

SKY IN-HOME SERVICE LIMITED

Annual report and financial statements
For the year ended 30 June 2018

Registered number: 02067075



Directors and Officers

For the year ended 30 June 2018

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 (resigned 12 January 2018)

C R Jones (appointed 12 January 2018, resigned 25 February 2019)

C Smith (appointed 25 February 2019)

C A Stylianou (appointed 25 February 2019)

D E C Allan

Secretary

C J Taylor

Registered office

Grant Way

Isleworth

Middlesex

TW7 5QD

Auditor

Deloitte LLP

Statutory Auditor

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 2018.

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 undertaking of Sky UK Ltd. As at 30 June 2018 the ultimate parent company was Sky plc (now renamed Sky Limited) ("Sky") and the company operated together with Sky's other subsidiaries as a part of the Sky group ("the Group"). On 9 October 2018 the offer by Comcast Bidco Limited, an indirect wholly-owned subsidiary of Comcast Corporation, to acquire the entire issued and to be issued share capital of Sky plc (now renamed Sky Limited) became wholly unconditional. As a result, and as of that date, the ultimate controlling party of the Company is now Comcast Corporation.

The Company's purpose is to provide the Group with a supply chain function which is responsible for the distribution of all equipment required to be used in the customer's home and by the engineers, together with the planning and operational management of the field force that undertakes all installation activity on behalf of the Group's customers. The Company also manages the relationship with the engineers that service the Group's platform. The Company acquires the set-top boxes and related equipment it uses within its operations, together with the outsourced repair and logistics operation that service the Sky platform, from Sky CP Limited, another group company. 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 2018 are set out on pages 9 to 41. The profit after tax for the year was £46,723,000 (2017: £34,676,000). The Company's revenue increased by 21.5% in the year, principally due to an increase in hardware, installation and service revenue.

The Balance Sheet shows that the Company's shareholder equity position at the year-end is £290,053,000 (2017: £298,203,000).

Key performance indicators (KPIs)

The Group manages its operations on a divisional basis and the KPIs used are as reported in the Group Annual Report.

Principal risks and uncertainties

The Directors do not believe the company is exposed to significant cash flow risk, price risk or interest rate risk.

Financial risk management objectives and policies

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

Foreign exchange risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures. Refer to note 18 for further information.

Strategic and Directors' Report (continued)

Credit risk

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

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

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

Liquidity risk

The Company relies on the Group Treasury function to manage its liquidity and ensure that sufficient funds are available for ongoing operations and future developments. The Group has access to a £3 billion revolving credit facility, which was undrawn at 30 June 2018. The facility is due to expire on 11 January 2024. The Company benefits from this liquidity through intra-group facilities and loans.

Interest rate risk

The Company has financial exposure to UK interest rates arising from the investment of surplus cash and various loan balances with other companies within the Group. The Group's Treasury function monitors the Company's exposure to fluctuations in interest rates.

Employment policies

Organisation

Over the past year, the Company has continued in its efforts to make the Company a great place to work. The Company has continued to place particular focus on leadership capability, looking both at the Company's leaders of today and future leaders. The average monthly number of full-time equivalent persons employed by the Company during the year was 3,336 (2017: 3,325).

Leadership and Collaboration

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

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

Managing and developing our people

Building our capability

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

Strategic and Directors' Report (continued)

Creating opportunities for all

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

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

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

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

Employee engagement

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

Diversity

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

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

Reward and Recognition

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

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

Health, Safety and Wellbeing

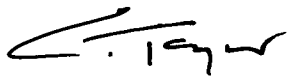
The health, safety and wellbeing of the Company's people are of paramount importance: wherever, whenever they work and whatever they are doing.

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

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

Strategic and Directors' Report (continued)

By order of the Board



C J Taylor
Director

Grant Way
Isleworth
Middlesex
TW7 5QD

15 March 2019

Strategic and Directors Report (continued)

Directors' Report

The Directors who served during the year are shown on page 1. During the year ended 30 June 2018 the Directors proposed no dividend (2017: £nil).

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

Going concern

The Company's business activities, together with the factors likely to affect its future development and performance are set out in the Business Review. The Strategic Report details the financial position of the Company, as well as the Company's objectives and policies, and details of its exposures to credit risk and liquidity risk.

After making enquiries, the Directors have formed a judgement at the time of approving the financial statements that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

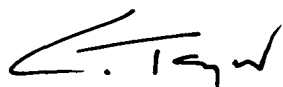
Auditor

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

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

Deloitte LLP have expressed their willingness to continue as auditor and a resolution to reappoint them was approved by the Board of Directors on 30 November 2018.

On Behalf of the Board,



C J Taylor
Director

Grant Way
Isleworth
Middlesex
TW7 5QD

15 March 2019

Statement of Directors' Responsibilities

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 (continued)

Independent auditor's report to the members of Sky In-home service limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Sky in-home service limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sky In-Home Service Limited (the "company") which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the cash flow statement;
- the statement of changes in equity; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Auditor's Report (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Auditor's Report (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.



