

SKY IQ LIMITED

Annual report and financial statements
For the year ended 30 June 2017

Registered number: 07246069



Directors and Officers

For the year ended 30 June 2017

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)

Company Secretary

C J Taylor

Registered office

Grant Way

Isleworth

Middlesex

United Kingdom

TW7 5QD

Auditor

Deloitte LLP

Statutory Auditor

London

United Kingdom

Strategic & Directors' Report (continued)

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 2017.

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

Business review and principal activities

The Company is a wholly-owned subsidiary of Sky 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 2017 are set out on pages 10 to 33. The profit for the year before tax was £7,999,000 (2016: profit before tax £7,069,000).

The balance sheet shows that the Company's shareholders' equity at the year ended 30 June 2017 was £15,606,000 (2016: £8,488,000).

The Directors do not recommend the payment of a dividend (2016: £nil). There have been no significant events since the year end.

Key performance indicators (KPIs)

The Group manages its operations on a divisional basis. 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.

Strategic & Directors' Report (continued)

Credit risk

The Company has no significant concentration of credit risk, 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.

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 a £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 number of full-time equivalent persons employed by the Company during the year was nil (2016: nil). Employees, whose services are utilised by the Company, are employed by Sky UK Limited, a fellow Group company and employee costs are recharged to the Company

Managing and developing our people

Equal opportunities

At Sky we believe in equal opportunities and that everyone should have full and fair consideration for all vacancies, promotions, training and development. We work with employees who have disabilities to remove barriers from the working environment to allow them to maximise their potential.

Inclusion

It's our people that make Sky Europe's leading entertainment company and we know that embracing different perspectives fosters innovation. Having diverse voices contribute to the decisions we take as a business helps us better anticipate and meet the needs of all our customers. Our ambition is to become the industry leader for inclusion, both on screen and behind the scenes. To help us achieve this we are focused on increasing the representation of people from BAME (Black, Asian, and minority ethnic) backgrounds in our business and remain committed to achieving gender parity. We have put in place a range of initiatives to achieve this ambition and they're already making a difference. For example, we have increased the number of women in the top 400 positions from 32% to 39%. We are also actively supporting women to develop skills in traditionally underrepresented areas, with initiatives such as 'Get into Tech'. We support the aims of the new UK legislation requiring organisations to publish their gender pay gap and are committed to equal pay.

Strategic & Directors' Report (continued)

Employee engagement

At Sky we listen to our people and encourage everyone to be involved. We know great ideas come from all corners of our business and it is part of our 'believe in better' spirit to harness those ideas for the benefit of our customers and our people. This year we used a new survey provider, GLINT, to gather feedback from our teams in the UK, ROI and Italy. We achieved record levels of participation in the survey (82% in the UK and ROI and 79% in Italy) and we continue to achieve high levels of engagement, outperforming external benchmarks by 8% in the UK and ROI and 13% in Italy. In July 2017 the survey was extended to the whole Sky Group which will allow us to consistently gather feedback from all five territories we operate in.

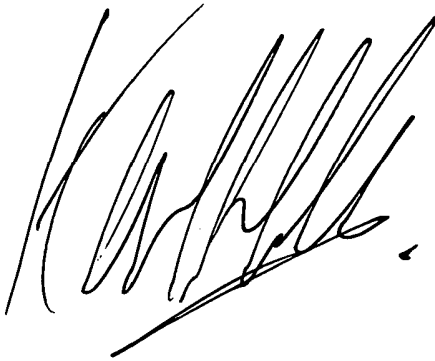
By Order of the Board,

K Holmes
Director

Grant Way
Isleworth
Middlesex
United Kingdom

TW7 5QD

14 March 2018

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

Strategic & 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 (2016: £nil).

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

Going concern

The Company's business activities, together with the factors likely to affect its future development and performance are set out in the Business Review. The Strategic Report details the financial position of the Company, as well as the Company's objectives and policies, and details of its exposures to credit risk and liquidity risk.

After making enquiries, the Directors have formed a judgement at the time of approving the financial statements that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditor

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director to make themselves 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 March 2018.

