

SKY UK LIMITED (formerly BRITISH SKY
BROADCASTING LIMITED)

Annual report and financial statements
For the year ended 30 June 2015

Registered number 02906991



Directors and Officers

For the year ended 30 June 2015

Directors

Sky UK Limited's ("the Company's") present Directors and those who served during the year are as follows

A J Griffith

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' Reports

Strategic Report

The Directors present their Strategic and Directors' Reports on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 30 June 2015

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 plc (formerly British Sky Broadcasting Group plc) and operates together with Sky's other subsidiaries as a part of the Group ("the Group")

The Company operates the leading pay television broadcasting service in the United Kingdom ("UK") and Ireland as well as broadband and telephony services. The Company's principal activities consist of the operation and distribution of wholly-owned television channels via a direct-to-home ("DTH") service and it supplies certain of those channels to cable operators for retransmission to their subscribers in the UK and Ireland

At 30 June 2015, the total number of customers was 12,001,000 (2014 11,495,000), representing a net increase of 506,000 customers in the current year

This year the Company made an operating profit of £663 million (2014 £634 million). The operating margin increased to 8.80% in 2015 (2014 8.66%)

The total revenue in 2015 was £7,530 million, a 3% growth from fiscal 2014 (2014 £7,320 million). The Company's revenue can be analysed as follows

For the year to 30 June	2015	2014
	£m	£m
Subscription	6,369	6,186
Advertising	505	490
Wholesale and syndication	452	420
Transactional	127	93
Other	77	131
Revenue	7,530	7,320

Strategic and Directors' Reports (continued)

Business review and principal activities (continued)

The increase of £183 million in subscription revenue in the current year was driven by continued product and customer growth

Advertising revenue increased by £15 million in the current year due to the benefit of incremental AdSmart revenues combined with Sky Media increasing their share of net advertising revenue

Wholesale and syndication revenue increased by £32 million in the current year as success on screen led to more favourable terms for our channels with wholesale partners

Transactional revenue increased by £34 million in the current year due to the success of our Buy and Keep service and NOW TV transactions

Other revenue decreased by £54 million in the current year due to a reduction in sales of set top boxes to Sky Italia

Operating expenses for the year

The Company's operating expense can be analysed as follows

For the year to 30 June

	2015 £m	2014 £m
Programming	2,777	2,652
Sales, general and administration	4,090	4,034
Operating expenses	6,867	6,686

The increase of £125 million in programming costs is due to the launch of the exclusive ITV Encore channel in June 2014 and the continued investment in a diverse content portfolio, with an enhanced box set offering in the UK as well as increased investment on Sky originated content, with successes including *Fortitude* and *1992*

Included within Sales, general and administration costs for the year were operating expenses of £65 million relating to the costs of a corporate efficiency and restructuring programme and expenses of £9 million relating to the costs of integrating Sky Deutschland and Sky Italia into the Group

Net assets at the balance sheet date were £2,122 million, an increase of £848 million from £1,274 million at 30 June 2014. The increase in the net assets during the year is primarily due to the increase in investments held in subsidiaries of the Company. During the year the Company subscribed to £2,701 million of shares in Sky International Operations Limited ("SIOL"). These funds were used to purchase SIOL's shareholding in Sky German Holdings GmbH and Sky Italian Holdings SpA which in turn were used in the acquisition of Sky Deutschland AG and Sky Italia Srl.

Current assets increased in the year by £5,811 million to £13,283 million (2014: £7,472 million). The increase is primarily due to an increase in intercompany loans receivable.

The audited accounts for the year ended 30 June 2015 are set out on pages 12 to 72. The Directors do not recommend the payment of a final dividend for the year ended 30 June 2015 (2014: nil). For the year ended 30 June 2015 there was a £509 million interim distribution made to Sky plc (2014: £622 million). The distribution was settled by the assignment of intercompany debt within the Sky Group.

Strategic and Directors' Reports (continued)

Business review and principal activities (continued)

During the year, as part of a Group reorganisation, assets of the Company amounting to a net book value of £465 million were transferred out to Sky Subscribers Services Limited ("SSSL") and Sky CP Limited. The transfer of assets to Sky CP Limited was settled through an intercompany loan agreement between the two entities. The transfer of assets to SSSL was settled through the receipt of 1 ordinary share in SSSL.

In addition, as part of the acquisition of Sky Deutschland and Sky Italia, the Company entered into various financing arrangements, the details of which can be found in notes 15 and 16 of the financial statements.

On 19 March 2015, the Company completed the sale of its investments in Bonne Terre Limited and Hestview Limited (the entities also known as "Sky Bet") to funds advised by CVC Capital Partners and members of the Sky Bet management team for consideration amounting to £730 million. The Company has retained an equity stake of 20% post completion in Sky Bet.

There have not been any significant changes in the Company's activities in the year under review. 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.

Post balance sheet events

On 17 November 2015, Sky plc issued €500 million of 2.25% Euro denominated bonds due November 2025 to which the Company acts as guarantor.

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.

The Group's KPIs are disclosed separately in the Annual Report, please see note 28.

Principal risks and uncertainties

The Company's business is heavily regulated and changes in regulations, changes in interpretation of existing regulations or failure to obtain required regulatory approvals or licences could adversely affect the Company's ability to operate or compete effectively. The Company's business is reliant on technology which is subject to the risk of failure, change and development. The Company operates in a highly competitive environment that is subject to rapid change and it must continue to invest to remain competitive. The failure of key suppliers could affect the Company's ability to operate as a business. The Company relies on a number of third parties and outsourced suppliers to support its supply chain. The Company's business is based on a subscription model and its future success relies on building long-term relationships with its customers. The Company generates wholesale revenue principally from one customer.

The Group's principal risks and uncertainties are disclosed in the Group's Annual Report, please see note 28 for further information.

Financial risk management objectives and policies

The Company activities expose it to a number of financial risks including market risk, credit risk and liquidity risk. The use of financial derivatives is governed by the Group's treasury policy approved by the Board of Directors, which provides written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes. Refer to note 21 for further information.

Strategic and Directors' Reports (continued)

Market Risk

The Company's principal market risks are exposure to changes in interest rates and foreign exchanges rates, which arise both from the Company's sources of finance and its operations

Interest rate risk

The Company has financial exposure to UK and European interest rates arising from the investment of surplus cash, interest rate derivatives transacted on behalf of the group and various loan balances with other companies within the Sky Group. The Group's Treasury function monitors the Company's exposure to fluctuations in interest rates.

Foreign exchange risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts and options to hedge these exposures. Refer to note 21 for further information.

Price Risk

The Company is not exposed to significant price risk.

Credit risk

The Company's principal financial assets are cash, cash equivalents, short-term deposits, trade and other receivables and derivative financial assets.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. This is recognised when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on cash, cash equivalents, and short-term deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. No more than 10% of cash deposits are held with a single bank counterparty, with the exception of overnight deposits which are invested in a spread of AAA-rated liquidity funds. The balance sheet of the Company includes intercompany balances and the Company is therefore exposed to credit risk on these balances. The intercompany balances of the Company are detailed in notes 15 and 16.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, other than other Group companies.

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 2020. The Company benefits from this liquidity through intra-group facilities and loans.

Strategic and Directors' Reports (continued)

Employment policies

Organisation

Over the past year, the Company has continued in its efforts to make the Company a great place to work. The Company has continued to place particular focus on leadership capability, looking both at the Company's leaders of today and future leaders.

The average monthly number of full-time equivalent persons employed by the Company during the year was 7,050 (2014: 7,091).

Leadership and Collaboration

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

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

The Company has also run comprehensive development programmes for the leaders in its contact centres to ensure they are equipped to motivate and manage their teams to deliver the best possible customer service.

Managing and developing our people

Building our capability

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

Creating opportunities for all

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

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

Strategic and Directors' Reports (continued)

Employment policies (continued)

Creating opportunities for all (continued)

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

The Company is an equal opportunity employer and believes that everyone should have full and fair consideration for all vacancies, promotions, training and development. Should an employee become disabled during their employment with the Company, where possible, the Company will actively re-train and adjust their environment to allow them to maximise their potential. Over the year, the Company has partnered with various not-for-profit organisations with the aim of providing more opportunities for people with disabilities.

Employee engagement

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

Employee engagement is a good indicator of how our employees feel about the Company. As well as reaching a high performance indicator for employee engagement of 59%, the Company has improved over the last two years and outperformed an independent external benchmark of other blue chip companies.

Diversity

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

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

Reward and Recognition

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

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

Health, Safety and Wellbeing

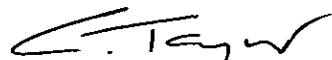
The health, safety and wellbeing of the Company's people are of paramount importance wherever, whenever they work and whatever they are doing.

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

Strategic and Directors' Reports (continued)

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

By Order of the Board,



C.J. Taylor
Company Secretary
Grant Way
Isleworth
Middlesex
TW7 5QD

20 November 2015

Strategic and Directors' Reports (continued)

Directors' Report

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

The Directors do not recommend the payment of a final dividend in the current year (2014 nil)

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

Going concern

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. In making this decision the Directors have considered the net current liability position of the company, and confirmation received from Sky In-Home Service Limited, Sky Telecommunications Services Limited and Sky plc, for at least 12 months from the date of signing these financial statements, they will not demand payment of any amounts owed to them by the company where such repayment would prevent the company from continuing to settle its third party liabilities as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the financial statements

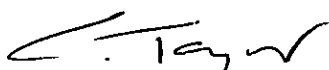
Auditor

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 20 November 2015

By Order of the Board,



C J Taylor
Company Secretary
Grant Way
Isleworth
Middlesex
TW7 5QD
20 November 2015

Statement of Directors' responsibilities

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

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

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

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

Auditor's Report

Independent Auditor's report to the members of Sky UK Limited

We have audited the financial statements of Sky UK Limited for the year ended 30 June 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the Company's affairs as at 30 June 2015 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

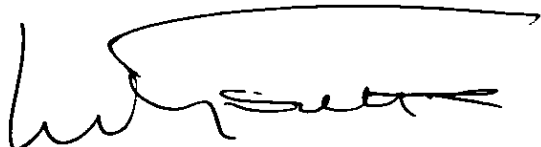
Opinion on other matter prescribed by the Companies Act 2006

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.



William Touche (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
20th November 2015

Income Statement

For the year ended 30 June 2015

	Notes	2015 £m	2014 £m
Revenue	2	7,530	7,320
Operating expense	3	(6,867)	(6,686)
Operating profit		663	634
Investment income	5	117	6
Income from shares in subsidiary undertakings	5	44	32
Finance costs	5	(155)	(102)
Impairment of investment	4	(29)	(202)
Profit on disposal of investment	12	766	-
Profit before tax	6	1,406	368
Tax	8	(71)	(97)
Profit for the year attributable to equity shareholder		1,335	271

The accompanying notes are an integral part of this Income Statement

All results relate to continuing operations

Statement of Comprehensive Income

For the year ended 30 June 2015

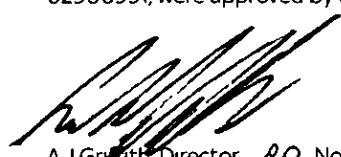
	2015 £m	2014 £m
Profit for the year attributable to equity shareholder	1,335	271
Other comprehensive income		
Amounts recognised directly in equity that may subsequently be recycled to the income statement		
Loss on revaluation of available-for-sale investments	(1)	(1)
Gain (loss) on cash flow hedges	61	(10)
Tax (charge) credit on cash flow hedges	(12)	3
	48	(8)
Amounts reclassified and reported in the income statement		
(Loss) gain on cash flow hedges	(53)	2
Tax credit (charge) on cash flow hedges	10	(1)
	(43)	1
Other comprehensive profit/(loss) for the year (net of tax)	5	(7)
Total comprehensive income for the year attributable to equity shareholder	1,340	264

All results relate to continuing operations

Balance Sheet

	Notes	2015 £m	2014 £m
As at 30 June 2015			
Non-current assets			
Intangible assets	9	226	480
Goodwill	10	88	88
Property, plant and equipment	11	731	729
Deferred tax assets	13	59	13
Trade and other receivables	15	72	39
Investment in subsidiaries	12	4,541	1,395
Investments in joint ventures and associates	12	90	-
Derivative financial assets	20	227	37
Available-for-sale investments		4	8
		6,038	2,789
Current assets			
Inventories	14	514	489
Trade and other receivables	15	10,314	5,630
Short-term deposits	20	1,100	295
Cash and cash equivalents	20	1,319	1,028
Derivative financial assets	20	36	30
		13,283	7,472
Total assets		19,321	10,261
Current liabilities			
Trade and other payables	16	16,677	8,695
Borrowings	19	7	3
Current tax liabilities		142	126
Provisions	17	33	22
Derivative financial liabilities	20	41	46
		16,900	8,892
Non-current liabilities			
Trade and other payables	18	50	49
Borrowings	19	2	4
Provisions	17	26	7
Derivative financial liabilities	20	221	35
		299	95
Total liabilities		17,199	8,987
Share capital	22	10	10
Reserves	23	2,112	1,264
Total equity attributable to equity shareholder	23	2,122	1,274
Total liabilities and shareholder's equity		19,321	10,261

The accompanying notes are an integral part of this Balance Sheet. The financial statements of Sky UK Limited registered number 02906991, were approved by the Board of Directors on 20 November 2015 and were signed on its behalf by



