

# SKY RETAIL STORES LIMITED

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

Registered number: 03990450



## Directors and Officers

For the year ended 30 June 2016

### **Directors**

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

C J Taylor

C R Jones

K Holmes (appointed 21 October 2016)

### **Secretary**

C J Taylor

### **Registered office**

Grant Way

Isleworth

Middlesex

TW7 5QD

### **Auditor**

Deloitte LLP

Chartered Accountants

London

United Kingdom

# Strategic and Directors' Report

## Strategic Report

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

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

## Business review and principal activities

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

The Company's principal activity is as a sales and advisory outlet for Sky Television, Sky Broadband and Sky Talk products. Operations are conducted from kiosk based units which are located in many UK shopping centres. These outlets provide the Company's customers with the opportunity to ask questions about, and see demonstrations of, Sky products before subscribing to any service. The Directors are not aware, at the date of this report, of any other likely major changes in the Company's activities in the next year.

The audited accounts for the year ended 30 June 2016 are set out on pages 8 to 24. The profit for the year was £2,865,000 (2015: profit of £3,471,000). Revenue has increased to £39,903,000 (2015: £37,980,000) and operating expenses have increased to £36,300,000 (2015: £34,001,000). The Company uses a cost-plus revenue model, in which costs are recharged to Sky UK Limited. The Directors do not recommend the payment of a dividend for the year ended 30 June 2016 (2015: £nil). The balance sheet shows that the Company's shareholder's equity position at the year was £7,115,000 (2015: £4,250,000).

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

## Principal risks and uncertainties

The Company's activities expose it to financial risks, namely credit risk and liquidity risk. The Directors do not believe the Company is exposed to significant cash flow risk, price risk, foreign exchange, interest rate risk or investment performance risk.

### Credit risk

The balance sheet of the Company includes intercompany balances and balances due from related parties. 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 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.

## Strategic and Directors' Report (continued)

### 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 859 (2015: 760).

#### 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.

#### 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.

## Strategic and Directors' Report (continued)

### 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 complementary therapies have been introduced at some of our sites.

By Order of the Board,

K Holmes  
Director

Grant Way  
Isleworth  
Middlesex  
TW7 5QD



14 November 2016

## Strategic and Directors' Report (continued)

### Directors' Report

The Directors who served during the year are shown on page 1. The Directors do not recommend the payment of a dividend for the year ended 30 June 2016 (2015: £nil).

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

### Going concern

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

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

### Auditor

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

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

Deloitte LLP have expressed their willingness to continue as auditor and a resolution to reappoint them was approved by the Board of Directors on 14 November 2016.

By Order of the Board,

K Holmes  
Director

Grant Way  
Isleworth  
Middlesex  
TW7 5QD



14 November 2016

## Statement of Directors' responsibilities

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 Retail Stores Limited:**

We have audited the financial statements of Sky Retail Stores Limited for the year ended 30 June 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Separate opinion in relation to IFRSs as issued by the IASB**

As explained in note 1 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

17 November 2016



# Statement of Comprehensive Income

For the year ended 30 June 2016

	Notes	2016 £('000)	2015 £('000)
<b>Revenue</b>	2	<b>39,903</b>	37,980
Operating expense	3	<b>(36,300)</b>	(34,001)
<b>Operating profit</b>		<b>3,603</b>	3,979
Loss on disposal of fixed assets	5	-	(115)
Finance costs	4	-	(415)
<b>Profit before tax</b>	5	<b>3,603</b>	3,449
Tax	7	<b>(738)</b>	22
<b>Profit for the year attributable to equity shareholder</b>		<b>2,865</b>	3,471

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

For the years ended 30 June 2016 and 30 June 2015, the Company did not have any other items of Comprehensive Income.

All results relate to continuing operations.

# Balance Sheet

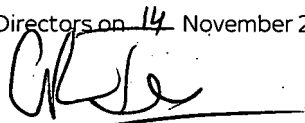
As at 30 June 2016

	Notes	2016 £('000)	2015 £('000)
<b>Non-current assets</b>			
Property, plant and equipment	8	106	612
Deferred tax assets	9	551	590
		<b>657</b>	1,202
<b>Current assets</b>			
Trade and other receivables	10	14,938	11,607
<b>Total assets</b>		<b>15,595</b>	12,809
<b>Current liabilities</b>			
Trade and other payables	11	5,034	4,915
Provisions	12	3,446	3,644
		<b>8,480</b>	8,559
<b>Total liabilities</b>		<b>8,480</b>	8,559
Share capital	16	50	50
Share premium	16	1,040	1,040
Reserves	16	6,025	3,160
<b>Total equity attributable to equity shareholder</b>		<b>7,115</b>	4,250
<b>Total liabilities and shareholders' equity</b>		<b>15,595</b>	12,809

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

As at 30 June 2016 and 30 June 2015, the Company did not have any cash or cash equivalents. Accordingly, no cash flow statement or reconciliation of operating profit to cash flows from operating activities has been prepared.