By Order of the Board,

K Holmes
Director

Grant Way
Isleworth
Middlesex
United Kingdom
TW7 5QD

14 March 2018



Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sky IQ Limited (the 'company') 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 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Auditor's report

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Auditor's report

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

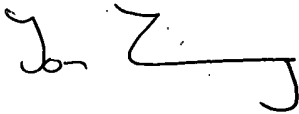
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



Jon Young (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

14 March 2018

Statement of Comprehensive Income

For the year ended 30 June 2017

	Notes	2017 £'000	2016 £'000
Revenue	2	42,169	39,274
Operating expense	3	(34,170)	(32,205)
Profit before tax		7,999	7,069
Tax	6	(881)	(1,364)
Profit for the year attributable to equity shareholders		7,118	5,705

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

For the year ended 30 June 2017 and 30 June 2016 the Company did not have any other items of comprehensive income.

All results relate to continuing operations.

Balance Sheet

As at 30 June 2017

	Notes	2017	2016
		£'000	£'000
Non-current assets			
Intangible assets and Goodwill	7	2,834	2,740
Property, plant and equipment	8	3,113	3,201
Deferred tax assets	9	-	188
		5,947	6,129
Current assets			
Trade and other receivables	10	18,726	18,377
Cash and cash equivalents		51	95
		18,777	18,472
Total assets		24,724	24,601
Current liabilities			
Trade and other payables	11	9,109	15,502
Provisions	12	-	611
Non-current liabilities			
Trade and other payables	11	-	-
Deferred tax liabilities	9	9	-
Total liabilities		9,118	16,113
Share capital	15	-	-
Share premium		8,100	8,100
Reserves		7,506	388
Total equity attributable to equity shareholders		15,606	8,488
Total liabilities and shareholders' equity		24,724	24,601

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 March 2018 and were signed on its behalf by:



C R Jones
Director,

14 March 2018

Cash Flow Statement

For the year ended 30 June 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash generated from operations	16	491	1,041
Net cash from operating activities		491	1,041
Cash flows from investing activities			
Purchase of property, plant and equipment		(221)	(1,786)
Purchase of intangible assets and Goodwill		(314)	(192)
Net cash used in investing activities		(535)	(1,978)
Net decrease in cash and cash equivalents		(44)	(937)
Cash and cash equivalents at the beginning of the year		95	1,032
Cash and cash equivalents at the end of the year		51	95

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 2017

	Share capital	Share premium	Retained earnings	Total shareholders' equity
	£'000	£'000	£'000	£'000
At 1 July 2015	-	8,100	(5,317)	2,783
Total comprehensive income for the year	-	-	5,705	5,705
At 30 June 2016	-	8,100	388	8,488
Total comprehensive income for the year	-	-	7,118	7,118
At 30 June 2017	-	8,100	7,506	15,606

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

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.

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 over the asset's useful economic life in order to match the expected pattern of consumption of future economic benefit embodied in the asset. Principal useful economic lives used for this purpose are:

Internally generated intangible assets	3 to 5 years straight-line
Software development (external) and software licences	3 to 7 years straight-line
Other intangible assets	1 to 5 years straight-line

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. 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). 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. Principal useful economic lives used for this purpose are:

Equipment, furniture and fixtures	3 to 20 years
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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

Directly attributable transaction costs are included in the initial measurement of financial assets and liabilities only with respect to those assets and liabilities that are not subsequently measured at fair value through profit and loss. 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.

Notes to the financial statements

1. Accounting policies (continued)

d) Financial assets and liabilities (continued)

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 policies i and 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, and is measured at the fair value of the consideration received or receivable.

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

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 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.

Taxable 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 taxation 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)

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 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) and is effective on the Group from 1 July 18 onwards.

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative impact of IFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied, it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. The Group has not yet determined which method will be adopted.

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers:

- Identify the contract with the customer
- Identify the performance obligations in the contract, introducing the new concept of 'distinct'
- Determining the transaction price
- Allocating the transaction price to the performance obligations in the contracts, on a relative stand-alone selling price basis.
- Recognise revenue when (or as) the entity satisfies its performance obligation

IFRS 15 also introduces new guidance on, amongst other areas, combining contracts, discounts, variable consideration, contract modifications and requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the balance sheet and amortised over the period an entity expects to benefit from the customer relationship

In the current year, management has conducted a detailed accounting scoping analysis across each of the Group's operating segments and across the products and services within the Group's revenue streams. Management has also assessed accounting implementation approaches for each revenue stream in each segment based on the potential materiality, complexity and volatility of impacts.