A J Griffith, Director, 20 November 2015

Cash Flow Statement

For the year ended 30 June 2015

	Note	2015 £m	2014 £m
Cash flows from operating activities			
Cash generated from operations	24	2,868	1,633
Interest received		12	4
Tax paid		(221)	(237)
Net cash from operating activities		2,659	1,400
Cash flows from investing activities			
Net funding to the Group's joint ventures and associates		(10)	(6)
Dividends received from the Group's joint ventures and associates		25	32
Purchase of property, plant and equipment		(211)	(165)
Purchase of intangible assets		(191)	(190)
Purchase of investments in subsidiaries		(2,703)	(20)
Proceeds from disposal of investment in subsidiary		598	-
Purchase of available-for-sale investments		-	(5)
(Increase)/decrease in short-term deposits		(805)	300
Net cash used in investing activities		(3,297)	(54)
Cash flows generated from financing activities			
Net proceeds from Group borrowings		5,364	-
Issue of loans to subsidiaries		(3,639)	-
Purchase of shares for Group ESOP		(12)	(164)
Share buyback for Sky Group plc shares		-	(266)
Interest paid on behalf of the Sky Group		(235)	(137)
Dividends paid to Sky Group plc shareholders		(549)	(485)
Net cash from (used in) financing activities		929	(1,052)
Net increase in cash and cash equivalents		291	294
Cash and cash equivalents at the beginning of the year		1,028	734
Cash and cash equivalents at the end of the year		1,319	1,028

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

Statement of Changes in Equity

For the year ended 30 June 2015

	Share capital £m	Share premium £m	Hedging reserve £m	Available- for-sale reserve £m	Retained earnings £m	Total shareholder's equity £m
At 1 July 2013	10	1,256	-	-	358	1,624
Profit for the year	-	-	-	-	271	271
Revaluation of available-for-sale investments	-	-	-	(1)	-	(1)
Recognition and transfer of cash flow hedges	-	-	(8)	-	-	(8)
Tax on items taken directly to equity	-	-	2	-	-	2
Total comprehensive income for the year	-	-	(6)	(1)	271	264
Tax on items taken directly to equity	-	-	-	-	8	8
Distribution to parent company	-	-	-	-	(622)	(622)
Share premium reduction	-	(1,256)	-	-	1,256	-
At 30 June 2014	10	-	(6)	(1)	1,271	1,274
Profit for the year	-	-	-	-	1,335	1,335
Revaluation of available-for-sale investments	-	-	-	(1)	-	(1)
Recognition and transfer of cash flow hedges	-	-	8	-	-	8
Tax on items taken directly to equity	-	-	(2)	-	-	(2)
Total comprehensive income for the year	-	-	6	(1)	1,335	1,340
Tax on items taken directly to equity	-	-	-	-	17	17
Distribution to parent company	-	-	-	-	(509)	(509)
At 30 June 2015	10	-	-	(2)	2,114	2,122

For a description of the nature and purpose of the hedging reserve, see note 23

Notes to the financial statements

1. Accounting policies

Sky UK Limited (the "Company", formerly British Sky Broadcasting 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 and historical cost basis, except for the remeasurement 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 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 2015, this date was 28 June 2015, this being a 52 week year (fiscal year 2014: 29 June 2014, 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.

The Company has taken advantage of the exemption from preparing the consolidated accounts afforded by section 400 of the Companies Act 2006, because it is a wholly-owned subsidiary of Sky plc which prepares consolidated accounts which are publicly available (see note 28).

c) Foreign currency translation

The Company's functional and presentational currency is pounds sterling. Trading activities denominated in foreign currencies are recorded in the functional currency of the entity at 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 the functional currency of the entity at the exchange rate prevailing at the date of the initial transaction. Gains and losses from the retranslation of monetary assets and liabilities are included net in the profit for the year.

d) Intangible assets

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

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

Notes to the financial statements

1 Accounting policies (continued)

d) Intangible assets (continued)

The amortisation of an intangible asset begins when the asset is available for use, and is charged to the income statement through operating expenses over the intangible asset's useful economic life, principally being a period of between 3 and 25 years, unless the asset life is judged to be indefinite. If the asset's useful economic life is judged to be indefinite or the asset is not yet available for use, no amortisation is charged and an impairment test is carried out at least annually. Other intangible assets are tested for impairment in line with accounting policy j) below.

e) Property, plant and equipment ("PPE")

Owned PPE is stated at cost, net of accumulated depreciation and any impairment losses (see accounting policy j), 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.

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:

Freehold buildings	25 to 40 years
Equipment, furniture and fixtures	3 to 20 years
Assets under finance leases and leasehold improvements	Lesser of lease term and the useful economic life of the asset

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

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

Notes to the financial statements

1. Accounting policies (continued)

f) Investment in subsidiaries, joint ventures or associates

An investment in a subsidiary, joint venture or associate is recognised at cost less any provision for impairment. As permitted by section 133 of the Companies Act 2006, where the relief afforded under section 131 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings, joint ventures or associates

g) Derivative financial instruments and hedging activities

The Company uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates

Derivatives are held at fair value from the date on which a derivative contract is entered into. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under IFRS 13 "Fair Value Measurement". The Company calculates a separate credit valuation adjustment ('CVA') or debit valuation adjustment ('DVA') for each derivative based upon the net position for each counterparty relationship. The Company calculates the CVA where it has a net asset position using a quoted credit default swap curve for the counterparty and calculates the DVA where it has a net liability position using an industry proxy credit default swap curve for the Company. The fair value of derivative financial instruments is calculated by discounting future cash flows with reference to the benchmark Libor curve, adjusted by the relevant credit default swap curve.

Certain derivatives held by the Company which relate to highly probable forecast transactions ("hedged items"), which meet qualifying criteria under IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"), are designated as cash flow hedges. Other derivatives are designated in a fair value hedge relationship as a result of the Company's investments in Sky International Operations Limited ("SIOL Ltd") which is measured at historic cost in accordance with IAS 21. This exposes the Company to foreign exchange risk at the time the investment is sold or impaired. These are subject to cash flow hedge accounting or fair value hedge accounting respectively. Certain other derivatives held by the Company do not meet the qualifying criteria for recognition for accounting purposes as hedges, despite this being their economic function. Changes in the fair values of these derivatives are recognised immediately in the income statement. The Company does not hold or issue derivatives for speculative purposes.

i Derivatives that qualify for cash flow hedge accounting

Changes in the fair values of derivatives that are designated as cash flow hedges ("cash flow hedging instruments") are initially recognised in the hedging reserve. In circumstances in which the derivative used is a currency option, only changes in the intrinsic value of the option are designated under the cash flow hedging relationship, with all other movements being recorded immediately in the income statement. Amounts accumulated in the hedging reserve are subsequently recognised in the income statement in the periods in which the related hedged items are recognised in the income statement.

At inception, the effectiveness of the Company's cash flow hedges is assessed through a comparison of the principal terms of the hedging instrument and the underlying hedged item. The ongoing effectiveness of the Company's cash flow hedges is assessed using the dollar-offset approach, with the expected cash flows of hedging instruments being compared to the expected cash flows of the hedged items. This assessment is used to demonstrate that each hedge relationship is expected to be highly effective on inception, has been highly effective in the period and is expected to continue to be highly effective in future periods. The measurement of hedge ineffectiveness for the Company's hedging instruments is calculated using the hypothetical derivative method, with

Notes to the financial statements

1. Accounting policies (continued)

g) Derivative financial instruments and hedging activities (continued)

i. Derivatives that qualify for cash flow hedge accounting (continued)

the fair values of the hedging instruments being compared to those of the hypothetical derivative that would result in the designated cash flow hedge achieving perfect hedge effectiveness. The excess of the cumulative change in the fair value of the actual hedging instrument compared to that of the hypothetical derivative is deemed to be hedge ineffectiveness, which is recognised in the income statement.

The Company uses a range of 80% to 125% for hedge effectiveness, in accordance with IAS 39, and any relationship which has effectiveness outside this range is deemed to be ineffective and hedge accounting is suspended.

When a cash flow hedging instrument expires, is terminated or is exercised, or if a hedge no longer meets the qualifying criteria for hedge accounting, any cumulative gain or loss existing in the hedging reserve at that time remains in the hedging reserve and is recognised when the forecast transaction is ultimately recognised in the income statement, provided that the underlying transaction is still expected to occur. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the hedging reserve is immediately recognised in the income statement and all future changes in the fair value of the cash flow hedging instruments are immediately recognised in the income statement.

ii. Derivatives that qualify for fair value hedge accounting

The Group has designated certain derivatives as fair value hedges as defined under IAS 39. Any changes in the fair value of the derivatives are recognised immediately in the income statement. The carrying values of the underlying hedged items are adjusted for the change in the fair value of the hedged risks, with the gains or losses recognised immediately in the income statement, offsetting the fair value movement on the derivative.

Prospective effectiveness is assessed quarterly, through a comparison of the principal terms of the hedging instrument and the underlying hedged item, including the likelihood of default by the derivative counterparty. The retrospective effectiveness of the Group's fair value hedges is calculated quarterly using the cumulative dollar-offset approach, with movements in the fair value of the hedged item being compared to movements in the fair value of the hedging instrument. The Group uses a range of 80% to 125% for hedge effectiveness and any relationship which has effectiveness outside this range is deemed to be ineffective and hedge accounting is suspended.

h) Inventories

i. Acquired and commissioned television programme inventories for broadcast

Programme inventories for broadcast are stated at the lower of cost and net realisable value ("NRV"), including, where applicable, estimated subscriber escalation payments, and net of the accumulated expense charged to the income statement to date.

Such programming rights are included as inventories when the legally enforceable licence period commences and all of the following conditions have been met: (a) the cost of each programme is known or reasonably determinable, (b) the programme material has been accepted by the Company in accordance with the conditions of the rights, and (c) the programme is available for its first showing. Prior to being included in inventories, the programming rights are classified as television programme rights not yet available for transmission and not recorded as inventory on the Company's Balance Sheet but are instead disclosed as contractual commitments (see note 26). Payments made

Notes to the financial statements

1. Accounting policies (continued)

h) Inventories (continued)

i Acquired and commissioned television programme inventories for broadcast (continued)

upon receipt of commissioned and acquired programming, but in advance of the legal right to broadcast the programmes, are treated as prepayments

The cost of television programme inventories is recognised in the operating expense line of the income statement, over the period the Company utilises the programming rights, taking into account the circumstances primarily as described below. These circumstances may change or evolve over time and as such, the Company regularly reviews and updates the method used to recognise programming expense

- Sports – the majority or all of the cost is recognised in the income statement on the first broadcast or, where the rights are for multiple seasons or competitions, such rights are recognised principally on a straight-line basis across the seasons or competitions. Where the rights are packaged, sold and consumed over the off-season, the Company allocates an appropriate portion of the total rights value to the off-season period, and that cost is recognised on a straight-line basis over the off-season period
- News – the cost is recognised in the income statement as incurred
- General entertainment – the cost relating to acquired, commissioned and produced rights are recognised in the income statement based on the expected value of each planned broadcast on the Company's linear channels and the time period over which non-linear programme rights are utilised. The cost attributable or apportioned to non-linear (on demand) rights are amortised on a straight-line basis over the period of broadcast rights
- Movies – the cost is recognised in the income statement on a straight-line basis over the period for which the broadcast rights are licensed

The Company regularly reviews its programming rights for impairment. Where programme rights are surplus to the Company's requirements, and no gain is anticipated through a disposal of the rights, or where the programming will not be broadcast for any other reason, a write-down to the income statement is made. Any reversals of inventory write-downs are recognised as reductions in operating expenses

ii. Set-top boxes, routers and related equipment

Set-top boxes, routers and related equipment held for sale to customers are valued at the lower of cost and NRV, the latter of which reflects the value that the business expects to realise from the set-top boxes and related equipment in the hands of the customer, and are recognised through the operating expense line of the income statement. Any subsidy is expensed on enablement, which is the process of activating the viewing card during installation, so as to enable a viewer to view encrypted broadcast services, and effectively represents the completion of the installation process for new subscribers. The amount recognised in the income statement is determined on a weighted average cost basis, in accordance with IAS 2 "Inventory"

i) 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

Notes to the financial statements

1. Accounting policies (continued)

i) 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 income statement.

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 included as a component of cash and cash equivalents where offset conditions are met.

iii. Short-term deposits

This includes short-term deposits which have maturity dates of more than three months from inception. These deposits are initially recognised at fair value and then carried at amortised cost or fair value through the income statement less any allowance for impairment losses.

iv. 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.

v. Available-for-sale investments

Equity investments intended to be held for an indefinite period are classified as available-for-sale investments. They are carried at fair value, where this can be reliably measured, with movements in fair value recognised directly in the available-for-sale reserve. Where the fair value cannot be reliably measured, the investment is carried at cost.

vi. Investments in subsidiaries

An investment in a subsidiary is recognised at cost less any provision for impairment. As permitted by section 133 of the Companies Act 2006, where the relief afforded under section 131 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

vii. Investments in associates and joint ventures

An investment in an associate or joint venture is recognised at cost less any provision for impairment. As permitted by section 133 of the Companies Act 2006, where the relief afforded under section 131 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the associate or joint venture undertakings.

