

BSKYB TELECOMMUNICATIONS SERVICES LIMITED

Annual report and financial statements
for the year ended 30 June 2014

Registered number: 02883980



Directors and Officers

For the year ended 30 June 2014

Directors

BSkyB Telecommunications Services Limited's ("the Company's") present Directors and those who served during the year are as follows:

C R Jones

C J Taylor

Secretary

C J Taylor

Registered office

Grant Way

Isleworth

Middlesex

TW7 5QD

Auditor

Deloitte LLP

Chartered Accountants

London

United Kingdom

Strategic and Directors' Report

Strategic Report

The Directors present their Strategic and Directors' Report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 30 June 2014.

Business review and principal activities

The Company is a wholly-owned subsidiary of British Sky Broadcasting Limited ("BSkyB Ltd") and operates together with BSkyB Ltd's other subsidiaries as a part of the Group (the "Group").

The principal activity of the Company is that of the provision of networking services in the United Kingdom in support of the BSkyB Ltd's broadband service. During the year the total number of UK subscribers to this service grew from 4,906,000 (1 July 2013) to 5,247,000 (30 June 2014). Almost all of the revenue is earned from other Group companies and is determined by cost recharges.

The growth in subscriber numbers has resulted in increased revenue of £1,090,915,000 (2013: £952,906,000) and cost of sales has increased by £42,334,000 on the previous year. Administrative expenses have increased by £95,344,000. This has resulted in the Company making a profit before tax of £172,814,000 (2013: £172,591,000).

The Company expects continued growth in the number of broadband subscribers during the 12 months to 30 June 2015.

The Company's primary source of funding is loans from other Group companies and finance leases. During the year the amount payable to other Group companies increased to £864,173,000 (2013: £613,696,000). These amounts are non-interest bearing and repayable on demand.

The audited financial statements for the year ended 30 June 2014 are set out on pages 7 to 29.

The balance sheet on page 9 shows that the Company's total shareholder's equity position at year end was £445,179,000 (2013: £313,655,000), an increase on 2013 of £131,524,000 as a result of profits in the year.

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

The Directors do not recommend the payment of a dividend (2013: 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 are principally linked to the provision of services to other Group companies and the Company is therefore exposed to the risks and uncertainties that affect the Group as a whole. Group risks are discussed in the

Strategic and Directors' Report (continued)

Principal risks and uncertainties (continued)

Group's Annual Report which does not form part of this report. The intercompany balances of the Company are detailed in notes 10 and 11 to the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including interest rate risk, credit risk and liquidity risk. The Company does not use derivative financial instruments.

The directors do not consider foreign exchange risk, cash flow risk or price rise risk to be applicable to this Company. Information on the capital structure of the Company is provided in note 15.

Interest rate risk

The Company has financial exposure to UK interest rates arising from the investment of surplus cash and various loan balances with other companies within the BSKyB Group. The Group's Treasury function monitors the Company's exposure to fluctuations in interest rates.

Credit risk

The balance sheet of the Company includes intercompany balances. The Company is therefore exposed to credit risk on these balances. The intercompany balances of the Company are detailed in notes 10 and 11.

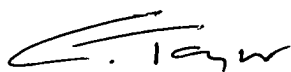
Liquidity risk

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 £743 million revolving credit facility which is due to expire on 31 October 2018. The Company benefits from this liquidity through intra-group facilities and loans.

Supplier Payment Policy

The policy of the Company is to agree terms of payment with suppliers prior to entering into a contractual relationship. In the absence of a specific agreement, it is the policy of the Company to pay suppliers in accordance with its standard payment terms of 45 days. Creditor days in the year were 1 day (2013: 1 day).

By Order of the Board,



C J Taylor
Company Secretary

Grant Way
Isleworth
Middlesex
TW7 5QD

30 October 2014

Strategic and Directors' Report (continued)

Director's Report

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

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 Directors' Report details the financial position of the Company, as well as the Company's objectives and policies, and details of its exposures to credit risk and liquidity risk.

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

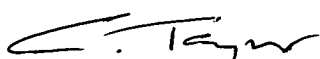
Auditor

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

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that he 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 30 October 2014.

By Order of the Board,



C J Taylor
Company Secretary

Grant Way
Isleworth
Middlesex
TW7 5QD
30 October 2014

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 are required 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 BSKyB Telecommunications Services Limited:

We have audited the financial statements of BSKyB Telecommunications Services Limited for the year ended 30 June 2014 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities statement of Directors and Auditor

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

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. 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

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

In our opinion the Company 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 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.


