

# THE CLOUD NETWORKS LIMITED

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

Registered number: 05141256



## Directors and Officers

For the year ended 30 June 2014

### Directors

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

V H Russell

D S Scott (resigned 5 November 2013)

S Robson (appointed 5 November 2013)

### Secretary

C J Taylor

### Registered office

Grant Way

Isleworth

Middlesex

TW7 5QD

### Auditor

Deloitte LLP

Chartered Accountants

London

United Kingdom

# Strategic and Directors' Report

For the year ended 30 June 2014

The Directors present their Strategic and Directors' report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 30 June 2014.

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

## Business review and principle activities

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 Company is a wholly-owned subsidiary of British Sky Broadcasting Limited ("BSkyB Ltd") and operates together with BSkyB Ltd's other subsidiaries as part of British Sky Broadcasting Group plc ("BSkyB" and "the Group").

The audited financial statements for the year ended 30 June 2014 are set out on pages 8 to 22. The profit for the year before tax was £13,385,000 (2013: loss before tax £7,408,000). The balance sheet shows that the Company's shareholders' equity at the year end was £7,491,000 (2013: deficit £7,110,000). The Directors are satisfied with the growth and performance of the Company in the year and look forward to continuing to develop the business in the foreseeable future.

The business has invested both in its leading edge technology through an estate-wide refresh programme but also within the core platforms. This has seen a material enhancement of both available network bandwidth and core stability. Network performance, revenue and operating costs remain key performance indicators as does the user experience and customer satisfaction.

The significant investment and logistical support provided by BSkyB Ltd has underpinned the growth during the last 12 months. We are actively developing new and innovative ways to monetise our network and provide unique functionality to our customers.

## Principal risks and uncertainties

The Company's activities expose it to financial risks, namely credit risk, liquidity risk and investment performance risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes. The Directors do not believe the Company is exposed to any significant cash flow risk, foreign exchange risk or interest rate risk.

### Credit risk

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are group companies who have banking relationships with institutions assigned high credit ratings by international credit rating agencies.

## Strategic and Directors' Report (continued)

For the year ended 30 June 2014

### Liquidity risk

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

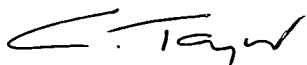
### Investment performance risk

The principal risk facing the Company relates to the recoverability of the Company's investment in subsidiaries. Recovery of these assets is dependent upon the generation of sufficient profits to pay dividends or from the proceeds of sale of such investments, in the event of their disposal. The Company reviews the carrying amount of its investment at balance sheet date to determine whether there is any indication of impairment.

### Capital Structure

During the year, 13,786,475 of A Preferred shares of £0.00025 each, 8,673,201 of B Preferred shares of £0.00025 each, 4,676,327 of A Ordinary shares of £0.00025 each, 273,805 of C Ordinary shares of £0.00025 each and 2,814,180 of D Ordinary shares of £0.00025 each were reclassified as Ordinary shares of £0.00025 each. The Company now has one class of ordinary shares which carries equal voting rights and no contractual right to receive payment.

By Order of the Board,



C J Taylor  
Company Secretary  
Grant Way  
Isleworth  
Middlesex  
TW7 5QD  
7 November 2014

# Strategic and Directors' Report (continued)

For the year ended 30 June 2014

## **Directors' Report**

The Directors who served during the year are shown on page 1. No dividend was proposed for the year ended 30 June 2014 (2013: £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 which forms part of the Directors' Report. The Directors' Report details the financial position of the Company, as well as the Company's objectives and policies, and details of its exposures to credit risk and liquidity risk.

After making enquiries, the Directors have formed a judgment 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. In making this decision the Directors have considered the net current liability position of the Company, and confirmations received from BSkyB Limited that, for at least 12 months from the date of signing these financial statements, they will not demand payment of any amounts owed to them by the Company where such repayment would prevent the Company from continuing to settle its third party liabilities as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## Strategic and Directors' Report (continued)

For the year ended 30 June 2014

### 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 7 November 2014.

By Order of the Board,



C J Taylor  
Company Secretary  
Grant Way  
Isleworth  
Middlesex  
TW7 5QD  
7 November 2014

## Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 then 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

We have audited the financial statements of The Cloud Networks Limited for the year ended 30 June 2014 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the Company's affairs as at 30 June 2014 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.


