

SKY HOME COMMUNICATIONS LIMITED

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

Registered number: 05262862



Directors and Officers

For the year ended 30 June 2016

Directors

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

C R Jones

C J Taylor

K Holmes (appointed 21 October 2016)

Secretary

C J Taylor

Registered office

Grant Way

Isleworth

Middlesex

TW7 5QD

Auditor

Deloitte LLP

Chartered Accountants

London

United Kingdom

Strategic and Directors' Report

Strategic Report

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

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

Business review and principal activities

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

The principal activity of the Company during the year was to hold and operate network assets on behalf of the wider Sky Group. The Directors expect the Group to continue to support the Company's operations for the foreseeable future.

The audited accounts for the year ended 30 June 2016 are set out on pages 7 to 26. The loss for the year was £1,712,000 (2015: loss of £181,000). Revenue has decreased to £111,000 (2015: £1,786,000), as a result of reduction of the revenue recharge to Sky UK Limited.

No dividends were declared or proposed by the Directors during the current or prior year.

The Balance Sheet shows that the Company's shareholder's equity position at the year end was £30,873,000 (2015: £32,585,000), decrease as a result of the loss for the year.

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

Key performance indicators (KPIs)

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

Principal risks and uncertainties

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

Financial risk management objectives and policies

Credit risk

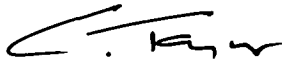
The balance sheet of the Company includes intercompany receivable balances, upon which the Company is exposed to credit risk. The intercompany receivable balances of the Company are detailed in note 9.

Liquidity risk

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

Strategic and Directors' Report (continued)

By Order of the Board,



CJ Taylor
Director

Grant Way
Isleworth
Middlesex

TW7 5QD

20th December 2016

Strategic and Directors' Report (continued)

Directors' Report

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

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

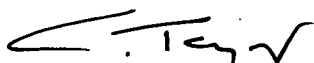
Auditor

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 of Directors on ^{20th} December 2016.

By Order of the Board,



C J Taylor
Director

Grant Way
Isleworth
Middlesex

TW7 5QD

^{20th} December 2016

Statement of Directors' responsibilities

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor's report

Independent Auditor's report to the members of Sky Home Communications Limited:

We have audited the financial statements of Sky Home Communications Limited for the year ended 30 June 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Separate opinion in relation to IFRSs as issued by the IASB

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

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

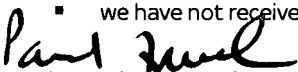
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Paul Franek FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
December 2016

20

Statement of Comprehensive Income

For the year ended 30 June 2016

	Notes	2016 £'000	2015 £'000
Revenue	2	111	1,786
Operating expense	3	(118)	(1,609)
Operating profit / (loss)		(7)	177
Profit / (loss) before tax		(7)	177
Tax	6	(1,705)	(358)
Loss for the year attributable to equity shareholder		(1,712)	(181)

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

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

All results relate to continuing operations.

Balance Sheet

As at 30 June 2016

	Notes	2016 £'000	2015 £'000
Non-current assets			
Property, plant and equipment	7	2,686	3,653
Deferred tax assets	8	542	2,247
		3,228	5,900
Current assets			
Trade and other receivables	9	31,266	33,465
Cash and cash equivalents		64	66
		31,330	33,531
Total assets		34,558	39,431
Current liabilities			
Trade and other payables	10	3,685	6,846
Total liabilities		3,685	6,846
Share capital	13	9,528	9,528
Share premium		15,272	15,272
Reserves		6,073	7,785
Total equity attributable to equity shareholder		30,873	32,585
Total liabilities and shareholder's equity		34,558	39,431

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

The financial statements of Sky Home Communications Limited, registered number 05262862 were approved by the Board of Directors on 20th December 2016 and were signed on its behalf by:

K Holmes

Director

20th December 2016



Cash Flow Statement

For the year ended 30 June 2016

	Note	2016 £'000	2015 £'000
Cash flows used in operating activities			
Cash used in operations	14	(2)	(2)
Net cash used in operating activities		(2)	(2)
Net decrease in cash and cash equivalents		(2)	(2)
Cash and cash equivalents at the beginning of the year		66	68
Cash and cash equivalents at the end of the year		64	66

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

Statement of Changes in Equity

For the year ended 30 June 2016

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total shareholder's equity £'000
At 1 July 2014	9,528	15,272	7,966	32,766
Loss for the year	-	-	(181)	(181)
At 30 June 2015	9,528	15,272	7,785	32,585
Loss for the year	-	-	(1,712)	(1,712)
At 30 June 2016	9,528	15,272	6,073	30,873

Notes to the financial statements

1. Accounting policies

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

a) Statement of compliance

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

b) Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Directors' Report) and on the historical cost basis, except for the remeasurement to fair value of financial instruments as described in the accounting policies below. The Company has adopted the new accounting pronouncements which became effective this period, none of which had a significant impact on the Company's results or financial position.

