SKY HEALTHCARE SCHEME 2 LIMITED

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

Registered number: 08553886

Directors and Officers

For the year ended 30 June 2016

Directors

Sky Healthcare Scheme 2 Limited (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

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

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

Business review and principal activities

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

The Company is engaged in the operation and funding of the Sky Private Healthcare Plan, a medical scheme administered by Aviva Health UK Limited for employees of the Group. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year

Results for the year

The audited financial statements for the year ended 30 June 2016 are set out on pages 7 to 16. The result for the period was £nil (2015: £nil) and the Company had £nil net assets (2015: £nil). The Directors do not recommend the payment of a dividend for the year ended 30 June 2016 (2015: £nil).

Key performance indicators (KPIs)

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

Principal risks and uncertainties

The Company's activities expose it to financial risks, namely liquidity risk.

The Directors do not believe the Company is exposed to significant credit risk, cash flow risk, price risk, interest rate risk or foreign exchange.

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.

By Order of the Board,

C. Taylor

C J Taylor
Director

Grant Way
Isleworth
Middlesex
TW7 5QD
20th December 2016

Directors' Report

The Directors who served during the year are shown on page 1.

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 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 ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

Deloitte LLP have expressed their willingness to continue as auditor and a resolution to reappoint them was approved by the Board of Directors on 20th December 2016.

By Order of the Board,

C J Taylor
Director

Grant Way
Isleworth
Middlesex
TW7 5QD
20th December 2016

Statement of Directors' responsibilities

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

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

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

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

Auditor's Report

Independent Auditor's report to the members of Sky Healthcare Scheme 2 Limited:
We have audited the financial statements of Sky Healthcare Scheme 2 Limited for the year ended 30 June 2016 which comprise of the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 results for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Franek

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

Statement of Comprehensive Income

For the year ended 30 June 2016

	Notes	2016	2015
		£'000	£'000
Revenue	2	**8,663**	8,096
Operating expense	3	**(8,663)**	(8,096)
Operating profit		**-**	-
Profit before tax	4	**-**	-
Tax	5	**-**	-
Profit for the year attributable to equity shareholders		**-**	-

The accompanying notes are an integral part of these financial statements.

For the years ended 30 June 2016 and 30 June 2015, the Company did not have any other items of Comprehensive Income. All results relate to continuing operations.

Balance Sheet

As at 30 June 2016

	Notes	2016 £'000	2015 £'000
Current assets			
Cash and cash equivalents		**45**	45
Total assets		**45**	45
Current liabilities			
Trade and other payables	6	**45**	45
Total liabilities		**45**	45
Share capital	8	**-**	-
Total equity attributable to equity shareholders		**-**	-
Total liabilities and shareholders' equity		**45**	45

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

The financial statements of Sky Healthcare Scheme 2 Limited, registered number 08553886 were approved by the Board of Directors on 20th December 2016 and were signed on its behalf by:

K Holmes
Director
20th December 2016

Cash Flow Statement

For the year ended 30 June 2016

	Note	**2016** **£'000**	2015 £'000
Net increase in cash and cash equivalents	9	**-**	-
Cash and cash equivalents at the beginning of the year		**45**	45
Cash and cash equivalents at the end of the year		**45**	45

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

Statement of Changes in Equity

For the year ended 30 June 2016

	Share capital £'000	Retained earnings £'000	Total shareholders' equity £'000
At 30 June 2014	-	-	-
Result for the year	-	-	-
At 30 June 2015	-	-	-
Result for the year	-	-	-
At 30 June 2016	-	-	-

The accompanying notes are an integral part of this Statement of Changes in Equity.

Notes to the financial statements

1. Accounting policies

Sky Healthcare Scheme 2 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 Director's Report) and on a historical cost basis, except for the re-measurement to fair value of certain 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 a significant impact on the Company's results or financial position.