Jon Young FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

15th March 2019

Income Statement

For the year ended 30 June 2018

	Notes	2018 £'000	2017 £'000
Revenue	2	479,697	394,881
Operating expense	3	(431,826)	(360,074)
Operating profit		47,871	34,807
Investment income	4	4,001	8,061
Profit before tax	5	51,872	42,868
Tax	7	(5,149)	(8,192)
Profit for the year attributable to equity shareholder		46,723	34,676

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 2018

	2018	2017
	£'000	£'000
Profit for the year attributable to equity shareholders	46,723	34,676
Other comprehensive income		
Amounts recognised directly in equity that may subsequently be recycled to the Income statement		
(Loss)/Gain on cash flow hedges	(8,067)	29,810
Tax on cash flow hedges	1,372	(5,067)
Amounts reclassified and reported in the income statement		
(Loss)/Gain on cash flow hedges	(3,942)	(8,961)
Tax on cash flow hedges	670	1,770
Amounts reclassified and reported in non-financial assets (basis adjustment)		
(Loss)/Gain on cash flow hedges	(55,198)	(53,200)
Tax on cash flow hedges	9,383	11,136
Other comprehensive (loss)/income for the year (net of tax)	(55,782)	24,512
Total comprehensive (loss)/income for the year attributable to equity shareholder	(9,059)	10,164

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 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Intangible assets	9	2,381	1,115
Property, plant and equipment	10	540,455	292,534
Fixed asset investments	11	1,214	1,214
Derivative financial assets	17	-	3,950
		544,050	298,813
Current assets			
Inventories	13	29,330	23,114
Trade and other receivables	14	213,534	351,484
Cash and cash equivalents		5,223	6,121
Derivative financial assets	17	6,182	10,016
		254,269	390,735
Total assets		798,319	689,548
Current liabilities			
Trade and other payables	15	460,730	313,303
Tax		226	-
Provisions	16	32,499	55,502
Derivative financial liabilities	17	1,029	-
		494,484	368,805
Non-current liabilities			
Deferred tax liabilities	12	13,782	22,120
Derivative financial liabilities	17	-	420
		13,782	22,540
Total liabilities		508,266	391,345
Share capital	19	1,576	1,576
Share premium	20	56	56
Reserves	20	288,421	296,571
Total equity attributable to equity shareholder		290,053	298,203
Total liabilities and shareholder's equity		798,319	689,548

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

The financial statements of Sky In-Home Service Limited, registered number 02067075, were approved by the Board of Directors on 15 March 2019 and were signed on its behalf by:



C Smith
Director
15 March 2019

Cash Flow Statement

For the year ended 30 June 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from operations	21	330,369	205,676
Net cash from operating activities		330,369	205,676
Cash flows from investing activities			
Distributions received		58	58
Purchase of property, plant and equipment		(329,067)	(202,926)
Purchase of intangible assets		(2,258)	(458)
Net cash used in investing activities		(331,267)	(203,326)
Net increase in cash and cash equivalents		(898)	2,350
Cash and cash equivalents at the beginning of the year		6,121	3,771
Cash and cash equivalents at the end of the year		5,223	6,121

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

Statement of Changes in Equity

For the year ended 30 June 2018

	Share Capital	Share premium	Hedging reserve	Retained earnings	Total shareholder's equity
	£'000	£'000	£'000	£'000	£'000
At 1 July 2016	1,576	56	94,765	190,533	286,930
Profit for the year	-	-	-	34,676	34,676
Recognition and transfer of cash flow hedges :					
- In equity	-	-	29,810	-	29,810
- In income statement	-	-	(8,961)	-	(8,961)
- In non-financial assets (basis adjustment)	-	-	(53,200)	-	(53,200)
Tax on items taken directly to equity	-	-	7,839	-	7,839
Total comprehensive income for the year	0	0	(24,512)	34,676	10,164
Share based payment	-	-	-	998	998
Tax on items taken directly to equity	-	-	-	111	111
At 30 June 2017	1,576	56	70,253	226,318	298,203
Profit for the year	-	-	-	46,723	46,723
Recognition and transfer of cash flow hedges :					0
- In equity	-	-	(8,067)	-	(8,067)
- In income statement	-	-	(3,942)	-	(3,942)
- In non-financial assets (basis adjustment)	-	-	(55,198)	-	(55,198)
Tax on items taken directly to equity	-	-	11,425	-	11,425
Total comprehensive income for the year	0	0	(55,782)	46,723	(9,059)
Share based payment	-	-	-	728	728
Tax on items taken directly to equity	-	-	-	181	181
At 30 June 2018	1,576	56	14,471	273,950	290,053

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

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

Notes to the financial statements

1. Accounting policies

Sky In-Home Service Limited (the "Company") is a limited liability Company, limited by shares, incorporated in the United Kingdom ("UK"), and registered in England and Wales. The address of the registered office is Grant Way, Isleworth, Middlesex, TW7 5QD and registered number is 02067075.

a) Statement of compliance

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

b) Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Directors' Report) and on a historical cost basis, except for the remeasurement to fair value of certain financial assets and liabilities as described in the accounting policies below. The Company has adopted the new accounting pronouncements which became effective this year, none of which had any significant impact on the Company's results or financial position.