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

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

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

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

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



William Touche (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

7 November 2014



# Profit and Loss Account

For the year ended 30 June 2014

	Notes	2014	2013
		£'000	£'000
<b>Turnover</b>	2	<b>29,029</b>	10,008
Operating expense	3	<b>(15,667)</b>	(17,433)
<b>Operating profit / (loss)</b>	6	<b>13,362</b>	(7,425)
Investment receivable and similar income	5	<b>23</b>	30
Finance costs	5	-	(13)
<b>Profit / (loss) on ordinary activities before tax</b>		<b>13,385</b>	(7,408)
Tax	7	<b>1,216</b>	-
<b>Profit / (loss) for the year</b>		<b>14,601</b>	(7,408)

The accompanying notes are an integral part of this Profit and Loss Account.

For the years ended 30 June 2014 and 30 June 2013, there are no recognised gains or losses other than those shown above. Accordingly, no separate Statement of total Recognised Gains and Losses is presented.

All of the activities of the Company relate to continuing operations.

# Balance Sheet

As at 30 June 2014

	Notes	2014 £'000	2013 £'000
<b>Non-current assets</b>			
Tangible assets	8	2,280	2,309
Investment in subsidiaries	9	10,912	10,912
Deferred tax assets	10	1,216	-
Debtors: amounts due after one year	12	20	112
		<b>14,428</b>	13,333
<b>Current assets</b>			
Stock	11	550	-
Debtors: amounts due within one year	12	10,156	12,944
Cash at bank and in hand		1,198	1,765
		<b>11,904</b>	14,709
<b>Total assets</b>		<b>26,332</b>	28,042
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	13	(18,790)	(35,126)
<b>Total assets less current liabilities</b>		<b>7,542</b>	(7,084)
<b>Non-current liabilities</b>			
Provisions	14	(51)	(26)
<b>Total net assets (liabilities)</b>		<b>7,491</b>	(7,110)
<b>Capital and reserves</b>			
Called up share capital	15	8	8
Share premium account		35,433	35,433
Warrant reserve	16	60	60
Share based payment reserve	18	2,517	2,517
Profit and loss account	18	(30,527)	(45,128)
<b>Total shareholder's funds</b>		<b>7,491</b>	(7,110)

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

The financial statements of The Cloud Networks Limited, registered number 05141256 have been approved by the Board of Directors on 7 November 2014 and were signed on its behalf by:



V H Russell

Director,

7 November 2014

# Notes to the financial statements

## 1. Accounting policies

The Cloud Networks Limited (the "Company") is a limited liability company incorporated in the United Kingdom, and registered in England and Wales.

### Basis of preparation

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

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2014, this date was 29 June 2014, this being a 52 week year (fiscal year 2013: 30 June 2013, 52 week year). For convenience purposes, the Company continues to date its financial statements as at 30 June. The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company.

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and preceding year, are summarised below.

The Company has taken advantage of the exemption from preparing the consolidated accounts afforded by section 400 of the Companies Act 2006, because it is a wholly-owned subsidiary of BSkyB which prepares consolidated accounts which are publicly available (see note 21).

### a) Cash flow statement

The Company has taken advantage of the exemption under FRS 1 (revised) not to prepare a cash flow statement as it is a subsidiary which is at least 90% controlled by the ultimate parent undertaking (see note 21).

### b) Turnover

Turnover 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. Turnover 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.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### c) Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. 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 provided on all tangible fixed assets so as to write off the costs of the tangible fixed asset, less its estimated residual value on a straight basis over the expected useful economic life of that asset as follows:

Leasehold improvements	5 years
Office equipment	5 years
Computer equipment	4 years
Fixtures and fittings	10 years
Network assets	3 to 5 years
Software licences	3 years

#### d) Stock

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.

