

# SKY TELECOMMUNICATIONS SERVICES LIMITED

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

Registered number: 02883980

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## Directors and Officers

For the year ended 30 June 2018

### **Directors**

Sky Telecommunications Services Limited's ("the Company") present Directors and those who served during the year are as follows:

C J Taylor

C R Jones (appointed 12 January 2018)

A J Griffith (resigned 12 January 2018)

### **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 of Sky UK Limited (the immediate parent Company). The ultimate parent Company is Sky plc ("Sky") and operates 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 became wholly unconditional. As a result, and as of that date, the ultimate controlling party of the Company is now Comcast Corporation (note 21)

The principal activity of the Company is that of the provision of networking services in the United Kingdom in support of Sky UK Limited's broadband service. The majority of revenue is earned from other Group companies and is determined by cost recharges.

Revenue has decreased by £9m on the previous year to £1,259m (2017: £1,268m) and cost of sales have remained the same from the previous year at £828m (2017: £828m). Administrative expenses have remained the same at £180m (2017: £180m). This has resulted in the Company making a profit before tax of £245m (2017: £263m).

The Company's primary source of funding is loans from other Group companies and finance leases. During the year the amount payable to other Group companies increased to £17m (2017: £11m). These amounts are non-interest bearing and repayable on demand.

The audited financial statements for the year ended 30 June 2018 are set out on pages 9 to 33.

The balance sheet on page 11 shows that the Company's total shareholder's equity position at year end was £1,250m (2017: £1,052m), increasing as a result of profits in the year.

The Directors are not aware, at the date of this report, of any significant changes in the Company's activities in the next year.

The Directors do not recommend the payment of a dividend (2017: £nil).

## 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. The Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the Company.

## Principal risks and uncertainties

The Company's activities are principally linked to the provision of services to other Group companies and the Company is therefore exposed to the risks and uncertainties that affect the Group as a whole. Group risks are discussed in the Group's Annual Report which does not form part of this report. The intercompany balances of the Company are detailed in notes 10 and 11 to the financial statements.

## Strategic and Directors' Report (continued)

### **Financial risk management objectives and policies**

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk. The Company does not use derivative financial instruments.

The Directors do not consider foreign exchange risk, cash flow risk or price rise risk to be significant for this Company. Information on the capital structure of the Company is provided in note 15.

### **Credit risk**

The balance sheet of the Company includes intercompany balances. The Company is therefore exposed to credit risk on these balances. The intercompany balances of the Company are detailed in notes 10 and 11.

### **Liquidity risk**

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

By Order of the Board,



C J Taylor  
Company Secretary  
Grant Way  
Isleworth  
Middlesex  
TW7 5QD  
8 November 2018

## Strategic and Directors' Report (continued)

### Director's Report

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

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 Directors' 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 Directors' Report details the financial position of the Company, as well as the Company's objectives and policies, and details of its exposures to credit risk and liquidity risk.

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

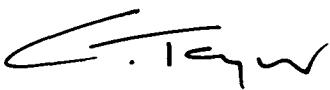
### Auditor

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

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

Deloitte LLP have expressed their willingness to continue as Auditor and a resolution to reappoint was approved by the Board of Directors on 8 November 2018.

By Order of the Board,



C J Taylor  
Company Secretary  
Grant Way  
Isleworth  
Middlesex  
TW7 5QD  
8 November 2018

## 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

## **Independent Auditor's report to the members of Sky Telecommunications Services Limited:**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements:

- 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 Telecommunications Services (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of changes in equity;
- the balance sheet;
- the cash flow statement; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### **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 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

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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **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.



## 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.

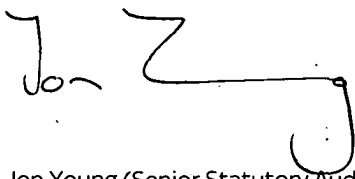
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### 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.



Jon Young (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

8 November 2018

# Statement of Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 £'m	2017 £'m
<b>Revenue</b>	2	<b>1,259</b>	1,268
Cost of sales		<b>(828)</b>	(828)
<b>Gross Profit</b>		<b>431</b>	440
Administrative expenses		<b>(180)</b>	(180)
<b>Operating Profit</b>		<b>251</b>	260
Investment income	3	-	9
Finance costs	3	<b>(6)</b>	(6)
<b>Profit before taxation</b>	4	<b>245</b>	263
Taxation	6	<b>(38)</b>	(54)
<b>Profit for the year</b>		<b>207</b>	209

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

For the years ended 30 June 2018 and 30 June 2017, the Company did not have any other items of Comprehensive Income.

