PARTHENON ENTERTAINMENT LIMITED

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

Registered number: 04377175

Directors and Officers

For the year ended 30 June 2015

Directors

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

C J Taylor
C R Jones

Secretary

C J Taylor

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditor

Deloitte LLP
Chartered Accountants
London
United Kingdom

Strategic and Directors' Report

Strategic Report

The Directors present their Strategic and Directors' report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 30 June 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 Parthenon Media Group Limited (the immediate parent company). The ultimate parent company is Sky plc ("Sky", formerly known as British Sky Broadcasting Group plc) and operates together with Sky's other subsidiaries, as a part of the Sky Group ("the Group").

The Company is a media company that produces and distributes video content, focussing on factual and children's programmes for the global marketplace. The Company's key asset is its library of programmes and hours of content which makes it one of the largest factual producers in the UK.. The principal activity of the Company in the year has continued to be that of the production and distribution of factual entertainment programmes, wildlife documentaries and children's programmes. 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.

The audited accounts for the year ended 30 June 2015 are set out on pages 7 to 19. The Directors consider turnover and operating profit to be key performance indicators of the Company. Turnover for the year ended 30 June 2015 was £19,310,000 (2014: £10,355,000) and the operating profit was £2,162,000 (loss in 2014: £2,913,000). The Directors continue to take steps to exploit new revenue streams from the existing programme library.

Key performance indicators (KPIs)

The Group manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the Company.

Principal risks and uncertainties

The Company's business is dependent on the quality of programming in its library and its ability to monetise this content through its efficient and established distribution systems and its network of relationships. 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 and customers could affect the Company's ability to operate as a business. The Group's principal risks and uncertainties are disclosed in the Group's annual report.

The Company's activities expose it to a number of, but limited, financial risks including market risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Financial risk management objectives and policies

The use of financial derivatives is governed by the Group's treasury policy approved by the Board of Directors, which provides written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

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.

Foreign exchange risk

The Company's international activities expose it to the financial risks of changes in foreign currency exchange rates.

Credit risk

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

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.

By Order of the Board,

C. Taylor

C J Taylor
Company Secretary

Grant Way
Isleworth
Middlesex
TW7 5QD
21 January 2016

Directors' Report

The Directors who served during the year are shown on page 1. The Directors do not recommend a dividend for the year ended 30 June 2015.

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

Going concern

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

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

Auditor

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

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

Deloitte LLP have expressed their willingness to continue as auditor and a resolution to reappoint them was approved by the Board of Directors on 21 January 2016.

By Order of the Board,

C. Taylor

C J Taylor
Company Secretary

Grant Way
Isleworth
Middlesex
TW7 5QD
21 January 2016

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 Parthenon Entertainment Limited

We have audited the financial statements of Parthenon Entertainment Limited for the year ended 30 June 2015 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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
21st January 2016

Profit and Loss Account
For the year ended 30 June 2015

	Notes	2015 £'000	2014 £'000
Turnover	2	**19,310**	10,355
Operating expense	3	**(17,148)**	(13,268)
Profit/(loss) on ordinary activities before tax	5	**2,162**	(2,913)
Tax	6	**(16)**	(36)
Profit/(loss) for the year		**2,146**	(2,949)

The accompanying notes are an integral part of this Profit and Loss Account.

For the years ended 30 June 2015 and 30 June 2014, there are no recognised gains or losses other than those shown above. Accordingly, no Statement of total Recognised Gains and Losses is presented.

All results relate to continuing operations.

