

# THE CLOUD NETWORKS LIMITED

Annual Report and Financial Statements  
For the year ended 30 June 2017

Registered number: 05141256

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## Directors and Officers

For the year ended 30 June 2017

### **Directors**

The Cloud Networks Limited's (the "Company") present Directors and those who served during the year are as follows:

D N Rey

C Smith (appointed 7 November 2016)

A D Artz (resigned 20 October 2016)

### **Company Secretary**

C J Taylor

### **Registered office**

Grant Way

Isleworth

Middlesex

United Kingdom

TW7 5QD

### **Auditor**

Deloitte LLP

Statutory Auditor

London

United Kingdom

# Strategic Report

## **Strategic Report**

The Directors present their Strategic and Directors' report on the affairs of the Company, together with the annual report and financial statements and Auditor's Report for the year ended 30 June 2017.

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 principal activity of the Company is the operation of a public wireless broadband network in the UK, supporting data, internet and voice services. The network provides public WiFi access in over 20,000 venues across the UK.

The audited financial statements for the year ended 30 June 2017 are set out on pages 8 to 25. Profit for the year before tax was £17,226,000 (2016: £16,981,000). Shareholders' equity at the balance sheet date was £47,020,000 (2016: £29,820,000). The Directors are satisfied with the performance of the Company in the year and look forward to continuing to develop the business in the foreseeable future.

The business has built upon previous investment in its leading edge technology, by extending its investment within the core platforms. This has supported continued enhancement of both available network bandwidth and core stability.

The continued investment and logistical support provided by Sky UK Limited has underpinned the performance during the last 12 months. We are actively developing new and innovative ways to monetise our network and provide unique functionality to our customers.

## **Key performance indicators (KPIs)**

The Group manages its operations on a divisional basis and the KPIs used are as reported in the Group Annual Report. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the Company.

# Strategic Report

## **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, interest rate risk or foreign exchange risk.

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

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

## **Credit risk**

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

## **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.

By Order of the Board,

A handwritten signature in black ink, appearing to be 'C Smith', written over a horizontal line.

C Smith

Director

Grant Way  
Isleworth  
Middlesex  
United Kingdom  
TW7 5QD

18 December 2017

# Directors' Report

## Directors' Report

The Directors who served during the year are shown on page 1. No dividend was proposed for the year ended 30 June 2017 (2016: £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 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 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.

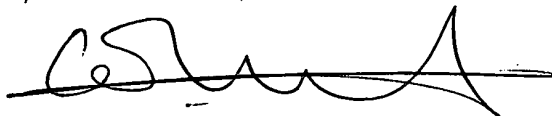
## Auditor

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/she ought to have taken as a Director to make himself / herself 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 on        December 2017.

By Order of the Board,



C Smith

Director

Grant Way  
Isleworth  
Middlesex  
United Kingdom  
TW7 5QD

12 December 2017

## Director's Responsibilities Statement

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 The Cloud Networks 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Cloud Networks Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **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.

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.

## Auditor's report

### 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.

### 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.

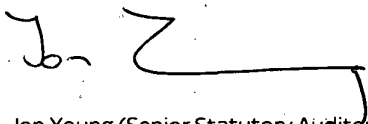
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### 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  
18 December 2017



## Profit and Loss Account

For the year ended 30 June 2017

	<b>Note</b>	<b>Total 2017 £'000</b>	<b>Total 2016 £'000</b>
Turnover	4	<b>33,093</b>	32,583
Cost of sales		<b>(13,525)</b>	(11,976)
<b>Gross profit</b>		<b>19,568</b>	20,607
Administrative expenses		<b>(2,486)</b>	(3,959)
<b>Operating profit</b>		<b>17,082</b>	16,648
Interest receivable and similar income	8	<b>33</b>	29
Other gains	9	<b>111</b>	304
<b>Profit before tax</b>		<b>17,226</b>	16,981
Tax on profit on ordinary activities	10	<b>(26)</b>	(3,526)
<b>Profit for the financial year</b>	5	<b>17,200</b>	13,455

The accompanying notes are an integral part of these financial statements.

For the years ended 30 June 2017 and 30 June 2016, the Company did not have any other items of Comprehensive Income. Accordingly, no separate Statement of Comprehensive Income is presented.

All results relate to continuing operations.