All results relate to continuing operations.

## Statement of Changes in Equity

For the year ended 30 June 2018

	Share capital £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total shareholder's equity £'m
Total comprehensive income for the year	-	-	-	233	233
<b>At 31 July 2016</b>	<b>6</b>	<b>461</b>	<b>-</b>	<b>376</b>	<b>843</b>
Total comprehensive income for the year	-	-	-	209	209
<b>At 30 June 2017</b>	<b>6</b>	<b>461</b>	<b>-</b>	<b>585</b>	<b>1,052</b>
Total comprehensive income for the year	-	-	-	207	207
<b>At 30 June 2018</b>	<b>6</b>	<b>461</b>	<b>-</b>	<b>792</b>	<b>1,259</b>

# Balance Sheet

As at 30 June 2018

	Notes	2018 £'m	2017 £'m
<b>Non-current assets</b>			
Property, plant and equipment	8	165	202
Intangible assets	7	127	122
Deferred tax asset	9	15	15
		<b>307</b>	<b>339</b>
<b>Current assets</b>			
Trade and other receivables	10	1,132	897
Cash and cash equivalents		6	1
		<b>1,138</b>	<b>898</b>
<b>Total assets</b>		<b>1,445</b>	<b>1,237</b>
<b>Current liabilities</b>			
Trade and other payables	11	118	117
Borrowings	13	4	8
Provisions	12	2	
		<b>124</b>	<b>125</b>
<b>Non-current liabilities</b>			
Borrowings	13	58	55
Provisions	12	4	4
		<b>62</b>	<b>59</b>
<b>Total liabilities</b>		<b>186</b>	<b>184</b>
Share capital	15	6	6
Share premium		461	461
Reserves		792	586
<b>Total equity attributable to equity shareholder</b>		<b>1,259</b>	<b>1,052</b>
<b>Total liabilities and shareholder's equity</b>		<b>1,445</b>	<b>1,237</b>

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

The financial statements of Sky Telecommunications Services Limited, registered number 02883980, were approved by the Board of Directors on 8 November 2018 and were signed on its behalf by:



C R Jones  
Director

8 November 2018

# Cash Flow Statement

For the year ended 30 June 2018

	Note	2018 £'m	2017 £'m
<b>Cash flows from operating activities</b>			
Cash generated from operations	16	111	160
<b>Net cash generated from operating activities</b>		<b>111</b>	<b>160</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		(14)	(29)
Purchase of intangible assets		(85)	(124)
<b>Net cash used in investing activities</b>		<b>(99)</b>	<b>(153)</b>
<b>Cash flows used in financing activities</b>			
Repayment of capital element of finance leases		(1)	-
Payment of finance lease interest		(6)	(7)
<b>Net cash used in financing activities</b>		<b>(7)</b>	<b>(7)</b>
<b>Net increase in cash and cash equivalents</b>		<b>5</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1</b>	<b>1</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>6</b>	<b>1</b>

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

## Notes to the financial statements

### 1. Accounting policies

Sky Telecommunications Services Limited (the "Company") is a limited liability company, limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is Grant Way, Isleworth, Middlesex, TW7 5QD and registered number is 02883980.

#### 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 the going concern basis (as set out in the Directors' Report) and on an historical cost basis. The Company has adopted the new accounting pronouncements which became effective this period, none of which had any significant impact on the Company's results or financial position.

Following a review of the financial statements, the Directors determined that presenting the financial statements to the nearest £ million (2017: nearest £ thousands) would be more appropriate, on the basis that this is more relevant to the users of the financial statements, given the size of the Company, bringing it in line with other companies within the Sky Group. To ensure that comparability is not impaired, and that the information is reliable and understandable, all comparatives have also been restated to the nearest £ million.

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.

#### c) Foreign currency translation

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

#### d) Intangible assets and property, plant and equipment ("PPE")

##### i. Intangible assets

Research expenditure is recognised in operating expense in the Statement of Comprehensive Income 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.

## Notes to the financial statements

### 1. Accounting policies (continued)

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

##### i. Intangible assets (continued)

Amortisation of an intangible asset begins when the asset is available for use, and is charged to the Statement of Comprehensive Income through operating expense over the asset's useful economic life in order to match the expected pattern of consumption of future economic benefits embodied in the asset. Principal useful economic lives used for this purpose are:

Other intangible assets	1 to 5 years straight-line
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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 f below.

