

SKY IN-HOME SERVICE LIMITED

Annual report and financial statements
For the year ended 30 June 2014

Registered number: 2067075

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Directors and Officers

For the year ended 30 June 2014

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

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 2014.

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 British Sky Broadcasting Limited ("BSkyB Ltd") and operates together with BSkyB Ltd's other subsidiaries as a part of British Sky Broadcasting Group plc ("BSkyB Group plc", "the Group").

The Company's purpose is to provide the Group with a supply chain function which is responsible for the sourcing and 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 and service activity on behalf of the Group's customers. The Company manages the relationship with the engineers and the outsourced repair and logistics operation that service the Sky platform. 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 2014 are set out on pages 9 to 41. The profit after tax for the year was £41,398,000 (2013: £44,293,000). The Company's revenue decreased by 1% in the year, principally due to a decrease in hardware, installation and service revenue. There was no interim dividend declared during the year (2013: £145,000,000), and no final dividend is proposed for the year.

The Balance Sheet shows that the Company's shareholder equity position at the year-end is £73,621,000 (2013: £58,900,000).

Key performance indicators (KPIs)

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

Principal risks and uncertainties

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

Financial risk management objectives and policies

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.

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.

Strategic and Directors' Report (continued)

Liquidity risk

The Company relies on the Group Treasury function to manage its liquidity and ensure that sufficient funds are available for ongoing operations and future developments. The Group currently has access to an undrawn £743 million revolving credit facility which is due to expire on 31 October 2018. The Company benefits from this liquidity through intra-group facilities and loans.

Payment policy

The policy of the Company is to agree terms of payment with suppliers prior to entering into a contractual relationship. In the absence of a specific agreement, it is the policy of the Company to pay suppliers in accordance with its standard payment terms of 45 days. Trade creditor days for the year ended 30 June 2014 are below 45 days (2013: below 45 days).

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 3,048 (2013: 2,466).

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.

The Company has also run comprehensive development programmes for the leaders in its contact centres to ensure they are equipped to motivate and manage their teams to deliver the best possible customer service.

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.

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.

Strategic and Directors' Report (continued)

Employment policies (continued)

Creating opportunities for all (continued)

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.

Employee engagement is a good indicator of how our employees feel about the Company. As well as reaching a high performance indicator for employee engagement (88%), the Company has improved over the last two years and outperformed an independent external benchmark of other blue chip 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.

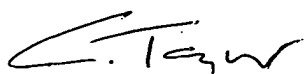
Strategic and Directors' Report (continued)

Employment policies (continued)

Health, Safety and Wellbeing (continued)

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.

By Order of the Board



C J Taylor
Company Secretary

Grant Way
Isleworth
Middlesex
TW7 5QD
7 November 2014

Strategic and Directors Report

Directors' Report

The Directors who served during the year are shown on page 1. During the year ended 30 June 2014 the Directors proposed no dividend (2013: £145,000,000).

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

Deloitte LLP have expressed their willingness to continue as auditor and a resolution to reappoint them was approved by the board of directors on 7 November 2014.

By Order of the Board,



C J Taylor
Company Secretary

Grant Way
Isleworth
Middlesex
TW7 5QD

7 November 2014

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 2014 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 26. 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 2014 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.

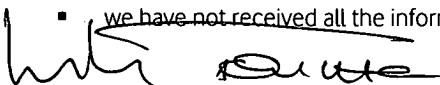
Opinion on other matter prescribed by the Companies Act 2006

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.



William Touche (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

7 November 2014

Income Statement

For the year ended 30 June 2014

	Notes	2014 £'000	2013 £'000
Revenue	2	677,348	684,232
Operating expense	3	(616,211)	(624,363)
Operating profit		61,137	59,869
Investment income	4	1,078	576
Finance costs	4	(1,606)	(3,495)
Profit before tax	5	60,609	56,950
Tax	7	(13,211)	(12,657)
Profit for the year attributable to equity shareholder		47,398	44,293

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 2014

	2014	2013
	£'000	£'000
Profit for the year attributable to equity shareholders	47,398	44,293
Other comprehensive income		
Amounts recognised directly in equity that may subsequently be recycled to the Income statement		
(Loss)/ gain on cash flow hedges	(33,622)	6,867
Tax on cash flow hedges	6,904	(1,573)
Amounts reclassified and reported in the income statement		
Loss on cash flow hedges	(8,430)	-
Tax on cash flow hedges	1,731	-
Other comprehensive income for the year (net of tax)	(33,417)	5,294
Total comprehensive income for the year (net of tax) attributable to equity shareholders	13,981	49,587