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2018, this date was 1 July 2018, this being a 52 week year (fiscal year 2017: 2 July 2017, 52 week year). For convenience purposes, the Company continues to date its financial statements as at 30 June.

The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company.

The Company has taken advantage of the exemption from preparing the consolidated accounts afforded by section 400 of the Companies Act 2006, because it is a wholly-owned subsidiary of Sky Limited ("Sky") which prepares consolidated accounts which are publicly available (see note 25).

c) Intangible assets and property, plant and equipment ("PPE")

i. Intangible Assets

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

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

Notes to the financial statements

1. Accounting policies (continued)

c) Intangible assets and property, plant and equipment ("PPE") (continued)

ii. Property, plant and equipment

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

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

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

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

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

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

d) Derivative financial instruments and hedging activities

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

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

Certain derivatives held by the Company which relate to highly probable forecast transactions ("hedged items"), which meet qualifying criteria under IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"), are designated as cash flow hedges. Other derivatives which hedge changes in fair value of fixed rate financial instruments and meet the requirements of IAS 39 are designated as fair value hedges. 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 / Statement of Comprehensive Income**. The Company does not hold or issue derivatives for speculative purposes.

Notes to the financial statements

1. Accounting policies (continued)

d) Derivative financial instruments and hedging activities (continued)

i. Derivatives that qualify for cash flow hedge accounting

Changes in the fair values of derivatives that are designated as cash flow hedges ("cash flow hedging instruments") are initially recognised in the hedging reserve. Amounts accumulated in the hedging reserve are subsequently recognised in the initial cost or other carrying amount of the non-financial asset or liability on the balance sheet and affect the Income Statement in the periods in which the related hedged items are recognised in the Income Statement.

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

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

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

ii. Embedded derivatives

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

e) Inventories

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

Notes to the financial statements

f) Financial assets and liabilities

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

i. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and, 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.

g) 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 taxation (see accounting policy o) to determine whether there is any indication that any of those assets have suffered an impairment loss.

An impairment is recognised in the Income Statement whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are

discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

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

Notes to the financial statements

1. Accounting policies (continued)

g) Impairment (continued)

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.

h) 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.

i) 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.

j) 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.

When the Company sells a set-top box, installation or service and a subscription in one bundled transaction, the total consideration from the arrangement is allocated to each element based on their relative fair values. The fair value of each individual element is determined using vendor specific or third party evidence. The amount of revenue the Company recognises for a delivered element is limited to (cannot exceed) the cash received or consideration receivable. Discounts are allocated to products on a pro-rata basis according to relative fair values, except where there is observable evidence that the discount relates to one or more, but not all, products within the bundle.

k) Employee benefits

i. Wages, salaries and social security contributions

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

ii. Pension obligations

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

iii. Termination benefits

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

Notes to the financial statements

1. Accounting policies (continued)

k) employment benefits (continued)

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 the income statement.

l) Leases

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

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

m) Tax, including deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. Deferred tax is charged or credited in the Income Statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity.

Notes to the financial statements

1. Accounting policies (continued)

n) Distributions to equity shareholders

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

o) Foreign currency translation

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

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

p) 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 in the Directors' judgement its selection or application materially affects the Company's financial position or results. The application of the Company's accounting policies also requires the use of estimates and assumptions that affect the Company's financial position or results. 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.

i. Taxation, including deferred taxation (see notes 7 and 12)

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.

Provisions for tax contingencies require management to make judgements and estimates in relation to tax audit issues and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless it is probable that the tax positions will be sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of the likely resolution of the issue through negotiation and/or litigation. The amounts recognised in the financial statements in respect of each matter are derived from the Company's best estimation and judgement, as described above. However, the inherent uncertainty regarding the outcome of these items means the eventual resolution could differ from the provision and in such event the Company would be required to make an adjustment in a subsequent period which could have a material impact on the Company's profit and loss and/or cash position.

The key area of judgement in respect of deferred tax accounting is the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the balance sheet date.

In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deferred tax assets can be utilised.

Notes to the financial statements

1. Accounting policies (continued)

p) Critical accounting policies and use of judgement

ii. 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, which requires an estimation of the period and profile over which the Company expects to consume the future economic benefits embodied in the assets. The Company reviews its useful economic lives on at least an annual basis.

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, for example, 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, where applicable.

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. Determining the costs of assets to be capitalised requires judgement. Specifically, judgement and estimation is required in determining the amount of duties and non-refundable taxes, probable trade discounts and rebates, and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (including relevant delivery and logistics costs to the customer's premises) to be allocated to the asset.

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after 1 July 2018. These new pronouncements are listed below. The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

- Amendments to IFRS 2 '*Share-based Payments*' (effective 1 January 2018)
- IFRIC 22 '*Foreign Currency Transactions and Advanced Consideration*' (effective 1 January 2018)
- Amendments to IFRS 4 '*Insurance contracts*' (effective 1 January 2018)
- Amendments to IAS 40 '*Investment Properties*' (effective 1 January 2018)
- IFRS 17 '*Insurance Contracts*' (effective 1 January 2021)*
- IFRIC 23 '*Uncertainty over Income Tax Treatments*' (effective 1 January 2019)*
- Amendments to IAS 28 '*Investments in Associates and Joint Ventures – Long term interests*' (effective 1 January 2019)*
- Annual Improvements to IFRS Standards 2015-2017 (effective 1 January 2019)*
- Amendments to IAS 19 '*Employment Benefits*' – Plan amendment, Curtailment or Settlement (effective 1 January 2019)*
- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020)*
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (effective 1 January 2019)*

IFRS 15 '*Revenue from Contracts with Customers*' is effective on the Company from 1 July 18 onwards

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers:

- Identify the contract with the customer.
- Identify the performance obligations in the contract, introducing the new concept of 'distinct'.
- Determining the transaction price.