## Balance Sheet

As at 30 June 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Tangible assets	11	2,224	2,774
Deferred tax asset	17	475	507
		<b>2,699</b>	3,281
<b>Current assets</b>			
Stocks	13	354	1,131
Debtors	14	68,699	49,309
Cash at bank and in hand		488	420
		<b>69,541</b>	50,860
<b>Creditors: Amounts falling due within one year</b>	15	<b>(25,097)</b>	(23,972)
<b>Net current assets</b>		<b>44,444</b>	26,888
<b>Total assets less current liabilities</b>		<b>47,143</b>	30,169
<b>Provisions for liabilities</b>	16	<b>(123)</b>	(349)
<b>Net assets</b>		<b>47,020</b>	29,820
<b>Capital and reserves</b>			
Called up share capital	18	8	8
Share premium account		35,433	35,433
Warrant reserves	19	60	60
Share-based payment reserve		2,517	2,517
Profit and loss account		9,002	(8,198)
		<b>47,020</b>	29,820

The financial statements of The Cloud Networks Limited, registered number 05141256 were approved by the Board of Directors on December 2017 and were signed on its behalf by:

D N Rey

Director

18 December 2017



## Statement of Changes in Equity

For the year ended 30 June 2017

	Share capital £'000	Share premium £'000	Warrant reserve £'000	Share- based payment reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
<b>At 1 July 2015</b>	<b>8</b>	<b>35,433</b>	<b>60</b>	<b>2,517</b>	<b>(21,653)</b>	<b>16,365</b>
Profit for the year	-	-	-	-	13,455	13,455
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,455</b>	<b>13,455</b>
<b>At 30 June 2016</b>	<b>8</b>	<b>35,433</b>	<b>60</b>	<b>2,517</b>	<b>(8,198)</b>	<b>29,820</b>
Profit for the year	-	-	-	-	17,200	17,200
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,200</b>	<b>17,200</b>
<b>At 30 June 2017</b>	<b>8</b>	<b>35,433</b>	<b>60</b>	<b>2,517</b>	<b>9,002</b>	<b>47,020</b>

# Notes to the financial statements

For the year ended 30 June 2017

## 1. General information

The Cloud Networks Limited (the "Company") is a limited liability Company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group financial statements of Sky plc ("Sky"). The group financial statements of Sky are available to the public and can be obtained as set out in note 23.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2017.

## 2. Significant accounting policies

### Basis of accounting

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group financial statements of Sky. The group financial statements of Sky are available to the public and can be obtained as set out in note 23.

The financial statements have been prepared on the historical cost basis, except for the remeasurement to fair value of certain financial assets and liabilities at the end of each reporting period as described in the accounting policies below.

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2017, this date was 2 July 2017 this being a 52 week year (fiscal year 2016: 3 July 2016, 53 week year). For convenience purposes, the Company continues to date its financial statements as at 30 June. The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company.

The principal accounting policies adopted are set out below:

### Going concern

The financial statements have been prepared using the going concern basis of accounting (as set out in the Directors' Report). 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.

## Notes to the financial statements

For the year ended 30 June 2017

### 2. Significant accounting policies (continued)

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue represents sales of wireless broadband services to retail customers, site owners and other service providers, including wholesale telecoms operators, net of value added tax. Retail products include sale of vouchers enabling access to the internet with payment via credit cards and indirectly through site owners. Site revenues include provision of internet access services using wireless technology together with vouchers sold on a wholesale basis. Service Provider customers pay for access to the Company's wireless broadband infrastructure in order to provide service to their own customers, on a per minute, per month or per year basis. Revenue from vouchers is recognised at the time of sale whilst any contracts for revenue over a period of time are spread evenly over that contract period. Other income is generated from set up fees for new contracts and is recognised at the date the site goes live and the set-up fee is billed to the customer.

#### Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

#### Retirement benefit costs

The Company provides pensions to eligible employees through defined contribution schemes. The amount charged to the Profit and Loss account 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.

#### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## Notes to the financial statements

For the year ended 30 June 2017

### 2. Significant accounting policies (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

#### **Current tax and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold improvements	5 years
Office equipment	5 years
Computer equipment	4 years
Fixtures and fittings	10 years
Software licenses	4 years

#### **Tangible fixed assets**

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

#### **Impairment of tangible assets**

At each balance sheet date, the Company reviews the carrying amounts of tangible assets to determine whether there is any indication that any of those assets have suffered an impairment loss.