William Touche (Senior Statutory Auditor)

For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

 October 2014

Statement of Comprehensive Income

For the year ended 30 June 2014

	Notes	2014 £'000	2013 £'000
Revenue	2	1,090,915	952,906
Cost of sales		(751,584)	(709,250)
Gross Profit		339,331	243,656
Administrative expenses		(168,621)	(73,277)
Operating Profit		170,710	170,379
Investment income	3	8,318	8,386
Finance costs	3	(6,214)	(6,174)
Profit before taxation	4	172,814	172,591
Taxation	6	(41,290)	(42,952)
Profit for the year		131,524	129,639

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

For the years ended 30 June 2014 and 30 June 2013, the Company did not have any other items of Comprehensive Income.

All results relate to continuing operations.

Statement of Changes in Equity

For the year ended 30 June 2014

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total shareholders' equity £'000
At 1 July 2012	5,822	460,553	479	(282,838)	184,016
Total comprehensive income for the year	-	-	-	129,639	129,639
At 30 June 2013	5,822	460,553	479	(153,199)	313,655
Total comprehensive income for the year	-	-	-	131,524	131,524
At 30 June 2014	5,822	460,553	479	(21,675)	445,179

Balance Sheet

As at 30 June 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Property, plant and equipment	8	261,514	269,801
Intangibles	7	55,145	37,415
Deferred tax asset	9	13,906	11,290
		330,565	318,506
Current assets			
Trade and other receivables	10	1,235,556	783,231
Cash and cash equivalents		35	44,552
		1,235,591	827,783
Total assets		1,566,156	1,146,289
Current liabilities			
Trade and other payables	11	(1,055,513)	(767,877)
Borrowings	13	(469)	(422)
Provisions	12	(204)	(2,002)
		(1,056,186)	(770,301)
Non-current liabilities			
Borrowings	13	(61,237)	(58,422)
Provisions	12	(3,554)	(3,911)
		(64,791)	(62,333)
Total liabilities		(1,120,977)	(832,634)
Share capital	15	(5,822)	(5,822)
Share premium		(460,553)	(460,553)
Reserves		21,196	152,720
Total equity attributable to equity shareholder		(445,179)	(313,655)
Total liabilities and shareholders' equity		(1,566,156)	(1,146,289)

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

The financial statements of BSkyB Telecommunications Services Limited, registered number 02883980, were approved by the Board of Directors on 30 October 2014 and were signed on its behalf by:



C R Jones
Director

Cash Flow Statement

For the year ended 30 June 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Cash generated from operations	16	108,160	98,354
Net cash from operating activities		108,160	98,354
Cash flows used in investing activities			
Purchase of property, plant and equipment		(73,352)	(30,886)
Purchase of intangible assets		(76,109)	(15,568)
Finance Lease		3,284	-
Cash transferred on Group reorganisation		-	(336)
Net cash used in investing activities		(146,177)	(46,790)
Cash flows from financing activities			
Repayment of capital element of finance leases		(422)	(380)
Payment of finance lease liabilities		(6,078)	(6,120)
Net cash used in financing activities		(6,500)	(6,500)
Net (decrease) increase in cash and cash equivalents		(44,517)	45,064
Cash and cash equivalents at the beginning of the year		44,552	(512)
Cash and cash equivalents at the end of the year		35	44,552

The accompanying notes are an integral part of this Cash Flow Statement.

Notes to the financial statements

1. Accounting policies

BSkyB Telecommunications Services Limited (the "Company") is a limited 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 an historical cost basis. 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 maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2014, this date was 29 June 2014, this being a 52 week year (fiscal year 2013: 30 June 2013, 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) 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 reported 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.

d) Intangible assets and property, plant and equipment ("PPE")

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

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

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

Leasehold improvements, office equipment, fixtures & fittings	5 years
Cables and ducting	20 years
Electronic equipment	5 years

Notes to the financial statements

1. Accounting policies (continued)

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

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

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

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

PPE are stated at cost, net of accumulated depreciation and any impairment losses, (see accounting policy f).

When an item of property, plant and equipment comprises major components having different useful economic lives, the components are accounted for as separate items of property, plant and equipment.

During the year the estimated useful life of certain intangible assets was revised. The revisions were accounted for prospectively as a change in accounting estimate and as a result the amortisation charge in the current year has decreased by £1 million.

e) 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.

