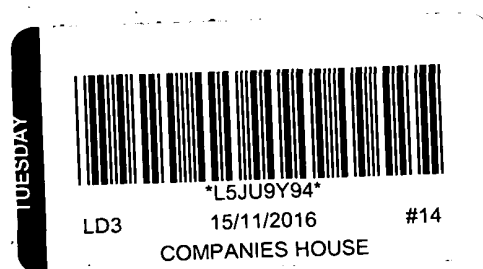


# SKY IN-HOME SERVICE LIMITED

Annual report and financial statements  
For the year ended 30 June 2016

Registered number: 02067075



## Directors and Officers

For the year ended 30 June 2016

### **Directors**

Sky In-Home Service Limited's ("the Company's") present Directors and those who served during the year are as follows:

C J Taylor

A J Griffith

D E C Allan (appointed 6 July 2016)

### **Secretary**

C J Taylor

### **Registered office**

Grant Way

Isleworth

Middlesex

TW7 5QD

### **Auditor**

Deloitte LLP

Chartered Accountants

London

United Kingdom

# Strategic and Directors' Report

## Strategic Report

The Directors present their Strategic and Directors' Report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 30 June 2016.

The purpose of the Strategic Report is to inform members of the Company and help them assess how the directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the Company).

## Business review and principal activities

The Company is a wholly-owned subsidiary of Sky UK Limited ("Sky UK Ltd") and operates together with Sky UK Ltd's other subsidiaries as a part of the Sky Group ("the Group").

The Company's purpose is to provide the Group with a supply chain function which is responsible for the distribution of all equipment required to be used in the customer's home and by the engineers, together with the planning and operational management of the field force that undertakes all installation activity on behalf of the Group's customers. The Company also manages the relationship with the engineers that service the Group's platform. The Company acquires the set-top boxes and related equipment it uses within its operations, together with the outsourced repair and logistics operation that service the Sky platform, from Sky CP Limited, another group company. Included within Sales, general and administration costs for the year were operating expenses of £40,243,000 (2015: £32,460,000) relating to the costs of a programme to replace aged customer equipment. 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 2016 are set out on pages 9 to 38. The profit after tax for the year was £44,465,000 (2015: £44,455,000). The Company's revenue decreased by 3% in the year, principally due to a decrease in hardware, installation and service revenue.

The Balance Sheet shows that the Company's shareholder equity position at the year-end is £286,930,000 (2015: £143,009,000).

## Key performance indicators (KPIs)

The Group manages its operations on a divisional basis and the KPIs used are as reported in the Group Annual Report. 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 foreign exchange 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 provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

## 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 to hedge these exposures. Refer to note 18 for further information.

## Strategic and Directors' Report (continued)

### **Credit risk**

The Company's principal financial assets are cash and cash equivalents and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables and amounts owed from other Group companies.

The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, other than amounts payable to and receivable from other Group companies.

### **Liquidity risk**

The Company relies on the Group Treasury function to manage its liquidity and ensure that sufficient funds are available for ongoing operations and future developments. The Group currently has access to an undrawn £1 billion revolving credit facility which is due to expire on 30 November 2021. The Company benefits from this liquidity through intra-group facilities and loans.

### **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 Group. The Group's Treasury function monitors the Company's exposure to fluctuations in interest rates.

### **Employment policies**

#### ***Organisation***

Over the past year, the Company has continued in its efforts to make the Company a great place to work. The Company has continued to place particular focus on leadership capability, looking both at the Company's leaders of today and future leaders. The average monthly number of full-time equivalent persons employed by the Company during the year was 3,208 (2015: 3,222).

#### ***Leadership and Collaboration***

The Company has articulated six behaviours that we believe are vital for our leaders to embrace to help us grow our business. These are: Clear Direction, Doing the Right Thing, Feedback and Development, Change and Improvement, Teamwork, and Collaboration and Empowerment.

The most senior leaders have received detailed individual feedback on their leadership style and have been given support in their development against these through a variety of means including coaching workshops and events. The behaviours are built into the Company's leadership and management programmes at all levels and our leaders are measured against them in their performance reviews.

### **Managing and developing our people**

#### ***Building our capability***

With our people at the heart of everything we do, making sure everyone has the right skills to do their jobs is vital. The Development Studio offers a wide range of resources that enable everyone in the Company to have access to the latest e-learning, MP3 downloads, books and courses. This has been across a range of subjects including multi-skilling. The effectiveness of the training is tracked by testing individual's pre and post training.

## Strategic and Directors' Report (continued)

### ***Creating opportunities for all***

There is a specific focus on succession planning and creating career development opportunities for employees with regular meetings with the senior executive team to plan internal mobility and cross-functional moves.

We believe in attracting and nurturing future talent to support our growth so we have continued to develop our future talent programme. This year it has continued to go from strength to strength. Our future talent programme focuses on developing students still in education, school leavers and graduates. This year the Company increased its graduate intake and will be providing a new centralised graduate development programme aimed at building the leaders of tomorrow. For school leavers the apprenticeship scheme is continuing to expand, doubling the size of its intake.

Work placement opportunities also provide an opportunity for the Company to contribute to the development and experience of young people.

The Company is an equal opportunity employer and believes that everyone should have full and fair consideration for all vacancies, promotions, training and development. Should an employee become disabled during their employment with the Company, where possible, the Company will actively re-train and adjust their environment to allow them to maximise their potential. Over the year, the Company has partnered with various not-for-profit organisations with the aim of providing more opportunities for people with disabilities.

### ***Employee engagement***

The Company uses an employee engagement survey to enable the Company to benchmark itself against other UK companies and specifically against high performing companies.

### ***Diversity***

The Company treats all people equally, fairly, with respect and without prejudice. Decisions about people's employment with the Company are based on ability, performance and qualifications. This principle also applies when the Company makes decisions about development, promotion, pay and benefits.

The Company delivers some of the most diverse content and services available to a wide range of consumers and it values the same diversity within the business and promotes a culture of opportunity for all, regardless of background. The Company does not tolerate unfair treatment or discrimination at work based on ethnicity, gender, age, religion, disability or sexual orientation.

### ***Reward and Recognition***

The Company continues to provide a generous benefits package to all its employees and to benchmark pay against relevant industry norms to ensure that the Company's reward practices are meeting the evolving needs of the business.

The Company's various recognition schemes ensure that its people are recognised for their outstanding contribution to the business.

### ***Health, Safety and Wellbeing***

The health, safety and wellbeing of the Company's people are of paramount importance: wherever, whenever they work and whatever they are doing.

The Company takes a holistic approach to keeping the Company a safe place to work, so whilst accident prevention and safety training is important, the long-term wellbeing of the Company's employees is equally important.

The Company's Occupational Health service supports employees with staying productive with a range of support and facilities to help keep people healthy and happy. Some on-site complimentary therapies have been introduced at some of our sites.

