Tour Racing Limited
(formerly You Me Digital Limited)

Annual report and financial statements
for the year ended 31 December 2009

Registered number 4078205

Directors and Officers

For the year ended 31 December 2009

Directors

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

David Gormley	(resigned 26 February 2009)
Anna Sedgeley	(resigned 26 February 2009)
Andrew Griffith	(appointed 26 February 2009)
Jeremy Darroch	(appointed 26 February 2009)
Robert Tansey	(appointed 18 December 2009)
Andrea Zappia	(appointed 18 December 2009)
Matthew Anderson	(appointed 18 December 2009)

Secretary

D J Gormley

Registered office
Grant Way
Isleworth
Middlesex
TW7 5QD

Auditors
Deloitte LLP
Chartered Accountants and Statutory Auditors
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 31 December 2009

Business review and principal activities

Tour Racing Ltd (formerly You Me Digital Ltd) was set up on 1 January 2009 as a completely new, and the first Great Britain based, professional cycling team, to tackle the International Cycle Union's ("UCI") Pro Tour cycling scene, with the ultimate goal of having a British winner of the Tour de France by 2013

Tour Racing Ltd was initially set up as a wholly owned subsidiary of British Sky Broadcasting Ltd ("BSkyB Ltd"), who have committed £40m in a five year title sponsorship revenue agreement through to 31 December 2013 On the 10 December 2009 the Company agreed with SKY Italia S r l ("SKY Italia") and News Corp Europe, Inc ("Newscorp") to partner with BSkyB Ltd in the title sponsorship of the team

SKY Italia and Newscorp agreed to fund 25% and 15% respectively, of the £40m sponsorship commitment to the Company effective from 1 January 2010 The Company issued 25 shares to Sky Italia and 15 shares to Newscorp, with BSkyB Ltd retaining the remaining issued capital being 60 shares All shares are held on the same terms and voting rights BSkyB Ltd still retains control of the Company and the Company is ultimately controlled by, and recognised as, a subsidiary of British Sky Broadcasting Group plc ("BSkyB")

During the initial setup period (year-ended 31 December 2009), contracted staff and potential riders for the cycling team were interviewed and a final team of 26 riders were signed up to join the pro-team

As part of the setup year, vehicles were purchased and equipped with the latest audio visual equipment and other technology to enable the cycling team to perform to the highest possible level

Revenue

Revenue during the year is derived from title sponsorship income from BSkyB Ltd Various performance and merchandising sponsorship agreements have been negotiated which will supplement the title sponsorship from BSkyB Ltd, SKY Italia and Newscorp from the start of the 2010 season. Deals have been agreed with Pinerallo (frames), Adidas (merchandise) and Gatorade (performance drinks), along with a number of key cycling equipment providers.

Operating expense

Current operating expense arises from contracted staff costs, communication costs and international racing and training costs

Operating loss and operating margin

The audited financial statements for the year ended 31 December 2009 are set out on pages 6 to 21 A loss before taxation of £16,000 was recorded for the year During the initial setup period the majority of expenditure has been on capital items, in particular two coaches, two rigid trucks for carrying tools and equipment and a campervan equipped with communication equipment

Balance sheet

The balance sheet shows that the Company's shareholders' equity position at the year end is a deficit of £16,000 (2008 £nil) The Directors do not recommend the payment of a dividend for the year ended 31 December 2009 (2008 £nil)

There have been no significant events since the year end

Directors' report

Principal risks and uncertainties

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

Liquidity risk
The Company principally relies on the title sponsors to ensure that sufficient funds are available for ongoing operations and future developments An investment agreement between the parties stipulates that quarterly payments in advance are to be made by the title sponsors based on the forecasted quarterly cashflow requirement In addition to this, the Company benefits from liquidity through intra-group facilities and loans

Credit risk
The Company has no significant concentration of credit risk, other than amounts payable to other group companies

Directors

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

Going concern basis

The Company's business activities, together with the factors likely to affect its future development and performance have been 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 liquidity risk

After making enquiries, the Directors have formed a judgement at the time of approving the financial statements that the company will have access to adequate resources, namely the title sponsorship commitment of £40m from BSkyB, SKY Italia and Newscorp, to continue in existence for the foreseeable future 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
27 September 2010

Directors' responsibilities

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

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

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

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

Audit Report

For the year ended 31 December 2009

Independent Auditors' Report to the Members of Tour Racing Limited:

We have audited the financial statements of Tour Racing Limited "the Company" for the year ended 31 December 2009 which comprise the Statement of Comprehensive Income/Loss, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 17 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 of the state of the company's affairs as at 31 December 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 R Powell

Timothy Powell (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London
27 September 2010

Statement of Comprehensive Income/Loss

For the year ended 31 December 2009

	Notes	**2009**	2008
		£('000)	£('000)
Revenue	2	665	-
Operating expense	3	(665)	-
Operating profit/(loss)		-	-
Finance costs	4	(16)	-
(Loss) before tax	5	**(16)**	-
Taxation	6	-	-
(Loss) for the year attributable to equity shareholders, being comprehensive loss		**(16)**	-

The accompanying notes are an integral part of this statement of comprehensive loss All results relate to continuing operations

Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital £('000)	Retained earnings £('000)	Total shareholders' deficit £('000)
At 1 January 2009	-	-	-
Profit/ Loss for the year	-	(16)	(16)
At 31 December 2009	**-**	**(16)**	**(16)**

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

Balance Sheet

As at 31 December 2009

	Notes	2009 £('000)	2008 £('000)
Non-current assets			
Property, plant and equipment	7	1,714	-
Current assets			
Trade and other receivables	9	696	-
Cash and cash equivalents		89	-
Total assets		**2,499**	-
Current liabilities			
Trade and other payables	10	595	-
Non-current liabilities			
Other payables	11	1,920	-
Total liabilities		**2,515**	-
Share capital	13	-	
Reserves		(16)	
Shareholders' deficit attributable to equity shareholders		**(16)**	-
Total liabilities and shareholders' deficit		**2,499**	-

The accompanying notes are an integral part of this balance sheet

These financial statements of Tour Racing Limited, registered number 4078205 were approved by the Board of Directors and authorised for issue on 27 September 2010

Andrew Griffith - Director

Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 £('000)	2008 £('000)
Cash flows from operating activities			
Cash generated from operations	14	(295)	-
Net cash from operating activities		**(295)**	-
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,614)	-
Net cash used in investing activities		**(1,614)**	
Cash flows from financing activities			
Loans from parent company		2,000	-
Net cash used in financing activities		**2,000**	-
Net increase in cash and cash equivalents		**87**	-
Cash and cash equivalents at the beginning of the year		-	-
Foreign exchange revaluation		2	-
Cash and cash equivalents at the end of the year		**89**	-

The accompanying notes are an integral part of this consolidated cash flow statement

Notes to financial statements

1. Accounting policies

Tour Racing Limited (the "Company") is a limited liability company registered in England and Wales, 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 The accounts have been prepared on a going concern basis (as set out in the Directors' Report)

c) 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 actual exchange rates as of the date of the transaction Monetary assets, liabilities and commitments denominated in foreign currencies at the year end are reported at the rates of exchange at the balance sheet date Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the date of the initial transaction Gains and losses on retranslation of assets and liabilities are included net in the profit or loss for the year

d) Intangible assets

Research expenditure is recognised in the income statement as the expenditure is incurred

e) Property, plant and equipment ("PPE")

i. Owned assets

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment losses, (see accounting policy g), other than those that are classified as held for sale, which are stated at the lower of carrying amount and fair value less costs to sell

When an item of property, plant and equipment comprises major components having different useful economic lives, the components are accounted for as separate items of property, plant and equipment

ii. Depreciation

Depreciation is provided to write off the cost, less estimated residual value, of property, plant and equipment on a straight-line basis over its estimated useful life Assets that are not yet available for use, are not depreciated Principal useful economic lives used for this purpose are

Equipment, furniture and fixtures	3 to 10 years
Motor Vehicles	4 years

1. Accounting policies (continued)

f) Financial assets and liabilities

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

i. Trade and other receivables

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

ii Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts, deposits receivable on demand and deposits with maturity dates of three months or less from the date of inception Bank overdrafts that are repayable on demand and which form an integral part of the Company's cash management are included as a component of cash and cash equivalents where offset conditions are met

iii. Trade and other payables

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

g) Impairment

At each balance sheet date, and in accordance with IAS 36 "Impairment of Assets", the Company reviews the carrying amounts of all its assets, to determine whether there is any indication that any of those assets have suffered an impairment loss

An impairment is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset

An impairment loss for an individual asset shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised and is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised Any impairment loss in respect of goodwill is irreversible

1. Accounting policies (continued)

h) Revenue Recognition

Revenue, which excludes value added tax, represents the inflow of economic benefit from the company's sponsorship agreement with BSkyB Ltd The amount of title sponsorship revenue the Company recognises is limited to the recoverable expenses of the Company

i) 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

j) Critical accounting policies

Critical accounting policies are those that require significant judgement or estimates and potentially result in material different results under different assumptions or conditions.