Notes to the financial statements

1. Accounting policies (continued)

e) 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.

f) Impairment

At each balance sheet date, and in accordance with IAS 36 "Impairment of Assets", the Company reviews the carrying amounts of all its assets (excluding deferred tax (see accounting policy k)) 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

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.

g) Provisions

Provisions are recognised when the Company has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the Company's best estimate of the transfer of benefits that will be required to settle the obligation as of the balance sheet date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

h) Revenue recognition

The Company's revenue, which excludes value added tax, principally relates to fees derived from the provision of network services to other companies in the Group. The fees charged to other Group companies are based on costs incurred plus a margin. Revenue is recognised as such services are provided. Revenue is measured at the fair value of the consideration received or receivable.

Notes to the financial statements

1. Accounting policies (continued)

i) Employee benefits

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.

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.

Termination benefits are recognised as a liability when, and only when, the Company has a demonstrable commitment to terminate the employment of an employee or group of employees before the normal retirement date or as the result of an offer to encourage voluntary redundancy.

j) Leases

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

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

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

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

k) Tax, including deferred tax

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

Deferred tax assets and liabilities are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

1. Accounting policies (continued)

k) Tax, including deferred tax (continued)

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

l) Critical accounting policies and use of judgement

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

i. Revenue

- Selecting the appropriate timing for, and amount of, revenue to be recognised requires judgement. This may involve estimating the fair value of consideration before it is received. When the Company sells a set-top box, installation or service and a subscription in one bundled transaction, the total consideration from the arrangement is allocated to each element based on its relative fair value. The fair value of each individual element is determined using vendor specific or third party evidence. The amount of revenue the Company recognises for delivered elements is limited to the cash received.

ii. Intangible assets and property, plant and equipment

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

Notes to the financial statements

1. Accounting policies (continued)

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

iii. Tax

- The Company's tax charge is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process.
- Accruals for tax contingencies require management to make judgements and estimates in relation to tax audit issues and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless it is probable that the tax positions will be sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of the likely resolution of the issue through negotiation and/or litigation.

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

iv Deferred tax

- 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.

m) Accounting standards, interpretations and amendments to published standards 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 our accounting periods beginning on or after 1 July 2014 or later periods. These new pronouncements are listed below:

- Amendments to IAS 36 "Impairment of Assets" (effective 1 January 2014)
- Amendments to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2014)
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting" (effective 1 January 2014)
- Annual Improvements 2010-2012 cycle (effective 1 July 2014)*
- Annual Improvements 2011-2013 cycle (effective 1 July 2014)*
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (effective 1 January 2016)*
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation" (effective 1 January 2016)*
- IFRS 15 "Revenue from Contracts with Customers" (effective 1 January 2017)*
- IFRS 9 "Financial Instruments" (effective 1 January 2018)*

* not yet endorsed for use in the EU

The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

Notes to the financial statements

2. Revenue

	2014 £'000	2013 £'000
Dark fibre and civils	557	260
Wholesale broadband services	1,078,900	948,096
Provision of network services	11,458	4,550
Total revenue	1,090,915	952,906

Revenue arises from services provided in the United Kingdom.

3. Investment income and finance costs

	2014 £'000	2013 £'000
Investment income		
Intercompany interest receivable (i)	8,318	8,386

	2014 £'000	2013 £'000
Finance costs		
Interest payable on finance leases	6,129	6,120
Unwinding of discounts on provisions	85	54
	6,214	6,174

(i) Intercompany interest is receivable on loans to BSkyB Finance Limited. Please refer to note 10 for further details.

Notes to the financial statements

4. Profit before taxation from continuing operations

Profit before tax is stated after charging :

	2014 £000	2013 £000
Depreciation of property, plant and equipment	81,639	22,681
Amortisation of intangible assets	58,378	21,338
Loss on sale of property, plant & equipment	-	924
Loss on disposal of intangible assets	-	95
Staff costs	36,656	33,502
Net foreign exchange (gain)/loss	(210)	10

Foreign exchange

Foreign exchange differences recognised in the statement of comprehensive income during the year amounted to a gain of £210,000 (2013: loss of £10,000).

Audit fees

Amounts paid to the Auditor for audit services of £10,500 (2013: £10,500) were borne by another Group subsidiary in 2014 and 2013. No amounts for other services have been paid to the Auditor.

