

THE CLOUD NETWORKS LIMITED

Annual report and financial statements
For the year ended 30 June 2015

Registered number: 05141256

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COMPANIES HOUSE

Directors and Officers

For the year ended 30 June 2015

Directors

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

D N Rey (appointed 2 February 2015)

S Robson

V Russell (resigned 2 February 2015)

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 2015

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 2015.

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 Sky UK Limited ("Sky UK Ltd", formerly known as British Sky Broadcasting Limited) and operates together with Sky UK Ltd's other subsidiaries as part of Sky Plc (the "Group", formerly known as British Sky Broadcasting Group plc).

The audited financial statements for the year ended 30 June 2015 are set out on pages 7 to 20. Profit for the year before tax was £9,447,000 (2014: profit before tax £13,385,000). The balance sheet shows that the Company's shareholders' equity at the year end was £16,364,000 (2014: £7,491,000). 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 Sky UK 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.

On 29 June 2015, 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.

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.

Strategic and Directors' Report

For the year ended 30 June 2015

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.

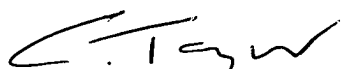
Liquidity risk

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 2020. 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. During the current year, the Company impaired its investments in The Cloud Networks Nordics A.B., The Cloud Networks Germany GmbH and The Cloud Networks Denmark ApS by £8,652,000. The impairment reduced the carrying value of the investments to £2,260,000.

By Order of the Board,



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

9 November 2015

Strategic and Directors' Report

For the year ended 30 June 2015

Directors' Report

The Directors who served during the year are shown on page 1. No dividend was proposed for the year ended 30 June 2015 (2014: £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.

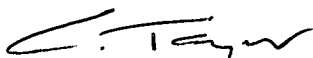
Auditor

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 9 November 2015.

By Order of the Board,



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

9 November 2015

Strategic and Directors' Report

For the year ended 30 June 2015

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 judgements 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 2015 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 22. 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 2015 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.

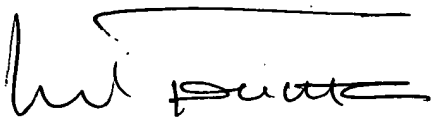
Opinion on other matter prescribed by the Companies Act 2006

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

9th November 2015

Profit and Loss Account

For the year ended 30 June 2015

	Notes	2015	2014
		£'000	£'000
Turnover	2	36,540	29,029
Operating expense	3	(15,961)	(15,667)
Operating Profit	6	20,579	13,362
Investment receivable and similar income	5	37	23
Impairment of Investment in subsidiaries	9	(8,652)	-
Impairment of amounts owed by subsidiaries	12	(2,517)	-
Profit on ordinary activities before tax		9,447	13,385
Tax	7	(573)	1,216
Profit for the year		8,874	14,601

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

For the years ended 30 June 2015 and 30 June 2014, 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 2015

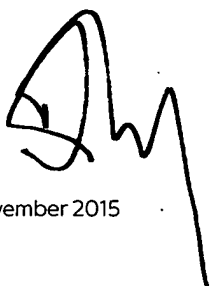
	Notes	2015 £'000	2014 £'000
Non-current assets			
Tangible fixed assets	8	1,858	2,280
Investment in subsidiaries	9	2,260	10,912
Deferred tax assets	10	643	1,216
Debtors: amounts due after one year	12	-	20
		4,761	14,428
Current assets			
Stock	11	456	550
Debtors: amounts due within one year	12	31,037	10,156
Cash at bank and in hand		2,842	1,198
		34,335	11,904
Total assets		39,096	26,332
Current liabilities			
Creditors: Amounts falling due within one year	13	(22,631)	(18,790)
Total assets less current liabilities		16,465	7,542
Non-current liabilities			
Provisions	14	(58)	(51)
Creditors: Amounts greater than one year		(42)	-
Total net assets		16,365	7,491
Capital and reserves			
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	(21,653)	(30,527)
Total shareholders' funds		16,365	7,491

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 9 November 2015 and were signed on its behalf by:

D N Rey
Director

9 November 2015



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 2015, this date was 28 June 2015, this being a 52 week year (fiscal year 2014: 29 June 2014, 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 Sky plc 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 line 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. Wages 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

	2015	2014
	£'000	£'000
Direct costs	11,544	10,713
Sales, general and administration	4,417	4,954
	15,961	15,667

4. Employees

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

	2015	2014
	No.	No.
Transmission and technology	79	80
	79	80

The aggregate payroll costs of the above were:

	2015	2014
	£'000	£'000
Wages and salaries	4,560	4,848
Social security costs	474	526
Pension costs	232	258
	5,266	5,632

The Directors did not receive any remuneration during the year in respect of their services to the Company (2014: £nil).

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

Notes to the financial statements

5. Investment receivable and similar income

	2015	2014
	£'000	£'000
Investment income		
Intercompany interest receivable (i)	37	23
	37	23

(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%

6. Profit before tax

Profit before tax is stated after charging:

	2015	2014
	£'000	£'000
Depreciation of owned tangible fixed assets	938	827
Impairment of Investment in subsidiaries	8,652	-
Impairment of amounts owed by subsidiaries	2,517	-
Operating leases - Land and buildings	249	244
Foreign exchange losses	8	23

Audit fees

Amounts paid to the auditor for the audit of the Company's annual accounts of £12,000 (2014: £12,000) were borne by another Group subsidiary in 2015 and 2014. No amounts for other services have been paid to the auditor.

Notes to the financial statements

7. Taxation

a) Tax charge/(credit) on ordinary activities

	2015	2014
	£'000	£'000
Current tax		
UK corporation tax on profits for the year	-	-
Foreign corporation tax	-	-
Total current tax	-	-
Deferred tax	573	(1,216)
Total tax charge/(credit) for the year	573	(1,216)

b) Factors affecting tax charge for the year

The tax charge for the year is lower than (2014: lower) the expense that would have been charged using the blended rate of corporation tax in the UK 20.75% (2014: 22.5%) applied to profit/loss before tax. The applicable or substantively enacted effective rate of UK corporation tax for the year was 20.75% (2014: 22.5%). The differences are explained below:

	2015	2014
	£'000	£'000
Profit on ordinary activities before taxation	9,447	13,385
Profit on ordinary activities before taxation multiplied by blended rate of corporation tax in the UK of 20.75% (2014: 22.5%)	1,960	3,012
Effect of:		
Expenses not deductible for tax purposes	2,319	2
Effects of capital allowances less than/(in excess of) depreciation	-	186
Utilisation of losses brought forward	-	(3,200)
Group relief claimed for £ nil consideration	(3,675)	-
Recognition of deferred tax asset	-	(1,465)
Deferred tax asset recognised at enacted rate rather than blended rate	(24)	249
Adjustment in respect of prior years	(7)	-
Total tax charge/(credit)	573	(1,216)

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

Notes to the financial statements

8. Tangible fixed assets

	Leasehold improvements £'000	Office equipment £'000	Computer equipment £'000	Fixtures and fittings £'000	Network Assets £'000	Software licences £'000	Total £'000
Cost							
At 1 July 2014	186	32	816	42	2,716	282	4,074
Additions	-	-	200	-	321	-	521
Disposals	(30)	(8)	(67)	-	(43)	-	(148)
At 30 June 2015	156	24	949	42	2,994	282	4,447
Depreciation							
At 1 July 2014	174	20	191	15	1,201	193	1,794
Depreciation	3	5	193	4	686	47	938
Disposals	(30)	(8)	(67)	-	(38)	-	(143)
At 30 June 2015	147	17	317	19	1,849	240	2,589
Carrying amounts							
At 1 July 2014	12	12	625	27	1,515	89	2,280
At 30 June 2015	9	7	632	23	1,145	42	1,858

9. Investment in subsidiaries

	£'000
Shares in subsidiary undertakings:	
At 1 July 2014	10,912
Impairment of Investment in subsidiaries	(8,652)
	2,260

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

During the current year, the Company impaired its investments in The Cloud Networks Nordics A.B., The Cloud Networks Germany GmbH and The Cloud Networks Denmark ApS by £8,652,000. The impairment reduced the carrying value of the investments to £2,260,000. See note 22.