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

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

Owned PPE is stated at cost, net of accumulated depreciation and any impairment losses, (see accounting policy e), other than those items that are classified as held for sale, which are stated at the lower of carrying amount and fair value less costs to sell. When an item of PPE comprises major components having different useful economic lives, the components are accounted for as separate items of PPE.

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

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

Freehold buildings	25 to 40 years
Equipment, furniture and fixtures	3 to 20 years
Assets under finance leases and leasehold improvements	Lesser of lease term and the useful economic life of the asset

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

To the extent that the financing for a qualifying asset is part of the Group's general borrowings, the interest cost to be capitalised is calculated based upon the weighted average cost of borrowing to the Group (excluding the interest on any borrowings specific to any qualifying assets). This is then applied to the expenditures on the asset.

All other borrowing costs are recognised in profit or loss in the period to which they relate.

Notes to the financial statements

1. Accounting policies (continued)

d) Financial assets and liabilities

Financial assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. At each balance sheet date, the Company assesses whether there is any objective evidence that any financial asset is impaired. Financial assets and liabilities are recognised on the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the financial asset or liability. Financial assets are derecognised from the Balance Sheet when the Company's contractual rights to the cash flows expire or the Company transfers substantially all the risks and rewards of the financial asset. Financial liabilities are derecognised from the Company's Balance Sheet when the obligation specified in the contract is discharged, cancelled or expires.

i. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and, where no stated interest rate is applicable, are measured at the original invoice amount, if the effect of discounting is immaterial. Where discounting is material, trade and other receivables are measured at amortised cost using the effective interest method. An allowance account is maintained to reduce the carrying value of trade and other receivables for impairment losses identified from objective evidence, with movements in the allowance account, either from increased impairment losses or reversals of impairment losses, being recognised in the Statement of Comprehensive Income.

ii. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts, deposits receivable on demand and deposits with maturity dates of three months or less from the date of inception. Bank overdrafts that are repayable on demand and which form an integral part of the Company's cash management are also included as a component of cash and cash equivalents where offset conditions are met.

iii. Trade and other payables

Trade and other payables are non-derivative financial liabilities and are measured at amortised cost using the effective interest method. Trade and other payables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

e) Impairment

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

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

Notes to the financial statements

1. Accounting policies (continued)

e) Impairment (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.

f) Revenue recognition

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Company's operating activities. The Company's main source of revenue is recognised as follows:

- Other revenue for the year included re-charges for services provided to another Group entity during the period recognised as the services are provided.

g) Tax, including deferred tax

The Company's liability for current tax is based on taxable profits for the year, and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the Balance Sheet and the corresponding tax bases used in the computation of taxable profits. Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the balance sheet date.

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

Notes to the financial statements

1. Accounting policies (continued)

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

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

- Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' (effective 1 January 2016)
- Amendments to IAS 1 'Disclosure Initiative' (effective 1 January 2016)
- Amendments to IAS 16 and IAS 28 'Clarification of Acceptable Methods of Depreciation and Amortisation' (effective 1 January 2016)
- Annual Improvements 2012-2014 cycle (effective 1 July 2016)
- Amendments to IFRS 10, 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception' (effective 1 January 2016)*
- Amendments to IAS 7 'Disclosure Initiative' (effective 1 January 2017)*
- Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses' (effective 1 January 2017)*
- IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)*

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

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

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

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

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

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

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

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

* not yet endorsed for use in the EU

Notes to the financial statements

1. Accounting policies (continued)

i) Critical accounting policies and the use of judgement and estimates

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

(i) Revenue (see note 2)

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

(ii) Tax (see note 6)

- 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.