#### e) Tax, including deferred tax

UK corporation tax is provided at current amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which carried forward tax losses can be offset and from which the future reversal of underlying timing differences can be deduced.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

## Notes to the financial statements

### **1. Accounting policies (continued)**

#### **f) Employee benefits**

##### **i. Wage and Salaries**

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

##### **ii. Pension obligations**

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

#### **g) Foreign Currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

#### **h) Leased assets**

Costs in respect of operating leases are charged to the Profit and Loss Account on a straight-line basis over the lease term.

Assets acquired under finance leases are included in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease period or their useful lives. The capital elements of future lease payments are recorded as liabilities, while the interest elements are charged to the Profit and Loss Account over the period of the lease to give a constant charge on the balance of the capital repayments outstanding.

#### **i) Trade and other debtors**

Trade and other debtors are stated at their recoverable amount. A provision is made when the amount receivable is not considered recoverable and the full amount is written off when the probability for recovery of a balance is assessed as being remote.

#### **j) 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.

# Notes to the financial statements

## **1. Accounting policies (continued)**

### **k) Share-based payment**

The Company has applied the requirements of FRS 20 Share-based payment.

FRS 20, "Share-Based Payment", has been applied to all options granted after 7 November 2002 which have not vested on or before 1 January 2006. A deferred tax adjustment is also made relating to the intrinsic value of the share options at the balance sheet date, where appropriate.

The Company operates share option schemes which allow certain employees to acquire shares in the Company. The fair value of share options granted is recognised within staff costs with a corresponding increase in equity. The fair value is measured at grant date and spread over the period up to the date when the recipient becomes unconditionally entitled to acquire the shares.

The fair value of share options is measured using the Black-Scholes formula, taking into account the terms and conditions upon which the grants were made. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where warrants have been issued as recompense for services supplied, these are considered equity settled share-based payments. The fair value of warrants, calculated using the Black-Scholes model, is charged to the Profit and Loss Account and a corresponding credit is made to the warrant reserve.

### **l) Derivative financial instruments**

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Group's financial statements.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

## Notes to the financial statements

### 2. Turnover

Turnover arises from services provided in the United Kingdom.

### 3. Operating Expense

	2014	2013
	£'000	£'000
Subscriber Handling	106	152
Transmission related	4,791	6,159
Marketing	2,349	3,033
Administration	1,241	905
Direct Costs	7,180	7,184
	15,667	17,433

### 4. Employees

The average number of staff employed by the Company during the year amounted to:

	2014	2013
	No.	No.
Transmission and technology	80	80
	80	80

## Notes to the financial statements

### 4. Employees (continued)

The aggregate payroll costs of the above were:

	2014	2013
	£'000	£'000
Wages and salaries	4,848	5,659
Social security costs	526	609
Pension costs	258	257
	5,632	6,525

The Directors did not receive any remuneration during the year in respect of their services to the Company (2013: £nil).

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

### 5. Investment income and finance costs

	2014	2013
	£'000	£'000
<b>Investment income</b>		
Dividend income	-	30
Intercompany interest receivable (i)	23	-
	23	30

- (i) Intercompany interest is receivable on a loan made to The Cloud Networks Germany GmbH at an interest rate of 6 month Euribor + 0.75%

	2014	2013
	£'000	£'000
<b>Finance costs</b>		
Bank charges	-	(3)
Investment disposal	-	(10)
	-	(13)



## Notes to the financial statements

### 6. Profit / (loss) before tax

Profit / (loss) before tax is stated after charging/(crediting):

	2014	2013
	£'000	£'000
Depreciation of owned tangible fixed assets	827	622
Fees payable to the Company's auditor for the audit of the Company's accounts	12	12
Operating leases - Land and buildings	244	237
Foreign exchange losses/ (gains)	23	(9)

### Audit fees

Amounts paid to the auditor for the audit of the Company's annual accounts of £12,000 (2013: £12,000) were borne by another Group subsidiary in 2014 and 2013. No amounts for other services have been paid to the auditor.