## Strategic and Directors' Report (continued)

On Behalf of the Board



C J Taylor  
Director

Grant Way  
Isleworth  
Middlesex  
TW7 5QD  
31 October 2016

## Strategic and Directors Report (continued)

### Directors' Report

The Directors who served during the year are shown on page 1. During the year ended 30 June 2016 the Directors proposed no dividend (2015: £nil).

The Company has chosen, in accordance with section 414C(11) of Companies Act 2006, to include such matters of strategic importance to the Company in the Strategic Report which otherwise would be required to be disclosed in the Director's report.

### 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 Strategic 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 judgement 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.

### 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 they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

Deloitte LLP have expressed their willingness to continue as auditor and a resolution to reappoint them was approved by the Board of Directors on 31 October 2016.

On Behalf of the Board,



C J Taylor  
Director

Grant Way  
Isleworth  
Middlesex  
TW7 5QD

31 October 2016

## Statement of Directors' Responsibilities

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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 Sky In-Home Service Limited

We have audited the financial statements of Sky In-Home Service Limited for the year ended 30 June 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 25. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2016 and of its profit 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 Strategic Report and 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.



Paul Franek FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
31 October 2016

# Income Statement

For the year ended 30 June 2016

	Notes	2016 £'000	2015 £'000
<b>Revenue</b>	2	<b>607,385</b>	626,939
Operating expense	3	<b>(552,220)</b>	(570,128)
<b>Operating profit</b>		<b>55,165</b>	56,811
Investment income	4	<b>57</b>	285
Finance costs	4	<b>(1)</b>	(636)
<b>Profit before tax</b>	5	<b>55,221</b>	56,460
Tax	7	<b>(10,756)</b>	(12,005)
<b>Profit for the year attributable to equity shareholder</b>		<b>44,465</b>	44,455

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 2016

	2016 £'000	2015 £'000
<b>Profit for the year attributable to equity shareholders</b>	<b>44,465</b>	44,455
<b>Other comprehensive income</b>		
<b>Amounts recognised directly in equity that may subsequently be recycled to the Income statement</b>		
Gain on cash flow hedges	135,623	23,920
Tax on cash flow hedges	(27,125)	(4,504)
<b>Amounts reclassified and reported in the income statement</b>		
(Loss) gain on cash flow hedges	(13,777)	5,787
Tax on cash flow hedges	3,926	(1,437)
<b>Other comprehensive income for the year (net of tax)</b>	<b>98,647</b>	23,766
<b>Total comprehensive income for the year attributable to equity shareholder</b>	<b>143,112</b>	68,221

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

All results relate to continuing operations.

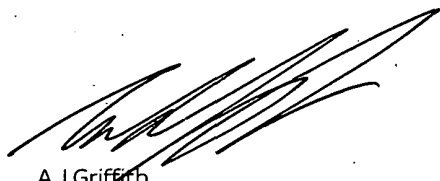
# Balance Sheet

As at 30 June 2016

	Notes	2016 £'000	2015 £'000
<b>Non-current assets</b>			
Intangible assets	9	1,987	4,007
Property, plant and equipment	10	114,894	6,237
Fixed asset investments	11	1,214	1,214
Deferred tax assets	12	-	2,220
Derivative financial assets	17	63,039	3,897
		<b>181,134</b>	<b>17,575</b>
<b>Current assets</b>			
Inventories	13	34,256	26,052
Trade and other receivables	14	1,491,321	1,397,316
Cash and cash equivalents		3,771	1,694
Derivative financial assets	17	60,476	2,049
		<b>1,589,824</b>	<b>1,427,111</b>
<b>Total assets</b>		<b>1,770,958</b>	<b>1,444,686</b>
<b>Current liabilities</b>			
Trade and other payables	15	1,371,050	1,247,798
Provisions	16	87,962	46,077
Derivative financial liabilities	17	-	5,239
		<b>1,459,012</b>	<b>1,299,114</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	25,016	-
Derivative financial liabilities	17	-	2,563
		<b>25,016</b>	<b>2,563</b>
<b>Total liabilities</b>		<b>1,484,028</b>	<b>1,301,677</b>
Share capital	19	1,576	1,576
Share premium	20	56	56
Reserves	20	285,298	141,377
<b>Total equity attributable to equity shareholder</b>		<b>286,930</b>	<b>143,009</b>
<b>Total liabilities and shareholder's equity</b>		<b>1,770,958</b>	<b>1,444,686</b>

The accompanying notes are an integral part of this Balance Sheet.

The financial statements of Sky In-Home Service Limited, registered number 02067075, were approved by the Board of Directors on 31 October 2016 and were signed on its behalf by:



A J Griffith

Director

31 October 2016

# Cash Flow Statement

For the year ended 30 June 2016

	Note	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	111,815	1,920
<b>Net cash from operating activities</b>		<b>111,815</b>	<b>1,920</b>
<b>Cash flows from investing activities</b>			
Distributions received		57	-
Purchase of property, plant and equipment		(112,271)	(157)
Purchase of intangible assets		-	(756)
Proceeds from sale of property, plant and equipment		2,476	-
<b>Net cash used in investing activities</b>		<b>(109,738)</b>	<b>(913)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,077</b>	<b>1,007</b>
Cash and cash equivalents at the beginning of the year		1,694	687
<b>Cash and cash equivalents at the end of the year</b>		<b>3,771</b>	<b>1,694</b>

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

## Statement of Changes in Equity

For the year ended 30 June 2016

	Share capital £'000	Share premium £'000	Hedging reserve £'000	Retained earnings £'000	Total shareholder's equity £'000
<b>At 1 July 2014</b>	<b>1,576</b>	<b>56</b>	<b>(27,648)</b>	<b>99,637</b>	<b>73,621</b>
Profit for the year	-	-	-	44,455	44,455
Recognition and transfer of cash flow hedges	-	-	29,707	-	29,707
Tax on items taken directly to equity	-	-	(5,941)	-	(5,941)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>23,766</b>	<b>44,455</b>	<b>68,221</b>
Share-based payment	-	-	-	1,000	1,000
Tax on items taken directly to equity	-	-	-	167	167
<b>At 30 June 2015</b>	<b>1,576</b>	<b>56</b>	<b>(3,882)</b>	<b>145,259</b>	<b>143,009</b>
Profit for the year	-	-	-	44,465	44,465
Recognition and transfer of cash flow hedges	-	-	121,846	-	121,846
Tax on items taken directly to equity	-	-	(23,199)	-	(23,199)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>98,647</b>	<b>44,465</b>	<b>143,112</b>
Share-based payment	-	-	-	880	880
Tax on items taken directly to equity	-	-	-	(71)	(71)
<b>At 30 June 2016</b>	<b>1,576</b>	<b>56</b>	<b>94,765</b>	<b>190,533</b>	<b>286,930</b>

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

For a description of the nature and purpose of each equity reserve, see note 20.