Notes to the financial statements

1. Accounting policies (continued)

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

- Allocating the transaction price to the performance obligations in the contracts, on a relative stand-alone selling price basis.
- Recognise revenue when (or as) the entity satisfies its performance obligation.

IFRS 15 also introduces new guidance on, amongst other areas, combining contracts, discounts, variable consideration, contract modifications and requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the balance sheet and amortised over the period an entity expects to benefit from the customer relationship.

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative impact of IFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied, it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period.

The Group has determined that it will adopt IFRS 15 on a modified retrospective basis. The Group has also determined that the results of its segments will exclude IFRS 15, on the basis that the Group will continue to be managed internally using the Group's current 'cash-led' accounting policies, for both revenue and cost. In line with the modified retrospective adoption approach, the Group will also present its consolidated group result on under both IFRS 15 and its existing accounting policies.

In the current year, Group management has concluded a detailed accounting scoping analysis across each of the Group's operating segments and across the products and services within the Group's revenue streams. Management has also determined and developed implementation approaches for each revenue stream based on the potential materiality, complexity and volatility of impacts, utilising a mixture of system led and manually derived estimates, as appropriate given the specific nature of IFRS 15 adjustments identified.

Overall, IFRS 15 is not expected to result in significant impacts or changes to Company's hardware, service, advertising or licence fee revenue or treatment.

At the time of finalising and approving the financial statements in March 2019, the Company remains in the process of calculating, reviewing and validating the IFRS 15 transition impacts in order to derive the balance sheet under IFRS 15, as at 30 June 2018.

- IFRS 9 'Financial Instruments' replaces IAS 39 'Financial instruments: Recognition and Measurement' is effective on the Group from 1 July 2018 onwards.

The principal area which impacts the Company relates to the recognition of impairment provisions for receivables and other financial assets. IFRS 9 also contains new rules relating to hedge accounting, although the adoption of these is not mandatory and the Company will continue to apply IAS 39 hedge accounting policies.

With respect to impairment provisions, IFRS 9 introduces a model based on expected credit loss. This requires a provision to be made for impairment from the initial point at which the receivable is recognised, compared to IAS 39 which requires a provision to be made only when a loss event occurs. The impact of the IFRS 9 credit loss model is currently being considered in relation to intercompany receivable balances, which given the size of these balances may result in a material impact. For all other receivable balances the Company has concluded that there is no material impact on either the balance sheet position or income statement results.

* not yet endorsed for use in the EU

Notes to the financial statements

2. Revenue

Revenue of £479,697,000 (2017: £394,881,000) is derived from the supply, installation and maintenance of satellite television receiving and related equipment. Revenue arises from goods and services provided to the United Kingdom, with the exception of £nil (2017: £nil) which arises from services provided to the Republic of Ireland.

3. Operating expense

	2018 £'000	2017 £'000
Sales, general and administration	431,826	360,074
	431,826	360,074

4. Investment income and finance costs

	2018 £'000	2017 £'000
Investment income		
Distributions received	58	58
Remeasurement of other derivative financial instruments (not qualifying for hedge accounting)	3,943	8,003
	4,001	8,061
Finance costs		
	-	-

The Company 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:

	2018 £'000	2017 £'000
Cost of inventories recognised as an expense	121,724	93,099
Depreciation and impairment of property, plant and equipment	81,146	25,199
Amortisation of intangible assets	992	1,333
Loss on disposal of property, plant and equipment	-	87
Rentals on operating leases and similar arrangements	3,527	8,871

Audit fees

Amounts were paid to the auditor for the audit of the Company's annual accounts of £15,000 (2017: £15,000). No amounts for other services have been paid to the auditor.

Foreign exchange

Foreign exchange losses recognised in the Income Statement during the year amounted to £5,342,000 (2017: loss of £680,000).

6. Employee benefits and key management compensation

a) Company employee benefits

	2018 £'000	2017 £'000
Wages and salaries	103,552	110,699
Social security costs	11,477	11,509
Costs of employee share option schemes ⁽ⁱ⁾	728	998
Contributions to the Sky Pension Plan ⁽ⁱⁱ⁾	4,467	4,941
	120,224	128,148

(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 2018 was £691,000 (2017: £668,000).

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

	2018	2017
Supply Chain	3,336	3,325

There are approximately 18 (2017:nil) temporary staff included within the average number of full-time equivalent persons employed by the Company

Notes to the financial statements

6. Employee benefits and key management compensation (continued)

b) Key management compensation

The Directors received no remuneration in respect of their services to the Company (2017: £nil), including in relation to the cost of employee share option schemes.