### 7. Taxation

#### a) Tax charge / (credit) on ordinary activities

	2014	2013
	£'000	£'000
<b>Current tax</b>		
UK corporation tax on profits for the year	-	-
Foreign corporation tax	-	-
<b>Total current tax</b>	-	-
Deferred tax	(1,216)	-
<b>Total tax credit for the year</b>	(1,216)	-

## Notes to the financial statements

### 7. Taxation (continued)

#### b) Factors affecting tax charge for the year

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

	2014	2013
	£'000	£'000
Profit/(loss) on ordinary activities before taxation	13,385	(7,408)
Profit/(loss) on ordinary activities before taxation multiplied by blended rate of corporation tax in the UK of 22.5% (2013: 23.75%)	3,012	(1,759)
Effect of:		
Expenses not deductible for tax purposes	2	-
Effects of capital allowances less than / (in excess of) depreciation	186	(64)
Utilisation of losses brought forward	(3,200)	-
Group relief surrendered for nil consideration	-	1,823
<b>Tax</b>	<b>-</b>	<b>-</b>

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

### 8. Tangible fixed assets

	Leasehold improvements	Office equipment	Computer equipment	Fixtures and fittings	Network Assets	Software licences	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At 1 July 2013	175	41	425	41	2,701	303	3,686
Additions	11	-	430	1	356	-	798
Disposals	-	(9)	(39)	-	(341)	(21)	(410)
<b>At 30 June 2014</b>	<b>186</b>	<b>32</b>	<b>816</b>	<b>42</b>	<b>2,716</b>	<b>282</b>	<b>4,074</b>
<b>Depreciation</b>							
At 1 July 2013	139	24	132	11	911	160	1,377
Depreciation	35	5	98	4	631	54	827
Disposals	-	(9)	(39)	-	(341)	(21)	(410)
<b>At 30 June 2014</b>	<b>174</b>	<b>20</b>	<b>191</b>	<b>15</b>	<b>1,201</b>	<b>193</b>	<b>1,794</b>
<b>Carrying amounts</b>							
At 1 July 2013	36	17	293	30	1,790	143	2,309
<b>At 30 June 2014</b>	<b>12</b>	<b>12</b>	<b>625</b>	<b>27</b>	<b>1,515</b>	<b>89</b>	<b>2,280</b>

## Notes to the financial statements

### 9. Investment in subsidiaries

£'000

#### Shares in subsidiary undertakings:

At 1 July 2013	10,912
Additions in the year	-
Disposals in the year	-
	<b>10,912</b>

Details of the principal investments of the Company are 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

### 10. Deferred tax assets

#### Recognised deferred tax assets

	2014 £'000	2013 £'000
Capital allowances in excess of depreciation	691	-
Tax losses	525	-
	<b>1,216</b>	-

A deferred tax asset of £1,216,000 arising from timing differences has been recognised on the basis that management deem it probable that there will be suitable taxable profits against which the assets could be utilised.

Deferred tax assets of £4,803,000 (of which £408,000 related to capital allowances in excess of depreciation and £4,395,000 related to tax losses) were not recognised at 30 June 2013 on the basis that management did not deem it probable that there would be suitable taxable profits against which the assets could 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 rate enacted or substantively enacted for the relevant period of reversal is 20% as at June 2014 (2013: 23%). This rate is due to come into effect on 1 April 2015.

## Notes to the financial statements

### 11. Stock

	2014 £'000	2013 £'000
Consumables	550	-
	<b>550</b>	-

Stock consists 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.

### 12. Debtors

	2014 £'000	2013 £'000
Trade debtors	195	154
VAT	299	256
Prepayments and accrued income	1,538	357
Amounts owed by parent company	-	7,115
Amounts owed by other group companies (a)	8,124	5,062
<b>Debtors: amounts due within one year</b>	<b>10,156</b>	12,944
<b>Debtors: amounts due in more than one year</b>	<b>20</b>	112
<b>Total debtors</b>	<b>10,176</b>	13,056

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

There are amounts receivable from other Group companies totalling £8,124,000 (2013: £5,062,000) of which £4,256,000 (2013: £5,062,000) represents other receivables; these balances are non-interest bearing and repayable on demand. The remaining balance of £3,868,000 (2013: £nil) represents a loan with The Cloud Networks Germany GmbH (see below).