## Notes to the financial statements

### 1. Accounting policies

Sky In-Home Service Limited (the "Company") is a limited liability Company incorporated in the United Kingdom ("UK"), and registered in England and Wales.

#### 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 Directors' Report) and on a historical cost basis, except for the remeasurement to fair value of certain financial assets and liabilities 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 2016, this date was 3 July 2016, this being a 53 week year (fiscal year 2015: 28 June 2015, 52 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 Sky plc ("Sky") which prepares consolidated accounts which are publicly available (see note 25).

#### 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 applicable monthly exchange rates. Monetary assets, liabilities and commitments denominated in foreign currencies at the balance sheet date are recorded 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.

The assets and liabilities of the Company's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the applicable monthly average exchange rates. Any exchange differences arising are classified as equity within the foreign currency translation reserve.

#### d) Intangible assets

Research expenditure is recognised in operating expense in the Income Statement as the expenditure is incurred. Development expenditure (relating to the application of research knowledge to plan or design new or substantially improved products for sale or use within the business) is recognised as an intangible asset from the point that the Company has the intention and ability to generate future economic benefits from the development expenditure, that the development is technically feasible and that the subsequent expenditure can be measured reliably. Any other development expenditure is recognised in operating expense as incurred. Other intangible assets, which are acquired by the Company separately or through a business combination, are initially stated at cost or fair value, respectively, less accumulated amortisation and impairment losses, other than those that are classified as held for sale, which are stated at the lower of carrying amount and fair value less costs to sell.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### d) Intangible assets (continued)

Amortisation of an intangible asset begins when the asset is available for use, and is charged to the Income Statement through operating expense on a straight-line basis over the intangible asset's estimated useful life, principally being a period between three and ten years, unless the asset life is judged to be indefinite. If the useful life is indefinite or the asset is not yet available for use, no amortisation is charged and an impairment test is carried out at least annually. Other intangible assets are tested for impairment in line with accounting policy i below.

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

Owned PPE is stated at cost, net of accumulated depreciation and any impairment losses, (see accounting policy i), other than those items that are classified as held for sale, which are stated at the lower of carrying amount and fair value less costs to sell. When an item of PPE comprises major components having different useful economic lives, the components are accounted for as separate items of PPE.

The cost of PPE, less estimated residual value, is depreciated in operating expense on a straight-line basis over its estimated useful life. Land, and assets that are not yet available for use, are not depreciated. Principal useful economic lives used for this purpose are:

Set-top boxes and routers	5 to 7 years
Equipment, furniture and fixtures	3 to 20 years

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

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

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

#### f) Derivative financial instruments and hedging activities

The Company uses a number of derivative financial instruments to hedge its exposure to fluctuations in 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under IFRS 13 "Fair Value Measurement". The Company calculates a separate credit valuation adjustment ("CVA") or debit valuation adjustment ("DVA") for each derivative based upon the net position for each counterparty relationship. The Company calculates the CVA where it has a net asset position using a quoted credit default swap curve for the counterparty and calculates the DVA where it has a net liability position using an industry proxy credit default swap curve for the Company. The fair value of derivative financial instruments is calculated by discounting future cash flows with reference to the benchmark Libor curve, adjusted by the relevant credit default swap curve.

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, and are subject to cash flow hedge accounting. 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)

#### f) 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. Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value, with unrealised gains or losses reported in the Income Statement. Embedded derivatives are carried on the Balance Sheet at fair value from the inception of the host contract. Changes in fair value are recognised within the Income Statement during the period in which they arise.

#### g) Inventories

Set-top boxes, routers and related equipment are valued at the lower of cost and NRV, the latter of which reflects the value that the business expects to realise from the set-top boxes and related equipment in the hands of the customer, and are recognised through the operating expense line of the Income Statement. Any subsidy is expensed on enablement, which is the process of activating the viewing card during installation, so as to enable a viewer to view encrypted broadcast services, and effectively represents the completion of the installation process for new subscribers. The amount recognised in the Income Statement is determined on a weighted average cost basis, in accordance with IAS 2 "Inventory".

## Notes to the financial statements

### 1. Accounting policies (continued)

#### h) 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. Cash and cash equivalents

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

#### iii. Trade and other payables

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

#### i) Impairment

At each balance sheet date, in accordance with IAS 36 "Impairment of Assets", the Company reviews the carrying amounts of all its assets excluding inventories (see accounting policy g), financial assets (see accounting policy h) and deferred tax (see accounting policy o) 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 or its cash generating unit 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### i) Impairment (continued)

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.

#### j) Investments 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 recorded 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.

#### k) Provisions

Provisions are recognised when the Company has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the Company's best estimate of the transfer of benefits that will be required to settle the obligation as at the balance sheet date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

#### l) Revenue recognition

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Company's operating activities. The Company's main source of revenue is recognised in the Income Statement when the goods and services are delivered. Revenue is measured at the fair value of the consideration received or receivable.

#### m) Employee benefits

##### i. Wages, salaries and social security contributions

Wages, salaries, social security contributions, bonuses payable and non-monetary benefits for current employees are recognised in the Income Statement as the employees' services are rendered.

##### ii. Pension obligations

The Company provides pensions to eligible employees through defined contribution schemes. The amount charged to the Income Statement in the year represents the cost of contributions payable by the Company to the schemes in exchange for employee services rendered in that year. The assets of the schemes are held independently of the Company.

##### iii. Termination benefits

Termination benefits are recognised as a liability when, and only when, the Company has a demonstrable commitment to terminate the employment of an employee or group of employees before the normal retirement date or as the result of an offer to encourage voluntary redundancy.

##### iv. Equity compensation benefits

The Company issues equity-settled share-based payments to certain employees which must be measured at fair value and recognised as an expense in the Income Statement with a corresponding increase in equity. The fair values of these payments are measured at the dates of grant using option-pricing models, taking into account the terms and conditions upon which the awards are granted.

## Notes to the financial statements

### **1. Accounting policies (continued)**

#### **m) Employee benefits (continued)**

##### **iv. Equity compensation benefits (continued)**

The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the Company's estimate of the number of awards which will be forfeited, either due to employees leaving the Company prior to vesting or due to non-market based performance conditions not being met.

Where an award has market-based performance conditions, the fair value of the award is adjusted for the probability of achieving these via the option pricing model. The total amount recognised in the Income Statement as an expense is adjusted to reflect the actual number of awards that vest, except where forfeiture is due to the failure to meet market-based performance measures. In the event of a cancellation, whether by the Company or by a participating employee, the compensation expense that would have been recognised over the remainder of the vesting period is recognised immediately in the income statement.

#### **n) Leases**

When the Company is lessor, sublease income from operating leases is recognised on a straight-line basis over the term of the lease.