Notes to the financial statements

1. Accounting policies (continued)

j) Impairment

At each balance sheet date, in accordance with IAS 36 "Impairment of Assets", the Company reviews the carrying amounts of all its assets excluding inventories and deferred tax (see accounting policies h) and o) respectively), to determine whether there is any indication that any of those assets have suffered an impairment loss

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

k) 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.

l) Revenue recognition

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Company's operating activities. The Company's main sources of revenue are recognised as follows:

- Subscription revenue includes revenue from residential and commercial subscribers to TV and communication products, including over-the-top ("OTT") subscriptions, and income from set-top box sales and installation, service calls and warranties. Revenue is recognised, net of any discount given, as the goods or services are provided.
- Transactional revenue includes the purchase of physical content, OTT passes, pay per view and buy to keep content by residential and commercial customers. Transactional revenue is recognised, net of any discount given, when the relevant goods or services are provided.
- Wholesale and syndication revenue includes revenue from the sale of channels and programmes across other platforms and internationally. Wholesale revenue is recognised as the services are provided to cable and other retailers and is based on the number of subscribers taking the Sky channels, as reported to the cable and other retailers, and applicable rate card or contract. Syndication revenues are earned from the production of

Notes to the financial statements

1. Accounting policies (continued)

l) Revenue recognition (continued)

- programming and the distribution of programming rights. Production revenue is recognised on a stage of completion basis and distribution revenue is recognised when the contract is signed and the content is available for exploitation
- Advertising sales revenue is recognised when the advertising is broadcast. Revenue generated from airtime sales, where Sky acts as an agent on behalf of third parties, is recognised on a net commission basis
- Other revenue principally includes income from technical platform services, and the provision of network services. Other revenue is recognised, net of any discount given, when the relevant goods or service are provided

Revenue is measured at the fair value of the consideration received or receivable. 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 their relative fair values. 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.

m) Employee benefits

Wages, salaries and social security contributions

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

Pension obligations

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

Termination benefits

Termination benefits are recognised as a liability at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognises any related restructuring costs, such termination being before the normal retirement date or as the result of an offer to encourage voluntary redundancy.

Equity compensation benefits

The Company issues equity-settled share-based payments to certain employees which must be measured at fair value and recognised as an expense in the income statement, with a corresponding increase in equity. The fair values of equity-settled payments are measured at the dates of grant using option-pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the Company's estimate of the number of awards which will be forfeited, either due to employees leaving the Company prior to vesting or due to non-market based performance conditions not being met. Where an award has market-based performance conditions, the fair value of the award is adjusted for the probability of achieving these via the option pricing model. The total amount recognised in the income statement as an expense is adjusted to reflect the actual number of awards that vest, except where forfeiture is due to the failure to meet market-based performance measures. In the

Notes to the financial statements

1. Accounting policies (continued)

m) Employee benefits (continued)

Equity compensation benefits (continued)

event of a cancellation, whether by the Company or by a participating employee, the compensation expense that would have been recognised over the remainder of the vesting period is recognised immediately in profit or loss

n) 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.

The Company as lessor

Sublease income from operating leases is recognised on a straight-line basis over the term of the lease.

The Company as 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 to 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 income statement 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.

o) Taxation, 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, except in a business combination, the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. Deferred tax is charged or credited in the income statement, 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.

Notes to the financial statements

1 Accounting policies (continued)

o) Taxation, including deferred tax (continued)

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

p) Dividends

Dividends are recognised in the retained earnings reserve in the period in which they are declared

q) Critical accounting policies

Certain accounting policies are considered to be critical to the Company. An accounting policy is considered to be critical if, in the Directors' judgement, its selection or application materially affects the Company's financial position or results.

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 (see note 2)

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 Tax, including deferred taxation

- The Company's tax charge is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process.
- Provisions for tax contingencies require management to make judgements and estimates in relation to tax audit issues and exposures. Amounts provided 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.
- The key area of judgement in respect of deferred tax accounting is the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the balance sheet date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deferred tax assets can be utilised.

Notes to the financial statements

1. Accounting policies (continued)

q) Critical accounting policies (continued)

iii. Intangible assets and property, plant and equipment (see notes 9 and 11)

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

iv. Programming inventory (see note 14)

The key area of accounting for programming inventory for broadcast that requires judgement is the assessment of the appropriate profile over which to amortise general entertainment programming. This assessment requires the Company to form an expectation of

- the time period over which the programme is expected to be utilised,
- the number of times a programme will be broadcast on the Group's channels,
- the relative value associated with each broadcast, and
- the relative value associated with linear channel and non-linear programme rights.

In order to perform this assessment, the Company considers the following factors

- The period and frequency with which the programme is expected to be utilised on the Company's linear channels and non-linear services. This is usually based on a combination of the actual period specified in the contract for the programme rights, the initial expectation of when airings will be scheduled and the alternative programming available to the Company within this period.
- Expectations as to the number of viewers a programme is likely to achieve for each individual broadcast on the Company's linear channels over the contractual broadcast period. The number of viewers per broadcast directly influences advertising revenue for channels, although this consideration is partly influenced by the Company's assessment of the potential impact of the publicly available information on its competitors' scheduling intentions against planned broadcasts.
- The potential benefits associated with utilising programming. Certain high-profile or high-quality programming titles have additional value to the Company, as they attract new TV customers and encourage retention of existing TV customers. As such, these programmes are able to retain more value throughout their licence period than would be indicated when considering the expected customer viewing and consumption numbers alone.
- The relative value associated with linear channel and non-linear rights are assessed based on the manner in which the Company expects to utilise the programming rights and the relative value perceived by customers for the Company's channels and services. Those relative values may also differ based on the type and genre of programme. Such values are reviewed by the Company against current and expected future trends in customer viewing behaviour for the Company's programming and channels. The value apportioned to non-linear rights (in addition to any separately acquired non-linear rights) is amortised on a straight-line basis over the period of

Notes to the financial statements

1. Accounting policies (continued)

q) Critical accounting policies (continued)

iv. Programming inventory (see note 14) (continued)

the broadcast rights, as the Company considers this to be the profile most closely aligned to its consumption of those rights

v. Goodwill (see note 10)

- Judgement is required in determining the fair value of identifiable assets, liabilities and contingent assets and liabilities assumed in a business combination and the fair value of the consideration payable. Calculating the fair values involves the use of significant estimates and assumptions, including expectations about future cash flows, discount rates and the lives of assets following purchase

vi. Investments in subsidiaries, joint ventures and associates (see note 12)

The Company reviews the carrying amounts of its investment to determine whether there is any indication that the investment has suffered an impairment loss

r) 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 2015 or later periods. These new pronouncements are listed below

- 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)*
- Annual Improvements 2012-2014 cycle (effective 1 July 2016)*
- IFRS 15 "Revenue from Contracts with Customers" (effective 1 January 2018)*
- 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

	2015	2014
	£m	£m
Subscription	6,369	6,186
Advertising	505	490
Wholesale and syndication	452	420
Transactional	127	93
Other	77	131
	7,530	7,320

Revenue arises from goods and services provided to the United Kingdom, with the exception of £241 million (2014 £381 million) which arises from services provided to other countries

3. Operating expense

	2015	2014
	£m	£m
Programming	2,777	2,652
Sales, general and administration	4,090	4,034
	6,867	6,686

4 Impairment of Investments

During the year, as part of Group reorganisations, the Company reduced its investments in Multicultural and Ethnic Media Sales Limited, Virtuous Systems Limited and Dolphin TV Limited (charge of £25 million). A substantial portion of the businesses of these entities was transferred into the Company and accordingly the value of the Company's investments in these subsidiaries was reduced.

In addition the company wrote down its investment in an available for sale investment (charge of £4m).

During the prior year as part of a Group reorganisation the Company reduced its investment in Sky Home Communications Limited ("Sky Home Communications") (charge of £202 million). As a result a substantial portion of the business of Sky Home Communications was transferred into the Company and accordingly the value of the Company's investment in Sky Home Communications was reduced.

Notes to the financial statements

5. Investment income and finance costs

	2015 £m	2014 £m
Investment income		
Cash, cash equivalents and short-term deposits	12	4
Intercompany interest receivable ⁽ⁱ⁾	61	2
Remeasurement of other derivative financial instruments (not qualifying for hedge accounting)	38	-
Realised foreign exchange gain on loan	6	-
Distribution received from subsidiaries ⁽ⁱⁱ⁾	44	32
	161	38
	2015 £m	2014 £m
Finance costs		
Intercompany interest payable ⁽ⁱⁱⁱ⁾	(155)	(98)
Remeasurement of other derivative financial instruments (not qualifying for hedge accounting)	-	(4)
	(155)	(102)

(i) Intercompany interest is receivable on certain loans to Sky Operational Finance Limited (formerly BSkyB Finance Limited) (see note 15)

(ii) During 2015, the Company recognised dividend income of £44 million from subsidiary undertakings (2014 £32 million)

(iii) Intercompany interest payable includes interest on US\$750 million Guaranteed Notes at 6.100%, repayable in February 2018, US\$582.8 million Guaranteed Notes at 9.500%, repayable in November 2018, £300 million Guaranteed Notes at 6.000%, repayable in May 2027, US\$800 million Guaranteed Notes at 3.125%, repayable in November 2022 and £503 million RCF agreement at 3.226%

In October 2005, Sky Group Finance plc (formerly BSkyB Finance UK plc) issued Guaranteed Notes. Intercompany interest is payable to Sky Group Finance plc on these Guaranteed Notes, consisting of US \$750 million aggregate principal amount of notes paying 5.625% interest and maturing on 15 October 2015, £400 million aggregate principal amount of notes paying 5.750% interest and maturing on 20 October 2017 and US \$350 million aggregate principal amount of notes paying 6.500% interest and maturing on 15 October 2035.

In September 2014, as part of the acquisition of Sky Deutschland and Sky Italia, the Company entered into various intercompany loan agreements with Sky Operational Finance Limited. Intercompany interest is payable to Sky Operational Finance Limited on these loans consisting of a €581 million loan at EURIBOR +0.656%, €1,500 million of 15% Guaranteed, a loan of €969 million at 2.19%, €1,000 million of 2.5% Guaranteed and €400 million of 2.75% Guaranteed Notes repayable in November 2029. These loans are all repayable on demand.

Notes to the financial statements

5. Investment income and finance costs (continued)

In addition in November 2014, the Company entered into further intercompany loan arrangements with Sky Operational Finance Limited. Intercompany interest is payable to Sky Operational Finance Limited on these loans consisting of €850 million of 1.875% Guaranteed Notes repayable in November 2023 and a €126 million loan at 2.94% repayable in November 2029.

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.1% (2014: 4.9%) to expenditure on such assets. The amount capitalised in the current year amounted to £8 million (2014: £4 million).

6. Profit before tax

Profit before tax is stated after charging

	2015	2014
	£m	£m
Cost of inventories recognised as an expense	1,959	1,872
Depreciation and impairment of property, plant and equipment	100	100
Impairment of investment in subsidiaries	25	202
Amortisation and impairment of intangible assets	103	100
Rentals on operating leases and similar arrangements	34	37

Foreign exchange

Foreign exchange differences recognised in the income statement during the year amounted to a gain of £2 million (2014: loss of £2 million).

Audit fees

An analysis of auditor's remuneration is as follows

	2015	2014
	£m	£m
Total audit fees	1	1
Other services pursuant to legislation	1	1
Total non-audit fees	1	1
	2	2

Fees payable to the Company's auditor for the audit of the annual accounts were £0.5 million (2014: £0.3 million) and fees payable to the Company's auditor for settlement of audit fees on behalf of other group companies were £0.3 million (2014: £0.3 million).

Amounts paid to the auditor for non-audit related fees include audit related services of £0.2 million (2014: £0.2 million), taxation services of £0.2 million (2014: £0.5 million), other assurance services of £0.1 million (2014: £0.1 million), other advisory services of nil (2014: nil) and transaction services of £0.3 million (2014: £0.6 million).

Notes to the financial statements

7. Employee benefits and key management compensation

a) Company employee benefits

	2015	2014
	£m	£m
Wages and salaries	464	434
Social security costs	75	60
Costs of employee share option schemes ⁽ⁱ⁾	90	57
Contributions to the BSkyB Pension Plan ("the Pension Plan") ⁽ⁱⁱ⁾	22	22
	651	573

(i) The expense recognised for employee share option schemes relates wholly to equity-settled share-based payments

(ii) 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 2015 was £3 million (2014: £4 million).

The average monthly number of full-time equivalent persons (including temporary employees) employed by the Company during the year was 7,050 (2014: 7,091).

	2015	2014
	Number	Number
Channels and services	3,044	3,015
Transmission and technology	2,000	1,803
Customer services, sales and marketing	1,219	1,514
Management and administration	787	759
	7,050	7,091

b) Key management compensation

	2015	2014
	£m	£m
Short-term employee benefits	2	2
Share-based payment expense	2	2
	4	4

Key management are defined as the Directors of the Company.

During the year the highest paid director was paid compensation of £1,566,115. The highest paid director exercised 97,564 share options under share option schemes. Please refer to Note 22 for further information on Share option and contingent share award schemes.

Notes to the financial statements

8 Tax

a) Tax recognised in the income statement

	2015 £m	2014 £m
Current tax expense		
Current year	141	109
Adjustment in respect of prior years	(37)	(29)
Total current tax charge	104	80
Deferred tax expense		
Origination and reversal of temporary differences	(41)	15
Adjustment in respect of prior years	8	2
Total deferred tax (credit) charge	(33)	17
Tax	71	97

b) Tax recognised directly in equity

	2015 £m	2014 £m
Current tax credit relating to share-based payments	2	8
Deferred tax credit relating to share-based payments	15	-
Deferred tax (charge) credit relating to cash flow hedges	(2)	2
	15	10

c) Reconciliation of total tax charge

The tax expense for the year is lower (2014 higher) than the standard blended rate of corporation tax in the UK (20.75%) (2014 22.5%) applied to profit before tax. The differences are explained below.