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 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Intangible assets	9	5,249	2,889
Property, plant and equipment	10	9,072	7,980
Fixed asset investments	11	1,214	1,214
Deferred tax assets	12	7,843	184
Derivative financial assets	17	-	5,390
		23,378	17,657
Current assets			
Inventories	13	56,696	76,392
Trade and other receivables	14	1,240,201	1,108,568
Cash and cash equivalents		687	3,384
Derivative financial assets	17	-	4,451
		1,297,584	1,192,795
Total assets		1,320,962	1,210,452
Current liabilities			
Trade and other payables	15	1,194,947	1,083,317
Provisions	16	19,630	67,285
Derivative financial liabilities	17	15,243	854
		1,229,820	1,151,456
Non-current liabilities			
Provisions	16	29	66
Derivative financial liabilities	17	17,492	30
		17,521	96
Total liabilities		1,247,341	1,151,552
Share capital	19	1,576	1,576
Share premium	20	56	56
Reserves	20	71,989	57,268
Total equity attributable to equity shareholder		73,621	58,900
Total liabilities and shareholder's equity		1,320,962	1,210,452

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

The financial statements of Sky In-Home Service Limited, registered number 2067075, were approved by the Board of Directors on 7 November 2014 and were signed on its behalf by:


A.J. Griffith
Director

7 November 2014

Statement of Changes in Equity

For the year ended 30 June 2014

	Share capital £'000	Share premium £'000	Hedging reserve £'000	Retained earnings £'000	Total shareholder's equity £'000
At 30 June 2012	1,576	56	475	151,328	153,435
Profit for the year	-	-	-	44,293	44,293
Recognition and transfer of cash flow hedges	-	-	6,867	-	6,867
Tax on items taken directly to equity	-	-	(1,573)	-	(1,573)
Total comprehensive income for the year	-	-	5,294	44,293	49,587
Share based payment	-	-	-	730	730
Tax on items taken directly to equity	-	-	-	148	148
Distributions	-	-	-	(145,000)	(145,000)
At 30 June 2013	1,576	56	5,769	51,499	58,900
Profit for the year	-	-	-	47,398	47,398
Recognition and transfer of cash flow hedges	-	-	(42,052)	-	(42,052)
Tax on items taken directly to equity	-	-	8,635	-	8,635
Total comprehensive income for the year	-	-	(33,417)	47,398	13,981
Share based payment	-	-	-	678	678
Tax on items taken directly to equity	-	-	-	62	62
At 30 June 2014	1,576	56	(27,648)	99,637	73,621

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.

Cash Flow Statement

For the year ended 30 June 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Cash from operations	21	6,937	4,540
Net cash from operating activities		6,937	4,540
Cash flows from investing activities			
Distributions received		49	45
Purchase of property, plant and equipment		(5,476)	(1,984)
Purchase of intangible assets		(4,207)	(1,515)
Net cash used in investing activities		(9,634)	(3,454)
Net (decrease) increase in cash and cash equivalents		(2,697)	1,086
Cash and cash equivalents at the beginning of the year		3,384	2,298
Cash and cash equivalents at the end of the year		687	3,384

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

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. This includes the adoption of IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities", amendments to IAS 28, "Investments in Associates and Joint Ventures" and IFRS 13, "Fair Value Measurement" where adoption on 1 July 2013 is considered to be early adoption for the purposes of complying with IFRS as endorsed by the European Union.

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2014, this date was 29 June 2014, this being a 52 week year (fiscal year 2013: 30 June 2013, 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 BSkyB Group plc 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 reported at the rates of exchange at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated to pounds sterling at the exchange rate prevailing at the date of the initial transaction. Gains and losses from the retranslation of assets and liabilities are included net in profit for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

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 and transferred to other reserves.

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 at which it is probable that the Company has the intention and ability to generate future economic benefits from the development expenditure, that the development is technically feasible and that the subsequent expenditure can

Notes to the financial statements

1. Accounting policies (continued)

d) Intangible assets (continued)

be measured reliably. Any other development expenditure is recognised in operating expense as incurred. Other intangible assets, which are acquired by the Company separately or through a business combination, are initially stated at cost or fair value, respectively, less accumulated amortisation and impairment losses, other than those that are classified as held for sale, which are stated at the lower of carrying amount and fair value less costs to sell.

Amortisation of an intangible asset begins when the asset is available for use, and is charged to the 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. During the year the Company revised the estimated useful life of certain intangible assets. The revisions were accounted for prospectively as a change in accounting estimate and as a result the amortisation charge in the current year has decreased by £318,000. 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.