7. Tax

a) Tax recognised in the income statement / statement of comprehensive income

	2018 £'000	2017 £'000
Current tax expense		
Current year	1,936	3,065
Adjustment in respect of prior years	-	144
Total current tax charge / (credit)	1,936	3,209
Deferred tax expense		
Origination and reversal of temporary differences	4,528	5,351
Adjustment in respect of change in tax rates	(1,313)	(200)
Adjustment in respect of prior years	(2)	(168)
Total deferred tax charge / (credit)	3,213	4,983
Tax	5,149	8,192

b) Tax recognised directly in equity

	2018 £'000	2017 £'000
Current tax charge / (credit) relating to share-based payments	(55)	(71)
Deferred tax charge / (credit) relating to share-based payments	(126)	(40)
Deferred tax charge / (credit) relating to the hedging reserve	(11,425)	(7,839)
	(11,606)	(7,950)

Notes to the financial statements

7. Tax (continued)

c) Reconciliation of effective tax rate

The tax expense for the year is lower (2017: lower) than the expense that would have been charged using the rate of corporation tax in the UK of 19.0% (2017: 19.75%) applied to profit before tax. The differences are explained below:

	2018 £'000	2017 £'000
Profit before tax	51,872	42,868
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.75%)	9,856	8,467
Effects of:		
Net add-back in respect of share-based payments	25	(131)
Disallowance in respect of non qualifying depreciation	1	1
Other permanent differences	97	79
Adjustment in respect of change in tax rates	(1,313)	(200)
(Over) under provision in respect of prior years	(2)	(24)
Group relief claimed for nil consideration	(3,519)	-
Tax	5,149	8,192

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

8. Dividends

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

No final dividend is proposed for the period. (2017 £nil.)

Notes to the financial statements

9. Intangible assets

	Total £'000
Cost	
At 1 July 2016	20,679
Additions	458
Disposals	(2)
At 30 June 2017	21,135
Additions	2,258
Disposals	-
At 30 June 2018	23,393
Amortisation	
At 1 July 2016	(18,692)
Amortisation for the year	(1,333)
Disposals	5
At 30 June 2017	(20,020)
Amortisation for the year	(992)
Disposals	-
At 30 June 2018	(21,012)
Carrying amounts	
At 1 July 2016	1,987
At 30 June 2017	1,115
At 30 June 2018	2,381

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

Notes to the financial statements

10. Property, plant and equipment

	Equipment, furniture and fixtures £'000	Owned set-top boxes and routers £'000	Total £'000
Cost			
At 1 July 2016	11,253	111,686	122,939
Additions	1,420	201,506	202,926
Disposals	(511)	(114)	(625)
At 30 June 2017	12,162	313,078	325,240
Additions	3,930	325,137	329,067
Disposals	-	-	-
At 30 June 2018	16,092	638,215	654,307
Depreciation			
At 1 July 2016	(7,108)	(937)	(8,045)
Depreciation	(3,158)	(20,381)	(23,539)
Impairment	-	(1,660)	(1,660)
Disposals	526	12	538
At 30 June 2017	(9,740)	(22,966)	(32,706)
Depreciation	(587)	(63,506)	(64,093)
Impairment	-	(17,053)	(17,053)
Disposals	-	-	-
At 30 June 2018	(10,327)	(103,525)	(113,852)
Carrying amounts			
At 1 July 2016	4,145	110,749	114,894
At 30 June 2017	2,422	290,112	292,534
At 30 June 2018	5,764	534,690	540,455

11. Fixed asset investments

Details of all investments of the Company are as follows:

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

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

Notes to the financial statements

12. Deferred tax

Recognised deferred tax assets (liabilities)

	Hedging Reserve £'000	Fixed asset timing differences £'000	Share-based payments timing differences £'000	Short-term timing differences £'000	Total £'000
At 30 June 2016	(22,228)	(3,108)	192	128	(25,016)
Charge / (credit) to income	-	(5,288)	158	147	(4,983)
Charge / (credit) to equity	7,839	-	40	-	7,879
At 30 June 2017	(14,389)	(8,396)	390	275	(22,120)
Charge / (credit) to income	-	(2,942)	(205)	(66)	(3,213)
Charge / (credit) to equity	11,425	-	126	-	11,551
At 30 June 2018	(2,964)	(11,338)	311	209	(13,782)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rates enacted or substantively enacted for the relevant periods of reversal are: 19% from 1 April 2017 and 17% from 1 April 2020 in the UK.

13. Inventories

	2018 £'000	2017 £'000
Set-top boxes and related equipment	14,388	11,308
Other inventories	14,942	11,806
	29,330	23,114

At 30 June 2018, 100% (2017: 100%) of set-top boxes and related equipment classified as inventories, and other inventories, is expected to be recognised in the Income Statement within 12 months.

Notes to the financial statements

14. Trade and other receivables

	2018	2017
	£'000	£'000
Gross trade receivables	12,719	297
Amounts receivable from Parent company	160,187	-
Amounts receivable from other Group companies	36,009	291,907
VAT	-	683
Prepayments	3,291	1,523
Accrued income	1,322	1,456
Other	6	55,618
Total trade and other receivables	213,534	351,484

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

Provisions for doubtful debts

	2018	2017
	£'000	£'000
Balance at beginning of year	-	-
Amounts utilised	-	-
Income Statement charge/(credit)	-	-
Balance at end of year	-	-

Amounts receivable from the parent company Sky UK Limited total £160,187 at 30 June 2018 (30 June 2017: £289,050,000).