Notes to the financial statements

10. Deferred tax assets

Recognised deferred tax assets

	2015 £'000	2014 £'000
Capital allowances in excess of depreciation	631	691
Tax losses	-	525
Short term timing differences	12	-
	643	1,216

A deferred tax asset of £643,000 arising from timing differences has been recognised.

The UK government announced a reduction in the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% from 1 April 2020. These changes have not been substantively enacted and have therefore not been reflected in the figures above. The impact of the future rate reductions will be accounted for to the extent they are enacted at future balance sheet dates, however it is estimated that this will not have a material impact on the Company. The rate used of 20% is currently enacted (30 June 2014: 20%).

11. Stock

	2015 £'000	2014 £'000
Consumables	456	550
	456	550

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

	2015 £'000	2014 £'000
Trade debtors	198	195
VAT	218	299
Prepayments and accrued income	986	1,538
Amounts owed by parent company (a)	20,696	-
Amounts owed by other group companies (a)	8,939	8,124
Debtors: amounts due within one year	31,037	10,156
Debtors: amounts due in more than one year	-	20
Total debtors	31,037	10,176

Notes to the financial statements

12. Debtors (continued)

a) Amounts receivable from Parent and other Group companies

There are amounts receivable from other Group companies totalling £8,939,000 (2014: £8,124,000) of which £8,939,000 (2014: £4,256,000) represents other receivables; these balances are non-interest bearing and repayable on demand. The remaining balance represents a loan with The Cloud Networks Germany GmbH.

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 2015 the total amount outstanding was £nil (2014: £3,868,000). An impairment of £2,517,000 has been recorded to reduce the loan receivable to its recoverable amount.

There are amounts receivable from the parent company totalling £20,696,000, (2014: £nil) these balances are non-interest bearing and repayable on demand.

13. Creditors: amounts due within one year

	2015 £'000	2014 £'000
Trade creditors	(648)	(427)
Accruals and deferred income	(2,357)	(3,321)
Amount owed to parent company	(6,694)	(6,158)
Amount owed to other group companies	(12,932)	(8,884)
	(22,631)	(18,790)

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

14. Provisions

	At 30 June 2014 £'000	Provided during the year £'000	At 30 June 2015 £'000
Property Provision	(51)	(7)	(58)

The Company holds a provision at year end for costs in relation to the dilapidations of 4 Victoria Square. The timing of cash flows and final amount required to settle the potential liability are dependent on the condition of the property when the lease ends and therefore uncertain.

15. Share capital

	2015 £	2014 £
Allotted, called-up and fully paid		
30,583,988 (2014: 30,583,988) ordinary shares of £0.00025 each	7,646	7,646
	7,646	7,646

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 2015 are as follows:

	Land and Buildings	
	2015	2014
	£'000	£'000
Expiry date:		
Within one year	192	-
Between one and two years	138	-
Between two and three years	-	192
Between three and four years	-	-
Between four and five years	-	-
After five years	-	-
	330	192

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
At 1 July 2013	8	35,433	60	2,517	(45,128)	(7,110)
Profit for the year	-	-	-	-	14,601	14,601
At 30 June 2014	8	35,433	60	2,517	(30,527)	7,491
Profit for the year	-	-	-	-	8,874	8,874
At 30 June 2015	8	35,433	60	2,517	(21,653)	16,365

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:

	2015				2014			
	Asset		Liabilities		Asset		Liabilities	
	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Forward foreign exchange contracts	83	3,415	(2)	3,000	85	4,482	-	-

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 Sky UK Ltd, a company incorporated in the United Kingdom and registered in England and Wales. The Company is ultimately controlled by Sky plc. The only group in which the results of the Company are consolidated is that headed by Sky plc.

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.

22. Subsequent Events Note

On 29 June 2015, 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.