5. Employee benefits and key management compensation

a) Company employee benefits

	2014 £'000	2013 £'000
Wages and salaries	31,388	28,877
Social security costs	3,615	3,218
Contributions to the BSKyB Pension Plan ("the Pension Plan")	1,653	1,407
	36,656	33,502

The Company operates a defined contribution pension scheme through the Pension Plan. The pension charge for the year represents the cost of contributions payable by the Company to the scheme during the year. The Company's amount payable to the scheme at 30 June 2014 was nil (2013: nil).

The average number of full-time equivalent persons employed by the Company during the year was nil (2013: nil). Employees, whose services are utilised by the Company, are employed by BSKyB Limited, a fellow Group company and employee costs are recharged to the Company. On 1 July 2011, employment contracts with employees that had been awarded share options were reassigned to BSKyB LLU Assets (a fellow subsidiary of BSKyB Group plc).

Notes to the financial statements

5. Employee benefits and key management compensation (continued)

b) Key management compensation

The Directors received no remuneration from the Company in the financial year (2013: £nil). During the year, the Directors of the Company were also directors within the Group and no part of remuneration they received from the other companies was in respect of duties performed relating to the Company. For those Directors who are also Directors of BSKyB, information on their remuneration can be obtained from the ultimate parent company BSKyB plc's financial statements.

6. Taxation

a) Taxation recognised in the statement of comprehensive income

	2014 £'000	2013 £'000
Current tax expense		
Current year	43,916	40,694
Adjustment in respect of prior years	(10)	536
Total current tax	43,906	41,230
Deferred tax expense		
Origination and reversal of temporary differences	(4,281)	400
Decrease in estimate of recoverable deferred tax asset	1,997	495
Adjustment in respect of prior year	(332)	827
Total deferred tax	(2,616)	1,722
Taxation	41,290	42,952

b) Reconciliation of effective tax rate

The taxation charge for the year is higher (2013: higher) than the expense that would have been charged using the standard rate of corporation tax in the UK (22.5%) applied to profit before tax. The applicable or substantively enacted effective tax rate of the UK corporation tax for the year was 22.5% (2013: 23.75%). The differences are explained below.

	2014 £'000	2013 £'000
Profit before tax from continuing operations	172,814	172,591
Profit before tax multiplied by the blended rate of corporation tax in the UK of 22.5% (2013: 23.75%)	38,883	40,990
Effects of:		
Non-deductible expenses	752	104
Decrease in deferred tax asset due to reduction in tax rate	1,997	495
Group relief claimed for £nil consideration	-	-
Adjustment in respect of prior years	(342)	1,363
Taxation	41,290	42,952

All taxation relates to UK corporation tax.

Notes to the financial statements

7. Intangible assets

	Other intangibles £'000	Total £'000
Cost		
At 1 July 2012	-	-
Additions	29,594	29,594
Transferred on Group reorganisation	29,254	29,254
Disposals	(401)	(401)
At 30 June 2013	58,447	58,447
Additions	76,109	76,109
Transferred on Group reorganisation	-	-
Disposals	(2,242)	(2,242)
At 30 June 2014	132,314	132,314
Amortisation		
At 30 June 2012	-	-
Charge for the year	(21,339)	(21,339)
Disposals	307	307
At 30 June 2013	(21,032)	(21,032)
Charge for the year	(58,378)	(58,378)
Disposals	2,241	2,241
At 30 June 2014	(77,169)	(77,169)
Carrying amounts	£'000	£'000
At 30 June 2013	37,415	37,415
At 30 June 2014	55,145	55,145

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.

	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000
Estimated amortisation charge	19,028	13,897	11,710	10,510	-

Notes to the financial statements

8. Property, plant and equipment

	Leasehold improvements	Cable and ducting	Electronic equipment	Office equipment and fixtures	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 July 2012	3,632	405,807	11,289	-	420,728
Additions	76	1,015	31,118	37	32,246
Transferred on Group reorganisation	11,200	836	237,030	545	249,611
Disposals	(248)	-	(2,324)	(1)	(2,573)
At 30 June 2013	14,660	407,658	277,113	581	700,012
Additions	21	1,564	71,700	67	73,352
Disposals	(793)	-	(9,957)	(108)	(10,858)
At 30 June 2014	13,888	409,222	338,856	540	762,506
Depreciation					
At 1 July 2012	(2,357)	(396,449)	(10,373)	-	(409,179)
Charge for the year	(839)	(1,021)	(20,760)	(61)	(22,681)
Disposals	248	-	1,400	1	1,649
At 30 June 2013	(2,948)	(397,470)	(29,733)	(60)	(430,211)
Charge for the year	(1,945)	(381)	(79,129)	(184)	(81,639)
Disposals	793	-	9,957	108	10,858
At 30 June 2014	(4,100)	(397,851)	(98,905)	(136)	(500,992)
Carrying amounts	£'000	£'000	£'000	£'000	£'000
At 1 July 2012	1,275	9,358	916	-	11,549
At 30 June 2013	11,712	10,188	247,380	521	269,801
At 30 June 2014	9,788	11,371	239,951	404	261,514

All assets held under finance leases were fully depreciated in both years.