All other amounts receivable from other Group companies are trade balances that total £982,000 at 30 June 2018 (30 June 2017: £2,857,000). These balances are non-interest bearing and are repayable on demand.

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

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

Notes to the financial statements

15. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	8,024	3,485
Amounts payable to other Group companies ^(a)	423,199	285,062
Accruals	25,189	17,558
Deferred income	-	3,237
Other	4,318	3,961
	460,730	313,303

(a) In June 2009 the Company entered into a revolving credit facility ("RCF") with Sky Operational Finance Limited whereby it is the borrower and Sky Operational Finance Limited is the lender. This RCF is non interest bearing and is repayable on demand. At 30 June 2018 the balance of this RCF was £131,590,000 (30 June 2017: £131,590,000), which is included within amounts owed to other Group companies.

In July 2009 the Company entered into a loan agreement with Sky Operational Finance Limited whereby it is the borrower and Sky Operational Finance Limited is the lender. At 30 June 2018 the balance of this loan was £47,320,000 (30 June 2017: £47,320,000).

Other trade balances due to other Group companies totalling £502,241,000 (2017: £106,152,000) 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 2016 £'000	Provided during the year £'000	Utilised during the year £'000	At 30 June 2017 £'000	Provided during the year £'000	Utilised during the year £'000	At 30 June 2018 £'000
Current liabilities							
Customer-related provisions ^(a)	54,849	(911)	(20,249)	33,689	(10,608)	(6,368)	16,713
Other provisions ^(b)	33,113	376	(11,676)	21,813	(5,872)	(155)	15,786
	87,962	(535)	(31,925)	55,502	(16,480)	(6,368)	32,499

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

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

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 its interest rate and foreign exchange risks.

	2018				2017			
	Asset		Liabilities		Asset		Liabilities	
	Fair value	Notional	Fair value	Notional	Fair value	Notional	Fair value	Notional
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash flow hedges:								
Forward foreign exchange contracts	6,182	240,863	(1,029)	101,496	13,966	595,223	(420)	9,245

The maturity of the derivative financial instruments is as follows:

	2018		2017	
	Asset	Liability	Asset	Liability
	£'000	£'000	£'000	£'000
In one year or less	6,182	(1,029)	10,016	-
Between one and two years	-	-	3,950	(420)
Between two and four years	-	-	-	-
Total	6,182	(1,029)	13,966	(420)

At 30 June 2018, the carrying value of financial assets that were, upon initial recognition, designated as financial assets at fair value through profit or loss was £6,182,000 (2017: £13,966,000).

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

Counterparty exposure from all derivatives is managed within credit limits that ensure that there is no significant risk to any one counterparty. In addition to this deals are only executed with counterparties that have a long-term rating of "BBB" or better.

The Group's treasury function is responsible for raising finance for the Group'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 that no speculative trading in financial instruments 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.

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

Notes to the financial statements

17. Derivatives and other financial instruments (continued)

Financial Instruments

(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 2018						
Derivative financial instruments	-	5,153	-	-	5,153	5,153
Trade and other payables	-	-	-	(460,730)	(460,730)	(460,730)
Provisions	-	-	-	(32,499)	(32,499)	(32,499)
Trade and other receivables	-	-	210,243	-	210,243	210,243
Cash and cash equivalents	-	-	5,223	-	5,223	5,223
At 30 June 2017						
Derivative financial instruments	-	13,546	-	-	13,546	13,546
Trade and other payables	-	-	-	(309,348)	(309,348)	(309,348)
Provisions	-	-	-	(55,347)	(55,347)	(55,347)
Trade and other receivables	-	-	352,415	-	352,415	352,415
Cash and cash equivalents	-	-	6,121	-	6,121	6,121

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 differences between carrying values and fair values reflect unrealised gains or losses inherent in the financial instruments, based on valuations as at 30 June 2018 and 30 June 2017. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

Cash and cash equivalents classified as loans and receivables mainly comprise investments in AAA rated money market funds which can be withdrawn without notice.

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 2018				
<i>Assets measured at fair value</i>				
Forward foreign exchange and option contracts	6,182	-	6,182	-
<i>Liabilities measured at fair value</i>				
Forward foreign exchange and option contracts	(1,029)	-	(1,029)	-
At 30 June 2017				
<i>Assets measured at fair value</i>				
Forward foreign exchange and option contracts	13,966	-	13,966	-
<i>Liabilities measured at fair value</i>				
Forward foreign exchange and option contracts	(420)	-	(420)	-

Level 1

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

Level 2

Fair values measured using inputs, other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market source data.

