SKY HEALTHCARE SCHEME 2 LIMITED

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

Registered number: 08553886

Directors and Officers
For the year ended 30 June 2017

Directors

Sky Healthcare Scheme 2 Limited ("the Company") present Directors and those who served during the year are as follows:

K Holmes (appointed 21 October 2016)
C R Jones
C J Taylor

Secretary

C J Taylor

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditor

Deloitte LLP
Statutory Auditors
London
United Kingdom

Strategic and Directors' Report

Strategic Report
The Directors present their Strategic and Directors' report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 30 June 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 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 2017 are set out on pages 9 to 19. The result for the year was £nil (2016: £nil) and the Company had £nil net assets (2016: £nil). The Directors do not recommend the payment of a dividend for the year ended 30 June 2017 (2016: £nil).

Key performance indicators (KPIs)
The Group manages its operations on a divisional basis. For this reason, 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 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 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.

By Order of the Board,

K Holmes
Director

Grant Way
Isleworth
Middlesex
TW7 5QD

14 March 2018

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 Director's 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 14 March 2018.

By Order of the Board,

K Holmes
Director

Grant Way
Isleworth
Middlesex
TW7 5QD

14 March 2018

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;
- 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
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 result 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 Healthcare Scheme 2 Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; 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.

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.

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.

Auditor's Report

Independent Auditor's report to the members of Sky Healthcare Scheme 2 Limited (continued)

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.

Independent Auditor's report to the members of Sky Healthcare Scheme 2 Limited (continued)

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	**9,134**	8,663
Operating expense	3	**(9,134)**	(8,663)
Operating profit		**-**	-
Profit before tax	4	**-**	-
Tax	5	**-**	-
Profit for the year attributable to equity shareholders		**-**	-

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

For the years ended 30 June 2016 and 30 June 2017, 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 £'000**	2016 £'000
Current assets			
Cash and cash equivalents		-	45
Total assets		-	45
Current liabilities			
Trade and other payables	6	-	45
Total liabilities		-	45
Share capital	8	-	-
Total equity attributable to equity shareholders		-	-
Total liabilities and shareholders' equity		-	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 14 March 2018 and were signed on its behalf by:

C J 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			
Decrease in trade and other payables		**(45)**	-
Net cash used in operating activities		**(45)**	-
Net decrease in cash and cash equivalents	9	**(45)**	-
Cash and cash equivalents at the beginning of the year		**45**	45
Cash and cash equivalents at the end of the year		**-**	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 2017

	Share capital	Retained earnings	Total shareholders' equity
	£'000	£'000	£'000
At 1 July 2015	-	-	-
Result for the year	-	-	-
At 30 June 2016	-	-	-
Result for the year	-	-	-
At 30 June 2017	-	-	-

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

Notes to the financial statements

1. Accounting policies

Sky Healthcare Scheme 2 Limited 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 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) 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.

Notes to the financial statements

1. Accounting policies (continued)

c) Financial assets and liabilities (continued)

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.

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

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.

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 2017. 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)*
- Amendments to IFRS 2 *'Share-based Payments'* (effective 1 January 2018)*
- IFRIC 22 *'Foreign Currency Transactions and Advanced Consideration'* (effective 1 January 2018)*
- Amendments to IFRS 4 *'Insurance contracts'* (effective 1 January 2018)*
- Amendments to IAS 40 *'Investment Properties'* (effective 1 January 2018)*

Notes to the financial statements

1. Accounting policies (continued)

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

- 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.

Qualitatively, management currently expects the following impacts:

- 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.

1. Accounting policies (continued)

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

- 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 17 'Insurance Contracts' (effective 1 January 2021)*

  * not yet endorsed for use in the EU

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

Notes to the financial statements

2. Revenue

All revenue is derived from the Company's sole class of business, being the trustee of the Sky Private Healthcare Plan and arise 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.

Audit fees

Amounts paid to the auditor for the audit of the Company's annual accounts of £10,500 (2016: £10,500) were borne by another Group subsidiary in 2017 and 2016. No amounts for other services have been paid to the auditor.

5. Tax

	2017	2016
	£'000	£'000
Current tax expense		
Current year	-	-
Total current tax charge	-	-

6. Trade and other payables

	2017	2016
	£'000	£'000
Amounts payable to other Group companies	-	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.

Notes to the financial statements

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 values
	£'000	£'000	£'000	£'000
At 30 June 2017				
Trade and other payables	-	-	-	-
At 30 June 2016				
Trade and other payables	-	(45)	(45)	(45)

The Directors consider that the carrying amounts 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

	2017	2016
	£	£
Allotted, called-up and fully paid		
2 (2016: 2) ordinary shares of £1 (2016: £1) each	**2**	2

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

Notes to the financial statements

9. Notes to the Cash Flow Statement

Reconciliation of profit before tax to cash used in operations

	2017	2016
	£'000	£'000
Profit before tax	**-**	-
Decrease in trade and other payables	**(45)**	-
Cash generated from operations	**(45)**	-

10. Transactions with related parties

Transactions with parent company

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

	2017	2016
	£'000	£'000
Provision of the Sky Healthcare Plan to Group employees	**9,134**	8,663
Administration of, and treatments provided by the Sky Private Healthcare Scheme	**(9,134)**	(8,663)

Amounts owed to group companies are shown in Note 6. There are no amounts owed by group companies (2016: £ nil)

11. Ultimate parent undertaking

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