The lease expense arising from operating leases is charged to the Income Statement on a straight-line basis over the term of the lease. Benefits received and receivable as incentives to enter into operating leases are recorded on a straight-line basis over the lease term.

#### **o) Tax, including deferred tax**

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

Deferred tax assets and liabilities are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the Balance Sheet and the corresponding tax bases used in the computation of taxable profit. Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or 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 taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **p) Distributions to equity shareholders**

Dividends are recognised in the retained earnings reserve in the year in which they are declared.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### q) Critical accounting policies and use of judgement

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 judgement 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 judgement that are exercised in their application.

- **Tax**

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 judgement 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 judgements 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.

The amounts recognised in the financial statements in respect of each matter are derived from the Company's best estimation and judgement, as described above. However, the inherent uncertainty regarding the outcome of these items means the eventual resolution could differ from the provision and in such event the Company would be required to make an adjustment in a subsequent period which could have a material impact on the Company's profit and loss and/or cash position.

- **Intangible assets and property, plant and equipment (see notes 9 and 10)**

The assessment of the useful economic lives of these assets requires judgement. Depreciation and amortisation is charged to the Income Statement based on the useful economic life selected. This assessment requires estimation of the period over which the Company will benefit from the assets.

Determining whether the carrying amount of these assets has any indication of impairment also requires judgement. If an indication of impairment is identified, further judgement is required to assess whether the carrying amount can be supported by the net present value of future cash flows forecast to be derived from the asset. This forecast involves cash flow projections and selecting the appropriate discount rate.

Assessing whether assets meet the required criteria for initial capitalisation requires judgement. This requires a determination of whether the assets will result in future benefits to the Company. In particular, internally generated intangible assets must be assessed during the development phase to identify whether the Company has the ability and intention to complete the development successfully.

- **Deferred Tax**

The key area of judgement 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.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### q) Critical accounting policies and use of judgement (continued)

- **Provisions**

Judgement is required when determining the best estimate of the transfer of benefits that will be required to settle the obligation as at the balance sheet date. This evaluation requires consideration of the relevant factors of the past event in order to determine the best estimate.

#### r) 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 accounting periods beginning on or after 1 July 2016. These new pronouncements are listed below. The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

- Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' (effective 1 January 2016)
- Amendments to IAS 1 'Disclosure Initiative' (effective 1 January 2016)
- Amendments to IAS 16 and IAS 28 'Clarification of Acceptable Methods of Depreciation and Amortisation' (effective 1 January 2016)
- Annual Improvements 2012-2014 cycle (effective 1 July 2016)
- Amendments to IAS 7 'Disclosure Initiative' (effective 1 January 2017)\*
- Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses' (effective 1 January 2017)\*
- IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)\*

IFRS 15 requires the identification of deliverables in contracts with customers that qualify as 'performance obligations'. The transaction price receivable from customers must be allocated between the Group's performance obligations under contracts on a relative stand-alone selling price basis.

Where goods or services sold as part of a bundle are concluded to be 'distinct' performance obligations, revenue allocated to such goods is recognised when control of the goods passes to the customer or as the service is delivered.

IFRS 15 requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the balance sheet and amortised as revenue is recognised under the related contract.

- Clarifications to IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)\*
- Amendments to IFRS 2 'Share-based Payments' (effective 1 January 2018)\*
- IFRS 9 'Financial Instruments' (effective 1 January 2018)\*

The standard is expected to impact the classification and measurement of financial instruments and is expected to require certain additional disclosures.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### r) Accounting standards, interpretations and amendments to existing standards that are not yet effective (continued)

- IFRS 16 'Leases' (effective 1 January 2019)\*

IFRS 16 replaces IAS 17 'Leases' and will primarily change lease accounting for lessees; lessor accounting under IFRS 16 is expected to be similar to lease accounting under IAS 17.

Where a contract meets IFRS 16's definition of a lease and where the company acts as a lessee, lease agreements will give rise to the recognition of a non-current asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability.

\*not yet endorsed for use in the EU

### 2. Revenue

Revenue of £607,385,000 (2015: £626,939,000) is derived from the supply, installation and maintenance of satellite television receiving and related equipment. Revenue arises from goods and services provided to the United Kingdom, with the exception of £nil (2015: £1,618,000) which arises from services provided to the Republic of Ireland.

### 3. Operating expense

	2016 £'000	2015 £'000
Sales, general and administration	552,220	570,128
	<b>552,220</b>	<b>570,128</b>

### 4. Investment income and finance costs

	2016 £'000	2015 £'000
<b>Investment income</b>		
Intercompany interest receivable <sup>(i)</sup>	-	234
Distributions received	57	47
Remeasurement of other derivative financial instruments (not qualifying for hedge accounting)	-	4
	<b>57</b>	<b>285</b>
<b>Finance costs</b>		
Intercompany interest payable and similar charges <sup>(ii)</sup>	-	(636)
Interest paid	(1)	-
	<b>(1)</b>	<b>(636)</b>

(i) Intercompany interest receivable includes interest receivable on a revolving credit facility ("RCF") with Sky Operational Finance Limited. The loan was repaid in full on 5 December 2014.

(ii) Intercompany interest payable includes interest on a balance with Sky. The loan was repaid in full on 14 November 2014.

The Company also received distributions from its investment in Athena Court Property Unit Trust during the year.

## Notes to the financial statements

### 5. Profit before tax

Profit before tax is stated after charging:

	2016 £'000	2015 £'000
Cost of inventories recognised as an expense	305,334	313,476
Depreciation and impairment of property, plant and equipment	2,398	1,996
Amortisation of intangible assets	1,583	1,769
(Gain)/loss on disposal of property, plant and equipment	(823)	1,225
Rentals on operating leases and similar arrangements	8,092	7,469

### Audit fees

Amounts paid to the auditor for the audit of the Company's annual accounts of £15,000 (2015: £15,000) were borne by another Group subsidiary in 2016 and 2015. No amounts for other services have been paid to the auditor.

### Foreign exchange

Foreign exchange losses recognised in the Income Statement during the year amounted to £77,000 (2015: loss of £743,000).

### 6. Employee benefits and key management compensation

#### a) Company employee benefits

	2016 £'000	2015 £'000
Wages and salaries	104,200	104,921
Social security costs	10,662	10,711
Costs of employee share option schemes <sup>(i)</sup>	880	1,000
Contributions to the Sky Pension Plan <sup>(ii)</sup>	4,001	3,877
	119,743	120,509

(i) The expense recognised for employee share option schemes relates wholly to equity-settled share-based payments.

(ii) The Company operates a defined contribution pension scheme (the "Pension Plan"). The pension charge for the year represents the cost of contributions payable by the Company to the schemes during the year. The amount payable to the schemes at 30 June 2016 was £650,000 (2015: £485,000).

