

SKY IQ LIMITED

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

Registered number: 07246069



Directors and Officers

For the year ended 30 June 2016

Directors

Sky IQ 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 Report

Strategic Report

The Directors present their Strategic 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 Ventures Limited (the immediate parent company). The ultimate parent company is Sky plc ("Sky") and operates together with Sky's other subsidiaries as part of the Sky Group (the "Group").

The Company's principal activities are the provision of marketing services delivery to Sky UK Limited as well as a number of external clients. The Directors expect this activity to continue for the foreseeable future.

The audited financial statements for the year ended 30 June 2016 are set out on pages 10 to 30. The profit for the year before tax was £7,069,000 (2015: loss before tax £1,479,000).

The balance sheet shows that the Company's shareholders' equity at the year ended 30 June 2016 was £8,488,000 (2015: £2,783,000).

The Directors do not recommend the payment of a dividend (2015: £nil). There have been no significant events since the year end.

Key performance indicators (KPIs)

The Group manages its operations on a divisional basis and the KPI's 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

The use of financial derivatives is governed by the Group's treasury policy approved by the Board of Directors, which provides written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes. Refer to note 14 for further information.

Credit risk

The Company has no significant concentration of credit risk in relation to non-Group customers, with exposure spread over a large number of counterparties and customers.

The balance sheet of the Company includes intercompany balances and balances due from related parties. The Company is therefore exposed to credit risk on these balances. The intercompany balances of the Company are detailed in note 10.

Directors' Report

Liquidity risk

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

Employment policies

Organisation

Over the past year, the Company has continued in its efforts to make the Company a great place to work. The Company has continued to place particular focus on leadership capability, looking both at the Company's leaders of today and future leaders. The average monthly number of full-time equivalent persons employed by the Company during the year was 470 (2015: 385).

Leadership and Collaboration

The Company has articulated six behaviours that we believe are vital for our leaders to embrace to help us grow our business. These are: Clear Direction, Doing the Right Thing, Feedback and Development, Change and Improvement, Teamwork, and Collaboration and Empowerment.

The most senior leaders have received detailed individual feedback on their leadership style and have been given support in their development against these through a variety of means including coaching, workshops and events. The behaviours are built into the Company's leadership and management programmes at all levels and our leaders are measured against them in their performance reviews.

Managing and developing our people

Building our capability

With our people at the heart of everything we do, making sure everyone has the right skills to do their job is vital. The Development Studio offers a wide range of resources that enable everyone in the Company to have access to the latest e-learning, MP3 downloads, books and courses. This has been across a range of subjects including multi-skilling. The effectiveness of the training is tracked by testing individuals pre and post training.

Creating opportunities for all

There is a specific focus on succession planning and creating career development opportunities for employees with regular meetings with the senior executive team to plan internal mobility and cross functional moves.

We believe in attracting and nurturing future talent to support our growth so we have continued to develop our future talent programme. This year it has continued to go from strength to strength. Our future talent programme focuses on developing students still in education, school leavers and graduates. This year the Company increased its graduate intake and will be providing a new centralised graduate development programme aimed at building the leaders of tomorrow. For school leavers the apprenticeship scheme is continuing to expand, doubling the size of its intake.

Work placement opportunities also provide an opportunity for the Company to contribute to the development and experience of young people.

The Company is an equal opportunity employer and believes that everyone should have full and fair consideration for all vacancies, promotions, training and development. Should an employee become disabled during their employment with

Directors' Report

the Company, where possible, the Company will actively retrain and adjust their environment to allow them to maximise their potential. Over the year, the Company has partnered with various not-for-profit organisations with the aim of providing more opportunities for people with disabilities.

Employee engagement

The Company uses an employee engagement survey to enable the Company to benchmark itself against other UK companies and specifically against high performing companies.

Diversity

The Company treats all people equally, fairly, with respect and without prejudice. Decisions about people's employment with the Company are based on ability, performance and qualifications. This principle also applies when the Company makes decisions about development, promotion, pay and benefits.

The Company delivers some of the most diverse content and services available to a wide range of consumers and it values the same diversity within the business and promotes a culture of opportunity for all, regardless of background. The Company does not tolerate unfair treatment or discrimination at work based on ethnicity, gender, age, religion, disability or sexual orientation.