##### ii. Property, plant and equipment

Owned PPE is stated at cost, net of accumulated depreciation and any impairment losses (see accounting policy f). When an item of PPE comprises major components having different useful economic lives, the components are accounted for as separate items of PPE.

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

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

Leasehold improvements, office equipment, fixtures & fittings	5 years
Cables and ducting	20 years
Electronic equipment	5 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.

##### e) Financial assets and liabilities

Directly attributable transaction costs are included in the initial measurement of financial assets and liabilities only with respect to those assets and liabilities that are not subsequently measured at fair value through profit and loss. 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

## Notes to the financial statements

### 1. Accounting policies (continued)

#### e) Financial assets and liabilities (continued)

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 Statement of Comprehensive Income.

#### 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.

#### f) Impairment

At each balance sheet date, and in accordance with IAS 36 "Impairment of Assets", the Company reviews the carrying amounts of all its assets (excluding deferred tax (see accounting policy k)) to determine whether there is any indication that any of those assets have suffered an impairment loss.

An impairment is recognised in the Statement of Comprehensive Income whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

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



## Notes to the financial statements

### 1. Accounting policies (continued)

#### g) 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 of 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.

#### h) Revenue recognition

The Company's revenue, which excludes value added tax, principally relates to fees derived from the provision of network services to other companies in the Group. The fees charged to other Group companies are based on costs incurred plus a margin. Revenue is recognised as such services are provided. Revenue is measured at the fair value of the consideration received or receivable.

#### i) Employee benefits

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

The Company provides pensions to eligible employees through defined contribution schemes. The amount charged to the Statement of Comprehensive Income 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.

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.

#### j) Leases

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

When the Company is lessor, sublease income from operating leases is recognised on a straight-line basis over the term of the lease. Assets which are provided under operating lease arrangements are recognised as assets within property, plant and equipment. The assets remain in the economic ownership of the Group for the duration of the lease, and are depreciated over their useful economic lives.

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

The lease expense arising from operating leases is charged to the Statement of Comprehensive Income 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.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### **k) 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 profits. Taxable temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantially enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. Deferred tax is charged or credited in the Statement of Comprehensive Income, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **l) Critical accounting policies, and judgement and by source of estimates uncertainty**

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

Under IAS1, there are no areas for which there are major sources of estimated uncertainty at the reported period end.

#### **i. Revenue**

Selecting the appropriate timing for, and amount of, revenue to be recognised requires judgement. This may involve estimating the fair value of consideration before it is received.

#### **ii. Intangible assets and property, plant and equipment**

- The assessment of the useful economic lives of these assets requires judgement. Depreciation and amortisation are charged to the Statement of Comprehensive Income 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.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### l) Critical accounting policies, and judgement and by source of estimates uncertainty (continued)

- Determining whether the carrying amount of these assets has any indication of impairment also requires judgement. If an indication of impairment is identified, further judgement is required to assess whether the carrying amount can be supported by the net present value of future cash flows forecast to be derived from the asset. This forecast involves cash flow projections and selecting the appropriate discount rate.
- Assessing whether assets meet the required criteria for initial capitalisation requires judgement. This requires a determination of whether the assets will result in future benefits to the Company. In particular, internally generated intangible assets must be assessed during the development phase to identify whether the Company has the ability and intention to complete the development successfully.

#### iii. Tax

- The Company's tax charge is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process.
- 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.

#### iv Deferred tax

- The key area of judgement in respect of deferred tax accounting is the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the balance sheet date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deferred tax assets can be utilised.

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 July 2017 or later periods. 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)\*

## Notes to the financial statements

### 1. Accounting policies (continued)

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

- 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 2018)\*
- IFRS 9 'Financial Instruments: Recognition and Measurement' (effective 1 January 2018)\*
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019)\*
- IFRS 16 Leases (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' (effective 1 January 2018) and 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
- 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 and Company has determined that it will adopt IFRS 15 on a modified retrospective basis.

In the current year, 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. The Group 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 across the Group.

## Notes to the financial statements

### 1. Accounting policies (continued)

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

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

The Company's material revenue stream is the provision of broadband services to Sky UK Limited, as it incurs costs related to broadband activities on its behalf and receives consideration by way of an inter-company recharge. No IFRS 15 adjustment has been identified in relation to this revenue stream, compared to its existing accounting treatment – that is, recognizing revenue on an over-time basis at the fair value of consideration.