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are treated as 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:

Freehold buildings	25 to 40 years
Equipment, furniture and fixtures	3 to 15 years
Assets under finance leases and leasehold improvements	Lesser of lease term and the useful economic life of the asset

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

Notes to the financial statements

1. Accounting policies (continued)

f) Derivative financial instruments and hedging activities (continued)

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.

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

Notes to the financial statements

1. Accounting policies (continued)

f) Derivative financial instruments and hedging activities (continued)

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".

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.

Notes to the financial statements

1. Accounting policies (continued)

i) Impairment (continued)

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.

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.

Notes to the financial statements

1. Accounting policies (continued)

m) Employee benefits (continued)

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. 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 profit or loss.

n) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

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

When the Company is lessee, assets held under finance leases are recognised as assets of the Company at their fair value on the date of acquisition, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reductions of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

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.

Notes to the financial statements

1. Accounting policies (continued)

o) Tax, including deferred tax (continued)

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.

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.

- **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.

Notes to the financial statements

1. Accounting policies (continued)

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

- **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.

- **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 our accounting periods beginning on or after 1 July 2014 or later periods. These new standards are listed below:

- Amendments to IAS 36 "Impairment of Assets" (effective 1 January 2014)
- Amendments to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2014)
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting" (effective 1 January 2014)
- Annual Improvements 2010-2012 cycle (effective 1 July 2014)*
- Annual Improvements 2011-2013 cycle (effective 1 July 2014)*
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (effective 1 January 2016)*
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation" (effective 1 January 2016)*
- IFRS 15 "Revenue from Contracts with Customers" (effective 1 January 2017)*
- IFRS 9 "Financial Instruments" (effective 1 January 2018)*

* not yet endorsed for use in the EU

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

Notes to the financial statements

2. Revenue

Revenue of £677,348,000 (2013: £684,232,000) 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 £2,622,000 (2013: £2,878,000) which arises from services provided to the Republic of Ireland.

3. Operating expense

	2014 £'000	2013 £'000
Subscriber management and supply chain	583,880	595,187
Administration	32,331	29,176
	616,211	624,363

Subscriber management and supply chain costs principally comprise certain subscriber handling costs, costs relating to satellite reception equipment, installations and maintenance and the cost of set-top boxes.

4. Investment income and finance costs

	2014 £'000	2013 £'000
Investment income		
Intercompany interest receivable ⁽ⁱ⁾	527	531
Distributions received	49	45
Remeasurement of other derivative financial instruments (not qualifying for hedge accounting)	502	-
	1,078	576
Finance costs		
Intercompany interest payable and similar charges ⁽ⁱⁱ⁾	(1,606)	(1,734)
Remeasurement of other derivative financial instruments (not qualifying for hedge accounting)	-	(1,761)
	(1,606)	(3,495)

(i) Intercompany interest receivable includes interest receivable on a revolving credit facility ("RCF") with a balance of £43 million with BSkyB Finance Limited. The RCF is repayable on demand and it bears interest at one month LIBOR plus 0.75%.

(ii) Intercompany interest payable includes interest on a balance of £101 million with BSkyB Group plc. The loan is repayable on demand and bears interest at six month LIBOR plus 1.00%.

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:

	2014 £'000	2013 £'000
Cost of inventories recognised as an expense	333,376	357,250
Depreciation of property, plant and equipment	1,826	1,786
Amortisation of intangible assets	1,416	1,667
Rentals on operating leases and similar arrangements	9,659	6,913

Audit fees

Amounts paid to the auditor for the audit of the Company's annual accounts of £15,000 (2013: £15,000) were borne by another Group subsidiary in 2014 and 2013. No amounts for other services have been paid to the auditor.

6. Employee benefits and key management compensation

a) Company employee benefits

	2014 £'000	2013 £'000
Wages and salaries	95,043	67,864
Social security costs	10,631	7,928
Costs of employee share option schemes ⁽ⁱ⁾	678	730
Contributions to the BSkyB Pension Plan ⁽ⁱⁱ⁾	3,426	2,144
	109,778	78,666

(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 2014 was £650,000 (2013: £454,000).

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

	2014	2013
Supply Chain	3,036	2,455
Management and Administration	12	11
	3,048	2,466

b) Key management compensation

The Directors received no remuneration in respect of their services to the Company (2013: £nil).