	2015 £m	2014 £m
Profit before tax	1,406	368
Profit before tax multiplied by blended rate of corporation tax in the UK of 20.75% (2014 22.5%)	292	83
Effects of:		
Profit on disposal of investments	(156)	-
Non-taxable income	(9)	(7)
Other permanent differences	(27)	48
Adjustments in respect of prior years	(29)	(27)
Tax	71	97

All tax relates to UK corporation tax.

Notes to the financial statements

9 Intangible assets

	Internally generated intangible assets	Software development (external) and software licenses	Other intangible assets	Internally generated intangible assets not yet available for use	Acquired intangible assets not yet available for use	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 July 2013	292	208	90	17	6	613
Additions	58	29	1	79	23	190
Transferred on Group reorganisation	4	2	-	3	-	9
Disposals	(16)	(9)	(2)	-	-	(27)
Transfers	42	9	2	(42)	(11)	-
At 30 June 2014	380	239	91	57	18	785
Additions	35	14	1	121	20	191
Transferred on Group reorganisation	(242)	(165)	(6)	(100)	(16)	(529)
Disposals	(8)	(2)	-	-	-	(10)
Transfers	60	21	2	(61)	(22)	-
At 30 June 2015	225	107	88	17	-	437
Amortisation						
At 1 July 2013	128	98	6	-	-	232
Amortisation for the year	60	34	5	-	-	99
Impairment	-	-	1	-	-	1
Disposals	(16)	(9)	(2)	-	-	(27)
At 30 June 2014	172	123	10	-	-	305
Amortisation for the year	62	35	5	-	-	102
Impairment	1	-	-	-	-	1
Transfers on Group reorganisation	(101)	(84)	(2)	-	-	(187)
Disposals	(8)	(2)	-	-	-	(10)
At 30 June 2015	126	72	13	-	-	211
Carrying amounts						
At 1 July 2013	164	110	84	17	6	381
At 30 June 2014	208	116	81	57	18	480
At 30 June 2015	99	35	75	17	-	226

Notes to the financial statements

9. Intangible assets (continued)

During the year, as part of a Group reorganisation, assets of the Company amounting to a net book value of £342 million were transferred out to Sky Subscribers Services Limited ("SSSL") and Sky CP Limited

The Company's internally generated intangible assets relate to software development associated with the Company's customer management systems and set-top boxes. The Company's other intangible assets include certain assets with indefinite useful lives. The carrying value of these assets is £25 million (2014: £25 million).

The estimated future amortisation charge on finite-lived intangible assets for each of the next five years is set out below. It is likely that amortisation will vary from the figures below as the estimate does not include the impact of any future investments, disposals or capital expenditure.

	2016	2017	2018	2019	2020
Estimated amortisation charge	62	46	32	20	8

10. Goodwill

On the 29 April 2012, the assets of Living TV Group Holdings Ltd, which was put into liquidation as part of a Group restructuring programme, were transferred to the Company in a common control transaction for consideration of £144 million. The net assets acquired were transferred at book value of £144 million. On transfer the carrying value of the goodwill was £18 million, and the carrying value of the intangible asset relating to the customer contract between Living TV Group Holdings and the Company was £70 million. This resulted in the recognition of £88 million of goodwill by the Company.

Notes to the financial statements

11. Property, plant and equipment

	Freehold land and buildings ⁽ⁱ⁾	Leasehold improvements	Equipment, furniture and fixtures ⁽ⁱⁱ⁾	Assets not yet available for use	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2013	287	40	681	30	1,038
Additions	4	-	47	120	171
Disposals	-	-	(23)	-	(23)
Transfers	32	-	34	(66)	-
Transfers out on Group reorganisation	-	-	(33)	-	(33)
At 30 June 2014	323	40	706	84	1,153
Additions	2	-	15	208	225
Disposals	(4)	-	(22)	-	(26)
Transfers	57	-	49	(106)	-
Transfers out on Group reorganisation	-	-	(104)	(68)	(172)
At 30 June 2015	378	40	644	118	1,180
Depreciation					
At 1 July 2013	29	28	310	-	367
Depreciation	8	3	89	-	100
Disposals	-	-	(23)	-	(23)
Transfers out on Group reorganisation	-	-	(20)	-	(20)
At 30 June 2014	37	31	356	-	424
Depreciation	7	4	85	-	96
Impairment	2	-	2	-	4
Disposals	(4)	-	(22)	-	(26)
Transfers out on Group reorganisation	-	-	(49)	-	(49)
At 30 June 2015	42	35	372	-	449
Carrying amounts					
At 1 July 2013	258	12	371	30	671
At 30 June 2014	286	9	350	84	729
At 30 June 2015	336	5	272	118	731

(i) Depreciation was not charged on £77 million of land (2014: £77 million)

(ii) The amounts shown include assets held under finance leases with a net book value of £5 million (2014: £7 million). The cost of these assets was £9 million (2014: £9 million) and the accumulated depreciation was £4 million (2014: £2 million). Depreciation charged during the year on such assets was £2 million (2014: £1 million).

Notes to the financial statements

11. Property, plant and equipment (continued)

During the year, as part of a Group reorganisation, assets of the Company amounting to a net book value of £123 million were transferred out to Sky Subscribers Services Limited ("SSSL") and Sky CP Limited

12. Investment in subsidiaries, joint ventures and associates

(i) Non-current loans and subscription for shares in subsidiaries

The movement in the year was as follows

	Loans £m	Shares £m	2015 £m	2014 £m
Cost and funding				
Beginning of year	36	1,446	1,482	1,654
Subscription for shares	-	3,184	3,184	33
Impairment of investments	-	(25)	(25)	(202)
Remeasurement of derivative financial instruments qualifying for hedge accounting	-	(10)	(10)	-
Working capital adjustment	-	-	-	(3)
Disposals	-	(3)	(3)	-
End of year	36	4,592	4,628	1,482
Amounts provided				
Beginning of year	(5)	(82)	(87)	(87)
End of year	(5)	(82)	(87)	(87)
Net book value				
Beginning of year	31	1,364	1,395	1,567
End of year	31	4,510	4,541	1,395

Investment in subsidiaries shown above represents the cost of the shares of the wholly-owned subsidiary undertakings plus non-current loans advanced, less provisions made for any impairment in value. All non-current loans to subsidiaries are non-interest bearing.

During the year, as part of the acquisitions of Sky Deutschland and Sky Italia, the Company acquired £2,701 million of shares in SIOL. These funds were used to purchase SIOL's shareholding in Sky German Holdings GmbH and Sky Italian Holdings SpA which in turn were used by Sky German Holdings GmbH and Sky Italian Holdings SpA to purchase Sky Deutschland AG and Sky Italia Srl.

During the year, as part of a Group reorganisation, the Company subscribed to £432 million of shares in Sky CP Limited and £51 million of shares in SSSL.

In addition the Company completed the sale of its controlling stake in the online and gaming business, Sky Betting & Gaming ("Sky Bet"), to funds advised by CVC Capital Partners and members of the Sky Bet management team. The profit recognised on disposal of this investment amounted to £766 million.

Notes to the financial statements

12. Investment in subsidiaries, joint ventures & associates (continued)

(i) Non-current loans and subscription for shares in subsidiaries (continued)

During the year, as part of Group reorganisations, the Company reduced its investments in Multicultural and Ethnic Media Sales Limited, Virtuous Systems Limited and Dolphin TV Limited (charge of £25 million). A substantial portion of the businesses of these entities was transferred into the Company and accordingly the value of the Company's investments in these subsidiaries was reduced.

In the prior year the Company acquired an investment in Ciel Bleu 6 Ltd, parent company of Newserge Limited. Newserge operates a significant portion of Sky's installation and service capability, an investment in Virtuous Systems Limited ("VSL"). VSL is a third party company that has developed a sophisticated software tool for advertising services, and an investment in Dolphin TV Limited and Multicultural & Ethnic Media Sales Limited, both companies operate advertising sales houses. The aggregate consideration paid for these investments was £33 million.

Details of the investments of the Company are as follows:

Incorporated in England and Wales

Name	Description and proportion of shares held (%)
Direct holdings	
Sky Ventures Limited	912 Ordinary Shares of £1 each (100%)
Sky New Media Ventures Limited	2 Ordinary Shares of £1 each (100%)
Sky Retail Stores Limited	5,001,055 Ordinary Shares of £0.01 (100%)
Sky Telecommunications Limited	1,000 Ordinary Shares of £1 each (100%)
Sky Telecommunications Services Limited	5,821,764 Ordinary Shares of £1 each (100%)
Sky In-Home Service Limited	1,576,000 Ordinary Shares of £1 each (100%)
Sky Subscribers Services Limited	5 Ordinary Shares of £1 each (100%)
Sky Home Communications Limited	9,528,124 Ordinary Shares of £1 each (100%)
Sky LLU Assets Limited	90 Ordinary Shares of £0.04 each (100%)
The Cloud Networks Limited	30,583,988 Shares of £0.00025 each (100%)
Ciel Bleu 6 Limited	51,850 Ordinary Shares of £0.01 each (100%)
Parthenon Media Group Limited	2 Ordinary Shares of £1 each (100%)
Sky International Operations Limited	2,540,916,167 Ordinary Shares of £1 each (100%)
Amstrad Limited	159 Ordinary Shares of £0.10 each (99.375%)
Sky Publications Limited	2 Ordinary Shares of £1 each (100%)
Sky Healthcare Scheme 2 Limited	2 Ordinary Shares of £1 each (100%)
Sky SNI Limited	100 Ordinary Shares of £1 each (100%)
Dolphin TV Limited	150,000 Ordinary A Shares of £0.001 each (75%) and 50,000 Ordinary B Shares of £0.001 each (25%)
International Channel Pack Distribution Limited	1 Ordinary Share of £1 each (100%)
MEMSTV Limited	10 Ordinary Shares of £1 each (100%)
Multicultural & Ethnic Media Sales Limited	144 Ordinary Shares of £1 each (100%)
NOW TV plc	1 Ordinary Share of £1 each (100%)
Rivals Digital Media Limited	200 Ordinary Shares of £0.01 each (100%)
Sky Europe Limited	1 Ordinary Share of £1 each (100%)
Sky Global Media plc	1 Ordinary Share of £1 each (100%)
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Sky Group Limited	1 Ordinary Share of £1 each (100%)
Sky International Limited	1 Ordinary Share of £1 each (100%)
Sky Mobile Services Limited	1 Ordinary Share of £1 each (100%)
Sky Channel Limited	1 Ordinary Share of £1 each (100%)
Sky News Limited	1 Ordinary Share of £1 each (100%)
Tour Racing Limited	85 Ordinary A Shares of £1 each (85%)
Virtuous Systems Limited	125 Ordinary Shares of £1 each (100%)
British Sky Broadcasting Limited	1 Ordinary Share of £1 each (100%)
Sky CP Limited	432,334,227 Ordinary Shares of £1 each (100%)

Indirect holdings

Sky IP International Limited	300 Ordinary Shares of £1 each (100%)
Sky IQ Limited	100 Ordinary Shares of £1 each (100%)
Kidsprog Limited	2 Ordinary Shares of £1 each (100%)
Sky Comedy Limited	2 Ordinary Shares of £1 each (100%)
Sky History Limited	2 Ordinary Shares of £1 each (100%)
Parthenon 1 Limited	1 Ordinary Share of £1 each (100%)
Parthenon 2 Limited	2 Ordinary Shares of £1 each (100%)
Sky SNA Limited	100 Ordinary Shares of £1 each (100%)
Sky SNI Operations Limited	200 Ordinary Shares of £1 each (100%)
Newserge Limited	100 Ordinary Shares of £1 each (100%)
Parthenon Entertainment Limited	100 Ordinary Shares of £1 each (100%)
Cymru International Limited	2 Ordinary Shares of £1 each (100%)
Znak Jones Productions Limited	1 Ordinary Share of £1 (100%)
Love Productions Limited	7,724 Ordinary Shares of £1 each (70%)

Incorporated in Germany

Name	Description and proportion of shares held (%)
Indirect holdings	
Premiere WIN Fernsehen GmbH	2 Ordinary Shares of €25,000 each (100%)
SCAS Satellite CA Services GmbH	1 Ordinary Share of €25,000 each (100%)
Sky Deutschland AG	931,114,937 Ordinary Shares of €1 each (96.05%)
Sky Deutschland Customer Center GmbH	25,000 Ordinary Shares of €1 each (100%)
Sky Deutschland Fernsehen GmbH & Co KG	Partnership interest (100%)
Sky Deutschland Service Center GmbH	1 Ordinary Share of €25,000 each (100%)
Sky Deutschland Verwaltungs GmbH	1 Ordinary Share of €25,000 each (100%)
Sky German Holdings GmbH	26,000 Ordinary Shares of €1 each (100%)
Sky Hotel Entertainment GmbH	9 Ordinary Shares of €17,500, €107,700, €50,000, €88,600, €68,000, €175,700, €17,500, €105,000 and €70,000 (100%)
Sky Media Network GmbH	2 Ordinary Shares of €6,025 and €18,975 (100%)
Sky Österreich Fernsehen GmbH	1 Ordinary Share of €35,000 each (100%)
The Cloud Networks Germany GmbH	2 Ordinary Shares of €975,000 and €25,000 (100%)

Notes to the financial statements

Incorporated in Italy

Name	Description and proportion of shares held (%)
Indirect holdings	
Sky Italia Srl	Quota interest (100%)
Sky Italian Holdings SpA	121,000 Ordinary Shares of €1 each (100%)
Sky Italia Network Services Srl	Quota interest (100%)
Telepiù Srl	Quota interest (100%)