- **Revenue**
  Selecting the appropriate timing for, and amount of, revenue to be recognised requires judgement This may involve estimating the fair value of consideration received and an estimation of the percentage completion of services provided The amount of revenue the Company recognises is limited to the recoverable expenses of the Company, for the year ended 31 December all operating expenses are viewed as recoverable

- **Property, plant and equipment**
  Assessing whether assets meet the required criteria for initial capitalisation requires judgement This requires a determination of whether the assets will result in future benefits to the Company

Notes to financial statements

1. Accounting policies (continued)

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

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

- IFRS 9 "Financial Instruments" (effective 1 January 2013)
- Revision to IFRS 2 "Share Based Payments" (effective 1 January 2010)
- Revision to IFRS 5 "Non-current Assets Held For Sale and Discontinued Operations" (effective 1 January 2010)
- Revision to IAS 1 "Presentation of Financial Statements" (effective 1 January 2010)
- Revision to IAS 7 "Statement of Cash Flows" (effective 1 January 2010)
- Revision to IAS 17 "Leases" (effective 1 January 2010)
- Revision to IAS 24 "Related Party Disclosures" (effective 1 January 2010)
- Revision to IAS 36 "Impairment of Assets" (effective 1 January 2010)
- Amendment to IAS 32 "Financial Instruments Presentation" (effective 1 February 2010)
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective 1 July 2010)
- Amendment to IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective 1 January 2011)

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

Notes to financial statements

2 Revenue

	2009 £('000)	2008 £('000)
Title sponsor revenue	665	-
	665	**-**

Revenue from title sponsorship was wholly derived from BSkyB Ltd Revenue recognised is limited to the operating expenditure recoverable from title sponsors

3 Operating expense

	2009 £('000)	2008 £('000)
Staff and rider salaries	360	-
Race costs (travel and accommodation)	200	-
Bike equipment	32	-
Registrations	13	-
Office expenses	43	-
Legal and professional fees	10	-
PR & marketing	7	-
	665	-

4. Investment income and finance costs

	2009 £('000)	2008 £('000)
Finance costs		
Intercompany interest payable	18	-
Foreign exchange revaluation	(2)	
	16	-

Intercompany interest payable includes interest payable to BSkyB Ltd at a rate of 5% per annum

Notes to financial statements

5. Loss before taxation

Loss before taxation is stated after charging (crediting)

	2009 £('000)	2008 £('000)
Depreciation of property, plant and equipment	-	-
Amortisation of intangible assets	-	-
Rentals on operating leases and similar arrangements	-	-

Audit fees
Amounts paid to the auditors for audit services of £20,000 were borne by another Group subsidiary in 2009 No amounts for other services have been paid to the auditors

Staff Costs
There were no staff costs during either year, as the Company had no employees 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 either year in respect of their services to the Company

6. Taxation

a) Taxation recognised in the income statement

	2009 £('000)	2008 £('000)
Current tax expense		
Current year	-	-
Total current tax	-	-

b) Reconciliation of total tax charge

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

	2009 £('000)	2008 £('000)
Loss before tax	(16)	-
Loss before tax multiplied by standard rate of corporation tax in the UK of 28%	(4)	-
Effects of		
Other permanent differences	4	-
Taxation	-	-

Notes to financial statements

7. Property, plant and equipment

	Assets not yet available for use £('000)	Total £('000)
Cost		
At 1 January 2009	-	-
Additions	1,714	1,714
At 31 December 2009	**1,714**	**1,714**
Carrying value		
At 1 January 2008	-	-
At 31 December 2009	**1,714**	**1,714**

All additions relate to the purchase of the team vehicle fleet (two buses, two trucks, a van and ten cars), which were built/modified for the specifications required for a professional road cycling team The fleet will be ready for use from the 1 January 2010, except for five cars which will be available from 1 February 2010 No depreciation has been charged as the assets were not available for use in the current year