Notes to the financial statements

7. Tax

a) Tax recognised in the statement of comprehensive income

	2014 £'000	2013 £'000
Current tax expense		
Current year	12,915	13,838
Adjustment in respect of prior years	(684)	(989)
Total current tax charge	12,231	12,849
Deferred tax expense		
Origination and reversal of temporary differences	881	(393)
Decrease in estimate of recoverable deferred tax asset	148	70
Adjustment in respect of prior years	(49)	131
Total deferred tax charge (credit)	980	(192)
Total tax charge	13,211	12,657

b) Tax recognised directly in equity

	2014 £'000	2013 £'000
Current tax credit relating to stock options	(58)	(91)
Deferred tax credit relating to stock options	(4)	(57)
Deferred tax (credit) charge relating to the hedging reserve	(8,635)	1,573
	(8,697)	1,425

c) Reconciliation of effective tax rate

The tax expense for the year is lower (2013: lower) than the expense that would have been charged using the standard rate of corporation tax in the UK (22.5%) applied to profit before tax. The applicable or substantively enacted effective rate of UK corporation tax for the year was 22.5% (2013: 23.75%). The differences are explained below:

	2014 £'000	2013 £'000
Profit before tax	60,609	56,950
Profit before tax multiplied by standard blended rate of corporation tax in the UK of 22.5% (2013: 23.75%)	13,637	13,526
Effects of:		
Net add-back (deduction) in respect of share-based payments	154	(86)
Disallowance in respect of non qualifying depreciation	2	3
Other permanent differences	3	2
Decrease in estimate of recoverable deferred tax asset	148	70
Over provision in respect of prior years	(733)	(858)
Total tax charge	13,211	12,657

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

Notes to the financial statements

8. Dividends

	2014 £'000	2013 £'000
Dividends declared and paid during the year		
2014 Interim dividend paid: £nil per ordinary share (2013: £92.01 per ordinary share)	-	145,000

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.

The 2013 interim dividend was settled by the cancellation of intercompany debt. No final dividend is proposed for the period.

9. Intangible assets

	Total £'000
Cost	
At 1 July 2012	17,680
Additions	2,092
Disposals	(1,153)
At 30 June 2013	18,619
Additions	3,776
Disposals	(829)
At 30 June 2014	21,566
Amortisation	
At 1 July 2012	(15,216)
Amortisation for the year	(1,667)
Disposals	1,153
At 30 June 2013	(15,730)
Amortisation for the year	(1,416)
Disposals	829
At 30 June 2014	(16,317)
Carrying amounts	
At 1 July 2012	2,464
At 30 June 2013	2,889
At 30 June 2014	5,249

Notes to the financial statements

9. Intangible assets (continued)

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

The estimated future amortisation charge on intangible assets with finite-lives for each of the next five years is set out below. It is likely that future amortisation will vary from the figures below as the estimate does not include the impact of any future investments, disposals or capital expenditure.

	2015	2016	2017	2018	2019
	£'000	£'000	£'000	£'000	£'000
Estimated amortisation charge	1,936	1,602	1,185	526	-

10. Property, plant and equipment

	Total £'000
Cost	
At 1 July 2012	12,201
Additions	4,730
Disposals	(1,211)
At 30 June 2013	15,720
Additions	2,918
Disposals	(2,206)
At 30 June 2014	16,432
Depreciation	
At 1 July 2012	(7,119)
Depreciation	(1,786)
Disposals	1,165
At 30 June 2013	(7,740)
Depreciation	(1,826)
Disposals	2,206
At 30 June 2014	(7,360)
Carrying amounts	
At 1 July 2012	5,082
At 30 June 2013	7,980
At 30 June 2014	9,072

The Company's property, plant and equipment represents spend on equipment, furniture and fittings.

Notes to the financial statements

11. Fixed asset investments

Details of the principal investments of the Company are as follows:

Name	Country of incorporation	Description and proportion of units held (%)	Principal activity
Direct holdings			
Athena Court Property Unit Trust	UK	4.98% of total units	Property letting

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.

12. Deferred tax

Recognised deferred tax assets

	Hedging Reserve	Fixed asset timing differences	Share-based payments timing differences	Short-term timing differences	Total
	£'000	£'000	£'000	£'000	£'000
At 1 July 2012	(150)	801	210	647	1,508
Credit to income	-	2	155	35	192
(Charge) credit to equity	(1,573)	-	57	-	(1,516)
At 30 June 2013	(1,723)	803	422	682	184
Charge to income	-	(240)	(224)	(516)	(980)
Credit to equity	8,635	-	4	-	8,639
At 30 June 2014	6,912	563	202	166	7,843

Deferred tax assets have been recognised at 30 June 2014 and 30 June 2013 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.