Reward and Recognition

The Company continues to provide a generous benefits package to all of its employees and to benchmark pay against relevant industry norms to ensure that the Company's reward practices are meeting the evolving needs of the business.

The Company's various recognition schemes ensure that its people are recognised for their outstanding contribution to the business.

Health, Safety and Wellbeing

The health, safety and wellbeing of the Company's people are of paramount importance: wherever, whenever they work and whatever they are doing.

The Company takes a holistic approach to keeping the Company a safe place to work, so whilst accident prevention and safety training is important, the long-term wellbeing of the Company's employees is equally important.

The Company's Occupational Health service supports employees in staying productive with a range of support and facilities to help keep people healthy and happy. Some on-site complementary therapies have been introduced at some of our sites.

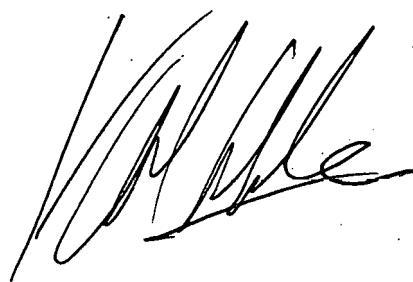
By Order of the Board,

K Holmes

Director
Grant Way
Isleworth
Middlesex

TW7 5QD

14 November 2016



Directors' Report

Directors' Report

The Directors who served during the year are shown on page 1. During the year the Directors proposed a dividend of nil (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 14 November 2016.

By Order of the Board,

K Holmes

Director
Grant Way
Isleworth
Middlesex
TW7 5QD

14 November 2016



Statement of Directors' responsibilities

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

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity'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 IQ Limited:

We have audited the financial statements of Sky IQ Limited for year ended 30 June 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 19. 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 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Opinion on other matters prescribed by the Companies Act 2006

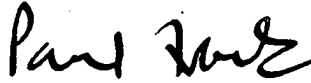
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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:

Auditor's report

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



Paul Franek FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

17 November 2016

Statement of Comprehensive Income

For the year ended 30 June 2016

	Notes	2016 £'000	2015 £'000
Revenue	2	39,274	29,615
Operating expense	3	(32,205)	(31,094)
Profit / (loss) before tax		7,069	(1,479)
Tax	6	(1,364)	(73)
Profit / (loss) for the year attributable to equity shareholders		5,705	(1,552)

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

For the year 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	2015
		£'000	£'000
Non-current assets			
Intangible assets	7	2,740	3,350
Property, plant and equipment	8	3,201	2,016
Deferred tax assets	9	188	64
		6,129	5,430
Current assets			
Trade and other receivables	10	18,377	11,644
Cash and cash equivalents		95	1,032
		18,472	12,676
Total assets		24,601	18,106
Current liabilities			
Trade and other payables	11	15,502	15,233
Provisions	12	611	-
Non-current liabilities			
Trade and other payables	11	-	90
Total liabilities		16,113	15,323
Share capital	15	-	-
Share premium		8,100	8,100
Reserves		388	(5,317)
Total equity attributable to equity shareholders		8,488	2,783
Total liabilities and shareholders' equity		24,601	18,106

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

The financial statements of Sky IQ Limited, registered number 07246069, have been approved by the Board of Directors on 14 November 2016 and were signed on its behalf by:



C R Jones

Director,

14 November 2016

Cash Flow Statement

For the year ended 30 June 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated from operations	16	1,041	1,126
Net cash from operating activities		1,041	1,126
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,786)	(97)
Purchase of intangible assets		(192)	(226)
Net cash used in investing activities		(1,978)	(323)
Net (decrease) / increase in cash and cash equivalents		(937)	803
Cash and cash equivalents at the beginning of the year		1,032	229
Cash and cash equivalents at the end of the year		95	1,032

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	Share premium	Retained earnings	Total shareholders' equity
	£'000	£'000	£'000	£'000
At 30 June 2014	-	8,100	(3,765)	4,335
Loss for the year	-	-	(1,552)	(1,552)
At 30 June 2015	-	8,100	(5,317)	2,783
Profit for the year	-	-	5,705	5,705
At 30 June 2016	-	8,100	388	8,488

Notes to the financial statements

1. Accounting policies

Sky IQ 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 a historical cost basis, except for the remeasurement to fair value of financial assets and liabilities as described in the accounting policies below. The Company has adopted the new accounting pronouncements which became effective this period, none of which had any significant impact on the Company's results or financial position.