Notes to the financial statements

1. Accounting policies (continued)

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

Qualitatively, management currently expects the following impacts:

- The Group's revenue recognition for bundled subscription products will no longer be limited to cash received or consideration receivable for a delivered element. As a result, the Group will bring forward revenue for distinct products and services delivered at the start of a subscription contract, where the price charged for those performance obligations is lower than the standalone selling price. This will correspondingly reduce subsequent subscription revenue across the remainder of the customer contract, but will not change revenue recognised in total or the amount or timing of associated cash flows
 - Where product or service discounts reduce the total consideration for a customer's bundle, the revenue which will be brought forward for upfront deliverables will be reduced. The impact of discounts will be spread over the minimum contract period. There is also new guidance regarding how and to which products discounts should be allocated, which may result in differences to current treatments
 - Under the guidance as to what constitutes distinct performance obligations, there may be differences compared to what the Group currently considers to be separately identifiable deliverables. Management will also need to consider any associated cost implications of any differences
 - Under the guidance regarding contract modifications, the accounting for contract modifications not made at standalone sales price, is expected to differ compared to current accounting treatments
 - There may be certain costs to obtain customer contracts that will require capitalisation and amortisation over the period the Group expects to benefit from the customer relationship, compared to being expensed as incurred, as currently
 - Existing Principal versus Agent judgements require evaluation against new guidance. Should current judgements change, this could significantly change gross revenue and cost, but with no expected impact on operating profit.
 - The phasing of revenue for long-term contracts may vary compared to current treatments
- IFRS 9 'Financial Instruments' (effective 1 January 2018) and is effective on the Group from 1 July 2018 onwards.

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

It introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for the credit event to have occurred before a credit loss is recognised.

It also introduces a new hedge accounting model that is designed to more closely align with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

The Group is currently assessing the impact of the accounting changes that will arise under IFRS 9.

- IFRS 16 'Leases' (effective 1 January 2019)* and is effective on the Group from 1 July 2019 onwards

When IFRS 16 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or within the cumulative retrospective impact of IFRS 16 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 16 on each line item in the financial statements in the reporting period. Depending on the adoption method that is utilised, certain practical expedients may be applied on adoption. The Group has not yet determined which method will be adopted.

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 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 new associated guidance, where the Group 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 on the Group's balance sheet.

Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability, which may impact the phasing of operating profit and profit before tax, compared to existing cost profiles and presentation in income statement, and will also impact the classification of associated cash flows.

The Group is currently assessing the impact of the accounting changes that will arise under IFRS 16. Lessee accounting under IFRS 16 will be similar in many respects to existing IAS 17 accounting for finance leases, but is expected to be substantively different to existing accounting for operating leases.

- IFRS 17 '*Insurance Contracts*' (effective 1 January 2021)*
* not yet endorsed for use in the EU

l) 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. 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.

- 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.

Notes to the financial statements

1. Accounting policies (continued)

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

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

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

ii. Acquisition accounting and goodwill (see note 7)

- Judgement is required in determining the fair value of identifiable assets, liabilities and contingent assets assumed in a business combination. Calculating the fair values involves the use of significant estimates and assumptions, including expectations about future cash flows, discount rates and the lives of assets following purchase.
- Judgement is required in identifying the cash generating units to which the goodwill is associated for the purposes of goodwill impairment testing. Identification of cash generating units involves an assessment of whether assets or groups of assets generate cash flows that are largely independent of other assets or groups of assets. Goodwill is then allocated to each identified cash generating unit that is expected to benefit from the synergies of the business combinations from which goodwill has arisen. The carrying value of the Company's goodwill balance is disclosed in note 7.
- Judgement is also required in evaluating whether any impairment loss has arisen against the carrying amount of goodwill.

iii. 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, which requires an estimation of the period and profile over which the Company expects to consume the future economic benefits embodied in the assets. The Company reviews its useful economic lives on at least an annual basis.
- 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

1. Accounting policies (continued)

l) Critical accounting policies and the use of judgement and estimates (continued)

vi. Recoverability of deferred tax assets

The recognition of the deferred tax asset is contingent on the Group's estimation of the future taxable income. This estimation is supported by the Group's latest available five-year forecast, which was considered by the Company's Board of Directors, and extrapolated beyond the forecast period.