A corporate rate of 20% has been used in the calculation of the deferred tax assets and liabilities in the Company (2013: 23%). This rate has been calculated to reflect the best estimate of the tax rate which will impact temporary timing differences as they unwind. The 20% rate is due to come into effect on 1 April 2015.

There were no unrecognised deferred tax assets or liabilities during the period.

Notes to the financial statements

13. Inventories

	2014	2013
	£'000	£'000
Set-top boxes and related equipment	42,358	61,411
Other inventories	14,338	14,981
	56,696	76,392

At 30 June 2014, 100% (2013: 100%) of set-top boxes and related equipment and other inventories is expected to be recognised in the Income Statement within 12 months.

14. Trade and other receivables

	2014	2013
	£'000	£'000
Gross trade receivables	2,119	3,932
Less: provision for impairment of receivables	(336)	(1,564)
Net trade receivables	1,783	2,368
Amounts receivable from other Group companies	1,210,851	1,075,828
VAT	4,829	6,801
Prepayments	1,671	1,141
Accrued income	3,918	2,216
Other receivables	17,149	20,214
Total trade and other receivables	1,240,201	1,108,568

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:

	2014	2013
	£'000	£'000
Up to 30 days past due date	937	355
30 to 60 days past due date	85	96
60 to 120 days past due date	21	46
More than 120 days past due date	116	4
	1,159	501

Provisions for doubtful debts

	2014	2013
	£'000	£'000
Balance at beginning of year	1,564	957
Amounts utilised	(368)	(283)
Income Statement (credit) charge	(860)	890
Balance at end of year	336	1,564

Notes to the financial statements

14. Trade and other receivables (continued)

In April 2008 the Company entered into a revolving credit facility ("RCF") of £250 million with BSKyB Finance Limited whereby it is the lender and BSKyB Finance Limited is the borrower. This RCF is repayable on demand and it bears interest at one month LIBOR plus 0.75%. At 30 June 2014, the Company had made a loan of £42,989,000 (30 June 2013: £42,462,000) under the RCF, which is included within amounts due from other Group companies.

In July 2008 the Company entered into a loan agreement with BSKyB Finance Limited whereby it is the lender and BSKyB Finance Limited the borrower. At 30 June 2014 the balance of this loan was £79,764,000 (30 June 2013: £79,764,000). This loan is non interest bearing and repayable on demand.

Amounts receivable from the parent company BSKyB Limited total £735,253,000 at 30 June 2014 (30 June 2013: £590,086,000). 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 £352,845,000 at 30 June 2014 (30 June 2013: £363,516,000). 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.

15. Trade and other payables

	2014	2013
	£'000	£'000
Trade payables	25,622	24,014
Amounts payable to ultimate parent Company ^(a)	136,849	135,242
Amounts payable to other Group companies ^(b)	992,687	881,725
Accruals	35,872	38,011
Deferred income	438	1,382
Other payables	3,479	2,943
	1,194,947	1,083,317

(a) In January 2009 the Company entered into a loan agreement with its ultimate parent company whereby it is the borrower and BSKyB Group plc is the lender. At the 30 June 2014 the balance of this loan was £101,204,000 (30 June 2013: £99,598,000). The loan is repayable on demand and bears interest at six month LIBOR plus 1.00%.

Other trade balances due to ultimate parent company totalling £35,645,000 (30 June 2013: £35,644,000) are repayable on demand and bear no interest.

(b) In June 2009 the Company entered into a revolving credit facility ("RCF") with BSKyB Finance Limited whereby it is the borrower and BSKyB Finance Limited is the lender. This RCF is non interest bearing and is repayable on demand. At 30 June 2014, the Company had borrowed £789,905,000 under the RCF (30 June 2013: £789,905,000), which is included within amounts owed to other Group companies.

Notes to the financial statements

15. Trade and other payables (continued)

In July 2009 the Company entered into a loan agreement with BSkyB Finance Limited whereby it is the borrower and BSkyB Finance Limited is the lender. At 30 June 2014 the balance of this loan was £47,320,000 (30 June 2013: £47,320,000). This loan is non interest bearing and is repayable on demand.