The Company will maintain 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) Intangible assets and property, plant and equipment ("PPE")

i. Intangible assets

Research expenditure is recognised in operating expense in the Statement of Comprehensive Income as the expenditure is incurred. Development expenditure (relating to the application of research knowledge to plan or design new or substantially improved products for sale or use within the business) is recognised as an intangible asset from the point that the Company has the intention and ability to generate future economic benefits from the development expenditure, that the development is technically feasible and that the subsequent expenditure can be measured reliably. Any other development expenditure is recognised in operating expense as incurred.

Other intangible assets, which are acquired by the Company separately or through a business combination, are initially stated at cost or fair value, respectively, less accumulated amortisation and impairment losses, other than those that are classified as held for sale, which are stated at the lower of carrying amount and fair value less costs to sell.

Amortisation of an intangible asset begins when the asset is available for use, and is charged to the Statement of Comprehensive Income through operating expense on a straight-line basis over the intangible asset's estimated useful life, principally being a period between 1 and 25 years, unless the asset life is judged to be indefinite.

If the useful life is indefinite or the asset is not yet available for use, no amortisation is charged and an impairment test is carried out at least annually. Other intangible assets are tested for impairment in line with accounting policy e) below.

Notes to the financial statements

1. Accounting policies (continued)

c) Intangible assets and property, plant and equipment ("PPE") (continued)

ii. Property, plant and equipment

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:

Equipment, furniture and fixtures	3 to 20 years
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Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

To the extent that the financing for a qualifying asset is part of the Company's general borrowings, the interest cost to be capitalised is calculated based upon the weighted average cost of borrowing to the Company (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.

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.

Notes to the financial statements

1. Accounting policies (continued)

d) Financial assets and liabilities (continued)

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 financial assets (see accounting policy d) and deferred taxation (see accounting policy l) 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 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.

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

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 sources of revenue are recognised as follows:

- Software annual licence revenues of Elements software (internal Sky IQ product). Revenue is recognised evenly over the licence period at fair value;
- Hosting revenues derived from hosting and managing client systems and infrastructure. Revenue is recognised evenly over the contracted hosting period at fair value;
- Resource revenues derived from internal developers, analysts and consultants working on client specific activities. Revenue is recognised in the period based on the percentage of contracted hours completed at fair value; and
- Infrastructure - revenue is generated from the initial implementation of a client's marketing solution. The implementation will include infrastructure costs, third party licence costs and internal resource costs to create the client platform.

Notes to the financial statements

1. Accounting policies (continued)

g) Employee benefits

Wages, salaries and social security contributions

Wages, salaries, social security contributions, bonuses payable and non-monetary benefits for current employees are recognised in the Statement of Comprehensive Income as the employees' services are rendered.

Pension Obligations

The Company provides pensions to eligible employees through defined contribution schemes. The amount charged to the Statement of Comprehensive Income in the year represents the cost of contributions payable by the Company to the schemes in exchange for employee services rendered in that year. The assets of the schemes are held independently of the Company.

h) Leases

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

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

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

The lease expense arising from operating leases is charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Benefits received and receivable as incentives to enter into operating leases are recorded on a straight-line basis over the lease term.

i) Tax, including deferred tax

The Company's liability for current tax is based on taxable profit 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 profit. 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.

Notes to the financial statements

1. Accounting policies (continued)

i) Tax, including deferred tax (continued)

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 taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

j) Foreign currency translation

The Company's functional currency and presentational currency is pounds sterling. Trading activities denominated in foreign currencies are recorded in pounds sterling at the applicable monthly exchange rates. Monetary assets, liabilities and commitments denominated in foreign currencies at the balance sheet date are recorded at the rates of exchange at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated to pounds sterling at the exchange rate prevailing at the date of the initial transaction. Gains and losses from the retranslation of assets and liabilities are included net in profit for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

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

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

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

Notes to the financial statements

1. Accounting policies (continued)

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

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

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

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

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

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

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

*not yet endorsed for use in the EU

l) Critical accounting policies and the use of judgement

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

i. Tax (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.