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

## Notes to the financial statements

For the year ended 30 June 2017

### 2. Significant accounting policies (continued)

An impairment loss for an individual asset or cash generating unit 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.

#### **Stocks**

Stock is stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### **Financial instruments**

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.

#### **Debtors**

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. 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 Profit and Loss Account.

#### **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.

#### **Creditors**

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.

#### **Provisions**

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

## Notes to the financial statements

For the year ended 30 June 2017

### 2. Significant accounting policies (continued)

#### Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or in the amounts reported in these financial statements.

<p>Amendments to IAS 1 <i>Disclosure initiative</i></p>	<p>The Company has adopted the amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments clarify that the entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the basis of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of the financial statements to understand the impact of particular transactions, events and conditions of the entity's financial position and financial performance. The adoption of these amendments has not resulted in any impact on the financial performance or financial position of the Company.</p>
<p>Amendments to IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i></p>	<p>The company has adopted the amendments to IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> for the first time in the current year. The amendments to IAS 16 prohibit entities from using revenue based depreciation method for items of property, plant and equipment. As the company already uses the straight-line method for depreciation of its property plant and equipment, the adoption of these amendments has had no impact on the Company's financial statements.</p>



## Notes to the financial statements

For the year ended 30 June 2017

### 3. Critical accounting judgements and key sources of estimation 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.

#### ***Revenue (see note 4)***

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. When the Company sells installation or service in one bundled transaction, the total consideration from the arrangement is allocated to each element based on its relative fair value. The fair value of each individual element is determined using vendor specific or third party evidence. The amount of revenue the Company recognises for delivered elements is limited to the cash received.

#### ***Tax, including deferred tax (see notes 10 and 17)***

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

Accruals for tax contingencies require management to make judgements and estimates in relation to tax audit issues and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless it is probable that the tax positions will be sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of the likely resolution of the issue through negotiation and/or litigation.

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

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.

#### ***Tangible Fixed Assets (see note 11)***

The assessment of the useful economic lives of these assets requires judgement. Depreciation and amortisation is charged to the Profit and Loss account 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.

## Notes to the financial statements

For the year ended 30 June 2017

### 4. Turnover

An analysis of the Company's turnover is as follows:

	2017 £'000	2016 £'000
<b>Continuing operations</b>		
Rendering of services	33,093	32,583
<b>Total turnover</b>	<b>33,093</b>	<b>32,583</b>

Turnover arises from services provided in the United Kingdom.

### 5. Profit for the financial year

Profit for the year has been arrived at after charging/(crediting):

	2017 £'000	2016 £'000
Net foreign exchange gains	(105)	(306)
Depreciation of tangible fixed assets (see note 11)	1,006	881
(Gain)/Loss on disposal of tangible fixed assets	(16)	10
Staff costs (see note 7)	3,660	4,913
Operating leases – Land and Buildings	228	544
Stocks recognised as an expense	2,558	1,500

### 6. Auditor's remuneration

Fees payable to Deloitte and their associates for the audit of the Company's annual financial statements were £12,000 (2016: £12,000). These were borne by another Group company in both the current and prior years. No amounts for other services have been paid to the auditor.

## Notes to the financial statements

For the year ended 30 June 2017

### 7. Staff costs

The average monthly number of employees (including executive directors) was:

	<b>2017 Number</b>	2016 Number
Transmission and Technology	<b>58</b>	68
Directors	<b>3</b>	3
	<b>61</b>	71

Their aggregate remuneration comprised:

	<b>2017 £'000</b>	2016 £'000
Wages and salaries	<b>3,135</b>	4,194
Social security costs	<b>341</b>	503
Pension costs (see note 20)	<b>184</b>	216
	<b>3,660</b>	4,913

Disclosure of directors' remuneration is included in note 22.

Administrative services are provided by employees of other Group companies with no charge being made.

### 8. Interest receivable and similar income

	<b>2017 £'000</b>	2016 £'000
Interest receivable:		
Intercompany interest receivable	<b>33</b>	29
Total interest receivable	<b>33</b>	29

For the year ended 30 June 2017 intercompany interest is receivable on a loan made to Sky Operational Finance Limited at an interest rate of 1.5%.

### 9. Other gains

	<b>2017 £'000</b>	2016 £'000
Gain on revaluation of amounts owed by Group companies	<b>111</b>	304
	<b>111</b>	304

No other gains or losses have been recognised in respect of loans and receivables, other than as disclosed in note 8.