Level 3

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

18. Financial risk management objectives and policies

The Group's Treasury function is responsible for raising finance for the Company's operations, together with associated liquidity management and 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 Group's principal market risks are exposures to changes in interest rates and foreign exchange rates, which arise both from the Group's sources of finance and its operations. Following evaluation of those market risks, the Group selectively enters into derivative financial instruments to manage these exposures. The principal instruments currently used are interest rate swaps to hedge interest rate risks, and cross currency swaps and forward foreign exchange contracts to hedge transactional and translational currency exposures.

Notes to the financial statements

18. Financial risk management objectives and policies (continued)

Capital Risk Management

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

Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of £5,223,000 (2017: £6,121,000). The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 14

Foreign exchange risk

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

During the year, the Company managed its currency exposure on US dollar denominated contracts by the purchase of forward exchange contracts for up to two years ahead. All US dollar-denominated forward exchange contracts entered into by the Company were in respect of highly probable cash flows. At 30 June 2018, the Company had outstanding commitments to purchase, in aggregate, US \$452 million at an average rate of US\$1.35 to £1.00 (2017: US \$785 million at an average rate of US\$1.34 to £1.00)..

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 2018			
<i>Non-derivative financial liabilities</i>			
Trade and other payables	460,730	-	-
Provisions	32,499	-	-
<i>Gross settled derivatives</i>			
Outflow	334,452	-	-
Inflow	(342,359)	-	-
At 30 June 2017			
<i>Non-derivative financial liabilities</i>			
Trade and other payables	310,066	-	-
Provisions	55,502	-	-
<i>Gross settled derivatives</i>			
Outflow	375,286	210,257	-
Inflow	(387,211)	(217,257)	-

Notes to the financial statements

18. Financial risk management objectives and policies (continued)

Foreign exchange sensitivity

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

- A 25% strengthening in pounds sterling against the US dollar would have no impact on profit (2017: £nil million). The same strengthening would have an adverse impact on other equity of £68 million (2017: £121 million).
- A 25% weakening in pound sterling against the US dollar would have no impact on profit (2017: £nil million). The same weakening would have a beneficial impact on other equity of £114 million (2017: £202 million).

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

19. Share capital

	2018 £'000	2017 £'000
Allotted, called-up and fully paid		
1,576,000 (2017: 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.

The Company operates various equity-settled share option schemes (the "Schemes") for certain employees.

The share awards outstanding can be summarised as follows:

Scheme	2018 Number of ordinary shares	2017 Number of ordinary shares
Sharesave Scheme options (i)	1,425,443	1,316,393
Management LTIP awards (ii)	2,674	77,141
Management Co-Investment LTIP awards (iii)	3,796	14,131
	1,431,913	1,407,665

Notes to the financial statements

19. Share capital (continued)

(i) Sharesave options

All Sharesave Scheme options outstanding at 30 June 2018 and 30 June 2017 have no performance criteria attached, other than the requirement that the employee remains in employment with Sky. 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 Company to make an invitation to employees to participate in the scheme following the announcement of the end of year results.

(ii) Management LTIP awards

All Management LTIP awards outstanding at 30 June 2018 and 30 June 2017 vest only if performance conditions are met. Awards granted under the Management LTIP must be exercised within one year of the relevant award vesting date.

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

(iii) Management Co-Investment LTIP awards

All Management Co-Investment LTIP awards outstanding at 30 June 2018 and 30 June 2017 vest only if performance conditions are met. Awards granted under the Management Co-Investment LTIP must be exercised within one year of the relevant award vesting date.

The Company 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.

Share option and contingent share award schemes

For the purposes of the disclosure below, the Management LTIP, LTIP, Co-Investment Management LTIP and Co-Investment LTIP awards ("Senior Management Schemes") have been aggregated.

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

	2018	2018	2017	2017
	Number of	Weighted	Number of	Weighted
	shares	average	shares	average
	under option	exercise price	under option	exercise price
Outstanding at 1 July	1,407,666	6.74	1,300,847	6.64
Granted during the year	610,220	7.52	665,071	6.88
Exercised during the year	(370,225)	5.40	(274,316)	5.79
Forfeited during the year	(206,228)	7.29	(273,989)	7.58
Expired during the year	(9,520)	6.77	(9,948)	5.79
Outstanding at 30 June	1,431,913	7.34	1,407,665	6.74

The weighted average market price of Sky's shares at the date of exercise for share options exercised during the year was £9.89 (2017: £9.46).

Notes to the financial statements

19. Share capital (continued)

The following table summarises information about share awards outstanding at 30 June 2018:

Range of Exercise Prices	2018		2017	
	2018	Weighted average remaining contractual life	2017	Weighted average remaining contractual life
	Number	years	Number	years
£0.00-£1.00	6,470	4.4	106,076	5.90
£4.00-£5.00	-	-	-	-
£5.00-£6.00	-	-	122,475	1.03
£6.00-£7.00	534,507	2.4	211,403	1.51
£7.00 - £8.00	636,127	3.3	409,525	2.54
£8.00 - £9.00	254,809	1.5	451,368	3.48
	1,431,913	2.6	1,300,847	2.83

The exercise prices of options outstanding at 30 June 2018 ranged from £nil to £8.17 (2017: £nil to £8.17).