Incorporated in other overseas countries

Name	Description and proportion of shares held (%)
Indirect holdings	
Acetrax AG (Switzerland)	12 281,326 Ordinary Shares of CHF 0.01 each (100%)
Sky Channel SA (Belgium)	1,250 Ordinary Shares of €49.60 each (100%)
Sky International AG (Switzerland)	200,000 Ordinary Shares of CHF 1.00 each (100%)
Sky Ireland Limited (Ireland)	1 Ordinary Share of €1 each (100%)
Sky Manufacturing Services Limited (Hong Kong)	10,000 Ordinary Shares of HKD 1.00 each (100%)
Sky Österreich Verwaltung GmbH (Austria)	1 Ordinary Share of €36,336
The Cloud Networks Nordic AB (Sweden)	640,010 Ordinary Shares of SEK 1.00 each (100%)
The Cloud Networks Nordic AB (Denmark)	125,000 Ordinary Shares of DKK 1.00 each (100%)

Incorporated in the USA

Name	Description and proportion of shares held (%)
Indirect holdings	
BSkyB US Holdings, Inc	100 Ordinary Shares of £0.001 each (100%)
Callisto Media West, LLC	Membership interest (100%)
Jupiter Entertainment Holdings LLC	Membership interest (60%)
Jupiter Entertainment, LLC	Membership interest (100%)
Jupiter Entertainment North, LLC	Membership interest (100%)
Love American Journeys, LLC	Membership interest (100%)
Love Baking, LLC	Membership interest (100%)
Love Productions USA, Inc	1,000 Ordinary Shares of \$1 each (100%)
Love Sewing, LLC	Membership interest (100%)
PhotoOps, LLC	Membership interest (100%)
USA Love Development, LLC	Membership interest (100%)
Wild West Alaska, LLC	Membership interest (100%)
ZJTV LLC	Membership interest (51%)

Notes to the financial statements

(ii) Investments in joint ventures and associates

The movement in the year was as follows

	2015 £m	2014 £m
Cost and funding		
Beginning of year	-	-
Subscription for shares	90	-
End of year	90	-
Amounts provided		
Beginning of year	-	-
End of year	-	-
Net book value		
Beginning of year	-	-
End of year	90	-

On 19 March 2015, the Company completed the sale of a controlling stake in the online betting and gaming business, Sky Betting & Gaming ("Sky Bet"), to funds advised by CVC Capital Partners and members of the Sky Bet management team. The Company has retained an equity stake of 20% post completion.

Details of the investments in joint ventures and associates are as follows

Incorporated in England and Wales

Name	Description and proportion of shares held (%)
Direct holdings	
Bolt Pro Tem Limited	100 Ordinary Shares of £1 each (33.3%)
DTV Services Limited	6,000 Ordinary Shares of £1 each (20%)
Internet Matters Limited	Limited by guarantee – members interest (25%)
Lovesport Productions Limited	4,999 Ordinary Shares of £1 each (49.99%)
Nicklelodeon UK Limited	104 Ordinary B Shares of £0.01 each (40%)
Odeon and Sky Filmworks Limited	2,450 Ordinary B Shares of £1 each (50%)
Paramount UK Partnership	Partnership interest (25%)
Venture 2009 Limited	50 Ordinary Shares of £1 each (50%)
Indirect holdings	
AETN UK	50,000 Ordinary Shares of £1 each (50%)
Attheraces Holdings Limited	1,584 Ordinary Shares of £1 each (48.35%)
	20 recoupment shares of £0.01 each
Colossus Productions Limited	2,000 Ordinary Shares of £0.01 each (20%)
Lovesport Productions Limited	4,999 Ordinary Shares of £1 each (49.99%)
Nicklelodeon UK Limited	104 Ordinary B Shares of £0.01 each (40%)
Odeon and Sky Filmworks Limited	2,450 Ordinary B Shares of £1 each (50%)
Paramount UK Partnership	Partnership interest (25%)
Venture 2009 Limited	50 Ordinary Shares of £1 each (50%)
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Incorporated in the Channel Islands

Name	Description and proportion of shares held (%)
Direct holdings	
Cyan Blue Topco Limited	200,566 Ordinary A2 Shares of £0.01 each (20.06%) 200 contingent value shares of £0.01 each

Incorporated in the UAE

Name	Description and proportion of shares held (%)
Indirect holdings	
Sky News Arabia FZ-LLC	47,816,666 Ordinary Shares of \$1 each (50%)

Incorporated in Australia

Name	Description and proportion of shares held (%)
Indirect holdings	
Australian News Channel Pty-Limited	1 Ordinary Share of AUD\$1 (33.3%)

13. Deferred tax

Recognised deferred tax asset/(liability)

	Accelerated tax depreciation	Short-term temporary differences	Share-based payments temporary differences	Financial instrument temporary differences	Total
	£m	£m	£m	£m	£m
At 1 July 2013	(21)	4	45	-	28
Credit (charge) to income	4	(2)	(19)	-	(17)
Credit to equity	-	-	-	2	2
At 30 June 2014	(17)	2	26	2	13
Credit (charge) to income	21	(2)	14	-	33
Credit (charge) to equity	-	-	15	(2)	13
At 30 June 2015	4	-	55	-	59

There are no unrecognised deferred tax liabilities (2014: nil). There is an unrecognised deferred tax asset of £1 million (2014: £2 million) in respect of tax trading losses and £30 million in respect of tax capital losses (2014: £30 million). There is currently insufficient evidence to support the recognition of a deferred tax asset relating to these losses.

Notes to the financial statements

13. Deferred tax (continued)

Deferred tax assets have been recognised at 30 June 2015 (and 30 June 2014) on the basis that management deems 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 rate enacted or substantively enacted for the relevant period of reversal is 20% as at June 2015 (2014: 20%).

The UK Government announced the reduction in the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% from 1 April 2020. These changes have not been substantively enacted and have not therefore been included in the figures above. The impact of the future rate reductions will be accounted for to the extent that they are enacted at future balance sheet dates; however, it is estimated that this will not have a material impact on the Company.

14. Inventories

	2015 £m	2014 £m
Television programme rights	513	488
Other inventories	1	1
Total inventory	514	489

15. Trade and other receivables

	Note	2015 £m	2014 £m
Gross trade receivables		134	190
Less: provision for impairment of receivables		(57)	(68)
Net trade receivables		77	122
Amounts receivable from other Group companies ^(a)		8,866	4,558
Amounts receivable from subsidiaries ^(b)		703	483
Amounts receivable from parent company ^(c)		56	36
Amounts receivable from joint ventures and associates		19	6
Amounts receivable from other related parties	27	8	5
Prepayments		387	259
Accrued income		188	156
Other receivables		10	5
Current trade and other receivables		10,314	5,630
Non-current amounts receivable from subsidiaries		-	35
Amounts receivable from joint ventures and associates		70	-
Non-current prepayments		2	4
Total non-current trade and other receivables		72	39
Total trade and other receivables		10,386	5,669

Notes to the financial statements

15. Trade and other receivables (continued)

The ageing of the Company's net trade receivables past due not subject to impairment is as follows

	2015	2014
	£m	£m
Up to thirty days past due date	73	104
Thirty to sixty days past due date	3	4
Sixty to ninety days past due date	1	1
Ninety to 120 days past due date	-	-
More than 120 days past due date	-	-
	77	109

Provisions for doubtful debts

	2015	2014
	£m	£m
Balance at beginning of year	68	85
Amounts utilised	(37)	(49)
Income statement charge	26	32
Balance at end of year	57	68

a) Amounts receivable from other Group companies

Amounts due from other Group companies as at 30 June 2015 are £8,866 million (2014 £4,558 million) £1,633 million (2014 £1,863 million) represent trade receivables, these are non-interest bearing and are repayable on demand. The balance of £7,233 million (2014 £2,695 million) are loans as detailed below

On 15 September 2008, the Company entered into an agreement with Sky Holdings Limited ("SHL"). The loan is interest bearing at a rate of twelve month LIBOR plus 0.75% and is repayable on demand. On the 27 July 2011 the loan was converted into a revolving credit facility ("RCF") of up to £24 million. This facility is repayable on demand and is non-interest bearing. As at 30 June 2015 the balance of the loan was £22 million (2014 £22 million).

On 26 June 2009, the Company entered into a £380 million revolving credit facility ("RCF") agreement with Sky Operational Finance Limited (Sky Operational Finance Ltd). This facility is repayable on demand and is non-interest bearing. At 30 June 2015 the balance on this account was £371 million (2014 £371 million).

On 26 June 2009, the Company was assigned a £343 million receivable from Sky Operational Finance Ltd by Sky plc as settlement of its debt. As at 30 June 2015, the balance of this loan was £343 million (2014 £343 million). This loan is non-interest bearing and repayable on demand.

On 20 July 2011, the Company entered into a £900 million RCF agreement with Sky Operational Finance Ltd. This facility is repayable on demand and is non-interest bearing. At 30 June 2015 the balance on this account was £1,439 million (2014 £1,439 million).

Notes to the financial statements

15 Trade and other receivables (continued)

a) Amounts receivable from other Group companies (continued)

On 5 November 2014, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of up to €800 million. The loan is interest bearing at a rate of EURIBOR plus 1% and is repayable on demand. At 30 June 2015 the balance on the account was £100 million.

On 16 September 2014, the Company entered into various new loan agreements with Sky Operational Finance Ltd. These agreements are detailed below.

The Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €581 million. The loan is interest bearing at a rate of EURIBOR plus 0.6563% and is repayable on demand. At 30 June 2015 the balance on the account was £414 million.

The Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €969 million. The loan is interest bearing at a rate of 2.1867% and is repayable on demand. At 30 June 2015 the balance on the account was £694 million.

The Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €1,500 million. The loan is interest bearing at a rate of 1.5% and is repayable on demand. At 30 June 2015 the balance on the account was £1,080 million.

The Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €1,000 million. The loan is interest bearing at a rate of 2.5% and is repayable on demand. At 30 June 2015 the balance on the account was £725 million.

On 11 November 2014 the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of up to €125 million. The loan is interest bearing at a rate of 3 month EURIBOR plus 1% and is repayable on demand. At 30 June 2015 the balance on the account was £31 million.

On 24 November 2014, the Company entered into further loan agreements with Sky Operational Finance Ltd. These agreements are detailed below.

The Company was assigned a £405 million receivable from Sky Operational Finance Ltd. The loan is interest bearing at a rate of 6 month Sterling LIBOR plus 0.4% and is repayable on demand. At 30 June 2015 the balance on the account was £245 million.

The Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €850 million. The loan is interest bearing at a rate of 1.875% and is repayable on demand. At 30 June 2015 the balance on the account was £611 million.

The Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €126 million. The loan is interest bearing at a rate of 2.94% and is repayable on demand. At 30 June 2015 the balance on the account was £90 million.

On 27 November 2014, the Company entered into further loan agreements with Sky Operational Finance Ltd. These agreements are detailed below.

Notes to the financial statements

15. Trade and other receivables (continued)

a) Amounts receivable from other Group companies (continued)

The Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €400 million. The loan is interest bearing at a rate of 2.75% and is repayable on demand. At 30 June 2015 the balance on the account was £289 million.

On 20 February 2015 the Company entered into a facility loan agreement with Sky Finance Europe Limited for an amount of up to €365 million. At 30 June 2015 the balance on the account was £261 million.

The Company has entered into other RCFs and loans with Sky Operational Finance Ltd amounting to £518 million (2014: £520 million), all are non-interest bearing and repayable on demand.

Within the Company there is a concentration of risk within accounts receivable from other Group companies. No allowance has been recorded against amounts receivable from other Group companies (2014: no allowance) as the Company has assessed that all Group companies with which it holds debt have sufficient funds to repay the debt.

b) Amounts receivable from subsidiaries

Amounts due from subsidiaries as at 30 June 2015 are £703 million (2014: £483 million). £687 million (2014: £467 million) represent trade receivables, these balances are non-interest bearing and are repayable on demand.

£16 million (2014: £16 million) is made up of a £4 million non-interest bearing loan to Sky Ventures Limited that is repayable on demand (2014: £4 million). In addition on 17 October 2011 the Company entered into a £60 million RCF agreement with Sky Ventures Limited. This facility is repayable on demand and is non-interest bearing. At 30 June 2015, the balance on this account was £12 million (2014: £12 million).

On 31 December 2012, the Company entered into a €8 million RCF with Acetrax AG. The loan is interest bearing at a rate of EURIBOR - 0.2% and is repayable on demand. During the prior year, Acetrax AG was put into liquidation and, therefore, the Company fully provided for it in the prior year financial statements.

c) Amounts receivable from parent company

Amounts due from the parent company as at 30 June 2015 are £56 million (2014: £36 million) which represents trade receivables, these are non-interest bearing and are repayable on demand.

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.

Notes to the financial statements

16. Trade and other payables

	Note	2015 £m	2014 £m
Trade payables		812	641
Amounts payable to the parent Company ^(a)		1,736	1,748
Amounts payable to other Group companies ^(c)		11,241	4,170
Amounts payable to subsidiaries ^(b)		1,727	962
Amounts owed to joint ventures and associates		16	11
Amounts owed to other related parties	27	107	101
VAT		172	232
Accruals		470	458
Deferred income		331	305
Deferred consideration		2	22
Other payables		63	45
		16,677	8,695

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

a) Amounts payable to the parent company

In July 1999, Sky issued US \$650 million of guaranteed notes and Sky plc loaned the proceeds to the Company. The Company is liable to the 8.200% external interest payments on the notes. The Company also pays the same rate of interest to Sky plc. As at 30 June 2015 the total of the loan was £43 million (2014: £38 million).