## Notes to the financial statements

For the year ended 30 June 2017

### 10. Tax on profit on ordinary activities

	<b>2017</b> <b>£'000</b>	2016 £'000
Corporation tax:		
UK Corporation tax	<b>(7)</b>	3,390
Foreign tax	-	-
	<hr/> <b>(7)</b>	<hr/> 3,390
Deferred tax (note 17)	<b>33</b>	136
	<hr/> <b>26</b> <hr/>	<hr/> 3,526 <hr/>

Corporation tax is calculated at 19.75% (2016: 20.0%) of the estimated taxable profit for the year.

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	<b>2017</b> <b>£'000</b>	2016 £'000
Profit before tax	<b>17,226</b>	16,981
	<hr/>	<hr/>
Tax at the UK corporation tax rate of 19.75% (2016: 20.0 %)	<b>3,402</b>	3,396
Tax effect of expenses that are not deductible in determining taxable profit	<b>1</b>	1
Group relief claimed for £nil consideration	<b>(3,342)</b>	-
Deferred tax asset recognised at enacted rate rather than blended rate	<b>54</b>	27
Adjustment in respect of prior years	<b>(89)</b>	102
	<hr/> <b>26</b> <hr/>	<hr/> 3,526 <hr/>

All current taxation in the current year relates to UK corporation tax.

Notes to the financial statements  
For the year ended 30 June 2017

**11. Tangible fixed assets**

	<b>Leasehold Improvements £'000</b>	<b>Office Equipment £'000</b>	<b>Computer Equipment &amp; Network Assets £'000</b>	<b>Fixtures and Fittings £'000</b>	<b>Software Licences £'000</b>	<b>Total £'000</b>
<b>Cost</b>						
At 1 July 2016	157	24	4,910	42	374	5,507
Additions	-	25	432	-	-	457
Disposals	-	-	23	-	-	23
At 30 June 2017	<b>157</b>	<b>49</b>	<b>5,365</b>	<b>42</b>	<b>374</b>	<b>5,987</b>
<b>Accumulated depreciation</b>						
At 1 July 2016	149	20	2,259	23	282	2,733
Charge for the year	2	5	966	4	29	1,006
Elimination on disposal	-	-	23	-	-	23
At 30 June 2017	<b>151</b>	<b>25</b>	<b>3,248</b>	<b>27</b>	<b>311</b>	<b>3,762</b>
<b>Carrying amount</b>						
At 30 June 2016	8	4	2,651	19	92	2,774
At 30 June 2017	<b>6</b>	<b>24</b>	<b>2,117</b>	<b>15</b>	<b>63</b>	<b>2,224</b>

## Notes to the financial statements

For the year ended 30 June 2017

### 12. Fixed asset investments

#### Subsidiaries

	£'000
<b>Carrying amount</b>	
At 30 June 2016	-
At 30 June 2017	-

At the start of the prior year ended 30 June 2016, the Company sold its investments in The Cloud Networks Nordics A.B., The Cloud Networks Germany GmbH and The Cloud Networks Denmark ApS to Achim Möhrlein for consideration of £2,260,000.

Details of the principal investments of the Company prior to disposal were as follows:

Name	Country of incorporation	Proportion of share held (%) of ordinary share capital	Principal activity
The Cloud Networks Nordics A.B.	Sweden	100%	Wireless Broadband
The Cloud Networks Germany GmbH	Germany	100%	Wireless Broadband
The Cloud Networks Denmark ApS	Denmark	100%	Wireless Broadband

### 13. Stocks

	2017 £'000	2016 £'000
Consumables	354	1,131
	<b>354</b>	<b>1,131</b>

Stocks consist of consumables utilised during the installation of hardware at customer sites. There is no material difference between the balance sheet value of stocks and their replacement cost.

## Notes to the financial statements

For the year ended 30 June 2017

### 14. Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade debtors	105	306
Taxation and social security	7	-
Amounts owed by Parent company	41,575	30,570
Amounts owed by group undertakings	25,445	17,040
Other debtors	313	239
Prepayments and accrued income	1,254	1,154
	<u>68,699</u>	<u>49,309</u>

Amounts due from other Group companies totalling £25,445,017 (2016: £17,040,035) of which £23,268,399 (2016: £14,975,429) represent other receivables; they are non-interest bearing and are repayable on demand.