Other trade balances due to other Group companies totalling £155,462,000 (30 June 2013: £44,500,000) 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 2012 £'000	Provided during the year £'000	Released during the year	Utilised during the year £'000	Reclassified during the year £'000	At 30 June 2013 £'000	Provided during the year £'000	Utilised during the year £'000	Reclassified during the year £'000	At 30 June 2014 £'000
Current liabilities										
Restructuring provision ^(a)	-	1,338	-	-	-	1,338	59	(1,338)	-	59
Customer-related provisions ^(b)	-	47,100	-	(5,802)	-	41,298	73	(39,345)	-	2,026
Acquisition related provisions ^(c)	14,188	-	(13,372)	-	(816)	-	-	-	-	-
Other provisions ^(d)	11,176	16,386	(4,885)	(14,860)	16,832	24,649	7,746	(14,816)	(34)	17,545
	25,364	64,824	(18,257)	(20,662)	16,016	67,285	7,878	(55,499)	(34)	19,630
Non-current liabilities										
Provisions	65	1	-	-	-	66	-	(37)	-	29

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

(b) These provisions are for those costs incurred in the one-off upgrade of set-top boxes and the programme to offer wireless connectors to selected Sky Movies customers.

(c) The transfer of the trade and assets of Amstrad Limited to the Company during 2012 as part of a Group reorganisation resulted in the inclusion of provisions relating to potential royalty payments.

(d) Included in other provisions are amounts provided for onerous contracts for property leases, legal disputes and warranty liabilities, which have been reclassified to provisions during the prior year.

The non-current provisions relate to amounts provided for onerous contracts for property leases.

Notes to the financial statements

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 BSkyB Limited.

	2014				2013			
	Asset		Liabilities		Asset		Liabilities	
	Fair value £'000	Notional £'000	Fair value £'000	Notional £'000	Fair value £'000	Notional £'000	Fair value £'000	Notional £'000
Cash flow hedges:								
Forward foreign exchange contracts	-	2,937	(32,735)	484,053	8,173	296,603	(682)	106,305
Derivatives not in a formal hedge relationship:								
Forward foreign exchange contracts	-	-	-	-	1,668	47,903	(202)	26,248
Total	-	2,937	(32,735)	484,053	9,841	344,506	(884)	132,553

The maturity of the derivative financial instruments is as follows:

	2014		2013	
	Asset	Liability	Asset	Liability
	£'000	£'000	£'000	£'000
In one year or less	-	(15,243)	4,451	(854)
Between one and two years	-	(10,853)	4,700	(30)
Between two and four years	-	(6,639)	690	-
Total	-	(32,735)	9,841	(884)

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 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. £nil million of ineffectiveness was recognised in the Income Statement during the current year (2013: £nil million).

A hedge relationship is deemed to be effective if the ratio of changes in valuation of the underlying hedged item and the hedging instrument is within the range of 80% to 125%. Any relationship which has a ratio outside this range is deemed to be ineffective, at which point hedge accounting is suspended. During the year ended 30 June 2014, there were no instances in which the hedge relationship was not highly effective (2013: no instances).

Notes to the financial statements

17. Derivatives and other financial instruments (continued)

(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.

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
At 30 June 2014						
Derivative financial instruments	-	(32,735)	-	-	(32,375)	(32,375)
Trade and other payables	-	-	-	(1,193,717)	(1,193,717)	(1,193,717)
Provisions	-	-	-	(13,556)	(13,556)	(13,556)
Trade and other receivables	-	-	1,229,711	-	1,229,711	1,229,711
Cash and cash equivalents	-	-	687	-	687	687
At 30 June 2013						
Derivative financial instruments	1,466	7,491	-	-	8,957	8,957
Trade and other payables	-	-	-	(1,078,992)	(1,078,992)	(1,078,992)
Provisions	-	-	-	(55,938)	(55,938)	(55,938)
Trade and other receivables	-	-	1,100,626	-	1,100,626	1,100,626
Cash and cash equivalents	-	-	3,384	-	3,384	3,384

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
At 30 June 2014				
<i>Assets measured at fair value</i>				
Forward foreign exchange and option contracts	-	-	-	-
Total	-	-	-	-
<i>Liabilities measured at fair value</i>				
Forward foreign exchange and option contracts	(32,735)	-	(32,735)	-
Total	(32,735)	-	(32,735)	-
At 30 June 2013				
<i>Assets measured at fair value</i>				
Forward foreign exchange and option contracts	9,841	-	9,841	-
Total	9,841	-	9,841	-
<i>Liabilities measured at fair value</i>				
Forward foreign exchange and option contracts	(884)	-	(884)	-
Total	(884)	-	(884)	-

Level 1

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

Level 2

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

Level 3

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

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)

Interest rate risk

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

A one percentage point increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been one percentage point higher and all other variables were held constant, the Company's profit for the year ended 30 June 2014 would decrease by £582,000 (2013: decrease by £571,000).