Notes to the financial statements

9. Deferred tax

Recognised deferred tax assets	2014	2013
	£'000	£'000
Depreciation in excess of capital allowances	13,380	10,796
Other timing differences	525	493
Financial instruments	1	1
	13,906	11,290

Deferred tax assets have been recognised at 30 June 2014 and 30 June 2013 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 tax rate enacted or substantively enacted for the relevant period of reversal is 20% as at 30 June 2014 (2013: 23%). This rate will come into effect on 1 April 2015.

10. Trade and other receivables

	2014	2013
	£'000	£'000
Gross trade receivables	1,743	1,482
Less: provision for impairment of receivables	-	-
Net trade receivables	1,743	1,482
Amounts receivable from Group companies	1,173,387	736,080
Prepayments	9,430	4,519
VAT receivable	44,634	40,150
Other receivables	6,362	1,000
	1,235,556	783,231

Amounts receivable from Group companies

Amounts owed by Group companies are non-interest bearing and repayable on demand, except for loans to BSkyB Finance Limited, a fellow subsidiary undertaking, of £679,000,000 (2013: £671,000,000) which bear interest at LIBOR plus 0.75%.

The Company is exposed to credit risk on its trade and other receivables. The Company does not have any significant concentrations of credit risk, with third parties, as the exposure is spread over a large number of counterparties and customers. Within the Company there is a concentration of risk within amounts receivable from other Group companies.

Notes to the financial statements

11. Trade and other payables

	2014	2013
	£'000	£'000
Trade payables	89,573	53,362
Amounts payable to other Group companies	864,173	613,696
Accruals	96,677	96,020
Deferred income	1,402	1,838
Other payables	3,688	2,961
	1,055,513	767,877

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

Trade payables principally comprise amounts outstanding for the supply of fibre optic cable services.

Amounts payable to other Group companies

Amounts owed to other Group companies are non-interest bearing and repayable on demand.

12. Provisions

	At 1 July 2012	Reclassified during the year	Provided during the year	Transferred on Group reorganisation	At 30 June 2013	Reclassified during the year	Utilised during the year	At 30 June 2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current liabilities								
Other provision (i)	1,880	(141)	215	48	2,002	-	(1,798)	204
Non-current liabilities								
Other provision (i)	3,554	141	-	216	3,911	-	(357)	3,554
Total	5,434	-	215	264	5,913	-	(2,155)	3,758

(i) Other provision

The other provision is primarily in relation to onerous network maintenance and co-location contracts which have an average length of 20 years and are due to expire in 2020 and 2021. All amounts are due to be paid over the length of the relevant contract.

Notes to the financial statements

13. Borrowings

	2014 £'000	2013 £'000
Current		
Obligations under finance leases	469	422
Bank overdrafts	-	-
	469	422
Non-current		
Obligations under finance leases	61,237	58,422
Total borrowings	61,706	58,844

Obligations under finance leases

The minimum lease payments under finance leases fall due as follows:

	2014 £'000	2013 £'000
Amounts payable under finance leases:		
Within one year	6,500	6,500
Between two and five years	26,000	26,000
After five years	137,465	140,680
	169,965	173,180
Less: future finance charges	(108,259)	(114,336)
Present value of lease obligations	61,706	58,844

The main obligations under finance leases are in relation to financial arrangements in connection with broadband network infrastructure. During the year, repayments of £6,500,000 (2013: £6,500,000) were made against the lease. A proportion of these payments have been allocated against the capital outstanding. The leases bear interest at a rate of 11.1% (2013: 11.1%) per annum and expire in March 2040.