On 4 June 2007, the Company entered into a £694 million loan agreement with a fellow subsidiary undertaking, BSkyB Finance (Luxembourg) s a r l. The loan was repayable on demand and incurred interest at a rate of six month LIBOR plus 0.75%, compounded at 30 June and 31 December each year. On 5 March 2009, BSkyB Finance (Luxembourg) s a r l was placed into liquidation at which point the loan was transferred to the sole shareholder, Sky plc. The terms and conditions remain unchanged. As at 30 June 2015 the total of the loan plus interest was nil (2014: £101 million).

On 4 April 2008, the Company entered into a loan agreement with Sky Operational Finance Ltd. At the same time Sky Operational Finance Ltd entered into an agreement with Sky Broadband SA. These loans were in relation to the settlement of recharges during the month. The loan is repayable on demand and interest is payable at one month LIBOR plus 0.75%. On 13 January 2009 Sky Operational Finance Ltd assigned £249,724,000 of this loan along with a further £1,951,000 to Sky plc. Under the terms of the new loan interest is payable at six month LIBOR plus 1.00%. It is repayable on demand. The balance remaining on the original loan plus interest with Sky Operational Finance Ltd at 30 June 2009 was £425 million and the balance on the loan amount transferred to Sky plc plus interest at 30 June 2015 was nil (2014: £282 million).

On 29 June 2008, the Company also entered into two further loan agreements payable to Sky plc, £143 million and £109 million, both bearing interest at a rate of 1 month LIBOR plus 0.75%. These loans are repayable on demand. As at 30 June 2015 the total of the loan plus interest was nil (2014: £280 million).

The Company also has trade payable balances with Sky Group plc of £1,693 million (2014: £1,047 million), these balances are non-interest bearing and are repayable on demand.

Notes to the financial statements

16. Trade and other payables (continued)

b) Amounts payable to subsidiaries

All amounts are trade payables, these balances are non-interest bearing and are repayable on demand

c) Amounts payable to other Group companies

There are amounts due to other Group companies totalling £11,241 million (2014 £4,170 million) of which £1,266 million (2014 £445 million) are trade payables, these balances are non-interest bearing and are repayable on demand. There are £9,975 million (2014 £3,725 million) of intercompany RCFs and loans, of which £417 million (2014 £417 million) is non-interest bearing. All loans are repayable on demand.

On 8 February 2010, the Company entered into a loan agreement with Sky Operational Finance Ltd for €6.5 million bearing interest at a fixed rate of 4%. As at 30 June 2015 the balance of the loan plus interest was nil (2014 £7 million).

On 16 October 2009, the Company entered into a loan agreement with Sky Group Finance plc for £611 million. Under the terms of the loan agreement interest is payable at one month LIBOR plus 2.00%. As at 30 June 2015 the balance of the loan plus interest was £706 million (2014 £689 million).

In November 2008, Sky issued a further US\$600 million of guaranteed notes, Sky loaned the bond proceeds to Sky Operational Finance Ltd which then loaned them on to the Company. Under the terms of this loan agreement the Company is liable to the 9.500% external interest payments on these bonds. The loan is repayable on demand. As at 30 June 2015, the total of the loan plus interest was £619 million (2014 £582 million).

On 15 September 2008, the Company entered into a £150 million RCF agreement with Sky Operational Finance Ltd and another with Sky Holdings Limited ("SHL"). At the same time the Company entered into reciprocal facilities on the same terms with Sky Group Finance plc. The facilities are repayable on demand and bear interest at a rate of twelve month LIBOR plus 1.00%. As at 30 June 2015 the cumulative balance of these loans plus interest was £95 million (2014 £95 million).

On 11 April 2008, the Company entered into a £500 million RCF agreement with Sky Operational Finance Ltd. The facilities are repayable on demand and bear interest at a rate of one month LIBOR plus 0.75%. As at 30 June 2015 the balance of the loans plus interest was nil (2014 £1,402 million).

On 3 June 2013, the Company entered into a £503 million RCF agreement with Sky Operational Finance Limited. The facilities are repayable on demand and bear interest at a rate of 3.226%. As at 30 June 2015 the balance of this loan plus interest was £547 million (2014 £530 million).

On 24 July 2014, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of £541 million. The loan is non-interest bearing and repayable on demand. As at 30 June 2015 the balance of this loan was £538 million.

On 30 July 2014, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of £1,346 million. The loan is non-interest bearing and repayable on demand. As at 30 June 2015 the balance of this loan was £1,346 million.

Notes to the financial statements

16. Trade and other payables (continued)

c) Amounts payable to other Group companies (continued)

On 15 September 2014, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €1,500 million. The loan is repayable on demand and bears interest at a rate of 15%. As at 30 June 2015 the balance of this loan plus interest was £1,080 million.

On 15 September 2014, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €1,000 million. The loan is repayable on demand and bears interest at a rate of 2.5%. As at 30 June 2015 the balance of this loan plus interest was £725 million.

On 16 September 2014, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €581 million. The loan is repayable on demand and bears interest at a rate of EURIBOR and 0.6563%. As at 30 June 2015 the balance of this loan plus interest was £414 million.

On 16 September 2014, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €969 million. The loan is repayable on demand and bears interest at a rate of 2.1867%. As at 30 June 2015 the balance of this loan plus interest was £694 million.

On 12 November 2014, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of up to €200 million. The loan is repayable on demand and bears interest at a rate of 3 month EURIBOR. As at 30 June 2015 the balance of this loan plus interest was £211 million.

On 24 November 2014, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €450 million. The loan is repayable on demand and bears interest at LIBOR plus 1.2296%. As at 30 June 2015 the balance of this loan plus interest was £451 million.

On 24 November 2014, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of £200 million. The loan is repayable on demand and bears interest at 4%. As at 30 June 2015 the balance of the loan plus interest was £205 million.

On 27 November 2014, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €400 million. The loan is repayable on demand and bears interest at 2.75%. As at 30 June 2015 the balance of the loan plus interest was £289 million.

On 27 November 2014, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €850 million. The loan is repayable on demand and bears interest at 1.875%. As at 30 June 2015 the balance of the loan plus interest was £611 million.

On 27 November 2014, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €126 million. The loan is repayable on demand and bears interest at 2.94%. As at 30 June 2015 the balance of the loan plus interest was £90 million.

Notes to the financial statements

16. Trade and other payables (continued)

c) Amounts payable to other Group companies (continued)

On 27 November 2014, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of £408 million. The loan is repayable on demand and bears interest at 6 month LIBOR. As at 30 June 2015 the balance of the loan plus interest was £408 million.

On 26 February 2015, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of up to €140 million. The loan is non-interest bearing and repayable on demand. As at 30 June 2015 the balance of the loan was £99 million.

On 1 April 2015, the Company entered into an agreement with Sky Operational Finance Ltd for a loan amount of €600 million. The loan is repayable on demand and bears interest at 3 month EURIBOR plus 0.75%. As at 30 June 2015 the balance of the loan was £428 million.

17. Provisions

	At 1 July 2013	Provided during the year	Utilised during the year	At 30 June 2014	Provided during the year	Utilised during the year	At 30 June 2015
	£m	£m	£m	£m	£m	£m	£m
Current liabilities							
Restructuring provision ⁽ⁱ⁾	10	18	(9)	19	16	(21)	14
Property provisions ⁽ⁱⁱ⁾	5	-	(2)	3	3	-	6
Other	-	-	-	-	13	-	13
	15	18	(11)	22	32	(21)	33
Non-current liabilities							
Property provisions	3	-	(3)	-	17	-	17
Other	3	4	-	7	2	-	9
	6	4	(3)	7	19	-	26

(i) During the year ended 30 June 2014, the Company provided £18 million for the expected costs of a restructuring exercise undertaken. During the year ended 30 June 2015, as part of a separate restructuring exercise the Company provided a further £16m for the expected costs.

(ii) The Company has provided amounts for onerous contracts for property leases, maintenance and legal disputes. The timing of the cash flows for onerous property leases and maintenance are dependent on the terms of the remaining leases. The timing of the cash flows for legal disputes cannot be reasonably determined.

18. Non-current trade and other payables

	2015 £m	2014 £m
Non-current trade and other payables		
Other payables	45	37
Deferred consideration	-	2
Amounts owed to other related parties	5	10
	50	49

Notes to the financial statements

19. Borrowings

	2015 £m	2014 £m
Current borrowings		
Borrowings	4	-
Obligations under finance leases	3	3
	7	3
Non-current borrowings		
Obligations under finance leases	-	3
Other non-current borrowings	2	1
	2	4

The minimum lease payments under finance leases fall due as follows

	2015 £m	2014 £m
Within one year	3	3
Between one and two years	-	3
	3	6
Future finance charges on finance lease liabilities	-	-
Present value of finance lease liabilities	3	6

The obligations under finance leases are in relation to datacentre equipment. During the year the repayments of £3 million were made against the lease. A proportion of these payments have been allocated against the capital amount outstanding. The lease bears interest at a rate of 3.6% and expires in June 2016.

Notes to the financial statements

20. Derivatives and other financial instruments

	2015				2014			
	Asset		Liabilities		Asset		Liabilities	
	Fair value	Notional	Fair value	Notional	Fair value	Notional	Fair value	Notional
	£m	£m	£m	£m	£m	£m	£m	£m
Fair Value Hedges								
Cross-currency Swaps	4	503	(2)	611	-	-	-	-
Cash flow hedges.								
Forward exchange contracts	24	672	(21)	488	33	761	(44)	980
Derivatives not in a formal hedge relationship:								
Forward exchange contracts	48	1,734	(54)	2,030	34	704	(37)	753
Cross-currency swaps	183	2,584	(181)	2,584	-	-	-	-
Interest rate swaps	4	450	(4)	450	-	-	-	-
Total	263	5,943	(262)	6,163	67	1,465	(81)	1,733

The maturity of the derivative financial instruments is as follows

	2015		2014	
	Asset	Liability	Asset	Liability
	£m	£m	£m	£m
In one year or less	32	(39)	30	(39)
Between one and two years	17	(15)	21	(25)
Between two and five years	89	(87)	16	(17)
More than five years	125	(121)	-	-
Total	263	(262)	67	(81)

The Company's portfolio of rate derivatives is diversified by maturity, counterparty and type. Natural offsets between transactions within the portfolio and the designation of certain derivatives as hedges significantly reduce the risk of income statement volatility.

Notes to the financial statements

20. Derivatives and other financial instruments (continued)

At 30 June 2015, the carrying value of financial assets that were, upon initial recognition, designated as financial assets at fair value through profit or loss was nil (2014 nil)

Counterparty exposure from all derivatives is managed within credit limits that ensure that there is no significant risk to any one counterparty. In addition to this, deals are only executed with counterparties that have a long-term rating of "BBB" or better.

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

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

Hedge accounting classification and impact

The Company designates its forward foreign exchange contracts as cash flow hedges of forecast foreign currency sales and purchases. Gains or losses are released from the hedging reserve and recycled to the income statement in the same period as the hedged item is recognised. If forecast transactions are no longer expected to occur, any amounts included in the hedging reserve related to that forecast transaction would be recognised directly in the income statement. During the current year, losses of £6 million were removed from the hedging reserve and debited to operating expense in the income statement (2014 gains of less than £1 million). Gains of £10 million were removed from the hedging reserve and credited against revenue in the income statement (2014 loss of £2 million). Gains of £48 million were removed from the hedging reserve and credited against investment income (2014 nil) as a result of the de-designation of Irish subscriber revenue hedges following the transfer of these revenues to Sky Subscriber Services Limited.

Notes to the financial statements

20. Derivatives and other financial instruments (continued)

(a) Carrying value and fair value

The accounting classification of each class of the Company's financial assets and liabilities, together with their fair values is as follows

	Held to maturity investments	Available-for- sale investments	Derivatives deemed held for trading	Derivatives in hedging relationship	Loans and receivables	Other liabilities	Total carrying value	Total fair values
	£m	£m	£m	£m	£m	£m	£m	£m
At 30 June 2015								
Derivative financial instruments	-	-	(4)	5	-	-	1	1
Trade and other payables	-	-	-	-	-	(16,162)	(16,162)	(16,162)
Provisions	-	-	-	-	-	(26)	(26)	(26)
Available-for-sale investments	-	4	-	-	-	-	4	4
Trade and other receivables	-	-	-	-	9,992	-	9,992	9,992
Short-term deposits	1,100	-	-	-	-	-	1,100	1,100
Cash and cash equivalents	50	-	-	-	1,269	-	1,319	1,319
Other Borrowings	-	-	-	-	-	(5)	(5)	(5)
At 30 June 2014								
Derivative financial instruments	-	-	(3)	(11)	-	-	(14)	(14)
Trade and other payables	-	-	-	-	-	(8,218)	(8,218)	(8,218)
Provisions	-	-	-	-	-	(10)	(10)	(10)
Available-for-sale	-	8	-	-	-	-	8	8
Trade and other receivables	-	-	-	-	5,406	-	5,406	5,406
Short-term deposits	295	-	-	-	-	-	295	295
Cash and cash equivalents	300	-	-	-	728	-	1,028	1,028

Notes to the financial statements

20 Derivatives and other financial instruments (continued)

(a) Carrying value and fair value (continued)

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and which are traded on active liquid markets is determined with reference to quoted market prices,
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments,
- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts,
- The fair value of obligations under finance leases and other borrowings is estimated by discounting the future cash flows to net present value. The fair value of short-term deposits and cash and cash equivalents is equivalent to carrying value due to the short-term nature of these instruments.