Notes to the financial statements

1. Accounting policies (continued)

I) Critical accounting policies and the use of judgement (continued)

- Provisions 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.

ii. Intangible assets and property, plant and equipment (see notes 7 and 8)

The assessment of the useful economic lives of these assets requires judgement. Depreciation and amortisation is charged to the Statement of Comprehensive Income based on the useful economic life selected. This assessment requires estimation of the period over which the Company will benefit from the assets.

Determining whether the carrying amount of these assets has any indication of impairment also requires judgement. If an indication of impairment is identified, further judgement is required to assess whether the carrying amount can be supported by the net present value of future cash flows forecast to be derived from the asset. This forecast involves cash flow projections and selecting the appropriate discount rate.

Assessing whether assets meet the required criteria for initial capitalisation requires judgement. This requires a determination of whether the assets will result in future benefits to the Company. 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.

iii. Deferred tax (see note 9)

- The key area of judgement in respect of deferred tax accounting is the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the balance sheet date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deferred tax assets can be utilised.

Notes to the financial statements

2. Revenue

	2016 £'000	2015 £'000
Resource	27,293	20,489
Software	2,007	2,774
Infrastructure / hosting	9,187	5,916
Other	787	436
	39,274	29,615

Revenue arises from goods and services provided in the UK.

3. Operating expenses

	2016 £'000	2015 £'000
Direct costs	693	5,311
Sales, general and administration	30,110	23,772
Depreciation and Amortisation	1,402	2,011
	32,205	31,094

4. Profit / (Loss) before tax

	2016 £'000	2015 £'000
Profit / (Loss) before tax is stated after charging:		
Depreciation and impairment of property, plant and equipment	600	1,123
Amortisation and impairment of intangible assets	802	888

Audit fees

Amounts paid to the auditor for audit of the Company's annual accounts of £12,000 (2015: £12,000) were borne by another Group subsidiary in 2016 and 2015. No amounts for other services have been paid to the auditor.

Notes to the financial statements

5. Employee benefits and key management compensation

a) Company employee benefits	2016	2015
	£'000	£'000
Wages and salaries	22,614	21,185
Social security costs	2,481	2,412
Contributions to the Sky Pension Plan ("the Pension Plan")	1,174	988
	26,269	24,585

The Company operates a defined contribution pension scheme (the "Pension Plan"). The pension charge for the year represents the cost of contributions payable by the Company to the scheme during the year. The amount payable to the scheme at 30 June 2016 was £1,174,000 (2015: £988,000).

The average monthly number of full-time equivalent persons (including temporary employees) employed by the Company during the year was as follows:

	2016	2015
	Number	Number
Management and administration	26	22
Sales and marketing	34	28
Analytics and insight	245	200
Operations	165	135
	470	385

There are approximately 80 (2015: 22) temporary staff included within the average number of full-time equivalent persons employed by the Company.

6. Tax

a) Tax recognised in the statement of comprehensive income

	2016	2015
	£'000	£'000
Current tax expense		
Current year	1,488	-
Adjustment in respect of prior years	-	-
Total current tax charge / (credit)	1,488	-
Deferred tax expense		
Origination and reversal of temporary differences	(37)	(28)
Adjustment in respect of prior years	(97)	100
Deferred Tax asset recognised at enacted rate rather than blended rate	10	1
Total deferred tax charge / (credit)	(124)	73
Tax charge / (credit) in period	1,364	73

All tax relates to UK corporation tax

Notes to the financial statements

b) Reconciliation of effective tax rate

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

	2016 £'000	2015 £'000
Profit (Loss) before tax	7,069	(1,479)
Profit (Loss) before tax multiplied by blended rate of corporation tax in the UK of 20% (2015: 20.75%)	1,414	(307)
Non-deductible expense	37	14
Adjustment in respect of prior years	(97)	100
Deferred tax write off following change in legislation	10	1
Group relief (claimed) for Enil consideration	-	265
Tax charge in period	1,364	73