The average monthly number of full-time equivalent persons (including temporary employees) employed by the Company during the year was as follows:

	2016	2015
Supply Chain	3,208	3,213
Management and Administration	-	9
	3,208	3,222

#### b) Key management compensation

The Directors received no remuneration in respect of their services to the Company (2015: £nil), including in relation to the cost of employee share option schemes.



## Notes to the financial statements

### 7. Tax

#### a) Tax recognised in the income statement

	2016 £'000	2015 £'000
<b>Current tax expense</b>		
Current year	7,110	12,119
Adjustment in respect of prior years	(176)	48
<b>Total current tax charge</b>	<b>6,934</b>	<b>12,167</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	4,126	(371)
(Increase) decrease in estimate of recoverable deferred tax asset	(147)	13
Adjustment in respect of prior years	(157)	196
<b>Total deferred tax charge (credit)</b>	<b>3,822</b>	<b>(162)</b>
<b>Total tax charge</b>	<b>10,756</b>	<b>12,005</b>

#### b) Tax recognised directly in equity

	2016 £'000	2015 £'000
Current tax credit relating to share-based payments	(144)	(11)
Deferred tax charge (credit) relating to share-based payments	215	(156)
Deferred tax charge relating to the hedging reserve	23,199	5,941
	<b>23,270</b>	<b>5,774</b>

#### c) Reconciliation of effective tax rate

The tax expense for the year is lower (2015: higher) than the expense that would have been charged using the blended rate of corporation tax in the UK of 20.0% (2015: 20.75%) applied to profit before tax. The differences are explained below:

	2016 £'000	2015 £'000
Profit before tax	55,221	56,460
Profit before tax multiplied by standard blended rate of corporation tax in the UK of 20% (2015: 20.75%)	11,044	11,715
Effects of:		
Net add-back in respect of share-based payments	118	27
Disallowance in respect of non qualifying depreciation	-	3
Other permanent differences	74	3
(Increase) decrease in estimate of recoverable deferred tax asset	(147)	13
(Over) under provision in respect of prior years	(333)	244
<b>Total tax charge</b>	<b>10,756</b>	<b>12,005</b>

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

## Notes to the financial statements

### 8. Dividends

Dividends are paid between Group companies out of profits available for distribution subject to, inter alia, the provisions of the companies' articles of association and the Companies Act 2006.

No final dividend is proposed for the period. (2015 £nil.)

### 9. Intangible assets

	<b>Total £'000</b>
<b>Cost</b>	
At 1 July 2014	21,566
Additions	756
Disposals	(1,206)
<b>At 30 June 2015</b>	<b>21,116</b>
Additions	-
Disposals	(437)
<b>At 30 June 2016</b>	<b>20,679</b>
<b>Amortisation</b>	
At 1 July 2014	(16,317)
Amortisation for the year	(1,769)
Disposals	977
<b>At 30 June 2015</b>	<b>(17,109)</b>
Amortisation for the year	(1,583)
Disposals	-
<b>At 30 June 2016</b>	<b>(18,692)</b>
<b>Carrying amounts</b>	
At 1 July 2014	5,249
At 30 June 2015	4,007
<b>At 30 June 2016</b>	<b>1,987</b>

The Company's intangible assets represents spend on software and software licences.

## Notes to the financial statements

### 10. Property, plant and equipment

	Equipment, furniture and fixtures £'000	Owned set-top boxes and routers £'000	Total £'000
<b>Cost</b>			
At 1 July 2014	16,432	-	16,432
Additions	157	-	157
Disposals	(3,481)	-	(3,481)
<b>At 30 June 2015</b>	<b>13,108</b>	<b>-</b>	<b>13,108</b>
Additions	582	111,689	112,271
Disposals	(2,437)	(3)	(2,440)
<b>At 30 June 2016</b>	<b>11,253</b>	<b>111,686</b>	<b>122,939</b>
<b>Depreciation</b>			
At 1 July 2014	(7,360)	-	(7,360)
Depreciation	(1,996)	-	(1,996)
Disposals	2,485	-	2,485
<b>At 30 June 2015</b>	<b>(6,871)</b>	<b>-</b>	<b>(6,871)</b>
Depreciation	(1,461)	(589)	(2,050)
Impairment	-	(348)	(348)
Disposals	1,224	-	1,224
<b>At 30 June 2016</b>	<b>(7,108)</b>	<b>(937)</b>	<b>(8,045)</b>
<b>Carrying amounts</b>			
At 1 July 2014	9,072	-	9,072
At 30 June 2015	6,237	-	6,237
<b>At 30 June 2016</b>	<b>4,145</b>	<b>110,749</b>	<b>114,894</b>

### 11. Fixed asset investments

Details of all investments of the Company are as follows:

Name	Country of incorporation	Description and proportion of units held (%)
<b>Direct holdings</b>		
Athena Court Property Unit Trust	UK	4.98% of total units

On 8 September 2008, the entire unit holdings in Athena Court Property Unit Trust ("Trust") were acquired by the Group. The Company acquired 12,100 units, representing 4.98% of the total units in the Trust for £1,214,308. The remaining 95.02% of the total units in the Trust are held by another Group company.

## Notes to the financial statements

### 12. Deferred tax

#### Recognised deferred tax assets (liabilities)

	Hedging Reserve £'000	Fixed asset timing differences £'000	Share-based payments timing differences £'000	Short-term timing differences £'000	Total £'000
At 1 July 2014	6,912	563	202	166	7,843
Credit to income	-	39	153	(30)	162
Charge to equity	(5,941)	-	156	-	(5,785)
At 30 June 2015	971	602	511	136	2,220
Charge to income	-	(3,710)	(104)	(8)	(3,822)
Charge to equity	(23,199)	-	(215)	-	(23,414)
<b>At 30 June 2016</b>	<b>(22,228)</b>	<b>(3,108)</b>	<b>192</b>	<b>128</b>	<b>(25,016)</b>

Deferred tax liabilities have been recognised at 30 June 2016 (assets at 30 June 2015) on the basis that management deem it probable that there will be suitable taxable profits against which these assets can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rates enacted or substantively enacted for the relevant periods of reversal are: 19% from 1 April 2017 and 18% from 1 April 2020 in the UK (2015: 20%).

The UK Government announced a reduction in the main rate of UK corporation tax to 17% from 1 April 2020. The reduction to 17% was not substantively enacted at the balance sheet date and has not therefore been reflected in the figures above. The impact of the future rate reduction will be accounted for to the extent that it is enacted at future balance sheet dates, however it is estimated that this will not have a material impact on the Company.

### 13. Inventories

	2016 £'000	2015 £'000
Set-top boxes and related equipment	23,070	11,549
Other inventories	11,186	14,503
	<b>34,256</b>	<b>26,052</b>

At 30 June 2016, 100% (2015: 100%) of set-top boxes and related equipment classified as inventories, and other inventories, is expected to be recognised in the Income Statement within 12 months.