The financial statements of Sky Retail Stores Limited, registered number 03990450 were approved by the Board of Directors on 14 November 2016 and were signed on its behalf by:



C R Jones  
Director

14 November 2016

## Statement of Changes in Equity

For the year ended 30 June 2016

	Share capital £('000)	Share Premium £('000)	Retained earnings £('000)	Total shareholders' equity £('000)
<b>At 1 July 2014</b>	<b>50</b>	<b>1,040</b>	<b>(311)</b>	<b>779</b>
Profit for the year	-	-	3,471	3,471
<b>At 30 June 2015</b>	<b>50</b>	<b>1,040</b>	<b>3,160</b>	<b>4,250</b>
Profit for the year	-	-	2,865	2,865
<b>At 30 June 2016</b>	<b>50</b>	<b>1,040</b>	<b>6,025</b>	<b>7,115</b>

## Notes to the financial statements

### 1. Accounting policies

Sky Retail Stores Limited (the "Company") is a limited liability Company incorporated in the United Kingdom, and registered in England and Wales.

#### a) Statement of compliance

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

#### b) Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Director's 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 period, none of which had a significant impact on the Company's results or financial position.

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2016, this date was 3 July 2016 this being a 53 week year (fiscal year 2015: 28 June 2015, 52 week year). For convenience purposes, the Company continues to date its financial statements as at 30 June. The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company.

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

Owned PPE is stated at cost, net of accumulated depreciation and any impairment losses, (see accounting policy e), 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:

Equipment, furniture and fixtures (including sales kiosks)	3 to 20 years
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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.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### d) 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 Statement of Comprehensive Income.

#### ii. 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.

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

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

## Notes to the financial statements

### 1. Accounting policies (continued)

#### **f) 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.

#### **g) Revenue recognition**

Revenue represents the gross inflow of economic benefit from the Company's operating activities. Revenue is measured at the fair value of the consideration received or receivable. The Company's main source of revenue derives from recharges to other companies in the Sky Group of companies.

#### **h) Employee benefits**

##### **Wages, salaries and social security contributions**

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.

##### **Pension Obligations**

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.

#### **i) Leases**

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

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

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

The lease expense arising from operating leases is charged to the 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)

#### j) Tax, including deferred tax

The Company's liability for current tax is based on taxable profits 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. 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 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 tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after 1 July 2016. These new pronouncements are listed below: The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

- Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' (effective 1 January 2016)
- Amendments to IAS 1 'Disclosure Initiative' (effective 1 January 2016)
- Amendments to IAS 16 and IAS 28 'Clarification of Acceptable Methods of Depreciation and Amortisation' (effective 1 January 2016)
- Annual Improvements 2012-2014 cycle (effective 1 July 2016)
- Amendments to IFRS 10, 12 AND IAS 28 'Investment Entities: Applying the Consolidation Exception' (effective 1 January 2016)\*
- Amendments to IAS 7 'Disclosure Initiative' (effective 1 January 2017)\*
- Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses' (effective 1 January 2017)\*

## Notes to the financial statements

### 1. Accounting policies (continued)

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

- IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)\*

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

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

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

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

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

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

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

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

\* not yet endorsed for use in the EU

#### l) Critical accounting policies and the use of judgement

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

##### (i) Tax, including deferred tax (see notes 7 & 9)

- 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.



## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1) Critical accounting policies and the use of judgement (continued)

##### (i) Tax including deferred tax (continued)

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

##### (ii) Property, plant and equipment (see note 8)

- The assessment of the useful economic lives of these assets requires judgement. Depreciation and amortisation is charged to the Statement of Comprehensive Income based on the useful economic life selected. This assessment requires estimation of the period over which the Company will benefit from the assets.
- Determining whether the carrying amount of these assets has any indication of impairment also requires judgement. If an indication of impairment is identified, further judgement is required to assess whether the carrying amount can be supported by the net present value of future cash flows forecast to be derived from the asset. This forecast involves cash flow projections and selecting the appropriate discount rate.
- Assessing whether assets meet the required criteria for initial capitalisation requires judgement. This requires a determination of whether the assets will result in future benefits to the Company.

### 2. Revenue

Revenue is wholly derived from the principal activity of the Company undertaken in the United Kingdom. The Company's principal activity is the operation of sales and advisory outlets for Sky Television, Sky Broadband and Sky Talk products. The revenue generated from such activity was £39,903,000 (2015: £37,980,000).