As a result, IFRS 15 is not expected to materially impact the Company.

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

The areas which impact the Company relate to the recognition of impairment provisions for customer receivables and other financial assets.

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 IFRS 9 credit loss model is not expected to have a material impact on either the Company's balance sheet position or income statement result.

IFRS 16 'Leases' (effective 1 January 2019)\* and is effective on the Group from 1 July 2019 onwards

When IFRS 16 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 retrospective impact of IFRS 16 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 16 on each line item in the financial statements in the reporting period. Depending on the adoption method that is utilised, certain practical expedients may be applied on adoption.

The Group has not yet determined which method it will adopt.

IFRS 16 replaces IAS 17 'Leases' and will primarily change lease accounting for lessees; lessor accounting under IFRS 16 is expected to be similar to lease accounting under IAS 17. Lessee accounting under IFRS 16 will be similar in many respects to existing IAS 17 accounting for finance leases, but is expected to be substantively different to existing accounting for operating leases.

Where a contract meets IFRS 16's definition of a lease, lease agreements will give rise to the recognition of a non-current asset representing the right to use the leased item, and a loan obligation for future lease payables.

Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability, which may impact the phasing of operating profit and profit before tax, compared to existing cost profiles and presentation in the income statement, and will also impact the classification of associated cash flows.

The detailed assessment of the impact on the Group is ongoing, with the current focus being on assessing of the completeness of lease contracts.

# Notes to the financial statements

## 1. Accounting policies (continued)

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

The adoption is expected to have a material impact on the presentation of the Group's assets and liabilities, mainly relating to significant property leases. Due to the quantity of contracts under review, management has not completed the impact assessment of the new accounting standard, and therefore a quantification of the impact on the Group's results cannot currently be reliably estimated.

\* not yet endorsed for use in the EU

## 2. Revenue

	2018 £'m	2017 £'m
Wholesale broadband services	1,249	1,263
Provision of network services	8	5
Other	2	-
<b>Total revenue</b>	<b>1,259</b>	<b>1,268</b>

Revenue arises from services provided in the United Kingdom.

## 3. Investment income and finance costs

	2018 £'m	2017 £'m
<b>Investment income</b>		
Interest on other loans and receivables	-	8
	2018 £'m	2017 £'m
<b>Finance costs</b>		
Interest payable on finance leases	6	6

## Notes to the financial statements

### 4. Profit before taxation

Profit before tax is stated after charging :

	2018	2017
	£'m	£'m
Depreciation of property, plant and equipment	57	63
Amortisation of intangible assets	85	81
Net foreign exchange loss	-	2
Rentals on operating leases and similar arrangements	3	3

### Audit fees

Amounts paid to the Auditor for audit services of £10,500 (2017: £10,500) were borne by another Group subsidiary in 2018 and 2017. No amounts for other services have been paid to the Auditor.

### 5. Employee benefits and key management compensation

#### a) Company employee benefits

	2018	2017
	£'m	£'m
Wages and salaries	32	33
Social security costs	4	4
Contributions to the Sky Pension Plan ("the Pension Plan")	2	2
	38	39

#### 5. Employee benefits and key management compensation (continued)

The Company operates a defined contribution pension scheme through the Pension Plan. The pension charge for the year represents the cost of contributions payable by the Company to the scheme during the year. The Company's amount payable to the scheme at 30 June 2018 was nil (2017: £nil).

The average number of full-time equivalent persons employed by the Company during the year was nil (2017: nil). Employees, whose services are utilised by the Company, are employed by Sky UK Limited, a fellow Group company and employee costs are recharged to the Company.

#### b) Key management compensation

The Directors received no remuneration from the Company in the financial year (2017: £nil). During the year, the Directors of the Company were also directors within the Group and no part of remuneration they received from the other companies was in respect of duties performed relating to the Company. For those Directors who are also Directors of Sky, information on their remuneration can be obtained from the ultimate parent company Sky plc's financial statements.