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

c) Financial assets and liabilities

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

i. Trade and other receivables

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

ii. Cash and cash equivalents

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

Accounting policies (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.

d) Revenue recognition (see note 2)

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Company's operating activities. Revenue is measured at the fair value of the consideration received or receivable.

e) 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.

f) 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 2012-214 cycle (effective 1 July 2016)
- Amendments to IFRS 10,12 AND IAS 28 'Investment Entities: Applying the Consolidation Exception' (effective 1 January 2016)*
- Amendments to IAS 7 'Disclosure Initiative' (effective 1 January 2017)*
- Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses' (effective 1 January 2017)*
- IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)*

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

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

  IFRS 15 requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the balance sheet and amortised as revenue is recognised under the related contract.
- Clarifications to IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)*

- Amendments to IFRS 2 'Share-based Payments' (effective 1 January 2018)*
- IFRS 9 'Financial Instruments' (effective 1 January 2018)*

  The standard is expected to impact the classification and measurement of financial instruments and is expected to require certain additional disclosures.
- IFRS 16 'Leases' (effective 1 January 2019)*

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

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

* not yet endorsed for use in the EU

g) 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. There are no accounting policies which are considered to be critical to the Company.

2. Revenue

All revenue is derived from the Company's sole class of business, being the trustee of the Sky Private Healthcare Plan, and arises from activities conducted within the United Kingdom ("UK"). Revenue is generated from an intercompany recharge for the provision of the Sky Private Healthcare Plan

3. Operating expense

These comprise costs incurred from the Company's sole class of business, the trustee of the Sky Private Healthcare Plan. These costs include the cost of providing private healthcare services for all claims reported to the administrators of the scheme. The Sky Private Healthcare Plan currently operates as a trust and the Company was responsible for the payment of all claims in the current period.

4. Profit before tax

Employee Services

There were no employee costs during the year, as the Company had no employees, other than the Directors. Services are provided by employees of other companies within the Group with no charge being made for their services. The Directors did not receive any remuneration during the year in respect of their services to the Company (2015: £nil).

Audit fees

Amounts paid to the auditor for the audit of the Company's annual accounts of £10,500 (2015: £10,500) were borne by another Group subsidiary in 2016 and 2015. No amounts for other services have been paid to the auditor (2015: £nil).

5. Tax

	2016 **£'000**	2015 £'000
Current tax expense		
Current year	-	-
Total current tax charge	-	-

6. Trade and other payables

	2016 **£'000**	2015 £'000
Amounts payable to other Group companies	**45**	45

The Directors consider that the carrying amount of trade and other payables approximates their fair values. The amounts payable to other Group companies are non-interest bearing and repayable on demand.

7. Financial instruments

The Company's principal financial instruments comprise of intercompany payables.

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 value
	£'000	£'000	£'000	£'000
At 30 June 2016				
Trade and other payables	**-**	**(45)**	**(45)**	**(45)**
At 30 June 2015				
Trade and other payables	-	(45)	(45)	(45)

The Directors consider that the carrying amount of financial instruments approximates to their fair value.

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.

Liquidity risk

The Company's financial liabilities are shown in note 6. The maturity date on these liabilities is less than twelve months.

8. Share capital

	2016	2015
	£	£
Authorised, Allotted, called-up and fully paid		
2 (2015: 2) ordinary shares of £1 (2015: £1) each	**2**	2

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

9. Notes to the Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	2016 £'000	2015 £'000
Profit before tax	-	-
Decrease in trade and other receivables	-	1,234
Decrease in trade and other payables	-	(1,234)
Cash generated from operations	-	-

10. Transactions with related parties

The Company conducts business transactions with its parent company Sky UK Limited:

	2016 £'000	2015 £'000
Provision of the Sky Healthcare Plan to Group employees	**8,663**	8,096
Administration of, and treatments provided by the Sky Private Healthcare Scheme	**(8,663)**	(8,096)

Amounts owed to group companies are shown in note 6. There are no amounts owed by group companies (2015: £nil).

11. Ultimate parent undertaking

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

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