Notes to the financial statements

7. Intangible assets and Goodwill

	Goodwill	Internally generated Intangible assets	Other Intangible assets	Total
		£'000	£'000	£'000
Cost				
At 1 July 2014	2,140	2,695	5,236	10,071
Additions	-	-	226	226
At 30 June 2015	2,140	2,695	5,462	10,297
Additions	-	-	192	192
At 30 June 2016	2,140	2,695	5,654	10,489
Amortisation				
At 1 July 2014	-	(2,695)	(3,364)	(6,059)
Amortisation	-	-	(888)	(888)
At 30 June 2015	-	(2,695)	(4,252)	(6,947)
Amortisation	-	-	(802)	(802)
At 30 June 2016	-	(2,695)	(5,054)	(7,749)
Carrying amounts				
At 1 July 2014	2,140	-	1,872	4,012
At 30 June 2015	2,140	-	1,210	3,350
At 30 June 2016	2,140	-	600	2,740

Goodwill of £2,140,000 arose from the acquisition of the hosted database business from Experian plc. Impairment reviews were performed on this balance at 30 June 2016, which did not indicate impairment.

Recoverable amounts were calculated on the basis of net cash flow from existing client contracts to the remaining term of those contracts and on the basis of a latest five-year plan. The cash flows were discounted using a pre-tax discount rate of 9%.

The Company's internally generated intangible assets relate to software development associated with the development of our internal Elements software product suite. The Company's other intangible assets mainly include copyright licences, customer lists and relationships, and patents and brands acquired in business combinations. The estimated future amortisation charge on intangible assets with finite lives for each of the next five years is set out below. It is likely that future amortisation will vary from the figures below as the estimate does not include the impact of any future investments, disposals or capital expenditure.

	2017	2018	2019	2020	2021
	£'000	£'000	£'000	£'000	£'000
Estimated amortisation charge	282	194	101	23	1

Notes to the financial statements

8. Property, plant and equipment

	Equipment furniture and fixtures £'000
Cost	
At 1 July 2014	6,978
Additions	245
Transfers to Group companies	(148)
Disposals	(203)
At 30 June 2015	6,872
Additions	2,000
Transfers to Group companies	(214)
At 30 June 2016	8,658
Depreciation	
At 1 July 2014	(3,935)
Depreciation	(1,123)
Disposals	202
At 30 June 2015	(4,856)
Depreciation	(600)
At 30 June 2016	(5,456)
Carrying amounts	
At 1 July 2014	3,043
At 30 June 2015	2,016
At 30 June 2016	3,202

Notes to the financial statements

9. Deferred tax

Recognised deferred tax assets / liabilities

	Accelerated tax depreciation	Goodwill	Provisions	Total
	£'000	£'000	£'000	£'000
As at 1 July 2014	155	(68)	50	137
(Charge)/Credit to income	(6)	(17)	(50)	(73)
At 30 June 2015	149	(85)	-	64
(Charge)/Credit to income	49	(12)	87	124
At 30 June 2016	198	(97)	87	188

Deferred tax assets and liabilities have been recognised at 30 June 2016 (assets at 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 at the balance sheet date 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.

10. Trade and other receivables

	2016 £'000	2015 £'000
Gross trade receivables	971	1,442
Net trade receivables	971	1,442
Amounts receivable from other Group companies ^(a)	14,041	8,495
VAT	88	-
Prepayments	2,797	1,101
Accrued income	480	605
Total trade and other receivables	18,377	11,644

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

a) Amounts receivable from other Group companies

Amounts due from other Group Companies at 30 June 2016 totalling £14,041,000 (2015: £8,495,000) represent trade receivables; they are non-interest bearing and are repayable on demand.

The Company is exposed to credit risk on its trade and other receivables, however the Company does not have any significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

Notes to the financial statements

11. Trade and other payables

	2016 £'000	2015 £'000
Trade payables	258	926
Amounts payable to other Group companies	9,931	4,946
VAT	213	55
Accruals	5,050	8,984
Deferred income	50	322
	15,502	15,233
Non current other payables	-	90
	15,502	15,323

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

a) Amounts payable to other Group companies

Amounts payable to other Group companies is £9,931,000 (2015: £4,946,000). These are non-interest bearing and repayable on demand.