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 changes as the Company's portfolio of foreign currency 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.

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
At 30 June 2014			
<i>Non-derivative financial liabilities</i>			
Trade and other payables	1,193,717	-	-
Provisions	13,556	29	-
<i>Gross settled derivatives</i>			
Outflow	218,394	159,821	146,065
Inflow	(202,702)	(147,430)	(136,858)
At 30 June 2013			
<i>Non-derivative financial liabilities</i>			
Trade and other payables	1,078,992	-	-
Provisions	55,872	66	-
<i>Gross settled derivatives</i>			
Outflow	265,705	143,323	59,820
Inflow	(269,043)	(147,645)	(60,371)

Notes to the financial statements

18. Financial risk management objectives and policies (continued)

Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of £687,000 (2013: £3,384,000). The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 14.

Capital Risk Management

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

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 2014, the Company had outstanding commitments to purchase, in aggregate, US \$829 million at an average rate of US\$1.58 to £1.00.

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 (2013: £15 million). The same strengthening would have an adverse impact on other equity of £97 million (2013: £81 million).
- A 25% weakening in pound sterling against the US dollar would have no impact on profit (2013: £25 million). The same weakening would have a beneficial impact on other equity of £162 million (2012: £134 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.

Notes to the financial statements

19. Share capital

	2014 £'000	2013 £'000
Allotted, called-up and fully paid		
1,576,000 (2013: 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.

The awards outstanding can be summarised as follows:

Scheme	2014 Number of ordinary shares	2013 Number of ordinary shares
Executive Share Option Scheme options (i)	272	1,811
Sharesave Scheme options (ii)	884,919	895,316
Management LTIP awards (iii)	125,511	188,156
Management Co-Investment LTIP awards (iv)	10,794	-
	1,021,496	1,085,283

(i) Executive Share Option Scheme options

All Executive Share Option Scheme options outstanding at 30 June 2014 and 30 June 2013 have vested. No options have been granted under the scheme since 2004. Grants under the Executive Share Option Scheme were made on an annual basis to selected employees, with the exercise price of options being equal to BSKyB's share price on the date of grant. For those options with performance conditions, growth in EPS had to exceed growth in the Retail Prices Index plus 3% per annum in order for awards to vest. Options vested on an accelerated basis over a period of up to four years from the date of grant. The contractual life of all Executive Share Option Scheme options is ten years.

(ii) Sharesave options

All Sharesave Scheme options outstanding at 30 June 2014 and 30 June 2013 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. 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.

(iii) Management LTIP awards

All Management LTIP awards outstanding at 30 June 2014 and 30 June 2013 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. BSKyB grants awards to selected employees under the Management LTIP. Awards under the scheme are granted in the form of a nil-priced option, and are satisfied using market-purchased shares. The awards vest in full or in part dependent on the satisfaction of specified performance targets. For awards made in 2008 and 2009 (i.e.

Notes to the financial statements

19. Share capital (continued)

awards that vested in 2011), 30% of the award vested dependent on TSR performance over a three year performance period, relative to the constituents of the FTSE 100 at the time of grant, and the remaining 70% vested dependent on performance against operational targets. The TSR performance targets were not applicable to awards made between July 2010 and March 2012 but have been re-introduced for awards granted from July 2012 onwards. Awards exercised under the Management LTIP can only be satisfied by the issue of market-purchased shares.

(iv) Management Co-Investment LTIP awards

All Management Co-Investment LTIP awards outstanding at 30 June 2014 and 30 June 2013 vest only if performance conditions are met. Awards granted under the Management Co-Investment LTIP must be exercised within five years of the relevant award vesting date.

British Sky Broadcasting Group plc grants awards to selected employees under the Management Co-Investment LTIP. Awards under this scheme mirror the Co-Investment LTIP, with the same performance conditions.

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

	2014	2014	2013	2013
	Number of	Weighted	Number of	Weighted
	shares	average	shares	average
	under option	exercise price	under option	exercise price
Outstanding at 1 July	1,085,283	4.38	1,063,871	£4.41
Granted during the year	307,523	5.56	319,239	£4.45
Exercised during the year	(254,713)	2.92	(225,692)	£4.38
Forfeited during the year	(112,702)	5.51	(72,040)	£5.07
Expired during the year	(3,895)	4.46	(95)	£5.30
Outstanding at 30 June	1,021,496	4.98	1,085,283	£4.38

The weighted average market price of BSKyB's shares at the date of exercise for share options exercised during the year was £8.42 (2013: £7.83).