## Notes to the financial statements

### 14. Trade and other receivables

	2016 £'000	2015 £'000
Gross trade receivables	401	1,850
Less: provision for impairment of receivables	-	(201)
<b>Net trade receivables</b>	<b>401</b>	<b>1,649</b>
Amounts receivable from other Group companies	1,429,731	1,355,939
VAT	834	2,208
Prepayments	920	914
Accrued income	1,751	1,911
Other receivables	57,684	34,695
<b>Total trade and other receivables</b>	<b>1,491,321</b>	<b>1,397,316</b>

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

The ageing of the Company's net trade receivables which are past due but not impaired is as follows:

	2016 £'000	2015 £'000
Up to 30 days past due date	-	302
30 to 60 days past due date	-	82
60 to 120 days past due date	-	56
More than 120 days past due date	-	86
	-	526

#### Provisions for doubtful debts

	2016 £'000	2015 £'000
Balance at beginning of year	201	336
Amounts utilised	(1)	(259)
Income Statement charge/(credit)	(200)	124
Balance at end of year	-	201

In July 2008 the Company entered into a loan agreement with Sky Operational Finance Limited whereby it is the lender and Sky Operational Finance Limited the borrower. At 30 June 2016 the balance of this loan was £79,764,000 (30 June 2015: £79,764,000). This loan is non-interest bearing and repayable on demand.

Amounts receivable from the parent company Sky UK Limited total £982,104,000 at 30 June 2016 (30 June 2015: £923,766,000). No interest is charged on this trade balance and it is repayable on demand.

All other amounts receivable from other Group companies are trade balances that total £367,863,000 at 30 June 2016 (30 June 2015: £352,417,000). These balances are non-interest bearing and are repayable on demand.

The Company is exposed to credit risk on its trade and other receivables, however the Company does not have any significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

Within the Company there is a concentration of risk within amounts receivable from other Group companies. No allowances have been recorded against amounts receivable from Group companies as they have been assessed to be fully recoverable.

## Notes to the financial statements

### 15. Trade and other payables

	2016 £'000	2015 £'000
Trade payables	1,985	3,176
Amounts payable to ultimate parent Company <sup>(a)</sup>	35,644	35,644
Amounts payable to other Group companies <sup>(b)</sup>	1,303,561	1,182,251
Accruals	25,083	22,478
Deferred income	1,266	902
Other payables	3,511	3,347
	<b>1,371,050</b>	<b>1,247,798</b>

(a) Amounts payable to ultimate parent company relate to trade payables that are repayable on demand and bear no interest.

(b) In June 2009 the Company entered into a revolving credit facility ("RCF") with Sky Operational Finance Limited whereby it is the borrower and Sky Operational Finance Limited is the lender. This RCF is non interest bearing and is repayable on demand. At 30 June 2016, the Company had borrowed £789,905,000 under the RCF (30 June 2015: £789,905,000), which is included within amounts owed to other Group companies.

In July 2009 the Company entered into a loan agreement with Sky Operational Finance Limited whereby it is the borrower and Sky Operational Finance Limited is the lender. At 30 June 2016 the balance of this loan was £47,320,000 (30 June 2015: £47,320,000). This loan is non interest bearing and is repayable on demand.

Other trade balances due to other Group companies totalling £466,336,000 (30 June 2015: £345,026,000) are repayable on demand and bear no interest.

The Directors consider that the carrying amount of trade and other payables approximates their fair values. Trade payables principally comprise amounts outstanding for ongoing costs.

### 16. Provisions

	At 1 July 2014 £'000	Provided during the year £'000	Utilised during the year £'000	Transferred to Sky CP during the year £'000	At 30 June 2015 £'000	Provided during the year £'000	Utilised during the year £'000	At 30 June 2016 £'000
<b>Current liabilities</b>								
Restructuring provision <sup>(a)</sup>	59	-	(59)	-	-	-	-	-
Customer-related provisions <sup>(b)</sup>	2,026	32,460	(2,026)	-	32,460	37,202	(14,813)	54,849
Other provisions <sup>(c)</sup>	17,545	14,564	(11,471)	(7,021)	13,617	33,113	(13,617)	33,113
	19,630	47,024	(13,556)	(7,021)	46,077	70,315	(28,430)	87,962
<b>Non-current liabilities</b>								
Provisions	29	-	(29)	-	-	-	-	-

(a) These provisions relate to costs incurred as part of a corporate efficiency programme.

## Notes to the financial statements

### 16. Provisions (continued)

(b) These provisions are for those costs incurred in the one-off upgrade of set-top boxes and the programme to replace selected Sky Broadband router devices.

(c) Included in other provisions are amounts provided for legal disputes, warranty liabilities and out of warranty constructive liabilities.

### 17. Derivatives and other financial instruments

Set out below are the derivative financial instruments entered into by the Company to manage foreign exchange risk. The counterparty to all the derivative financial instruments held by the Company is Sky UK Limited.

	2016				2015			
	Asset		Liabilities		Asset		Liabilities	
	Fair value £'000	Notional £'000	Fair value £'000	Notional £'000	Fair value £'000	Notional £'000	Fair value £'000	Notional £'000
<b>Cash flow hedges:</b>								
Forward foreign exchange contracts	123,515	1,023,058	-	-	5,946	198,680	(7,802)	258,982

The maturity of the derivative financial instruments is as follows:

	2016		2015	
	Asset £'000	Liability £'000	Asset £'000	Liability £'000
In one year or less	60,476	-	2,049	(5,239)
Between one and two years	42,357	-	1,660	(1,700)
Between two and four years	20,682	-	2,237	(863)
Total	123,515	-	5,946	(7,802)

The Company's portfolio of foreign currency derivatives is diversified by maturity. Natural offsets between transactions within the portfolio and the designation of certain derivatives as hedges significantly reduce the risk of income statement volatility.

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. Less than £1,000 of ineffectiveness was recognised in the Income Statement during the current year (2015: £nil).

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 2016, there were no instances in which the hedge relationship was not highly effective (2015: no instances).

#### (a) Carrying value and fair value

The Company's principal financial instruments comprise trade and other payables and provisions. The Company has various financial assets such trade and other receivables, cash and cash equivalents and derivative financial instruments.