The differences between carrying values and fair values reflect unrealised gains or losses inherent in the financial instruments, based on valuations as at 30 June 2015 and 30 June 2014. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

Cash and cash equivalents classified as held to maturity investments comprise money market deposits which have maturity dates of less than three months from inception. Money market deposits which have maturity greater than three months from inception are classified as short-term deposits. Cash and cash equivalents classified as loans and receivables mainly comprise investments in AAA rated money market funds which can be withdrawn without notice.

Notes to the financial statements

20. Derivatives and other financial instruments (continued)

(b) Fair value hierarchy

The following table categorises the Company's financial instruments which are held at fair value into one of three levels to reflect the degree to which observable inputs are used in determining their fair values

	Fair value	Level 1	Level 2	Level 3
	£m	£m	£m	£m
At 30 June 2015				
<i>Financial assets</i>				
Available-for-sale financial instruments	4	3	-	1
Interest rate swaps	4	-	4	-
Cross currency swaps	187	-	187	-
Forward foreign exchange and option contracts	72	-	72	-
Total	267	3	263	1
<i>Financial liabilities</i>				
Interest rate swaps	(4)	-	(4)	-
Cross currency swaps	(183)	-	(183)	-
Forward foreign exchange and option contracts	(75)	-	(75)	-
Total	(262)	-	(262)	-
At 30 June 2014				
<i>Financial assets</i>				
Available-for-sale financial instruments	8	4	-	4
<i>Financial assets at fair value through profit or loss</i>				
Forward foreign exchange contracts	67	-	67	-
Total	75	4	67	4
<i>Financial liabilities</i>				
<i>Financial liabilities at fair value through profit or loss</i>				
Forward foreign exchange contracts	(81)	-	(81)	-
Total	(81)	-	(81)	-

Level 1

Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2

Fair values measured using inputs, other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market source data

Level 3

Fair values measured using inputs for the asset or liability that are not based on observable market data

Notes to the financial statements

20. Derivatives and other financial instruments (continued)

(b) Fair value hierarchy (continued)

The Company's available-for-sale investment in Johnston Press is carried at fair value and constitutes a Level 1 financial instrument in the fair value hierarchy. The Company's other available-for-sale financial assets are held at fair value and are categorised as Level 3 in the fair value hierarchy.

21 Financial risk management objectives and policies

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

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

Capital Risk Management

The capital structure of the Company consists of equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings.

Risk and treasury management is governed by Sky plc's policies approved by its Board of Directors.

Liquidity risk

The Company's financial liabilities are shown in note 16, 17 and 18.

The following table analyses the Company's non-derivative 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. These amounts may not reconcile to the amounts disclosed on the balance sheet for provisions and trade and other payables.

Notes to the financial statements

21. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Less than 12 months £m	Between one and two years £m	Between two and five years £m	More than five years £m
At 30 June 2015				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	16,046	105	6	5
Provisions	18	8	-	-
<i>Gross settled derivatives</i>				
Outflow	2,133	1,321	4,042	4,886
Inflow	(2,138)	(1,334)	(4,078)	(4,971)
At 30 June 2014				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	8,116	99	3	-
Provisions	3	7	-	-
<i>Gross settled derivatives</i>				
Outflow	1,477	768	1,040	9
Inflow	(1,468)	(765)	(1,051)	(8)

Credit risk

The Company is exposed to default risk amounting to invested cash and cash equivalents and short-term deposits, and the positive fair value of derivative financial assets held. However, this risk is deemed to be low. Counterparty risk forms a central part of the Company's treasury policy, which is monitored and reported on regularly. The Company manages credit risk by diversifying its exposures across a wide number of counterparties, such that the maximum exposure to any individual counterparty was less than 6% (2014: less than 7%) of the total asset value of instruments at the end of the period. Treasury policies ensure that all transactions are only effected with strong relationship banks and all counterparties at the end of the period, each carried a credit rating of "Baa1" or equivalent from Moody's and Standard and Poor's.

Credit risk in the Company's residential customer base is mitigated by billing and collecting in advance for digital television subscriptions for the majority of its residential customer base.

The Company's maximum exposure to credit risk on trade receivables is the carrying amounts as disclosed in note 15.

Notes to the financial statements

21. Financial risk management objectives and policies (continued)

Interest rate risk

The Company has financial exposure to UK and European interest rates arising from the investment of surplus cash, interest rate derivatives transacted on behalf of the Group and various loan balances with other companies within the Sky Group. The Group's Treasury function monitors the Company's exposure to fluctuations in interest rates.

Interest rate sensitivity

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 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 variables were held constant, the Company's profit for the year ended 30 June 2015 would increase by £10 million (2014: profit for the year would increase by £14 million).

The sensitivity analyses provided are hypothetical only and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced because the Company's actual exposure to market rates changes as the Company's portfolio of debt, cash and foreign currency contracts changes. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company. The changes in valuations are estimates of the impact of changes in market variables and are not a prediction of future events or anticipated gains or losses.

Foreign exchange risk

The Company's revenues are substantially denominated in pounds sterling, although a significant proportion of operating costs are denominated in US dollars. These costs relate mainly to the Company's programming contracts with US suppliers.

The Group hedges currency exposures on US dollar denominated highly probable cash flows by using forward exchange contracts purchased up to five years ahead of the cash flow and currently no longer hedges transactional euro exposures arising in the UK.

It is the Group's policy that all US dollar foreign currency exposures are substantially hedged in advance of the year in which they occur. At 30 June 2015, the Group had purchased forward foreign exchange contracts representing

Approximately 99% (2014: 95%) of US dollar denominated costs falling due within one year and, on a declining basis across a five year planning horizon are hedged via

Notes to the financial statements

21. Financial risk management objectives and policies (continued)

Foreign exchange risk (continued)

- Outstanding commitments to purchase, in aggregate, \$2,611 million (2014 \$1,529 million) at an average exchange rate of £1 to \$158 (2014 £1 to \$161), of which \$740 million was purchased on behalf of other group companies
- Outstanding commitments to sell, in aggregate, \$757 million (2014 \$1,022 million) at an average exchange rate of £1 to \$158 (2014 £1 to \$160), of which \$740 million was sold to other group companies
- Outstanding commitments to purchase, in aggregate, \$1,755 million (2014 Nil) at an average exchange rate of €1 to \$117 (2014 Nil), all of which was purchased on behalf of other group companies
- Outstanding commitments to sell, in aggregate, \$1,755 million (2014 Nil) at an average exchange rate of £1 to €117 (2014 Nil)

In respect of its legacy euro hedging programme and to hedge current Balance Sheet exposures

- Outstanding commitments to sell, in aggregate, €252 million (2014 €1,078 million) at an average rate of £1 00 to €1 37 (2014 £1 00 to €118)
- Outstanding commitments to purchase, in aggregate, €531 million (2014 €111 million) at an average rate of £1 00 to €1 37 (2014 £1 00 to €118)

As such, the effective portion of the gain or loss on these contracts is reported as a component of the hedging reserve, outside the income statement, and is transferred to the income statement as the forecast transactions affect the income statement (i.e. when Euro or US dollar-denominated trade payables are retranslated and related programming inventory or prepayment are amortised through the income statement)

For forward exchange contracts, hedge accounting is applied to changes in the full fair value. Any hedge ineffectiveness on the forward exchange contracts is recognised directly in the income statement. The ongoing effectiveness testing is performed using the dollar-offset approach. If forecast transactions are no longer expected to occur, any amounts included in the hedging reserve related to that forecast transaction would be recognised directly in the income statement. Certain forward exchange contracts have not been designated as hedges and movements in their values continue to be recorded directly in the income statement.

It is the Company's policy that anticipated USD foreign currency exposures are substantially hedged in advance of the fiscal year in which the exposure occurs.

Foreign exchange sensitivity

The following analysis details the Company's sensitivity to movements in pounds sterling and against all currencies in which it has significant transactions. The sensitivity analysis includes only outstanding foreign currency denominated financial instruments and adjusts their translation at the period end for a 25% change in foreign currency rates.

- A 25% strengthening in pounds sterling against the Dollar would have a beneficial impact on profit of £3 million (2014 beneficial impact of £1 million). The same move would have an adverse impact on other equity of £201 million (2014 adverse impact of £143 million).
- A 25% weakening in pounds sterling against the Dollar would have an adverse impact on profit of £5 million (2014 adverse impact of £1 million). The same move would have a beneficial impact on other equity of £336 million (2014 beneficial impact of £239 million).

Notes to the financial statements

21. Financial risk management objectives and policies (continued)

Foreign exchange sensitivity (continued)

- A 25% strengthening in pounds sterling against the Euro would have an adverse impact on profit of £27 million (2014 beneficial impact of £1 million) The same move would have a beneficial impact on other equity of £102 million (2014 beneficial impact of £155 million)
- A 25% weakening in pounds sterling against the Euro would have a beneficial impact on profit of £45 million (2014 adverse impact of £2 million) The same move would have an adverse impact on other equity of £170 million (2014 adverse impact of £259 million)

The sensitivity analyses provided are hypothetical only and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced because the Company's actual exposure to market rates is constantly changing as the Company's portfolio of foreign currency and equity contracts changes

In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company The changes in valuations are estimates of the impact of changes in market variables and are not a prediction of future events or anticipated gains or losses

Additional information

At 30 June 2015, the carrying value of financial assets that were, upon initial recognition, designated as financial assets at fair value through profit or loss, was nil (2014 nil)

Cash and cash equivalents include £50 million (2014 £300 million) of held to maturity investments, which have maturity dates of less than three months from inception

22. Share capital

	2015	2014
	£m	£m
Allotted, called-up and fully paid		
10,002,002 (2014 10,002,002) ordinary shares of £1 each	10	10

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

22. Share capital (continued)

Share option and contingent share award schemes

The Company operates various equity-settled share option schemes (the "Schemes") for certain employees

The awards outstanding can be summarised as follows

Scheme	2015	2014
	Number of ordinary shares	Number of ordinary shares
Executive Share Option Scheme options ⁽ⁱ⁾	-	141,323
Sharesave Scheme options ⁽ⁱⁱ⁾	5,081,331	5,091,833
Management LTIP awards ⁽ⁱⁱⁱ⁾	25,300,261	15,160,880
LTIP awards ^(iv)	8,595,963	5,575,000
Management Co-Investment LTIP awards ^(v)	1,929,564	1,981,967
Co-Investment LTIP awards ^(vi)	1,768,738	2,235,172
	42,675,857	30,186,175

(i) Executive Share Option Scheme options

All Executive Share Option Scheme options outstanding at 30 June 2014 have vested. No options have been granted under the scheme since 2004.

Grants under the Executive Share Option Scheme were made on an annual basis to selected employees, with the exercise price of options being equal to Sky plc's share price on the date of grant. For those options with performance conditions, growth in EPS had to exceed growth in the Retail Prices Index plus 3% per annum in order for awards to vest. Options vested on an accelerated basis over a period of up to four years from the date of grant. The contractual life of all Executive Share Option Scheme options was ten years.

(ii) Sharesave Scheme options

All Sharesave Scheme options outstanding at 30 June 2015 and 30 June 2014 have no performance criteria attached, other than the requirement that the employee remains in employment with the Company. Options granted under the Sharesave Scheme must be exercised within six months of the relevant award vesting date.

The Sharesave Scheme is open to all employees in the UK and Ireland. Options are normally exercisable after either three or five years from the date of grant. The price at which options are offered is not less than 80% of the middle-market price on the dealing day immediately preceding the date of invitation. It is the policy of the Company to make an invitation to employees to participate in the scheme following the announcement of the end of year results.

(iii) Management LTIP awards

All Management LTIP awards outstanding at 30 June 2015 and 30 June 2014 vest only if performance conditions are met. Awards granted under the Management LTIP must be exercised within five years of the relevant award vesting date.

Notes to the financial statements

22. Share capital (continued)

Share option and contingent share award schemes (continued)

(iii) Management LTIP awards (continued)

The Company grants awards to selected employees under the Management LTIP. Awards under this scheme mirror the LTIP, with the same performance conditions. Awards exercised under the Management LTIP can only be satisfied by the issue of market-purchased shares.

(iv) LTIP awards

All LTIP awards outstanding at 30 June 2015 and 30 June 2014 vest only if performance conditions are met. Awards granted under the LTIP must be exercised within five years of the relevant award vesting date.

The Company operates the LTIP for Executive Directors and Senior Executives. Awards under the scheme are granted in the form of a nil-priced option. The awards vest in full or in part dependent on the satisfaction of specified performance targets. For awards made in 2008 and 2009 (i.e. awards that vested in 2011), 30% of the award vested dependent on TSR performance of Sky plc over a three year performance period, relative to the constituents of the FTSE 100 at the time of grant, and the remaining 70% vested dependent on performance against operational targets. The TSR performance targets were not applicable to awards made between July 2010 and March 2012 but have been re-introduced for awards granted from July 2012 onwards.

(v) Management Co-Investment LTIP awards

All Management Co-Investment LTIP awards outstanding at 30 June 2015 and 30 June 2014 vest only if performance conditions are met. Awards granted under the Management Co-Investment LTIP must be exercised within five years of the relevant award vesting date.

Sky plc grants awards to selected employees under the Management Co-Investment LTIP. Awards under this scheme mirror the Co-Investment LTIP, with the same performance conditions.

(vi) Co-Investment LTIP awards

All Co-Investment LTIP awards outstanding at 30 June 2015 and 30 June 2014 vest only if performance conditions are met. Awards granted under the Co-Investment LTIP must be exercised within five years of the relevant award vesting date.

The Company operates the Co-Investment LTIP award for Executive Directors and Senior Executives. Employees who participate in the plan are granted a conditional award of shares based on the amount they have invested in Sky plc shares. The investment will be matched up to a maximum of 15 shares for every share invested, subject to a three-year EPS performance condition.