## Notes to the financial statements

### 6. Taxation

#### a) Taxation recognised in the Statement of Comprehensive Income

	2018 £'m	2017 £'m
<b>Current tax expense</b>		
Current year	39	54
Adjustment in respect of prior years	-	(1)
<b>Total current tax</b>	<b>38</b>	<b>53</b>
<b>Deferred tax credit expense</b>		
Origination and reversal of temporary differences	(1)	(1)
Decrease in estimate of recoverable deferred tax asset	-	2
<b>Total deferred tax</b>	<b>(1)</b>	<b>1</b>
<b>Taxation</b>	<b>38</b>	<b>54</b>

#### b) Reconciliation of effective tax rate

The tax expense for the year is lower than the standard rate of corporation tax in the UK (19%) (2017: 19.75%) applied to profit before tax. The differences are explained below.

	2018 £'m	2017 £'m
Profit before tax	245	263
Profit before tax multiplied by the blended rate of corporation tax in the UK of 19.00% (2017: 19.75%)	47	52
Effects of:		
Group relief for no consideration	(9)	-
Decrease in deferred tax asset due to reduction in tax rate	-	2
<b>Taxation</b>	<b>38</b>	<b>54</b>

All taxation relates to UK corporation tax.



## Notes to the financial statements

### 7. Intangible assets

	Other intangibles
	£'m
<b>Cost</b>	
<b>At 1 July 2016</b>	<b>295</b>
Additions	124
Disposals	(1)
<b>At 30 June 2017</b>	<b>418</b>
Additions	90
<b>At 30 June 2018</b>	<b>508</b>
<b>Amortisation</b>	
<b>At 1 July 2016</b>	<b>(216)</b>
Charge for the year	(81)
Disposals	1
<b>At 30 June 2017</b>	<b>(296)</b>
Charge for the year	(85)
<b>At 30 June 2018</b>	<b>(381)</b>
<b>Carrying amounts</b>	<b>£'m</b>
At 30 June 2016	79
At 30 June 2017	122
<b>At 30 June 2018</b>	<b>127</b>

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

	2019	2020	2021	2022	2023
	£'m	£'m	£'m	£'m	£'m
Estimated amortisation charge	63	23	17	9	1

## Notes to the financial statements

### 8. Property, plant and equipment

	Leasehold improvements £'m	Cable and ducting £'m	Electronic equipment £'m	Office equipment and fixtures £'m	Total £'m
<b>Cost</b>					
<b>At 1 July 2016</b>	<b>16</b>	<b>414</b>	<b>441</b>	<b>1</b>	<b>872</b>
Additions	1	5	23	-	29
Disposals	-	-	(2)	-	(2)
<b>At 30 June 2017</b>	<b>17</b>	<b>419</b>	<b>462</b>	<b>1</b>	<b>899</b>
Additions	2	4	12	-	18
Disposals	-	-	1	-	1
<b>At 30 June 2018</b>	<b>19</b>	<b>423</b>	<b>475</b>	<b>1</b>	<b>918</b>
<b>Depreciation</b>					
<b>At 1 July 2016</b>	<b>(7)</b>	<b>(400)</b>	<b>(228)</b>	<b>-</b>	<b>(635)</b>
Charge for the year	(1)	(3)	(59)	-	(63)
Disposals	-	-	2	-	2
<b>At 30 June 2017</b>	<b>(8)</b>	<b>(403)</b>	<b>(285)</b>	<b>-</b>	<b>(696)</b>
Charge for the year	(4)	(3)	(50)	-	(57)
<b>At 30 June 2018</b>	<b>(12)</b>	<b>(406)</b>	<b>(335)</b>	<b>-</b>	<b>(753)</b>
<b>Carrying amounts</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
At 30 June 2016	9	14	213	-	236
At 30 June 2017	9	16	177	-	202
<b>At 30 June 2018</b>	<b>7</b>	<b>17</b>	<b>140</b>	<b>1</b>	<b>165</b>

All assets held under finance leases were fully depreciated in both years.

## Notes to the financial statements

### 9. Deferred tax

<b>Recognised deferred tax assets</b>	<b>2018</b>	<b>2017</b>
	<b>£'m</b>	<b>£'m</b>
Depreciation in excess of capital allowances	<b>14</b>	14
Other timing differences	<b>1</b>	1
	<b>15</b>	15

Deferred tax assets have been recognised at 30 June 2018 and 30 June 2017 on the basis that management conclude it probable that there will be suitable taxable profits against which these assets can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The tax rate 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 (2017: 19%).