As such, the carrying value of deferred tax assets is sensitive to the method, assumptions and estimates underlying the calculations. We consider the sensitivity of the outcome to plausible changes in key inputs, as part of our assessments. Uncertainty around key sources of estimation will be resolved over the passage of time, as future performance materialises and latest forecasts are considered.

Notes to the financial statements

2. Revenue

	2017 £'000	2016 £'000
Externally generated revenue	2,050	5,050
Internally generated revenue from Group companies	40,119	34,224
	42,169	39,274

Revenue arises from goods and services provided to the UK.

3. Operating expense

	2017 £'000	2016 £'000
Direct costs	288	693
Sales, general and administration	33,375	30,110
Depreciation and Amortisation	507	1,402
	34,170	32,205

4. Profit before tax

Profit before tax is stated after charging:	2017 £'000	2016 £'000
Depreciation and impairment of property, plant and equipment	290	600
Amortisation and impairment of intangible assets	217	802

Audit fees

Amounts paid to the auditor for audit of the Company's Financial statements of £12,000 (2016: £12,000) were borne by another Group subsidiary in 2017 and 2016. 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	2017	2016
	£'000	£'000
Wages and salaries	24,308	22,614
Social security costs	2,779	2,481
Contributions to the Sky Pension Plan ("the Pension Plan")	1,383	1,174
	28,470	26,269

The Company operates defined contribution pension schemes (the "Pension Plan"). The pension charge for the year represents the cost of contributions payable by the Company to the schemes during the year. The amount payable to the schemes at 30 June 2017 was £1,383,000 (2016: £1,174,000).

The average number of full-time equivalent persons employed by the Company during the year was nil (2016: nil). Employees, whose services are utilised by the Company, are employed by Sky UK Limited, a fellow Group company and employee costs are recharged to the Company.

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

6. Tax

a) Tax recognised in the statement of comprehensive income	2017	2016
	£'000	£'000
Current tax expense		
Current year	709	1,488
Adjustment in respect of prior years	(25)	-
Total current tax charge	684	1,488
Deferred tax expense		
Origination and reversal of temporary differences	171	(37)
Adjustment in respect of prior years	24	(97)
Deferred Tax recognised at enacted rate rather than blended rate	2	10
Total deferred tax charge / (credit)	197	(124)
Tax	881	1,364

All tax relates to UK corporation tax

Notes to the financial statements

b) Reconciliation of effective tax rate

The tax charge (2016: charge) for the year is lower (2016: lower) than the credit that would have been credited using the blended rate of corporation tax in the UK (19.75%) applied to profit before tax. The applicable or substantively enacted effective rate of UK corporation tax for the year was 19.75% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit before tax	7,999	7,069
Profit before tax multiplied by blended rate of corporation tax in the UK of 19.75% (2016: 20%)	1,580	1,414
Non-deductible expense	3	37
Adjustment in respect of prior years	(1)	(97)
Deferred tax recognised at enacted rate rather than blended rate	2	10
Group relief (claimed) for £nil consideration	(703)	-
Tax	881	1,364

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 2015	2,140	2,695	5,462	10,297
Additions	-	-	192	192
At 30 June 2016	2,140	2,695	5,654	10,489
Additions	-	-	314	314
Disposals	-	-	(1,292)	(1,292)
At 30 June 2017	2,140	2,695	4,676	9,511
Amortisation				
At 1 July 2015	-	(2,695)	(4,252)	(6,947)
Amortisation	-	-	(802)	(802)
At 30 June 2016	-	(2,695)	(5,054)	(7,749)
Amortisation	-	-	(217)	(217)
Disposals	-	-	1,289	1,289
At 30 June 2017	-	(2,695)	(3,982)	(6,677)
Carrying amounts				
At 1 July 2015	2,140	-	1,210	3,350
At 30 June 2016	2,140	-	600	2,740
At 30 June 2017	2,140	-	694	2,834

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 2017, 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.