Notes to the financial statements

22 Share capital (continued)

Share option and contingent share award schemes (continued)

The movement in share awards outstanding is summarised in the following table

	2015	2015	2014	2014
	Number of	Weighted	Number of	Weighted
	shares	average	shares	average
	under option	exercise price	under option	exercise price
Outstanding at 1 July	30,186,175	1 02	41,243,190	£0 70
Granted during the year	17,532,442	0.77	11,682,032	£1 17
Exercised during the year	(3,146,011)	2.05	(21,513,675)	£0 38
Forfeited during the year	(1,881,437)	2 55	(1,208,343)	£3 02
Expired during the year	(15,312)	5 33	(17,029)	£4 69
Outstanding at 30 June	42,675,857	0.77	30,186,175	£1 02

The weighted average market price of Sky plc's shares at the date of exercise for share options exercised during the year was £9 09 (2014 £8 42)

The following table summarises information about share awards outstanding at 30 June 2015

Awards Outstanding				
	2015	2015	2014	2014
	Number	Weighted	Number	Weighted
		average		average
Range of Exercise Prices		remaining		remaining
		contractual life		contractual life
£0 00 - £1 00	37,594,526	5 92	24,953,019	6 00
£3 00 - £4 00	-	-	16,024	0 09
£4 00 - £5 00	4,843	0 09	196,213	1 09
£5 00 - £6 00	1,020,534	1.68	2,214,970	1 83
£6 00 - £7 00	2,276,797	2.12	2,805,949	3 18
£7 00 - £8 00	1,779,157	3.45	-	-
	42,675,857	5.51	30,186,175	5 40

The exercise prices of options outstanding at 30 June 2015 ranged from nil to £7 08 (2014 nil to £6 82)

Information for awards granted during the year

The weighted average fair value of equity-settled share options granted during the year, as estimated at the date of grant, was £5 96 (2014 £5 53). This was calculated using the Black-Scholes share option pricing model except for awards which have market-based performance conditions, where a Monte-Carlo simulation model was used, and for grants of nil-priced options, which were treated as the award of a free share. The fair value of nil-priced options granted during the year was measured on the basis of the market-price of Sky plc's shares on the date of grant, discounted for expected dividends which would not be received over the vesting period of the options.

Notes to the financial statements

22. Share capital (continued)

Information for awards granted during the year (continued)

The Monte-Carlo simulation model reflected the historical volatilities of Sky plc's share price and those of all other companies to which Sky plc's performance would be compared, over a period equal to the vesting period of the awards

Weighted average fair value assumptions

Expected volatility was determined by calculating the historical volatility of Sky plc's share price, over a period equal to the expected life of the options. Expected life was based on the contractual life of the options and adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

The following weighted average assumptions were used in calculating these fair values

	2015	2014
Share price	£8.81	£8.38
Exercise price	£1.21	£1.57
Expected volatility	19.6%	20.6%
Expected life	3.1 years	2.5 years
Expected dividend	3.5%	3.3%
Risk-free interest rate	1.5%	0.8%

23. Shareholder's equity

	2015	2014
	£m	£m
Share capital	10	10
Hedging reserve	-	(6)
Available-for-sale reserve	(2)	(1)
Retained earnings	2,114	1,271
	2,122	1,274

For the year ended 30 June 2015 there was a £509 million distribution made to Sky (2014: £622 million). The distribution was settled by the assignment of intercompany debt within the Sky Group.

Hedging reserve

Changes in the fair values of derivatives that are designated as cash flow hedges are initially recognised in the hedging reserve, and subsequently recognised in the income statement when the related hedged items are recognised in the income statement. In addition, deferred tax relating to these derivatives is also initially recognised in the hedging reserve prior to transfer to the income statement.

Notes to the financial statements

24. Notes to the Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations	2015	2014
	£m	£m
Profit before tax	1,406	368
Depreciation and impairment of property, plant and equipment	100	100
Impairment of investment in subsidiaries	25	202
Amortisation and impairment of intangible assets	103	100
Impairment of available-for-sale investment	4	-
Share-based payment expense	90	57
Net finance costs	38	96
Profit on disposal of investment	(766)	-
	1,000	923
(Increase) decrease in trade and other receivables	(533)	93
Increase in inventories	(25)	(18)
Increase in trade and other payables	2,365	622
Increase in provisions	30	8
Increase in derivative financial assets	31	5
Cash generated from operations	2,868	1,633

During the year, as part of a Group reorganisation, assets of the Company amounting to a net book value of £465 million were transferred out to Sky Subscribers Services Limited ("SSSL") and Sky CP Limited. No cash was transferred as part of this transaction.

During the prior year, the trade and assets of Acetrax AG were transferred to the Company. No cash was transferred as part of this transaction and the intercompany payable in consideration of the transfer had not been settled in cash at the end of the reporting period. The transfer is therefore deemed a non cash transaction under IAS 7 and has not been included within the Cash Flow Statement.

Notes to the financial statements

25 Operating lease commitments

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

	2015	2014
	£m	£m
Within one year	22	26
Between one and two years	17	22
Between two and three years	10	18
Between three and four years	9	19
Between four and five years	2	3
After five years	9	7
	69	95

The majority of operating leases relate to property. The rents payable under these leases are subject to renegotiation at the various intervals specified in the leases.

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

	2015	2014
	£m	£m
Within one year	-	1
Between one and two years	-	-
Between two and three years	-	-
Between three and four years	-	-
Between four and five years	-	-
After five years	-	-
	-	1

Sub-lease rentals relate to property leases

Notes to the financial statements

26 Contracted commitments, contingencies and guarantees

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

	Less than 1 year	Between 1 and 5 years	After 5 Years	Total at 30 June 2015	Total at 30 June 2014
	£m	£m	£m	£m	£m
Television programme rights	1,508	5,993	364	7,865	4,401
Third party payments ⁽ⁱ⁾	60	42	-	102	155
Transponder capacity ⁽ⁱⁱ⁾	66	198	115	379	519
Property, plant and equipment	76	-	-	76	28
Intangible asset	3	-	-	3	25
Other	238	181	3	422	496
				8,847	5,624

(i) The third party payment commitments are in respect of distribution agreements for the television channels owned and broadcast by third parties retailed by the Group to retail and commercial subscribers ("Sky Distributed Channels")

(ii) Transponder capacity commitments are in respect of the SES satellites that the Group uses for digital transmissions to both retail subscribers and cable operators

Foreign currency commitments are translated to pounds sterling at the rate prevailing at the balance sheet date

b) Contingencies and guarantees

The Company, together with Sky Subscribers Services Limited, Sky Group Finance plc and Sky Telecommunications Services Limited has given joint and several guarantees in relation to the £1 billion Revolving Credit Facility held by its parent undertaking, Sky plc

The Company, together with Sky Subscribers Services Limited, Sky Group Finance plc, and Sky Telecommunications Services Limited has given joint and several guarantees in relation to the issue in the public debt market of US\$582.8 million of 9.500% Guaranteed Notes repayable in November 2018, US\$750 million of 6.100% Guaranteed Notes repayable in February 2018 and £300 million of 6.000% Guaranteed Notes repayable in May 2027, US\$800 million of 3.125% Guaranteed Notes repayable in November 2022 and issued by its parent undertaking, Sky plc

The Company, together with Sky Subscribers Services Limited, Sky plc, and Sky Telecommunications Services Limited has given joint and several guarantees in relation to the issue in the public debt market of US\$750 million of 5.625%

Notes to the financial statements

26. Contracted commitments, contingencies and guarantees (continued)

b) Contingencies and guarantees (continued)

Guaranteed Notes repayable in October 2015, £400 million of 5.750% Guaranteed Notes repayable in October 2017 and US\$350 million of 6.500% Guaranteed Notes repayable in October 2035 and issued by Sky Group Finance plc

27. Transactions with related parties

a) Major shareholders of Sky plc

The Company conducts business transactions with companies that form part of the Twenty-First Century Fox, Inc group, a major shareholder of Sky plc, the ultimate parent undertaking of the Company

	2015	2014
	£m	£m
Supply of services by the Company	31	78
Purchases of goods / services by the Company	(173)	(126)
Amounts owed to the Company	8	5
Amounts owed by the Company	(112)	(112)

Services supplied to Twenty-First Century Fox

During the year, the Company supplied programming, airtime, transmission, transponder facilities, marketing consultancy services, channel distribution services and set-top boxes to Twenty-First Century Fox, Inc companies

Purchases of goods and services and certain other relationships with Twenty-First Century Fox

During the year, the Company purchased programming, technical and marketing services from Twenty-First Century Fox, Inc

b) Key management

The Company has a related party relationship with the Directors of the Company as key management. At 30 June 2015, there were two (2014: two) key managers, both of whom were Directors of the Company. For further details, see note 7(b).

c) 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. Under this policy, the Company received £496 million (2014: paid £231 million) on behalf of Sky plc.

Notes to the financial statements

27 Transactions with related parties (continued)

d) Transactions with subsidiaries

The Company conducts business transactions with subsidiaries

	2015	2014
	£m	£m
Supply of services by the Company	29	29
Purchases of goods / services by the Company	(2,162)	(2,179)

For details of amounts owed by and owed to subsidiaries, see note 15 and note 16

Principal services supplied to subsidiaries

- Supply of access to selected third party channels

Principal goods/services purchased from subsidiaries

- Installation services and box costs
- Call handling services
- Telemarketing services
- Broadcast subsidy recovery
- Subscriber handling

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. Under this policy, the Company paid £2,680 million on behalf of its subsidiaries (2014: Company paid £2,324 million).

During the year, as part of a Group reorganisation, assets of the Company amounting to a net book value of £465 million were transferred out to Sky Subscribers Services Limited ("SSSL") and Sky CP Limited.

In the prior year, the Company acquired the trade, assets and liabilities of Acetrax AG, a fellow Group company, in a common control transaction for consideration equal to book value of £9 million. The total net assets acquired were transferred at a book value of £9 million. No goodwill was recognised as a result of the transaction.

During the prior year, the Company also transferred some trade, assets and liabilities of the Sky News business to Sky SNI Limited, a subsidiary of the Company, in a common control transaction for consideration equal to book value of £12 million. The total net assets were transferred at a book value of £12 million. No gain or loss was recognised as a result of the transaction.

e) Transactions with joint ventures and associates

Amounts owed by joint ventures and associates includes £70 million (2014: nil) relating to loan funding. This loan bears interest at a rate of 8.20% (2014: nil). The maximum amount of loan funding outstanding in total from joint ventures and associates during the year was £70 million (2014: nil).

f) Transactions with other Group companies

The Group's treasury function is responsible for liquidity management across the Group's operations. It is standard practice for the Company to lend and borrow cash to and from other Group companies as required. Under this policy the Company received £4,475 million on behalf of other Group companies during the year (2014: received £141 million).

Notes to the financial statements

27 Transactions with related parties (continued)

g) Forward contracts on behalf of Sky In Home Service Limited

The Company took out a number of forward contracts with counterparty banks during the year on behalf its subsidiary Sky In-Home Service Limited (SHS Ltd). On the same dates as these forward contracts were entered into, the Company entered into equal and opposite contracts with SHS Ltd in respect of these forward contracts.

The Company was not exposed to any of the net gains or losses on these forward contracts. The face value of the forward contracts that had not matured as at 30 June 2015 was £458 million (2014: £487 million).

During the year, US\$380 million (2014: US\$410 million) was paid to SHS Ltd upon maturity of forward exchange contracts and £241 million (2014: £264 million) was received from SHS Ltd upon maturity of forward exchange contracts.

h) Forward contracts on behalf of Sky Italia

The Company took out a number of foreign exchange contracts with counterparty banks during the year on behalf of the indirect subsidiary Sky Italia. On the same dates as these forward contracts were entered into, the Company entered into equal and opposite contracts with Sky Italia in respect of these forward contracts.

The Company was not exposed to any of the net gains or losses on these forward contracts. The face value of the forward contracts that had not matured as at 30 June 2015 was £760 million (2014: Nil).

During the year, US\$172 million (2014: Nil) was paid to Sky Italia upon maturity of forward exchange contracts and €139 million (2014: Nil) was received from Sky Italia upon maturity of forward exchange contracts.

i) Forward contracts on behalf of Sky Deutschland

The Company took out a number of forward exchange contracts with counterparty banks during the year on behalf of the indirect subsidiary Sky Deutschland AG. On the same dates as these forward contracts were entered into, the Company entered into equal and opposite contracts with Sky Deutschland AG in respect of these forward contracts.

The Company was not exposed to any of the net gains or losses on these forward contracts. The face value of the forward contracts that had not matured as at 30 June 2015 was £351 million (2014: Nil).

During the year, US\$15 million (2014: Nil) was paid to Sky Deutschland AG upon maturity of forward exchange contracts and €13 million (2014: Nil) was received from Sky Deutschland AG upon maturity of forward exchange contracts.

j) Derivative contracts on behalf of Sky plc

The Company took out a number of interest rate/cross-currency derivative contracts with counterparty banks during the year on behalf of its parent company Sky plc. On the same dates as these derivatives were entered into, the Company entered into equal and opposite contracts with Sky plc in respect of these interest rate and cross-currency swaps.

The Company was not exposed to any of the net gains or losses on these derivative contracts. The face value of the swaps that had not matured as at 30 June 2015 was £3,031 million (2014: Nil).

Notes to the financial statements

28. Ultimate parent undertaking

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

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

29 Post balance sheet events

On 17 November 2015, Sky plc issued €500 million of 2.25% Euro denominated bonds due November 2025 to which the Company acts as guarantor.