### 3. Operating expense

	2016 £('000)	2015 £('000)
Sales, general and administration	36,300	34,001
	36,300	34,001

## Notes to the financial statements

### 4. Finance costs

	2016 £('000)	2015 £('000)
<b>Finance costs</b>		
Intercompany interest payable <sup>(i)</sup>	-	415
	-	415

(i) Intercompany interest payable in prior year consists of £415,000 due on amounts borrowed from a revolving credit facility ("RCF") held with Sky UK Limited. This facility expired on 16 October 2014.

### 5. Profit before tax

Profit before tax is stated after charging:	2016 £('000)	2015 £('000)
Depreciation and impairment of property, plant and equipment	517	714
Rentals on operating leases and similar arrangements	-	156
Loss on disposal of fixed assets	-	115

### Audit fees

Amounts paid to the auditor for the audit of the Company's annual accounts of £10,500 (2015: £10,500) were borne by another Group subsidiary in 2016 and 2015. No amounts for other services have been paid to the auditor in either year.

### 6. Employee benefits and key management compensation

	2016 £('000)	2015 £('000)
Wages and salaries	26,557	23,936
Social security costs	3,187	2,747
Contributions to the Sky plc pension scheme (the "Pension Plan") <sup>(i)</sup>	596	535
	<b>30,340</b>	<b>27,218</b>

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

## Notes to the financial statements

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

The average monthly number of full-time equivalent persons (including temporary employees) employed by the Company during the year was 859 (2015: 760). The Directors did not receive any remuneration during the year in respect of their services to the Company (2015: £nil).

	2016	2015
Customer service, sales and marketing	802	760
Management and administration	57	-
	859	760

There are approximately 12 (2014: 0) temporary staff included within the average number of full-time equivalent persons employed by the Company.

### 7. Tax

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

	2016 £('000)	2015 £('000)
<b>Current tax expense / (credit)</b>		
Current year	699	-
Adjustment in respect of prior years	-	-
<b>Total current tax charge / (credit)</b>	699	-
<b>Deferred tax expense / (credit)</b>		
Origination and reversal of temporary differences	23	(10)
Adjustment in respect of prior years	(12)	(12)
Adjustment in respect of change in tax rates	28	-
<b>Total deferred tax charge / (credit) [note 9]</b>	39	(22)
<b>Tax</b>	<b>738</b>	<b>(22)</b>

## Notes to the financial statements

### 7. Tax (continued)

#### b) Reconciliation of effective tax rate

The tax expense for the year is higher (2015: lower) than the expense that would have been charged using the blended rate of corporation tax in the UK (20%) applied to profit before tax. The applicable or substantively enacted effective rate of UK corporation tax for the year was 20% (2015: 20.75%). The differences are explained below:

	2016 £('000)	2015 £('000)
Profit before tax	3,603	3,449
Profit before tax multiplied by blended rate of corporation tax in the UK of 20.00% (2015: 20.75%)	721	716
Effects of:		
Non-deductible expense	1	3
Deferred tax write off following tax rate change	28	-
Group relief claimed for £nil consideration	-	(729)
Adjustment in respect of prior years	(12)	(12)
<b>Tax</b>	<b>738</b>	<b>(22)</b>

All tax relates to UK corporation tax.

### 8. Property, plant and equipment

	Kiosks £('000)	Office Equipment £('000)	Total £('000)
<b>Cost</b>			
<b>At 1 July 2014</b>	<b>4,522</b>	<b>122</b>	<b>4,644</b>
Additions	225	-	225
Disposals	(2,621)	-	(2,621)
<b>At 30 June 2015</b>	<b>2,126</b>	<b>122</b>	<b>2,248</b>
Additions	11	-	11
<b>At 30 June 2016</b>	<b>2,137</b>	<b>122</b>	<b>2,259</b>
<b>Depreciation</b>			
<b>At 1 July 2014</b>	<b>3,306</b>	<b>122</b>	<b>3,428</b>
Depreciation	714	-	714
Disposals	(2,506)	-	(2,506)
<b>At 30 June 2015</b>	<b>1,514</b>	<b>122</b>	<b>1,636</b>
Depreciation	517	-	517
<b>At 30 June 2016</b>	<b>2,031</b>	<b>122</b>	<b>2,153</b>
<b>Carrying amounts</b>			
At 1 July 2014	1,216	-	1,216
At 30 June 2015	612	-	612
<b>At 30 June 2016</b>	<b>106</b>	<b>-</b>	<b>106</b>