	2018	2019	2020	2021	2022
	£'000	£'000	£'000	£'000	£'000
Estimated amortisation charge	211	95	43	30	1

Notes to the financial statements

8. Property, plant and equipment

	Equipment furniture and fixtures £'000
Cost	
At 1 July 2015	6,872
Additions	2,000
Transfers	(215)
At 30 June 2016	8,657
Additions	221
Disposals	(1,926)
At 30 June 2017	6,952
Depreciation	
At 1 July 2015	(4,856)
Depreciation	(600)
At 30 June 2016	(5,456)
Depreciation	(290)
Disposals	1,907
At 30 June 2017	(3,839)
Carrying amounts	
At 1 July 2015	2,016
At 30 June 2016	3,201
At 30 June 2017	3,113

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 2015	149	(85)	-	64
(Charge)/Credit to income	49	(12)	87	124
At 30 June 2016	198	(97)	87	188
(Charge)/Credit to income	(97)	(13)	(87)	(197)
At 30 June 2017	101	(110)	-	(9)

Deferred tax assets and liabilities have been recognised at 30 June 2017 (and 30 June 2016) on the basis that management deem it probable that there will be suitable taxable profits against which these assets can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rates enacted or substantively enacted for the relevant periods of reversal are: 19% from 1 April 2017 and 17% from 1 April 2020 in the UK (2016: 20%).

10. Trade and other receivables

	2017 £'000	2016 £'000
Gross trade receivables	770	971
Net trade receivables	770	971
Amounts receivable from other Group companies ^(a)	13,786	14,041
VAT	34	88
Prepayments	3,397	2,797
Accrued income	304	480
Other	435	-
Total trade and other receivables	18,726	18,377

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 the ultimate parent company totalling £13,786,000 (2016: £14,041,000) 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

	2017 £'000	2016 £'000
Trade payables	26	258
Amounts payable to other Group companies ^(a)	6,360	9,931
VAT	153	213
Accruals	2,530	5,050
Deferred income	40	50
	9,109	15,502

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 £6,360,000 (2016: £9,931,000). These are non-interest bearing and repayable on demand.

12. Provisions

	At 1 July 2015	Provided during the year	Utilised during the year	At 1 July 2016	Provided during the year	Utilised during the year	At 30 June 2017
			£'000	£'000	£'000	£'000	£'000
Current liabilities							
Provision for restructuring	-	611	-	611	-	611	-
	-	611	-	611	-	611	-

During the year ended 30 June 2017, the Company utilised the provision of £610,909 for the costs of early termination of a property lease and the returning of the property to its original state.

Notes to the financial statements

13. 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 2017				
Trade and other payables	-	(8,915)	(8,915)	(8,915)
Trade and other receivables	15,294	-	15,294	15,294
Cash and cash equivalents	51	-	51	51
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

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.

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.

Notes to the financial statements

14. Financial risk management objectives and policies (continued)

Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of £18,291,000 (2016: £18,377,000). 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 12 months £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000
At 30 June 2017				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	(8,915)	-	-	-
At 30 June 2016				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	(15,239)	-	-	-

15. Share capital

	2017 £	2016 £
Allotted, called-up and fully paid		
100 (2016: 100) ordinary shares of £1 (2016: £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 generated from / (used in) operations

	2017 £'000	2016 £'000
Profit before tax	7,118	7,069
Depreciation and impairment of property, plant and equipment	290	600
Amortisation and impairment of intangible assets	217	802
Loss on disposal of property, plant and equipment	19	-
Loss on disposal of intangible assets	3	1
	7,647	8,472
Increase in trade and other receivables	(349)	(6,733)
Decrease in trade and other payables	(6,196)	(1,309)
(Decrease) / Increase in provisions	(611)	611
Cash generated from operations	491	1,041

17. Contracted commitments, contingencies and guarantees

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

	Year ending 30 June			
	2017	2018 onwards	Total at 30 June 2017	Total at 30 June 2016
	£'000	£'000	£'000	£'000
Third party resource	2,279	-	2,279	411
Software	45	-	45	107
Facility Costs	5	-	5	5
	2,328	-	2,328	523

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

a) Transactions with other Group companies

The Company conducts business transactions with other Group companies:

	2017 £'000	2016 £'000
Supply of services by the Company	40,120	33,794

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 ("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.