Balance Sheet

As at 30 June 2015

	Notes	2015	2014
		£'000	£'000
Non-current assets			
Intangible assets	7	**31,740**	21,184
Tangible assets	8	**581**	271
		32,321	21,455
Current assets			
Debtors: amounts due within one year	10	**13,510**	10,601
Cash and cash equivalents		**34**	15
		13,544	10,616
Current liabilities			
Creditors: amounts falling due within one year	11	**(42,610)**	(30,946)
Net current liabilities		**(29,066)**	(20,330)
Total assets less current liabilities		**3,255**	1,125
Non-current liabilities			
Provision for deferred tax	13	**(775)**	(791)
Net Assets		**2,480**	334
Capital and reserves			
Called up share capital	14	**-**	-
Profit and loss account	15	**2,480**	334
Total shareholders' funds	16	**2,480**	334

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

The financial statements of Parthenon Entertainment Limited, registered number 04377175 were approved by the Board of Directors on 21 January 2016 and were signed on its behalf by:

C R Jones
Director
21 January 2016

Notes to the financial statements

1. Accounting policies

The Company is a limited liability Company incorporated in the United Kingdom, and registered in England and Wales.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

The accounts are prepared on the going concern basis on the assumption as described in the Directors' report on page 4.

Preparation of consolidated financial statements

The financial statements contain information about Parthenon Entertainment Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Sky which prepares consolidated accounts which are publicly available.

Cash flow statement

The Company has taken advantage of the exemption under FRS 1 (revised) not to prepare a cash flow statement as it is a subsidiary which is at least 90% controlled by the ultimate parent undertaking (see note 18).

Turnover

Turnover represents amounts receivable for production services and distribution fees net of VAT.

Turnover from a production commissioned or contracted by broadcasters is recognised as turnover in proportion to the stage of completion of the production at the relevant date. The stage of completion of a production is determined based on the proportion of costs incurred for work performed to date to total expected production costs.

Turnover from the distribution of programmes is recognised when a contract has been executed by both the Company and licensee and the relevant programmes have met all the necessary technical requirements. Distribution turnover from programmes or formats distributed by third parties and other ancillary turnover is recognised once the Company has been notified of the sums due to it. Non-refundable advance payments received from third parties are recognised as turnover on execution of a contract. Any fees received in advance, which do not meet all the above criteria, are included in deferred income until the above criteria are met.

Production and development costs

Production costs incurred in programming where future distribution rights are retained are capitalised in the balance sheet as intangible assets as they are incurred. Production costs are amortised to the profit and loss account as a proportion of projected total turnover from each film.

Production costs incurred in programming where no distribution rights are retained are charged to the profit and loss account as they are incurred.

Notes to the financial statements

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	-	over the term of the lease
Plant and machinery	-	straight line over 3-20 years
Fixtures and fittings	-	straight line over 3-20 years
Motor vehicles	-	straight line over 3-20 years

Intangible assets

Intangible assets, which comprise internally generated and acquired film distribution rights are initially stated at cost or fair value, respectively, less accumulated amortisation and impairment losses. Internally generated intangible assets are classified as assets under construction until they are available for use.

Amortisation of an intangible asset begins when the asset is available for use, and is charged to the Profit and Loss Account through operating expense based on the turnover earned each year as a proportion of the expected total turnover to be earned from the asset. Turnover forecasts are prepared for both internally generated and acquired film distribution rights, based on expected selling cycles. This requires an element of judgement from management.

During the year, an impairment review was undertaken and any programme which was no longer expected to generate revenues was fully impaired, with the charge taken to the Profit and Loss Account.

Tax, including deferred tax

UK corporation tax is provided at current amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which carried forward tax losses can be offset and from which the future reversal of underlying timing differences can be deduced.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Notes to the financial statements

1. Accounting policies (continued)

Leasing commitments

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight-line basis over the period of the lease.

Wages and salaries, pension costs and other post-retirement benefits

Wages, salaries, social security contributions, bonuses payable and non-monetary benefits for current employees are recognised in the Profit and Loss Account as the employees' services are rendered. The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the profit and loss account in the period to which they relate.

Investments

Fixed asset investments are stated at cost less provision for diminution in value. The carrying value of investments is assessed on an ongoing basis.