The following table summarises information about share awards outstanding at 30 June 2014:

	2014	2014	2013	2013
	Weighted	Weighted	Weighted	Weighted
	average	average	average	average
	remaining	remaining	remaining	remaining
	contractual life	contractual life	contractual life	contractual life
Range of Exercise Prices	2014	2013	2013	2013
	Number	Number	Number	Number
	years	years	years	years
£0.00-£1.00	136,305	6.71	188,155	5.9
£3.00-£4.00	3,688	0.09	53,363	1.1
£4.00-£5.00	58,823	1.09	74,065	1.8
£5.00-£6.00	410,282	2.00	548,962	2.7
£6.00-£7.00	412,398	2.97	220,738	3.5
	1,021,496	2.96	1,085,283	3.3

The exercise prices of options outstanding at 30 June 2014 ranged from £nil to £6.82.

Notes to the financial statements

19. Share capital (continued)

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 £5.53 (2013: £5.16). 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 BSKyB'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 BSKyB's share price and those of all other companies to which BSKyB'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 BSKyB'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:

	2014	2013
Share price	£8.38	£7.20
Exercise price	£1.57	£0.73
Expected volatility	20.6%	69.7%
Expected life	2.5	3.1 years
Expected dividend	3.3%	3.5%
Risk-free interest rate	0.8%	0.7%

20. Shareholders' equity

	2014	2013
	£'000	£'000
Share capital	1,576	1,576
Share premium	56	56
Hedging reserve	(27,648)	5,769
Retained earnings	99,637	51,499
	73,621	58,900

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.

Notes to the financial statements

21. Notes to the Cash Flow Statement

Reconciliation of profit before tax to cash used in operations

	2014 £'000	2013 £'000
Profit before tax	60,609	56,950
Depreciation of property, plant and equipment	1,826	1,786
Amortisation of intangible assets	1,416	1,667
Loss on disposal of property, plant and equipment	-	46
Share-based payment expense	678	730
Net finance costs	528	2,919
	65,057	64,098
Increase in trade and other receivables	(143,279)	(36,008)
Decrease (increase) in inventories	19,696	(172)
Increase (decrease) in trade and other payables	113,012	(65,414)
(Increase) decrease in provisions	(47,692)	41,922
Decrease in derivative financial instruments	143	114
Cash from operations	6,937	4,540

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 £180,528,000 that was contracted for but not provided in the accounts (2013: £209,961,000), which is expected to be settled within twelve months of the balance sheet date.

Commitments at the year ended 30 June 2014 and year ended 30 June 2013 relate primarily to set top boxes, hubs and related equipment.

Guarantees

The following guarantees are in place relating to the Group's borrowings: (a) British Sky Broadcasting Limited, Sky Subscribers Services Limited ("SSSL"), BSkyB Finance UK plc and the company have given joint and several guarantees in relation to the Group's £743 million RCF and the outstanding Guaranteed Notes issued by BSkyB Group plc (b) the Company, British Sky Broadcasting Group plc, Sky Subscribers Services Limited and British Sky Broadcasting Limited have given joint and several guarantees in relation to the outstanding Guaranteed Notes issued by BSkyB Finance UK plc.

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:

	2014 £'000	2013 £'000
Within one year	7,469	7,549
Between one and two years	7,091	7,107
Between two and three years	7,077	5,204
Between three and four years	4,723	5,189
Between four and five years	2,575	2,916
After five years	143	780
	29,078	28,745

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

24. Transactions with related parties and major shareholders of BSkyB

a) Key management

The Company has a related party relationship with the Directors of the Company. At 30 June 2014, there were 2 (2013: 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 fellow Group undertakings:

	2014 £'000	2013 £'000
Supply of services by the Company	628,984	629,611
Purchases of goods/services by the Company	(35,324)	(39,368)

For details of amounts owed by and owed to subsidiaries, see note 14 and note 15.

Principal services supplied to fellow subsidiary undertakings:

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

Principal goods/services purchased from fellow subsidiary undertakings:

- Subscriber management services supplied by Sky Subscribers Services Limited.

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, BSkyB Limited settled liabilities of £484 million (2013: £1,042 million) on behalf of the Company during the year.

Notes to the financial statements

25. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of British Sky Broadcasting Limited, a company incorporated in the United Kingdom 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.

26. Post balance sheet events

In September 2014, British Sky Broadcasting Group plc issued circa £3.25 billion (equivalent) of Euro and US dollar denominated bonds to which the Company acts as a guarantor.

Proceeds from the bonds are available to finance the acquisition of Sky Italia and Sky Deutschland, which was announced on 25 July 2014.