. At 30 June 2012, 70% of borrowings are held at fixed rates after hedging (2011: 70%).

The Company uses derivatives to convert all of its US dollar-denominated debt and associated interest rate obligation to pound sterling (see section on foreign exchange risk for further detail). At 30 June 2012, the Company had no net US dollar denominated interest rate exposure on its borrowings.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for derivative and 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.

For each one-hundred basis point rise or fall in interest rates at 30 June 2012, and if all other variables were held constant:

- the Company's loss for the year ended 30 June 2012 would increase or decrease by £5 million (2011: increase or decrease by £5 million), and
- other equity reserves would increase or decrease by £10 million (2011: increase or decrease by £12 million), arising from movements in cash flow hedges.

A one hundred basis point increase or decrease represents a large but realistic movement which can be easily multiplied to give sensitivities at different interest rates.

The sensitivity analyses provided are hypothetical only and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced because the Company's actual exposure to market rates is constantly changing as the Company's portfolio of debt, foreign currency and equity contracts changes. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company. The changes in valuations are estimates of the impact of changes in market variables and are not a prediction of future events or anticipated gains or losses.

Notes to the financial statements

11 Financial risk management objectives and policies (continued)

Foreign exchange risk

A combination of cross-currency and interest rate swap arrangements is used to convert the Company's US dollar denominated debt and associated interest rate obligations to pounds sterling, at fixed exchange rates. At 30 June 2012, the split of the Company's aggregate borrowings into their core currencies was US dollar 64% and pounds sterling 36% (2011 US dollar 63% and pounds sterling 37%). At 30 June 2012, 100% of the Company's long-term borrowings, after the impact of derivatives, are denominated in pounds sterling.

Foreign exchange sensitivity

The following analysis details the Company's sensitivity to movements in pounds sterling against all currencies in which it has significant transactions. The sensitivity analysis includes only outstanding foreign currency denominated financial instruments and adjusts their translation at the period end for a 25% change in foreign currency rates.

- A 25% strengthening in pounds sterling against the US dollar would have an adverse impact on profit of £1 million (2011 adverse impact of £2 million). The same strengthening would have an adverse impact on other equity of £40 million (2011 adverse impact of £21 million).
- A 25% weakening in pounds sterling against the US dollar would have a beneficial impact on profit of £1 million (2011 beneficial impact of £3 million). The same weakening would have a beneficial impact on other equity of £66 million (2011 beneficial impact of £35 million).

The sensitivity analyses provided are hypothetical only and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced because the Company's actual exposure to market rates is constantly changing as the Company's portfolio of debt, foreign currency and equity contracts changes. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company. The changes in valuations are estimates of the impact of changes in market variables and are not a prediction of future events or anticipated gains or losses.

Credit risk

The Company is exposed to default risk amounting to the positive fair value of derivative financial assets held. However, this risk is deemed to be low.

Counterparty risk forms a central part of the Group's Treasury policy (in which the Company plays a key role), which is monitored and reported on regularly. The Group manages credit risk by diversifying its exposures across a wide number of counterparties, such that the maximum exposure to any individual counterparty was less than 18% of the total asset value of instruments at the end of the year. Treasury policies ensure that all transactions are only effected with strong relationship banks and, at the date of signing, each carried a minimum credit rating of "Baa2" or equivalent from Standard & Poor's.

The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 7.

Notes to the financial statements

11. Financial risk management objectives and policies (continued)

Liquidity risk

The Company's financial liabilities are shown in note 9

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 £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000
At 30 June 2011				
Non-derivative financial liabilities				
Bonds – USD	41,666	41,666	565,624	494,623
Bonds – GBP	23,000	23,000	69,000	423,000
Trade and other payables	24,999	-	-	-
Net settled derivatives				
Financial assets	(14,319)	(14,319)	(24,962)	(2,599)
Gross settled derivatives				
Outflow	26,131	26,131	484,489	415,009
Inflow	(29,671)	(29,670)	(547,631)	(494,623)
At 30 June 2011				
Non-derivative financial liabilities				
Bonds – USD	40,535	40,535	576,596	495,390
Bonds – GBP	23,000	23,000	69,000	434,500
Trade and other payables	37,929	-	-	-
Net settled derivatives				
Financial assets	(14,919)	(14,919)	(38,512)	(3,647)
Gross settled derivatives				
Outflow	25,581	25,581	497,608	426,646
Inflow	(28,048)	(28,048)	(545,378)	(495,390)

Capital Risk Management

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

Notes to the financial statements

12. Share capital

	2012 £'000	2011 £'000
Allotted, called-up and fully paid		
50,000 (2011 50,000) ordinary shares of £1 each	50	50

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

13. Shareholders' equity

	2012 £'000	2011 £'000
Share capital	50	50
Hedging reserve	43,804	22,390
Retained earnings (losses)	589,841	(87,915)
	633,695	(65,475)

Hedging reserve

Changes in the fair values of derivatives that are designated as cash flow hedges are initially recognised in the hedging reserve, and subsequently recognised in the income statement when the related hedged items are recognised in the income statement. In addition, deferred tax relating to these derivatives is also initially recognised in the hedging reserve prior to transfer to the income statement.

Retained earnings

In May 2012, British Sky Broadcasting Group plc waived intercompany payables amounting to £700,000,000. This waiver has been treated as a capital contribution in the year that reduces retained losses.

14. Contracted commitments, contingencies and guarantees

The Company, together with British Sky Broadcasting Limited, Sky Subscribers Services Limited and Sky In-Home Service Limited ("guarantors"), have given joint and several guarantees in relation to the £743 million Revolving Credit Facility ("RCF") held by its parent undertaking, BSKyB.

The Company, together with British Sky Broadcasting Limited, Sky Subscribers Services Limited and Sky In-Home Service Limited have given joint and several guarantees in relation to the issue in the public debt market of US\$582.8 million of 9.500% Guaranteed Notes repayable in November 2018, US\$750 million of 6.100% Guaranteed Notes repayable in February 2018 and £300 million of 6.000% Guaranteed Notes repayable in May 2027 and issued by its parent undertaking, BSKyB.

Notes to the financial statements

15 Transactions with related parties and major shareholders of BSKyB

a) Key management

The Company has a related party relationship with the Directors of the Company. At 30 June 2012, there were 2 (2011: 2) members of key management, both of whom were Directors of the Company.

b) Transactions with other Group companies

The Company has related party transactions with other Group companies. In particular, it is normal practice for the Company to lend and borrow amounts to and from subsidiaries and other Group companies as required. For details of amounts owed by other Group companies, see note 7. For details of interest earned on amounts owed by other Group companies, see note 2.

c) Transactions with subsidiaries

The Company conducts business transactions with subsidiaries. For details of amounts owed by and to subsidiaries, see notes 7 and 8.

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.