8. Deferred tax

i) Recognised deferred tax asset

	Fixed asset timing differences £('000)	Losses £('000)	Total £('000)
At 1 January 2009	-	-	-
Charge/(Credit) to income	(96)	96	-
At 31 December 2009	**(96)**	**96**	**-**

There are no unrecognised deferred tax liabilities

Notes to financial statements

9. Trade and other receivables

	2009 £('000)	2008 £('000)
Prepayments	557	-
VAT receivable	139	-
	696	-

Prepayments principally comprise £300,000 rider payments, paid in advance as part of the contract to secure their services for the 2010 season Also included is £117,124 of prepaid travel and accommodation and £54,545 of race fees in relation to the 2010 season

10. Trade and other payables

	2009 £('000)	2008 £('000)
Trade payables	383	-
Accruals	170	-
Deferred Income	42	
	595	-

The Directors consider that the carrying amount of trade and other payables approximates to fair values

11. Non-current other payables

	2009 £('000)	2008 £('000)
Amounts payable to parent company	1,920	-
	1,920	-

The non-current loan provided by BSkyB Ltd bears interest at a fixed rate of 5% per annum and is repayable over a five year period to 31 December 2013

Notes to financial statements

12. Financial risk management objectives and policies

The Company's principal financial instruments comprise of trade payables The Company's principal financial assets comprise other receivables and cash

	Loans and receivables £('000)	Other liabilities £('000)	Total carrying value £('000)	Total fair values £('000)
At 31 December 2008				
Trade and other payables	-	-	-	-
Trade and other receivables	-	-	-	-
Cash and cash equivalents	-	-	-	-
At 31 December 2009				
Trade and other payables	(1,920)	(553)	(2,473)	(2,473)
Cash and cash equivalents	89	-	89	89

The Directors' deem the carrying value of financial assets and liabilities to approximate their fair value

Liquidity risk

The Company's financial liabilities are shown in notes 9 and 10

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 5 years £('000)
At 31 December 2008				
Trade and other payables	-	-	-	-
Amounts payable to parent company	-	-	-	-
	-	-	-	-
At 31 December 2009				
Trade and other payables	595	-	-	-
Amounts payable to parent company	-	-	1,920	-
	595	-	**1,920**	-

Notes to financial statements

12. Financial risk management objectives and policies (continued)

Foreign exchange risk

The following analysis details the Group'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 Euro would have a beneficial impact on loss of £101,208 (2008 beneficial impact of £nil)
- A 25% weakening in pounds sterling against the Euro would have an adverse impact on loss of £168,679 (2008 adverse impact of £nil)

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 foreign currency transactions 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

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

13. Share capital

	2009 **£('000)**	2008 £('000)
Authorised		
1,000,000 (2008 1,000,000) ordinary shares of £1 each	1,000	1,000
Allotted, called-up and fully paid		
100 (2008. 2) ordinary shares of £1 each	-	-

During the year the Company allotted 98 shares at £1 each, 25 shares were granted to Sky Italia, 15 shares to Newscorp, with BSkyB Ltd retaining the remaining issued capital being 60 shares

Notes to financial statements

14. Notes to the Consolidated Cash Flow Statement

a) Reconciliation of loss before taxation to cash generated from operations

	2009 £('000)	2008 £('000)
Operating profit/(loss) before tax	-	-
Interest costs	18	-
	18	-
(Increase) in trade and other receivables	(696)	-
Increase in trade payables	383	-
Cash generated from operations	**(295)**	-

15. Transactions with related parties

Transactions with group undertakings

During the year, title sponsorship income of £707,458 and loan funding of £1,920,520 was received from BSkyB Ltd, the parent company and related party of the Company £665,411 of title sponsorship income was recognised as revenue, with £42,047 recognised as deferred income

Notes to financial statements

16. Events after the reporting period

From 1 January 2010, SKY Italia and Newscorp have agreed to fund 25% and 15% respectively, of the £40m sponsorship commitment to the Company The Company issued 25 shares to Sky Italia and 15 shares to Newscorp, with BSkyB Ltd retaining the remaining issued capital being 60 shares All shares are held on the same terms and voting rights BSkyB Ltd still retains control of the Company and the Company is ultimately controlled by, and recognised as, a subsidiary of BSkyB

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

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

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

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

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

17. Ultimate parent undertaking

The Company is a partially-owned subsidiary undertaking of British Sky Broadcasting Ltd, 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 British Sky Broadcasting Group plc.

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