12. Provisions

	At 1 July 2014	Provided during the year	Utilised during the year	At 1 July 2015	Provided during the year	Utilised during the year	At 30 June 2016
			£'000	£'000	£'000	£'000	£'000
Current liabilities							
Provision for restructuring	1,153	-	(1,153)	-	611	-	611
	1,153	-	(1,153)	-	611	-	611

During the year ended 30 June 2016, the Company provided £610,909 (2015: nil) for the costs of early termination of a property lease and the returning of the property to its original state.

It is expected that the Company will utilise this provision during the coming year.

During the year ended 30 June 2015, the Company utilised £1,153,000 for the costs of a restructuring exercise.

Notes to the financial statements

13. Derivatives and other financial instruments

Financial Instruments

(a) Carrying value and fair value

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

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	-	(15,239)	(15,239)	(15,239)
Trade and other receivables	15,492	-	15,492	15,492
Cash and cash equivalents	95	-	95	95
At 30 June 2015				
Trade and other payables	-	(14,945)	(14,945)	(14,945)
Trade and other receivables	10,543	-	10,543	10,543
Cash and cash equivalents	1,032	-	1,032	1,032

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of cash and cash equivalents is equivalent to carrying value due to the short-term nature of these instruments.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) 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.

Notes to the financial statements

14. Financial risk management objectives and policies

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

The Group's principal market risks are exposures to changes in interest rates and foreign exchange rates, which arise both from the Group's sources of finance and its operations. Following evaluation of those market risks, the Group selectively enters into derivative financial instruments to manage these exposures. The principal instruments currently used are interest rate swaps to hedge interest rate risks, and cross currency swaps and forward foreign exchange contracts to hedge transactional and translational currency exposures.

Capital Risk Management

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

Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of £18,377,000 (2015: £11,644,000). The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 10.

Liquidity risk

The Company's financial liabilities are shown in note 11.

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 trade and other payables.

	Less than twelve months £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000
At 30 June 2016				
Trade and other payables	(15,239)	-	-	-
At 30 June 2015				
Trade and other payables	(14,855)	(90)	-	-

15. Share capital

	2016 £	2015 £
Allotted, called-up and fully paid		
100 (2015: 100) ordinary shares of £1 (2015: £1) each	100	100

The Company has two classes of ordinary shares which carry equal voting rights and no contractual right to receive payment. The Company has 81 A shares and 19 B shares.

Notes to the financial statements

16. Notes to the Cash Flow Statement

Reconciliation of Profit / (loss) before tax to cash used in / generated from operations

	2016 £'000	2015 £'000
Profit / (loss) before tax	7,069	(1,479)
Depreciation and impairment of property, plant and equipment	600	1,123
Amortisation and impairment of intangible assets	802	888
Loss on disposal of property, plant and equipment	-	1
	8,472	533
Increase in trade and other receivables	(6,733)	(807)
(Decrease) / Increase in trade and other payables	(1,309)	2,553
Increase / (decrease) in provisions	611	(1,153)
Cash generated from operations	1,041	1,126

17. Contracted commitments, contingencies and guarantees

a) Future minimum expenditure contracted for but not recognised in the financial statements

	Year ending 30 June			
	2016	2017 onwards	Total at 30 June 2016	Total at 30 June 2015
	£'000	£'000	£'000	£'000
Third party resource	411	-	411	622
Software	107	-	107	422
Facility Costs	4	-	4	27
Hardware	1	-	1	128
	523	-	523	1,199

18. Transactions with related parties and major shareholders of Sky plc

a) Transactions with other Group companies

The Company conducts business transactions with Sky UK Ltd:

	2016 £'000	2015 £'000
Supply of services by the Company	33,794	21,999

For details of amounts owed by and owed to other Group companies, see note 10 and note 11.

Principal services supplied to other Group companies:

- Marketing services including insight, analytics and consultancy

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 other Group companies as required.

Notes to the financial statements

19. Immediate and ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of Sky Ventures Limited, 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.