Notes to the financial statements

14. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables, and borrowings. The accounting classification of each class of the Company's financial assets and financial liabilities together with their fair values is as follows:

	Loans and receivables	Other liabilities	Total carrying value	Total fair values
	£'000	£'000	£'000	£'000
At 30 June 2014				
Trade and other payables	-	(1,054,112)	(1,054,112)	(1,054,112)
Obligations under finance leases	-	(61,706)	(61,706)	(61,706)
Provisions	-	(3,758)	(3,758)	(3,758)
Trade and other receivables	1,181,492	-	1,181,492	1,181,492
Cash and cash equivalents	35	-	35	35
At 30 June 2013				
Trade and other payables	-	(767,877)	(767,877)	(767,877)
Obligations under finance leases	-	(58,844)	(58,844)	(58,844)
Provisions	-	(5,913)	(5,913)	(5,913)
Trade and other receivables	738,562	-	738,562	738,562
Cash and cash equivalents	44,552	-	44,552	44,552

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 £743 million revolving credit facility which is due to expire on 31 October 2018. The Company benefits from this liquidity through intra-group facilities and loans.

The Company's financial liabilities are shown in note 11, 12 and 13.

Notes to the financial statements

14. Financial risk management objectives and policies (continued)

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.

	Less than 12 months	Between one and two years	Between two and five years	More than five years	Total
	£'000	£'000	£'000	£'000	£'000
At 30 June 2014					
Trade and other payables	1,054,112	-	-	-	1,054,112
Obligations under finance leases	6,500	6,500	19,500	137,465	169,965
Provisions	204	-	-	2,554	2,758
At 30 June 2013					
Trade and other payables	767,877	-	-	-	767,877
Obligations under finance leases	6,500	6,500	19,500	140,680	173,180
Provisions	2,002	216	-	3,695	5,913

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 British Sky Broadcasting Group plc's policies as by its Board of Directors.

Credit risk

The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 10.

Interest rate risk

The Company's only interest-bearing loan relates to an amount receivable from other Group companies, as disclosed in note 10. The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1 percentage point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure of interest rates for non-derivative financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A one percentage point increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been one percentage point higher and all other variants were held constant, the Company's profit/loss for the year ended 30 June 2014 would increase by £6,774,267 (2013: increase by £6,705,313).

Notes to the financial statements

15. Share capital

	2014 £'000	2013 £'000
Allotted, called-up and fully paid		
5,821,764 (2013: 5,821,764) ordinary shares of £1 each	5,822	5,822

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

16. Notes to the Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	2014 £'000	2013 £'000
Profit before tax	172,814	172,591
Depreciation of property, plant and equipment	81,639	22,681
Amortisation of intangible assets	58,378	21,338
Loss on disposal of Property, plant and equipment	-	925
Loss on disposal of Intangibles	-	94
Net finance income	(2,396)	(2,212)
Operating profit before working capital changes	310,435	215,417
(Increase) decrease in trade and other receivables	(487,324)	54,431
Increase (decrease) in trade and other payables	287,640	(171,366)
Decrease in deferred income	(436)	(288)
(Decrease) increase in provisions	(2,155)	160
Total cash generated from operations	108,160	98,354

Notes to the financial statements

17. Operating lease commitments

The minimum lease rentals to be paid under non-cancellable operating leases at 30 June are as follows:

	2014 £'000	2013 £'000
Within one year	3,422	3,583
Between one and two years	3,422	3,583
Between two and three years	3,293	3,583
Between three and four years	2,860	3,548
Between four and five years	2,870	3,118
After five years	14,914	16,304
	30,781	33,719

Operating leases relate to properties with lease terms of between 2 and 19 years. All operating leases contain market review clauses. The Company does not have the option to purchase the leased asset at the expiry of the lease period.

18. Transactions with related parties

The Company has related party transactions with other Group companies. In particular, it is normal practice for the Company to borrow cash from or lend cash other Group companies as required. For details of amounts owed to and from other Group companies, see notes 10 and 11.

a) Transactions with other Group companies

	2014 £'000	2013 £'000
Supply of services by the Company	1,078,900	948,096
Purchases of goods/services by the Company	89,181	486,857

During the year the Company had related party transactions with BSkyB LLU Assets Limited, BSkyB Finance Ltd and Sky Subscriber Services Ltd (Other Group Companies). For details of amounts owed by and amounts owed to fellow subsidiary undertakings, see notes 10 and 11.

b) Key management

The Company has a related party relationship with the Directors of the Company as key management. At 30 June 2014, there were two (2013: two) key managers, both of whom were Directors of the Company.

Notes to the financial statements

19. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of British Sky Broadcasting Limited a Company incorporated in the United Kingdom registered in England and Wales. The Company is ultimately controlled by British Sky Broadcasting Group plc. The only group in which the results of the Company are consolidated is that headed by BSkyB.

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