(iii) Property, plant and equipment (see note 7)

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

Notes to the financial statements

2. Revenue

	2016 £'000	2015 £'000
Retail subscription	-	96
Other	111	1,690
	111	1,786

Other revenue consists of recharges to Sky UK Limited for services provided while customers were being held by, and migrated from, the Company.

3. Operating expense

	2016 £'000	2015 £'000
Direct network costs	-	106
Sales, general and administration	118	1,503
	118	1,609

Notes to the financial statements

4. Profit / (Loss) before tax

Profit before tax is stated after charging:	2016	2015
	£'000	£'000
Depreciation and impairment of property, plant and equipment	967	1,489

Audit fees

Amounts paid to the auditor for the audit of the Company's annual accounts of £20,000 (2015: £20,000) were borne by another Group subsidiary in 2016 and 2015. No amounts for other services have been paid to the auditor in either year.

Employee Services

There were no employee costs during the year, as the Company had no employees, other than the Directors. Services are provided by employees of other companies within the Group with no charge being made for their services. The Directors did not receive any remuneration during the year in respect of their services to the Company.

5. Key management and Director's compensation

No emoluments or other benefits were paid to the Directors during the year ended 30 June 2016 (2015: £nil). The Directors are employees of Sky UK Limited and are remunerated for their services to the group as a whole.

Notes to the financial statements

6. Tax

a) Tax recognised in the Statement of Comprehensive Income

	2016 £'000	2015 £'000
Current tax expense		
Current year	-	-
Adjustment in respect of prior years	-	1
Total current tax charge	-	1
Deferred tax expense		
Origination and reversal of temporary differences	343	370
Write down of deferred tax asset	1,267	-
Adjustment in respect of prior years	-	-
Adjustment in respect of change in tax rates	95	(13)
Total deferred tax charge	1,705	357
Tax	1,705	358

b) Reconciliation of effective tax rate

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

	2016 £'000	2015 £'000
Profit / loss before tax	(7)	177
Profit / loss before tax multiplied by blended rate of corporation tax in the UK of 20% (2015: 20.75%)	(1)	37
Effects of:		
Effect of change in tax rate	95	(13)
Write down of deferred tax asset	1,267	-
Group relief surrendered (taken)	344	333
Adjustment in respect of prior years	-	1
Tax	1,705	358

All tax relates to UK corporation tax.

Notes to the financial statements

7. Property, plant and equipment ("PPE")

	Plant and equipment £'000
Cost	
At 1 July 2014, 30 June 2015 and 30 June 2016	67,073
Depreciation	
At 1 July 2014	61,931
Depreciation	1,489
At 30 June 2015	63,420
Depreciation	967
At 30 June 2016	64,387
Carrying amounts	
At 1 July 2014	5,142
At 30 June 2015	3,653
At 30 June 2016	2,686

Notes to the financial statements

8. Deferred tax

	Accelerated tax depreciation	Total
	£'000	£'000
At 1 July 2014	2,604	2,604
Charge to income	(370)	(370)
Effect of change in tax rate	13	13
At 30 June 2015	2,247	2,247
Charge to income	(343)	(343)
Write down of deferred tax asset	(1,267)	(1,784)
Effect of change in tax rate	(95)	(95)
At 30 June 2016	542	25

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

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

A corporate rate of 19% has been used in the calculation of the deferred tax assets and liabilities in the Company. This rate has been calculated to reflect the best estimate of the tax rate which will impact temporary timing differences as they unwind.

Notes to the financial statements

9. Trade and other receivables

	2016	2015
	£'000	£'000
Gross trade receivables	2,984	2,984
Less: provision for impairment of receivables	(2,984)	(2,984)
Net trade receivables	-	-
Amounts receivable from immediate parent company ^(a)	31,266	33,299
Accrued income	-	13
Other	-	153
Total trade and other receivables	31,266	33,465

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

Provisions for doubtful debts

	2016	2015
	£'000	£'000
Balance at beginning of year	2,984	2,716
Income Statement charge	-	268
Balance at end of year	2,984	2,984

a) Amounts receivable from the immediate parent company

Amounts due from Sky UK Limited totalling £31,266,000 (2015: £33,299,000) represent trade receivables; they are non-interest bearing and are repayable on demand.

Notes to the financial statements

10. Trade and other payables

	2016 £'000	2015 £'000
Trade payables	-	737
Amounts payable to other Group companies ^(a)	3,684	3,837
VAT	-	345
Accruals	1	1,927
	3,685	6,846

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

a) Amounts payable to other Group companies

Amounts due to other Group companies totalling £3,684,000 (2015: £3,837,000) represent trade payables; they are non-interest bearing and are repayable on demand.