## Notes to the financial statements

### 17. Derivatives and other financial instruments (continued)

#### (a) Carrying value and fair value (continued)

The accounting classification of each class of the Company's financial assets and liabilities, together with their fair values is as follows:

	Derivatives deemed held for trading £'000	Derivatives in hedging relationships £'000	Loans and receivables £'000	Other liabilities £'000	Total carrying value £'000	Total fair values £'000
<b>At 30 June 2016</b>						
Derivative financial instruments	-	123,515	-	-	123,515	123,515
Trade and other payables	-	-	-	(1,369,784)	(1,369,784)	(1,369,784)
Provisions	-	-	-	(87,962)	(87,962)	(87,962)
Trade and other receivables	-	-	1,489,567	-	1,489,567	1,489,567
Cash and cash equivalents	-	-	3,771	-	3,771	3,771
<b>At 30 June 2015</b>						
Derivative financial instruments	-	(1,856)	-	-	(1,856)	(1,856)
Trade and other payables	-	-	-	(1,246,896)	(1,246,896)	(1,246,896)
Provisions	-	-	-	(46,077)	(46,077)	(46,077)
Trade and other receivables	-	-	1,392,283	-	1,392,283	1,392,283
Cash and cash equivalents	-	-	1,694	-	1,694	1,694

The fair values of financial assets and financial liabilities were 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) was 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;

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 the underlying hedged item.

The fair value of cash and cash equivalents is equivalent to carrying value due to the short-term nature of these instruments.



## Notes to the financial statements

### 17. Derivatives and other financial instruments (continued)

#### (b) Fair value hierarchy

The following table categorises the Company's financial instruments which were held at fair value into 1 of 3 levels to reflect the degree to which observable inputs are used in determining their fair values.

	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
<b>At 30 June 2016</b>				
<i>Assets measured at fair value</i>				
Forward foreign exchange and option contracts	123,515	-	123,515	-
<b>Total</b>				
<i>Liabilities measured at fair value</i>				
Forward foreign exchange and option contracts	-	-	-	-
<b>Total</b>				
<b>At 30 June 2015</b>				
<i>Assets measured at fair value</i>				
Forward foreign exchange and option contracts	5,946	-	5,946	-
<b>Total</b>	5,946	-	5,946	-
<i>Liabilities measured at fair value</i>				
Forward foreign exchange and option contracts	(7,802)	-	(7,802)	-
<b>Total</b>	(7,802)	-	(7,802)	-

#### 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. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market source data.

#### Level 3

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

### 18. Financial risk management objectives and policies

The Group's Treasury function is responsible for raising finance for the Company's operations, together with associated liquidity management, and the 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.

The Company's principal market risks are exposures to changes in foreign exchange rates, which arise from the Company's operations. Following evaluation of those market risks, the Company selectively enters into derivative financial instruments to manage these exposures. The principal instruments currently used are forward foreign exchange contracts to hedge transactional and translational currency exposures.

## Notes to the financial statements

### 18. Financial risk management objectives and policies (continued)

#### 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 Sky's policies approved by its Board of Directors.

#### Liquidity risk

The Company's financial liabilities are shown in notes 15 and 16.

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. The amounts disclosed may not reconcile to the amounts disclosed on the Balance Sheet for borrowings, derivative financial instruments, provisions and trade and other payables.

	Less than 12 months £'000	Between one and two years £'000	Between two and five years £'000
<b>At 30 June 2016</b>			
<i>Non-derivative financial liabilities</i>			
Trade and other payables	1,369,784	-	-
Provisions	87,962	-	-
<i>Gross settled derivatives</i>			
Outflow	406,725	309,509	175,932
Inflow	(468,304)	(354,965)	(199,790)
<b>At 30 June 2015</b>			
<i>Non-derivative financial liabilities</i>			
Trade and other payables	1,246,896	-	-
Provisions	46,077	-	-
<i>Gross settled derivatives</i>			
Outflow	224,980	134,909	100,222
Inflow	(221,531)	(134,569)	(101,562)

#### Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of £3,771,000 (2015: £1,694,000). The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 14.

#### Foreign exchange risk

The Company's revenues are substantially denominated in pounds sterling, although a significant proportion of operating costs are denominated in US dollars. These costs relate mainly to the Company's set-top box contracts with overseas suppliers.

During the year, the Company managed its currency exposure on US dollar denominated contracts by the purchase of forward exchange contracts for up to two years ahead. All US dollar-denominated forward exchange contracts entered into by the Company were in respect of highly probable cash flows. At 30 June 2016, the Company had outstanding commitments to purchase, in aggregate, US \$1,362 million at an average rate of US\$1.53 to £1.00 (2015: US \$721 million at an average rate of US\$1.57 to £1.00).

## Notes to the financial statements

### 18. Financial risk management objectives and policies (continued)

#### 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 no impact on profit (2015: £nil million). The same strengthening would have an adverse impact on other equity of £205 million (2015: £92 million).
- A 25% weakening in pound sterling against the US dollar would have no impact on profit (2015: £nil million). The same weakening would have a beneficial impact on other equity of £341 million (2015: £153 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.

#### 19. Share capital

	2016 £'000	2015 £'000
<b>Allotted, called-up and fully paid</b>		
1,576,000 (2015: 1,576,000) ordinary shares of £1 each	1,576	1,576

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

#### Share option and contingent share award schemes

The Company operates various equity-settled share option schemes (the "Schemes") for certain employees, using shares in the Company's ultimate parent company, Sky Plc.

The awards outstanding can be summarised as follows:

	2016 Number of ordinary shares	2015 Number of ordinary shares
<b>Scheme</b>		
Sharesave Scheme options (i)	1,194,771	1,053,356
Management LTIP awards (ii)	82,361	189,258
Management Co-Investment LTIP awards (iii)	23,715	21,395
	1,300,847	1,264,009

#### (i) Sharesave options

All Sharesave Scheme options outstanding at 30 June 2016 and 30 June 2015 have no performance criteria attached, other than the requirement that the employee remains in employment with the Group. Options granted under the Sharesave Scheme must be exercised within six months of the relevant award vesting date. The Sharesave Scheme is open to all employees. Options are normally exercisable after either three or five years from the date of grant.

## Notes to the financial statements

### 19. Share capital (continued)

#### (i) Sharesave options (continued)

The price at which options are offered is not less than 80% of the middle-market price on the dealing day immediately preceding the date of invitation. It is the policy of the Group to make an invitation to employees to participate in the scheme following the announcement of the end of year results.

#### (ii) Management LTIP awards

All Management LTIP awards outstanding at 30 June 2016 and 30 June 2015 vest only if performance conditions are met. Awards granted under the Management LTIP must be exercised within five years of the relevant award vesting date.

Sky grants awards to selected employees under the Management LTIP. Awards under this scheme mirror the LTIP, with the same performance conditions. Awards exercised under the Management LTIP can only be satisfied by the issue of market-purchased shares.

#### (iii) Management Co-Investment LTIP awards

All Co-Investment LTIP awards outstanding at 30 June 2016 and 30 June 2015 vest only if performance conditions are met. Awards granted under the Co-Investment LTIP must be exercised within five years of the relevant award vesting date.

Sky operates the Co-Investment LTIP award for Executive Directors and Senior Executives. Employees who participate in the plan are granted a conditional award of shares based on the amount they have invested in Sky's shares. The investment will be matched up to a maximum of 1.5 shares for every share invested, subject to a three-year EPS performance condition.