On 3 February 2014 the Company entered into a loan with The Cloud Networks Germany GmbH. The loan bears interest at a rate of six month EURIBOR plus 0.75%. This loan is repayable on demand. As at 30 June 2014 the total amount outstanding was £3,868,000 (2013: £nil).

## Notes to the financial statements

### 13. Creditors: amounts due within one year

	2014 £'000	2013 £'000
Trade creditors	(427)	(552)
Accruals and deferred income	(3,321)	(4,613)
Amount owed to parent company	(6,158)	(26,877)
Amount owed to other group companies	(8,884)	(3,084)
	<b>(18,790)</b>	<b>(35,126)</b>

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

### 14. Provisions

	At 30 June 2013 £'000	Provided During the year £'000	At 30 June 2014 £'000
<b>Non current liabilities</b>			
Property Provision	(26)	(25)	(51)

### 15. Share capital

	2014 £	2013 £
<b>Alloted, called-up and fully paid</b>		
Nil (2013: 13,786,475) A Preferred shares of £0.00025 each	-	3,447
Nil (2013: 8,673,201) B Preferred shares of £0.00025 each	-	2,168
Nil (2013: 4,676,327) A Ordinary shares of £0.00025 each	-	1,169
30,583,988 (2013: 360,000) Ordinary shares of £0.00025 each	<b>7,646</b>	90
Nil (2013: 273,805) C Ordinary shares of £0.00025 each	-	68
Nil (2013: 2,814,180) D Ordinary shares of £0.00025 each	-	704
	<b>7,646</b>	<b>7,646</b>

During the year, 13,786,475 of A Preferred shares of £0.00025 each, 8,673,201 of B Preferred shares of £0.00025 each, 4,676,327 of A Ordinary shares of £0.00025 each, 273,805 of C Ordinary shares of £0.00025 each and 2,814,180 of D Ordinary shares of £0.00025 each were reclassified as Ordinary shares of £0.00025 each. The Company now has one class of ordinary shares which carries equal voting rights and no contractual right to receive payment.

## Notes to the financial statements

### 16. 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 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.

### 17. Operating lease commitments

Annual commitments under non-cancellable operating leases at 30 June are as follows:

	Land and Buildings	
	2014 £'000	2013 £'000
Expiry date:		
Within one year	-	-
Between one and two years	-	-
Between two and three years	192	-
Between three and four years	-	192
Between four and five years	-	-
After five years	-	-
	<b>192</b>	<b>192</b>

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.

### 18. Reconciliation of shareholder's funds and movement on reserves

	Called up share capital	Share premium account	Warrant reserve	Share based payment reserve	Profit and loss account	Total shareholder's funds
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 July 2012</b>	<b>8</b>	<b>35,433</b>	<b>60</b>	<b>2,517</b>	<b>(37,720)</b>	<b>298</b>
Loss for the year	-	-	-	-	(7,408)	(7,408)
<b>At 30 June 2013</b>	<b>8</b>	<b>35,433</b>	<b>60</b>	<b>2,517</b>	<b>(45,128)</b>	<b>(7,110)</b>
Profit for the year	-	-	-	-	14,601	14,601
<b>At 30 June 2014</b>	<b>8</b>	<b>35,433</b>	<b>60</b>	<b>2,517</b>	<b>(30,527)</b>	<b>7,491</b>

## Notes to the financial statements

### 19. Derivatives not included at fair value

The Group entered into a forward foreign exchange derivative during the year which is not included at fair value in the accounts:

	<b>Principal</b>	<b>Fair value</b>	
	<b>£'000</b>	<b>2014</b>	<b>2013</b>
		<b>£'000</b>	<b>£'000</b>
Forward foreign exchange contracts	<b>4,482</b>	<b>85</b>	-

The Company uses the derivative to manage its exposures to changes in foreign currency exchange rate and to manage its exposure to interest rate movements on its loan balance. The fair values are based on market values of equivalent instruments at the balance sheet date.

### 20. Related party transactions

The Company has taken advantage of the exemption under FRS 8 paragraph 30 not to disclose transactions with Group undertakings as it is a subsidiary undertaking which is 100% controlled by the ultimate parent undertaking.

### 21. Ultimate parent undertaking

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

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