Notes to the financial statements

11. Financial instruments

Carrying value and fair value

The Company's principal financial liabilities comprise trade and other payables. The Company has various financial assets such as trade and other receivables and cash and cash equivalents.

The accounting classification of each class of the Company's financial assets and financial liabilities is as follows:

	Loans and receivables	Other liabilities	Total carrying value	Total fair values
	£'000	£'000	£'000	£'000
At 30 June 2016				
Trade and other payables	-	(3,685)	(3,685)	(3,685)
Trade and other receivables	31,266	-	31,266	31,266
Cash and cash equivalents	64	-	64	64
At 30 June 2015				
Trade and other payables	-	(6,501)	(6,501)	(6,501)
Trade and other receivables	33,465	-	33,465	33,465
Cash and cash equivalents	66	-	66	66

The fair value of financial assets and financial liabilities held by the Company is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The differences between carrying values and fair values reflect unrealised gains or losses inherent in the financial instruments, based on valuations as at 30 June 2016 and 30 June 2015. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

Cash and cash equivalents classified as loans and receivables mainly comprise investments in AAA rated money market funds which can be withdrawn without notice.

12. Financial risk management objectives and policies

The Group's Treasury function is responsible for raising finance for the Company's operations, together with associated liquidity management and management of foreign exchange, interest rate and credit risks. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by both the Audit Committee and the Board, which receive regular updates of Treasury activity. Derivative instruments are transacted for risk management purposes only. It is the Group's policy that all hedging is to cover known risks and no speculative trading is undertaken. Regular and frequent reporting to management is required for all transactions and exposures, and the internal control environment is subject to periodic review by the Group's internal audit team.

(a) Capital Risk Management

The capital structure of the Company consists of equity attributable to equity holders of the parent Company, comprising issued capital, reserves and retained earnings. Risk and treasury management is governed by Sky plc's policies approved by its Board of Directors.

Notes to the financial statements

12. Financial instruments and financial risk management (continued)

(b) Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of £64,000 (2015: £66,000). The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 9.

(c) Liquidity risk

The Company's financial liabilities are shown in note 10.

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The amounts disclosed may not reconcile to the amounts disclosed on the balance sheet for borrowings, derivative financial instruments, provisions and trade and other payables.

	Less than 12 months £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000
At 30 June 2016				
Trade and other payables	3,685	-	-	-
At 30 June 2015				
Trade and other payables	6,501	-	-	-

13. Share capital

	2016 £'000	2015 £'000
Allotted, called-up and fully paid		
9,528,124 (2015: 9,528,124) ordinary shares of £1 (2014: £1) each	9,528	9,528

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

Notes to the financial statements

14. Notes to the Cash Flow

Reconciliation of profit / loss before tax to cash used in operations

	2016 £'000	2015 £'000
Profit / Loss before tax	(7)	177
Depreciation of property, plant and equipment	967	1,489
	960	1,666
Decrease in trade and other receivables	2,199	13,286
Decrease in inventories	-	376
Decrease in trade and other payables	(3,161)	(15,330)
Cash used in operations	(2)	(2)

15. Transactions with related parties and major shareholders of Sky

a) Key management

The Company has a related party relationship with the Directors of the Company. At 30 June 2016, there were two (2015: two) members of key management, both of whom were Directors of the Company. Key management compensation is discussed in note 5.

b) Transactions with other Group companies

The Company has related party transactions with other Group companies. In particular, it is normal practice for the Company to borrow cash from other Group companies as required. For details of amounts owed to other Group companies, see note 10. All amounts payable to other Group companies are non-interest bearing and are repayable on demand.

The Group's treasury function is responsible for liquidity management across the Group's operations.

c) Transactions with parent company

The Group's treasury function is responsible for liquidity management across the Group's operations. It is standard practice for the Company to lend and borrow cash to and from its parent company as required.

During the year ended 30 June 2016 the Company recharged £111,000 (2015: £1,690,000) to Sky UK Limited for services performed by the Company.

All related party transactions relate to regular trading activities of the Company on an arm's length basis.

The balances between the Company and its parent are described in note 9.

Notes to the financial statements

16. Ultimate parent undertaking

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

The consolidated 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.