The following table summarises additional information about the awards exercisable at 30 June 2018 and 30 June 2017:

	2018			2017		
	Options exercisable at 30 June	Average remaining life of exercisable options	Weighted average exercise price £	Options exercisable at 30 June	Average remaining life of exercisable options	Weighted average exercise price £
Sharesave Scheme	6,025	0.1	7.08	12,360	0.1	6.01
Senior Management Schemes	3,189	3.6	-	12,401	3.1	-
	9,214	1.3	4.63	519,562	0.6	3.00

Information for awards granted during the year

The weighted average fair value of share options granted during the year, as estimated at the date of grant, was £3.61 (2017: £1.18). This was calculated using the Black-Scholes share option pricing model, except for grants of nil-priced options, which were treated as the award of a free share. The fair value of nil-priced options granted during the year was measured on the basis of the market-price of Sky's shares on the date of grant, discounted for expected dividends which would not be received over the vesting period of the options.

Expected volatility was determined by calculating the historical volatility of the Company'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.

Notes to the financial statements

19. Share capital (continued)

Weighted average fair value assumptions

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

	2018	2017
Share price	£9.30	£8.36
Exercise price	£7.52	£6.88
Expected volatility	22.6%	21%
Expected life	3.8	4
Expected dividend	1.6%	3.4%
Risk-free interest rate	0.7%	0.2%

20. Shareholders' equity

	2018	2017
	£'000	£'000
Share capital	1,576	1,576
Share premium	56	56
Hedging reserve	14,471	70,253
Retained earnings	275,006	226,318
	291,109	298,203

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 generated from operations

	2018	2017
	£'000	£'000
Profit before tax	51,872	42,868
Depreciation and impairment of property, plant and equipment	81,146	25,199
Amortisation of intangible assets	992	1,333
Loss/(Gain) on disposal of intangible assets and property, plant and equipment	-	84
Share-based payment expense	728	998
Investment income	(4,001)	(8,061)
	130,737	62,421
Decrease in trade and other receivables	136,069	1,136,699
(Increase) in inventories	(6,216)	11,142
Increase in trade and other payables	147,653	(1,057,747)
(Decrease) in provisions	(23,004)	(32,460)
(Decrease) in derivative financial instruments	(54,870)	85,621
Cash from operations	330,369	205,676

22. Contracted commitments, contingencies and guarantees

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

	Less than one year	Between one and five years	After five years	Total at 30 June 2018	Total at 30 June 2017
	£'000	£'000	£'000	£'000	£'000
Engineer Tools, mobiles and uniforms	983	2,038	-	3,021	148
Mobile SIM, Handset and Accessories	65	-	-	65	-
Logistics, Service and Tools	2	-	-	2	496
Set top Boxes and Related Equipment	147	-	-	147	209
SHS Broadband and Consumables Costs	78	-	-	78	587
Smartcards	33	65	-	97	-
Total	1,307	2,103	-	3,410	1,440

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:

	2018 £'000	2017 £'000
Within one year	7,672	5,776
Between one and two years	5,662	3,400
Between two and three year	4,868	1,489
Between three and four years	4,589	1,108
Between four and five years	2,520	831
After five years	23	279
	25,334	12,883

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

24. Transactions with related parties and major shareholders of Sky

a) Key management

The Company has a related party relationship with the Directors of the Company. At 30 June 2018, there were 2 (2017: 2) members of key management, both of whom were Directors of the Company. Key management compensation is disclosed in note 6.

b) Transactions with other Group companies

The Company conducts business transactions with other Group undertakings:

	2018 £'000	2017 £'000
Supply of services by the Company	356,496	335,548
Purchases of goods/services by the Company:	(491,521)	(462,947)
SSSL	(16,389)	(14,971)
Sky CP	(475,132)	(447,976)

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

Principal services supplied to fellow subsidiary undertakings:

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

Principal goods/services purchased from fellow Group companies:

- Subscriber management services supplied by Sky Subscribers Services Limited of £16,389,000 (2017: £14,971,000)

- Inventories, owned set-top boxes, logistics, repairs and related expenses supplied by Sky CP Limited of £475,132,000 (2017: £447,976,000)

The Group's treasury function is responsible for liquidity management across the Group's operations. It is standard practice for the Company to lend and borrow cash to and from subsidiaries as required. Under this policy, Sky UK Limited increased liabilities of £522,991 million (2017 settled liabilities: £1,025 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 Sky UK Ltd, a company incorporated in the United Kingdom and registered in England and Wales. As at 30 June 2018, the Company was ultimately controlled by Sky plc (now renamed Sky Limited) ("Sky") and operated together with Sky's other subsidiaries, as a part of the Group. As at 30th June 2018, Sky plc (now renamed Sky Limited) was the largest and smallest group of which the company was a member and for which group financial statements were prepared.

The consolidated financial statements of the Group are available to the public and may be obtained from the Company Secretary at the registered address, Sky Ltd, Grant Way, Isleworth, Middlesex, TW7 5QD.

26. Post Balance Sheet Event

On 9 October 2018 the offer by Comcast Bidco Limited, an indirect wholly-owned subsidiary of Comcast Corporation, to acquire the entire issued and to be issued share capital of Sky Plc (now renamed Sky Limited) became wholly unconditional. As a result, and as of that date, the ultimate controlling party of the Company is now Comcast Corporation.