### 10. Trade and other receivables

	<b>2018</b>	<b>2017</b>
	<b>£'m</b>	<b>£'m</b>
Gross trade receivables	<b>2</b>	2
Net trade receivables	<b>2</b>	2
Amounts receivable from Group companies	<b>1,067</b>	838
Prepayments	<b>8</b>	8
VAT receivable	<b>45</b>	46
Other receivables	<b>2</b>	3
	<b>1,124</b>	897

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

#### Amounts receivable from Group companies

Amounts owed by Group companies totalling £1,067m (2017: £838m) are non-interest bearing and repayable on demand.

The Company is exposed to credit risk on its trade and other receivables. The Company does not have any significant concentrations of credit risk, with third parties, as the exposure is 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.

## Notes to the financial statements

### 11. Trade and other payables

	2018 £'m	2017 £'m
Trade payables	25	20
Amounts payable to other Group companies	17	11
Accruals	70	83
Deferred income	2	-
Other payables	4	3
	<b>118</b>	<b>117</b>

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

Trade payables principally comprise amounts outstanding for the purchase of fibre optic cable services.

#### Amounts payable to other Group companies

Amounts owed to other Group companies are non-interest bearing and repayable on demand.

### 12. Provisions

	At 01 July 2016 £'m	Provided during the year £'m	At 30 June 2017 £'m	Utilised during the year £'m	Provided during the year £'m	At 30 June 2018 £'m
<b>Current liabilities</b>						
Other provision (i)	-	-	-	-	2	<b>2</b>
<b>Non-current liabilities</b>						
Other provision (i)	3	1	4	(1)	-	<b>3</b>
<b>Total</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>(1)</b>	<b>2</b>	<b>5</b>

(i) Other provision

The other provision is primarily in relation to onerous network maintenance and co-location contracts which have an average length of 20 years and are due to expire in 2020 and 2021. All amounts are due to be paid over the length of the relevant contract.

## Notes to the financial statements

### 13. Borrowings

	2018 £'m	2017 £'m
<b>Current</b>		
Obligations under finance leases	4	8
<b>Non-current</b>		
Obligations under finance leases	58	55
<b>Total borrowings</b>	<b>62</b>	<b>63</b>

#### (ii) Finance leases

The minimum lease payments under finance leases fall due as follows:

	2018 £'m	2017 £'m
Within one year	4	2
Between one and five years	7	8
After five years	51	53
Present value of finance lease liabilities	62	63
Within one year	6	6
Between one and five years	22	23
After five years	57	62
Future finance charges on finance lease liabilities	85	91
Within one year	10	8
Between one and five years	29	31
After five years	108	115
Minimum lease payments of finance lease liabilities	147	154

The main obligations under finance leases are in relation to financial arrangements in connection with broadband network infrastructure. During the year, repayments of £7m (2017: £7m) were made against the lease. A proportion of these payments have been allocated against the capital outstanding. The leases bear interest at a rate of 11.1% (2017: 11.1%) per annum and expire in March 2040.

## Notes to the financial statements

### 14. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables, and borrowings. The accounting classification of each class of the Company's financial assets and financial liabilities together with their fair values is as follows:

	Loans and receivables	Other liabilities	Total carrying value	Total fair values
	£'m	£'m	£'m	£'m
<b>At 30 June 2018</b>				
Trade and other payables	-	(117)	(117)	(117)
Obligations under finance leases	-	(62)	(62)	(62)
Provisions	-	(5)	(5)	(5)
Trade and other receivables	1,072	-	1,072	1,072
Cash and cash equivalents	6	-	6	6
<b>At 30 June 2017</b>				
Trade and other payables	-	(117)	(117)	(117)
Obligations under finance leases	-	(63)	(63)	(63)
Provisions	-	(4)	(4)	(4)
Trade and other receivables	843	-	843	843
Cash and cash equivalents	1	-	1	1

### Liquidity risk

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

The Company's financial liabilities are shown in note 11, 12 and 13.

## Notes to the financial statements

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

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 12 months	Between one and two years	Between two and five years	More than five years	Total
	£'m	£'m	£'m	£'m	£'m
<b>At 30 June 2018</b>					
Trade and other payables	117				117
Obligations under finance	10	7	22	108	147
Provisions	2			3	5
<b>At 30 June 2017</b>					
Trade and other payables	117	-	-	-	117
Obligations under finance leases	8	11	20	115	154
Provisions	-			4	4

### 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 plc's policies as by its Board of Directors.

### Credit risk

The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 10.

### Sensitivity Analysis

If interest rates had been one percentage point higher and all other variants were held constant, the Company's profit/loss for the year ended 30 June 2018 would increase by £nil (2017: increase by £nil).