Debtors

Trade and other debtors are stated at their recoverable amount. A provision is made when the amount receivable is not considered recoverable and the full amount is written off when the probability for recovery of a balance is assessed as being remote.

2. Turnover

The turnover and loss before taxation are attributable to the one principal activity of the Company being the production and distribution of programmes. An analysis of turnover by geographical market is given below:

	2015	2014
	£'000	£'000
United Kingdom	**1,731**	2,461
Other European Union Markets	**5,496**	1,986
Rest of the World	**12,083**	5,908
	19,310	10,355

Notes to the financial statements

3. Operating expense

	2015 £'000	2014 £'000
Programme costs	**15,150**	10,175
Sales, general and administration	**1,998**	3,093
	17,148	13,268

To provide a more relevant presentation, management has chosen to reanalyse the operating expense categories from those previously reported. A number of operating expense sub-categories have been combined within a single Sales, general and administration ("SG&A") operating expense line. As such, certain prior period costs within the 2014 statutory Company total comparatives have been reclassified, as set out below.

Prior year expense of £872,000 previously included in Marketing and £2,221,000 previously included in Administration are now included in SG&A

4. Employees

	2015 £'000	2014 £'000
Wages and salaries	**2,448**	3,129
Social security costs	**248**	200
Other pension costs	**85**	67
	2,781	3,396

The average monthly number of employees during the year was as follows:

	2015 Employees	2014 Employees
Channels and services	**45**	45

Production employment costs of £680,000 (2014: £731,000) were capitalised during the year. See note 7 for further details of costs capitalised to intangibles during the year.

Notes to the financial statements

5. Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging:	**2015**	2014
	£'000	£'000
Depreciation and impairment of property, plant and equipment	**96**	206
Amortisation and impairment of intangible assets	**9,159**	3,431

Audit fees

Amounts paid to the auditor for the audit of the Company's annual accounts of £20,000 (2014: £20,000) were borne by another Group subsidiary in 2015 and 2014. No amounts for other services have been paid to the auditor.

Directors' remuneration

The Directors did not receive any remuneration during the year in respect of their services to the Company (2014: nil)

Notes to the financial statements

6. Tax

a) Analysis of tax charge

The tax charge on the loss on ordinary activities for the year was as follows:

	2015	2014
	£'000	£'000
Current tax expense		
Overseas tax	**32**	36
Adjustment in respect of prior years	**-**	174
Total current tax charge	**32**	210
Origination and reversal of temporary differences	**(17)**	(252)
Adjustment in respect of prior years	**1**	78
Total deferred tax credit	**(16)**	(174)
Tax charge on profit/loss on ordinary activities	**16**	36

UK corporation tax has been charged at 20.75% (2014 - 22.5%).

Factors affecting the tax charge

The tax assessed for the year is lower (2014: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2015	2014
	£'000	£'000
Profit/(Loss) on ordinary activities before tax	**2,162**	(2,913)
Profit/(Loss) before tax multiplied by blended rate of corporation tax in the UK of 20.75% (2014: 22.5%)	**449**	(655)
Effects of:		
Capital allowances in excess of depreciation	**(9)**	40
Non-deductible expenses	**38**	242
Tax losses utilised	**(15)**	(4)
Amortisation of intangibles	**48**	99
Overseas tax	**-**	36
Group relief surrendered/(claimed) for no consideration	**(479)**	278
Adjustment in respect of prior years	**-**	174
Current tax charge	**32**	210

Notes to the financial statements

7. Intangible assets

	Film rights not yet available for use	Film rights	Total
	£'000	£'000	£'000
Cost			
At 1 July 2014	1,072	38,791	39,863
Additions	1,853	17,862	19,715
Transfers	(1,072)	1,072	-
At 30 June 2015	**1,853**	**57,725**	**59,578**
Amortisation			
At 1 July 2014	298	18,381	18,679
Charge for the year	47	8,297	8,344
Transfers	(298)	298	-
Impairment for the year	-	815	815
At 30 June 2015	**47**	**27,791**	**27,838**
Net book value			
At 30 June 2014	774	20,410	21,184
At 30 June 2015	**1,806**	**29,934**	**31,740**