The movement in share awards outstanding is summarised in the following table:

	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>Number of</b>	<b>Weighted</b>	<b>Number of</b>	<b>Weighted</b>
	<b>shares</b>	<b>average</b>	<b>shares</b>	<b>average</b>
	<b>under option</b>	<b>exercise price</b>	<b>under option</b>	<b>exercise price</b>
Outstanding at 1 July	<b>1,264,009</b>	<b>5.44</b>	1,021,496	4.98
Granted during the year	<b>513,664</b>	<b>7.95</b>	613,832	6.12
Exercised during the year	<b>(314,773)</b>	<b>3.89</b>	(233,842)	4.90
Forfeited during the year	<b>(154,947)</b>	<b>7.01</b>	(135,075)	6.54
Expired during the year	<b>(7,106)</b>	<b>2.37</b>	(2,402)	5.33
Outstanding at 30 June	<b>1,300,847</b>	<b>6.64</b>	1,264,009	5.44

The weighted average market price of Sky's shares at the date of exercise for share options exercised during the year was £11.35 (2015: £9.09).

## Notes to the financial statements

### 19. Share capital (continued)

The following table summarises information about share awards outstanding at 30 June 2016:

Range of Exercise Prices	2016		2015	
	Number	Weighted average remaining contractual life years	Number	Weighted average remaining contractual life years
£0.00-£1.00	106,076	5.90	210,653	5.89
£4.00-£5.00	-	-	1,356	0.09
£5.00-£6.00	122,475	1.03	209,175	1.69
£6.00-£7.00	211,403	1.51	344,684	2.06
£7.00 - £8.00	409,525	2.54	498,141	3.54
£8.00 - £9.00	451,368	3.48	-	-
	1,300,847	2.83	1,264,009	3.20

The exercise prices of options outstanding at 30 June 2016 ranged from £nil to £8.17 (2015: £nil to £7.08).

#### Information for awards granted during the year

The weighted average fair value of equity-settled share options granted during the year, as estimated at the date of grant, was £7.97 (2015: £5.96). This was calculated using the Black-Scholes share option pricing model, except for awards which have market-based performance conditions, where a Monte-Carlo simulation model was used, and for grants of nil-priced options, which were treated as the award of a free share. The fair value of nil-priced options granted during the year was measured on the basis of the market-price of Sky's shares on the date of grant, discounted for expected dividends which would not be received over the vesting period of the options.

The Monte-Carlo simulation model reflected the historical volatility of Sky's share price and those of all other companies to which Sky's performance would be compared, over a period equal to the vesting period of the awards.

Expected volatility was determined by calculating the historical volatility of Sky's share price, over a period equal to the expected life of the options. Expected life was based on the contractual life of the awards and adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

#### Weighted average fair value assumptions

The following weighted average assumptions were used in these option pricing models:

	2016	2015
Share price	£10.97	£8.81
Exercise price	£1.89	£1.21
Expected volatility	18.2%	19.6%
Expected life	2.5	3.1
Expected dividend	3.3%	3.5%
Risk-free interest rate	1.0%	1.5%

## Notes to the financial statements

### 20. Shareholders' equity

	2016 £'000	2015 £'000
Share capital	1,576	1,576
Share premium	56	56
Hedging reserve	94,765	(3,882)
Retained earnings	190,533	145,259
	<b>286,930</b>	<b>143,009</b>

#### 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.

### 21. Notes to the Cash Flow Statement

#### Reconciliation of profit before tax to cash used in operations

	2016 £'000	2015 £'000
<b>Profit before tax</b>	<b>55,221</b>	56,460
Depreciation and impairment of property, plant and equipment	2,398	1,996
Amortisation of intangible assets	1,583	1,769
(Gain) loss on disposal of intangible assets and property, plant and equipment	(823)	1,225
Share-based payment expense	880	1,000
Investment income	(57)	13,757
	<b>59,202</b>	<b>76,207</b>
Increase in trade and other receivables	(100,795)	(157,115)
(Increase) decrease in inventories	(8,204)	30,644
Increase in trade and other payables	123,252	40,696
Increase in provisions	41,885	26,418
Increase in derivative financial instruments	(3,525)	(14,930)
<b>Cash from operations</b>	<b>111,815</b>	<b>1,920</b>

### 22. Contracted commitments, contingencies and guarantees

#### Future minimum expenditure contracted for but not recognised in the financial statements

At the end of the year the Company had £1,990,000 that was contracted for but not provided in the accounts (2015: £254,989,000), which is expected to be settled within twelve months of the balance sheet date.

Commitments at the year ended 30 June 2016 and year ended 30 June 2015 relate primarily to other inventories and related costs. Following a group restructure in June 2015, commitments related to set-top boxes and routers are incurred by Sky CP Limited.

## Notes to the financial statements

### 23. Operating lease commitments

The minimum lease rentals to be paid under non-cancellable operating leases at 30 June are as follows:

	2016	2015
	£'000	£'000
Within one year	7,358	6,700
Between one and two years	4,918	6,694
Between two and three year	2,538	4,343
Between three and four years	626	2,235
Between four and five years	244	562
After five years	117	193
	15,801	20,727

The majority of operating leases relate to plant and machinery in relation to engineers' vans.

### 24. Transactions with related parties and major shareholders of Sky

#### a) Key management

The Company has a related party relationship with the Directors of the Company. At 30 June 2016, there were 2 (2015: 2) members of key management, both of whom were Directors of the Company. Key management compensation is disclosed in note 6.

#### b) Transactions with Group companies

The Company conducts business transactions with other Group undertakings:

	2016	2015
	£'000	£'000
Supply of services by the Company	542,104	564,349
Purchases of goods/services by the Company	(516,209)	(34,426)

For details of amounts owed by and owed to other Group companies, see note 14 and note 15.

Principal services supplied to fellow subsidiary undertakings:

- Installation and maintenance of satellite television receiving and related equipment to Sky UK Limited.

Principal goods/services purchased from fellow Group companies:

- Subscriber management services supplied by Sky Subscribers Services Limited of £35,095,000 (2015: £34,426,000)

- Inventories, owned set-top boxes, logistics, repairs and related expenses supplied by Sky CP Limited of £481,114,000 (2015: £nil)

The Group's treasury function is responsible for liquidity management across the Group's operations. It is standard practice for the Company to lend and borrow cash to and from subsidiaries as required. Under this policy, Sky UK Limited settled liabilities of £484 million (2015: £388 million) on behalf of the Company during the year.

### 25. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of Sky UK Limited, a company incorporated in the United Kingdom and registered in England and Wales. The Company is ultimately controlled by Sky and operates together with Sky's other subsidiaries, as part of the Group. The only group in which the results of the Company are consolidated is that headed by Sky.

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