## Notes to the financial statements

### 9. Deferred tax

#### Recognised deferred tax asset

	Fixed asset timing differences £'000
<b>At 1 July 2014</b>	568
Adjustment in respect of prior years	12
Credit to income	10
Effect of change in tax rate	-
<b>At 30 June 2015</b>	590
Adjustment in respect of prior years	12
Charge to income	(23)
Effect of change in tax rate	(28)
<b>At 30 June 2016</b>	<b>551</b>

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

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

## Notes to the financial statements

### 10. Trade and other receivables

	2016 £('000)	2015 £('000)
Amounts receivable from immediate parent company <sup>(a)</sup>	14,344	10,496
Amounts receivable from other Group companies <sup>(b)</sup>	112	229
VAT	482	638
Prepayments	-	244
<b>Total trade and other receivables</b>	<b>14,938</b>	<b>11,607</b>

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

#### a) Amounts receivable from the immediate parent company

Amounts due from the immediate parent company totalling £14,344,000 (2015: £10,496,000) represent trade receivables; they are non-interest bearing and are repayable on demand.

#### b) Amounts receivable from other Group companies

Amounts due from other Group companies totalling £112,000 (2015: £229,000) represent trade receivables; they are non-interest bearing and are repayable on demand.

### 11. Trade and other payables

	2016 £('000)	2015 £('000)
Trade payables	713	537
Amounts payable to other Group companies <sup>(i)</sup>	320	307
Accruals	4,001	4,071
	<b>5,034</b>	<b>4,915</b>

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

(i) Amounts payable to other Group companies consist of trade payables and are repayable on demand.

### 12. Provisions

	At 1 July 2015 £('000)	Provided during the year £('000)	Utilised during the year £('000)	At 30 June 2016 £('000)
<b>Current liabilities</b>				
Lease related <sup>(i)</sup>	3,644	-	(198)	<b>3,446</b>

(i) The Company holds a provision at year end for costs in relation to the kiosks it had leased. The leases include those entered into since 2010. Judgment by management is required in estimating the level of unclaimed costs, including assumptions on the rateable value of each kiosk. The timing of future charges and the final amount required to settle the potential liability is therefore uncertain.

## Notes to the financial statements

### 13. Financial Instruments

#### Carrying value and fair value

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

	<b>Loans and receivables £'000</b>	<b>Other liabilities £'000</b>	<b>Total carrying value £'000</b>	<b>Total fair values £'000</b>
<b>At 30 June 2016</b>				
Trade and other payables	-	(5,034)	(5,034)	(5,034)
Provisions	-	(3,446)	(3,446)	(3,446)
Trade and other receivables	14,456	-	14,456	14,456
<b>At 30 June 2015</b>				
Trade and other payables	-	(4,915)	(4,915)	(4,915)
Provisions	-	(3,644)	(3,644)	(3,644)
Trade and other receivables	10,725	-	10,725	10,725

The fair value of financial assets and financial liabilities is 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.

### 14. 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.

#### 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 ("Sky") policies approved 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.

## Notes to the financial statements

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

#### Liquidity risk

The Company's financial liabilities are shown in notes 11 and 12.

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 twelve months £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000
<b>At 30 June 2016</b>				
Trade and other payables	5,034	-	-	-
Provisions	3,446	-	-	-
<b>At 30 June 2015</b>				
Trade and other payables	4,915	-	-	-
Provisions	3,644	-	-	-

#### 15. Share capital

	2016 £	2015 £
<b>Allotted, called-up and fully paid</b>		
5,001,055 (2015: 5,001,055) ordinary shares of £0.01 (2015: £0.01) each	50,010	50,010

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

#### 16. Shareholders' equity

	2016 £('000)	2015 £('000)
Share capital	50	50
Share premium	1,040	1,040
Retained earnings	6,025	3,160



## Notes to the financial statements

### **17. Transactions with related parties and major shareholders of Sky**

#### **a) Key management**

The Company has a related party relationship with the Directors of the Company. At 30 June 2016, there were 2 (2015: 2) members of key managers, both of whom were Directors of the Company.

#### **b) Transactions with parent company**

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.

The Company conducts business transactions with its immediate parent company, Sky UK Limited. In the year to 30 June 2016, the Company earned revenue of £39,903,000 (2015: £37,980,000) from Sky UK Limited. For details of amounts owed by and owed to Sky UK Limited, see notes 10 and 11.

#### **c) Transactions with other Group companies**

For amounts receivable and payable to other group companies please see notes 10 and 11.

### **18. Ultimate parent undertaking**

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

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

### **19. Post balance sheet event**

On 8 November 2016 the Company announced the proposed closure of 62 retail stores which would impact 170 employees. At this stage it would be too early to estimate the financial impact of the closure if the proposal were to go ahead.