8. Tangible assets

	Short leasehold	Plant and machinery	Fixtures and fittings	Motor vehicles	Totals
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 July 2014	106	1,400	210	10	1,726
Additions	-	-	409	-	409
Disposals	(15)	(630)	(71)	-	(716)
At 30 June 2015	**91**	**770**	**548**	**10**	**1,419**
Depreciation					
At 1 July 2014	96	1,176	173	10	1,455
Depreciation	10	78	8	-	96
Disposals	(15)	(630)	(68)	-	(713)
At 30 June 2015	**91**	**624**	**113**	**10**	**838**
Carrying amounts					
At 30 June 2014	10	224	37	-	271
At 30 June 2015	**-**	**146**	**435**	**-**	**581**

Notes to the financial statements

9. Fixed asset investments

	Shares in group undertakings £
Cost	
At 1 July 2014	2
At 30 June 2015	2
Net book value	
At 30 June 2014	2
At 30 June 2015	2

Name	Country of incorporation	Description and proportion of shares held (%)	Principal activity
Direct holdings			
Cymru International Limited	United Kingdom	2 ordinary shares of £1.00 each - 100%	Distribution and Licensing

10. Debtors: amounts falling due within one year

	2015 £000	2014 £'000
Trade debtors	**7,803**	6,077
Amounts owed by other Group companies [a]	**655**	648
VAT	**270**	51
Other debtors	**21**	1
Prepayments and accrued income	**4,761**	3,824
	13,510	10,601

a) Amounts owed by other Group companies

There are amounts receivable from other Group companies totalling £655,000 (2014: £648,000); these balances are non-interest bearing and repayable on demand.

Notes to the financial statements

11. Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Other loans	19	35
Trade creditors	136	331
Amounts owed to other Group companies	39,536	22,534
Other creditors	213	1
Accruals and deferred income	2,706	8,045
	42,610	30,946

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

There were no loans that incurred interest charges during the year.

12. Obligations under leases

	2015	2014
	£'000	£'000
Operating lease payments - land and buildings		
Expiring:		
Within one year	89	97
Between one and five years	60	60
	149	157

Notes to the financial statements

13. Provision for deferred tax

	2015	2014
	£'000	£'000
Accelerated capital allowances	**(22)**	(32)
Other timing differences	**903**	949
Tax losses available	**(106)**	(126)
	775	791

	Deferred tax
	£'000
At 1 July 2014	791
Profit and loss account	(17)
Adjustment in respect of prior years	1
At 30 June 2015	**775**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in periods in which they reverse.

The UK Government announced a 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 were not substantively enacted at the balance sheet date and have therefore not been included in the figures above. The impact of the future rate reductions will be accounted for to the extent they are enacted at future balance sheet dates however it is estimated that this will not have a material impact on the Company. The rate used of 20% is that enacted at the balance sheet date (30 June 2015: 20%).

14. Share capital

	2015	2014
	£	£
Allotted, called-up and fully paid		
100 (2014: 100) ordinary shares of £1 (2014: £1) each	**100**	100

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

15. Profit and loss account

	Profit and loss account £'000
At 1 July 2014	334
Profit for the year	2,146
At 30 June 2015	2,480

16. Reconciliation of movements in shareholders' funds

	2015 £'000	2014 £'000
Profit/(Loss) for the financial year	**2,146**	(2,949)
Net increase/(reduction) to shareholders' funds	**2,146**	(2,949)
Opening shareholders' funds	**334**	3,283
Closing shareholders' funds	**2,480**	334

17. Related party disclosures

The Company has taken advantage of the exemption in FRS 8 paragraph 30 from the requirement to disclose transactions with Group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company Sky plc.

18. Ultimate controlling party

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

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