On 29 June 2015 the Company entered into a loan with Sky Operational Finance Limited. The loan bears interest at a rate of 1.5% and is repayable on demand. As at 30 June 2017 the total amount outstanding was £2,177,554 (2016: £2,065,000).

There are amounts receivable from the parent company totalling £41,574,943 (2016: £30,570,000). These balances are non-interest bearing and repayable on demand.

### 15. Creditors

	2017 £'000	2016 £'000
<b>Amounts falling due within one year</b>		
Trade creditors	(771)	(372)
Taxation and social security	(7)	(3,390)
Amounts owed to group undertakings	(21,401)	(17,052)
Accruals	(2,535)	(2,890)
Deferred income	(383)	(268)
	<u>(25,097)</u>	<u>(23,972)</u>

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

Deferred income arises as a result of subscription income received in advance.

## Notes to the financial statements

For the year ended 30 June 2017

### 16. Provisions

	Property Provision £'000	Restructure provision £'000	Total £'000
At 1 July 2016	(349)	-	(349)
Provision utilised during the year	349	-	349
Provision created during the year	-	(123)	(123)
At 30 June 2017	<u>(-)</u>	<u>(123)</u>	<u>(123)</u>

The Company previously held a provision for costs in relation to the dilapidations and onerous lease of 4 Victoria Square. The Company is no longer in the property and the provision has been utilised.

The restructure provision relates to costs incurred as part of corporate restructuring and efficiency programmes.

### 17. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £'000	Tax losses £'000	Short term timing differences £'000	Total £'000
At 1 July 2015	631	-	12	643
Charge/(credit) to profit or loss	(191)	-	55	(136)
At 1 July 2016	<u>440</u>	<u>-</u>	<u>67</u>	<u>507</u>
Charge/(credit) to profit or loss	34	-	(67)	(33)
At 30 June 2017	<u>474</u>	<u>-</u>	<u>0</u>	<u>474</u>

Deferred tax assets have been recognised at 30 June 2017 (and 30 June 2016) 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 17% from 1 April 2020 in the UK (2016: 20%).



## Notes to the financial statements

For the year ended 30 June 2017

### 18. Share capital

	2017 £	2016 £
Issued, fully paid and authorised: 30,583,988 ordinary shares of £0.00025 each	7,646	7,646
	<u>7,646</u>	<u>7,646</u>

The Company has one class of ordinary shares which carry no right to fixed income.

### 19. Warrant Reserve

#### Warrant Instrument

After the sale of the Company in February 2011, a number of existing options were exercised and/or surrendered as part of the process of the sale of the Company. Any remaining options and/or warrants lapsed shortly after completion of the sale. There are no further outstanding options and warrants in respect of the Company at the year end date.

### 20. Retirement benefit schemes

The Company operates defined contribution retirement benefit schemes for qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to income of £184,000 (2016: £216,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 30 June 2017 contributions of £nil (2016: £nil) due in respect of the current reporting period had not been paid over to the schemes and are included in accruals.

### 21. Operating lease arrangements

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £'000	2016 £'000
Within one year	-	138
In the second to fifth years inclusive	-	-
After five years	-	-
	<u>-</u>	<u>138</u>

The Company's operating lease relates to the rental payments on 4 Victoria Square, which was first occupied in May 2009, and subsequently the lease was renewed in March 2012 with a break clause after 5 years. The lease was exited in March 2017.

## Notes to the financial statements

For the year ended 30 June 2017

### **22. Related parties**

During the year the company has not entered into transactions with any related party outside the group in which its results are consolidated (see note 23).

The Directors did not receive any remuneration during the year in respect of services to the Company (2016: £nil).

### **23. Controlling party**

In the opinion of the directors, the Company's ultimate parent Company and ultimate controlling party is Sky plc, a company incorporated in the United Kingdom and registered in England and Wales. The parent undertaking of the largest group, which includes the company and for which group financial statements are prepared is Sky plc, a company incorporated in the United Kingdom and registered in England and Wales. The parent undertaking of the smallest such group is Sky plc, a company incorporated in the United Kingdom and registered in England and Wales. Sky plc is the largest and smallest group of which the Company is a member and for which group financial statements are prepared. Copies of the group financial statements of Sky plc are available from the Company Secretary, Sky plc, Grant Way, Isleworth, Middlesex TW7 5QD. The immediate controlling party is Sky UK Limited.