## Notes to the financial statements

### 15. Share capital

	2018 £'m	2017 £'m
<b>Allotted, called-up and fully paid</b>		
5,821,764 (2017: 5,821,764) ordinary shares of £1 each	6	6

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

### 16. Shareholders' equity

	2018	2017
Share capital	6	6
Share premium	461	461
Retained earnings	792	586
	<b>1,259</b>	<b>1,052</b>

### 17. Notes to the Cash Flow Statement

#### Reconciliation of profit before tax to cash generated from operations

	2018 £'m	2017 £'m
<b>Profit before tax</b>	<b>245</b>	263
Depreciation of property, plant and equipment	57	63
Amortisation of intangible assets	85	81
Finance costs	6	6
Investment income	-	(9)
<b>Operating profit before working capital changes</b>	<b>393</b>	404
Decrease (increase) in trade and other receivables	(275)	684
(Decrease) increase in trade and other payables	(10)	(928)
(Decrease) increase in deferred income	2	(1)
Increase in provisions	1	1
<b>Total cash generated from operations</b>	<b>111</b>	160



## Notes to the financial statements

### 18. Operating lease commitments

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

	2018	2017
	£'m	£'m
Within one year	3	3
Between one and two years	3	3
Between two and three years	2	3
Between three and four years	2	2
Between four and five years	2	2
After five years	7	8
	19	21

Operating leases relate to properties with lease terms of between 2 and 19 years. All operating leases contain market review clauses. The Company does not have the option to purchase the leased asset at the expiry of the lease period.

### 19. Transactions with related parties

The Company has related party transactions with other Group companies. In particular, it is normal practice for the Company to borrow cash from or lend cash to other Group companies as required.

#### a) Transactions with other Group companies

	2018	2017
	£'m	£'m
Supply of services by the Company	1,244	1,263
Purchases of goods/services by the Company	74	77

During the year the Company had related party transactions with Sky LLU Assets Limited, Sky UK Limited and Sky Subscribers Services Limited. For details of amounts owed by and amounts owed to fellow subsidiary undertakings, see notes 10 and 11.

#### b) Key management

The Company has a related party relationship with the Directors of the Company as key management. At 30 June 2018, there were two (2017: two) key managers, both of whom were Directors of the Company.

#### c) Contingencies and guarantees

The Company, together with Sky UK Limited, Sky Group Finance plc, Sky CP Limited, and Sky Subscribers Services Limited has given joint and several guarantees in relation to Sky Plc's £1 billion Revolving Credit Facility ("RCF").

The Company, together with Sky UK Limited, Sky Group Finance plc, Sky CP Limited, and Sky Subscribers Services Limited has given joint and several guarantees in relation to the issue in the public debt market of US\$582.8 million of 9.500% Guaranteed Notes repayable in November 2018, £300 million of 6.000% Guaranteed Notes repayable in

## Notes to the financial statements

### 19. Transactions with related parties (continued)

#### c) Contingencies and guarantees (continued)

May 2027, US\$800 million of 3.125% Guaranteed Notes repayable in November 2022, US\$750 million of 2.625% Guaranteed Notes repayable in September 2019, US\$1,250 million of 3.750% Guaranteed Notes repayable in September 2024, €1,500 million of 1.500% Guaranteed Notes repayable in September 2021, €1,000 million of 2.500% Guaranteed Notes repayable in September 2026, €850 million of 1.875% Guaranteed Notes repayable in November 2023, €400 million of 2.750% Guaranteed Notes repayable in November 2029, £450 million of 2.875% Guaranteed Notes repayable in November 2020 and £300 million of 4.000% Guaranteed Notes repayable in November 2029 issued by its parent undertaking, Sky plc.

The Company, together with Sky UK Limited, Sky plc, Sky CP Limited, and Sky Subscribers Services Limited has given joint and several guarantees in relation to the issue in the public debt market of US\$350 million of 6.500% Guaranteed Notes repayable in October 2035 issued by Sky Group Finance plc.

#### 20. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of Sky UK Limited, a company incorporated in the United Kingdom and registered in England and Wales. The Company is ultimately controlled by Sky plc ("Sky"). The only group in which the results of the Company are consolidated is that headed by Sky.

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

#### 21. 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 became wholly unconditional. As a result, and as of that date, the ultimate controlling party of the Company is now Comcast Corporation.